

**PROPOSED DISTRIBUTION SERVICES
AND OPEN ACCESS RULES
(DSOAR)**

January _____, 2009

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Republic of the Philippines
Energy Regulatory Commission

Pacific Center, San Miguel Avenue, Pasig City

DISTRIBUTION SERVICES
AND OPEN ACCESS RULES
(DSOAR)

Pursuant to Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001, and the Implementing Rules and Regulations issued pursuant to that Act, the Energy Regulatory Commission hereby promulgates the following rules, terms, and conditions for distribution services and open access.

**DISTRIBUTION SERVICES AND OPEN ACCESS RULES
(DSOAR)**

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ARTICLE I
GENERAL PROVISIONS

1.1 PURPOSE

The purpose of the DSOAR is to set forth the terms and conditions related to the provision of regulated services by a DU to entities such as captive and contestable customers, RES or Local RES, other DUs, generation companies, under the environment created by the Act.

1.2 DEFINITION OF TERMS

In the DSOAR, unless the contrary intention appears, the following words and phrases have the following meanings:

Ancillary Services	Those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining the reliable operation of the Grid or a Distribution System or a Subtransmission System in accordance with good utility practice, the Grid Code and the Distribution Code.
Applicant	An End-user or Generator, depending on context, that has submitted a Connection Application.
Business Day	A day other than a Saturday or a Sunday or an official or declared Philippine national or local public holiday.
Business Separation Guidelines	The rules and principles for the clear separation of accounts between regulated and non-regulated business activities; and, the structural and functional unbundling requirements that must be implemented and observed by electric power industry participants.
Business Separation Plan	The plan submitted by a market participant pursuant to the Business Separation Guidelines.
Captive Market	Refers to electricity end-users who do not have choice of a supplier of electricity, as may be determined by the ERC in accordance with the EPIRA.
Connection Agreement	Agreement between a Connection Customer and a DU governing Distribution Connection Assets and Services.
Connection Applicant	An End-user, DU, or Generator seeking to connect to the Distribution System, including an RES applying on behalf of an End-user in the Contestable Market.
Connection Application	An application made by a Connection Applicant for a Connection Agreement or modification to a Connection Agreement.
Connection	DU charges for Distribution Connection Assets and

Charges	Services.
Connection Customers	End-users, DUs, and Generators with a Connection Point on the Distribution System who purchase Distribution Connection Assets and/or Distribution Connection Services.
Connection Point	The point of connection of the User System or Equipment to the Grid (for Users of the Grid) or to the Distribution System (for Users of the Distribution System). For the purposes of this definition herein, User System or Equipment does not include the service entrance up to the meter.
Contestable Customer	An electricity End-user that belongs to the Contestable Market. An aggregate of Contestable Customers organized under the second phase of retail competition and open access shall be considered as a single Contestable Customer, unless otherwise provided by the ERC.
Contestable Market	The electricity end-users who have a choice of a supplier of electricity, as may be determined by the ERC in accordance with the Act.
Contribution in Aid of Construction (CIAC)	Amounts paid by a Connection Customer for the construction and/or extension of Distribution Connection Assets beyond the Standard Connection Facilities as proposed by the DU and approved by ERC. The DU maintains a separate account of these amounts and the assets never appear in rate base nor in a DU asset appraisal.
Customer	<p>In respect of a Regulated Distribution System:</p> <p>(a) a person whose User System or Equipment is directly connected to the Regulated Distribution System and who purchases or receives regulated distribution services in respect of that Regulated Distribution System; and</p> <p>(b) any other person who purchases or receives regulated distribution services in respect of that Regulated Distribution System.</p> <p>For the avoidance of doubt, this may include a person who operates an Embedded Generator, an RES, an End-user, another DU, or Generator wheeling power through the Regulated Distribution System.</p>
Customer Segment	A category of End-use customers connected to the Distribution System established pursuant to the guidelines promulgated by ERC. Customer Segments proposed by a DU and approved by the ERC have similar consumption characteristics for regulated distribution services in respect of that Regulated Distribution System, based on their network configuration and consumption profile, as measured by the number of connections, the energy throughput (kWh), the non-coincident peak load (kW), the co-incident peak

	load (kW), the time-of-day or any other physical measure as approved from time to time by the ERC. A Customer Segment of a particular DU includes all of the Customers who are charged the same tariff.
Distribution Assets Study (DAS)	A study to determine all distribution assets and costs necessary to accommodate a proposed Connection Agreement.
Distribution Code	The Philippine Distribution Code adopted by the ERC.
DCAS	Distribution Connection Assets and Services (separately defined below).
Distribution Connection Assets	In respect of a Regulated Distribution System, the components of that Regulated Distribution System which are used to provide Distribution Connection Services in respect of that Regulated Distribution System. Meters are not part of Distribution Connection Assets.
Distribution Connection Services	In respect of a Regulated Distribution System: <ul style="list-style-type: none"> (a) the provision of capability at a Connection Point in respect of that Regulated Distribution System to deliver electricity to or take electricity from that Connection Point; (b) the planning, installation, maintenance, augmentation, testing and operation of Distribution Connection Assets in respect of that Regulated Distribution System; and (c) the provision of services that support any of the services referred to in paragraphs (a) to (b).
Distribution Wheeling Service (DWS)	The conveyance of power throughout a Distribution System in a manner to meet the demand of End-users or Generators.
Distribution Impact Study (DIS)	A study performed to assess the ability of the Distribution System to accommodate a proposed Connection Agreement and any upgrades that may be required.
Distribution Service and open Access Rules (DSOAR)	The set of rules promulgated by ERC regarding the provision of regulated services by a DU to entities such as captive and contestable customers, RES or Local RES, other DUs, generation companies, under the environment created by the Act.
Distribution System	In respect of a Regulated Entity, a system of wires and associated facilities extending between: <ul style="list-style-type: none"> (a) the delivery points on the Grid and any Subtransmission System; and (b) the points of connection of Embedded Generators, on the one hand, and the points of connection of User

	Systems and Equipment of End-users, on the other hand.
Distribution Utility (DU)	Refers to any electric cooperative, private corporation, government-owned utility or existing local government unit which has an exclusive franchise to operate a distribution system in accordance with the EPIRA, including DUs operating in the economic zones.
Rules for Setting Distribution Wheeling Rates (RDWR)	Refers to the rules promulgated by the Commission to govern the entry of private distribution utilities into performance based regulation.
Effectivity Date	The date on which the DSOAR take effect.
Electric Plant Held for Future Use	An account that includes amounts of utility assets that were (1) acquired but held for use in the future and (2) previously used but since retired from service and being held pending reuse in the future under a definite plan.
End-user	Refers to any person or entity requiring the supply and delivery of electricity for its own use.
EPIRA	Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001.
Equipment	Equipment as defined in the Distribution Code.
ERC or Commission	The Energy Regulatory Commission created by virtue of the provisions under Section 38 of the EPIRA.
Force Majeure Event	An event, the occurrence of which could not be foreseen or which foreseen, where inevitable or beyond the control of either party such as: <ul style="list-style-type: none"> (a) typhoon, storm, tropical depression, flood or inundation, volcanic eruption, earthquake; or (b) war insurrection, riots, national emergencies, act of public enemies; (c) or changes in any law, order, regulation which makes it unreasonable or impossible for a party to perform its obligations.
Franchise Area	Geographical area designated within the legal franchise of a DU.
Generator	A person or entity authorized by the ERC to operate a facility used in the generation of electricity.
Grid Connection Point	A "Connection Point" as that term is defined in the Transmission Wheeling Rate Guidelines.
IRR	The Implementing Rules and Regulations issued pursuant to the EPIRA.
Local	Local Government as defined in Executive Order No. 292,

Government	otherwise known as the Administrative Code of 1987.
Local RES	The non-regulated business segment of the DU catering to the Contestable Market only within its franchise area. As such, a license is not required.
Magna Carta	Magna Carta for Residential Electricity Consumers including the Guidelines to Implement the Magna Carta issued by the ERC.
MAP	The Maximum Average Price or Maximum Annual Price as defined in the RDWR.
National Government	The National Government as defined in Executive Order No. 292, otherwise known as the Administrative Code of 1987.
Person	Refers to a natural or juridical person, as the case may be.
PhP	Philippine Peso.
Quarter	A period of three months from 1 January to 31 March (both dates inclusive), 1 April to 30 June (both dates inclusive), 1 July to 30 September (both dates inclusive) or 1 October to 31 December (both dates inclusive).
Regulatory Period	The First Regulatory Period, the Second Regulatory Period or a Subsequent Regulatory Period (as the case may be) of the RDWR.
Regulatory Reset Process	The process under the DWRG by which cost of service analysis establishes the new MAP and initial rates beginning a new Regulatory Period.
Retail Electricity Supplier (RES)	Any person or entity authorized by the ERC to sell, broker, market or aggregate electricity to the End-users in the Contestable Market.
Side Constraints	Limitation in the amount of annual change in the MAP as described in section 6.4 of the RDWR.
Standard Connection Charge	An unbundled connection charge on End-users that is uniform within a particular Customer Segment of a DU. The Standard Connection is based on the Standard Connection Facilities used to connect a typical End-user within the Customer Segment and is subject to ERC approval.
Standard Connection Facilities	The Connection Assets identified for a particular Customer Segment for the purpose of calculating a Standard Connection Charge.
Subtransmission Assets	All assets that are used by the DU as intermediate facilities to connect transmission and distribution substations, including those assets that are transferred from TransCo to a qualified DU or consortium of qualified DUs pursuant to Section 8 of the EPIRA.
Supplier of Last Resort	A regulated entity with the obligation of serving End-users in the Contestable Market pursuant to the provisions set forth

(SoLR)	in the DSOAR and other guidelines promulgated by ERC.
System Operator	System Operator as defined in the WESM Rules.
Tax	Any tax, levy, impost, deduction, charge, rate, duty or withholding which is levied or imposed by the National Government or a Local Government or any agency, department, instrumentality or other authority of the National Government or a Local Government.
TransCo	The National Transmission Corporation or its successor.
Transmission Wheeling Rate Guidelines	The Guidelines on the Methodology for Setting Transmission Wheeling Rates promulgated by the ERC on May 29, 2003.
Uniform Rate Filing Requirements	The Uniform Rate Filing Requirements promulgated by ERC on October 31, 2001.
User	A person or entity that uses the Distribution System and related Distribution facilities.
User Development	The System or Equipment to be connected to the Distribution System or to be modified, including the relevant proposed new connections and/or modification within the User System that requires a Connection Agreement.
User System	Refers to a system owned or operated by the User of the Distribution System.
WESM	The Wholesale Electricity Spot Market established pursuant to the EPIRA.
Weighted Average Cost of Capital (WACC)	An average cost of all sources of financing or financial capital where each is weighted by the reasonable percentage of each in the financing of utility investment. The WACC shall be that value determined pursuant to the DWRG.
Weighted Average Cost of Capital (WACC)	An average cost of all sources of financing or financial capital where each is weighted by the reasonable percentage of each in the financing of utility investment. The WACC shall be that value determined pursuant to the RDWR.

In addition, words and phrases used in these Guidelines which are defined in the EPIRA or the IRR have the meaning given to them in the EPIRA or the IRR (as the case may be).

1.3 APPLICABILITY

1.3.1 The DSOAR apply to:

- (a) Distribution Utilities (“DUs”), including DUs in the economic zones;
 - (b) End-users;
 - (c) Qualified DUs and franchised consortiums of qualified DUs controlling and operating Subtransmission Assets;
 - (d) Retail Electricity Suppliers (“RES”);
 - (e) The Transmission Provider;
 - (f) The System Operator;
 - (g) Generators;
 - (h) The Captive Market; and
 - (i) The Contestable Market.
 - (j) Supplier of Last Resort (SOLR);
 - (k) Local Retail Electricity Supplier (Local RES)
- (Together, the above-mentioned parties are collectively referred hereto as “the Participants”).

1.3.2 In interpreting and complying with the DSOAR, the Participants shall take into account that:

- (a) the Distribution System conveys electricity through its contractual relations with the End-use customers, RESs, Generators, and the Supplier of Last Resort;
- (b) RES that have been licensed by the ERC will be free to market or broker their services to potential contestable customers, and at such time that the ERC declares open access and retail competition, licensed RES will be free to conduct business within the Contestable Market, and further, End-use customers will fall into one of two categories: the Captive Market and the Contestable Market; and
- (c) the physical characteristics of electricity necessitate a significant degree of coordination between the Participants to ensure quality and reliability.

1.4 ENERGY REGULATORY BOARD RESOLUTION NO. 95-21 SUPERSEDED

The Energy Regulatory Board’s (ERB’s) Standard Rules and Regulations Governing the Operation of Electrical Power Services, Resolution No. 95-21, as amended by ERB Order, Case No. 95-368, dated April 10, 2000, are hereby superseded in their entirety by the DSOAR.

1.5 NONDISCRIMINATION

All DUs shall make available upon reasonable request all regulated services at rates, terms and conditions that are just and reasonable and shall not unjustly or unreasonably discriminate in the rates, terms, and conditions of service to similarly situated customers.

A DU shall provide regulated services to non-affiliated persons at rates, terms, and conditions that are in no way different from the provision of such services for its own purposes.

1.6 GENERAL DESCRIPTION OF SERVICES

With unbundling and open access, the distribution utilities face unprecedented change with respect to service and the customers they serve. The DSOAR is designed to cover the various service combinations in the new DU environment created by the EPIRA. The regulated DU shall be prepared to provide a variety of services to the Captive Market and the Contestable Market. DU service to the Captive Market will be similar to service provided before EPIRA but now with unbundled rates, removal of cross-subsidies, separate connections policy for End-users, and possible regulation under the RDWR to End-users and Generators, and SoLR services to Contestable End-users. With the implementation of open access and retail competition, the list of possible DU customers now includes End-users, Contestable Customers, captive Customers, RES, the Local RES, the SoLR, Generators, and other DUs. Every DU under the supervision, control, and jurisdiction of the ERC shall operate, maintain, and provide safe, reliable, adequate, efficient and continuous electric service. Every DU shall, upon request, give its customers as identified above, copy furnished ERC, all information and assistance pertaining to its service in order to provide said customers reliable, efficient and economical service.

1.6.1 DISTRIBUTION CONNECTION ASSETS AND SERVICES

DCAS relates to those facilities and related services dedicated to completing the Connection Point of an End-user or Generator. DCAS is the responsibility of the DU for End-users in both the Captive Market and the Contestable Market. Article II provides the rules pertaining to DCAS.

1.6.2 DU SERVICE TO THE CAPTIVE MARKET

The DU continues to provide all aspects of service to the Captive Market. Article III provides the rules pertaining to service to the Captive Market.

1.6.3 SUPPLIER OF LAST RESORT SERVICES

Unless otherwise determined by law or the Commission, all Distribution Utilities shall perform the duties and obligations as Suppliers of Last Resort ("SoLR") for the Contestable Market within their respective

franchise area as more fully set forth in The Rules for the Supplier of Last Resort and other separate guidelines related to SoLR service to be adopted by the ERC. SoLR service is regulated by ERC as back-up supply to the Contestable Market for the contingency that an End-user in the Contestable Market does not have supply from a competitive RES. SoLR service is not service to the Captive Market and is not RES service by the DU.

The Contestable Customer shall be served by the SOLR in the event the such customer:

- a) Fails to exercise its option to choose its supplier of electricity upon the implementation of retail competition and open access; or
- b) Fails to find a willing RES.

At least thirty (30) days prior to the commencement of retail competition and open access, contestable customers shall enter into a contract with a RES, a Local RES, or SOLR.

A Contestable Customer that has ceased to receive service from its RES or Local RES, arising from the occurrence of any last resort supply event, and who has not selected a new RES or Local RES yet shall be served by the SOLR upon compliance with the approved SOLR terms and conditions of service. A last resort supply event shall be triggered by any of the following conditions:

- a) The RES or Local RES has ceased to operate;
- b) The RES' license has been revoked by ERC;
- c) The arrangements for DWS between the RES and the DU have been terminated;
- d) The RES or Local RES is no longer permitted to trade electric energy through the WESM;
- e) The RES or Local RES has given notice to the ERC that it will no longer provide supply services; or
- f) Any other analogous event which the ERC may deem as a last resort supply event.

The Contestable Customer will immediately be served by SoLR after meeting certain requirements as established or approved by the ERC. SoLR customers shall not be served as if it were part of the Captive Market.

Because SoLR service is part of the Contestable Market but is not an RES function of the DU, the method of regulating energy prices for SoLR service shall not be based on approved purchased power agreement

costs, but instead the SoLR shall charge the applicable Ex-Post WESM Nodal Energy Price or the Bilateral Contract Price, whichever is higher, plus incremental administrative and overhead expenses, reasonable return on investment and the applicable Premium, approved by the ERC for the energy consumed by a SoLR customer during all hours of the monthly billing period. The SoLR shall also bill SoLR customers the last approved unbundled monthly Supply charge for the relevant Customer Segment and pass through all approved Distribution Wheeling Service, system loss charges, and metering costs charged by the DU and transmission service costs charged by the transmission provider. System loss charges shall be computed using the same methodology used for the Captive Market and based on the energy costs of the SoLR customer. All costs of SoLR service shall be transparently disclosed in an unbundled fashion in the billing to End-users taking SoLR service in the same manner as billings to the Captive Market. The DU may file an application with ERC at any time for approval of reasonable unbundled Supply charges and system loss charges applicable to SoLR service.

In the event of a power shortage, the Participants shall follow WESM procedures for such a contingency. The Supplier of Last Resort is not intended to be a generator of last resort during such a contingency.

An End-user taking SoLR service shall make a deposit equivalent to two months total estimated billing based on the average of previous six (6) months' demand and energy usage. Said deposit may be applied to past due bills of the SOLR, except when such amounts are restrained under legal contest. Such deposit shall be fully refundable upon termination of SoLR service, with interest paid on the deposit in accordance with the prevailing interest rate for savings deposit approved by the Bangko Sentral ng Pilipinas (BSP), less any arrears that have accrued in the customer's account, except when such arrears are restrained under legal contest. (SOLR Art. IV, Sec. 1.5)

An end-user under contract with a competitive RES cannot receive SoLR service without first satisfying all terms and conditions related to their RES contract including any contract termination fees. An end-user disconnected by a RES/Local RES or a DU for non-payment of bills and/or pilferage cannot avail SoLR service unless such customer pays in full any and all amounts, including any applicable charges due to the RES/Local RES or DU.

Any DU costs related to SoLR service shall be completely borne by the SOLR SoLR customers and shall not be borne by the Captive Market. Any costs related to generation capacity and energy not reasonably necessary to ensure continuous and reliable service to the Captive Market, shall not be borne by the Captive Market.

SoLR service is only designed to be a safety net for instances when End-users in the Contestable Market temporarily do not have a contract with an RES. The power costs paid by an End-user using SoLR service are expected to exceed those possible from an RES with a balanced purchased power strategy. With this in mind, Contestable Customers shall enter into a contract with a RES or Local RES at least thirty (30) days prior to the commencement of retail competition and open access (SOLR Art. II, Sec.1)

1.6.4 DISTRIBUTION WHEELING SERVICE (DWS)

DWS is the wheeling and conveyance of electricity over a DU's distribution system. Unbundled DWS shall be made available in a non-discriminatory fashion to licensed RESs, End-users in the Contestable Market, the SoLR, other DUs, and Generators. To be clear, the DU shall provide DWS to its SoLR function under the non-discriminatory terms and conditions of Article IV and subject to the Business Separation Guidelines. Article IV provides the rules pertaining to DWS.

1.7 DU EQUIPMENT AND ELECTRIC PLANT

1.7.1 AUTHORIZED EQUIPMENT

Every DU shall install in its plant only the generating or producing unit(s) and/or distribution equipment authorized in its Certificate of Public Convenience & Necessity (CPCN) or those that may be subsequently authorized by the ERC.

No DU shall increase, substitute or withdraw from the service any of its authorized equipment and machinery without the prior authority from the ERC, in accordance with the ERC Rules.

1.7.2 FICTITIOUS REGISTRATION OF EQUIPMENT

It shall be unlawful for any DU to cause, allow or in any other manner help or consent to the registration in its name, fictitiously, surreptitiously or otherwise of any equipment belonging to another person and/or to cause, allow or in any other manner, help or consent to the operation of said equipment under its CPCN.

1.7.3 CONSTRUCTION, OPERATION AND MAINTENANCE OF ELECTRIC PLANT

The electric plant which includes:

- (a) Power Plant

- (b) Distribution Lines
- (c) Substations
- (d) Overhead system, poles, lines, transformers, etc.
- (e) Underground systems, including power and communication cable manholes, conduits, etc.
- (f) Street Lighting System
- (g) Service wires and attachments
- (h) Meters and instruments; and
- (i) Control and communication facilities (Supervisory Control and Data Acquisition or SCADA),

shall be constructed, installed, operated and maintained in accordance with the provisions of the Philippine Electric Code and the rules and regulations that may be issued by the ERC in relation thereto. In the absence of applicable provisions in the Philippine Electrical Code, the provisions of other internationally-accepted standards shall apply.”

EQUIPMENT AT SUBSTATIONS

Every DU taking power from a transmission line shall install in its authorized territory at the receiving end:

- (1) Watt-hour meter(s) regardless of type to register the total kilowatt-hours delivered.
- (2) Wattmeters or meters to indicate or record the load.
- (3) Voltmeter(s) to indicate the potentials of each phase of the circuit(s) feeding the territory.
- (4) Ammeter(s) to indicate the current in each phase of the circuit(s).
- (5) And other instruments, safety control and devices that may be necessary to determine the demand characteristics and the voltage control in the authorized territory.

1.7.4 TESTING OF STATION AND SUBSTATION METERS

All station and substation meters and instruments used for billing purposes shall be inspected by the authorized representative of the ERC at least once every two years for testing purposes. Each instrument shall at all times be accompanied by a test report issued by the ERC showing the findings and corrections made at various readings and the date of last calibration.

1.7.5 WATT-HOUR METER STANDARD

Every DU furnishing metered electric service shall maintain, to check customer’s watt-hour meter, at least one watt-hour meter standard which shall be calibrated by the ERC at least once a year.

1.7.6 PORTABLE INDICATING AND RECORDING VOLTMETERS

Every DU shall provide itself with at least one portable indicating voltmeter. Utilities are further required to have at least one recording voltmeter which shall be placed in continuous service at its power plant or office.

1.7.7 NOMINAL VOLTAGE AND VOLTAGE REGULATION

Every DU shall adopt 230 volts as its nominal voltage for its entire secondary distribution systems except for special cases. The voltage across the main service entrance switch, as installed for each customer or group of customers, shall be maintained in accordance with the Phil Distribution Codes.

Standard voltage other than 230 volts as nominal shall be filed with the ERC.

1.7.8 STANDARD FREQUENCY AND ALLOWABLE VARIATION

The nominal fundamental frequency shall be 60 Hz. The DU shall design and operate its system to assist the System Operator in maintaining the fundamental Frequency in accordance with the Phil Distribution Codes.

1.7.9 RECORDS

Every DU shall keep a log book or any recording system in accordance with the ERC prescribed format,

1.7.10 POLES, SAG OF WIRES

No pole located on or near a public place shall have a one-way sweep exceeding three percent (3%) of its total length and all horizontal wires attached to it shall be pulled up so that their sag shall not be greater than three percent (3%) of the distance between poles.

1.7.11 IDENTIFICATION OF POLES, TOWER, ETC.

Poles, towers, structures, and transformers shall be marked and numbered by the DU to facilitate identification by the public.

1.7.12 REGISTER OF ASSETS

Every DU shall keep a comprehensive register of assets, indicating installation date, condition and refurbishment.

1.8 LIMITS ON LIABILITY

1.8.1 LIABILITY BETWEEN THE DU AND END-USERS

These rules are not intended to limit the liability of a DU or Connection Customer for damages except as expressly provided in these rules.

The DU shall make reasonable provisions to provide steady and continuous DWS, but does not guarantee the DWS against fluctuations or interruptions. The DU will not be liable for any damages, whether direct or consequential, including, without limitation, loss of profits, loss of revenue, or loss of production capacity, occasioned by fluctuations or interruptions unless it be shown that the DU has not made reasonable provision to supply steady and continuous DWS, consistent with the Connection Customer's class of service. In the event of a failure to make such reasonable provisions, the DU's liability shall be limited to the cost of necessary repairs of physical damage proximately caused by the service failure to those electrical delivery facilities of the Connection Customer which were then equipped with the protective safeguards recommended or required by the Distribution Code.

The preceding notwithstanding, the DU or the Connection Customer may be held liable for failure to conform to the rules and standards set forth in the Distribution Code and other applicable electrical codes adopted in the Philippines. Furthermore, if damages result from fluctuations or interruptions in DWS that are caused by the DU's or Connection Customer's gross negligence or intentional misconduct, this section shall not preclude recovery of appropriate damages when legally due.

1.8.2 LIMITATION OF DUTY AND LIABILITY OF RES

An RES has no ownership, right of control, or duty to the DU, Connection Customer or other third party, regarding the design, construction or operation of the DU's DCAS facilities and distribution system. An RES shall not be liable to any person or entity for any damages, direct, indirect or consequential, including, but without limitation, loss of business, loss of profits or revenue, or loss of production capacity, occasioned by any fluctuations or interruptions of DCAS or DWS caused, in whole or in part, by the design, construction or operation of the DU's distribution system. The foregoing notwithstanding, an RES may be held liable for non-technical system losses when found to condone, collude, conspire, or engage in the pilferage of electricity or tampering with any meters or DU facilities.

1.8.3 DUTY TO AVOID OR MITIGATE DAMAGES

The DU and Connection Customer shall use extraordinary diligence to avoid or mitigate its damages or losses suffered as a result of the other's culpable behavior under subsection 1.8.1.

1.8.4 LIMITATION OF LIABILITY DUE TO FORCE MAJEURE

Neither the DU nor the Connection Customer shall be liable for damages or losses resulting or arising from any Force Majeure Event.

1.8.5 EMERGENCIES AND NECESSARY INTERRUPTIONS

The DU may curtail or interrupt a Connection and/or DWS in the event of an emergency arising anywhere on the distribution system or the interconnected systems of which it is a part, which emergency poses a threat to the integrity of its system or the systems to which it is directly or indirectly connected if, in its judgment, such action may prevent or alleviate the emergency condition. The DU may interrupt service when necessary, in DU's prudent judgment, for inspection, test, repair, or changes in DU's Distribution System, or when such interruption will lessen or remove possible danger to life or property, or will aid in the restoration of DCAS and/or DWS.

The DU shall provide advance notice to the Connection Customer, if reasonably possible. Such notice shall be made at least two (2) days prior to said curtailment, reduction, or interruption and may be made by electronic notice (such as facsimile, text messages, or e-mail) to all affected Connection Customers or through radio broadcast, television broadcast, or local newspaper with specific identification of location, time and expected duration of outage. Such information shall also be posted on the Customer Bulletin Board. In cases where such notice is not reasonably possible, the DU shall submit a report to the Commission containing the information and an explanation why such advance notice was not reasonably possible. It shall likewise take other necessary actions to minimize the effect of such curtailment, reduction, or interruption to the Connection Customer.

A notice shall also be provided to those End-users for whom an RES has provided notice to the DU that interruptions or suspensions of service will create a dangerous or life-threatening condition on the End-user's premises. The End-user should notify their RES or the DU if a condition exists on the End-user's premises such that a suspension or interruption of service will create a life-threatening or dangerous condition.

The DU shall comply with all reporting requirements of the Distribution Code, and in addition to those requirements, shall either issue a written public notice published in a newspaper of general circulation in the DU's service territory and filed with ERC stating the precise reasons causing the curtailment or interruption within seven (7) days, or deliver a written report to all affected customers, any respective RES, and the Commission within seven (7) days. The public notice or report may cover more than one curtailment or interruption if there were multiple occurrences prior to the seven-day deadline for the first occurrence.

Nothing herein shall prevent the DU from being liable if found to be grossly negligent or to have committed intentional misconduct with respect to its exercise of its authority in this rule.

All the Participants shall cooperate with each other, the ERC and any other affected entities in the event of an emergency situation affecting the delivery of electric power and energy or the safety and security of persons and property. The Participants shall comply with the instructions of the DU and provide all necessary information prior to, during, and following an emergency declared by the DU in accordance with the Distribution Code.

1.9 DESIGNATION OF DISTRIBUTION UTILITY CONTACT PERSON

For the purpose of establishing immediate and direct contact with the DUs, the DU shall submit the name(s), contact number(s) and address(es) of responsible official/s. The said contact person/s must have the authority to decide on matters concerning all the activities mandated by the DSOAR. The DUs must notify the ERC in writing should there be any change in their submitted information.

1.10 DISPUTE RESOLUTION

A Participant may file a petition for dispute resolution with the ERC. Said petition shall specify all matters in dispute and the parties involved. After the Commission determines that the case falls within its jurisdiction, it shall forthwith issue an order setting the date of the preliminary conference and directing the defendant to file his answer/comment within ten (10) business days from receipt of said order or before the date of said conference, whichever comes earlier. Affirmative and negative defences not pleaded therein shall be deemed waived.

Should the defendant fail to answer the complaint within the period provided above, the Commission, *motu proprio*, or on motion of the complainant, shall render judgment as may be warranted by the facts alleged in the complaint and limited to what is prayed for therein.

Within five (5) business days after the termination of the preliminary conference, the Commission shall issue an order stating the matters taken up therein.

Within ten (10) business days from receipt of the order mentioned, the parties shall submit the affidavits of their witnesses and other evidence on the factual issues defined in the order, together with their position papers setting forth the law and the facts relied upon by them.

Within thirty (30) days after the receipt of the last affidavits and position papers, or the expiration of the period for filing the same, the Commission shall render a decision. However, should the Commission find it necessary to clarify certain material facts, it may, during said period, issue an order specifying the matters to be clarified, and require the parties to submit affidavits or evidence including the presentation of a witness on the said matters within ten (10) days from receipt of said order. Decision shall be rendered within thirty (30) days after receipt of the last clarificatory affidavits, evidence or the expiration of the period for filing the same.

All pleadings to be filed shall be verified.

While these are pending with ERC, the status quo of cases involving violation of contract shall be maintained.

In cases of regular electric bills or billing adjustments due to the stoppage or failure of the meter to register the full and correct amount of energy consumed, the consumer shall have the right to pay under protest for purposes of continuous supply of electricity by the utility without prejudice to a complaint to be filed by such customer against the imposition of the bill or billing adjustment. Such payment shall not be construed as an admission by the consumer of the allegations or claims of the distribution utility or of any violation of law or of the contract with the distribution utility.

The provisions of the Rules of Practice and Procedure Governing Hearings before the Energy Regulatory Commission and the Rules of Court on Summary Procedure shall apply in an analogous and suppletory character, whenever practicable and convenient.

1.11 COMMERCIAL OR BUSINESS NAME

No DU shall adopt a commercial or business name without first securing the approval of the ERC.

1.12 INVESTIGATION, INSPECTION, EXAMINATION AND TEST

The ERC or its authorized representative may at any time, conduct an inspection and investigation of the operation of any DU or an examination and test of any equipment operated for electric service. The refusal, obstruction or hindrance by the DU or any of its employees to the investigation or inspection of its service or examination or test of any of its equipment shall constitute a violation hereof.

1.13 ACCOUNTS

Every DU operator shall keep such accounts, books and other records as are necessary to afford an intelligent understanding of its business. If a uniform system of accounting is prescribed by the ERC for the electric industry, the said system shall be observed. Every DU shall keep its books of accounts by the double entry method.

1.14 DEPRECIATION

Every DU shall set aside annually from its earnings an amount for depreciation purposes which shall be subject to revision by the ERC and shall keep amount in a depreciation fund which shall be spent only in accordance with

Commonwealth Act No. 146, as amended, otherwise known as the *Public Service Act*.

The ERC shall fix and determine the proper and adequate rates of depreciation of the property of the electric utilities under its jurisdiction which will be observed in a proper and adequate depreciation account to be carried for the protection of stockholders, bondholders or creditors in accordance with such rules, regulations and form of account as the ERC may prescribe. Said rates shall be sufficient to provide the amounts required over and above the expense of maintenance to keep such property in a state of efficiency corresponding to the progress of the industry. Each DU shall conform its depreciation accounts to the rates so determined and fixed.

1.15 SUBMISSION OF MONTHLY STATISTICS AND ANNUAL REPORT

Every DU shall as prescribed by the ERC submit the statistics on electric power operations and automatic adjustment clause computations (power costs adjustment, fuel cost adjustment, currency exchange rate adjustment and other cost adjustments approved by the ERC) together with the supporting documents corresponding to the previous month in accordance with the prescribed form.

Likewise, the DU shall file with the ERC on or before May 31st of every year a detailed report of its finances and operations corresponding to the previous year, in accordance with the form prescribed by the ERC. Said annual report shall be based on audited financial statement.

1.16 COPY OF DSOAR

Every DU under the jurisdiction and control of the ERC must keep on file in its offices a copy of the DSOAR.

1.17 VIOLATION

Violation of any provision of the DSOAR shall be subject to the penalty which the ERC, after giving the DU opportunity to be heard, may impose in accordance with law.

1.18 GOVERNING LAWS AND REGULATIONS

The DSOAR is governed by the laws and pertinent regulations of the Philippines and any dispute or proceeding arising out of the DSOAR shall fall under the original and exclusive jurisdiction of the ERC.

1.19 SEPARABILITY

If, for any reason, any provision or part of a provision of the DSOAR is declared unconstitutional or invalid, those provisions which are not thereby affected will continue to be in full force and effect.

1.20 AMENDMENTS TO THE DSOAR

Nothing in the DSOAR is to be construed as precluding the ERC from issuing other rules and/or guidelines pursuant to the EPIRA and the IRR for the purpose of regulating the provision of services in respect of Distribution Systems.

1.21 EFFECTIVITY

The DSOAR shall take effect 15 days following its publication in a newspaper of general circulation.

ARTICLE II RULES PERTAINING TO DISTRIBUTION CONNECTION ASSETS AND SERVICES

2.1 GENERAL

This Article governs the terms of access and provision of Distribution Connection Assets and Services (collectively referred to hereafter as, "DCAS") by a DU to End-users, Generators, and other DUs, collectively "Connection Customers". This Article also applies to End-users receiving a Connection unlawfully or pursuant to unauthorized use. A DU shall provide DCAS pursuant to the terms and conditions herein to any potential Connection Customer within the DU's franchise service area requiring such service. An RES is not a Connection Customer but may assist its RES customers in matters pertaining to DCAS.

2.2 ENGINEERING STANDARDS FOR EQUIPMENT AND CONSTRUCTION

The standards for Distribution Connection Assets and the construction of connections shall be consistent with the Distribution Code. However, a Participant may petition the ERC for the approval of standards related to DCAS that may exceed those set forth in the Distribution Code. Standards exceeding those in the Distribution Code shall not be enforced by the DU on others unless specifically approved by ERC. In the event the DU believes it is necessary in a particular case to make investments that exceed minimum standards, the DU is allowed to do so but may only recover any additional costs after approval from ERC.

2.3 STANDARD CONNECTION FACILITIES

Standard Connection Facilities (SCF) shall be the minimum facilities necessary to establish a connection for a typical customer within the Customer Segment. The DU shall include its Standard Connection Facilities as part of its application for approval of Standard Connection Charges.

The SCF for residential customers shall be the service drop and billing meter. The SCF for non residential customers shall be the service drop, metering installation (includes instrument transformer/s and accessories) and distribution/power transformer (if any).

2.4 STANDARD CONNECTION CHARGES

2.4.1 TRANSITION TO UNBUNDLED CONNECTION CHARGES

Within 180 days following the effectivity of this Rules/guidelines every DU shall submit an application for the approval of unbundled Standard Connection Charges (SCCs) for each Customer Segment, and any future general application to adjust rates made shall likewise include proposed unbundled Standard Connection Charges. Any general application to adjust rates filed within 180 days following the effectivity of the DSOAR shall include the required application for the establishment of unbundled SCCs. A DU shall not implement or adjust SCCs without ERC approval to do so.

The unbundling of Standard Connection Charges is intended to be revenue neutral in the sense that the costs or revenues related to SCCs shall be removed from the unbundled distribution rates or revenue requirement.

2.4.2 STANDARD CONNECTION CHARGE FOR EACH CUSTOMER SEGMENT

Each Customer Segment shall have a Standard Connection Charge based on the Standard Connection Facilities for that Customer Segment. A Standard Connection Charge shall be uniform across all End-users within the Customer Segment of the same load and voltage level. The DU shall bill for the Standard Connection Charge to the same person or entity responsible for payment of unbundled distribution service or DWS.

Applications for the approval of Standard Connection Charges shall include all relevant studies and data necessary to support a Standard Connection Charge for each Customer Segment.

2.4.3 METHODOLOGY FOR COMPUTING STANDARD CONNECTION CHARGE

The methodology used to compute the Standard Connection Charge (SCC) for each Customer Segment of a private DU shall use the following formula:

$$SCC = \frac{[INVEST \times WACC] + D_i + OM + T_i + R_i}{12}$$

Where:

INVEST = is the Connection Asset investment for a standard connection or typical End-user in the Customer Segment. The DU may propose the inclusion of working capital in INVEST provided that such proposal clearly identifies the recurring expenses involved and the timing of such cash flow;

WACC = **is the ERC-approved weighted average cost of capital for the DU;**

DEP = is the depreciation expenses associated with INVEST based on straight line methodology and a depreciation life to be approved by the ERC;

OM = is the current Operation and Maintenance Expense associated with connections as attributed to that Customer Segment;

T_i = Is the corporate tax expense attributable to the Connection Asset for the current year, as determined under F(AIV)4.5

R_i = Is the short-fall, or surplus, in the Connection Charge collected for that Connection Asset in the previous year, increased by an amount to reflect the time value of money calculated using the Weighted Average Cost of Capital . If R_i is a surplus, it shall be expressed as a negative.

In coming up with the values in the above formula, the methodology to be used is not an accounting-based unbundling approach. Instead this is a bottom-up approach with the following steps:

Step 1: Conduct an engineering study to identify the standard equipment and facilities required for connecting a typical End-user within that Customer Segment.

Step 2: Once the standard equipment and facilities have been identified, calculate the installed cost of the standard connection (INVEST) based on current costs. The current costs of equipment and facilities shall be supported by recent invoices and quotes from equipment vendors and a labor cost study related to installation.

Step 3: Calculate the monthly depreciation expense (DEP) based on an ERC-approved depreciation life applied to the installed cost (INVEST) of the standard connection.

Step 4: Calculate a reasonable return using the DU's proposed weighted average cost of capital (WACC) applied to the installed cost (INVEST) of the standard connection.

Step 5: Conduct a study to determine the Operation and Maintenance (O&M) expense related to Connection Assets and Services corresponding to each Customer Segment. ERC approval of SCC will include the distinct approval of the stand-alone O&M charge for each Customer Segment.

2.4.4 ALTERNATIVE METHODOLOGY FOR COMPUTING STANDARD CONNECTION CHARGES

Upon full implementation of a DU's Business Separation Plan (BSP) and accounting separation between DCAS costs and other Distribution System costs, the DU may modify the methodology specified in 2.4.3 as follows.

Step 1: Compute a total DCAS revenue requirement based on the separated DCAS accounting costs.

Step 2: Use the INVEST values for each Customer Segment calculated in Step 2 of the methodology specified in 2.4.3, weighted by the number of customers in each Customer Segment, to develop Customer Segment allocation factors (or ratios).

Step 3: Multiply the allocation factors from the previous step by the total DCAS revenue requirement to arrive at Customer Segment specific DCAS revenue requirements.

Step 4: Compute the SCC for each Customer Segment by dividing DCAS revenue requirement by the approved annual billing determinant for the Customer Segment.

2.4.5 SUMMARY OF OPTIONS FOR ESTABLISHING STANDARD CONNECTION CHARGES AND ADJUSTMENT OF DISTRIBUTION RATES

At present, Distribution Connection Assets form part of the rate base used to compute unbundled distribution rates. Therefore, in establishing Standard Connection Charges, there must be a corresponding adjustment to the unbundled distribution rates. The method used for making such rate adjustment will depend on the approach followed in establishing the Standard Connection Charges.

Option 1: The DU makes its initial application pursuant to section 2.4.1 for approval of Standard Connection Charges prior to a general rate case. In such a case, the Standard Connection Charges, once approved by ERC, shall be credited against the unbundled distribution charges on each individual customer's bill.

Option 2: The DU makes its proposal for approval of Standard Connection Charges within a general rate case and follows the methodology specified in 2.4.3. In such a case, the unbundled distribution revenue requirement for a particular Customer Segment shall be reduced by the revenue to be collected through the Standard Connection Charges.

Option 3: The DU makes its proposal for approval of Standard Connection Charges within a general rate case and follows the methodology specified in 2.4.4. Under this methodology, the Distribution Connection Assets and related expenses have been properly separated from the unbundled distribution rate base and revenue requirement. In such a case, a revenue requirement offset or adjustment to the unbundled distribution rates is not required.

2.5 NEW CONNECTION POINTS OR MODIFICATION TO EXISTING CONNECTION POINTS

2.5.1 GENERAL

Subject to securing the approval of the DU in the manner outlined in the DSOAR and in accordance with the process set out in the Distribution Code, a Connection Applicant may seek:

- (a) A new Connection Agreement for a first Connection Point; or
- (b) A modification to an existing Connection Agreement for a change in an existing Connection Point or addition of a Connection Point, in either case by submitting a Connection Application to the DU.

2.5.2 APPLICATION FOR CONNECTION

The Connection Applicant shall complete a Connection Application provided by the DU in accordance with the DSOAR and Distribution Code involving a new Connection Point or modification to an existing

Connection Point, containing all necessary information for the provision of the required services.

2.5.3 COMPLIANCE WITH PROCESS AND NON-DISCRIMINATION

The DU and each Connection Applicant shall comply with the processes set out in the DSOAR and the Distribution Code for processing of new or modified connection arrangements. The DU shall process all requests involving connections in a timely manner and shall not give preference or discriminate between different Connection Customers or Connection Applicants, subject to any reasonable or justifiable exceptions as may be approved by ERC. Likewise the DU shall not give preference or discriminate between Connection Customers or Connection Applicants based on a Contestable Market End-user's choice of supply.

A distribution utility shall not refuse or discontinue service to an applicant or customer, who is not in arrears to the distribution utility, even though there are unpaid bills or charges due from the premises occupied by the applicant, or customer, on account of an unpaid bill of a prior tenant, unless there is evidence of conspiracy to defraud the distribution utility.

If the said consumer is not the owner of the premises sought to be energized, he shall be required to submit an undertaking from the owner of the premises that the said owner shall be jointly and severally liable with the applicant for any unpaid regular monthly bills incurred by the applicant after leaving the premises, in the absence of or insufficiency of the bill deposit.

2.5.4 LOCATION AND MAINTENANCE OF DU'S EQUIPMENT

The DU shall have the right, if necessary to construct its poles, lines and circuits and to place its transformers and other apparatus on the property or within the buildings of the customer, at a point or points convenient for such purpose, and the customer shall further grant the right to the use of suitable space for the installation of necessary metering equipment in order that such equipment will be protected from damage by the elements, or through the negligence or deliberate acts of any person(s). When the delivery of energy for separate buildings or premises is desired/necessary, a separate contract between customers and utility shall be required for each point of delivery.

In case the public utility, pursuant to this section, erects poles and lines on the property of a customer in order to be able to service him, it shall, upon payment of just compensation to the latter, also have the right to connect to said poles and lines any neighbour or neighbours of said customer, who may thereafter also apply for service connections and who cannot otherwise be connected or reached.

2.5.5 SERVICE DROP

An electric service drop is defined as the wires with the necessary supporting structure between the distribution lines of the DU and the service entrance.

All connections and disconnections of service shall be made by the DU.

Only one service drop shall be installed for each individual building, except as allowed in the Philippine Electrical Code, duly certified by a government authority.

Service conductors supplying a building or other structure shall not pass through the interior of another building or other structure.

Service Drops shall meet the requirements of the Philippine Electrical Code (PEC) or local and national government ordinances.

2.5.6 SERVICE ENTRANCE

Service entrance is defined as that portion of the customer's wiring including all necessary conduits, cable and accessories which extends from the customer's main entrance switch and/or DU's metering equipment to and including the point of attachment to the DU's service drop on the outside of the building/property line visible and accessible to authorized personnel of the utility. The outside terminal of the customer's service entrance must be located so as to enable connection to the service drop at a point nearest to the DU's existing or proposed electric service facilities.

Service entrance (cable or conduit) shall be in one continuous run from the service drop terminal to the meter..The line side of the service entrance shall be exposed on the outside of the building/property line visible and accessible to authorized personnel of the utility. All conductors on the line side of the service entrance including the neutral wire shall be installed in one conduit. The service entrance shall terminate near the point of connection to the service drop with not less than two (2) feet of wire extended outside the weatherhead.

In cases of "accessoria" wiring, the service entrance cable or conduit shall be installed in the same manner as for other building particularly emphasizing the fact that the entrance cable or conduit be exposed and seal-type "accessoria" boxes without fuses/circuit breakers shall be used for each separate service connection or group of service connections. Proper fittings shall be used in joining the cable or conduit to the junction box.

The DU shall not require existing open wiring service entrance to be changed or replaced with service entrance cable or conduit installation except when there is remodelling of existing installation and/or in cases of proven current diversion in the customer's premises.

Service entrance shall meet the requirements of the Philippine Electrical Code (PEC) or local and national government ordinances.

2.5.7 SERVICE SWITCHES OR BREAKERS

A safety switch or circuit breaker duly approved by the authorized government agency must be installed on the load side of the meter. All safety switches must be externally operated with fuses electrically “dead” when the switch is in the “off” position.

2.5.8 UNDERGROUND SERVICE

Residential – Underground residential service, including the pole on which said service is terminated, shall be provided, installed and maintained by the customers in accordance with the specification(s) prescribed by the PEC.

Non-residential – Installation of any underground facilities shall be subject to the prior agreement between the customer and the DU.

2.5.9 GROUNDING

The method of grounding at the User system shall comply with the Grounding Standards and specifications of the Philippine Electrical Code

2.6 MODIFICATIONS AND NEW PHYSICAL CONNECTIONS: RESIDENTIAL

2.6.1 RIGHT TO EXTENSION OF LINES AND FACILITIES

In accordance with the Magna Carta, a residential End-user located within thirty (30) meters from the distribution utilities' existing secondary low voltage lines has the right to an extension of lines or installation of additional facilities, other than a standard connection facilities, at the expense of the utility. However, if a prospective customer is beyond the said distance, the customer shall advance the amounts necessary to cover the expenditures on the facilities beyond thirty (30) meters.

2.6.2 REFUND

To recover the aforementioned advanced payment, the customer may either demand the issuance of a notes payable from the distribution utility or a refund at the rate of twenty-five (25) percent of the gross distribution revenue derived from all customers connected to the line extension for the calendar year until such amounts are fully refunded or, if available, the purchase of preferred shares. Revenue derived from additional customers tapped directly to the poles and facilities so extended shall be considered in determining the revenues derived from the extension of facilities.

Distribution Connection Assets paid for through advances from residential End-users shall be deemed plant in service in the accounts of the DU. Unpaid advances shall be a reduction to plant in service. If replacement becomes necessary at any time for any Distribution Connection Assets paid for by residential End-users, the DU shall be solely responsible for the cost of such replacement which shall become plant in service in the accounts of the DU, and shall not require another advanced payment from the connected residential End-users unless the replacement is due to End-user fault.

When a developer initially paid the cost of the extension of lines to provide electric service to a specific property and incorporated these expenses in the cost thereof, and that property was purchased and transferred in the name of the registered customer, the latter shall be entitled to the refund of the cost of the extension of lines, and exercise the options for refund provided in this article.

If the cost of the extension of lines or installation of additional facilities was funded gratuitously by other persons for the benefit of the customer, this provision shall not apply.

2.6.3 DEDICATED TRANSFORMER

If it is necessary to dedicate a transformer to the service of a single residential End-user due to the non-standard, large load of that customer, the End-user shall pay the actual cost of the transformer including replacements and such payment shall not be subject to refund. . This provision does not apply if a dedicated transformer is part of the Standard Connection Facilities for the End-user's Customer Segment or in the case of transformers which are dedicated to a single residential customer because of the customer is in a geographic location where the transformer capacity cannot be shared with other customers. In cases where the line extension is greater than 30 meters, the transformer dedicated because of the isolated nature of the customer shall be subject to the refund process in section 2.6.2.

2.6.4 ENGINEERING AND DESIGN

The DU shall be responsible for the engineering, design, and inspection of all line extensions required to provide electric service to a residential End-user. The DU shall prepare the design and cost estimate attributable to a line extension within thirty (30) business days following the request of a residential End-user or prospective residential End-user and submission of all necessary load data by the End-user. In making the request, the End-user shall provide all information pertaining to load characteristics required to develop the design or cost estimate. This service shall be provided by the DU at no charge to the End-user but instead will become part of the DU's operation and maintenance expense accounts for DCAS.

2.6.5 MINIMUM FACILITIES

In designing a connection, the DU shall only require the minimum facilities that are commercially available and consistent with current ERC-approved standards, which are necessary to provide service to the End-user. This provision applies to both Standard Connection Facilities as described in section 2.3, and connections requiring facilities in excess of the Standard Connection Facilities. If the End-user, or another party requests facilities in excess of that which is necessary to meet the End-user's power requirements, then all costs attributable to such excess shall be at the requesting party's sole cost and expense which shall be treated as a CIAC. If the DU installs facilities in excess of that which is necessary to meet the End-user's power requirements and such installations are necessary to accommodate anticipated growth of additional customers, then all costs attributable to such excess shall be paid for by the DU and treated as Electric Plant Held for Future Use.

In requesting for facilities in excess of what is necessary to meet power requirements, said request of the end-user should be subject to a Distribution Impact Study. The Distribution Impact Study of the DU should be the basis for the approval/disapproval of the customer's request for facilities in excess of what is required.

2.6.6 NEAREST SOURCE

The DU shall design the line extension from the nearest existing source of available capacity to the End-user's delivery point along the shortest practical route. The DU may, however, design the line extension along an alternative route in anticipation of additional customers; and in such situations, all additional costs attributed specifically to the alternative route shall be at the DU's sole cost and expense, and treated as Electric Plant Held for Future Use.

2.6.7 ALTERNATIVE ROUTES

Subject to the agreement of the DU, the End-user may request that the line extension be constructed along a route different from the route designed by the DU, but the End-user shall be responsible for all costs attributed to such route. Such incremental amounts paid by the End-user shall not be subject to refund, and shall be treated as a Contribution in Aid of Construction.

2.6.8 EASEMENTS

The DU shall design line extensions along existing rights of way whenever such rights of way are available. With the exception of

residential End-users located within thirty (30) meters of the existing Distribution System, the End-user shall provide to the DU at no cost any rights of way for a line extension across property owned or controlled by the End-user, or procure from other property owners, when such rights of way are necessary and dedicated to connect the End-user. In the event that the End-user cannot obtain the required rights of way, the DU may, by powers of eminent domain or otherwise, obtain rights of way. With the exception of residential End-users located within thirty (30) meters of the existing Distribution System, all cash amounts required to procure easements shall be advanced by the residential customer subject to the refund mechanism stated in section 2.6.2. The End-user shall submit to the DU all relevant invoices and proof of payment along with a sworn affidavit from the End-user that the documents are true and accurate. The DU shall immediately inform the ERC if it has reason to believe that any invoices or proof of payment have been falsified and the ERC shall investigate.

2.6.9 MODIFICATION TO EXISTING FACILITIES

If an End-user submits a request to have the DU modify, rearrange, relocate, or remove any of the DU's legally sited facilities for any purpose that does not result in a net increase in demand or electricity usage, the End-user shall be responsible for all costs attributed to such work. Such amounts shall be treated as a CIAC not subject to refund.

For modifications to existing facilities in response to a potential or impending capacity, reliability or safety concerns and are within the defined Standard Connection Facilities for the End-user's Customer Segment, the associated cost of such modification shall be that of the DU."

If the modification results in facilities that are in excess of the Standard Connection Facilities, the residential End-user shall advance such amounts to be refunded later. The end-user shall either demand the issuance of a notes payable from the distribution utility or a refund at the rate of twenty-five (25) percent of the gross distribution revenue derived from all customers connected to the line extension for the calendar year until such amounts are fully refunded or, if available, the purchase of preferred shares.

2.6.10 RIGHT TO PROCURE EQUIPMENT AND CONSTRUCTION

Connection Customers/Applicants shall have the right to select their own contractor and/or equipment vendor for the equipment, construction and installation of Distribution Connection Assets provided that the same adhere to all requirements of the Distribution Code, the DU's standards and any other standards approved by ERC. A Connection Customer/Applicant wanting to self-procure equipment and construction shall only select from contractors that have been accredited pursuant to guidelines issued by ERC. Residential End-users located farther than thirty (30) meters from the DU's existing secondary voltage lines who

procure and pay for services and equipment to construct their own connection shall be eligible to receive a refund at the rate of twenty-five (25) percent of the gross distribution revenue derived for the calendar year until such amount is fully refunded. The End-user shall submit to the DU all relevant invoices and proof of payment along with a sworn affidavit from the End-user that the documents are true and accurate. The DU shall immediately inform the ERC if it has reason to believe that any invoices or proof of payment have been falsified and the ERC shall investigate. Said refund shall not exceed the DU's proposed estimate for constructing the Connection Assets or the actual cost incurred by the End-user, whichever amount is lower. Because the amounts paid for the construction of a connection for a residential End-user are subject to refund, a residential customer utilizing the option to construct their own connection shall pay the relevant Standard Connection Charge approved by ERC.

2.7 MODIFICATIONS AND NEW CONNECTIONS: NON-RESIDENTIAL

2.7.1 RIGHT TO EXTENSION OF LINES AND FACILITIES

A non-residential End-user has the right to an extension of lines or installation of additional facilities at the expense of the utility insofar as the equipment and facilities to be installed are within the levels found in the Standard Connection Facilities definition used to compute the Standard Connection Charge for that End-user's Customer Segment.

2.7.2 NON-STANDARD CONNECTION

A non-residential End-user has the right to an extension of lines or installation of additional facilities that exceed the Standard Connection Facilities provided that the End-user pays for any facilities in excess of the Standard Connection Facilities used to compute the Standard Connection Charge for that End-user's Customer Segment. Specifically, the amount to be paid by the End-user shall equal the cost of the connection less the cost of the Standard Connection Facilities. Such payments for facilities in excess of the Standard Connection Facilities are not refundable and shall be treated as a CIAC. The End-user only paying CIAC on the amounts in excess of the Standard Connection Facilities shall still pay the ERC-approved Standard Connection Charges.

2.7.3 ENGINEERING AND DESIGN

The DU shall be responsible for the engineering, design, and inspection of all line extensions required to provide electric service to a non-residential End-user at the voltage level so desired by the End-user. The DU shall prepare the design and cost estimate attributable to a line extension within thirty (30) business days following the request of a non-

residential End-user or prospective non-residential End-user and submission of all necessary load data by the End-user. In making the request, the End-user shall provide all information pertaining to load characteristics required to develop the design or cost estimate. This service shall be provided by the DU at no charge to the End-user but instead will become part of the DU's operation and maintenance expense accounts for DCAS.

A non-residential End-user has the right to procure engineering and design services related to the development of a new or modified connection. The DU shall provide all data necessary for the completion of any studies related to construction of a new or modified connection. An End-user self-procuring engineering and design services shall be solely responsible for any related costs, and the design shall be consistent with current ERC-approved standards.

2.7.4 MINIMUM FACILITIES

In designing a connection, the DU shall only require the minimum facilities that are commercially available and consistent with current ERC-approved standards, which are necessary to provide service to the End-user. This provision applies to both Standard Connection Facilities as described in section 2.3, and connections requiring facilities in excess of the Standard Connection Facilities. If the End-user or another party requests facilities in excess of that which is necessary to meet the End-user's power requirements, then all costs attributable to such excess shall be at the requesting party's sole cost and expense which shall be treated as a CIAC. If the DU requests facilities in excess of that which is necessary to meet the End-user's power requirements and such request is necessary to accommodate anticipated growth of additional customers, then all costs attributable to such excess shall be treated as Electric Plant Held for Future Use.

In requesting for facilities in excess of what is necessary to meet power requirements, said request of the end-user should be subject to a Distribution Impact Study. The study will establish if the excess facilities have no negative impact on the operation of the system.

2.7.5 NEAREST SOURCE

The DU shall design the line extension from the nearest existing source of available capacity to the End-user's delivery point along the shortest practical route. The DU may, however, design the line extension along an alternative route when such route best serves the interests of the DU; and in such situations, all additional costs attributed specifically to the alternative route shall be at the DU's sole cost and expense, and treated as Electric Plant Held for Future Use.

2.7.6 ALTERNATIVE ROUTES

Subject to the agreement of the DU, the End-user may request that the line extension be constructed along a route different from the route designed by the DU, but the End-user shall be responsible for all costs attributed to such route. Such incremental amounts paid by the End-user shall not be subject to refund, and shall be treated as a Contribution in Aid of Construction.

2.7.7 EASEMENTS

The DU shall design line extensions along existing rights of way whenever such rights of way are available. The End-user shall, without reimbursement, procure for the DU any rights of way for a line extension across property owned or controlled by the End-user or others when such rights of way are necessary to connect the End-user. In the event that the End-user cannot obtain the required rights of way, the DU may, by powers of eminent domain or otherwise, obtain rights of way at the sole expense of the End-user.

2.7.8 MODIFICATION TO EXISTING FACILITIES

If an End-user submits a request to have the DU modify, rearrange, relocate, or remove any of the DU's existing facilities for any purpose that does not result in a net increase in demand or electricity usage, the End-user shall be responsible for all costs attributed to such work. Such amounts shall be treated as a CIAC not subject to refund.

For modifications to existing facilities that result in a net increase in demand or electricity usage and are within the defined Standard Connection Facilities for the End-user's Customer Segment, the associated cost of such modification shall be that of the DU. If the modification results in facilities that are in excess of the Standard Connection Facilities, the non-residential End-user shall be solely responsible for the costs associated with the incremental additional facilities which will be treated as Contribution in Aid of Construction.

2.7.9 RIGHT TO PROCURE EQUIPMENT AND CONSTRUCTION

Connection Customers shall have the right to select their own contractor and/or equipment vendor for the equipment, construction and installation of Distribution Connection Assets provided that the same adhere to all requirements of the Distribution Code and any other standards approved by ERC and of the DU. A Connection Customer/Applicant wanting to self-procure equipment and construction shall only select from contractors that have been accredited by the DU and government authorities. If the facilities paid for and constructed by the non-residential End-user become the property of the DU, such facilities shall be treated as a Contribution in Aid of Construction and shall not form part of the

DU's appraised value or rate base. The non-residential End-user opting to avail of the right under this section shall only pay the approved operation and maintenance component of the relevant Standard Connection Charge of section 2.4.3.

2.7.10 PROPORTIONATE SHARING OF LINE EXTENSION COSTS

Any End-user shall be allowed to connect to facilities treated as CIAC paid by another End-user. An End-user connecting to facilities previously treated as CIAC paid by another End-user within the life span of the subject facilities shall pay the DU a CIAC equivalent to one-half of the CIAC paid by the previous End-user times the proportionate ratio of the distance utilized by the newly connecting End-user plus any added facilities necessary to connect the End-user that are in excess of the Standard Connection Facilities. For new connections in which two or more End-users previously paid CIAC, the newly connecting End-user shall pay $(1/(n+1))$ of the CIAC paid by the previous End-users times the proportionate ratio of the distance utilized by the newly connecting End-user, where n equals the number of End-users making the previous CIAC.

The DU shall return the CIAC paid by the newly connecting End-user, less any added amounts for facilities necessary to connect the End-user that are in excess of the Standard Connection Facilities, to the End-user or End-users who originally made the CIAC in proportion to the relative amounts originally paid by each.

2.7.11 CONTRIBUTION IN AID OF CONSTRUCTION

Following inspection for compliance with the Distribution Code, any installed Connection Assets paid for by the End-user and treated as CIAC shall become the property and maintenance responsibility of the DU, except as provided for in the following section. Any facilities treated as CIAC shall not be subject to refund by the DU and shall not become part of the DU's rate base or appraised property value. If replacement of a connection paid for through a CIAC becomes necessary, the DU shall be responsible for the costs of such replacement which shall become part of rate base consideration.

2.7.12 OWNERSHIP OF CONNECTION ASSETS

Upon acceptance by the DU, all Connection Assets on the DU side of the agreed-upon Connection Point shall be and remain the sole property of the DU. Notwithstanding the foregoing, at the request of the End-user and if the End-user paid for the connection facilities, the DU and the End-user will identify those facilities, if any, that are not likely to be used to serve others and where ownership of such assets by the End-user will not compromise the DU's continuing obligation to serve customers.

Upon identification of such assets, the DU and the End-user may, by mutual agreement, designate an alternate Connection Point to accommodate the End-user's interest in owning the identified facilities. Consideration of End-user ownership of said Connection Assets hereunder will be given only if the End-user agrees to meet the following conditions:

- (a) The End-user shall, as promptly as possible, transfer ownership of said facilities to the DU in the event that any portion of these facilities become necessary to provide service to other Connection Customers. Such facilities, however, shall then be subject to the proportionate sharing provision of section 2.7.10;
- (b) Facilities owned by the End-user will be restricted solely for the use of that End-user;
- (c) The End-user agrees to procure and pay for all necessary maintenance services for the owned facilities; and
- (d) Only those facilities that pass through private property may be owned by the end-user.

2.8 CONNECTION OF A GENERATING FACILITY

2.8.1 INTERCONNECTION AND OPERATING AGREEMENT

A Generator shall execute an appropriate agreement with the DU governing the interconnection and operation of generating facilities.

- (a) Pro-forma agreements establishing the terms and conditions for interconnections and operation with the DU's facilities for each applicable class will be provided to the Generator by the DU. Such agreements may be modified by mutual agreement as necessary to address specific interconnection requirements existing at the time of the execution of the agreement.
- (b) Generators having agreements executed prior to the effective date of the DSOAR that govern interconnection and parallel operation with the DU's facilities shall be governed by the provisions of those existing agreements.
- (c) The agreement shall include any necessary requirements for communications and communications facilities between the DU and the Generator.
- (d) Where a Distribution Impact Study (DIS) and/or Distribution Assets Study (DAS) is required, the Generator shall be responsible for paying to the DU all reasonable costs incurred by the DU in performing such a study unless such operation has been requested by the DU.

2.8.2 GENERATOR COMPLIANCE

A Generator shall ascertain and comply with all applicable Commission issuances, Commission-approved requirements of the DU, and any local, national law, that applies to the design, siting, construction, installation, operation, or any other aspect of the Generating Facilities.

2.8.3 DESIGN REVIEWS AND INSPECTIONS

- (a) For the purpose of understanding the connection requirements of the Connection Applicant and to ensure that planned Connection Assets are adequate, DU shall have the right to review the design of a Generator's Generating Facility and Interconnection Facilities and to inspect a Generator's Generating and/or Interconnection Facilities prior to the commencement of parallel operation with DU's Distribution System. The DU may request a Generator to make modifications as necessary to comply with the requirements of the DSOAR and the Distribution Code. The DU's review and authorization for Parallel Operation shall not be construed as confirming or endorsing the Generator's design or as warranting the Generating and/or interconnection facilities' safety, durability or reliability. The DU shall not, by reason of such review or lack of review, be responsible for the strength, adequacy, or capacity of such equipment.
- (b) Generators shall not begin operation with the DU's facilities for the first time until their interconnection facilities have been inspected by the DU and written approval is provided by the DU to the Generator. Such approval may be withheld for noncompliance with the requirements of the DSOAR and the Distribution Code.
- (c) A Generator's generating facility and interconnection facilities shall be reasonably accessible to DU personnel as necessary for DU to perform its duties and exercise its rights under any agreement between DU and the Generator.
- (d) Any information pertaining to Generating and/or User Development provided to the DU by a Generator shall be treated by DU in a confidential manner.

2.8.4 PRUDENT OPERATION AND MAINTENANCE REQUIRED

A Generator shall operate and maintain its Generating Facility and its User Development in accordance with prudent electrical practices and shall maintain compliance with Commission adopted standards for the Generator. Said standards shall be those in effect at the time a Generator executes the Agreement with the DU.

The DU may limit the operation and/or disconnect or require the disconnection of a Generator's Generating Facility from the DU's Distribution System at any time, with or without notice, in the event of an emergency or to correct unsafe operating conditions. The DU may also

limit the operation and/or disconnect or require the disconnection of a Generator's Generating facility from the DU's Distribution System upon the provision of reasonable notice: 1) to allow for routine maintenance, repairs or modifications to the DU's Distribution System, 2) upon the DU's determination that a Generator's Generating facility is not in compliance with the DSOAR and the Distribution Code, or 3) upon termination of the Agreement.

When operating in parallel, the Generator shall comply with all operational direction of the DU at the time given with such direction subject to any conditions that the Generator and the DU may mutually agree to incorporate in the connection and operating agreement.

2.9 REQUIREMENTS FOR A NEW CONNECTION OR CONNECTION MODIFICATION OF A GENERATING FACILITY

2.9.1 APPLICATION PROCESS FOR GENERATORS

(a) Upon request, the DU will provide information and documents (such as the pro forma interconnection and operating agreement and the Application, technical requirements, specifications, listing of Certified Equipment, application fee information, applicable rate schedules and Metering requirements) in response to a Connection Applicant's inquiry. Unless otherwise agreed upon, all such information shall be sent to a Connection Applicant within five (5) business days following the initial request from the Connection Applicant. The DU will establish an individual representative as the single point of contact for the Connection Applicant, but may allocate responsibilities among its staff to best coordinate the Interconnection of a Connection Applicant's User Development. The application form shall include the following information:

1. A description of the proposed connection or modification to an existing connection to the Distribution System, which shall comprise the User Development at the Connection Point;
2. The relevant Standard Planning Data as specified in Section 6.4 of the Distribution Code; and
3. The Completion Date of the proposed User Development.

(b) Connection Applicant Completes an Application. All Generators shall be required to complete and file an Application and any possible Detailed Planning Data as specified in Article 6.5 of the Distribution Code when the same is required ahead of the schedule specified in the Connection Agreement or Amended Connection Agreement. The filing must include the completed Application, a fee (if required) for processing the Application.

(c) The Connection Applicant may propose, and DU may negotiate specific costs for processing non-standard installations such as multi-units, multi-sites, or otherwise as conditions warrant. Within ten (10) business days of receiving the Application, the DU shall acknowledge

its receipt and state whether the Application has been completed adequately. If defects are noted, the DU and Connection Applicant shall cooperate in a timely manner to establish a satisfactory Application.

2.9.2 GENERATING FACILITY DESIGN AND OPERATING REQUIREMENTS

The Connection Applicant's Generating Facilities and User Development shall be designed and operated in accordance with the DSOAR and the Distribution Code.

2.9.3 EVALUATION OF CONNECTION APPLICATIONS AND DISTRIBUTION IMPACT STUDIES (DIS) FOR GENERATORS

2.9.3.1 DETERMINATION WHETHER NEW DIS IS NECESSARY

After receiving a Connection Application, the DU shall determine on a non-discriminatory basis whether a specific DIS is necessary to process the Generator's application, in addition to the information already available from existing DISs. Technical requirements used by a DU for a DIS shall be proposed by the DU for ERC approval.

2.9.3.2 COST OF DIS

The Connection Applicant shall be responsible for the cost of a DIS performed pursuant to these provisions on behalf of the Generator.

2.9.3.3 AGREEMENT ON CONNECTION APPLICATION OR OFFER OF SERVICE FOR DIS.

If the DU agrees with the Connection Application and considers no DIS is necessary, it shall so advise the Generator within thirty (30) days from receipt of the Connection Application. If the DU determines that a specific DIS is necessary in addition to that information already available, it shall so inform the Connection Applicant within thirty (30) days from receipt of the Connection Application by issuing an offer of service for DIS to the Connection Customer.

2.9.3.4 REQUIREMENTS OF AN OFFER OF SERVICE FOR DIS.

The DU shall specify clearly in the offer of service for DIS:

- (a) The scope of the study, including identification of whether any distribution constraints, re-dispatch options, additional dedicated Connection Assets, or Distribution System upgrades shall be required to provide the requested service.
- (b) The estimated time for completion of the DIS and acknowledgement of the DU's obligations.
- (c) The maximum charge, based on the DU's estimate of the actual cost, inclusive of VAT.

The Connection Applicant shall reply to the DU's offer of service outlining its decision within thirty (30) days from receipt of any such offer.

2.9.3.5 EFFECT ON APPLICATION.

If the Connection Applicant accepts the DU's offer of service, it shall agree to pay for the DU to conduct the required study. If the Connection Applicant rejects the offer of service, does not file a complaint with the ERC, or does not reply to the offer of service within thirty (30) days of receipt of the Offer, its application shall be deemed withdrawn.

2.9.3.6 PAYMENT FOR UNDERTAKING DIS AND DATA SUBMISSION

Should the Connection Applicant agree to the DU's offer of service for DIS, the Connection Applicant shall make full payment cost of the DIS prior to commencement of the study.

The Connection Applicant shall submit the required data needed for the DIS as specified in the Connection Application before the DIS is conducted.

2.9.3.7 TIME PERIOD FOR COMPLETION OF DIS

The DU shall exert best effort to complete the required DIS within a sixty (60) day period of the agreement to an offer of service for a DIS unless otherwise agreed between the parties.

In the event that the DU is unable to complete the DIS within the time period specified or agreed, it shall notify the Connection Applicant and provide an estimated completion date along with an explanation of the reasons why additional time is required to complete the required DIS.

2.9.3.8 RETENTION OF DIS

The DU shall develop and maintain a set of any Distribution Impact Studies ("DISs") conducted that may be used for

evaluating future Connection Applications in accordance with the Distribution Code.

2.9.3.9 RELIANCE ON EXISTING DIS

In performing the DIS, the DU shall rely as much as possible on all existing DISs as applicable to the information supplied by the Connection Applicant.

2.9.3.10 PROVISION OF DIS ISSUES AND RESULTS

In undertaking or taking responsibility for the provision of the DIS, the DU shall inform the Connection Applicant of key issues arising from the DIS as they arise. Following the completion of the DIS, the DU shall provide the Connection Applicant with a copy of the completed DIS results and related work papers not later than five (5) business days after its completion.

2.9.3.11 NOTIFICATION OF ADEQUACY OF DISTRIBUTION

The DU shall notify the Connection Applicant not later than five (5) business days following the completion of the DIS if the Distribution System shall be adequate to accommodate all or part of the Connection Application.

2.9.4 DISTRIBUTION ASSETS STUDY FOR GENERATORS

2.9.4.1 OFFER OF SERVICE FOR DISTRIBUTION ASSETS STUDY

If the DU's DIS indicates that new Connection Assets or Distribution System upgrades are needed to provide the requested services, the DU shall tender to the Connection Applicant an offer of service for a Distribution Assets Study ("DAS") within thirty (30) days of completing the DIS.

The Connection Applicant has fifteen (15) days to respond from the date of its receipt of the offer of service.

2.9.4.2 OPTIONS FOR CONNECTION APPLICANT IN UNDERTAKING DAS

In responding to the offer of service provided by the DU within the timeframe provided herein, the Connection Applicant may decide to:

(a) Undertake the DAS itself and advise the DU accordingly;

- (b) Contract with a third party, accredited pursuant to ERC guidelines, and advise the DU accordingly; or
- (c) Agree to the offer of service for DAS from the DU.

The DU shall be bound by the Connection Applicant Distribution Customer's decision in relation to (a), (b) or (c).

2.9.4.3 COMPLETION OF DAS

In the event that the Connection Applicant agrees to proceed with a DAS and:

- (a) The DAS is to be completed by the Connection Applicant, or by a third party contracted by the Connection Applicant, the Connection Applicant shall use its reasonable endeavours to ensure the DAS is completed within the period of time specified in the offer of service.
- (b) The DAS is to be completed by the DU, the DU shall use its reasonable endeavours to ensure the DAS is completed within the period of time specified in the offer of service.

2.9.4.4 COST OF DAS

The Connection Applicant shall be responsible for the cost of any DAS.

2.9.4.5 SUBMISSION OF DATA FOR DAS

Where the DU is undertaking the DAS, the Connection Applicant shall submit the data needed for the DAS including the Detailed Planning Data, as specified in the Connection Application and the Distribution Code, before the DAS is conducted.

2.9.4.6 NOTIFICATION OF ADDITIONAL TIME TO COMPLETE DAS

Where the DU is undertaking the DAS and requires additional time, the DU shall notify the Connection Applicant and provide an estimate of the time needed to reach a final determination along with an explanation of the reasons why additional time is required to complete the DAS.

2.9.4.7 RESULTS OF DAS

When completed, the DAS shall include a good faith estimate of:

- (a) The cost of the Connection Assets to be charged to the Connection Applicant.
- (b) The Connection Applicant's appropriate share of the cost of any required Distribution System upgrades.
- (c) The time required to complete such construction and initiate the requested service.

2.9.4.8 PROVISION OF RESULTS FROM DAS

The party that undertook or commissioned the DAS shall provide the other party with a copy of the completed Study results and related work papers as soon as is practicable after the completion of the DAS and no later than 5 days after its completion.

The parties shall confirm acceptance of the DAS to each other within 10 business days, or shall specify any areas the party feels requires modification. If the parties are unable to reconcile any differences, the dispute may be filed for ERC resolution pursuant to section 1.9 of the DSOAR.

2.10 ARRANGEMENTS FOLLOWING EXECUTION OF CONNECTION AGREEMENT

2.10.1 COMPLETION OF CONNECTION ARRANGEMENTS

The DU and Connection Customer, taking into consideration the agreed target completion date, shall use their reasonable endeavours, in coordination with each other, to complete their respective connection arrangements as agreed in the Connection Agreement.

2.10.2 SECURITY FOR NEW FACILITIES OR FACILITY UPGRADES

In the event that the DU is required to invest in new facilities or distribution upgrades to meet its obligations under the new or modified Connection Agreement, and the Connection Customer is to shoulder these costs, the Connection Customer shall provide the DU with a letter of credit in the form specified in the DSOAR, if requested to do so by the DU, before the DU commences the necessary work.

2.10.3 DESIGN AND SPECIFICATION REQUIREMENTS

The design and specifications of any additional Facilities required for Connection shall:

- (a) Conform to the Distribution Code;
- (b) Conform to reasonable engineering standards specified by the DU; and

(c) Be approved by the DU.

2.10.4 INSTALLATION OF NECESSARY EQUIPMENT

Power DWS shall not commence until the DU and the Connection Customer have ensured that the Equipment has been installed consistent with the Distribution Code and good industry practice, and any additional reasonable requirements to ensure the reliable operation of the Distribution System, as recorded in the Connection Agreement, have been met.

2.10.5 PROVISION OF REQUIRED INFORMATION AND TESTS OF EQUIPMENT

The Connection Customer shall provide the required information set out in the Distribution Code to the DU prior to the Commissioning Date and shall test the Equipment required at the Connection Point to connect the Connection Customer's Facilities to the Distribution in accordance with the Distribution Code.

2.10.6 COSTS OF PROCESSING AND MODIFICATION

In the event the Connection Customer wishes to cancel or amend its Connection Application or its Connection Agreement, said Connection Customer shall be liable for any costs reasonably incurred by the DU in processing and, if agreed, implementing a modification in the Connection Agreement.

2.10.7 SAFETY, POWER QUALITY AND RELIABILITY

The DU and each Connected Connection Customer shall ensure that all Equipment that each Participant provides at a Connection Point shall comply with Good Industry Practices, the Distribution Code and the Philippine Electrical Code.

The DU and each Connected Connection Customer shall operate and maintain their Connection Assets and other Facilities in a safe and efficient manner and in accordance with Good Industry Practice and the Distribution Code (including but not limited to the voltage performance and harmonics standards).

2.10.8 DATA REQUIREMENTS

Each Connection Customer shall provide any data, reports, forecasts, and specific information regarding the electrical characteristics of their Facilities as specifically required under the DSOAR and the Distribution Code or as requested by the DU, acting reasonably, to enable it to meet its obligations under the DSOAR and the Distribution Code. The DU shall not be held liable for any loss or damage arising from the failure of the Connection Customer to provide the necessary data, reports,

forecasts and other specific information necessary for the DU to perform its obligations under these rules.

2.10.9 CONFIDENTIAL TREATMENT OF DATA

All proprietary data exchanged between a Connection Customer or a Connection Applicant and a DU necessary for establishment and/or maintenance of a connection shall be treated as confidential and not disclosed to any third party without prior consent of the party to which the data is proprietary.

2.10.10 PROTECTION ARRANGEMENTS

2.10.10.1 RESPECTIVE RESPONSIBILITY FOR PROTECTIVE DEVICES

The DU and each Connection Customer shall be responsible for their respective assets and shall ensure that such assets are protected in accordance with the Distribution Code and that their Protective Devices meet the standards set out in the Distribution Code. If the DU must install protective devices that are in excess of the Standard Connection Facilities due to the nature of the Connection Customer's equipment and/or load, payment for said protective devices shall be the sole responsibility of the Connection Customer and shall be treated as CIAC.

2.10.10.2 NEW PROTECTIVE DEVICES

The DU and Connection Customers may install, upgrade, operate and maintain protective devices to separate the Connection Customer's equipment from the Distribution System sufficiently to avoid injury or damage, and to comply with the Distribution Code at all times. The DU and the Connection Customer shall give prior written notice to the other of all such Protective Devices that it intends to install and/or upgrade, and of the settings of such devices. If the DU must install protective devices that are in excess of the Standard Connection Facilities due to the nature of the Connection Customer's equipment and/or load, payment for said protective devices shall be the sole responsibility of the Connection Customer and shall be treated as CIAC.

2.10.11 CONTINGENCY PROCEDURES

2.10.11.1 PROMPT NOTIFICATION OF CONTINGENCY.

The DU and each Connection Customer shall provide the other with prompt verbal notification by telephone

of any contingency involving their equipment or Connection Assets that may reasonably be expected to affect the other's operation of its equipment or Connection Assets. This notification shall indicate the reasons for the contingency, the contingency's expected effect on the operation of the other party's Facilities and operations, the contingency's expected duration, and the corrective action to be taken. Telephone notification shall be followed by written notification by the close of business hours the next day and retain such written notification for three (3) years.

2.10.11.2 CONTINGENCY ACTIONS.

The DU and the Connection Customer shall agree to take the actions specified in the Connection Agreement in response to any contingency.

2.10.11.3 ACCESS TO EACH OTHER'S CONNECTION ASSETS.

Unless otherwise agreed, the DU and each Connection Customer may open and/or disconnect the Connection Assets of the other party in the event of, and for the duration of, any contingency, if such opening or disconnection would reasonably be expected to mitigate or remedy the contingency in accordance with good industry practice and the Distribution Code. A party exercising this right shall notify the other party of their actions prior to disconnection or as soon as possible following disconnection. The foregoing notwithstanding, a DU may require an End-user to obtain prior approval before accessing and operating connection assets. A DU shall respond as quickly as possible to any connection concern of the End-user and the DU shall be responsible for any damage that otherwise could have been avoided if the customer would have been free to act immediately.

2.10.12 PROPERTY ACCESS

2.10.12.1 ACCESS RIGHTS.

Unless otherwise agreed, the DU and each Connection Customer shall grant the other and its agents and subcontractors such access to its own facilities and/or Connection Assets as is necessary and appropriate, both parties acting reasonably, for the construction, installation, testing, operation and maintenance of the other Participant's own facilities

and/or Connection Assets (including any Protective Devices), in accordance with the terms and provisions of the Distribution Code and the DSOAR. No party may attempt to limit access by a Participant to the Participant's own facilities and/or Connection Assets regardless of the location of those facilities and/or Connection Assets.

2.10.12.2 PROCEDURE.

When exercising the access rights outlined in Section 2.10.12.1 above, the DU and the Connection Customer shall:

- (a) In cases of maintenance, provide the other party with as much advance notice as is appropriate under the circumstances. Pilferage inspections shall be in accordance with the procedures set forth pursuant to RA 7832;
- (b) Not unreasonably disrupt or interfere with the normal operations of the business of the other party;
- (c) Adhere to the safety rules and procedures established by the other party;
- (d) The DU and the Connection Customer shall be responsible for the actions of their agents; and
- (e) Act consistent with good industry practice.

2.10.13 CONDITIONS PERTAINING TO THIS SERVICE

The DU shall not be held liable for a failure to deliver the services in this article where the following events have had a material effect on its ability to deliver the service and the DU has used its reasonable endeavours to mitigate their impact on the service:

- (a) The Connection Applicant failing to comply with its obligations under any of the following: the DSOAR, the Distribution Code and the WESM Rules.
- (b) The Connection Applicant providing the DU with incomplete or inaccurate information.
- (c) Any other Connection Applicant failing to comply with their obligations under any of the following: the DSOAR, the Distribution Code and, the WESM Rules.

2.10.14 CONNECTION CUSTOMER'S NON-COMPLIANCE

If the Connection Applicant or Connection Customer fails to comply, when so required, with any of its obligations in this Article, the DU shall have the right to require the Connection Applicant or Connection Customer to take any and all such

measures, including but not limited to the installation of new or additional equipment, as necessary to comply with such requirements. In the event that the Connection Applicant or Connection Customer fails to take any or all of such measures within thirty (30) days after receipt of notice of non-compliance, the DU shall have the right itself to take (or cause to be taken) such measures without further notice. The Connection Applicant or Connection Customer shall be responsible for any and all costs and expenses incurred as a result of its non-compliance.

2.11 METERING EQUIPMENT

2.11.1 METER INSTALLATIONS

All metering equipment shall be furnished and installed by the Metering Service Provider (MSP). Current transformer cabinets and gang mounting channels where required will be furnished by the MSP and installed by the applicant end user at a location specified by the DU. The applicant shall furnish and install meter boards, where required.

The meter must be installed in a clean place free from vibration and where it will be easily accessible for reading and testing. Under no condition should meters be located behind doors or where they can be easily broken or jarred by moving furniture or equipment. Meters shall be located on the outside wall of the building or private pole and shall not be more than three (3) meters nor less than 1.52 meters mounting height from the surface on which one would stand to repair or inspect the meter.

Generally, meters shall be installed on the ground floor in suitable space and on a suitable mounting for large commercial and apartment buildings. However, upon request by the customer, the DU/MSP may allow location of meter(s) other than the ground floor provided meter(s) are to be installed and located at a common place accessible to DU's/MSP's personnel for inspection, reading and maintenance purposes at anytime and a main check meter installed at a location specified by the DU to measure the total electric consumption of the building. All service entrance and other electrical facilities after the DU meters shall be owned and maintained by the customer. Space and mounting shall be adequate to accommodate all metering facilities. Individual cutouts and/or switches shall be at least one (1) meter of clear space in front of the meter(s).

Meters may be located in other areas based on justifiable reasons, however, the proponent shall pay any additional cost.

A customer shall bear the cost of relocation of his electric watt-hour meter under the following circumstances:

1. The customer requests for the relocation of his electric watt-hour meter, for reasons other than those provided for in the first paragraph; or
2. The meter installation fails to meet the conditions under the first paragraph resulting from improvements done on the customer's premises, thereby necessitating such relocation. Failure to relocate after due notice shall be considered grounds for disconnection.

All other relocations of the meter shall be borne by the electric utility,

2.11.2 GENERAL INFORMATION ON METERING

Every DU/MSP shall inform its customers of the manner in which meters are read, either by printing on its bills for each service, a description of the method used in reading meters, by distributing booklets describing such method or in any other suitable manner.

Each service meter shall indicate clearly the units of service for which charge is made to the customer. In case the dial reading of a meter must be multiplied by a constant to obtain the units of service, the constant to be applied shall be clearly marked on the face or dial of the meter. Where the quantity of service is determined by calculation from the reading of the meter, the DU/MSP shall upon request supply the customer with such information as will show clearly the method of determining the units of service rendered.

Every DU/MSP shall instruct its meter reader when reading periodically the meter installed in the premises of a customer, to leave in such premises a record showing the date of the reading, the reading made, the previous reading and the total consumption expressed in units of service used, as read by the meter reader, and the signature over the printed name of the meter reader, if a customer demands for it.

Except as otherwise permitted for the Contestable Market in Article IV of the DSOAR, the meter and the metering equipment are the sole property of the DU and any changes in their location or arrangements shall be made by the DU.

2.11.3 TESTING AND SEALING OF METER

No meter shall be placed in service unless it has been tested, certified and sealed by the ERC.

The seal attached to the meter by the ERC is a warranty (1) that the meter is an acceptable or accepted type and (2) that it operates within the allowable limits of tolerance.

2.11.4 TEST OF CUSTOMER'S METER BY THE DU

A customer has the right to require the distribution utility to test, once every two (2) years, free of charge, the accuracy of the meter installed in

his premises making use of a meter standard duly tested and sealed by the ERC.

If the customer requests for meter testing more than once every two years and the meter being tested is found to be within the tolerable limit as provided for in 2.11.6, the utility may assess the customer a testing fee based on the testing fee charged by ERC. A written report showing the result of such test shall be furnished the customer.

The customer may also request the ERC to conduct a meter test, subject to the payment of a fee prescribed under the approved ERC Schedule of Fees and Charges.

In case the meter is found to be inaccurate, the customer may demand the replacement of the said meter or have the ERC calibrate the said meter to restore its accuracy closest to the condition of zero (0) error. The provision on refund or billing adjustment due to inaccurate meters shall apply as appropriate.

2.11.5 WATTHOUR METER ACCURACY REQUIREMENTS

- (a) No mechanical watt-hour meter that has an incorrect register multiplier, watthour constant, gear ratio, register ratio or dial train, or that registers on no load ("creeps") shall be placed in service or be allowed to remain in service without adjustment and correction.
- (b) All watt-hour meters regardless of make and type before being placed in service, must be adjusted as closely as possible to the condition of zero error. The tolerance limit of plus or minus five-tenths percent ($\pm 0.5\%$) is hereby fixed to allow the necessary variations.
- (c) The average error of plus or minus two percent ($\pm 2\%$) is hereby fixed as the allowable tolerance for meters in service. Provided, that the error at any test load points (Light load and Full load) does not exceed plus or minus three percent ($\pm 3\%$).

2.11.6 DETERMINATION OF AVERAGE ERROR

In tests made by the ERC or the DU, the average error of a meter shall be determined by the following method:

$$E_a = 0.3E_{LL} + 0.7E_{FL}$$

Where E_a is the average error, E_{LL} is the error at light load.

E_{FL} is the error at full load.

Provided, however, that at the request of the customer or in mediation cases, this method may be modified by admitting tests at a third load. If,

and when in the opinion of the ERC, such load is more representative of the ordinary use of the meter, in which case, the average error shall be determined as follows:

Take one-fifth (1/5) of the algebraic sum of (1) error at light load, (2) three times the error at normal load, (3) the error of full load.

In both methods, light load shall be taken from five (5) to ten (10) percent of the rated test amperes of the meter, and full load, not less than sixty percent (60%) nor more than one hundred percent (100%) of the rated test amperes of the meter.

For normal load the following percentages of the several classes of full connected installations may be used:

	<u>Percent</u>
Residence and apartment building	25
Elevator service.....	40
Factories (individual drive).theaters, club, hallways, entrance, and general store lighting	60
Restaurants, pumps, air compressors, ice machines, and moving picture theaters	70
Sign and window lighting, blowers and battery	100

In the event that a meter in service is found to have an average error of more than the tolerance of minus two percent (2%) without any evidence of tampering by the customer, the utility may ask for payment of a billing adjustment from its customers of the unregistered consumption. If the said electric meter was merely found to be defective and has not completely stopped, and such defect could not be easily detected by the concerned customer, the distribution utility may only be allowed to recover the unregistered consumption for a maximum period of six (6) months prior to the discovery of the defect. In cases where there is actual stoppage or any conspicuous defect of the said meter, the distribution utility may only be allowed to recover the unregistered consumption for a maximum period of three (3) months prior to such discovery of the stoppage.

Notwithstanding the preceding paragraphs, the distribution utility may recover the full amount of the unregistered consumption if it has been complying with the two-year meter testing requirement under the Implementing Rules and Regulations of RA 7832, otherwise known as the Anti- Electricity and Electric Transmission Lines/Materials Pilferage Act of 1994; Provided however, that the recovery period should not go beyond the period from the last testing of the meter prior to the date of discovery, but which period shall not exceed two (2) years. The distribution utility, however, must enter into an agreement with the customer for a staggered payment scheme within a period equivalent to the number of months covering the billing adjustment.

The refund or billing adjustment should be based on the rate prevailing during the period sought to be recovered, and the estimated consumption shall be based upon the result of the ERC test on the affected meter during the time of discovery, or his average use of energy for the immediately preceding six-month period of like use, or the lowest monthly consumption within three (3) months after the time of discovery.

In case of disagreement on such bill, the Commission shall resolve the same.

2.11.7 RECORD OF METER

Every DU shall keep an adequate record of each meter showing (1) make, type and identification marks and/or number of meter, (2) names and addresses of customers, dates when meter installed or removed, (3) adjustment or repair made, and (4) ERC certification dates.

2.12 INTERCONNECTION BETWEEN DISTRIBUTION UTILITIES

2.12.1 GENERAL

Consistent with Section 23 (paragraph 4) of the EPIRA, DUs may interconnect in instances where such interconnection helps achieve economies of scale in operations, reliability of service, reduction in costs, and other efficiencies. The terms and conditions of said interconnection shall be incorporated into an interconnection and operating agreement which is subject to approval by ERC.

2.12.2 INTERCONNECTION AND OPERATING AGREEMENT

Interconnecting DUs shall execute an appropriate agreement governing the interconnection and operation of their respective Distribution Systems. DUs having ERC-approved agreements executed prior to the effective date of the DSOAR that govern interconnection and operation shall be governed by the provisions of those existing agreements. The agreement shall include any necessary requirements for communications and communications facilities between the DUs. The interconnection/operating agreement shall be mutually beneficial. The interconnection and operating agreement is separate and distinct from any DWS arrangements.

ARTICLE III
RULES PERTAINING TO SERVICE TO THE CAPTIVE MARKET

3.1 GENERAL DESCRIPTION OF SERVICE

Service to the captive market shall include all unbundled services necessary to maintain a regular supply of alternating current of approximately 60 hertz. Supply to the Captive Market shall be provided by the DU throughout its franchise service area.

3.2 THE MAGNA CARTA FOR RESIDENTIAL CONSUMERS

The Captive Market includes both residential and non-residential End-users. Insofar as residential consumers are concerned, the DSOAR are intended to complement the Magna Carta for Residential Electricity Consumers, issued on June 17, 2004, and the Guidelines to Implement Articles 7, 8, 14, and 28 of the Magna Carta for Residential Electricity Consumers, issued October 27, 2004. The Magna Carta remains in full force.

3.3 APPLICATION FOR CAPTIVE MARKET SUPPLY

Any End-user in the Captive Market may apply for service from the DU within their franchise area. The DU has an obligation to serve that customer subject to all terms and conditions of service and Commission rules including the DSOAR. The customer shall execute a standard form of agreement prior to the furnishing of service by the DU. A copy of the rate schedule and the terms and conditions of service shall be furnished to the new consumers. The DU shall inform its customers of any changes in rates, rules and regulations approved by the Commission that specifically affect the Captive Market service. Such information shall be included as an insert in the billing envelop or on the bill itself of all customers who are directly affected by the change. Further more any adjustment clause previously approved by the ERC shall be clearly indicated on the monthly bill.

3.4 ESTABLISHMENT AND REESTABLISHMENT OF CREDIT

3.4.1 RESIDENTIAL ELECTRICITY CUSTOMERS

For the establishment of credit, residential electricity customers and the DU shall follow the deposit and deposit refund requirements found in the Magna Carta. A residential customer who previously established credit under the Magna Carta by receiving a refund of deposit from the DU shall not be subject to a new deposit requirement if the customer discontinues one service location and establishes a new service location within the DU's franchise area. This applies solely to the original account holder and is non-transferable. This provision does not apply to additional service locations established by the residential customer. In the event a customer establishes a new service location in addition to existing service(s), a bill deposit shall be required on that new service.

A bill deposit previously refunded to the customer may be reimposed if the customer defaults in the payment of his monthly bill. Once the bill

deposit is reimposed, he loses the right to refund the same prior to the termination of his electric service. This provision also holds for a residential customer who was not required to pay a deposit on a new service contract.

3.4.2 NON-RESIDENTIAL ELECTRICITY CUSTOMERS

For the establishment of credit, non-residential electricity customers shall submit a bill deposit to guarantee payment of bills. The amount of the bill deposit shall be equivalent to the estimated monthly billing. Provided that after one (1) year and every year thereafter, when the actual average monthly bills are ten (10%) percent more or less than the bill deposit, such deposit shall be correspondingly increased/decreased to approximate said billing.

Distribution utilities shall pay interest on bill deposits equivalent to the interest incorporated in the calculation of their Weighted Average Cost of Capital (WACC), otherwise the bill deposit shall earn an interest per annum in accordance with the prevailing interest rate for savings deposit as approved by the Bangko Sentral ng Pilipinas (BSP). The interests shall be credited yearly to the bills of the registered customer.

The bill deposit shall be refunded within one month from the termination of service provided all bills have been paid. A customer that has paid its electric bills on or before its due date for three (3) consecutive years may, however, demand for the full refund of the deposit prior to the termination of his service. An application for deposit refund shall be filed with the DU and the DU shall refund the deposit within one month from receipt of such application.

All customers shall be exempt from the payment of meter deposits. In cases of loss and/or damage to the electric meter due to the fault of the customer, the customer shall bear the full replacement cost of the meter.

3.4.3 RE-ESTABLISHMENT OF CREDIT FOR ALL CAPTIVE CUSTOMERS

An applicant, who previously has been a customer of the DU and had lost satisfactory credit, must first pay any unpaid billed amounts from previous service plus the relevant deposit requirement to re-establish credit.

A customer who is subject to disconnection/termination and who requests continuation of service shall be required to first pay any unpaid billed amounts. The customer's bill deposit shall be re-imposed and/or adjusted in accordance with his average monthly bill for the preceding year.

3.5 BILLING

3.5.1 MONTHLY BILLING

Bills for service shall be rendered to each customer in the captive market on a monthly basis, unless otherwise approved by the Commission.

3.5.2 METERED SERVICE

Except for unmetered streetlight or other flat rate service customers, each bill for service issued by the DU shall be based on the reading of the meter for each account of the customer and any applicable monthly charge(s).

3.5.3 CONTENTS OF BILL

Bills to service customers shall conform with the format approved by ERC. Each bill for service shall include the following:

- (a) Any previous balance.
- (b) The period covered by the current billing.
- (c) Meter serial and company number.
- (d) The date the bill was issued.
- (e) The amount due for service provided during the current billing period with the date upon which this amount is past due.
- (f) All unbundled rate elements including any adjustment clause listed in the specific sequence prescribed by ERC. Any additional rate elements or changes in the name of rate elements shall first be approved by ERC.
- (g) All relevant meter readings for the first and last day of the billing period.
- (h) The total quantities of applicable billing determinants.
- (i) The date the meter was read.
- (j) The telephone number and address of the DU office where a customer may obtain information concerning their bill or the service provided.
- (k) An emergency contact number.
- (l) A notice stating that all disputes that cannot be settled by the DU to the satisfaction of the customer can be elevated to the ERC. The ERC contact number and email address for the Consumer Affairs Service as provided by the ERC.
- (m) Any notices, advisories, or announcements required by the ERC to be placed on the bill.

There shall be shown on the bill such additional factors other than those contained in the schedule of rates, as may be necessary in computing the bill. It shall be indicated on each bill that copies of the schedules of rates applicable will be furnished by the DU upon request.

Bills to flat rate service customers shall be rendered at reasonably regular intervals and shall show the period for which the bills rendered, reference to the schedule of rates applicable and the amount of the bill. The number and kinds of units for which a flat rate bill is rendered shall also be shown on the bill.

Any future modification to the contents of the bill is subject to prior approval by ERC.

3.5.4 ESTIMATED BILLS

- (a) Except as otherwise provided, if the DU is unable to obtain useable meter data from a customer or to read the meter of a customer on the date scheduled due to a Force Majeure event or any event beyond the control of the DU, the DU may bill the customer based upon their estimated usage for the billing period. Estimated billing should only be allowed in case the meter fails to register the consumption of the customer for an entire billing period or a portion thereof. Otherwise, the meter reading must be done immediately after the said fortuitous event ceases to exist.
- (b) Any of the following methods shall be used in calculating a bill based on estimated usage. These methods are listed in order of priority.
 - 1. The average daily usage of the customer during the portion of the billing period registered by the meter for at least seven (7) days, applied to the remaining days in the billing period;
 - 2. The average usage of the customer during the preceding three (3) months; or
 - 3. The usage of the customer during the same month of the preceding year.
 - 4. If time of use rates and metering are applicable, then the estimated bill shall rely on the relevant time of use load profile data during the previous month.
- (c) The DU shall print the word "Estimate" on each bill which is based on estimated usage, and shall not issue more than two consecutive bills to a customer based upon estimated usage. Following two consecutive bills based on estimated usage under 3.5.4(b) 2 to 4, the DU shall either read the meter during the next billing cycle and adjust the estimated bills accordingly or take an initial meter read following the next billing cycle as if service was starting anew and no charges, penalties, arrears, or reconnection fees will be levied on the customer for the skipped billing cycle.
- (d) The DU shall adjust the estimated usage upon the first reading of a meter after an estimated reading. Billing adjustment following estimated usage shall be spread out symmetrically by the number of months it was estimated without interest charges.

3.5.5 PRORATION OF BILLS

For bills rendered for periods less than 28 days and more than 31 days, any fixed monthly customer charges in the bill shall be prorated based on the ratio of number of days in the billing period to the number of days in an average billing period. The distribution utility shall nevertheless provide the applicable subsidy for that consumption level due to the customer as if the meter had been read within the maximum allowable period

3.5.6 PAYMENT OF BILLS

Bills will be rendered by the DU to the customer monthly in accordance with the applicable rate schedule. Said bills are payable to collectors, collection office of the area where the customer resides or at its authorized banks within nine (9) days after the customer's receipt of the said bills, unless a longer period is allowed. The word "month" as used herein and in the rate schedule is hereby defined to be the elapsed time between two succeeding meter readings but not exceeding thirty-one (31) days but not less than 28 days apart.

For disconnections due to non-payment of electric bills, a written notice must have been served to the customer forty eight (48)-hours before such disconnection. The distribution utility may discontinue the service notwithstanding the existence of the customer's bill deposit with the distribution utility which will serve as guarantee for the payment of future bill(s) after service is reconnected.

If at the time the disconnection is to be made, the customer tenders payment of the unpaid bill to the agent or employee of the distribution utility who is to effect the disconnection, the said agent, or employee of the distribution utility shall desist from disconnecting the service to allow the customer to pay his bills within twenty-four (24) hours; Provided however, That the customer can only invoke this provision once for the same unpaid bill.

Every DU operator shall issue to its customers receipts which shall be in the form or model prescribed by the ERC. Provided, however, that the DU operator must submit a sample of said receipts for the approval of the ERC before adopting the same in its service.

It shall safely keep the duplicate or office stub of the receipts used and shall not destroy them within five (5) years without authority from the ERC.

3.5.7 ADJUSTMENT FOR BILLING

Billing errors resulting from pilferages committed by the customer shall be governed by the provisions of RA 7832 or the Anti-Electricity Pilferage Act and its Implementing Rules and Regulations.

Billing errors resulting from a defective/stop meter without any evidence of tampering shall be governed by the provisions of these guidelines and the Magna Carta for Residential Electricity Consumers.

In cases of other billing errors, the following principles shall apply:

- (a) Refunds for overpayment shall be computed back to but not beyond the date on which the error or omission commenced and may be immediately effected, provided that the concerned customer express agreement to the same and ERC confirmation be secured immediately. The ERC shall render its confirmation within thirty days upon receipt, otherwise, it is deemed approved..
- (b) Payments for undercharge shall be computed back to the date on which the error commenced, however, in no case where the error or omission is due to the fault of the DU, shall a bill for undercharge be computed for a period exceeding three (3) months.

3.6 BILLING DISPUTES

If a customer disputes any bill, charge or service, the DU shall record and promptly investigate the matter and provide a written report to the customer. Reporting to the concerned customer shall be made within fifteen (15) days from receipt of such complaint. The DU shall inform the customer of their right to file a complaint with the ERC.

3.7 REGULATED RATES FOR THE CAPTIVE MARKET

Every DU shall be strictly governed in its charges by the schedule of rates prescribed by the ERC and shall not change, alter, or in any manner modify the same without prior authority of the ERC and shall post a copy thereof in a conspicuous place at its office. A DU may only charge rates or service charges to the Captive Market that have been approved or otherwise authorized by the ERC. The DU shall maintain copies of all approved rate schedules at each of its office locations and provide access and copies to such rate schedules to any person making such request at no charge to the person.

ARTICLE IV

RULES PERTAINING TO DISTRIBUTION WHEELING SERVICE

4.1 GENERAL

This Article governs the terms and conditions of the provision of Distribution Wheeling Service (“DWS”) by the DU to Retail Electricity Suppliers (“RES”) and Generators. Unless otherwise noted, references to RES shall be read to include the SoLR. DWSs pertain to those services performed by the distribution utilities (DUs) for the conveyance of electricity through the regulated distribution system as well as the control and monitoring of electricity as it is conveyed throughout the DU system from the points of receipt to the points of delivery. The distribution system includes the electric lines, and other equipment, including transformers and the meters, used in the delivery of electricity. DWS

also includes discretionary services, which are customer-specific services for which costs are recovered through separately priced rate schedules, with the recoverable discretionary charges duly approved and authorized by the Commission.

The DUs shall provide DWS for delivery of electricity of the standard characteristics available in the franchise area. The DU shall provide DWS at its standard voltages. Requestors of DWS must obtain from the DU the phase and voltage of the service available before committing to the purchase of motors or other equipment, and the DU is not responsible if the requested phase and voltage of service are not available. The standard Distribution System service offered by the DU may be provided at the voltage level specified under the appropriate service agreement.

The provision of DWS by the DU is subject to the terms of any service agreements, terms and conditions of the tariffs and applicable legal authorities. All charges associated with a DWS provided by the DU must be authorized by the Commission and included as a tariff charge, as provided in the rate schedules.

4.2 ELIGIBILITY REQUIREMENTS FOR DWS

An RES is eligible for DWS when the following have been met:

- (a) the RES has been licensed by the Commission and/or otherwise has been designated and authorized by the Commission to provide service to End-users;
- (b) the RES has executed any applicable agreements required by TransCo;
- (c) the RES has executed any applicable agreements required by the WESM, if it is a market participant;
- (d) the RES has paid any application fee set as approved by the Commission;
- (e) the RES has demonstrated the ability to operate within the system approved by ERC for data exchange, interruption reporting, and service requests; and
- (f) the RES has executed a DWS Agreement with the DU; or
- (g) following all of the above, if the DU has failed to execute the DWS Agreement although the RES has signed such agreement, the RES shall be deemed eligible for DWS, and the DU shall commence DWS for the RES, during an interim period by filing the unexecuted agreement with the Commission for investigation into the reasons for non-execution by the DU.

4.3 GROUNDS FOR REJECTING DWS AGREEMENT

The DU may refuse to execute a DWS Agreement with an RES for only but any of the following reasons:

- (a) the RES has undisputed outstanding debts with the DU, the transmission provider, or the WESM, as attested in a sworn affidavit from an authorized agent of the entity to which the RES is indebted and such amounts are not currently part of a formal dispute;
- (b) the RES has failed to comply with credit requirements approved by the Commission; or

(c) the RES has failed to meet any of the eligibility requirements set forth in 4.2.

4.3.1 REJECTION OF DWS AGREEMENT

Upon rejection of any DWS Agreement, the DU shall provide the affected RES with written notice of rejection and shall state the grounds for rejection.

For disputed outstanding debts by an RES, a bond representing a significant amount of the bill in dispute has to be posted with the DU; otherwise, the DU may refuse to execute a DWS agreement with an RES.

4.3.2 ACCEPTANCE OF DWS AGREEMENT

Upon its acceptance of a DWS Agreement, or pursuant to an order of the Commission approving a DWS Agreement, the DU shall execute the DWS Agreement and shall file an original copy with the Commission, shall provide one original copy to the RES, and shall maintain one original copy for its own records.

4.4 RELATIONSHIP WITH RES'S END-USE CUSTOMERS

An RES is responsible for all contractual, service, and billing matters related to their End-use customers including those pertaining to DWS, and the DU shall not be responsible for monitoring, reviewing or enforcing such contracts or arrangements. This does not, however, prohibit End-users from contacting and contracting directly with the DU for Connection Assets and Services pursuant to Article II of the DSOAR.

“Subject to the adoption by the ERC of the dual billing policy for contestable customers, a RES may opt to have one or more of their end-use contestable customers contract directly with the DU for DWS,

4.5 METERING

4.5.1 TIME OF USE METERING FACILITIES

All DWS customers in the initial phase of the Contestable Market shall have installed time of use metering facilities capable of measuring energy use and demand in a fashion consistent with WESM energy settlement intervals, and distribution and transmission demand charge intervals. Any exceptions to this rule require specific ERC approval.

4.5.2 OWNERSHIP OF METERS

The person procuring the meter for a customer in the Contestable Market shall have the first option of owning the meters subject to any applicable rules and regulations of ERC including but not limited to the Distribution Code. In the event a meter is not owned by the DU, the End-user shall execute an Agreement for Meter Ownership and/or Access for Non-Company Owned Meters similar to that included in

Article VI of the DSOAR. The DU remains responsible for testing, sealing, and maintenance of all meters, subject to ERC procedures, regardless of ownership. All billing meters shall be located at the exterior of the End-user's premises in a place that ensures easy access by the DU and RES. Immediate access by the DU to any meter within its franchise area shall not be denied.

4.5.3 METER READING AND DATA DISSEMINATION SERVICE

The DU shall conduct meter reading and data dissemination as a regulated service until such time as competitive metering services may be approved by the Commission. Upon establishment of competitive metering services, an End-user may select any person authorized by the ERC to perform meter reading and data dissemination service.

4.5.4 REQUEST FOR ADVANCED METERING TECHNOLOGY

An End-user in the Contestable Market or an RES serving the End-user may request a new meter or meter upgrades with advanced technical capabilities to be provided by the DU provided that all costs related to the new meter including upgrades are borne by the RES or End-user. Similarly, an RES or an End-user can request an upgrade to the meter. Should there be a request for a new meter or a communication device be attached to the existing meter, the DU shall provide, install, test, and maintain the requested metering or communication device in accordance with ERC approved Other Charges of DU. All advanced metering technology shall comply with applicable ERC standards.

4.5.5 RIGHT TO PROCURE AND INSTALL ADVANCED METER EQUIPMENT

End-users in the contestable market and/or an RES contracted with the End-user shall have the right to own advanced metering equipment and select their own contractor and/or equipment vendor provided that all requirements herein are met. All advanced metering technology shall comply with applicable ERC standards.

4.5.6 ACCESS AND METER READING

The RES contracted with an End-user shall have read-only access for purposes of reading a meter of that End-user. If End-use customer takes DWS at primary distribution or transmission voltage, the DU shall meter DWS at that voltage level. The DU is responsible for reading the meter. If an actual meter reading is not obtained, the DU shall estimate the meter reading for invoicing purposes as prescribed in Article 3.5.4. In the case of meter malfunction, the historical load profile from the previous month shall be reported and noted as such. The DU shall report measurement data for a point of delivery as required by the ERC.

4.5.7 METER DATA EXCHANGE

The Meter Service provider shall regularly submit to the Central Registration Body (CRB) the meter reading data of each contestable

customer within three (3) business days following the scheduled meter read.

4.6 SUBTRANSMISSION

4.6.1 DELIVERY SERVICE PROVIDED BY OWNER OF SUBTRANSMISSION

A qualified DU or consortium of qualified DUs that own subtransmission facilities shall ensure nondiscriminatory provision of unbundled delivery service over subtransmission to any user, whether that user is connected or not connected to subtransmission, who wants to wheel power over subtransmission. Subtransmission wheeling service shall be in accordance with the terms and conditions of DWS covered by this Article IV in its entirety and Article II on connections. Customers connected to subtransmission may include DUs, Generators, End-users, or an RES providing retail service to a connected End-user.

4.6.2 NON-IMPAIRMENT OF GENERATION CONTRACTS WITH END-USERS

The obligation to provide DWS per 4.6.1 shall not in any way impair an existing purchase power agreement or generation contract legally executed between an End-user and a Generation Company, nor a future purchase power agreement between an End-user and an RES in the contestable market.

4.6.3 SUBTRANSMISSION COSTS AND RATES

The rates charged for DWS over subtransmission facilities shall be in accordance with the rates approved by ERC.

4.6.4 END-USER IN THE CAPTIVE MARKET WITHOUT SUFFICIENT GENERATION

Any End-user connected to subtransmission without a legitimate purchased power contract sufficient to provide all energy requirements and that End-user is not part of the Contestable Market, the End-user shall be considered to be part of the Captive Market and shall be served as such by the relevant franchised entity. Similarly, in the case of a legitimate contract that has expired and that End-user is not part of the contestable market, the End-user shall be considered to be part of the Captive Market and shall be served as such by the relevant franchised entity.

4.7 TRANSMISSION

4.7.1 CONTRACTING FOR TRANSMISSION SERVICES

An RES shall obtain required transmission services in one of two ways as part of its service to a particular End-user connected to a distribution

system or subtransmission. The RES may opt to have the DU contract with the Transmission Provider for the demand of the RES' customers, and the DU shall pass-through the related costs including any deposits to the RES. Alternatively, an RES may execute a contract for transmission services directly with the TransCo. If the latter option is selected, the RES shall properly inform the DU providing DWS of this selection. This provision does not pertain to transmission connection services.

4.7.2 APPLICABLE TRANSMISSION RATES

Regardless of which option is selected under 4.7.1, the amount paid for transmission service by an RES or a Contestable Market customer shall be based on approved TransCo rates and the billing determinants metered for the individual customer's Connection Point. In other words, the transmission costs borne by the Contestable Market customer should not be an allocation of the DU system-wide load.

4.7.3 ANCILLARY SERVICES

When the DU is connected to the transmission grid, an RES shall obtain all required ancillary services from TransCo or through the WESM and shall not be required to take ancillary services from the DU except as may be selected as an option by the RES per 4.7.1. In the event a DU connected to the transmission grid provides ancillary services which benefit the Distribution System, compensation or credit to the DU and the Captive Market for providing ancillary services shall be determined pursuant to the WESM Rules when applicable.

For a DU that is not connected to the transmission grid, the DU shall seek approval of unbundled ancillary service charges to ensure that both the Captive Market and the Contestable Market share in ancillary service costs in a nondiscriminatory manner. Such application for the approval of unbundled ancillary service charges shall be filed with ERC no later than 180 days from the effectivity of the DSOAR.

4.7.4 WESM REQUIREMENTS

An RES is solely responsible for meeting any applicable WESM requirements. The DU shall not be responsible for any WESM requirements pertaining to an RES or a Contestable Market customer served by an RES.

4.8 BILLING AND RELATED CUSTOMER SERVICE

4.8.1 RES RIGHTS AND RESPONSIBILITIES

An RES is fully responsible for determining the billing methods for their customers and payment of all obligations to other market participants. As an option to the RES, the end-use contestable customer of the RES may be billed directly by the DU for DWS, subject to the adoption by the ERC of the dual billing policy.

An End-user in the contestable market is responsible for paying their RES all amounts legitimately billed by the RES but shall not be held responsible for any amount not paid by the RES to other market participants.

4.8.2 DEPOSIT FOR DWS

The RES or Contestable Customer shall remit a deposit to the DU equivalent to one month estimated billing for DWS based on the historical demand and/or energy of such customer , or in the case of a newly connected Contestable Customer, based on projected demand and/or energy and subsequently adjusted after one year of historical usage. Such deposit may be used toward unpaid bills.

4.8.3 PAYMENTS

With the exception of payments that are the responsibility of the End-user, the RES shall pay all amounts due to the DU, TransCo, WESM, Generators, or other Participants within the timeframe specified in its respective agreements or requirements. Failure to do so may be grounds for license revocation pursuant to the RES licensing guidelines and possible disconnection of the RES's customers. Failure of the End-user in the Contestable Market to make payments to an RES or the DU, when such customer contracts directly with the DU, may be grounds for disconnection.

4.8.4 FAILURE TO PAY AND DISCONNECTION RIGHTS OF THE DU AND THE RES

In the event a RES fails to pay for DWS by the due date prescribed for the service, the DU shall notify the CRB that service under the DWS agreement will be terminated in seven (7) days. The CRB shall forward the notice to the RES as soon as practicable upon receipt of notice. If the RES fails to pay within 48 hours following said notice, the DU shall send a copy of the notice of disconnection to the RES's affected contestable customers. Prior to termination of service under the RES DWS agreement, the contestable customer must either acquire supply from another licensed RES or temporarily establish service as a SoLR customer to avoid disconnection. If upon termination of service under the RES DWS agreement the contestable customer has not acquired service from another RES or the SoLR, the DU shall have the right to physically disconnect such customer. Payment may be made by the RES to the agent or employee of the DU at the time of disconnection and the agent or employee shall desist from disconnecting service.

Subject to the adoption by the ERC of the dual billing policy , in the event that a RES customer billed by the DU for DWS fails to pay by the due date, a 48-hour notice of disconnection shall be sent to the customer and the CRB shall be informed of such notice. The CRB shall forward the notice to the RES as soon as practicable upon receipt from the DU. If the customer fails to pay the amount within the 48-hour period, the DU shall

have the right to physically disconnect such RES customer. The DU shall inform the CRB if such customer has been disconnected and the CRB shall inform the RES of the disconnection as soon as practicable. Payment may be made to the agent or employee of the DU at the time of disconnection and the agent or employee shall desist from disconnecting service, and the CRB shall be informed of such developments.

In the event that a RES customer fails to pay the RES for services rendered by the due date, the RES may send a 48-hour notice of disconnection to the customer and the CRB DU shall be informed of such notice. The CRB shall forward the notice to the DU as soon as practicable upon receipt from the RES. If the customer fails to pay the amount within the 48-hour period, the RES shall have the right to request that the DU disconnect the RES customer by sending a request for disconnection to the CRB. The CRB shall forward the notice to the DU as soon as practicable upon receipt from the RES. and the The DU shall execute such request within 24 hours. The DU shall inform the CRB if such customer has been disconnected. In the event that the customer paid the unpaid bills to the RES, the RES shall advise the DU to reconnect immediately the service or desist from disconnecting the service if not yet disconnected, and the CRB shall be informed of such developments.

4.8.5 CONTESTABLE END-USER COMPLAINTS AND DISPUTES

Any complaint by a contestable customer concerning the service or lack thereof by all power industry participants shall be governed by a separate guideline on dispute resolution for the contestable market to be promulgated by the ERC.

4.9 GENERATOR WHEELING IN THE DISTRIBUTION SYSTEM

4.9.1 DU RESPONSIBILITIES

A DU shall make available at non-discriminatory terms and conditions unbundled DWS to generators that seek to wheel power into, out of, or through the distribution system.

4.9.2 GENERATOR RESPONSIBILITIES

A generator connected to the distribution system that seeks to wheel power out of the distribution system shall pay all applicable DWS charges. A generator wheeling power into or through the distribution system shall likewise pay the applicable DWS charges unless those charges are paid to the DU by load-serving entities such as an RES or another DU.

4.10 WHEELING FOR ANOTHER DISTRIBUTION UTILITY

4.10.1 THE RESPONSIBILITIES OF DU AS CUSTOMER

A DU shall make available at non-discriminatory terms and conditions unbundled DWS to other DUs that seek to wheel power out of or through the distribution system.

4.10.2 CUSTOMER RESPONSIBILITIES

A DU that seeks to wheel power out of or through the distribution system shall pay all applicable DWS charges unless those charges are paid to the DU by a generator or other load-serving entities such as an RES.

ARTICLE V

GUIDELINES FOR ESTABLISHING REGULATED SERVICE RATES

5.1 GENERAL

The Commission issued its Uniform Rate Filing Requirements (UFR) on October 31, 2001. Since that time, ERC policy regarding the setting of rates by DUs has evolved, most notably with the implementation of the removal of cross-subsidies and the adoption of the Rules for Setting Distribution Wheeling Rates (RDWR). To further promote nationwide consistency in rate design for distribution service, the Commission sets forth these guidelines herein. These guidelines are intended to complement, not substitute, the UFR. The UFR remains in full force until such time as the UFR itself may be revised by the Commission.

5.2 UNIFORM RATE FILING REQUIREMENTS

The Commission hereby incorporates the UFR as part of the DSOAR. All DUs shall adhere to the principles and methods set forth in the UFR, as may be revised by the Commission, as well as any principles set forth by the Commission in Decisions and Orders issued as part of UFR cases.

5.3 DISTRIBUTION UTILITIES OPERATING UNDER THE RDWR

5.3.1 GENERAL

The focus of these provisions is primarily rate design under the RDWR; that is, the allocation of revenue requirements to Customer Segments and the conversion of the revenue requirement for a particular Customer Segment into the various rate elements paid monthly by the customers within that customer segment.

The RDWR provides flexibility to expeditiously adjust rates between Regulatory Resets subject to a maximum average price ("MAP"). The MAP is a company-wide measure without much constraint on individual

rate elements.¹ The intent in granting such flexibility is to promote efficient DU operations; however, the Commission also intends to ensure that use of such flexibility adheres to the policies set forth in the EPIRA. Specifically, all DUs shall only charge rates that reflect the cost-based unbundled structure set forth in the UFR. At no time may costs or revenues that should be recovered from one unbundled function be shifted onto other unbundled functions. The rate design shall be free of inter-class subsidies. That is, costs or revenues that should be recovered from one customer segment shall not intentionally be shifted onto other customer segments. The Side Constraints set forth in Section 6.4 of the DWRG shall not be used to justify the shifting of revenues from one customer segment to other customer segments.

5.3.2 GENERAL METHODOLOGY FOR CONVERTING AN ANNUALLY ADJUSTED MAP INTO RATES

Adjustments made to a MAP during a Regulatory Period must be converted by the DU into new rate elements. This section sets forth a general methodology by which these calculations are to be made.

The general formula for a MAP is similar to that found in the RDWR:
$$\text{MAP} = (\text{CR} - \text{RBR}) / \text{CQ}$$

Where:

CR = The amount (expressed in PhP) billed to Customers of that Regulated Distribution System, or other persons, for the provision of either regulated services, or unregulated services which utilize assets that form part of the regulatory asset base for that Regulated Distribution System, by the Regulated Entity that operates that Regulated Distribution System, during the 12 month period ending on 31 December.;

RBR = Such portion (expressed in PhP) of the net income derived, during the 12 month period ending on 31 December, from each related business undertaking which is engaged in directly or indirectly by the Regulated Entity that operates the relevant Regulated Distribution System and which utilizes assets that form part of the regulatory asset base for that Regulated Distribution System (see Section 4.8.8), being a portion that is determined by the ERC pursuant to Section 26 of the EPIRA and that may vary as between such business undertakings but which, for each such business undertaking, does not exceed 50% of the net income that is so derived from that business undertaking; and

CQ = The total amount of energy (expressed in kWh) delivered through the relevant Regulated Distribution System, during the 12 month period ending on 31 December, to Connection

¹ The RDWR, sets forth Side Constraints for average prices charged to Customer Segments that must be adhered to by DUs. The Commission adds to that provision here with rules pertaining to rate elements.

Points in respect of that Regulated Distribution System, such amount of energy:

- (a) being determined in a manner that is approved for this purpose by the ERC; and
- (b) as so determined being audited to the satisfaction of the ERC by a person that is approved for this purpose by the ERC.

Consistent with the RDWR Position Paper, the steps to calculate the rates for an Application Year are as follows:

- a) Calculate the historical revenue earned from each Customer Segment i for a historical year t ($CR_{i,t}$).
- b) Calculate the average historical rate for each customer segment over the previous 12 months ($CS_{i,t} = \frac{CR_{i,t}}{CQ_{i,t}}$), where $CQ_{i,t}$ is the energy consumed by each customer segment i (kWh), during historical year t .
- c) Compute the projected revenue for the next year per customer segment based on the historical rate and forecast consumption ($CR_{i,t+1} = CS_{i,t} \times FQ_{i,t}$).
- d) By adding the projected revenue for each Customer Segment, the total projected revenue for the Application Year, based on historical rates, is calculated. ($CR20YR = \sum CR_{i,t+1}$)
- e) Determine the proportion of revenue to be recovered for each customer segment based on the projected revenue. ($\frac{CR_{i,t+1}}{CR20YR}$)
- f) Compute the total revenue (TR) for the Application year by multiplying the maximum average price cap (MAP_t) with the forecast energy consumption for the Application year. ($TR = MAP_t \times FQ_t$)
- g) Allocate the total revenue requirement (TR) for the Application Year to each Customer Segment ($TR_{i,t}$) based on the proportion of projected revenue from each Segment to the total revenue projected as computed under item (e) above.

$$(TR_{i,t} = TR \times \frac{CR_{i,t}}{CR20YR})$$

- h) The new rate element for a Customer Segment is then based on the revenue requirement allocation to that segment for the Application Year, using the same rate design as before for that Customer Segment, as approved at the time of the regulatory reset.

Implicit to this methodology is the fact that a new rate structure or Customer Segment cannot be introduced during a Regulatory Period. Such changes or the introduction of a new rate structure can therefore only be made as part of the regulatory reset process.

Changes in the rates, to account for new required revenue allocations to a Customer Segment, can therefore only be introduced by changing the quantum of those rate elements that already exist for each particular rate structure.

5.3.3 RATE DESIGN AND BILLING DETERMINANTS

The billing determinants to be used for calculating the rates related to a newly adjusted MAP shall be updated based on the most recent data available and shall be the same rate design approved in the last rate case or Reset Process. For example, if all distribution function costs for the residential customer segment were previously approved for recovery through a kWh charge, the same design shall be followed in the adjusted rates. That is, the DU cannot now change the rate design to recover such distribution-related revenue through a customer-month charge. The RDWR regulated DU may only propose rate design changes during the Regulatory Reset Process, unless otherwise ordered by the ERC.²

5.3.4 REGULATORY RESET PROCESS AND RATE DESIGN

As part of the Regulatory Reset Process, the applicant shall include a cost of service study in which the total amount to be collected (revenue requirement) is functionalized and allocated to customer segments (this is the UFR methodology). The company also must submit its proposed rate design for each customer segment. This will establish the new charges paid by customers until the next annual adjustment at which time the methodology described above in 5.3.2 and 5.3.3 shall be applied.

5.3.5 MONITORING BY ERC

Between Regulatory Resets under the RDWR, the ERC shall periodically monitor the rate design employed by the DU to ensure consistency with these guidelines.

5.4 DISTRIBUTION SYSTEM LOSSES

Connection Customers and the DU shall handle system losses in accordance with the Commission's rules and regulations. An RES and End-users in the Contestable Market purchasing DWS from the DU shall also pay any applicable distribution System Loss Charge and shall not be responsible for procuring energy to cover distribution system losses. The DU is responsible for procuring all energy related to distribution system losses and will be allowed to recover

² This is consistent with the RDWR.

such costs through ERC approved System Loss Charges, subject to a System Loss Cap.

5.5 PURCHASED POWER COSTS

Pass through of purchased power costs of the DU shall be done in accordance to Commission orders and rules.

5.6 TRANSMISSION COSTS

Pass through of transmission costs billed by the transmission provider to the DU shall be done in accordance to Commission orders and rules.

ARTICLE VI PROFORMA AGREEMENTS AND FORMS

The agreements and forms provided herein only serve as guidance as to what the ERC may find acceptable. The parties to any agreement may as appropriate deviate from these pro forma agreements. Any deviations from the pro forma agreements shall be filed with ERC.

List of pro forma agreements and forms posted separately:

- 6.1 Connection Agreement
- 6.2 Application for Interconnection and Parallel Operation of Generation with the Utility System
- 6.3 Agreement for Interconnection and Parallel Operation of Generation
- 6.4 Easement and Right of Way Form
- 6.5 Agreement for Meter Ownership and/or Access for Non-Company Owned Meters
- 6.6 Distribution Wheeling Service Agreement

Pasig City, _____.

ZENAIDA G. CRUZ-DUCUT.
Chairperson

RAUF A. TAN
Commissioner

ALEJANDRO Z. BARIN
Commissioner

JOSE R. REYES
Commissioner

MARIA TERESA A. RAMIREZ-CASTAÑEDA
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