

Draft

Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



RESOLUTION NO. _____, Series of 2006

**A RESOLUTION PRESCRIBING THE
TIMELINE FOR FULL RETAIL COMPETITION**

WHEREAS, Section 31 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA) and Rule 12.4 of its Implementing Rules and Regulations, mandate the implementation of Retail Competition and Open Access not later than three (3) years upon the effectivity thereof, subject to the fulfillment of the five (5) conditions prescribed in the EPIRA;

WHEREAS, of the five (5) conditions, only the privatization of at least 70% of the total capacity of generating assets of the National Power Corporation (NPC) in Luzon and Visayas, and the transfer of the remaining NPC-Independent Power Producers (IPP) contracts to IPP Administrators, have not been met;

WHEREAS, the implementation of Retail Competition and Open Access must dovetail with the completion of the seventy percent (70%) privatization target for the National Power Corporation's generating assets;

WHEREAS, the Power Sector Assets and Liabilities Management Corporation (PSALM) submitted to the Energy Regulatory Commission (ERC) two (2) timeline scenarios on the privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas;

WHEREAS, under the optimistic scenario, PSALM projects that 70-75% of NPC's generating assets in Luzon and Visayas will be privatized by end of 2007;

WHEREAS, under the conservative scenario, the privatization of 70-75% of NPC's generating assets in Luzon and Visayas is yet to be realized by end of 2008;

WHEREAS, the ERC must issue a timeline to provide guidance to Electric Power Industry Participants, to enable them to make strategic decisions, more particularly, for Distribution Utilities to be able to plan their future energy requirements.

WHEREAS, the ERC is constrained from doing so in view of the lack of a specific timeline from PSALM.

WHEREAS, the timeline defined by the ERC shall be dependent on the privatization of at least 70% of NPC's generating assets in Luzon and Visayas, and the transfer of the remaining NPC-IPP contracts to IPP Administrators.

NOW THEREFORE, pursuant to its mandate to promote competition, the ERC hereby **RESOLVES**, as it is hereby **RESOLVED**, to **APPROVE** and **ADOPT**, the "**Resolution Prescribing the Timeline for Full Retail Competition**", as follows:

1. Retail Competition and Open Access shall commence upon completion of the seventy percent (70%) privatization target for NPC's generating assets, and the transfer of the remaining NPC-IPP contracts to IPP Administrators, whichever comes later, in the franchise areas of both the private distribution utilities and electric cooperatives in the Luzon main grid with the contestable market to consist initially of electricity end-users with a monthly average peak demand of at least one megawatt (1 MW) for the twelve month period immediately preceding the open access date;
2. Two (2) years thereafter, the threshold level for the contestable market in the Luzon grid shall be reduced to seven hundred fifty kilowatts (750 kW). At this level, aggregators shall be allowed to supply electricity to end-users whose aggregate demand within a contiguous area is at least 750 kW.
3. Another two (2) years thereafter, if the ERC determines as realistic, the contestable market shall cover end-users at the household level.

Aggregation of demand shall be allowed, regardless of whether end-users are within a contiguous area or not.

4. The ERC shall separately determine the timetable for Retail Competition and Open Access in the Visayas and Mindanao grids.

Let copies of this resolution be furnished all parties concerned.

Pasig City, September 27, 2006.

RODOLFO B. ALBANO, JR.
Chairman

RAUF A. TAN
Commissioner

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