

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

**RESOLUTION NO.\_\_\_\_, Series of 2009**

**A RESOLUTION AMENDING AND SUPPLEMENTING  
ERC RESOLUTION NO. 20, SERIES OF 2005, “IMPLEMENTING THE  
RECOVERY OF VALUE ADDED TAX (VAT) AND OTHER PROVISIONS OF  
REPUBLIC ACT NO. 9337 AFFECTING THE ELECTRIC POWER INDUSTRY”**

**WHEREAS**, pursuant to Section 43 (t) of Republic Act No. 9136, the Energy Regulatory Commission (ERC) is mandated to promulgate rules and regulations and perform such other regulatory functions as are appropriate and necessary in order to ensure the successful restructuring and modernization of the electric power industry;

**WHEREAS**, it is necessary to amend Section I (o) and Section II (c) 4. of Resolution No. 20, Series of 2005, to clarify the intent of the ERC on the implementation of the recovery of Value Added Tax (VAT) and the consequent confirmation process, to wit:

I. General Principles

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(o) The ERC shall perform confirmatory process on the VAT imposed upon the Generation and Transmission and Distribution Utilities.

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II. Imposition of the Value-added Tax

xxx xxx xxx

( c ) For Distribution Utilities

- (1) Distribution Charge
- (2) Metering Charge;
  - (2.1) Retail Customer Charge
  - (2.2) Metering System Charge
- (3) Supply Charge;
- (4) Lifeline Rate Subsidy;
- (5) Inter-class Cross Subsidy;

- (6) Power Act Reduction;
- (7) Rate Reduction Due to Loan Condonation;
- (8) Currency Exchange Rate Adjustment; and
- (9) Local Franchise Tax.

The DU shall impose the VAT on the above charges as approved by the Commission.

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**WHEREAS**, the ERC finds it imperative to establish a uniform methodology by which Distribution Utilities (DUs) implement their recoveries of VAT on Generation, Transmission and recoverable system Loss from end-users;

**NOW THEREFORE**, the ERC, after due deliberations hereby **RESOLVES**, as it is hereby **RESOLVED**, to **AMMEND** the afore-mentioned provisions of ERC Resolution No. 20, Series of 2005 to read as follows:

I. General Principles

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(o) The ERC shall perform confirmatory process on the VAT imposed upon the Generation, Transmission and recoverable System Loss as passed on to end-users by the Distribution Utilities. The verification and confirmation of VAT on Distribution revenues of the DUs shall be left to the normal course of the Bureau of Internal Revenue's (BIR) audit.

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II. Imposition of the Value-added Tax

xxx xxx xxx

( c ) For Distribution Utilities

- (1) Distribution Charge
- (2) Metering Charge;
  - (2.1) Retail Customer Charge
  - (2.2) Metering System Charge
- (3) Supply Charge;
- (4) Lifeline Rate Subsidy;
- (5) Inter-class Cross Subsidy;
- (6) Power Act Reduction;

- (7) Rate Reduction Due to Loan Condonation;
- (8) Currency Exchange Rate Adjustment; and
- (9) Local Franchise Tax.

The DU shall impose the VAT on the above charges as approved by the Commission. In the case of Electric cooperatives, the GR shall be net of Reinvestment Fund.

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**RESOLVED FURTHER**, the DUs shall uniformly adopt rates expressed in PhP/kWh in recovering VAT on Generation, Transmission and recoverable System Loss following the methodology provided in Annex A hereof.

This Resolution shall take effect fifteen (15) days following its publication in a newspaper of general circulation in the country.

Pasig City, \_\_\_\_\_.

**ZENAIDA G. CRUZ-DUCUT**  
Chairperson

**RAUF A. TAN**  
Commissioner

**ALEJANDRO Z. BARIN**  
Commissioner

**MARIA TERESA A.R. CASTAÑEDA**  
Commissioner

**JOSE C .REYES**  
Commissioner