

Company	Provisions (Module F: Rates, Methodology, Billing and Settlement)	Comments	TRANSCO's Position	Suggested Action
CEPALCO		<p>We suggest that this entire Module should not be taken up in the OATS, but should be incorporated into the rates of the National Transmission Corporation, with a new application to be filed by the NTC to include these provisions and their impacts on the rates of NTC as approved by the ERC.</p> <p>Some of the provisions of the OATS Rules are implementations of provisions in the Grid Code, e.g. information/data to be supplied upon application and other fees. These are not cases of duplication of the Grid Code, and should be retained in the OATS.</p> <p>On the formulas: If Module F is to be included in the OATS Rules for information purposes, it should only mention the general formulas or statements. The details should be referred to the ERC-approved tariff or the rate case.</p>		

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CEPALCO	<p>F3 Billing and settlement service F3.1 Within ten (10) days after the Billing Period, the Transmission Provider shall issue a billing invoice and statement ("Billing Statement") to each Transmission Customer, detailing all charges and credits for that previous Billing Period for the services provided under these OATS Rules. The Billing Statement shall present the net amount due from or to the Transmission Customer and shall cover the charges for all services provided by the Transmission Provider/System Operator under these OATS Rules during the preceding Billing Period. The Billing Statement shall include all supposing data necessary to enable the Transmission Customer to verify the amount payable to or owed by the Transmission Provider for that Billing Period.</p>	<p>Will Prompt Payment Discounts (PPD) still be granted?</p>	<p>See response to comments on A22. PPDs are granted in the exercise of management prerogative and shall continue to be granted to the extent that these are TransCo's obligations under existing contracts.</p>	<p>No change required.</p>
MERALCO	<p>F3.2 In the event that the Transmission Provider identifies an error in the Billing Statement, the Transmission Provider shall issue a debit/credit memo within ninety (90) days from the date of bill's receipt to correct the error; <i>Provided</i> that metering errors may be corrected anytime.</p>	<p>We suggest that the "Provided ..." clause should be deleted. Metering has nothing to do with, for example, an erroneous arithmetical calculation? It implies that there are metering errors that cannot be corrected. Furthermore, this clause tends to limit the remediable billing errors to metering-related errors. Which should not be. All billing errors should be rectifiable without regard to the correctability of metering data.</p>	<p>Correction of metering errors should not be subjected to a 90-day limit since it is not cost-effective to test every meter within said period. It is standard international practice to allow metering error to be corrected within a period extending to some years.</p> <p>The provision should be revised, however, to reflect this intent more clearly.</p>	<p>Change proviso : "Provided that metering errors may be corrected beyond the 90-day period."</p>
MERALCO	<p>F4.3 The Transmission Customer shall pay interest on any amounts unpaid after the Due Date (and including amounts placed in</p>	<p>The interest rate to be imposed on the transmission customer's overdue account, regardless of age, shall be</p>	<p>It has been TransCo's policy and practice to use the highest non-prime lending rate as</p>	<p>No change required.</p>

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	<p>escrow), on the daily balance outstanding for each day that the unpaid amount remains outstanding after the Due Date. The rate to be imposed on the Transmission Customer's overdue account, regardless of age of account, shall be based on the highest non-prime lending rate for the current quarter among the commercial banks designated by the Transmission Provider.</p>	<p>based on the highest non-prime lending rate for the current quarter. Check if this will not be a heavy burden of the part of the transmission customer.</p>	<p>interest rate. To do otherwise (i.e., for TransCo to use lower rates) would create an incentive for the customers to not pay TransCo rather than borrow funds at commercial rates.</p>	
<p>MERALCO</p>	<p>F5.2 If the Transmission Customer fails to meet the requirements in Rule F6.1, then the Transmission Provider may notify the Transmission Customer of its intention to suspend service to the Transmission Customer upon the lapse of sixty (60) days from Transmission Customer's receipt of notice, and the Transmission Provider may suspend service following such period.</p>	<p>Reference to Rule F6.1 is misleading because there is none in the module.</p>	<p>Noted.</p>	<p>Change reference : "Rule F6.1" to "Rule F5.1"</p>

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<p>CEPALCO</p>	<p>Annex I, Module F: Charges for Technical Services</p> <p>F(AI)1 Charges for System Impact Study and Facilities Study</p> <p>F(AI)1.1 The Transmission Customer shall pay the costs of any System Impact Study (SIS) or Facilities Study arising from their Service Application. The charge shall not exceed the actual cost of the study. In performing the System Impact Study, the Transmission Provider shall rely, to the extent reasonably practicable, on existing Grid Impact Studies (GIS). The Transmission Customer shall not be assessed a charge for such existing studies. However, the Transmission Customer shall be responsible for charges associated with any modifications to existing GIS that are reasonably necessary to evaluate the impact of the Transmission Customer's request for service on the Grid.</p>	<p>It appears from the Grid Code that the NTC conducts the SIS. We suggest that a third party, impartial to both Provider and Customer, be allowed or commissioned to conduct the study.</p>	<p>The issue of partiality appears to suggest that TransCo has an interest in not approving an application because it has interest in the entry of one generator over another. However, there is no basis for this concern in the restructured industry wherein TransCo does not own nor has interest in any generating facility.</p> <p>Moreover, the Grid Code requires TransCo to conduct the SIS and the data for conducting the study belongs to TransCo.</p>	<p>No change required.</p>
<p>DECORP</p>	<p>F(All)3 Billing Determinants</p> <p>F(All)3.1 Firm service/s shall be charged on a monthly basis while non-firm service/s shall be charged on a daily basis. Non-firm charges are only applicable on the day services were used.</p>	<p>Please be guided of the latest Notice of Judgment and Decision of the Court of Appeals, Special Third Division dated March 3, 2003, denying the Petition for Review filed by NPC, and accordingly dismissed for lack of merit. The case (C.A. - G.R. SP No. 50782, National Power Corporation vs. PEPOA) originated from NPC's imposition of penalties for electricity consumption below and over the contracted demand and energy limit based on its Rules on the</p>	<p>The cited ruling does not appear to be relevant to this provision.</p>	<p>No change required.</p>

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		<p>Sale of Electricity, specifically Rules 5 and 6. The decision, in effect, reiterates that the collection of penalties by NPC is unlawful, not having been authorized by the then Energy Regulatory Board (now Energy Regulatory Commission), and considering further that the Cease and Desist Order issued by the then ERB was now permanent.</p>		
<p>MERALCO</p>	<p>F(All)3.2 Billing Determinant (BD) for Power Delivery Services, Ancillary Services, System Operations, and Cross Subsidy charges shall be as follows: (a) The BD for Category A Customers shall be the higher of the contracted kilowatt (kW) demand or the scheduled kilowatt (kW) demand;</p>	<p>Using the higher of contracted kW or the scheduled kW as the billing determinant will result in over-recovery of TransCo's costs of Power Delivery Service and Ancillary Services.</p>	<p>TransCo does not intend to over-recover its costs. Any change to how the BD is calculated will be submitted to the ERC at the appropriate time.</p>	<p>No change required.</p>

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CEPALCO	F(All)3.4 For Category B Customers with multiple Points of Delivery, the BD shall be the aggregate of the higher of the Contracted kW demand or the Actual kW demand.	For multiple points of delivery, Billing Demand is defined as the aggregate (simple arithmetic summation) demand of all metering points. We suggest that coincident peak be used instead. It is the coincident peak demand of each customer that determines his use of the system, and this coincident peak demand can be measured with the new metering system for the Grid.	TransCo's rate design in its rate application with and approved by the ERC used the aggregate (non-coincident peak) demand of all metering points. Adopting coincident peak measure of demand would necessitate TransCo seeking a new rate schedule by petition to the ERC.	No change required.								
CEPALCO	<p>F(All)3.5 The BD shall be grossed-up, as applicable, by allowable losses from the particular Grid, as follows:</p> <table border="0" data-bbox="373 708 751 857"> <tr> <td>Grid</td> <td>System Losses</td> </tr> <tr> <td>LUZON</td> <td>2.98%</td> </tr> <tr> <td>VISAYAS</td> <td>3.67%</td> </tr> <tr> <td>MINDANAO</td> <td>4.35%</td> </tr> </table>	Grid	System Losses	LUZON	2.98%	VISAYAS	3.67%	MINDANAO	4.35%	When there is already a comprehensive GIS and SIS, losses can be determined specifically, and need not be fixed. (Cf. F(All)9.3.)	<p>Allowable system losses are fixed by the ERC, as determined during the test year.</p> <p>GIS and SIS establish the adequacy of the Grid to accommodate new connections, but do not determine the system losses.</p>	No change required.
Grid	System Losses											
LUZON	2.98%											
VISAYAS	3.67%											
MINDANAO	4.35%											
CEPALCO	<p>F(All)5 Transmission Delivery Charge (TDC)</p> <p>F(All)5.1 The TDC includes charges for the use of the Transmission Provider's transmission facilities at the transmission delivery voltage.</p>	When step-down (Transmission to sub-transmission delivery voltage) transformer is classified as transmission asset because it is critical to Grid Operations, the customer connected directly to the subtransmission voltage side of the transformer should be classified as transmission customer. The said customer, therefore, should no longer be charged for Subtransmission Delivery, otherwise there would be double charging (the cost of the transformer has already been incorporated into the transmission rates).	<p>There will be no overcharging. ERC will determine the classification of transmission and subtransmission assets. The STDC will apply only to subtransmission assets. See F(All)6.1.</p> <p>In case of a re-classification of assets by the ERC, TransCo may need to petition the ERC for a new rate schedule.</p>	No change required.								

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CEPALCO	<p>F(All)6 Sub-transmission Delivery Charge (STDC)</p> <p>F(All)6.1 The STDC includes charges for the use of the Transmission Provider's sub-transmission assets. Unless otherwise prescribed by the ERC, "sub-transmission assets" refers to those facilities below the transmission voltages used for power delivery service. These include step-down transformers used solely by Load Customers, associated switchyard/substation, control and protective equipment, overhead lines, and the land where such facilities/equipment are located.</p>	<p>Similar to comment under F[All]5.1 wherein customers connected at the subtransmission side of the step-down transformer, which is classified as transmission asset, should no longer pay a Subtransmission Delivery Charge.</p>	<p>See response to comment above.</p>	
CEPALCO	<p>F(All)6.3 Detailed Computation Procedures of Power Delivery Service Charge</p> <p>Inputs to Calculation:</p> <p>Scheduled generation, is the hourly generation schedule obtain from the adjusted data, or the actual generation, which is based on downloaded load profile;</p> <p>kWh delivery at transmission voltage, is the average kWh reading at the transmission level of the four 15-minute interval reading within the hour;</p> <p>kWh delivery at sub-transmission voltage, is the average kWh reading at the sub-transmission level of the four 15-minute interval reading within the hour;</p> <p>TD Rate, which is the applicable rate. Refer to Annex III.</p> <p>Calculation to determine</p>	<p>Billing Determinants can be determined at transmission and subtransmission level. Hence, there's no need for using the Transmission and Subtransmission Factors, which are based on energy (kWh).</p>	<p>Subtransmission Factors are necessary for proper billing of customers connected at transmission and subtransmission levels.</p>	<p>No change required.</p>

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CEPALCO	<p>Transmission and Sub-transmission Factor</p> <ol style="list-style-type: none"> Determine the Billing Determinant (BD). Get the sum of the delivered energy (kWh) at the transmission and sub-transmission voltage. Formula to calculate the Transmission Factor and Sub-transmission Factor. Refer to Appendix 6 for more sample computations. $TF = \frac{kWh@T}{kWh@T + kWh@ST}$ $STF = \frac{kWh@ST}{kWh@T + kWh@ST}$ <p>where:</p> $TF = \frac{\text{transmission factor}}{\text{transmission factor} + \text{sub-transmission factor}}$ $kWh @ T = \frac{\text{kilowatt - hour delivery at Transmission Voltage}}{\text{kilowatt - hour delivery at Transmission Voltage}}$ $kWh @ ST = \frac{\text{kilowatt - hour delivery at Transmission Voltage}}{\text{kilowatt - hour delivery at Transmission Voltage}}$	<p>If points of receipt and delivery are both on the subtransmission level, then TD Charges should no longer be applied.</p>	<p>TD charges are for use of the transmission system. Points of receipt and delivery on the same subtransmission level may still use the transmission system, for example, if demand exceeds generation and for ancillary services. Where transmission system is being used, it is appropriate that the customer pays for those services.</p>	<p>No change required.</p>

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	<p style="text-align: right;">hour delivery at Sub – transmiss ion</p> <p>4. For multiple Points of Delivery at different voltage levels: $TDC = BD \times TF \times TD \text{ Rate}$ $STDC = BD \times STF \times (TD \text{ Rate} + STD \text{ Rate})$</p> <p>5. If the Point of Receipt and Point of Delivery are both at transmission level: $TDC = BD \times TF \times TD \text{ Rate}$</p> <p>6. If the Point of Receipt is at Transmission level and the Point of Delivery is at Sub-transmission level: $STDC = BD \times STF \times (TD \text{ Rate} + STD \text{ Rate})$</p> <p>7. If the Point of Receipt is at Sub-transmission level and the Point of Delivery is at Transmission level: $STDC = BD \times (TD \text{ Rate} + STD \text{ Rate})$</p> <p>8. If the Points of Receipt and Delivery are both at Sub-transmission level, $STDC = BD \times (TD \text{ Rate} + STD \text{ Rate})$</p>			
CEPALCO	<p>F(All)8.5 <u>Charge for Firm Backup Service</u> F(All)8.5.1 Firm Backup Service Customers shall be provided with firm Backup Service (BUS), i.e., Backup Power</p>	<p>Charges for firm Back-up Services (BUS) applicable only to those with long term power supply contract; It should be specified that Category B</p>	<p>TransCo does not provide Firm BUS to Category A customers. For Category B customers, Firm BUS is being provided and</p>	<p>No change required.</p>

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	<p>Service and Backup Electricity Service. "Firm Backup Service Customers" refers to Load Customers with long-term supply contracts with NPC or its successors, unless such contract or amendment thereto provide otherwise.</p>	<p>customers with long term power supply contract with NPC is excluded. Backup services should be charged to generators (Category A customers) only.</p>	<p>thus is appropriately charged.</p>	
MERALCO	<p>F(All)8.6.2 The calculation for determining the charges when service is provided by the System Operator as a result of an outage of the Generation Facility of a Generation Customer is provided below:</p> <p style="padding-left: 40px;">Backup Charge = (BUP Rate x Maximum Backup Scheduled for the Day) + (Applicable Energy Rate x Electricity Provided)</p> <p>The availment of Backup Service is subject to one-hour prior request by the Generation Customers and confirmation by the System Operator. If applicable, power delivery service is charged separately.</p>	<p>When will the PDS be applied separately from the BUSC?</p>	<p>The PDS-component of BUP applies only for Embedded Generators when they are getting BUP from the Grid.</p>	<p>No change required.</p>

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<p>MERALCO</p>	<p>F(All)9 Additional Services Charges Calculations F(All)9.1 <u>Energy Imbalance (EI) Charge for Generation Customers</u> F(All)9.1.1 For the purposes of determining the Energy Imbalance Charge the Energy Imbalance (EI) for each Generation Facility of each Generation Customer shall be recorded in whole kWh for each hour of the Billing Period.</p>	<p>This whole section including its subsections do not provide conditions that generating units have to perform commissioning tests which can cause a large variation in the machines actual load compared with the scheduled load. Moreover, in Section F(All)9.1.2, the +/- 1.5% bandwidth is quite narrow for the Philippine electric system since frequency variations can affect that plants' actual loading. For natgas-fired plant, the output of the plant varies already by 0.4%/centigrade-degree.</p> <p>We propose to use two-level energy imbalance deviation band, first at +/- 2.5% and a minimum 2 MW level that the generating units are allowed to deviate without penalty and a second band of +/- 10%. Charges for deviations between 2.5% and 10% shall be 90% of marginal cost of energy credit (payment) for positive imbalance (actual load > scheduled load) or 110% of marginal cost energy payment for negative imbalance (actual load < scheduled load). For energy imbalances more than +/- 10%, positive imbalance shall be credited for 80% of marginal cost of energy while negative imbalance shall be charged at 120% of marginal cost of energy. (Reference: http://www.nwoasis.org/documents/NWMT/ExhibitL10-23-02.pdf)</p>	<p>These are interim arrangements as the Energy Imbalance Service will be integrated into the WESM.</p>	<p>No change required.</p>
<p>MERALCO</p>	<p>F(All)9.1.2 For hours when the EI due to under-delivery exceeds 1.5% the charge is determined by applying the applicable ERC</p>	<p>What is the basis of the +/-1.5% deviation band?</p>	<p>The deviation band is based on a FERC Order 888 and has been adopted by NPC since the</p>	<p>No change required.</p>

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	<p>approved percentage to the hourly marginal cost or the prevailing Electricity rates, whichever is higher. Over generation beyond the 1.5% deviation band shall not be credited.</p>	<p>It seems that over-generation beyond the +1.5% deviation band is not credited, wouldn't it be a case of double charging or undue benefit for the TP/SO?</p>	<p>implementation of the OATS pursuant to the ERB Order of 11 June 1997.</p> <p>Allowing the customer to get credit for overdelivery beyond the deviation band will create incentives for generators to overgenerate outside of their schedules. This will result in over-frequency in the system and considerable difficulty in settlement.</p>	
<p>MERALCO</p>	<p>F(All)9.1.3 <u>Detailed Computation Procedures of EI Charges</u> F(All)9.1.3.1 <u>Daily EI Computation</u></p> <p>(5) Determine the Energy Imbalance within limits (in excess), <i>Credit</i></p> <p>If Over >= Load Limits Then Credit = Load Limits Else Credit = Over</p>	<p>This computation method will result in permitted overdeliveries from not being credited to the Transmission Customer. This unduly rewards TransCo/NPC.</p>	<p>See comment above.</p>	<p>No change required.</p>

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<p>MERALCO</p>	<p>F(AII)9.1.3.2 <u>Monthly EI Computation</u></p> <p>(3) Determine the Net Allowable Shortage, kWh If Allowable Shortage > Allowable Excess Then Net Allowable Shortage</p>	<p>The generator should be compensated if at the end of the billing period there is still an allowable excess (instead of allowable shortage, in which case the generator pays additional), i.e. within the +1.5% band.</p>	<p>See response to comment on F(AII)9.1.2.</p>	<p>No change required.</p>

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	<p style="text-align: center;">Else Net Allowable Shortage = 0</p> <p style="text-align: center;">Where: Allowable Shortage = Total Debit for the billing period</p> <p style="text-align: center;">Allowable Excess = Total Credit for the billing period</p>			
MERALCO	F(All)9.3.4 The Loss Factor shall be recomputed by the Transmission	The phrase " <i>based on the prior 24-month period</i> " should be clarified?	TransCo intends to conduct recomputations once every 12	No change required.

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	<p>Provider periodically (but not less frequently than once each year) based on the prior 24-month period. The Loss Factor so computed shall be used until the Transmission Provider has updated such factors.</p>	<p>Does it mean that the frequency of the recomputation would depend on the value of the loss factor obtained in the previous 24-month period? For example, if the loss factor for the preceding 24-month period were greater than 3%, the recomputation would be done every six months, while if the loss factor were less than 3%, the recomputation would be performed every 12 months?</p>	<p>months.</p>	
<p>MERALCO</p>	<p>F(All)11.2.2 Should specified services under these OATS Rules be interrupted or curtailed to a level below that agreed in the Service Agreement, the demand charges shall be adjusted taking into account the ratio of the number of hours that service is interrupted to the total number of hours in Billing Period.</p>	<p>This provision should consider conditions wherein IPPs are required to reduce generation due to transmission line outages.</p>	<p>Noted. TransCo intends to develop an adjustment mechanism applicable to Category A customers similar to the Interruption Billing Adjustment applied to Category B Customers.</p> <p>Correction in the draft: Delete "or curtailed" from the second line, as curtailment level is not specified in the Service Agreement. See response to comment C11.1.</p>	<p>Noted.</p> <p>Change in the draft to reflect correction.</p>
<p>CEPALCO</p>	<p>F(All)11.5 Other Adjustments F(All)11.5.1 Laws, rules or regulations may provide for other adjustments to the Billing Statement issued to the Transmission Customer.</p>	<p>Rate adjustments should be approved by ERC.</p>	<p>Since TransCo is a regulated entity, this provision is not intended to allow TransCo to unilaterally impose rate adjustments without legal authority.</p>	<p>No change required.</p>