

# Performance Based Regulation of Philippines Electricity Distribution Companies

## REGULATORY TRAINING COURSE

Cebu – November 5 & 6, 2007  
Baguio – November 8 & 9, 2007

### SESSION 5C –THE ANNUAL RATE RESET



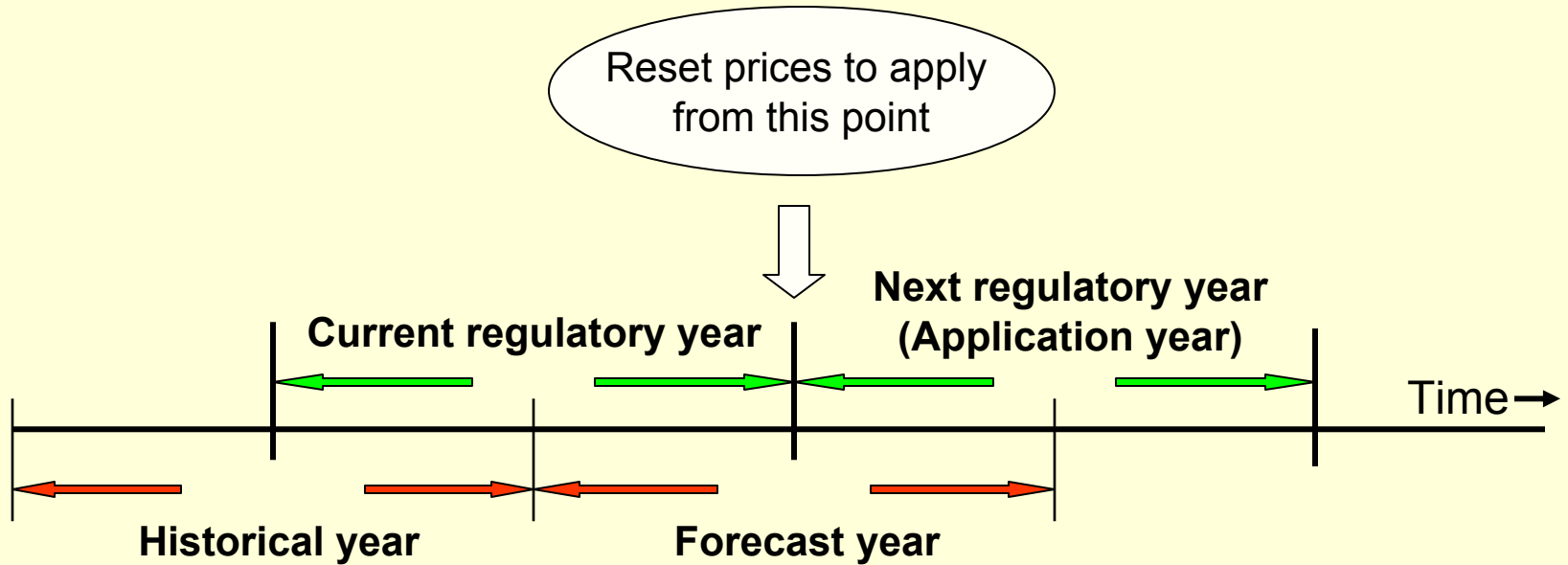
# Overview of the session

- This session will cover:
  - The procedure for the annual rate reset during the Regulatory Period

# The annual reset

- As part of the initial regulatory reset process:
  - A forecast price path is determined
  - The X-factor is set
- However, during the regulatory period:
  - Annual rate adjustments are to occur, based on actual:
    - Economic indices  $MAP_t = [MAP_{t-1} \times \{1 + CWI_t - X\}] + S_t - K_t + ITA_t$
    - Energy consumption
    - Average distribution price
    - Service quality performance
  - Utilities are to lodge applications for the revised distribution rates, that will apply during the application year
  - Calculation of the revised rates are based on factors established for :
    - Historical period (ending six months before the start of the application year)
    - Forecast period (ending six months into the application year)

# The timeline



# The Process

TIME	ACTION
14 Weeks before start of application year	Utilities submit rate adjustment information & proposal for new wheeling rates
11 Weeks before start of application year	ERC to pass requests for further information to utilities
9 Weeks before start of application year	Utilities provide further information
8 Weeks before start of application year	Utilities to meet with ERC staff to explain the submission in detail
6 Weeks before start of application year	ERC decides whether proposed wheeling rate can be implemented as submitted, or whether amendments are necessary
4 Weeks before start of application year	Public notification of amended wheeling rates (if approved by ERC)
Start of application year	Implementation of the wheeling rates (if approved by ERC)

# The Process

- If ERC does not approve the proposal for the annual adjustment:
  - Will provide reasons to utilities
  - Set new timeframe for submission
- Utilities to consult and revise the proposed rates before re-submission
- Review process then resumes as before
- Once accepted, the rates must be publicly notified for a minimum 4-week period before being implemented

# Information to be submitted with annual reset application

- All supporting calculations for the application
- For the 12-months preceding the application date (the historical period, which ends six months before the application year) :
  - amount billed to customers for distribution services
  - net income derived from each related business undertaking
  - total amount of energy delivered
  - simple average of the monthly 180 day weighted-average Manila Reference Rate
  - Correction Factor under the over/under recovery formula for the Application Year ( $K_t$ )
  - change in Weighted Index for the Application Year ( $CWI_t$ )
  - Tax Adjustment for the Application Year ( $ITA_t$ )
  - maximum average price (expressed in PhP/kWh) permitted to the utility
  - Actual performance against each index included in the performance incentive scheme

## Further historical information required

- For the historical period:
  - total amount billed to all Customers in each Customer Segment
  - maximum distribution wheeling rates applied to each Customer Segment
  - actual distribution wheeling rates applied to each Customer Segment
  - total amount of energy delivered to all Customers in each Customer Segment

## Further forecast information required

- For the Forecast Period (ending 6 months into the Application Year):
  - amount forecasted to be billed to all Customers in each Segment
  - amount of energy forecasted to be delivered to all Customers in each Customer Segment

# QUESTIONS

