Performance Based Regulation of Philippines Electricity Distribution Companies

REGULATORY TRAINING COURSE

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

SESSION 5D – GOING FORWARD

Overview of this session

- The session will cover:
  - Current status and milestones of reset processes
  - Readiness review at utilities
  - Standard rate structures
  - Overseas regulatory training

Current status of the reset processes:

- Overall
  - Funding mechanism for the reset process now finalized
    - Memorandum of agreement between ERC, Pepoa, Meralco and BLCI
    - Reset costs shared between all utilities, proportional to 2005 energy sales
    - Further contracts for reset work can now be awarded

- First Entry Group
  - Final determination published in August/October 2007
  - Awaiting rate filings
  - Late start of 2nd Regulatory Period
    - Reset period for future groups will be extended
    - Current goal to commence in February 2008
  - Motions for reconsideration filed by Meralco (4)
    - Currently being considered by the ERC

Current status of the reset processes:

- Second Entry Group
  - RDWR, Issues Paper and Position Paper published
  - Contracts now being developed for asset valuation

- Later Entry Groups
  - No action at present

Readiness review at Utilities

- To assist future entrants into PBR with their preparations:
  - ERC will conduct readiness reviews at each utility
  - This is intended to
    - streamline future reset processes
    - give utilities advance advice on getting ready for PBR
    - save on later reset expert costs
    - give utilities chance to ask questions
- Focus will be on:
  - Valuation asset register
  - Performance incentive management
  - Processes for expenditure forecasting
- Following visits, a report will be prepared for each utility, with review suggestions
- Visits will commence in January 2008, starting with 2nd Entry Group

Standard rate structures

- This was discussed before
- The ERC intends to research
  - An appropriate standardized customer segmentation across utilities
  - Standardized guidelines for tariff structures, reflecting world best practice
- The practicality of implementing this for the First Entry Group will be considered in the future

Overseas regulatory training

- The ERC and representatives from the utilities will conduct training visits to Australian and New Zealand regulators and distribution utilities
- This is intended to:
  - Obtain an insight into other regulatory approaches
  - Learn from the experience of other regulators
  - Learn from distribution utilities about how the function in their regulatory environment (the typical problems and how to address these)
  - Obtain a first-hand understanding of how other electricity markets function
  - Identify possible opportunities for improvement
- Visits to occur in three groups, ten-day trips
- Currently planned for February/March 2008
- Utilities will be consulted about specific aspects they may wish to cover/include in the visits

DISCUSSION & QUESTIONS