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THE ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

Subject : **ERC Case No. 2003-296, Guidelines to Distinguish Transmission & Sub-transmission Assets of Transco**

Gentlemen:

In response to the Public Notice published in the May 23rd issue of the Philippine Star, we wish to submit the following comments and recommendations for your proper consideration:

1. **ARTICLE III, Section 2. Establishment of Voltage Standard**, should read as follows: **"Except as may be authorized or reclassified later, the assets of Transco in the Luzon, Visayas & Mindanao Grids and in the Small Island Grids, shall be classified generally as Transmission Assets if its rated voltage is 70KV and above, and as Sub-transmission Assets if its rated voltage is 69 KV and below"**.
Rationale: a) The Transco 69 kV Sub-transmission lines represents about 49% of the total length in circuit kilometers of the combined Luzon, Visayas & Mindanao Grids. Although, most are radial lines emanating from the main substations that interconnects the various Electric Cooperatives, Utility Companies, Industrial Loads and other Franchise Holders. It would be advisable that the operation and maintenance and future expansions of these Sub-transmission lines and substation be contracted to appropriately qualified private sub-transmission Concessionaires or Consortiums on a regional basis, say 5 Area Concessionaires for Luzon (Ilocos Region, Cagayan Valley, Central Luzon, Southern Luzon and Bicol Region); 2 Area Concessionaires for Eastern & Western Visayas; 4 Area Concessionaires for Mindanao (East, Western, Southern & Northern Mindanao). b) In reality, a single Sub-transmission Concessionaire to cover all the Grids will require a rather large investment, a bigger operational budget to cover the whole Philippines, a rather large Sub-transmission losses (being radial systems) and a rather small income to be derived from wheeling charges.
2. **ARTICLE II, Section 1.c**, should read as follows: **"Any Consortium of Distribution Utilities and Experienced Filipino Private Electrical Contractors/Engineering Firms that intend to acquire and assume responsibility for operating, maintaining, upgrading and expanding an Area Sub-transmission Asset of Transco"**. **Rationale :** Existing Distribution Utilities, particularly Electric Cooperatives will have limited Investment Capital and will find it unprofitable to own, operate and maintain and upgraded and upgrade/expand later the Sub-

transmission line, where they are presently connected. They would prefer that Transco or a Concessionaire should continue to own, operate, maintain and expand the Sub-transmission line.

3. **ARTICLE V, Section 1. Eligible Applicant** – should read as follows: “ **An applicant for a Franchise shall be filed with the ERC by the Consortium or Juridical Entity formed by and composed of Qualified Distribution Utilities and Experienced Filipino Electrical Contractors/Engineering Firms to operate maintain, upgrade and expand one or more Area Sub-transmission Assets; Provided, That the Qualified Distribution Utilities, member of the Consortium are presently connected to the Area Sub-transmission Assets under consideration in the application.**” Rationale: we contend that in most cases, the Experienced Filipino Electrical Contractor/Engineering Firms will be able to raise the financial requirement and posses the appropriate transmission line equipment and experienced personnel to be able to operate, maintain and expand of the Area Sub-transmission Assets of Transco.

We trust that you will favorably consider the above proposal and comments to the proposed ERC Guidelines.

Very truly yours,



EDGARDO A. HERRERA
President & General Manager