

DAVAO LIGHT AND POWER COMPANY INC. (DLPC)

COMMENTS ON GUIDELINES TO GOVERN THE SETTING OF STANDARDS TO DISTINGUISH THE TRANSMISSION FROM THE SUBTRANSMISSION ASSETS OF TRANSCO AND THE BUYER OR CONCESSIONAIRE OF SAID ASSETS AND THE GRANT OF FRANCHISE TO OPERATE THE SUBTRANSMISSION ASSETS



GENERAL COMMENT:

When the EPIRA (R.A. 9136) was drafted and passed, Section 7 assigned to the ERC the task of setting the standards for voltage transmission to distinguish between transmission and sub-transmission assets, although an initial classification was made which more or less reflected the prevailing situation.

In fact, the main comments raised during the public consultations were not that the classifications were wrong, but that the arbitrary classification did not reflect certain functional realities, and that these exceptions were not properly addressed. The common denominator was that the classification should be functional and not pegged to any definite voltage level. The definition of subtransmission in Sec. 4 of the EPIRA suggests that. This recognizes the fact that over time, the load requirements will determine the proper voltages not only for subtransmission but even for transmission and distribution. With the load disparities prevalent in the Philippines due to economic and geographic clusters, no single voltage adequately captures what sub-transmission assets should be.

Therefore, the draft presented by the honorable Commission is, we believe, a step backward instead of forward, since it brings us farther away from the functional realities.

As a general comment, we suggest that the classification should retain the present voltage levels stipulated in the law, but endeavor to address the functional exceptions that are not addressed by these definitions. An example of this would be in parts of Northern Mindanao where some end users are served at 138 kv, which was the original transmission voltage

for Mindanao. To bring down the level not only does not solve this problem, it will create a lot more.

SPECIFIC COMMENTS:

Article I, General Provisions

“These guidelines shall have the following objectives:

c) To enhance the inflow of private capital and broaden the ownership base of the electric power transmission **and subtransmission** sector;

d) To provide for the orderly and transparent privatization of the transmission **and subtransmission** assets of the TRANSCO;

Comment:

We suggest inserting the words “and subtransmission” in the sentence since the guidelines refers to both Transmission and Subtransmission assets.

Article II, Section 1. Scope

Comments:

Ninth (9th) paragraph, Section 8, Chapter II of RA 9136 specifically states, that:

“The TRANSCO may exercise the power of eminent domain subject to the requirements of the Constitution and existing laws. Except as provided herein, no person, company or entity other than the TRANSCO shall own any transmission facilities.”

In view of the fact that TRANSCO has the sole authority to own and transmit power, what will happen to assets owned by end user? The guidelines do not mention the procedures regarding the transfer of the asset to TRANSCO in the future.

Section 2. Definition of Terms

(g) “Franchised Consortium” shall refer to a Consortium that has been granted a franchise to **own**, operate, maintain, expand and upgrade one or more Subtransmission Assets;

Comment:

We suggest inserting the word “own” in the definition.

(l) “Subtransmission Assets” shall refer to the facilities related to the power delivery below **or within** the transmission voltages and based on the functional assignments of assets including but not limited to step-down transformers used solely by load customers, associated switchyard/substations, control and protective equipment, reactive compensation equipment to improve customer power factor, overhead lines, and the land where such facilities/ equipment are located. These include NPC assets linking the transmission system and the Distribution System which are neither classified as generation nor transmission.

Comments:

We suggest inserting the word “or within”. This will give flexibility to Distribution Utilities to operate facilities within the transmission voltage that is solely used and operated for the Distribution Utility. This will likewise support the objective that is to broaden ownership base of electric power transmission sector.

Article III, Section 2. Establishment of a Voltage Standard:

“ Except as may be authorized by the succeeding article, an asset of TRANSCO or its Buyer or Concessionaire located in the Luzon, Visayas or Mindanao Grids and in the isolated distribution system, shall be classified as transmission assets if its rated voltage is 69 kV and above and subtransmission assets if its rated voltage is below 69 kV”.

Comments:

What is the basis of reclassifying 69kv into transmission system? Is there any studies conducted to support the reclassification?

The classifications under the proposed guidelines will adversely affect the TRANSCO's present Transmission and sub-transmission Charges since rates were based on the assets classified under Chapter II Section 7 of RA 9136. TRANSCO therefore, need to adjust its transmission charges based on the new classifications. This however needs approval from the ERC.

Assuming that subtransmission classifications are corrected for the appropriate level for particular utilities, it would mean that different utilities would be paying for a varying level of transmission service, some down to 69kv, others at higher voltages. Will they pay the same rate? If not, will the transmission service charge be stratified? If that will be the case, you might as well call the difference part of your subtransmission charge.

It is therefore recommended that initial classification of sub-transmission assets as provided for in the law be maintained that is: assets below 230 kv in Luzon Grid, below 69 KV in the Visayas Grid and in the isolated distribution system, and below 138 kv in the Mindanao Grid.

Article IV, Section 1, Petition for functional Asset Classification-Eligible Petitioner:

“Any Qualified Distribution Utility or Consortium of Qualified Distribution Utilities which intend to purchase an asset of the TRANSCO or its Buyer or Concessionaire may petition the ERC for such asset to be classified as a subtransmission asset based on the established functional standard and the criteria as provided in Section 4, Rule 6, Part II of the IRR of the Act.

Comments:

The guidelines do not mention about asset owned by the Distribution Utility's, which is rated and operated within the transmission voltage, will this be classified automatically as subtransmission asset or the DU's has to apply for the *classification of the asset to the ERC*.

We reserve the right to make additional comments if necessary based on the discussion during the public hearing.