

6 June 2003



**The Energy Regulatory Commission**  
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Attention: Atty. Marina C. Bugayong  
Ms. Maurisa Moncada  
**Regulatory Operations Service**

Re: **Comments on Draft**  
**Subtransmission Guidelines**



Gentlemen:

We thank you for giving us the opportunity to comment on the draft "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" (the "Guidelines") and appreciate the opportunity to participate in the public consultations thereon.

Set forth below are the specific comments and proposals of First Gas Holdings Corporation.

1. **Definition of "Directly Connected Generators"**. We are unclear as to the definition of the term "Directly Connected Generators" and seek clarification as to what other types of generators the ERC feels "directly connected generators" should be distinguished from.

We likewise seek clarification on the exclusion from the definition with respect to "Generators which may supply electricity to the Grid only in cases of emergency".

2. **Section 1(b), Directly Connected End-users**. We note the seemingly innocuous difference in language between Sections 1(a) and 1(b). The first, referring to "Directly Connected Generators" uses the word "shall" in



classifying assets "which allow the transmission of electricity to a Grid from one or more Directly Connected Generators" as transmission assets. The second, however, referring to "Directly Connected End-users" uses the word "may" in classifying assets which "directly connect an End-User or group of End Users to a Grid" as subtransmission assets.

The permissive language used in Section 1(b) may be construed as implicitly allowing direct connections to assets which are or may be classified as transmission assets. In order to protect the rights of duly franchised distribution utilities over these connections, assets which directly connect End Users to the Grid should be classified as subtransmission assets.

We, therefore, suggest the substitution of the phrase "may be" with "shall" and the deletion of the phrase "subject to the approval of the ERC".

3. ***Establishment of a Voltage Standard.*** Section 7 of the Republic Act 9136 ("EPIRA") defines varied voltage standards for each of the grids to distinguish between transmission and subtransmission lines: 230kV for Luzon, 69kV for Visayas and 138kV. Rule 6, Section 4 of the Implementing Rules and Regulations of EPIRA ("IRR") further clarifies the distinction by setting functional standards. Setting a universal voltage standard of 69kV and above for transmission will clearly prejudice against subtransmission assets currently owned by Distribution Utilities in Luzon and Mindanao. For example, existing 115kV lines operated by TRANSCO which are lateral in nature and are not part of the electrical Grid should be classified as subtransmission assets and subsequently sold to qualified and eligible distribution utilities.

We, therefore, seek clarification on the bases on which the ERC has pegged the subtransmission standard at 69kV.

We recommend that the guideline adopt the voltage standards outlined in Section 7 of the EPIRA and the functional standards under Rule 6, Section 4 of the IRR to clearly distinguish the transmission and subtransmission assets in each grid.

4. ***Article IV, Petition for Functional Asset Classification.*** We seek clarification as to the rationale behind the authority granted to Qualified Distribution Utilities or Consortia of Qualified Distribution Utilities to petition the ERC for a classification of an asset as a subtransmission asset. It is our understanding that the ERC must effect a classification based on whether or not an asset forms part of the Grid and should therefore form part of the TRANSCO's rate base for rate-setting purposes. Does Article IV



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authorize a modification of ERC's initial determination of what constitutes transmission and subtransmission? Or does the Article require that the classification procedure be repeated by the redundant filing of the petition?

5. ***ERC Authority to Grant Franchise.*** We suggest that the ERC impose as a condition for the grant of a franchise that no assignment or delegation of the authority granted under the franchise may be made. This is consistent with the limits of ERC's authority under the EPIRA that the ERC grant a franchise only to "the consortium or juridical entity x x x formed by and composed of all of [two or more connected distribution utilities]" taking over the operation of a subtransmission asset.

FGHC trusts in the ERC's appreciation of the foregoing concerns and looks forward to participating in the scheduled public consultation on the Guidelines on 16 and 17 June 2003 and to continuing its involvement as the process moves forward.

Very truly yours,

**FIRST GAS HOLDINGS CORPORATION**

By:

  
**VICTOR B. SANTOS, JR.**  
Vice President