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Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

GUIDELINES FOR THE ADJUSTMENT OF TRANSMISSION RATES BY DISTRIBUTION UTILITIES

Pursuant to Section 43(F) of Republic Act No. 9136 or the Act and Rule 7 of the Implementing Rules and Regulations (IRR) of the Act, the Energy Regulatory Commission (ERC) hereby adopts and promulgates these guidelines to establish a process for the adjustment of Transmission Rates by Distribution Utilities.

ARTICLE I

GENERAL PROVISIONS

These Guidelines shall have the following objectives:

- a) To ensure transparent and reasonable prices of electric power service in a regime of free and fair competition and to achieve greater operational and economic efficiency;
- b) To ensure full recovery of all allowable Transmission Costs in an efficient and timely manner;
- c) To protect the public interest as it is affected by the rates and services of Distribution Utilities.
- d) To ensure and maintain the quality, reliability, security and affordability of the supply of electric power.

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ARTICLE II

SCOPE AND DEFINITION OF TERMS

Section 1. Scope - These Guidelines shall apply to all Distribution Utilities

Section 2. Definition of Terms - As used in these Guidelines, the following terms shall have the following respective meanings:

- a) **“Act”** unless otherwise stated, shall refer to Republic Act No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001”;
- b) **“Distribution Utility”** refers to any electric cooperative, private corporation, government-owned utility or existing local government unit which has an exclusive franchise to operate a distribution system in accordance with the Act;
- c) **“Energy Regulatory Commission” or “ERC”** shall refer to the regulatory agency created by Section 38 of the Act;
- d) **“Net Transmission Cost”** refers to the total charges of TRANSCO including but not limited to transmission and sub-transmission cost, ancillary service, connection service and power cost delivery service billed to the Distribution Utility by TRANSCO net of any imbalance charges. Net Transmission costs include only those costs that are prudently incurred, actually paid for, verifiable, reasonable, and are eligible for recovery in accordance with the ERC regulation.
- e) **“Other Transmission Cost Adjustments (OTCA)”** shall refer to under(over)-recoveries in Transmission costs, recoveries from any other billing corrections as well as other adjustments deemed necessary by the ERC, subject to the provisions of these guidelines. The OTCA cannot be passed-on without prior approval from the Commission and shall not be subject to any carrying charge.

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ARTICLE III

ANNUAL ADJUSTMENT OF THE TRANSMISSION RATE

Section 1. Adjustment Formula – No later than sixty (60) days from the effectivity of these guidelines and on the tenth (10) day of each February thereafter, Distribution Utilities shall calculate new Transmission Rates for each customer class based on the following formula:

Customer classes with a Transmission Rates expressed in Peso/kWh:

$$TR_n = \frac{t_n + OTCA}{S_n}$$

Where:

TR_n = Transmission Rate

t_n = Net Transmission Cost for the twelve months ending _____ multiplied by the Coincident Peak Demand allocation factor for customer class_n as reflected in the last approved unbundled rate application of the Distribution Utility.

OTCA = Other Transmission Cost Adjustment

S_n = kWh sales for the twelve months ending _____ for customer class_n

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Customer classes with a Transmission Rates expressed in Peso/kW:

$$TR_n = \frac{(t_n + OTCA)}{D_n}$$

Where:

TR_n = Transmission Rate

t_n = Net Transmission Cost for the twelve months ending _____ multiplied by the Coincident Peak Demand allocation factor for customer class_n as reflected in the last approved unbundled rate application of the Distribution Utility.

OTCA = Other Transmission Cost Adjustment

D_n = kW billing demand for the twelve months ending _____ for customer class_n

Customer classes with two part Transmission Rates expressed in both Peso/kWh and Peso/kW:

$$TWR_n = \frac{(t_n - ((TKR_n * S_n) + OTCA)}{D_n}$$

Where:

TWR_n = Transmission Rate component expressed in Peso/kW

t_n = Net Transmission Cost for the twelve months ending _____ multiplied by the Coincident Peak Demand allocation factor for customer class_n as reflected in the last approved unbundled rate application of the Distribution Utility.

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TKR_n = Current Transmission Rate component expressed in
Peso/kWh

S_n = kWh sales for the twelve months ending _____ for
customer class_n

OTCA = Other Transmission Cost Adjustment

D_n = kW billing demand for the twelve months ending
_____ for customer class_n

For Customer classes with two part Transmission Rates the component expressed in Peso/kWh will remain constant. Only the component expressed in Peso/kW will be adjusted.

Section 2. Billing of New Transmission Rates – The Distribution Utilities shall bill its customers the Transmission Rates calculated in accordance with Section 1 effective on or before the tenth (10) day of the month within which a new Transmission Rate adjustment is allowed in accordance with these guidelines.

ARTICLE IV

VERIFICATION PROCESS

Section 1. Monthly Reporting Requirements – On or before the twentieth (20th) day of each month, the Distribution Utilities shall provide the ERC with all calculations related to Articles III along with supporting documentations, which shall include, but not limited to, the following:

- Invoices from TRANSCO;
- Sample bills to end-users;
- Official receipts of payment of TRANSCO's invoices; and
- Other documents deemed relevant by the ERC.

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Section 2. Post Verification – At least annually, the ERC shall verify the recovery of Transmission Costs by comparing the actual allowable costs incurred for the period with the actual revenues for the same period generated by the Transmission Rates and the portion of the Systems Loss Rates attributable to Transmission Costs. Should the ERC fail to verify the Transmission Rate (including the OTCA) within one (1) year from the submission of calculation and supporting documentations in accordance with the immediately preceding Section, the rates shall be deemed final and confirmed. Upon completion of the annual verification process, the ERC shall issue an Order establishing the adjustments to be included in the OTCA resulting from said annual verification. These adjustments shall be implemented in the succeeding twelve (12) month period to reflect any over or under recovery. The OTCA should be expressed in Peso and shall be added/deducted to the Transmission Rate calculated in accordance with Article III for purposes of customer billing.

ARTICLE V

Section 1. Fines and Penalties. Violation of any provision of these Guidelines shall be subject to the imposition of fines and penalties in accordance with the Guidelines to Govern the Imposition of Administrative Sanctions in the Form of Fines and Penalties Pursuant to Section 46 of Republic Act No. 9136 promulgated by the ERC on May 17, 2002.

ARTICLE VI

FINAL PROVISIONS

Section 1. Exception Clause. Where good cause appears, the ERC may allow an exception from any provisions of these Guidelines, if such exception is found to be in the public interest and is not contrary to law or any other related rules and regulations.

Section 2. Separability Clause - If for any reason, any part or section of these Guidelines is declared unconstitutional or invalid, the other parts or sections hereof which are not affected thereby shall continue to be in full force and effect.

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Section 3. Effectivity - These Guidelines shall take effect on the fifteenth (15th) day following its publication in two (2) newspapers of general circulation.

Pasig City, _____

RODOLFO B. ALBANO, JR.
Chairman

OLIVER B. BUTALID
Commissioner

JESUS N. ALCORDO
Commissioner

RAUF A. TAN
Commissioner

ALEJANDRO Z. BARIN
Commissioner