

MCBugayong

From: Allan.Alvarez@wartsila.com
Sent: Monday, 17 February 2003 8:26 PM
To: regulatory@erc.gov.ph
Cc: Lionel.Rossignol@wartsila.com; Alvin.Mangubat@wartsila.com
Subject: ~~Common Question on Business Separation Guideline for the~~ Public consultation setforth on Feb. 25, 2003

To Atty. Marina C. Bugayong/Ms. Alma C. Clemente:

My question is with regards to the followiig draft clause:

5.4 Generation of electricity for Distribution Utilities

5.4.1 "If a Distribution Utility and its Affiliates collectively generate more than 50% of the total demand of the Distribution Utility, the Distribution Utility must immediately ensure that all electricity generated by the Distribution Utility and its Affiliates is generated by its Affiliates to the exclusion of the Distribution Utility. If, as a result of compliance by the Distribution Utility with this requirement, the Distribution Utility sources more than 50% of its total demand from bilateral power supply contracts with associated firms engaged in generation, and that constitutes a breach of Section 45(a) of the EPIRA, then that will also be a breach of the Competition Rules by virtue of Rule 14(7) of the Competition Rules."

Question:

- If the existing Purchase Power Agreement (PPA) is in effect between NPC and an IPP (power generation) serving almost 100% of total demand of the distribution utilities like EC (Electric Cooperative), will it be mandatory then that EC may enter into several power supply contract to meet the 50% as stated above in order not to breach the competition rules? In general, how will it affect the existing PPA, particularly if it means not complying in this clause?

Will the public consultation on Feb. 25, 2003 push through? Can we participate/observe in the proceeding/consultation.

BR,
Allan P. Alvarez
Delta P. In-charge

NOTE: Delta P., Inc. is a power generation company which operates a 16MW power plant in Puerto Princesa, Palawan

