

# ELECTRICITY CONSUMERS FOR REFORMS, INC.

(N A S E C O R E)

Unit 816 Roxas Seafont Garden Townhomes, Roxas Blvd. Cor. Ortigas St., Pasay City  
Tel. Nos.: 834-6489; 851-8365 Tel./Fax No.: 851-8363 Mobile No.: 0917-242-8302  
E-Mail Address: peteliagan@nasecore.com

March 3, 2003

The Honorable Commissioners  
The Energy Regulatory Commission  
Pacific Center Building  
San Miguel Avenue  
Pasig City



Dear Honorable Commissioners:

We respectfully request admission of our comments on the proposed Structural and Functional Unbundling of Business Activities of Utilities.

We received the notice only last Thursday, February 27, 2003 and we promptly requested copy of the Proposed Guidelines for the Business Separation and Unbundling Plan last Friday, February 28, 2003. Our comments to the proposed guidelines are hereto attached and forms the initial basis of our participation in the scheduled hearing on Wednesday, March 5, 2003.

We realize the importance of this subject of (Structural and Functional Unbundling of Business Activities of Utilities) as we believe this is the first logical step to the process where the cost item of each business and/or functional component can be carefully studied to determine whether each functional cost is prudent, reasonable, fair, and necessary.

Furthermore, completion of this process should provide the Commission a rational and logical framework for reviewing and evaluating all pending petitions for Rate Unbundling under EPIRA and RORB, as Structural and Functional Unbundling will clearly establish the industry and business component to which each claimed RORB or Rate Unbundling expense or cost corresponds.

By way of an aside, Nasecore commends the Commission for pursuing Structure and Functional Unbundling as a condition precedent to other structural reforms in the power industry.

Consequently, we reiterate and restate our urgent motion to suspend any further action on Meralco's RORB and Rate Unbundling petition now pending under ERC 2001-646 and ERC 2001-900 until the herein proposed structural and functional unbundling is completed and until the Supreme Court rules with finality on Meralco's Motion to Reconsider that Court's Order for Meralco to rollback its rates and refund its customers.

For the larger interest of Meralco's 3.1 million customers who stand to lose billions of pesos from any hasty action on Meralco's pending petitions, we hope that the foregoing request will be considered.

Thank you.

Very truly yours,

  
Pete L. Ilagan  
President

**NATIONAL ASSOCIATION OF  
ELECTRICITY CONSUMERS FOR REFORMS, INC.  
(N A S E C O R E)**

Unit 616 Roxas Seafont Garden Townhomes, Roxas Blvd. Cor. Ortigas St., Pasay City  
Tel. Nos.: 834-6489, 851-8365 Tel./Fax No.: 851-8363 Mobile No.: 0917-242-8302  
E-Mail Address: [petelagan@nasecore.com](mailto:petelagan@nasecore.com)

**Initial Comments on the Draft Business Separation and Unbundling  
Plan (BSUP)**

Some Specific Comments Are As Follows:

1. Section No. 4.4.6 (a)- Distribution Connection Services Business Segment

We recommend that this should specifically refer to the provision of capability to *deliver* electricity to the Connection Point both to its Captive Market and Suppliers.

2. Section No. 4.4.10 – Metering Services Business Segment.

We recommend that this business segment under the Distribution Business Segment must be well defined to mean services both to its Captive market and Suppliers who will sell electricity to end- users who are included in the Contestable Market in order to clearly differentiate this from the Metering Services that is inherent in the Supply Business Segment.

3. Section 4.4.22- Non-Regulated Retail Services Business Segment

We recommend that this business segment be treated as a separate juridical entity in order to reflect the real manpower requirement in both the purely Distribution Sector (wires business) and the Supply Sector operated by a Distribution Utility which will include retail supply to the Captive market. This separation will inevitably lead to manpower reduction as experienced by the National Power Corporation which will translate to lower administrative cost and therefore, lower cost of electricity.

Treating this segment as a mere separate division or department within a single company creates a built-in subsidy scheme for unnecessary manpower making the electricity cost, which is shouldered by the consumers, higher. It will be very prudent on the part of the Commission to look carefully into this by requiring all utilities to submit two (2) applications. The first should show the

separation of the different activities through the creation of a division or a department within a single company and the second, should show the separation through the creation of a separate juridical entity. These two applications will allow the Commission to examine and evaluate which of the two structural unbundling schemes will lead to a fair, reasonable, and affordable cost.

#### 4. Section 4.5.2 Supply Services Business Segment

We recommend that the provision of Section 4.4.10 (Metering Services Business Segment) should fall under this segment, namely: installation, commissioning, testing, repair and maintenance of meters and meter reading.

It should be noted that Suppliers can, likewise, act as an Aggregator when the threshold level is reduced down to 750 kW which should make the Metering Services, all the more, under this Supply Services Business Segment.

In general and consistent with our position that Business Separation and Unbundling should be to strengthen the consumer or end-user sector, the functions of the Distribution Sector, *vis a vis* Electricity Supply, especially in regard to servicing its customers should be clearly defined.

Any unbundling should address the need to strengthen the consumer interests in restructuring the industry.