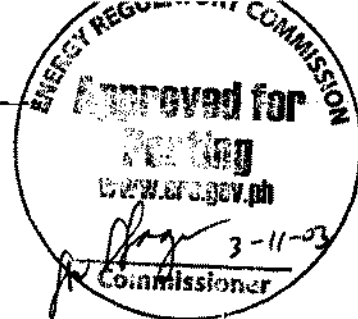


March 7, 2003

Energy Regulatory Commission
Pacific Center Building,
San Miguel Ave., Ortigas Center,
Pasig City



ATTENTION: Atty. Maria Teresa R. Castaneda
Legal Services

Please find below our initial comments on the proposed Competition Rules / Guidelines. We look forward to actively participating in the public consultations scheduled later this month.

1. Rule 4.8. This section stipulates that an agreement is not a violation if the authority has given clearance. What is the assurance that the regulator will not abuse this provision? It may be better not to give exceptions or "clearance". Any clearance should simply be used to determine that there is no violation.
2. Rule 15 (b) requires the TRANSCO and the DU to ensure that "assets comprising the networks operated by them are not encumbered". Does this mean that the assets used to secure a TRANSCO or a DU loan cannot be part of the rate base?
3. Rule 14 prohibits an entity to own more than 30% of installed grid capacity, or 25% of national installed capacity. In the case of Mindanao, the Agus and Pulangi hydro power plants will not be privatized for at least 10 years. Since these plants comprise about 70% of the installed grid capacity, this particular provision may not be so relevant. During the transition period, it may be more relevant for Mindanao to ensure that there are at least four non-hydro generating plants with substantial capacities competing against each other.

Thank you very much.

Mindanao Energy Systems, Inc.

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