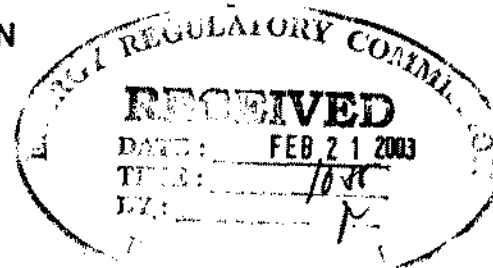


for posting

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



IN THE MATTER OF THE ADOPTION OF
DEFERRED ENERGY COST
RECOVERY (DEECOR) AND DEFERRED
INCREMENTAL CURRENCY EXCHANGE
RECOVERY (DICER)

ERC CASE NO. 2003-44

X-----X

COMMENT

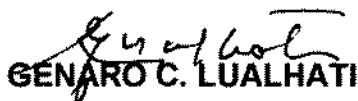
The undersigned consumers and representatives of various consumer organizations, to this Honorable Commission, respectfully submit their Comment/Opposition to the Draft Implementing Rules for the Recovery of Deferred Fuel and Independent Power Producer Costs, and state: That -

1. The undersigned consumers and representatives of various consumer groups strongly oppose and object to the above-mentioned draft implementing rules.
2. DÉCOR (Deferred Energy Cost Recovery) is essentially a replacement for the PPA. Like the PPA, it is also an automatic cost recovery mechanism but this time without yet the notoriety that the PPA has earned among the millions of consumers of NPC, Meralco and the various distribution utilities.
3. ERC's proposed implementation of DÉCOR attempts to make the customers forget their demand that the PPA be scrapped altogether, or at the very least, reduced substantially through several ways that are available if only this government is genuinely sincere in reducing electricity rates.

4. Factored into the formula for DÉCOR's generation rate is the "purchased power cost as approved by the ERC". In the PPA formula there is the "cost of electricity" during a supply month. Both do not make a distinction whether the electricity was actually delivered or not as a result of the onerous take or pay provisions of many IPPs. Both do not also filter out electricity purchased at excessive rates. Certainly neither the DÉCOR nor the PPA formulas strip those amounts of cost expenses that should not be there at all but which accounts can easily sneak in.
5. The term "recovery of deferred costs" as appearing in the title is a misnomer and misleading. The Hon. Chairman Ibay declared during the consultation on this matter on February 17, 2003 that the Deferred Accounting Adjustment (DAA) includes undelivered or unmetered power, which the Meralco customers did not use.
6. The proposed formula for the calculation of the generation rate is highly objectionable for it violates R.A. 9136 mandating the unbundling of rates to insure better transparency.
7. The proposed formula bundles together the different rates of NPC (or the base rate), the delivered purchased power from the IPPs (or the purchased power), and the undelivered power by Meralco to its customers (or the DAA).
8. By combining these distinct power sources with wide price differentials ranging from P1.00/kxh to P1.50/kwh in excess of the NPC generation rate, the consumers are automatically denied protection from overcharging as in the PPA.

9. As a matter of fact, the formula is worse than the PPA since Meralco's collection of undelivered power will not be reflected in the billing of the customers.
10. Most obnoxious and condemnable is the fact that the ERC, through the proposed DÉCOR, requires Meralco customers to pay no less than P60 billion every year for undelivered power, which the customers did not use.
11. The ERC cannot validly force upon the consumers to pay billions of pesos of power, which they did not use or consume. This is highly unconstitutional which cannot be justified even by the "take or pay" clause provided in the contracts between Meralco and its IPPs.
12. Clearly, through the DÉCOR, as with the present PPA, the consumers, among other things, will continue to pay for electricity that they do not actually use; shoulder the cost of excessive rates of power contracted by NPC and Meralco; and pay for the inefficient operations of IPPs. Essentially, DÉCOR is an accounting trick to legitimize all these and make the customers suffer more.

RESPECTFULLY SUBMITTED. February 21, 2003.


GENARO C. LUALHATI


RENATO REYES

Convenor
People Opposed Against Warrantless
Electricity Rates (POWER)


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