

1. ERC ADJUSTS PEMC'S MARKET FEES FOR CY 2009

The Energy Regulatory Commission (ERC) revised its earlier ruling in allowing the Philippine Electricity Market Corporation (PEMC) to implement the Market Fees Rate for CY 2009.

In support of its request for reconsideration on the ERC's Decision dated 16 March 2009 in ERC Case No. 2008-50 RC, PEMC alleged, inter alia, that the approved Market Fees Rate is insufficient to cover its Market Monitoring System (MMS) enhancement projects and MMS loan repayments.

Acting on a request made by PEMC, the ERC adjusted the authorized Market Fees Rate through its Order dated 28 September 2009.

Acknowledging that the timely initiation of MMS enhancement projects is imperative so that PEMC

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2. ERC MODIFIES DECISION ON MERALCO-NPC TSC

On 14 December 2009, the ERC issued an Order modifying its 30 June 2008 Decision on the Transition Supply Contract (TSC) between the Manila Electric Company (MERALCO) and the National Power Corporation (NPC). The Order was issued in response to the Joint Motion for Reconsideration filed by MERALCO and NPC on 08 September 2009 praying for

the following: 1) Reinstatement of Section 6.3 which states-- "*At the option of MERALCO, it may source power from NPC in excess of the Contract Energy by a quantity equivalent to not more than twenty percent (20%) thereof.*"; 2) Reconsideration of the disapproval of the incorporation of sections 6.4 and 6.5 which respectively deal with the replacement power to be supplied by NPC upon request of MERALCO within twenty four (24) hours from occurrence of shutdown or inability of any or all of MERALCO's IPPs and the compensation of NPC to MERALCO on account of its inability to supply power to MERALCO, if for a particular period, NPC failed to deliver its committed volume to MERALCO; and 3) Clarification on the prospective implementation of ERC's Decision on the said case. *Continued to next page*

3. ERC RENEWS TSCs IN MINDANAO GRID

Pursuant to the mandate bestowed upon it by Republic Act No. 9136 or the Electric Power Industry Act of 2001 (EPIRA), on 3 August 2009, the ERC approved the renewal of Transition Supply Contracts (TSCs) between the National Power Corporation (NPC) and a number of Distribution Utilities (DU) located in the Mindanao Grid.

EPIRA directs NPC to file with the ERC for approval of TSCs it has duly negotiated and entered into with the DUs concerning the terms and conditions of supply and the

corresponding schedule of rates including applicable adjustments. *Continued to next page*

4. ERC RESOLVES ADMINISTRATIVE ISSUE ON THE MRR

In November 2009, the ERC clarified the method of the implementation of the Mandated Rate Reduction (MRR) as embodied in ERC Resolution No. 13, Series of 2009 entitled "A Resolution Amending Resolution No. 16, Series of 2008". ERC reiterated that in the absence of a written instrument between the National Power Corporation (NPC) and/or

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5. ERC APPROVES UNMODIFIED VSAA WITH MODIFICATIONS

On 3 November 2009, the ERC released an Order authorizing DOE and PEMC to implement the unmodified VSAA scheme for a trial period of three (3) months to urgently resolve supply deficiency in the Visayas. In the said Order, ERC introduced several modifications on the VSAA as proposed and primarily directed PEMC to conduct an audit of the software that will be utilized for the VSAA.

PEMC was further directed to immediately develop dispute resolution mechanisms; and enforcement and corresponding penalty mechanisms to govern the VSAA.

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6. ADVENTENERGY: 10th WHOLESALE AGGREGATOR GRANTED WITH A CERTIFICATE OF REGISTRATION BY THE ERC

On 23 November 2009, the ERC awarded its 10th Certificate of Registration as a Wholesale Aggregator to Adventenergy, Inc, a subsidiary of Aboitiz Energy Solutions, Inc.

AdventEnergy was represented by Mr. Miguel Aboitiz, Senior Vice President-Trading and Marketing and Mr. Raymond Carl Roseus, General Manager, both from Aboitiz Energy Solutions, Inc., during the awarding ceremony held at the ERC Board Room, Ortigas, Pasig City.

7. WESM UPDATE

The second half of the year was battered by several typhoons which caused temperature to drop along with the maximum and minimum demand.

Despite the typhoons, average demand slightly increased while energy offers slightly decreased but remained sufficient to supply the requirements for the said period. Spikes were still observed due to the contingency constraints particularly at the San Jose 230/500V substation in July. However, the impact of the contingency constraints in the transmission system were mitigated with the application of the Price Substitution Mechanism (PSM).■

1..Market Fees

can adapt and keep up with developments of a dynamic market, the ERC reconsidered its Decision and granted an additional amount of One Hundred Eight Million Seven Hundred Thirty-Six Thousand Pesos (PhP108,736,000) applied for by PEMC to finance the said MMS enhancement projects for CY 2009. The approved budgetary requirement of PEMC for calendar year 2009 is PhP 622,868,000 which translates to PhP 0.0169kWH. The other concerns which were part of PEMC’s request were denied by the ERC for lack of merit.

PEMC, in reforming its methodology on the Market Transaction Fees (MTF) for CY 2009-2011, filed a petition before the ERC on 11 September 2008. The reform introduced a change involving a longer regulatory period in setting its market transaction fees and employed an output-based budget in which its annual budgetary requirements are presented in relation to outputs or services it proposes or aims to provide. The ERC welcomed this initiative and a public consultation is still scheduled to be conducted during the first quarter of 2010.

2...MERALCO-NPC TSC

In the said Order, the prayers of the parties were partially granted as the ERC maintained the deletion of Section 6.4 from the TSC because this concerns transactions outside the contracted

quantities in the TSC and thus should be addressed in a separate agreement.

Further, in the said Order, the ERC directed the following: 1) The reinstatement of Sections 6.3 and Section 6.5 of the said contract; 2) implementation of Section 6.3, wherein the recoverable cost from MERALCO’s end-users would be the NPC-Time of Use (TOU) rates plus 20% premium, the equivalent hourly settlement price in the Wholesale Electricity Spot Market (WESM) or cost of replacement power, whichever is the lowest among the three (3) rates; and 3) submission of reports on the following instances: A) when the implementation of Section includes the particular settlement price in the WESM or cost of replacement power on the interval hour affected; and B) when NPC is unable to supply its contractual obligations under the TSC, including its reasons.

3...Mindanao TSC

Twenty four (24) of the previously approved thirty-one (31) TSCs which have expired were renewed as the ERC found the submitted TSCs complaint with the ERC-approved template as embodied in its Resolution No. 8, Series of 2005, issued on 7 July 2005 and amended on 9 August 2005.

The primary purpose of the TSCs is to assure investors of a guaranteed market for the electricity produced from the privatized NPC generating assets. More importantly, the approval of TSCs ensures

the general public of a sustained, sufficient and efficient power supply and promotes public welfare particularly of electricity customers.

4...MRR

Power Sector Assets and Liabilities Management Corporation (PSALM) and the concerned NPC successor generating company (SGC) specifically containing the assumption by the latter of such obligation, the PSALM shall be made liable for the implementation of the MRR of the Transition Supply Contracts (TSCs) which have been assigned and transferred to said SGC.

It further declared that for any MRR that has accrued or should have been implemented in favor of the DUs/end-users which a SGC failed to implement from the time of the Closing Date, DUs and PSALM shall make arrangements for the payment thereof which shall be allowed to be paid by the latter in monthly instalments but in no case to exceed six (6) month instalments.

5...VSAA

Moreover, at the end of the three (3)-month period from implementation, PEMC must submit to the ERC monthly assessment reports relative to the implementation of the VSAA and its assessment of whether there is a need for it to be continued.

Said Order was in response to 1 and 5 October 2009 Motions for Reconsideration separately filed by the PEMC and the National Power Corporation (NPC) on the 24 August 2009 ERC Decision which approved the VSAA scheme with modifications.

On 11 December 2009, PEMC, apparently not satisfied with the 3 November 2009 Order, filed for an extension of time to file a petition for review under Rule 43 with application for issuance of a temporary restraining and/or writ of preliminary injunction before the Philippine Court of Appeals.■



ELECTRICITY TIP: Don't Leave Electrical Appliances on Standby.

Items left on standby use 85% of the energy they would use if fully switched on. An extra million tonnes of carbon are released into the atmosphere through this power wastage.

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