

## FAQ on Unbundling of Electricity Rates

**Question: WHAT IS “UNBUNDLING OF ELECTRICITY RATES”?**

**Answer:** Legal Basis: **Sec. 36** of the Electric Power Industry Reform Act (EPIRA) states that the RATES of ALL Distribution Utilities, including National Power Corporation, shall be UNBUNDLED and shall reflect the respective costs of providing each service.

**Question: WHAT ARE THE COMPONENTS OF THE OLD ELECTRIC BILL, BEFORE UNBUNDLING?**

**Answer:**

**Basic Charge** – allows the utility firm to recover all operating expenses (including generation, transmission, distribution, metering and supply), and attain a reasonable return on its investment.

1. **Currency Adjustment** – covers the increases and decreases in the operation and maintenance expenses and foreign debt principal payments due to changes in the peso-dollar exchange rate. This is expressed as a percentage of Basic Charges.
2. **Purchased Power Adjustment (PPA)** – covers the increases and decreases in the cost of power bought from the National Power Corporation (NPC) and other power suppliers such as the IPPs.
3. **Power Act Reduction** – refers to the mandated rate reduction of P0.30 per kWh pursuant to Section 72 of Republic Act 9136.

**Question: WHAT ARE THE COMPONENTS OF THE UNBUNDLED ELECTRIC BILL?**

**Answer:**

1. **Generation Charge** – refers to the cost of power generated and sold to the distribution utility by the National Power Corporation (NPC) as well as the Independent Power Producers (IPPs).
2. **Transmission Charge** – refers to the regulated cost or charges for the use of a transmission system, which may include the availment of the Ancillary Service.
3. **System Loss Charge** – represents recovery of the cost of power lost due to technical and non-technical losses currently pegged at 9.5% for private distribution utilities and 14% for electric cooperatives.
4. **Distribution Charge** – is the regulated cost of building, operating and maintaining distribution system, which brings power from high voltage transmission grids, to commercial/industrial establishments and to residential end-users.
5. **Metering Charge** – is the cost of metering, its reading, operating and maintenance of power metering facilities.

6. **Supply Charge** – includes the cost of rendering service to customers, such as billing, collection, customer assistance and related services.
7. **Lifeline Rate Subsidy** – refers to the subsidized rate given to marginalized/low-income captive market end-users who cannot afford to pay full cost.
8. **Interclass Subsidy** – is a reduction in the bill of subsidized customer classes, specifically residential, small industrial, government hospitals and streetlight services, and an upward adjustment in the bill of subsidizing customer class.
9. **Power Act Reduction** – refers to the mandated rate reduction of Po.30 per kWh pursuant to Section 72 of Republic Act 9136.
10. **Currency Exchange Rate Adjustment** – covers adjustment due to fluctuations in the Philippine peso-US dollar exchange rate.
11. **Franchise Tax** – refers to the national and local franchise taxes which must be paid by private utility companies.
12. **Universal Charge** – refers to the charge, if any, imposed for the recovery of stranded debts, stranded contract costs of NPC, and other mandated purposes. It is a non-bypassable charge, which shall be passed on and collected from all end-users on a monthly basis by the distribution utilities. At present, this consists of the Missionary Electrification Charge which is the cost associated to the provision of electric service to less viable areas and the Environmental Charge to be used for the rehabilitation and management of watershed areas.

**Question: WHAT IS THE STATUS OF THE UNBUNDLING APPLICATIONS FILED WITH ERC?**

**Answer:** Decided 139 out of 141 Unbundling applications, including that of NPC Main and NPC-SPUG.