

Performance Based Regulation of Philippines Electricity Distribution Companies

REGULATORY TRAINING COURSE

Cebu – November 5 & 6, 2007
Baguio – November 8 & 9, 2007

SESSION 1C – OVERVIEW OF THE REGULATORY RESET PROCESS

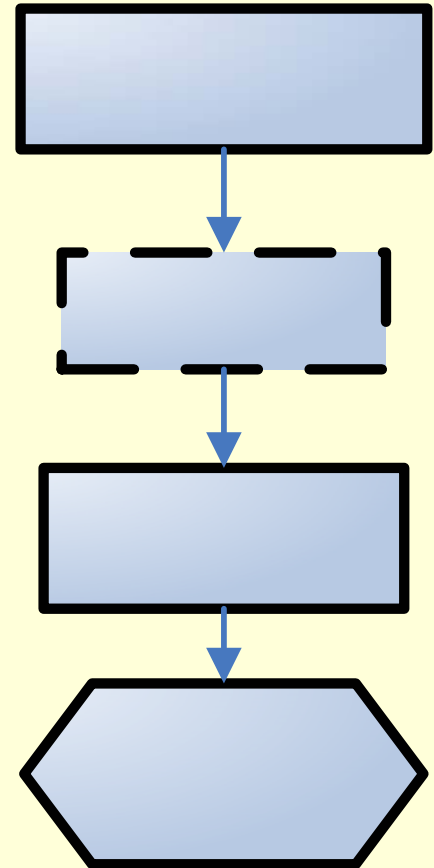


Introducing PBR for a new Entry Group

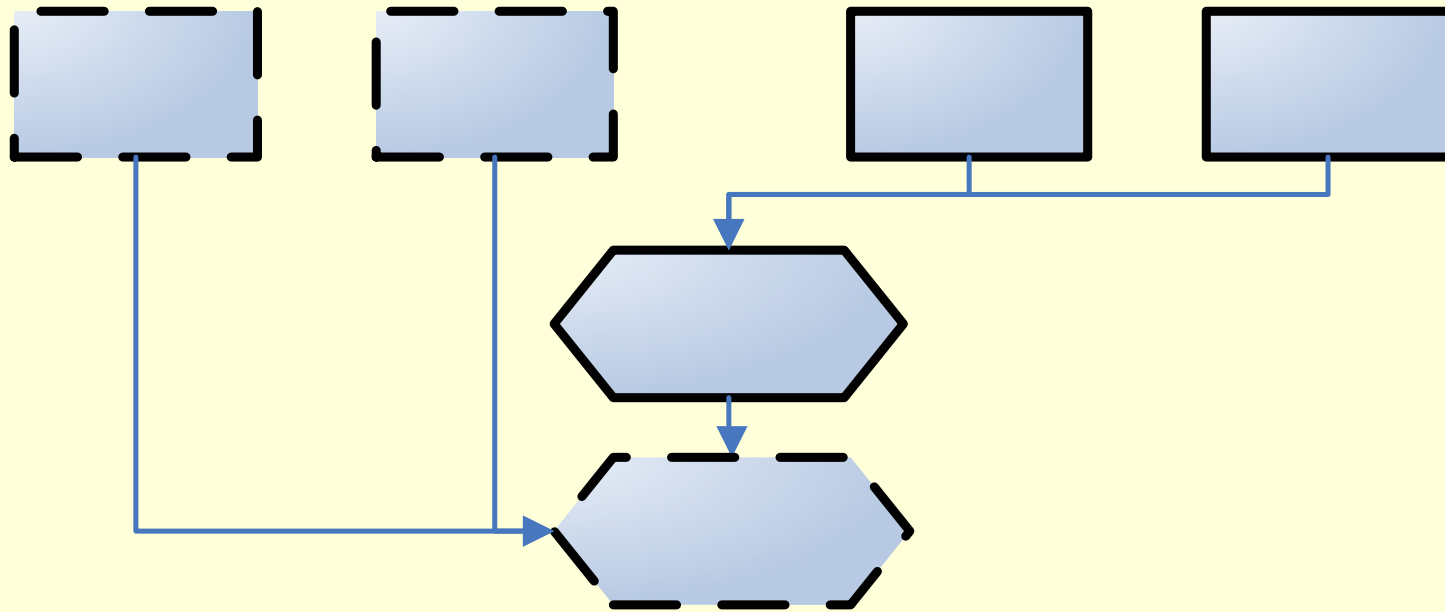
- Regulatory Reset Process indicated on flowchart in training material
- Same process followed for all entry groups
- Incremental improvements for each groups, based on experience
 - Hence regulatory documentation is not identical
 - Consultation opportunity for all entry groups
- ERC is fully committed to:
 - Transparent, consultative process
 - Giving the public and industry representatives ample opportunities to query the utilities or the ERC decisions
 - Giving utilities ample opportunities to provide inputs or challenges
 - Reviewing decisions if compelling evidence is presented

The Issues and Position Paper

- Issues paper explains ERC's initial view on the reset process and details
- Intended to invite consultation
- After consultation – publish Position Paper
- Position Paper explains ERC's final position on the reset process and details on :
 - Interpreting the RDWR
 - Information requirements
 - Timelines



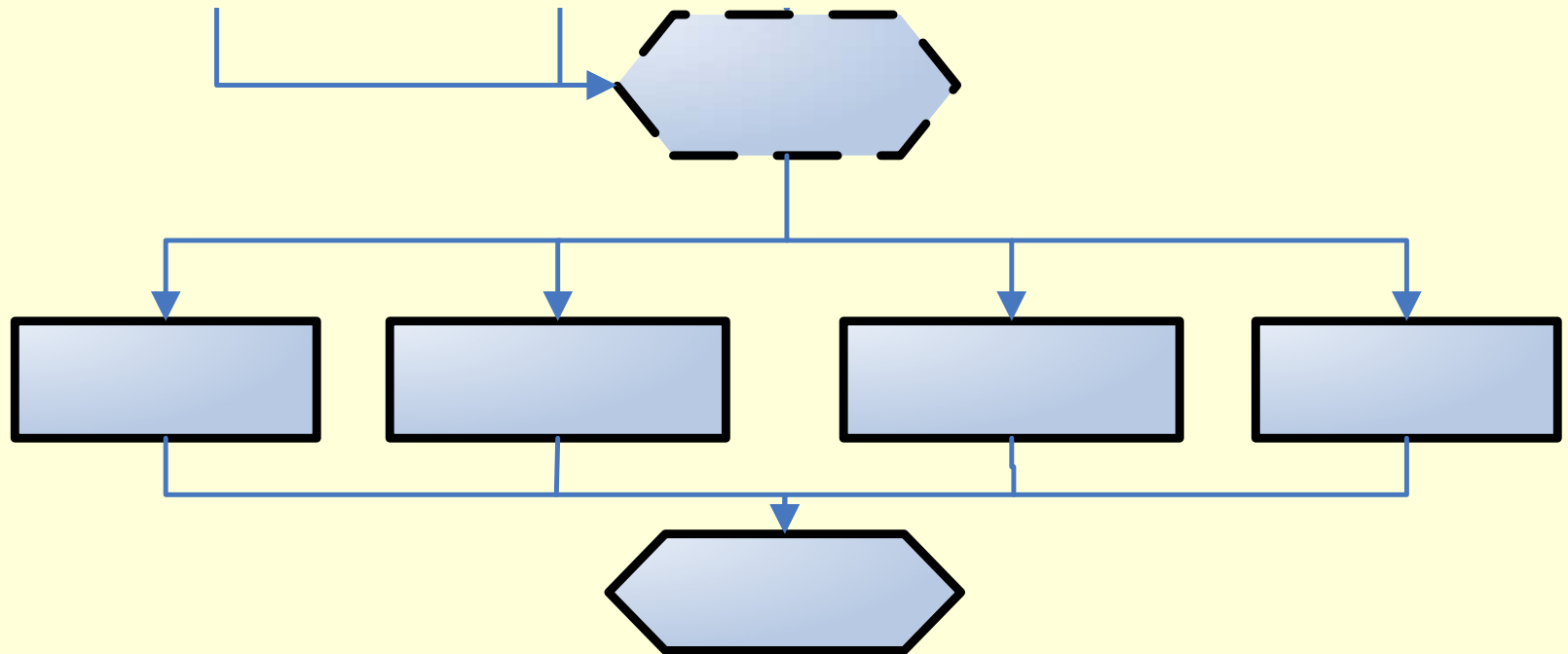
The Revenue Application Process



- Utilities have to formally request a revenue allocation from the ERC
- ERC tasks prior to Revenue Application:
 - Appoints reset experts to assist with regulatory asset valuation
 - Determine CWIP factor, weighting of CWI, working-capital factor
 - Work with utilities on the performance incentive scheme (PIS)
- All information provided to utilities – basis for the application
- Utilities prepare Revenue Application, including PIS

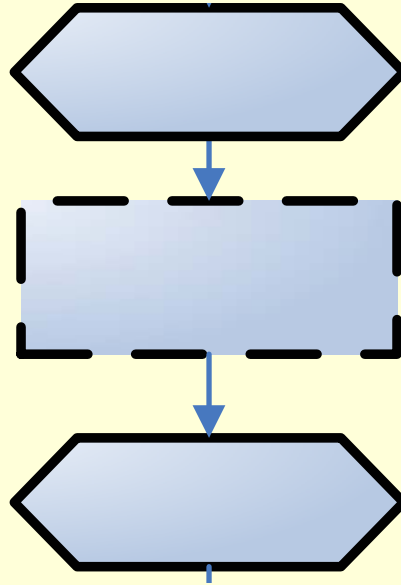
Develop
Incentive
Scheme

The Draft Determination



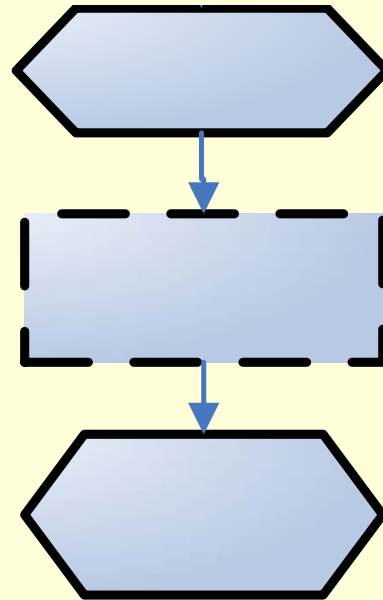
- The review process
 - ERC will appoint reset experts to assist with expenditure review
 - Public hearings to obtain further supporting information, allow oppositors to ask questions about application
 - Exploratory meetings – formal sessions to obtain more information in discussion environment
- Draft determination sets out ERC's initial view on price-caps and PIS

The Final Determination



- Utilities and oppositors can make submissions on draft determinations
 - Provide additional supporting information to change draft determination
 - Submissions discussed at public hearings
 - Also opportunity to obtain additional information
- ERC considers all submissions
- Final decision on price-caps and PIS in Final Determination

The Final Determination

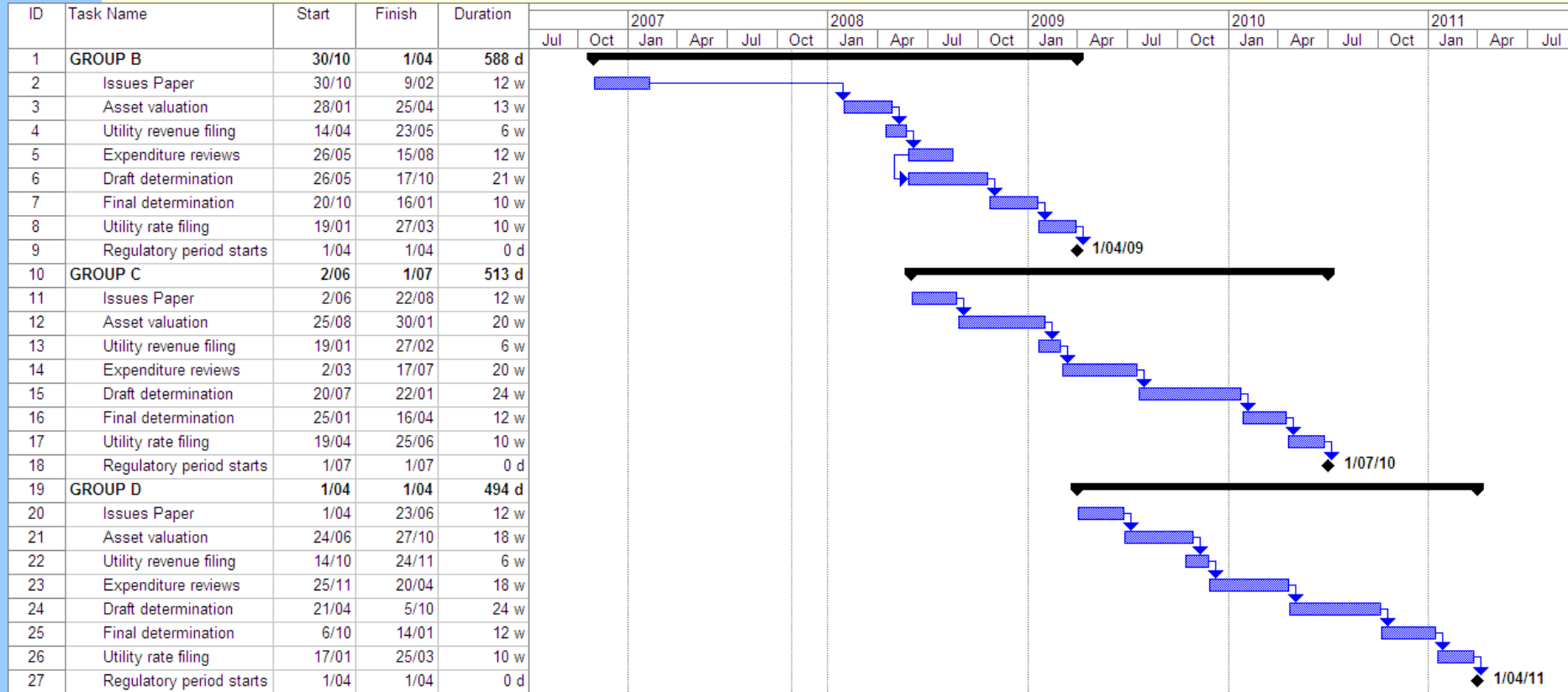


- Utilities to convert price-caps into rate structure
- Formal filing of new rates
 - Subject to public hearings
- Once accepted by ERC – promulgated as rates for 2nd Regulatory Period
(Note for later Entry Groups there is no 1st Regulatory Period)

The Entry Groups

<u>Group A</u> Cepalco Decorp Meralco	<u>Reset Period</u> Sept 2005 – Dec 2007 <u>2nd Regulatory Period</u> Jul 2007 – Jun 2011
<u>Group B</u> Colight ILPI MECO	<u>Reset Period</u> Nov 2006 – Mar 2009 <u>2nd Regulatory Period</u> Apr 2009 – Mar 2013
<u>Group C</u> BLCI CELCOR IEEC LUECO TEI VECO	<u>Reset Period</u> Sep 2008 – Jun 2010 <u>2nd Regulatory Period</u> Jul 2010 – Jun 2014
<u>Group D</u> AEC DLPC PECO SEC SFELAPCO	<u>Reset Period</u> Jun 2009 – Mar 2011 <u>2nd Regulatory Period</u> Apr 2011 – Mar 2015

High-level timeline for remaining groups



Thank You

Proceed to next session

