

Performance Based Regulation of Philippines Electricity Distribution Companies

REGULATORY TRAINING COURSE

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

SESSION 5D – GOING FORWARD



Overview of this session

- The session will cover:
 - Current status and milestones of reset processes
 - Readiness review at utilities
 - Standard rate structures
 - Overseas regulatory training

Current status of the reset processes:

- Overall
 - Funding mechanism for the reset process now finalized
 - Memorandum of agreement between ERC, Pepoa, Meralco and BLCI
 - Reset costs shared between all utilities, proportional to 2005 energy sales
 - Further contracts for reset work can now be awarded
- First Entry Group
 - Final determination published in August/October 2007
 - Awaiting rate filings
 - Late start of 2nd Regulatory Period
 - Reset period for future groups will be extended
 - Current goal to commence in February 2008
 - Motions for reconsideration filed by Meralco (4)
 - Currently being considered by the ERC

Current status of the reset processes:

- Second Entry Group
 - RDWR, Issues Paper and Position Paper published
 - Contracts now being developed for asset valuation
- Later Entry Groups
 - No action at present

Readiness review at Utilities

- To assist future entrants into PBR with their preparations:
 - ERC will conduct readiness reviews at each utility
 - This is intended to
 - streamline future reset processes
 - give utilities advance advice on getting ready for PBR
 - save on later reset expert costs
 - give utilities chance to ask questions
- Focus will be on:
 - Valuation asset register
 - Performance incentive management
 - Processes for expenditure forecasting
- Following visits, a report will be prepared for each utility, with review suggestions
- Visits will commence in January 2008, starting with 2nd Entry Group

Standard rate structures

- This was discussed before
- The ERC intends to research
 - An appropriate standardized customer segmentation across utilities
 - Standardized guidelines for tariff structures, reflecting world best practice
- The practicality of implementing this for the First Entry Group will be considered in the future

Overseas regulatory training

- The ERC and representatives from the utilities will conduct training visits to Australian and New Zealand regulators and distribution utilities
- This is intended to:
 - Obtain an insight into other regulatory approaches
 - Learn from the experience of other regulators
 - Learn from distribution utilities about how the function in their regulatory environment (the typical problems and how to address these)
 - Obtain a first-hand understanding of how other electricity markets function
 - Identify possible opportunities for improvement
- Visits to occur in three groups, ten-day trips
- Currently planned for February/March 2008
- Utilities will be consulted about specific aspects they may wish to cover/include in the visits

DISCUSSION & QUESTIONS