

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



**IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF THE
INTERIM MAXIMUM
ANNUAL REVENUE FOR
CALENDAR YEAR 2020,
WITH PRAYER FOR THE
URGENT ISSUANCE OF
PROVISIONAL AUTHORITY**

ERC CASE NO. 2019-086 RC

**NATIONAL GRID
CORPORATION OF THE
PHILIPPINES (NGCP),**
Applicant.

Promulgated:
September 02, 2020

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O R D E R

On 29 October 2019, Applicant National Grid Corporation of the Philippines (NGCP) filed an *Application* dated 23 October 2019, seeking the Commission's approval of an Interim Maximum Annual Revenue for calendar year 2020 (iMAR₂₀₂₀), with prayer for the urgent issuance of provisional authority.

On 21 January 2020, NGCP filed an *Urgent Motion for the Issuance of Interim Relief*, praying for the Commission to grant an interim relief for the collection of its proposed iMAR₂₀₂₀ in the amount of Php 58,846,000,000, effective immediately.

On 02 April 2020, the Commission issued an *Order* dated 13 February 2020, granting with modification the *Urgent Motion for the Issuance of Interim Relief* of NGCP, *to wit*:

WHEREFORE, the foregoing premises considered, the subject Urgent Motion for the Issuance of Interim Relief filed by Applicant National Grid Corporation of the Philippines (NGCP) on 21 January 2020 is GRANTED WITH MODIFICATION. NGCP is hereby GRANTED INTERIM RELIEF to implement an Interim Maximum Annual Revenue for Calendar Year 2020 (iMAR₂₀₂₀) in the amount of Forty-Seven Billion Fifty-One Million Six Hundred Forty Thousand Pesos (PhP47,051,640.00).

In granting NGCP an interim relief for the implementation of its iMAR₂₀₂₀ in the amount of Forty-Seven Billion Fifty-One Million Six Hundred Forty Thousand Pesos (PhP47,051,640.00), the Commission considered the following:

- a) Actual versus approved CAPEX projects from CY 2011-2018 and Budgeted CAPEX projects from CY 2019-2020;
- b) Actual and Forecast Demand from CY 2011 to CY 2020; and
- c) Impact of Increase in Demand from CY 2011 to CY 2020.

Accordingly, the rate impact for the approved iMAR₂₀₂₀ calculation is shown in the table below:

Table 2. Rate Impact of the iMAR₂₀₂₀

	2016	2019	NGCP Proposed 2020	Commission Approved iMAR 2020
MAR (PhP Million)	43,789	43,789	58,846	47,051.64
Demand ('000,000 kW)	144.92	179.60	194.74	194.74
Transmission Charge (PhP / kW)	302.17	243.82	302.17	241.61
Energy Sales ('000,000 kWh)	76,971	100,095	100,095	100,089
Transmission Charge (PhP / kWh)	0.5689	0.5114	0.5879	0.4701

As can be gleaned from Table 2, notwithstanding the increase in the MAR, there will still be a reduction in the Transmission Charge by PhP2.21/kW or PhP0.0413/kWh, as compared to the 2019 Transmission Charges.

The onslaught of the COVID-19 pandemic, however, has brought about adverse economic fallouts that curtailed, if not totally shut down business operations. The resulting slowdown in business activities generated demand and supply shocks across various sectors, including the power industry.

In view of this, it is the Commission's view that the supply and demand assumptions, previously used in the determination of the iMAR₂₀₂₀, as reflected in its *Order* dated 13 February 2020, need to be re-assessed and analyzed as such assumptions no longer hold true in the light of economic disruptions brought about by the COVID-19 pandemic.

Nonetheless, NGCP, in its *Letter* dated 26 June 2020, alleged that, on the basis of its experience, economic slumps due to the impact of calamities in the country usually tend to be short-lived. The Commission considered such allegations *vis-a-vis* the National Economic and Development Authority (NEDA) - Development Budget Coordination Council (DBCC) projections which suggest that the Philippine Gross Domestic Product (GDP) will contract by 2% to 3.4% this year. The Commission recognizes that the overall health of the economy will be greatly influenced by the timely implementation of a well-targeted recovery program, in coordination with the private sector. If implemented, such a program may help the country recover by year 2021 and attain a GDP growth of 7.1 to 8.1 percent.¹

NGCP also alleged in its *Letter* that it is optimistic that the power delivery to the Grid will gradually increase and stabilize in the last quarter of the year as the country adjusts to the "new normal." According to NGCP, the change in demand behavior observed during the month of April 2020 does not indicate a pull-back, but only a delay in demand growth, such that grid expansions that were forecasted in 2020, such as the expansion of major Distribution Utilities and large industries, as well as asset turn-over, among others, are expected to be realized in late 2020 or 2021 onwards.

In validating the allegations made by NGCP in its *Letter*, the Commission referred to data on the actual power demand covering 2018 up to the first half of 2020. The actual demand for January 2020 to June 2020 are crucial in determining the demand trend given that

¹ "DBCC Revisits Medium-Term Macroeconomic Assumptions and Fiscal Program Amid the COVID-19 Pandemic." 13 May 2020. Retrieved from <https://www.neda.gov.ph/dbcc-revisits-medium-term-macroeconomic-assumptions-and-fiscal-program-amid-the-covid-19-pandemic/>.

it was within this period that various modes of community quarantine were enforced by the national and local governments.

Figure 1 shows the actual system peak demand covering the period in review.

Figure 1. System Peak Demand

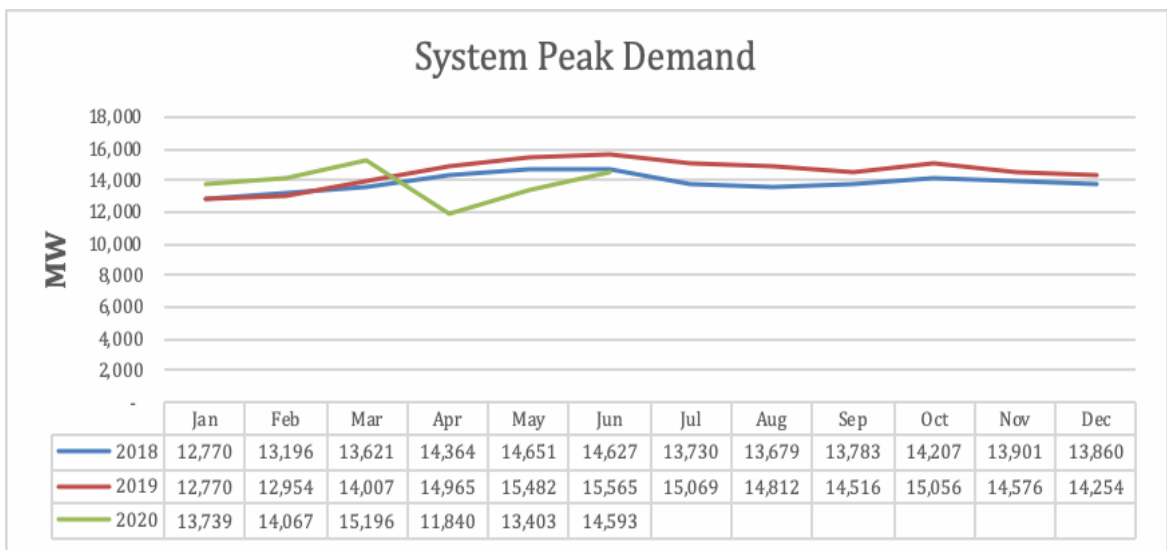


Figure 1 highlights the significant decline in power demand during the months of April, May and June of CY 2020 vis-à-vis the April, May and June actual power demand for CYs 2018 and 2019. In terms of year-on-year performance, the month of April 2020 registered the steepest decline by twenty-one percent (21%). While the June 2020 actual demand figure has increased from the actual power demand figures of April and May 2020, the demand for the said month is still six percent (6%) lower on a year-on-year basis.

In this regard, the Commission deems it necessary to suspend the implementation of the approved iMAR₂₀₂₀, considering that the demand forecasts which were used as basis for its determination, as contained in its *Order* dated 13 February 2020, are no longer valid and would therefore need to be re-assessed in the light of current and updated market and economic data.

WHEREFORE, the foregoing premises considered, the implementation of the Commission's *Order* dated 13 February 2020, granting the Applicant National Grid Corporation of the Philippines (NGCP) interim relief to implement an Interim Maximum Annual Revenue for Calendar Year 2020 (iMAR₂₀₂₀) in the amount of Forty-Seven Billion Fifty-One Million Six Hundred Forty Thousand Pesos (PhP47,051,640,000), is hereby **SUSPENDED**, subject to a 2020 year-end review, taking into considering all updated economic indicators.

SO ORDERED.

Pasig City, 28 July 2020.


AGNES VST DEVANADERA
Chairperson and CEO


ALEXIS M. LUMBATAN
Commissioner


CATHERINE P. MACEDA
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FLORESINDA G. BALDO-DIGAL
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MARKO ROMEO L. FUENTES
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