

FAQ on Lifeline Subsidy Rates

Question: WHAT IS A LIFELINE SUBSIDY RATE AND WHAT IS ITS LEGAL BASIS?

Answer: Section 4 (hh) of RA 9136 defines Lifeline Rate as the subsidized rate given to marginalized/low income captive market end-users who cannot afford to pay at full cost.

The marginalized end-users refer to low-income, captive, household electricity consumers who have levels of electricity consumption below a threshold level to be determined by ERC.

Pursuant to Sec. 73 of RA 9136, *“a socialized pricing mechanism called a lifeline rate for marginalized end-users shall be set by the ERC.”*

Question: WHAT IS THE SCOPE OF LIFELINE SUBSIDY

Answer: The provision of lifeline rate shall be applied to all marginalized end-users of all DUs pursuant to the Act. It is the responsibility of ERC to monitor compliance to specific guidelines it shall issue pursuant to the implementation of the Lifeline Rate.

The Lifeline Rate shall be exempted from the cross subsidy phase removal for a period of 10 years unless extended by law.

Each DU shall file with the ERC a petition recommending the level of consumption (kwh per month) to be qualified for the Lifeline Rate. The level of consumption and the rate shall be determined by the ERC after due notice and hearing. The ERC shall determine and approve different levels of consumption and cross-subsidy support for each DU or classification of DUs.

Question: WHAT IS THE PROCESS IN DETERMINING THE LEVEL OF LIFELINE CONSUMPTION?

Answer: In determining the minimum lifeline level of consumption to be provided to the marginalized end-users, the Commission calculated the probable load requirement of typical low-income end-user by considering 2 lighting facilities at 20 watts each and 50-watt radio that are being used for a reasonable number of hours.

In setting the maximum level of lifeline consumption to be provided to the marginalized end-users, the Commission may adjust the minimum level of consumption and/or the level of lifeline discount so as to maximize the benefit to low-income end-users while keeping the costs associated with such subsidy between Php0.05 to Php0.10 per kWh.

Typical household profile:

Appliance and Usage	Monthly Consumption (kWh)
Incandescent bulb, 50 watts, 3 pieces (4 hours/night)	18
Flat Iron, 600 watts, (4 hours once a week)	9.6
Electric Fan, 14", 60 watts (7 hours/day)	12.6
Tape recorder (cassette) or TV set (16", B&W), 40 watts (8 hours per day)	9.6
TOTAL	49.8

Question: WHAT IS THE GUIDELINES FOR THE CALCULATION OF THE OVER OR UNDER RECOVERY IN THE IMPLEMENTATION OF LIFELINE RATES BY DISTRIBUTION UTILITIES?

Answer: **Date Promulgated:** July 8, 2005

Legal Basis: The Commission adopted and promulgated the guidelines to establish a process for revenue neutral implementation of the lifeline rates and discounts by DUs in accordance with Section 43(f) of the EPIRA.

Description: The guidelines were promulgated to ensure that lifeline discounts shall be applied to all marginalized end-users of all DUs and the cost of subsidizing lifeline end-users shall be passed on to all non-lifeline end-users. In addition, the guidelines were issued to ensure the revenue-neutral position of the DUs in the implementation of the lifeline rate and discount as well as maintain the quality, reliability, security and affordability of the supply of electric power, thus, assuring the protection of the public interest.