Annexes

Annex 1

Summary of Rules, Regulations, Guidelines and Policies Promulgated In 2009

Resolution No. 1: A Resolution Adopting the Amendments to the Guidelines to the Sale and Transfer of TRANSCO's Subtransmission Assets and the Franchising of Qualified Consortium *(January 26, 2009)*

The ERC resolved to adopt the amendments to the Guidelines to the Sale and Transfer of TRANSCO's Subtransmission Assets and the Franchising of Qualified Consortiums. The revision was done by the ERC to address the issues raised by the stakeholders which include the:

1. Terms and conditions in the lease purchase agreement;
2. Eligibility of entities operating in the ecozones to purchase subtransmission assets;
3. Eligibility of directly connected end-users to purchase subtransmission assets vis-à-vis the franchised DU;
4. Costs of right of way acquisition;
5. Asset valuation (third party appraisal of subtransmission assets);
6. TRANSCO rates;
7. Subscription rights; and
8. Eligibility of qualified consortiums to apply for a franchise.

The ERC amended Article II-*Scope and Definition of Terms*, Article IV-*Qualification Criteria of Distribution Utilities or Consortium of Distribution Utilities,* Article V-*Procedures for the Sale and Transfer of Subtransmission Assets* and Article VI-*Application by a Qualified Consortium for Franchise to Own and Operate the Subtransmission Asset* of the Guidelines.

Resolution No. 2: A Resolution Adopting the Rules for Recovery of Costs Associated with the Sale for Resale Agreements by, between, and among Distribution Utilities *(January 26, 2009)*

The Rules for Recovery of Costs Associated with the Sale for Resale Agreements by, between, and among Distribution Utilities aims to ensure that only reasonable costs associated with the "Sale for Resale Arrangements" entered into by DUs are recovered through their rates and to prescribe the regulatory requirements for recovery of these costs.

Article II of the Rules details the policies on the sale for resale agreements existing at the time of the unbundling of the DUs' rates, including the recovery of actual and differential costs.

Moreover, Article III details the procedure for the filing and approval of existing unapproved or new sale for resale agreements, including the applicable rates. The Rules provide that the selling rate which shall be charged to the Buying DU shall be the summation of the generation, transmission and allowable system loss rates, the Wheeling Rate and other pass-through charges approved by the ERC. The universal Charges and Lifeline Rates shall not be included in the selling rates to be imposed on the buying DUs since these are charges impossible only on electricity end-users and the buying DUs cannot be treated as such. The retail rates, on the other hand shall consist of the costs for purchased power, allowable system loss, distribution, supply and metering for electric service and other pass-through charges approved by the ERC.

Resolution No. 3: Amending the Guidelines to Govern the Imposition of Administrative Sanctions in the Form of Fines and Penalties Pursuant to Section 46 of Republic Act No. 9136 *(February 23, 2009)*

The ERC amended Section 4 – Non-submission of Documents and Section 5, Article III-Administrative Sanctions of the Guidelines to Govern the Imposition of Administrative Sanctions in the Form of Fines and Penalties

Pursuant to Section 46 of Republic Act No. 9136 approved on May 17, 2002 to read as follows:

Failure to submit the documents in compliance with the ERC's List of Reportorial Requirements or any other documents which the ERC may require from time to time shall be subject to the following sanctions:

No. of Violation	Basic Amount of Penalty	Additional Penalty to be Imposed for the Delay in the Compliance from Notification
1st violation	PhP50,000.00	a) More than one (1) month but less than three (3) months – 10% of the basic amount of penalty. b) Three (3) months to six (6) months – 50% of the basic amount of penalty. c) More than six (6) months – 50% of the basic amount of penalty for every month of delay.
2nd and 3rd violations	PhP100,000.00	
4th and subsequent violations	PhP200,000.00	

If the reports/documents submitted contain fraudulent information/data, the same shall be treated as non-compliance and shall be subject to the following sanctions:

No. of Violation	Basic Amount of Penalty	Additional Penalty
1st violation	PhP200,000.00	a) 50% of the basic amount of penalty if there were financial benefits that may be derived as a result of the violation. b) 75% of the basic amount of penalty if the violation is intended to conceal illegal acts. c) 100% of the basic amount of penalty if the violation directly affects the consumers.
2nd violation	PhP300,000.00	
3rd violation and subsequent violations	PhP500,000.00 and cancellation of the Certificate of Public Convenience and Necessity (CPCN), License and the Franchise for Consortium	

The official or personnel of the juridical entity solely responsible for the submission of the fraudulent reports shall be subject to the following sanctions:

No. of Violation	Amount of Penalty
1st violation	PhP100,000.00
2nd violation	PhP200,000.00
3rd violation and subsequent violations	PhP400,000.00

In addition to that, non-compliance with the provisions of the EPIRA and its IRR, the Philippine Grid and Distribution Codes (PGDC), rules, regulations, orders, resolutions and other laws of the ERC shall have the following sanctions:

<table>
<tr><th>No. of Violation</th><th>Basic Amount of Penalty</th><th>Additional Penalty shall be Imposed for Any Willful Delay in the Implementation</th></tr>
<tr><td>1st and 2nd violation</td><td>PhP100,000.00</td><td rowspan="3">a) 10% of the basic amount of penalty if the compliance was made after one (1) month from notice.
b) 50% of the basic amount of penalty if the compliance was made after two (2) months from the notice.
c) 100% of the basic amount of penalty if the compliance was made after three (3) months from notice.</td></tr>
<tr><td>3rd and 4th violation</td><td>PhP300,000.00</td></tr>
<tr><td>5th and subsequent violations</td><td>PhP500,000.00 and Cancellation of the Certificate of Public Convenience and Necessity (CPCN), License and the Franchise for Consortium</td></tr>
</table>

Resolution No. 4: A Resolution Setting the Installed Generating Capacity Per Grid, National Grid and the Market Share Limitations Per Grid and the National Grid for 2008 Pursuant to the "Guidelines for the Determination of Installed Generating Capacity in a Grid and the National Installed Generating Capacity and Enforcement of the Limits of Concentration of Ownership, Operation or Control of Installed Generating Capacity Under Section 45 of Republic Act No. 9136 *(March 9, 2009)*

The *Guidelines for the Determination of Installed Generating Capacity in a Grid and the National Installed Generating Capacity and Enforcement of the Limits of Concentration of Ownership, Operation or Control of Installed Generating Capacity* promulgated by the ERC states that the determination or adjustment of the installed generating capacity per grid and National Grid and market share limitations shall be on or before March 15 of each year and/or as often as necessary.

In line with this, the ERC set the 2009 installed generating capacity per Grid and National Grid and market share limitations per Grid and National Grid summarized as follows:

Grid	Installed Generating Capacity	% Market Share Limitation per RA 9136	Installed Generating Capacity Limit (kW)
Luzon	10,664,228.00	30%	3,199,268.40
Visayas	1,645,315.40	30%	493,594.62
Mindanao	1,729,576.00	30%	518,872.80
National	14,039,119.40	25%	3,509,779.85

The above-mentioned limitations shall be strictly enforced and implemented until the next adjustment.

Resolution No. 5: A Resolution Adopting the Rules to Govern the Implementation of Time of Use (TOU) Retail Rates of Distribution Utilities (DUs) Purchasing their Power Requirements from Various Sources
(February 23, 2009)

The Rules to Govern the Implementation of Time of Use (TOU) Retail Rates of Distribution Utilities (DUs) Purchasing their Power Requirements from Various Sources aims to: (1) provide DUs not covered by ERC Resolution No. 1 Series of 2008 with a uniform process of implementing their TOU retail rates to their customers; (2) ensure recovery of allowable generation costs and other costs associated therewith; (3) ensure and maintain the quality, reliability, security and affordability of the supply of electric power; (4) ensure transparent and reasonable prices of electric power service in a regime of free and fair competition and to achieve greater operational and economic efficiency; and (5) protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power.

The Rules provides the process for calculating TOU rates (using a formula provided), given a TOU Rate Design which is from January to June and July to December for DUs in Luzon and Mindanao to consider the seasonal variation of the NPC TOU Rates, and January to December for DUs in Visayas.

In addition to that, the Rules provides the timeframe as to when this can be offered to costumers and the consumer education and orientation program to be conducted by the DUs, including the incremental supply and metering charge, metering equipment and accessories, and system loss charge that will be paid by the customer.

Before the DUs can implement the TOU Rates, it has to submit calculations and all the necessary requirements to the ERC for verification.

Resolution No. 6: Adopting the Rules for the Distribution of Net Settlement Surplus *(February 23, 2009)*

The Rules for the Distribution of Net Settlement Surplus (NSS) aims to (1) ensure transparent and reasonable prices of electricity and enhance the competitive operation of the electricity market; 2) protect the public interest as its is affected by the rates and services of electric utilities and other providers of electric power; (3) provide a mechanism for the just and equitable distribution of the NSS; and (4) flow back the NSS to end-users in the most immediate and equitable manner.

The Rules applies to (1) generation companies; (2) DUs; (3) Default Wholesale Suppliers; (4) Wholesale Aggregators; (5) End-users of electricity; (6) RES, including local RES and the Supplier of Last Resort (SoLR), including other suppliers of electricity; (7) PEMC; and (8) relevant industry players, as applicable.

The NSS is the settlement surplus or deficit remaining after all market transactions have been accounted for, including the assignment of transmission line rentals to Network Service Providers. The surplus or deficit is assumed to be attributable to economic rentals arising from other binding constraints, and accounted for in accordance with the WESM Rules provision on the Treatment of NSS.

Resolution No. 7: Directing all Distribution Utilities to Remit their Respective Proportionate Shares to the Distribution Management Committee's 2009 Budget *(March 4, 2009)*

In line with Section 2.2.4.1, Chapter 2 of the Philippine Distribution Code (PDC) which provides that all of DMC's operating costs shall be shared among all DUs as a direct proportion of their annual peak demand or annual energy sales, the ERC approved the budget of the DMC for the year 2009 as follows:

BUDGET	AMOUNT (PhP)
Approved (2009) Less: Unutilized Portion in 2008	4,500,000.00 2,248,906.00
TOTAL AMOUNT	**2,251,094.00**

Section 2.2.1, Chapter 2 of the PDC details the functions of the DMC to be the following:

a. Monitor the implementation of the Distribution Code;
b. Monitor, evaluate and make recommendations on distribution operations;
c. Review and recommend standards, procedures, and requirements for distribution system connection, operation, maintenance and development;
d. Coordinate Distribution Code dispute resolution and make appropriate recommendations to the ERC;
e. Initiate the Distribution Code enforcement process and make recommendations to the ERC;
f. Initiate and coordinate revisions of the Distribution Code and make recommendations to the ERC; and
g. Prepare regular and special reports for submission to the ERC, or as required by the appropriate government agency, or when requested by a Distribution System User.

The ERC also, in the above-mentioned Resolution, directed the DUs to remit their proportionate share in the approved budget of the DMC on or before April 15, 2009 and submit to ERC a proof of its compliance within fifteen (15) days from such compliance.

Resolution No. 9: Adopting the Rules for the Calculation of the Over or Under recovery in the Implementation of the Transmission Rates by Distribution Utilities (DUs) *(March 16, 2009)*

The Rules were promulgated to establish a process for the calculation of over and under recoveries in the transmission rates. The objectives of the Rules are (1) ensure transparent and reasonable prices of electric power service in a regime of free and fair competition and to achieve greater operational and economic efficiency; (2) ensure full recovery of the allowable cost of transmission; ensure recovery of allowable generation costs and other costs associated therewith; (3) protect the public interest as it is affected by the rates and services of DUs; and (4) ensure and maintain the quality, reliability, security and affordability of the supply of electric power. The Rules apply to all DUs connected to the Grid.

The Rules provide for the formula (per customer class) for the calculation of over or under recovery in the transmission rates from the time of the DUs' implementation of unbundled rates up to April 2006 or the month where new transmission rates were implemented in accordance with the TRAM Guidelines.

Over or under recoveries approved by the ERC should be implemented by the DU by incorporating the rate in the existing transmission rates component (in PhP/kWh) of the DU's customer bills. However, if the existing transmission rate component of a DU to its specific customer class is PhP/kW, the calculated PhP/kWh can be converted to PhP/kW.

The Rules also detail the filing requirements of the DUs and the monitoring procedure in the implementation of over or under recovery. Upon filing the application, the ERC may upon motion, issue a Provisional Authority (PA) within thirty (30) days from receipt of a copy of the application by the local legislative body of the LGU where the applicant principally operates or from the publication thereof.

Resolution No. 10: Lifting the Moratorium on the Filing of Rate Adjustment Petitions/Applications by the Off-Grid Electric Cooperatives *(April 21, 2009)*

The ERC resolved to lift the moratorium on the filing of rate adjustment petitions/applications by the off-grid ECs in response to the request of the off-grid ECs. The off-grid ECs reasoned that they need an adjustment in their rates to enable them to operate viably and deliver satisfactory services to their member-consumers.

The ERC's Decision to lift the moratorium is based on the rationale that the Benchmarking methodology will apply only to on-grid ECs, and consequently their rates will be adjusted using the said methodology once it is approved. Thus, the ERC deemed it necessary to allow the off-grid ECs to file for rate adjustment petitions/applications since the rationale for the issuance of the earlier moratorium will not apply to them.

Resolution No. 11: A Resolution Adopting the Rules to Govern the Installation and Relocation of Residential Electric Meters by Distribution Utilities to Elevated Metering Centers (EMCs) or Individual Residential Electric Meter to other Elevated Service *(May 25, 2009)*

In line with Article 11 of the Magna Carta for Residential Electricity Consumers which provides that electric meters may be located in other areas based on justifiable reason, the Rules for EMC was promulgated by the ERC.

The objective of these Rules is to provide guidance to DUs in the installation and relocation of electric meters to EMCs or to other elevated service in order to ensure their highest level of compliance with safety standards and adequate protection of the consumers' interest and accordingly reduce their system losses.

The Rules provide the requirements and procedures for EMC, including the minimum technical standards set for the DUs. The DU shall prove before the ERC that meters in an area needs relocation or installation to EMC or other elevated service. An area is considered a pilferage-prone area if the difference between the average 3-month kilowatt-hour registration in the check meter or other load monitoring device and the average 3-month total registered kilowatt-hour consumptions of the consumers in the area exceeds the allowable system loss cap of a DU.

Resolution No. 12: Adopting the Rules and Procedures for the Test and Maintenance of Electric Meters of Distribution Utilities *(June 1, 2009)*

The objective of the Rules is to provide guidance to DUs in the testing and maintenance of electric meters to ensure the highest level of confidence of the consumers on the accuracy of their billing meters. DUs or consortium of DUs and Third Party Test Facility are required to comply with these Rules and Procedures.

The DU should ensure that all electric meters it puts in service should have been tested and sealed by the ERC, and while these meters are already in service, these should be tested at least once every two (2) years in accordance with a statistical sampling program approved by the ERC.

The Rules provides that DUs shall maintain their individually owned or group of DU owned Meter Shop which shall be responsible for the routine testing, repair, and calibration of electric meters and other auxiliary devices and equipment essential to the metering of electric power and energy, unless exempted by the ERC. Only DUs with proof to show that it is more feasible to engage the services of another Meter Shop than to maintain their own Meter Shops may file formal applications with the ERC for exemptions. Article III of the Rules specify the procedures and requirements for the accreditation of the Meter Shop.

The ERC shall establish and maintain reference standard with highest accuracy traceable to the National Institute of Standards and Technology (NIST) or its equivalent. Electronic watt-hour meter standards shall be checked annually, while induction type watt-hour meter standards shall be checked semi-annually. Category B Meter Shops may bring their meters to ERC or to any Category A Meter Shops.

Based on the Rules, the allowable percent error for a reference watt-hour meter standard and working watt-hour standard shall not be more than 0.2% and 0.3% at commonly used loads, respectively. A sticker will be attached by the ERC to the meter after certification, indicating the date of the test and the next scheduled test.

Meanwhile, all new and reconditioned or repaired meters, before they are put into service, shall be calibrated and adjusted by a DU, or a consortium of DUs, or a Third-Party Test Facility to closest zero error, and should first pass the acceptance test of the ERC.

For in-service meters, on the other hand, a statistical sampling program shall be used to comply with the regulatory requirement of conducting periodic testing of all individual meters in service. The sample testing shall start on every first month of a scheduled sample testing year.

However, for customer-requested test, the DU shall inform the concerned parties of the date and time of the meter test within seven (7) working days after receipt of customer's request for meter test, and shall be completed within fifteen (15) days from receipt of the request. Investigation procedures are also laid out in the Rules

The Rules also provides that instrument transformers shall be tested before being placed in service to determine their compliance with the International IEC Standards or its equivalent. Instrument transformers with accuracy error of more than the allowable limit of +0.3% shall be replaced within six (6) months while damaged instrument transformers shall be replaced immediately.

Below is the table of new meter testing and calibration fees, as detailed in the Rules:

NAME OF FEE	FEE
Certificate of Authority to Operate a Meter Shop (for 3 years duration)	PhP10,000.00
Acceptance Test:	
Pass	PhP30.00 per sample meter plus PhP15.00 per meter of the remaining meters in the lot
Fail	PhP15.00 per sample meter
Validity Extension of Meter Certification	PhP5.00 per meter lot
Meter Type Certification	PhP1,500.00
ERC Laboratory Testing Fees:	
Single Phase (electronic, hybrid or	
Ferraris)	
Without demand register	PhP70.00 per meter
With demand register	PhP100.00 per meter
With electronic demand register	PhP130.00 per meter
Polyphase (Ferraris, Panel Board – 2	
Stators)	
Without demand register	PhP180.00 per meter
With demand register	PhP210.00 per meter
With electronic demand register	PhP240.00 per meter
Polyphase (Ferraris, Panel Board – 3	
Stators)	
Without demand register	PhP230.00 per meter
With demand register	PhP260.00 per meter
With electronic demand register	PhP290.00 per meter
Electronic Meter	PhP290.00 per meter
Integrating Pulse Meter	PhP1,140.00 per meter
Watt-hour Meter Standard	PhP290.00 per meter
Instrument Transformer	PhP290.00 per meter

Resolution No. 13: Amending Resolution No. 16, Series of 2008 *(May 18, 2009)*

The ERC amended Resolution No. 16, Series of 2008, A Resolution Adopting Policies to Govern the Transition Supply Contracts which have Been Assigned and Transferred to National Power Corporation Successor Generating Companies, specifically Section 10, to read as follows:

> *"Section 72 of the EPIRA on the Mandated Rate Reduction (MRR) shall continue to be implemented. The NPC successor generating companies shall implement the same subject to the execution of a written instrument between NPC and/or PSALM and the concerned NPC successor generating company specifically containing the as-*

sumption by the latter of such obligation. In the absence of such specific written instrument, the rights of the residential end-users shall not be impaired and NPC and/or PSALM shall bear the cost of the rate reductions implemented by the NPC successor generating company. Thus, residential end-users of the affected DUs shall continue to enjoy the rate reduction of thirty centavos per kilowatt-hour (PhP0.30/kWh) and the implementation of the same shall terminate upon the expiration of the term of the assigned and transferred TSCs. If, after the expiration of the TSC's term, the NPC successor generating company shall continue to supply the requirements of the affected DU under an extension as allowed by the ERC, the obligation to provide the MRR shall cease, unless otherwise stipulated upon by the NPC successor generating company and the affected DU, in which case the cost of implementing the MRR shall be borne by the NPC successor generating company."

This is to address the Petition to Initiate Rule-Making filed by Masinloc Power Partners Ltd., Inc. praying for amendment on the policy on the Mandated Rate Reduction (MRR).

Resolution No. 14: Directing all Distribution Utilities to Remit Their Respective Proportionate Shares to the Distribution Management Committee's 2009 Supplemental Budget *(July 13, 2009)*

From January to March 2009, the DMC has already utilized 73.62% or an equivalent amount of PhP3,312,837.00 of the PhP4.5 million approved budget. Since the remaining 26.38% of the approved budget amounting to PhP1,187,163.00 will not be sufficient to cover the DMC's operations for the remainder of 2009, the ERC approved DMC's request for a supplemental budget in the amount of Four Million Pesos (PhP4,000,000).

Section 2.2.4.1, Chapter 2 of the Philippine Distribution Code (PDC) provides that all of DMC's operating costs shall be shared among all DUs as a direct proportion of their Annual Peak Demand or Annual Energy Sales. In line with this, the ERC further resolved to direct each DU to remit their proportionate share in the approved DMC supplemental budget for 2009 not later than August 15, 2009, and submit to ERC a proof of its compliance within fifteen (15) days from such compliance.

Resolution No. 15: A Resolution Adopting the Rules for Prepaid Retail Electric Service Using a Prepaid Metering System *(July 13, 2009)*

The objectives of the *Rules for Prepaid Retail Electric Service Using a Prepaid Metering System* are to provide residential customers a choice for energy management strategies, establish rules and technical standards for Prepaid Retail Electric Service (PRES) using prepaid metering system, enhance the operational efficiency of the DU, and promote demand side management.

Article II of the Rules details the requirements for PRES using prepaid metering system. The DUs are required to file first with ERC for an approval of the application to provide PRES prior to offering such to residential customers, as well as certification of the meter by the International Electrotechnical Commission (IEC) or American National

Standards Institute (ANSI). The meters should also have the capability to show the current balance, time and date; display the previous 30-day period consumption of the customer and the number of days into the current 30-day period, followed by the consumption in kWh; and to warn the customer before the remaining credit level goes below the threshold agreed upon by the DU and the customer.

In addition to that, the Rules detail the accuracy requirements of the Prepaid Meter which are the following: as close as possible to zero error before they are placed in service with a tolerance limit of +0.5%; and an average error of +2% for meters in service provided that the error at any test load points does not exceed ¬+3%. A meter seal will be attached by the ERC upon testing and certification to warrant that the meter is acceptable and that it operates within the allowable limits of tolerance.

The customers have the option to apply for a PRES on a voluntary basis, and the Rules allow for a 6-month trial period for customers to give them the opportunity to assess the impact of the service. After such trial period, the customer can either enter into prepaid contract with the DU with a retention period of 24 months or revert to being a postpaid customer.

Resolution No. 16: A Resolution Adopting the Rules Governing the Automatic Cost Adjustment and True-up Mechanisms and Corresponding Confirmation Process for Distribution Utilities *(July 13, 2009)*

The objective of the Rules is to consolidate, update, and rationalize the requirements under the several automatic cost adjustment mechanisms issued.

The Rules detailed a systematized confirmation process that conforms to the due process requirement of the law for the following automatic cost adjustment and true-up mechanisms:

1. Automatic Generation Rate and System Loss Adjustment Mechanism;
2. Transmission Rate Adjustment Mechanism;
3. Lifeline Rate Recovery Mechanism;
4. Local Franchise Tax Recovery Mechanism;
5. Local Business Tax Recovery Mechanism;
6. Guidelines for the Calculation of the Over or Under Recovery in the Implementation of Lifeline Rates by Distribution Utilities;
7. Guidelines for a True-up Mechanism of the Over or Under Recovery in the Implementation of Inter-Class Cross Subsidy Removal by Distribution Utilities;
8. ERC Resolution No. 12, Series of 2005, “A Resolution Approving a New Policy on the Treatment of Prompt Payment Discount (PPD)”;
9. Guidelines for the Calculation of the Over or Under Recovery in the Implementation of System Loss Rate by Distribution Utilities; and
10. Rules for the Calculation of the Over and Under Recovery in the Implementation of Transmission Rates.

The Rules provides for the calculation process and the formula to determine the adjusted retail rates, as well as the over or under recovery in the implementation of the above-mentioned adjustment mechanisms.

Below is the period of filing of DUs of their consolidated applications:

Distribution Utilities	Period of Filing	Covered Adjustments
Luzon DUs	October 30, 2009	Adjustments implemented until the billing month of December 2008
Visayas DUs	October 30, 2010	Adjustments implemented until the billing month of December 2009
Mindanao DUs	October 30, 2011	Adjustments implemented until the billing month of December 2010

Thereafter, the DUs shall file their applications within the period below:

Distribution Utilities	Period of Filing	Covered Adjustments
Luzon DUs	October 30, 2012	Jan. 2009-Dec. 2011
Visayas DUs	October 30, 2013	Jan. 2010-Dec. 2012
Mindanao DUs	October 30, 2014	Jan. 2011-Dec. 2013

Subsequently, the DUs shall file their applications every three (3) years following the sequence of period of filing detailed above.

Resolution No. 17: A Resolution Adopting the Uniform Reportorial Requirement (URR) by all Distribution Utilities in lieu of ERC DU-M01, ERC DU-M02 and Reportorial Imposed in Various Automatic Adjustment Mechanisms *(July 13, 2009)*

Sec. 4 (q) Rule 3 of the Implementing Rules and Regulations (IRR) of R.A. 9136 empowers the ERC to require report or documents from Electric Power Industry Participants.

In line with this, the ERC approved and adopted the URR excel model with its output data, which shall serve as monthly reportorial submission of the DUs in lieu of ERC DU-M01, ERC DU-M02 and other monthly reportorial requirements.

The ERC also directed all DUs to implement and comply with the URR submission starting January 2010 by submitting to the ERC in one (1) electronic copy and two (2) hard copies the accomplished URR model together with the supporting documents, on or before the 30th day of the following month.

Resolution No. 18: A Resolution Clarifying Resolution No. 1, Series of 2009, Entitled "A Resolution Adopting the Amendments to the Guidelines to the Sale and Transfer of TRANSCO's Subtransmission Assets and the Franchising of Qualified Consortiums" *(August 10, 2009)*

The ERC resolved to clarify Resolution No. 1, Series of 2009, as follows:

1. Section 5, Article V which reads:

   "…1. To pay any uncollected subtransmission charges upon transfer of possession of the subtransmission asset. The amount shall be based on previous year's consumption."

The phrase “previous year’s consumption” refers to customers’ “previous year’s charges”. Said charges are fixed amounts payable monthly by the connected consumers;

2. Section 5, Article V, the term “subtransmission assets of TRANSCO / Concessionaire” refers to “Residual Sub-transmission Assets (RSTAs)” or the subtransmission assets which are shared by and between two (2) or more connected DUs.

3. Section 6, Article V which provides:

   “…Within the said six (6) months period, the DU and the directly connected end-users shall endeavor to come up with a mutually acceptable rate and file said agreement with the ERC for approval, otherwise, the same cannot be charged to the end-user.”

   The intent of the said provision is for the DU and the directly connected end-user to come up with an agreement, within the six-month period, on the rate to be charged or passed on by the DU to the directly connected end-user, wherein the agreement must be filed for approval of the ERC.

4. In Section 2, Article V, the ERC has only set a reference value for STAs. This however, should not be considered as a limitation to the capability of the DUs to negotiate for better terms and conditions in the agreement for the benefit of their end-users.

Resolution No. 19: A Resolution Adopting the Rules for the Automatic Recovery of Monthly Fuel and Purchased Power Costs and Foreign-Exchange Related Costs by the National power Corporation (NPC) *(August 3, 2009)*

The objectives of the Rules are to (1) ensure the timely recovery of allowable fuel, purchased power, and foreign exchange related costs of NPC; (2) ensure transparent and reasonable prices of electric power service in a regime of free and fair competition and to achieve greater operational and economic efficiency; (3) to protect public interest as it is affected by rates and services of the NPC; and (4) to help maintain the security, reliability, and quality of supply of electric power.

The Rules provide for the formulae for the monthly calculation and recovery/(refund) of incremental/downward adjustment of the Fuel and Purchased Power Cost and Foreign Exchange-Related Costs.

The Rules apply only to NPC’s on-grid operations, and exclude NPC’s Small Power Utilities Group (SPUG).

Resolution No. 20: A Resolution Adopting the Rules for Setting the Electric Cooperatives’ Wheeling Rates *(September 23, 2009)*

The ERC resolved to adopt the Rules for the purpose of: (1) developing a tariff setting methodology that would be more responsive to the needs of the ECs given the objectives of the EPIRA; (2) encouraging reforms in the structure and operations of the ECs for greater efficiency and lower costs; (3) introducing incentives in the framework that will allow efficiency gains to be shared between the EC and the end-users; and (4) developing a regulatory framework that will ease regulatory burden and cut down regulatory lag for implementation.

The Rules applies to all on-grid ECs, and below are the procedures for the new regulatory framework:

1. The ECs were classified into groups based on the principles of rationality, regulatory efficiency and simplicity. The classification was done by first identifying the characteristics that impact on the operating distribution costs of an EC, then classifying them based on those characteristics using one-way and two-way tabulations, and finally refining the classifications to ensure independence of the groups formed;

   Based on this, the ERC classified the ECs into seven (7) groups, to wit:

GROUP A	GROUP B	GROUP C
Aurora (AURELCO)	Abra (ABRECO)	Bohol II (BOHECO II)
Biliran (BILECO)	Antique (ANTECO)	Cagayan II (CAGELCO)
Camiguin (CAMELCO)	Camarines Sur I (CASURECO I)	Camarines Sur III (CASURECO III)
Guimaras (GUIMELCO)	Camarines Sur IV (CASURECO IV)	Isabela II (ISELCO II)
Ifugao (IFELCO)	Lanao Del Norte (LANECO)	Sorsogon II (SORECO II)
Kalinga-Apayao (KAELCO)	Leyte I (LEYECO I/DORELCO)	
Leyte III (LEYECO III)	Leyte IV (LEYECO IV)	
Mt. Province (MOPRECO)	Misamis Occidental I (MOELCI I)	
Quezon II (QUEZELCO II)	Eastern Samar (ESAMELCO)	
Quirino (QUIRELCO)	Northern Samar (NORSAMELCO)	
Siargao (SIARELCO)	Samar I (SAMELCO I)	
	Samar II (SAMELCO II)	
	Sorsogon I (SORECO I)	
	Southern Leyte (SOLECO)	
	Surigao Del Sur I (SURSECO I)	
	Surigao Del Sur I (SURSECO I)	

GROUP D	GROUP E	GROUP F
Agusan del Sur (ASELCO)	Aklan (AKELCO)	Agusan Del Norte (ANECO)

GROUP D	GROUP E	GROUP F
Bukidnon II (BUSECO)	Bohol I (BOHECO I)	Albay (ALECO)
Cebu III (CEBECO III)	First Bukidnon I (FIBECO)	Batangas I (BATELEC I)
Davao Oriental (DORECO)	Cagayan I (CAGELCO I)	Benguet (BENECO)
First Laguna (FLECO)	Camarines Norte (CANORECO)	Camarines Sur II (CASURECO II)
Iloilo III (ILECO III)	Capiz (CAPELCO)	Central Pangasinan (CENPELCO)
Maguindanao (MAGELCO)	Cebu I (CEBECO I)	Davao Del Norte (DANECO)
Misamis Occidental II (MOELCI II)	Cebu II (CEBECO II)	Ilocos Norte (INEC)
Misamis Oriental II (MORESCO II)	Davao Del Sur (DASURECO)	Ilocos Sur (ISECO)
Negros Oriental I (Noreco I)	Iloilo I (ILECO I)	Isabela I (ISELCO I)
Nueva Vizcaya (NUVELCO)	Iloilo II (ILECO II)	Misamis Oriental I (MORESCO I)
Pampanga Rural (PRESCO)	La Union (LUELCO)	Pampanga II (PELCO II)
Pangasinan I (PANELCO I)	Leyte V (LEYECO V)	Peninsula (PENELCO)
Sultan Kudarat (SUKELCO)	Negros Occidental (NOCECO)	San Jose City (SAJELCO)
Surigao Del Norte (SURNECO)	Negros Oriental II (NORECO II)	So. Cotabato I (SOCOTECO I)
Zambales I (ZAMECO I)	North Cotabato (COTELCO)	
ZAMBALES II (ZAMECO II)	Nueva Ecija I (NEECO I)	**GROUP G**
	Nueva Ecija II (NEECO II) Area I	Batangas II (BATELEC II)
	Nueva Ecija II (NEECO II) Area II	Central Negros (CENECO)
	Pampanga I (PELCO I)	Leyte II (LEYECO II)
	Pangasinan III (PANELCO III)	Pampanga III (PELCO III)
	Quezon I (QUEZELCO I)	So. Cotabato II (SOCOTECO II)

	GROUP E	GROUP G
	Tarlac I (TARELCO I)	Zamboanga City (ZAMCELCO)
	Tarlac II (TARELCO II)	
	V-M-C- Rural Electric Service (VRESCO)	
	Zamboanga Del Norte (ZANECO)	
	Zamboanga Del Sur I (ZAMSURECO I)	
	Zamboanga Del Sur II (ZAMSURECO II)	

2. An Initial Tariff which comprise of the Distribution Charge, Supply Charge, Metering Charge and Members' Contribution for Capital Expenditure was set for all ECs in each group and this initial tariff shall now be their rate cap. The ERC, in the setting of the Initial Tariff, revised the customer classes based on the power service delivery voltage used in serving the EC's customers. The following are the new customer segmentation:
   a. Residential Customers;
   b. Low Voltage Customers - non-residential customers and connected to Low Voltage (not exceeding 1 kV); and
   c. Higher Voltage Customers - non-residential customers and connected to Medium Voltage (1kV up to 34.5kV) or High Voltage (exceeding 34.5kV);

3. A Tariff Glide Path shall be developed for each EC group for a regulatory period which shall also be the rate cap. The basic structure of the Tariff Glide Path shall consist of an index, minus an efficiency factor, X, plus performance incentives. The Tariff Glide Path shall be covered by separate rules to be promulgated by ERC;

4. There will be a transition from the current tariff to a rate up to the Initial Tariff which shall be proposed by the EC. The transition period is two years starting from the effectivity of the Rules. The 4-year Regulatory Period will then commence at the end of such transition period;

5. Before the end of the Regulatory Period, the EC groupings and the Initial Tariff shall be reset for the next Regulatory Period; and

6. All the items above were and shall be accomplished through public consultation and compliance with due process.

Resolution No. 21: A Resolution Adopting the Amendments to the Transmission Wheeling Rate Guidelines (TWRG) to be Renamed as the Rules for Setting Transmission Wheeling Rates (RTWR) *(September 22, 2009)*

The RTWR is an amendment to the Transmission Wheeling Rate Guidelines (TWRG) for 2003 up to around 2027 dated May 29, 2003.

The Rules sets out the following:

1. The methodology to be used in setting the maximum transmission wheeling rates that may be charged for the provision of Regulated Transmission Service by the Regulated Entity during the First Regulatory Period and the Second Regulatory Period;
2. The pricing principles with which the ERC must comply for the purposes of regulating the maximum transmission wheeling rates that may be charged for the provision of Regulated Transmission Services by the Regulated Entity during a subsequent Regulatory Period;
3. The annual rate verification and adjustment process which the ERC must undertake in relation to the maximum transmission wheeling rates that may be charged for the provision of Regulated Transmission Services by the Regulated Entity during a regulatory Period;
4. The regulatory processes and timelines to which both the Regulated Entity and the ERC must adhere in order for the methodology established by these Rules to be administered and applied in a timely manner; and
5. The performance indicators, performance targets and reporting arrangements with which the Regulated Entity must comply during the Second Regulatory Period and each Subsequent Regulatory Period, and which the ERC must monitor, in order to ensure the efficient delivery of Regulated Transmission Services to consumers.

Resolution No. 22: A Resolution Modifying Resolution No. 24, Series of 2007 [Resolution Adopting a New grouping for Privately Owned Distribution Utilities Entering Performance Based regulation (PBR)] *(September 23, 2009)*

In line with the Memorandum of Agreement (MOA) between the ERC and the Clark Development Corporation (CDC) executed on July 13, 2006 and with the interest of the Clark Electric Distribution Corporation (CEDC), 35% owned by CDC, to join the Fourth Entry Group (Group D) to the Performance Based Regulation (PBR), the ERC resolved to adopt a new grouping of privately owned DUs to enter PBR under Group D. Below are the new entrants for Group D, and the corresponding timeline of the Fourth Entry point:

GROUP	ENTRANTS	REGULATORY PERIOD
D	1. Angeles Electric Corporation (AEC) 2. Bohol Light Company, Inc. (BLCI) 3. Panay Electric Company, Inc. (PECO) 4. Subic Enerzone Corporation (SEZ) 5. San Fernando Electric Light and Power Company (SFELAPCO) 6. Clark Electric Distribution Corporation (CEDC)	April 1, 2011 – March 2015

The ERC likewise directed CEDC to share in the regulatory reset costs incurred in the PBR undertaking and file its unbundling application on or before September 30, 2009, and strictly comply with the pertinent reportorial requirements for privately-owned distribution utilities entering PBR.

Resolution No. 23: A Resolution Adopting the Template for the Distribution Utilities' (DUs) Filing Pursuant to the "Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities (DUs)" and Extending the Date of Luzon DUs' Filing Thereunder *(October 12, 2009)*

Section 1, Article 5 of the "Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities (DUs)" provides for the submission of Luzon DUs, on or before October 30, 2009, of their respective filing for their adjustments (over/under recoveries), in a template prescribed by ERC.

Given the calamities that occurred in Luzon just recently and in order to give the Luzon DUs more time to prepare their respective applications, the ERC resolved to defer the filing of Luzon DUs until further notice.

Moreover, the ERC directs all DUs to adopt the template on the Uniform Over/Under Recovery for their applications which is posted in the ERC website and available upon request from the ERC Investigation and Enforcement Division.

Resolution No. 24: A Resolution Suspending the Implementation of the Uniform Reportorial Requirement (URR) by all the Distribution Utilities (DUs) *(December* 16, 2009)

In view of the on-going review of Rule IX Sections 1 and 4 of the Implementing Rules and Regulations of R.A. 7832 (Anti-Pilferage of Electricity and Theft of Electric Transmission Lines/ Materials Act of 1994) and the modification of the customer classifications and rate structures pursuant to the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR), the ERC resolved to suspend the submission of the URR until further notice. The developments mentioned above may require revision on certain templates of the URR model, specifically the system loss calculation, as well as the reclassification of customer classes.

In line with this, the ERC directed all DUs to submit in the meantime the existing reportorial requirements.

Resolution No. 25: A Resolution Amending the Rules for Automatic Recovery of Monthly Fuel and Purchased Power Costs and Foreign-Exchange Related Costs by the National Power Corporation (NPC) *(December 14, 2009)*

In view of the "Manifestation and Motion for Clarification" filed by the Power Sector Assets and Liabilities Management Corporation (PSALM) on November 12, 2009, the ERC amended Resolution No. 19 series of 2009, A Resolution Adopting the Rules for the Automatic Recovery of Monthly Fuel and Purchased Power Cost and Foreign-Exchange Related Costs by NPC.

The ERC clarified the definition of "Mean of Platt Singapore (MOPS)" under Article II, as well as the various components of the formula for the monthly recovery/(refund) of incremental/downward adjustment in Article III (i.e. base reference prices for fuel costs).

Resolution No. 26: A Resolution Amending the Rules for Approval of Regulated Entities' Capital Expenditure Projects *(December 9, 2009)*

The ERC, together with National Electrification Administration (NEA), International Finance Corporation (IFC), Philippine Rural Electric Cooperatives Association (PHILRECA), National Association of General Managers of Electric Cooperatives, Inc. (NAGMEC) and Association of Mindanao Rural Electric Cooperatives, Inc. (AMRECO), entered into a Memorandum of Agreement (MOA) on August 5, 2009 adopting the "Electric Cooperative Distribution Utility Planning Manual". The ERC recognized the importance of having a comprehensive and integrated development plan for all Electric Cooperatives (ECs) for the preparation of capex projects and programs, consistent with the Philippine Grid Code (PGC) and the Philippine Distribution Code (PDC).

As a result of the manual, the ERC issued the Amended Rules for Approval of Regulated Entities' Capital Expenditure Projects which applies to Electric Cooperatives (ECs), Local Government Owned and Operated Distribution System, Qualified Third Parties (QTPs) operating in waived areas of franchised DUs and Consortium of DUs.

The objective of the Rules is to provide a uniform system for filing applications for the approval of capex projects and ensure that the projects are timely, appropriate, necessary and cost-efficient. Moreover, it ensures that the projects as consistent with the Philippine Grid Code (PGC) and the Philippine Distribution Code (PDC), as well as ensure that the procurement is transparent and competitive.