

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



**IN THE MATTER OF THE  
APPLICATION FOR APPROVAL  
OF THE CONTRACT FOR THE  
SUPPLY OF ELECTRIC ENERGY  
(CSEE) IN THE LUZON GRID  
WITH CAMARINES SUR IV  
ELECTRIC COOPERATIVE, INC.  
(CASURECO IV), WITH PRAYER  
FOR ISSUANCE OF  
PROVISIONAL AUTHORITY  
(PA)**

**ERC CASE NO. 2020-015 RC**

**POWER SECTOR ASSETS AND  
LIABILITIES MANAGEMENT  
CORPORATION (PSALM),  
*Applicant.***

**Promulgated:**  
**February 18, 2021**

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**NOTICE OF VIRTUAL HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 06 July 2020, the Power Sector Assets and Liabilities Management Corporation (PSALM) filed an *Application* dated 18 June 2020, seeking the Commission's approval of the Contract for the Supply of Electric Energy (CSEE) in the Luzon Grid it executed with Camarines Sur IV Electric Cooperative, Inc, (CASURECO IV), with prayer for provisional authority.

The pertinent portions of the said *Application* are hereunder quoted as follows:

1. This is an Application for the Approval of the terms and conditions of the Contract for the Supply of Electric Energy (CSEE) in the Luzon Grid entered into by and between Applicant PSALM and Camarines Sur IV Electric Cooperative, Inc. (CASURECO IV) pursuant to Section 67 of Republic Act No. 9136, otherwise known as the

*“Electric Power Industry Reform Act (EPIRA) of 2001”.*

2. Applicant PSALM is a government-owned and controlled corporation created by virtue of the EPIRA, with principal office address at 24<sup>th</sup> Floor Vertis North Corporate Center 1, Astra corner Lux Drives, North Avenue, Quezon City.
3. Pursuant to Section 49 of the EPIRA and the consequent assignment on 11 May 2009 (the Letter of Agreement is hereto attached as Annex “A”) of all NPC power supply contracts to PSALM, NPC assigned and transferred to PSALM all its rights and obligations in, to and under its CSEEs and other similarly or substantially equivalent power supply contracts with NPC power customers (collectively referred to as “Power Supply Contracts”).
4. On and from 11 May 2009, the power supply contracts were deemed amended as follows: (i) all references to NPC therein shall be treated as references to PSALM; (ii) PSALM shall be deemed the SUPPLIER under said Power Supply Contracts; and (iii) the rights and obligations of the Parties shall be governed by and construed in accordance with said Power Supply Contracts, as amended by the 11 May 2009 Letter Agreement. Thus, this instant application by PSALM.
5. The subject CSEE was executed based on the ERC-approved template under ERC Resolution No. 08, Series of 2005 issued on 07 July 2005. On 09 August 2005, said template was later on amended by this Honorable Commission in its Resolution No. 15, Series of 2005.
6. In ERC Resolution No. 33, Series of 2006, “Resolution Clarifying the Purpose of the Adoption of the TSC Template,” the ERC clarified that the TSC Template should merely serve as a guide for the DUs and NPC, and should not be construed as the contract contemplated under Section 67 of the EPIRA.
7. On 27 November 2019, the PSALM Board approved the execution of the CSEE with the Luzon Electric Cooperatives for the period effective 26 November 2019 to 25 June 2021.
8. Pursuant to Section 5, Article III of the ERC’s Guidelines for the Recovery of Costs for the Generation Component of the Distribution Utilities’ Rate, PSALM is filing the instant

Application for the approval of the CSEE duly negotiated with CASURECO IV, hereto attached as Annex “B”.

9. Said CSEE, which has a duration from 26 November 2019 to 25 June 2021, was executed based on the ERC-approved template under ERC Resolution No. 08, Series of 2005.
10. The CSEE subject of this Application has the following salient provisions, apart from the revisions mentioned in the preceding paragraph:

(i) **CONTRACT ENERGY**

4.1 Contract Energy and Equivalent Demand as indicated in Annex I maybe changed by PSALM due to a change in the projected available capacity of PSALM’s power plants and at any time during the duration of the Contract due to the privatization of any of the assets of PSALM pursuant to the EPIRA.

4.1.1 The CASURECO IV shall nominate month-ahead its hourly and daily energy quantity requirements three (3) days before the start of the next billing period based on its Daily Load Profile as reflected in Annex 1a. On a day to day transaction, the CASURECO IV shall confirm the schedule of hourly energy requirements to PSALM on the day ahead. PSALM shall declare to WESM the schedule of hourly energy requirements delivered to customers immediately on the day after.

(ii) **ASSIGNABILITY**

4.8 PSALM may assign or transfer part or all of its rights and obligations in the supply of Contract Energy herein stated, to any such entity, provided that prior written notice is given to CASURECO IV thirty (30) days before the actual transfer. This Contract shall remain binding to Parties, their successors and assignees. PSALM

warrants that any sale, assignments, transfer, or subcontracting of the Contract shall not affect or impair CASURECO IV's rights and obligations with respect to quantity and price of electricity, Contract effectivity, incentives, discounts and other terms and conditions of this Contract. The assignee shall, by written instrument, assume the rights and obligations of PSALM to CASURECO IV. When a CASURECO IV has been assigned by the PSALM to a Successor Generating Company (SGC) by virtue of the privatization of the PSALM Generating Plant pursuant to the EPIRA, the SGC has the option to renegotiate this Contract with the CASURECO IV within six (6) months from the actual transfer of the CASURECO IV to the SGC. If the CASURECO IV and the SGC fail to reach an agreement, either Party shall have the right to terminate this Contract.

- 4.9 CASURECO IV may assign, sell or transfer a part or all of its Contract Energy and/or Equivalent Demand either permanently or for a certain number of billing periods, subject to the written consent of PSALM under the following conditions, and which consent shall not be unreasonably withheld:
- a. CASURECO IV has obtained certification from NGCP, that the transmission, sub-transmission, substation and other facilities can accommodate the increase in the power requirements of the assignee/transferee.
  - b. CASURECO IV has submitted necessary proof that the buyer, assignee or transferee has no outstanding obligation to PSALM, and undertakes to assume the obligations of b. CASURECO IV and to pay for the additional expenses necessary or incidental to the transfer.

- c. Assignment of CASURECO IV to assignee shall comply with the forms provided in Annex IVa and Annex IVb of this Contract.

(iii) **SECURITY DEPOSIT**

- 5.1 The Security Deposit shall be equivalent to 100% of the estimated average monthly power bill for the duration of this Contract.

(iv) **FORM AND TIME OF POSTING**

- 5.2 The Security Deposit may be required to be posted upon privatization of the generating asset/s to which this Contract is allocated or assigned as provided for in Section 4.8 hereof if the prospective buyer, assignee, transferee or successor-in-interest so requires. It shall be in the form of cash, cash bond, manager's or cashier's check, bank certified check, irrevocable stand-by letter of credit, performance bond or bank guarantee "callable on demand" issued by a financial institution, or any other forms of security such as but not limited to escrow account to be administered by a bank acceptable to PSALM. In the event the Security Deposit of the CASURECO IV becomes nil, the PSALM reserves the right to refuse or discontinue supply of electric energy. In cases of partial depletion of the Security Deposit, the CASURECO IV shall replace the Security Deposit not later than thirty (30) days thereafter. PSALM reserves the right to continue supply of electric energy to the extent of Security Deposit of the CASURECO IV.

(v) **RELEASE OF SECURITY DEPOSIT**

- 5.3 The Security Deposit (for the portion that should be settled within the WESM) shall be returned to the CASURECO IV within thirty (30) days upon presentation of proof of compliance with the prudential requirements of the WESM. PSALM shall return or release the Security

Deposits to CUSTOMER including interest earned, subject to deductions for any amounts owed by CASURECO IV to PSALM. Security Deposits, except those in the form of letter of credit or performance bond, shall earn interest based on prevailing savings deposit rate of the Land Bank of the Philippines (LBP).

(vi) **BASIC ENERGY CHARGE**

- 6.1 The Basic Energy Charge (BEC) applied to the CASURECO IV'S hourly energy consumption shall be the ERC-approved NPC/PSALM's Time of Use (TOU) generation rates, which is attached as Annex III, plus adjustments in the tariff such as, but not limited to Deferred Accounting Adjustments (DAAs) and the Incremental Currency Exchange Rate Adjustments (ICERA), the RA 9136 Mandatory Rate Reduction Adjustments. The basic energy charge to be applied to the contracted energy shall be in accordance with Section 7.1 of this Contract.

Energy consumption higher than the contracted level shall be sourced by the Customer from the Wholesale Electricity Spot Market at the Wholesale Electricity Spot Market rate and paid directly to the Philippine Electricity Market Corporation (PEMC).

- 6.1.1 The BEC shall be applied to the CASURECO IV's hourly energy consumption based on the hourly nominated energy quantity mentioned in Section 4.1.1.

(vii) **MINIMUM CHARGES**

- 6.2 CASURECO IV shall pay the minimum charge based on the Contract Energy per billing period as indicated in Section 4.1 of this Contract using the basic energy charge if CASURECO IV has not fully taken or failed to consume the Contract Energy, subject to deductions and adjustments as expressly provided for in this Contract.

(viii) **SERVICE INTERRUPTION  
ADJUSTMENT**

- 6.4 Should the supply of electricity be interrupted or curtailed to a level below the Contract Energy due to the fault or lack of generation capacity of the PSALM, even if CASURECO IV was at that time unable to take or consume electricity, the Contract Energy shall be adjusted to actual off-take below contract level for all hours when service was curtailed or interrupted based on declaration of power curtailment issued by the NGCP. (This Section shall only apply if there are Time-Of-Use rates).

(ix) **MAINTENANCE SERVICE  
ADJUSTMENT**

- 6.6 CASURECO IV may avail of the service adjustment during the scheduled maintenance of its facilities, not to exceed two (2) billing periods in one year. The minimum charge on the energy consumption shall be fifty percent (50%) of the Contract Energy. To be able to avail of this adjustment, CASURECO IV must inform PSALM in writing thirty (30) days prior to the commencement of the scheduled maintenance.

(x) **PROMPT PAYMENT  
DISCOUNT**

- 6.10 Subject to ERC's approval, the Prompt Payment Discount (PPD) shall be in accordance with the PSALM's credit and collection policies duly approved by the PSALM Board.

(xi) **DISPUTED BILLS**

- 6.11 Disputed bills shall be questioned in writing by CASURECO IV within sixty (60) days from the date of its receipt and PSALM shall act on such disputed bills on a best effort basis and commit to resolve the claim within sixty (60) days from the date of filing of the claim. Failure by CASURECO IV to question the power bills on time shall constitute

a waiver by CASURECO IV of any claim on such bills.

(xii) **OVERDUE ACCOUNT**

- 6.15 In the event that a power bill remains unpaid within five (5) days after its due date, PSALM has the option to call on or draw against the Security Deposit as provided for under Section 5 (Security Deposit) of this Contract.
- 6.16 Any power bill or account of CASURECO IV not paid on due date shall bear a floating rate of interest computed from the first day after it becomes due and payable, based on the non-prime lending rate for each quarter of the Land Bank of the Philippines or the Philippine National Bank, whichever is higher. Interest on overdue accounts shall be computed based on a 360-day year.
- 6.17 If the account of the CASURECO IV is overdue for more than six (6) months, CASURECO IV shall pay an additional penalty of one percent (1%) per month for every additional month of delay beyond six (6) months. Moreover, a restructuring agreement of the overdue account shall be executed by the CASURECO IV.

(xiii) **DEDUCTION DUE TO FORCE MAJEURE**

- 9.6 PSALM shall have a maximum of seventy-two (72) hours from the time a force majeure event prevented it from supplying electricity and perform its other obligations under the Contract to resume supply. CASURECO IV shall not be entitled to interruption adjustment for such period, unless interruptions exceed seventy-two (72) hours and the CASURECO IV failed to fully take or consume its Contract Energy.

(xiv) **CONTRACT TERMINATION**

- 9.11 Either party will have the right to terminate this Contract upon failure of



the other to perform its obligation under this Contract, provided that the party at fault will have to pay all its outstanding account and reimburse the costs incurred by the other party as a result of the termination.

(xv) **EFFECTIVITY**

9.19 This Contract shall take effect on 26 November 2019 and shall be filed immediately with the ERC for approval.

11. Finally, in compliance with Section 4(e), Rule 3 of the EPIRA IRR and ERC Resolution No. 38-2006, and in support of the instant Application for the CSEEs' approval, a copy of the instant Application (including Annexes) was furnished to the Sangguniang Panlungsod of Quezon City (Annex "C"). The Application (excluding Annexes) was also published in a newspaper of general circulation (Annex "D").

**ALLEGATIONS IN SUPPORT FOR THE  
ISSUANCE OF PROVISIONAL AUTHORITY**

12. PSALM acknowledges that the continued operation of the Distribution Utilities is indispensable to the economic efficiency of the franchise area they service, not to mention the ripple effect of that efficiency to the economic growth of the entire country. In order for these Distribution Utilities to continue lawfully drawing electricity from the grid, it is imperative that they enter into agreement/s with PSALM as Supplier for the supply of electricity, through a contract of sale for electricity, hence the respective CSEE.
13. A grant of provisional authority to execute the CSEEs effective 26 November 2019 to 25 June 2021 will benefit CASURECO IV and will ultimately redound to the benefit of end consumers.
14. Attached as Annex "E" is the Judicial Affidavit of Abner Tolentino, Acting Department Manager of Asset Management Department under the Office of the Vice President – Privatization and Asset Management Group attesting to the truth of the above matters.
15. Pursuant to ERC rules of practice and procedure, this Honorable Commission may exercise its discretion by granting provisional authority or interim relief prior to a final decision.

16. It is understood that the interim relief sought by Applicant PSALM that may be granted by this Honorable Commission, shall be subject to adjustments and other conditions that the this Honorable Commission may impose after its hearing and final determination.

**PRAYER**

**WHEREFORE**, Applicant PSALM most respectfully prays that this Honorable Commission approve the duly negotiated CASURECO IV CSEE covering the period of 26 November 2019 to 25 June 2021. It is likewise prayed that a Provisional Authority (PA) be issued authorizing PSALM to implement the subject CSEE with the concerned DU in the Luzon Grid.

Other reliefs just and equitable under the premises are likewise prayed for.

In the *Order* dated 16 November 2020, the Commission has set the instant *Application* for the determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on 07 January 2021 at PSALM's Principal Office.

During the 07 January 2021 hearing, only PSALM appeared thru counsel, Atty. Graciela Mona Lumang-Gutierrez.

In the said hearing, the Commission noted PSALM's non-compliance with the jurisdictional requirements pursuant to the *Order* dated 16 November 2020. Atty. Gutierrez manifested PSALM's non-receipt of the Order and the Notice of Virtual Hearing through e-mail or mail and further manifested that in its other CSEE/LOA applications, PSALM filed corresponding *Manifestations with Motions to Reset* and that it is inclined to do the same for this instant case.

On 15 January 2021, the Commission received via electronic mail (e-mail) PSALM's *Manifestation with Motion to Re-schedule the Hearing* dated 14 January 2021 with prayer to set the virtual hearing from 07 January 2021 to 23 March 2021 or a later date.

In its *Motion*, PSALM alleged, that it belatedly got ahold of the copy of the *Order* and that its very limited manpower and resources, exacerbated by rotational schedules due to the

**ERC CASE NO. 2020-015 RC**  
**NOTICE OF VIRTUAL HEARING / 10 February 2021**  
**PAGE 11 OF 13**

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pandemic, PSALM will not be able to comply with the requirements stated in the *Order*.

**IN VIEW OF THE FOREGOING**, the Commission finds the *Motion* of PSALM in order, therefore, the same is hereby **GRANTED**.

**ACCORDINGLY**, the Commission hereby sets the instant *Application* for the determination of compliance with the jurisdictional requirements and expository presentation, Pre-Trial Conference, and presentation of evidence on the following dates and online platform for the conduct thereof pursuant to Resolution No. 09, Series of 2020<sup>1</sup>, dated 24 September 2020:

<b>Date</b>	<b>Online Platform</b>	<b>Activity</b>
<b>18 March 2021 (Thursday)</b> at two o'clock in the afternoon (02:00 P.M.)	<b>Microsoft Teams (MS Teams) Application</b>	Determination of compliance with jurisdictional requirements and Expository Presentation
<b>25 March 2021 (Thursday)</b> at two o'clock in the afternoon (02:00 P.M.)	<b>Microsoft Teams (MS Teams) Application</b>	Pre-Trial Conference and Presentation of Evidence

PSALM is directed to host the hearings at **PSALM'S Principal Office at 24<sup>th</sup> Floor Vertis North Corporate Center 1, Astra corner Lux Drives, North Avenue, Quezon City** as the designated venue and ensure that the same is open to the public and that community quarantine guidelines are observed at all times. Moreover, PSALM shall guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via electronic mail (e-mail) at

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<sup>1</sup> A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.

[doCKET@erc.ph](mailto:doCKET@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph). The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

Moreover, all persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission via e-mail at [doCKET@erc.ph](mailto:doCKET@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), a verified Petition to Intervene at least five (5) calendar days prior to the date of the initial virtual hearing and subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name, mailing address, and e-mail address;
- 2) The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- 3) A statement of the relief desired.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may likewise file through e-mail at [doCKET@erc.ph](mailto:doCKET@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), their Opposition or Comment thereon at least five (5) calendar days prior to the initial virtual hearing and subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name, mailing address, and e-mail address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

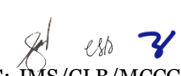
All such persons who wish to have a copy of the *Application* may request from Applicant that they be furnished with the same prior to the date of the initial hearing. Applicant is hereby directed to furnish all those making such request with copies of the *Application* and its attachments, through any of the available modes of service, upon their agreement, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the *Application* and other pertinent records filed with the Commission during the standard office hours. In the alternative, those persons who wish to have an electronic copy of the *Application* may request the Commission for the e-mail addresses of the Applicant by sending an e-mail to [docket@erc.ph](mailto:docket@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph). Nonetheless, any person may also access the *Application* as posted by the Commission in its official website at [www.erc.gov.ph](http://www.erc.gov.ph).

Finally, all interested persons may be allowed to join the scheduled initial virtual hearing by providing the Commission, thru [legal.virtualhearings@erc.ph](mailto:legal.virtualhearings@erc.ph), with their respective e-mail addresses and indicating therein the case number of the instant *Application*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearing.

**WITNESS**, the Honorable Commissioners **ALEXIS M. LUMBATAN**, **FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 10<sup>th</sup> day of February 2021 in Pasig City.



  
**AGNES VST DEVANADERA**  
*Chairperson and CEO*

  
LS: JMS/CLB/MCCG