

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



IN THE MATTER OF THE  
APPLICATION FOR AUTHORITY  
TO OFFER AND PROVIDE  
PREPAID RETAIL ELECTRIC  
SERVICE (PRES) TO  
CUSTOMERS IN MANILA  
ELECTRIC COMPANY'S  
(MERALCO) FRANCHISE AREA,  
WITH PRAYER FOR  
PROVISIONAL AUTHORITY

ERC CASE NO. 2014-001 PRES

MANILA ELECTRIC COMPANY  
(MERALCO),

Applicant.

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DOCKETS  
Date: FEB 04 2015  
By: *m*

**NOTICE OF PUBLIC HEARING**

TO ALL INTERESTED PARTIES:

Notice is hereby given that on December 12, 2014, Manila Electric Company (MERALCO) filed an application for authority to offer and provide Prepaid Retail Electric Service (PRES) to customers in its franchise area, with prayer for provisional authority.

1. It is a private corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office located at Lopez Building, Ortigas Avenue, Barangay Ugong, Pasig City;
2. It has a legislative franchise to construct, operate and maintain an electric power distribution system for the conveyance of electric power to the end-users in the Cities and Municipalities of Metro Manila, Bulacan, Cavite and Rizal, and certain Cities/Municipalities/Barangays in

Batangas, Laguna, Quezon and Pampanga, pursuant to Republic Act No. 9209;

3. The instant application is being filed in accordance with Article II, Section 2.1 of the Rules for Prepaid Retail Electric Service Using a Prepaid Metering System, as amended,<sup>1</sup> (PRES Rules) which requires distribution utilities to file with the Commission, for its approval, an application to provide PRES using a Prepaid Metering System prior to the commercial roll-out of such service to its customers. The matrix showing the applicable requirements under the PRES Rules and its compliance therewith is attached to the application as Annex "A" and made an integral part thereof;
4. It intends to implement the commercial roll-out of PRES to its customers in March 2015. PRES will initially be offered in the City of Manila and in some portions of Angono, Taytay and Cainta in Rizal. The service will be offered to other areas as demand and coverage increase;

**A. Advanced Metering Infrastructure Integrated Solution (AMI-IS): MERALCO's Prepaid Metering System**

5. It intends to use its AMI-IS in providing PRES to its customers. The full technical description and details of the AMI-IS is set out in Annex "B" of the application, which is made an integral part thereof;
6. With AMI-IS, its PRES consumers have several options and avenues by which prepaid credits can be purchased as well as enabling access to monitor their respective account balance, electricity consumption, electricity credit purchase history and other account information;

**B. MERALCO's Prepaid American National Standards Institute (ANSI) Intelligent Meters**

7. In implementing PRES, it shall initially use Form 2S type-approved meters which meet the minimum requirements specified under the PRES Rules. Nonetheless, it will,

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<sup>1</sup> ERC Resolution No. 15, Series of 2009 as amended by ERC Resolution No. 17, Series of 2012

likewise, be offering other meter forms as soon as they have been type-approved by the Commission;

8. The AMI-IS shall be capable of operating with these diverse meter forms. It will use standardized meter forms depending on the type of the electrical service of the PRES customer;
9. It shall use PRES meters that are regular intelligent ANSI type meters equipped with internal service disconnect switches and a communication module to allow it to remotely interact with AMI-IS through the Meter Data Collection Systems. The proposed meters to be used for the prepaid services are compliant and type-approved to ANSI standards;
10. Since the existing meters of prospective PRES customers are also ANSI type meters, conversion to PRES can be made by a simple replacement of the current postpaid meter with an ANSI intelligent meter;
11. The PRES meters shall be tested and certified by the Commission prior to being placed in service;
12. The PRES customers would not be made to advance the cost or purchase the meter. Likewise, no meter deposit will be collected from the PRES customers;
13. The full details of the PRES meters, together with the type approvals for the meters it will use, are set out in Annexes "C" of the application and series and made integral parts hereof;

**C. Eligibility for PRES**

14. The following customers, within the PRES coverage area, are eligible to avail of PRES:

- 14.1. All new and existing postpaid Residential and General Service-A<sup>2</sup> (GS-A) customers are qualified to apply for PRES;
- 14.2. Customers under demand-based billing, such as General Service-B and General Power, are currently not eligible to avail of the PRES. It shall implement and offer PRES to these customers once the technology becomes available and feasible;
- 14.3. Postpaid customers with existing arrears are allowed to apply for PRES, provided that, they settle their unpaid bills prior to their conversion to PRES;
- 14.4. Developers or building owners may apply for PRES, for and on behalf of the future individual owners of the residential units, subject to six (6)-month testing and twenty-four (24) month lock-in periods. Once the units have been turned over, the individual owners retain the option of reverting to postpaid service, subject to the payment of the applicable bill deposit and compliance with other postpaid service requirements. This is without prejudice to its right to recover costs under an agreement with the public/private developers or building owners;
- 14.5. Customers with meters in Elevated Metering Centers (EMC) may apply for PRES. In these cases, the PRES meters will still be installed at the EMC but the meter reading and billing procedures prescribed under the Commission's EMC Rules<sup>3</sup> will not be done for the prepaid service. Instead, to allow prepaid customers to monitor their consumption, as required by the PRES Rules, the PRES channels described in the instant application will be made available;

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<sup>2</sup> General Service-A Customers are Non-industrial and Industrial customers with a connected load of less than 5 kilowatts for general power, heating and/or lighting

<sup>3</sup> As promulgated in ERC Resolution No. 11, Series of 2009 as amended by ERC Resolution No. 13, Series of 2013

**D. PRES Application and Conversion to and from PRES**

15. It shall offer the PRES on a voluntary basis;
16. Once availed, customers can experience PRES on a trial basis for a six (6)-month period. At the end of the period, customers may: (a) continue as a PRES customer with a retention period of twenty-four (24) months; or (b) elect to revert to postpaid service;
17. To avail of PRES, a customer may go to any of its Business Centers and undergo the following process:
  - 17.1. Fill out a PRES Application Form;
  - 17.2. Present one (1) valid proof of identification;
  - 17.3. Provide a valid mobile number; and
  - 17.4. Pay for an initial minimum consumable load of PhP200.00 which is refundable if the customer decides not to pursue the application before service energization;
18. New applicants must still comply with the standard requirements similar to new postpaid applicants, except for the payment of a bill deposit;
19. The customer shall be required to sign a Subscriber Agreement to avail of PRES, the sample format of which is attached to the application as Annex "D" and made an integral part thereof. The said subscriber agreement shall govern the terms and conditions of the PRES service during and after the trial period;
20. For a postpaid customer who will avail of PRES, the customer's postpaid contract will be terminated. If the customer elects to revert to postpaid service after the trial period, a new postpaid contract shall be executed;
21. If a PRES customer wishes to revert to postpaid service, the PRES customer shall go to any of its Business

Centers to process the reversion to postpaid service and for the payment of the applicable bill deposit. In case the PRES account has a negative prepaid amount at the time of the processing of the reversion to postpaid service, the negative prepaid amount shall be paid by the customer prior to reversion to postpaid service;

22. If a PRES customer requests for disconnection and termination of service, any remaining prepaid amount will be forfeited;

#### **E. PRES Offer Terms and Conditions**

##### **Bill Deposit**

23. A bill deposit shall not be required from customers to avail of PRES;
24. For customers who are switching to PRES from postpaid service, their current bill deposit, if any, including any interest earned, net of outstanding obligations shall be refunded, following existing rules on the refund of bill deposits;
25. For PRES customers who wish to switch to postpaid service, a new bill deposit shall be required before they can switch based on the average monthly purchases for the six (6) months prior to the request. If they have availed of PRES service for less than six (6) months before the switch to postpaid, the bill deposit shall be based on the applied load;

##### **Applicable PRES Retail Rate**

26. In accordance with Section 2.7 of the PRES Rules, the retail rates for PRES customers shall be based on the effective postpaid retail rate at the particular month the credited load was consumed. To ensure that the same effective rate would be collected from both PRES and postpaid customers, a true-up or monthly adjustment shall be done;

27. For the first twelve (12) months of PRES commercial roll-out, the equivalent kWh for a prepaid load for a Residential customer will initially be computed based on the average rate (Top-Up Rate or TUR) for a 301 kWh monthly consumption for a current billing month. It shall propose alternative pricing schemes, for approval of the Commission, depending on the results of the PRES commercial roll-out for the first year. The initial average rate for a 301 kWh consumption for a current billing month shall be valid until such time that a new pricing scheme is approved by the Commission;

#### **Effecting True-up or Monthly Adjustment**

28. The true-up or monthly adjustment will determine whether a bill adjustment, which can either be a rebate or an additional charge, is due to or from a PRES customer based on the following formula:

$$\text{BD} = \text{CPA} - \text{PBA}$$

Where:

**Bill Difference (BD)** is the difference between the Consumed Prepaid Amount (CPA) and the Postpaid Bill Amount (PBA) and is the amount that will be carried over to the next billing cycle, either as a rebate or an additional charge.

**Postpaid Bill Amount (PBA)** is the equivalent amount of the consumed kWh (K) calculated using all the postpaid rates and charges applicable for the billing cycle. Prevailing Lifeline discounts shall apply for consumptions up to 100 kWh in a billing cycle. The PBA shall also take into account other special rates (i.e. Senior Citizen Discount), as applicable.

**Consumed Prepaid Amount (CPA)** is the amount actually paid for the consumed kWh computed as follows:

$$\text{CPA} = \text{K} \times \text{TUR}$$

Where:

**K** is the total consumed kWh in a billing cycle based on the meter reading.

**TUR** is the Top-Up Rate based on the average rate of a customer consuming 301 kWh in a given billing month.

- 28.1. If **BD** is **Positive**, the PRES account will receive a rebate that will be added to the remaining prepaid amount for carry over to the next billing cycle; and
- 28.2. If **BD** is **Negative**, there will be an additional charge that will be deducted from the remaining prepaid amount for carry over to the next billing cycle. If the remaining prepaid amount is not sufficient to cover the negative BD, the unrecovered negative BD will be deducted from the next top-up amount;
29. The true-up process may result to disconnection or reconnection of customer service, depending upon the service status at the time of true-up and the remaining prepaid amount after the application of rebate/deduction;
30. The equivalent kWh of the remaining prepaid amount, including any rebate or net of any additional charge, all carried over to the next billing cycle, is computed by dividing this carried over amount by the TUR of the next billing cycle;
31. For every billing cycle that a PRES customer has zero consumption, the minimum charge billed to a postpaid customer, which is equivalent to the Metering Charge and the related taxes, shall, likewise, be charged to the PRES account and deducted from the customer's load peso balance;
32. The end of billing cycle true-up will, therefore, ensure that the PRES rate is equal to the postpaid rate as prescribed in the PRES Rules, taking into consideration the



application of the Lifeline rate and other special rates, if applicable;

33. A sample computation of the True-up Adjustment and Lifeline Implementation Mechanism is attached to the application as Annex "E" and made an integral part thereof;

### **Disconnection and Reconnection**

34. Disconnection of electric service shall be made once a PRES customer has zero or negative remaining prepaid amount;
35. Reconnection to electric service shall be made within fifteen (15) minutes upon top-up or loading of any load denomination, provided that, the credit purchased could offset any negative remaining prepaid amount that the customer has accrued as a result of the true-up process;
36. Disconnection shall also be made if the PRES customer commits any prohibited act under Republic Act No. 7832, in which case, it shall have the right to recover any differential billing in the manner and means provided by law and regulations. Reconnection of prepaid service will be made once the prepaid customer settles the differential billing;

### **Termination**

37. The PRES account shall be terminated should it exceed ninety (90) continuous days with zero or negative remaining prepaid amount. The PRES meter will be removed;
38. The PRES account may also be terminated voluntarily by the prepaid customer at the end of the lock-up period;
39. In case the PRES account has been terminated and the account still has a negative remaining prepaid amount, such balance shall be paid by the customer to it;

**F. Purchase and Crediting of Load and Available Loading Centers**

40. PRES customers may purchase load in reasonably small increments with currently available denominations of PhP100.00, PhP200.00, PhP300.00, PhP500.00 or PhP1,000.00 for every single purchase or top-up transaction. Other load denominations may become available depending on customer feedback and demand;
41. Load can be purchased from multiple distribution or vending channels, including but not limited to:
  - 41.1. MERALCO Business Centers;
  - 41.2. Participating Bayad Center outlets;
  - 41.3. Participating Retail Outlets (e.g. sari-sari stores, convenience stores, such as 7/11 and Mini Stop, drug stores, such as Generika, and department stores, such as Robinsons Department Stores and Supermarkets); and
  - 41.4. Other distribution and vending channels will be offered as demand for the same increases;
42. Load purchases, through its Business Centers, will not incur any transaction fee. However, load purchases with third party vendors may incur transaction or service fees, as may be applicable. It does not earn or benefit from these transaction or service fees;
43. When purchasing load, the PRES customer provides his MERALCO Service ID number and payment. Load is credited electronically and applied directly to the PRES account;
44. After purchasing the load, the PRES customer will receive, through the registered primary mobile phone number, a top-up confirmation which will have the following data:

- 44.1. Name of Distribution Utility;
- 44.2. MERALCO Service ID Number;
- 44.3. Reference Number;
- 44.4. Date and Time of Loading;
- 44.5. Load Amount (in PhP);
- 44.6. Load Balance (in PhP and estimated equivalent kWh); and
- 44.7. Tariff Charge.

A copy of the sample confirmation format is attached to the application as Annex "F" and made an integral part thereof;

- 45. The customer may request once in a billing cycle, free of charge, for the number of purchases he has made in a billing cycle in any of its Business Centers;
- 46. If the load was purchased at its Business Center, an official receipt shall, likewise, be issued to the PRES customer. A copy of the sample official receipt is attached to the application as Annex "G" and made an integral part thereof;

**G. Consumption Monitoring and Balance Inquiry**

- 47. Under PRES, customers are provided service-related information, through multiple channels, to be able to check their balances and manage their consumption:
- 48. Mobile Notifications
  - 48.1. Activation Notification

Upon successful activation of PRES account, the customer will receive a welcome message.

#### 48.2. Balance Information (Push and Pull)

On a daily basis, PRES customers will receive a free SMS informing them of their remaining prepaid amount. The customer may also get their remaining balance anytime of the day, through a balance inquiry, subject to applicable charges imposed by the customers' telecommunication provider. The following details will be provided via SMS:

- 48.2.1. Current balance with date and time;
- 48.2.2. Service ID Number;
- 48.2.3. Remaining prepaid amount in PhP;
- 48.2.4. Estimated equivalent kWh; and
- 48.2.5. Tariff Charge.

#### 48.3. Low-load Notification

Three (3) days before estimated depletion of load and disconnection, the customer will receive an SMS to warn him of the remaining prepaid amount and remind him to reload.

#### 48.4. Adjustments (True-up, discounts and other adjustments)

PRES customers will receive an SMS notification informing them of any adjustment due to true-up, discounts and other rate changes.

**48.5. Disconnection and Reconnection Notification**

Once disconnected due to insufficient balance, PRES customers will receive an SMS notifying them that their PRES account is disconnected. After reloading the disconnected account, PRES customers will receive an SMS informing them that their account will be reconnected within fifteen (15) minutes.

48.6. It shall evaluate the customer feedback and preference on the notifications and may adjust the frequency and kinds of notification provided as may be warranted.

- 49. Copies of the sample notifications are attached to the application as Annex "H" and series and made integral parts thereof;
- 50. The PRES customer may also view his PRES transactions and balance online starting the second quarter of 2015;
- 51. To ensure information security, only the registered customer is authorized to receive feedback regarding his account;

**H. Problem Management and Troubleshooting**

- 52. Customers can lodge inquiries and complaints through its existing channels. Other load-related concerns may be referred to the applicable third party channel where the load was purchased;

**I. MERALCO's Marketing Plan Regarding PRES**

- 53. To inform its customers about the details of PRES and how they can avail thereof, it shall prepare multimedia materials, including flyers, brochures, posters, banners and other informational materials at its Business Centers, payment partners and strategic locations in the target areas. The details of its PRES Marketing Plan are set out

in Annex "I" of the application and made an integral part thereof;

**J. Urgent Need To Issue Provisional Authority**

54. As shown by the PRES commercial pilot test results, customer feedback has been generally positive regarding their PRES experience. The details of its PRES pilot test results are set out in Annex "J" of the application and made an integral part thereof;
55. As such, there has been a growing clamor from its customers to avail of PRES so that they can enjoy its recognized benefits, such as the ability to manage consumption and appliance use, alignment of prepaid payments with paydays, return of their service deposit, and relaxation of some application requirements compared to current postpaid service. At the earliest possible time, it targets to be able to immediately start the commercial roll out by March 2015;
56. Thus, there is a need for a provisional authority to be issued in its favor in order that it may immediately start offering PRES to its customers. Said provisional authority would enable it to immediately serve the interest of the consumers, and thus, attain the objectives of PRES, particularly, giving customers a choice for energy management strategies, enhancing operational efficiencies of distribution utilities and promoting demand side management, at the soonest;
57. It should also be noted that the PRES commercial roll-out would have no impact to its present rates since all the Capital Expenditures (CAPEX) required for the implementation of the initial PRES deployment has already been approved by the Commission in accordance with its rules and regulations;
58. In support of the prayer for the grant of a provisional authority, attached as Annex "K" of the application is the Judicial Affidavit of Mr. Virgo Ramil T. Ruaro, Customer Solutions Manager at its Customer Solutions and Product Development Office, showing the details of PRES and the

benefits that the public would enjoy as a result of the approval of the instant application;

59. It prays that the instant application be granted and that it be authorized to offer and provide PRES, using its AMI-IS, to its customers in its franchise area under the terms and conditions set forth in its application; and
60. It further prays that pending hearing, a provisional authority be immediately issued authorizing it to offer and provide PRES service and to allow its customers to immediately enjoy the benefits of the said PRES.

The Commission has set the said application for jurisdictional hearing, pre-trial conference, expository presentation and evidentiary hearing on **March 4, 2015 (Wednesday) at two o' clock in the afternoon (2:00 P.M.) at the ERC Hearing Room, 15<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and title of the proceeding and stating: (1) the petitioner's name and 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.

All other persons who may want their views known to the Commission with respect to the subject matter of the proceeding may file their opposition to the application or comment thereon at any stage of the proceeding before the applicant concludes the presentation of its evidence. No particular form of opposition or comment is required, but the document, letter or writing should contain the name and address of such person and a concise statement of the opposition or comment and the grounds relied upon.

All such persons who may wish to have a copy of the application may request the applicant, prior to the date of the initial hearing, that they be furnished with a copy of the application. The applicant is hereby directed to furnish all those making such request

with a copy of the application and its attachments, subject to reimbursement of reasonable photocopying costs. Likewise, any such person may examine the application and other pertinent records filed with the Commission during the usual office hours.

**WITNESS**, the Honorable Chairperson, **ZENAIDA G. CRUZ-DUCUT**, and the Honorable Commissioners, **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, and **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, Energy Regulatory Commission, this 2nd day of February, 2015 at Pasig City.

  
**ATTY. FRANCIS SATURNINO C. JUAN**  
Executive Director III

  
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