

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



IN THE MATTER OF THE  
APPLICATION FOR THE  
APPROVAL OF THE LEVEL OF  
MARKET TRANSACTION FEES  
FOR CALENDAR YEAR 2015  
FOR THE PHILIPPINE  
WHOLESALE ELECTRICITY  
SPOT MARKET (WESM)

ERC CASE NO. 2014-092 RC

PHILIPPINE ELECTRICITY  
MARKET CORPORATION  
(PEMC),

Applicant.

X-----X

BOOKED

Date: JUL 21 2014

By: \_\_\_\_\_

## NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on June 24, 2014, the Philippine Electricity Market Corporation (PEMC) filed an application for the approval of the level of Market Transaction Fees (MTFs) for calendar year (CY) 2015 for the Philippine Wholesale Electricity Spot Market (WESM).

In the said application, PEMC alleged, among others, the following:

1. It is a non-stock, non-profit corporation duly organized and existing in accordance with Philippine laws, with principal office at the 9<sup>th</sup> Floor, Robinsons-Equitable Tower, ADB Avenue corner Poveda Street, Ortigas Center, Pasig City. It is represented by its President, Ms. Melinda L. Ocampo, who is duly authorized by its Board of Directors as evidenced by the Secretary's Certificate

attached to the application as Annex "A" and made an integral part thereof;

2. The instant application is filed pursuant to Section 30 of Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001 (EPIRA)", which reads:

*"The cost of administering and operating the wholesale electricity spot market shall be recovered by the market operator through a charge imposed on all members; Provided, That such charge shall be filed with and approved by the ERC."*<sup>1</sup>

3. The instant application is filed within the period provided by the Commission in its Decision dated January 30, 2008 in its CY 2007 Market Fees (MFs) Application<sup>2</sup>;
4. The Market Fee (MF) applied for equals its funding requirements for CY 2015 in the amount of Eight Hundred Ninety-Six Million Four Hundred Ten Thousand Pesos (PhP896, 410,000.00) broken down as follows:

<b>Budget Components</b>	<b>Amount</b>
Personnel Services	415.846
Maintenance and Other Operating Expenses (MOOE)	333.264
Capital Expenditures (CAPEX)	129.724
Provision for the Department of Energy (DOE)/Energy Regulatory Commission (ERC) Monitoring Facilities	17.577
<b>Total</b>	<b>896.410</b>

Table 1 – CY 2015 Budgetary Requirements, in PhP Million

5. The PS pertains to the salaries and benefits of one hundred sixty (160) employees in Luzon and Visayas;

---

<sup>1</sup> See also Rule 9, Section 9 (a) of the Implementing Rules and Regulations (IRR) of the EPIRA

<sup>2</sup> Docketed as ERC Case No. 2007-124 RC

6. The MOOE includes, among others, honorarium, rent, utilities, repairs and maintenance, contracted services, insurance, training, travel and transportation, participant development costs and the costs of the market audit required under the WESM Rules;
7. The CAPEX consists of enhancements and upgrades to the Market Management System (MMS) and corporate infrastructure and the cost of lease improvements;
8. The Provision for the DOE/ERC Monitoring Facilities equals two percent (2%) of the proposed PS, MOOE and CAPEX budget for CY 2015 to support the monitoring functions of the DOE and the Commission pursuant to its Decisions in its previous MF Applications<sup>3</sup>;
9. In preparing its budgetary requirements, it adjusted its proposed PS budget for CY 2014 by seven percent (7%) to account for the projected Consumer Price Index (CPI) in CY 2015 at two percent (2%) and five percent (5%) - the rate approved by its Board of Directors to cover reasonable annual performance increases of its employees. For MOOE, the proposed amounts are based on the budget it proposed in CY 2014<sup>4</sup>, adjusted by the projected CPI for CY 2015 (2%). Some amounts covered by contracts, such as those for Rent and Market Audits, were escalated by ten percent (10%). Proposed CAPEX costs are based on estimates and quotations from suppliers;
10. A discussion of the specific budgetary allocations falling within the foregoing cost components and their justifications is attached as Annex "B" and is made an integral part thereof;
11. The amounts proposed are net of applicable taxes, such as corporate income and value added taxes. These also

---

<sup>3</sup> See January 30, 2008 and June 22, 2006 Decisions of the Commission in PEMC's CY 2007 and CY 2006 MF Applications, docketed as ERC Case Nos. 2007-124 RC and 2005-048 RC, respectively

<sup>4</sup> PEMC's Application for the Approval of the Level of Market Fees for CY 2014, docketed as ERC Case No. 2013-137 RC, is pending resolution.

do not cover possible changes in expenses due to changes in law, rules or regulations, compliance with other regulatory requirements and other external factors;

12. The following are not included in the instant application:
  - a) The Provisions for the Repayment of the MMS Loan – On August 14, 2012, it filed a separate application for the approval of additional MTF for the repayment of the MMS Loan pursuant to the terms of the Memorandum of Agreement (MOA) among the National Power Corporation (NPC), National Transmission Corporation (TRANSCO), Power Sector Assets and Liabilities Management Corporation (PSALM) and PEMC. The MMS Loan Repayment Application is pending resolution by the Commission<sup>5</sup>; and
  - b) New MMS (NMMS) Project – On July 1, 2013, the Commission authorized the collection of additional MFs to fund the cost of the NMMS. These MFs are collected over a period of three (3) years in addition to the prevailing MF rate<sup>6</sup>;
13. The MTF shall be apportioned among generators where the WESM operates according to the volume traded by each in the WESM pursuant to the approvals of the Commission, as follows:

$$\text{Market Transaction Fee Rate (PhP/kWh)} = \frac{\text{Total Annual Market Transaction Fee/12}}{\text{Total Generated Metered Quantity}}$$

14. Should the Commission approve its application for the approval of the pricing and Cost Recovery Mechanism for Reserves to be traded in the WESM<sup>7</sup>, the MF shall be apportioned among generators, as follows:

---

<sup>5</sup> ERC Case No. 2012-097 RC

<sup>6</sup> Decision dated July 1, 2013 in ERC Case No. 2011-127 RC

<sup>7</sup> Docketed as ERC Case No. 2007-004 RC

**ERC CASE NO. 2014-092 RC**  
**NOTICE OF PUBLIC HEARING/July 21, 2014**  
**Page 5 of 6**

---

$$\text{Market Transaction Fee Rate (PhP/kWh)} = \frac{\text{Total Annual Market Transaction Fee/12}}{\text{Total Generated Metered Quantities} + \text{Total Scheduled Reserves}}$$

15. Based on initial indicative figures, the estimated MF Rate is PhP0.0137/kWh for CY 2015;
16. The indicative MF rate is based on the Luzon and Visayas energy forecast of 65,464 GWh for CY 2015. The energy forecast is attached to the application as Annex "C" and is made an integral part thereof;
17. The prevailing market fee rate or MTF level approved by the Commission shall continue to be implemented in CY 2015 pending the approval of the instant application; and
18. It prays that after due hearing, its proposed MF for CY 2015 in the amount of PhP896.410 Million be approved, without prejudice to the resolution of its MMS Loan Repayment Application.

The Commission has set the instant application for jurisdictional hearing, pre-trial conference, expository presentation and evidentiary hearing on the following dates and venues:

<b>DATE</b>	<b>TIME</b>	<b>VENUE</b>	<b>PARTICULARS</b>
<b>August 14, 2014 (Thursday)</b>	<b>Nine Thirty in the Morning (9:30 A.M.)</b>	<b>ERC Hearing Room, 15<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City</b>	<b>Jurisdictional Hearing, Expository Presentation, Pre-trial Conference and Evidentiary Hearing</b>
<b>August 26, 2014 (Tuesday)</b>	<b>Nine Thirty in the Morning (9:30 A.M.)</b>	<b>ERC Visayas Field Office, Regus, 11/F, AppleOne-Equicom Tower, Mindanao Avenue Corner Biliran Road, Cebu City</b>	<b>Expository Presentation, Pre-trial Conference and Evidentiary Hearing</b>

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 21st day of July, 2014 at Pasig City.

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