

**PROPOSALS FOR THE EPIRA LAW (RA 9136) REVIEW**

Business Sector

January 29, 2014 The Legend Hotel Villas, Mandaluyong City

PROPONENT/SUMMARY OF PROPOSED AMENDMENTS	RATIONALE/DISCUSSION	SPECIFIC PROVISION(S) AFFECTED	PROPOSED REWORDINGS OF PROVISION
<p>Requirement for generation companies and DUs to offer and sell 15.0 percent of their shares of stock to the public</p>	<p><b><u>Philippine Sugar Millers Association (PSMA)</u></b></p> <p>In line with the Renewable Energy program, most of our members are planning to put up commercial co-gen facilities with the incentives being offered under the RE Law but they believe that this provision should not be applied to small facilities considering that it makes no economic sense for them to be offering their company to the public specially that they're only generating in small capacities from as low as 1MW to an average of 25MW to a high of 60MW. So we just want to make some clarification on this provision to exclude RE facilities generating small capacities.</p>	<p><b>CHAPTER IV</b> <i>Regulation of the Electric Power Industry</i></p> <p><b>SECTION 43</b> <i>Functions of the ERC</i></p> <p>Sec. 43 Functions of the ERC paragraph (t) Perform such other regulatory functions as are appropriate and necessary in order to ensure the successful restructuring and modernization of the electric power industry, such as, but not limited to, the rules and guidelines under which generation companies, distribution utilities which are not publicly listed shall offer and sell to the public a portion not less than fifteen percent (15%) of their common shares of stocks:</p> <p><i>Provided, however, That generation companies, distribution utilities or their</i></p>	<p>Exclude RE facilities generating small capacities from Sec. 43 paragraph t.</p>

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		<p>respective holding companies that are already listed in the PSE are deemed in compliance. For existing companies, such public offering shall be implemented not later than five (5) years from the effectivity of this Act. New companies shall implement their respective public offerings not later than five (5) years from the issuance of their certificate of compliance.</p>	
<p>Compliance of self-generation facilities to various regulations for generation companies</p>	<p><b><u>Philippine Sugar Millers Association (PSMA)</u></b></p> <p>Various provisions involve regulation of generation companies. As defined, sugar millers are considered as generation companies even if they are not selling electricity therefore, they are covered by almost all regulations that are supposed to regulate only the generators selling electricity. We want to make some differentiation of the regular power generator from the self-generation companies.</p> <p><b>Reaction of Mr. Efren Cortes (HOR)</b></p> <p>We have discussed this with ERC before and although they are open to it they said they are just following what is in the law. If there's going to be an amendment regarding this, I believe they will not oppose it.</p>	<p><b>CHAPTER I</b> <i>Title and Declaration of Policy</i></p> <p><b>SECTION 4</b> <i>Definition of Terms</i></p> <p>Sec. 4. Definition of terms. Paragraph (x) Generation companies</p>	<p>Differentiate self-generating facilities from regular generators selling electricity to the grid</p>
	<p><b><u>European Chambers of Commerce of the Philippines (ECCP)</u></b></p>		<p>No amendment</p>

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	EPIRA Works		
IRR of EPIRA and Rules on WESM regulation	<p><b><u>European Chambers of Commerce of the Philippines (ECCP)</u></b></p> <p>Other proposals</p>	IRR of EPIRA and Rules on WESM regulation	<p>Modify the must offer rule</p> <p>Switch to day-ahead delivery market</p> <p>Establish a forward market for power</p> <p>Turn on demand bidding in WESM</p> <p>Stream line approval process for new power plants (ERC)</p> <p>Resolve impediments to the construction of new power plants</p> <p>Provide incentives for the power industry (BOI)</p> <p>Push open access</p> <p>Put pressure on NGCP to fulfill their mandate to contract quantities</p> <p>Monitor the behavior of monopolies</p>

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Grid Impact Studies	<p>_____</p> <p>No third party accreditation will be allowed, only in-house-prepared GIS is acceptable using NGCPs expertise and facilities because there are a number of power plants in the same area so they would rather have it analysed simultaneously to avoid mistakes and to facilitate the analysis. Now it's within the monopoly of the NGCP by itself.</p> <p>Perhaps there can be a middle ground of allowing third party consultancy groups with the right software and the right transmission data and review this clause to be able to offer their service so that this will remove one of the bottlenecks in the preparation of feasibility studies for new power plants which we want to put in place immediately to help address the looming power shortage of the country</p>	Philippine Grid Code 5.3.3. Grid Impact Studies	Allow third party consultancy in the preparation of the GIS and not to limit it into the monopoly of NGCP
WESM Rules	<p><b><u>Mr. Efren Cortes (HOR)</u></b></p> <p>There is an article on Capacity Market Fundamentals by Crumpton and Hull. It is being adopted in the Columbia and New England market and is being considered in UK and Germany. The concept is called "Reliability Option". It is a good proposition and I request on behalf of the Committee on Energy for WESM and ERC to study this and maybe adopt it in the Philippine WESM.</p>	WESM Rules	ERC and WESM To look into the suggested article and maybe adopt it in Philippine WESM
Implementation of EPIRA Royalties Power Supply	<p><b><u>Noel Pabilona – Semi-conductors and Electronics Industries in the Philippines, Inc. (SEIPI)</u></b></p> <p>I think, basically, the objective is as we've talked about discussing what happened during the November and December during which we have astronomical rates in electricity. So number 1, we would like to have the cause, meaning what happened, because during the inquiry with the senate, there're some revelations about what happened during that time. DOE's saying that there's no power supply problem, meaning, there's enough supply and they thought they will not run the Malaya Power Plant. But the other power player said that there's really a problem with supply and the reason why there was a, high rates because they were asked to bid on high rates about Php 62 per hour. Hence, we would like to know really what happed during that time, we are not against EPIRA but I think we need to review the implementation of it. So one proposal that we are looking into is the removal</p>	<p><b>CHAPTER II</b> <i>Organization and Operation of the Electric Power Industry</i></p> <p><b>SECTION 35</b> <i>Royalties, Returns and Tax Rates for Indigenous Energy Resource</i></p> <p>Implementation of EPIRA and Section 35 of EPIRA.</p>	<p>Review the implementation of EPIRA</p> <p>Removal of taxes and duties for the fuel being used in power generation plants.</p> <p>Build more power plants to have enough capacity for a more</p>

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	<p>immediately of taxes and duties on the fuel that is being used for our generating facilities. That is number one.</p> <p>Second is that, we would like to, because if we have that, until such time that we have new power plants in place, we could have, meaning, we could buy time during that window, because right now we feel, that's still the center's market. So unless we have enough capacity in power plants, we're not going to have a competitive market in place, that's our feeling. So, during the time in which we're building enough capacity of power plants, I think we need to really reduce or remove the taxes and duties for the fuel being used for the power plants.</p> <p>Then I think we need to also, our suggestion is also to fully implement the sec. 35 of EPIRA which is about the royalties removal or reduction of royalties for indigenous power. So I believe if you are a power producer, generator in which you're going to build indigenous power, your cutting rate to WESM is really high. So it's not as inviting to those who would want to produce renewable energy to our market. So, I think we are lacking something like, we're going to maintain high prices after five years. That is our fear. I'm sorry that is, because right now, the exposure of the manufacturing sector in general is that, really it's a big exposure, after almost five months of enjoying lower rates, then all of a sudden, come November and December and January, it's going to wipe out all the savings that we had during that time. And we are still negative, if we're going to pay what they're saying about December. So it's a one way to lower down our investments. Something for us, it's really an emergency case. Thank you.</p> <p><b>Comment of A/Dir. Irma Exconde (DOE)</b></p> <p>On tax equalization, this provision, as we understand, actually, early on with the implementation of EPIRA, there was, there were efforts to push for this tax equalization, but we have to understand the bigger picture. Because this tax equalization provision is related to the universal charge. So actually, if you look at it, if you analyse it, this tax equalization will lead down to higher cost of electricity, if we look at EPIRA per se, the provisions, the related provisions in EPIRA that's why we have made representations then with the proponents with those stakeholders that are pushing for this.</p>	<p><i>Royalties, Returns and Tax Rates for Indigenous Energy Resources.</i> – The provisions of Section 79 of Commonwealth Act No. 137 (C.A. No. 137) and any law to the contrary notwithstanding, the President of the Philippines shall reduce the royalties, returns and taxes collected for the exploitation of all indigenous sources of energy, including but not limited to, natural gas and geothermal steam, so as to effect parity of tax treatment with the existing rates for imported coal, crude oil, bunker fuel and other imported fuels.</p> <p>To ensure lower rates for end-users, the ERC shall forthwith reduce the rates of power from all indigenous sources of energy.</p>	<p>competitive power market.</p>

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	<p>Until now it is not being implemented because it will not, if the intent is to lower down electricity, when we did the simulations, actually it's not lowering the electricity because at the end of the day it will be part of the universal charge that will be passed on to the consumers, but that's why there are other bills that were filed different from what is indicated in EPIRA wherein the tax equalization will be sourced from Malampaya or something. That's the bills of Senator Enrile and others. Just to provide you some clarifications on the provisions.</p> <p><b>Noel Pabilona (SEIPI)</b></p> <p>We're looking up, actually Ma'am dun sa towards the end of the last paragraph <i>to ensure lower rates for end users, the ERC shall accordingly reduce the rates of power from all the indigenous sources of power.</i> So I don't know if there's already a guidance or guideline or rulings on this one</p> <p><b>Response of A/Dir. Irma Exconde (DOE)</b></p> <p>Actually there was an issuance, an executive order. EO 100 that was issued and they're supposed to be, coz I remember there was a technical working group that was created then. DOF, DOE with representatives from other concerned agencies to come up with the simulations on what will be the impact of this tax equalization, but when we analysed the EPIRA provisions, Sec. 35 is not isolated because as we look at it, there was a provision also on the universal charge, Sec. 34. It's related to universal charge, Sec. 34c which is the equalization on taxes and royalties applying to indigenous or renewable sources of energy vis-à-vis imported energy fuels. So yung Sec. 35 is not an isolated provision, it is related to Sec. 34 under the universal charge which is letter b, the equalization. So meaning, when this was analysed by the technical working group, it will just be a pass on. So that's why it will be, the intent of Sec. 35 is not exactly to reduce the rates to the consumers but rather it will be passed on to a different cost component, pass on lang. Sec. 34 is the universal charge. There are several of those like the missionary electrification and it's letter c which is the equalization of the taxes and royalties applied to indigenous and renewable sources of energy. Because those who were there when it was crafted were the ones who analysed</p>		

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	<p>all these numbers</p> <p><b>Response from Mr. Efren Cortez (HOR)</b></p> <p>Siguro yung aming recommendation is to review or revise this one, we could probably take a portion of Malampaya royalties and probably here, this section so that we have, I know there are companies that would like to up indigenous power sources but yun nga the concern is, the dispatch rate is too high.</p>		
<p>Rate base revaluation Pricing of Electricity</p>	<p><b><u>Oscar Melencio – Chemical Industries</u></b></p> <p>We just received the invitation yesterday, so we weren't able to consult the members, so I'm speaking personally, on my behalf, not in behalf of the industry. This is a follow up on the discussion about performance based rate. Can it be reversed to rate base before the 12 percent.</p> <p>Also we tell that the price of electricity is really high because the power mix or the fuel mix in the Philippines. I think the lowest fuel source would be hydro then followed by geothermal and then LNG. Now, if we will retain and then the diesel, and if we retain the same power mix, I think the price of electricity will not go down unless we return to rate base billing of Meralco. So, why is there no initiative to get the lowest source of power which is nuclear?</p> <p>Also, the Malaya Thermal Plant, I understand that they did not use the Malaya Thermal Plant because they say that they lose because they did not operate? Is there no provision in EPIRA that whatever the cost of producing the power in Malaya be billed as is. It is much much lower than what was billed by the power generators Php 62 plus. And I don't see why in WESM, it is the highest bidder not the lowest. I think it's reversed. What's the rationale? What's the basis for the pricing of electricity?</p>		<p>Go back to rate base revaluation to reduce the price of electricity Revive nuclear plant</p>
<p>Retail Competition and Open Access Treating buildings with</p>	<p><b><u>Jeff Sosa - Philippine Association of Building Administrators (PABA)</u></b></p> <p>Our membership consists mainly of buildings, condominiums and civil works properties. As</p>	<p><b>CHAPTER I</b> <i>Title and Declaration of Policy</i></p>	<p>Building with their own generators should not be</p>

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<p>generators as IPP High electricity cost</p>	<p>a suggestion, especially on the retail open access system, there is a review of the open access system to accelerate the regulation which, I think now, is only for 1 MW users which actually disown big consumers.</p> <p>Buildings are one of the largest consumers of electricity, and corollary to that open access system, is that, condominium buildings, have, is connected to only one main meter. So in one building, let's say, take for example, a building which has 2,000 units. The main access to the building is only connected to one main meter, which is our, for our common area utilities. But the 2,000 units have its own individual meters, but we are on the same building, consuming probably more, probably thrice as much as the consumption of common area. But we cannot be credited or we cannot be uncatered with that open access system unless we get a, we follow or we get 1 MW. So we are being deprived of the entire consumption for the entire building. So the consumption for the common area is much lesser than the consumption for the entire consumers which is roughly, say 2,000 units. So that is a discrepancy, and it just came to us with the ERC that that was promulgated without considering or consulting the building administrators in this area, in this instance.</p> <p>And of course, again, for buildings, we are required by, we are now buildings because we have emergency generators. Actually, power is not a big problem for buildings because we have our own generators if there is insufficiency of supply.</p> <p>Number 1 is that we are being regarded by ERC as an IPP. It is there, we are an independent power producer and we need to register with them and pay a certain fee as an IPP. I think that needs to be reviewed and taken out of that context. And of course, there are other things like we need to have pollution control officer, things like this. And secondly, if we combine all generators of the buildings, we have more than enough power to probably sell to the grid for our excesses.</p> <p>Building owners, just like probably, those guys at the back who owns the RCBC Plaza, have probably more than 1 MW of generator stuck at their basement level and it is normally not used because we don't need them. You can just imagine how many buildings have those</p>	<p><b>SECTION 4</b> <i>Definition of Terms</i></p> <p>EPIRA definition of terms. (bb) Independent Power Producer" or "IPP" refers to an existing power generating entity which is not owned by NPC;</p>	<p>regarded as an IPP which are required to undergo registration process with ERC. Review the regulations on the implementation of RCOA to allow buildings to participate Reduce the cost of electricity</p>



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	<p>kinds of independent power, because we're called IPPs. So there's so much consideration really regarding the promulgation of such regulations like ERC. Even the EPIRA law, it was not discussed that the consumers probably, buildings are one of the largest consumers of electricity if it's not manufacturing, because we are not a manufacturing based country.</p> <p>You can just imagine that there are probably 300, more than 300 building permits going up in Metro Manila alone and probably a little less than 100 building permits in the Cebu area. And other parts of the country like Cagayan de Oro, Bacolod, Davao.</p> <p>Buildings are just sprouting and these are one of the largest consumers of electricity. We were not able to put in our amendments because we were just informed last January 25 and we have not yet convened our committee for electricity. And of course we truly suggest that electricity rates be toned down and of course, as I have said, we do not really have a problem with supply coz we have our own generators. Thank you.</p> <p><b>Comment of Mr. Ed Fernandez (DOE)</b></p> <p>I used to be with the Energy Conservation and we did some energy audit. One question is, have you tried to, usually the DU will certify if you are 1 MW user so if you feel that your facility can qualify, the DU should be the one that will provide a certain accreditation and then they will provide this to ERC. And then when it comes to your comment that you have standby generators, if you are in Mindanao, you can participate as load curtailment. So, meaning, the buildings can use their generators to be with the IMEM and at the same time, I know there is demand response with WESM. So these are the possibilities wherein the building sector can somehow participate in lowering the electricity rates.</p> <p><b>Response of Jeff Sosa (PABA)</b></p> <p>We did it actually in Cebu. We have a mall there and VECO requested us to do curtail coz some sectors needed it. We used a call by shifting to our emergency genset and then giving out our entire electricity supply. We already participated in it.</p>		

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	<p><b>Response from Dir. Mylene Capongcol (DOE)</b></p> <p>I think there was one comment on the standby genset. The Department of Energy is now currently undertaking a study on how we will be implementing the interruptible load program for Luzon. It may sound limited now but the Secretary wants to have it in place already. So we are scheduling a series of meetings with these entities that have standby gensets. We're just waiting for the complete list of the ERC certified gensets so that we will schedule with them.</p> <p>The ILP in the Visayas is deloading program meaning one consumer of a distribution utility offers his genset to run its genset and then the allocated quantity or energy from the DU can be used by other consumer in case of limited supply in the grid. On the RCOA side, we agree na we are also on the on the status of whether or not to push but the problem is here, I understand you're pushing for accelerated meaning 750 kW and below just to start or to declare contestability but currently there are still contestable customers 1 MW up that have yet to secure their supply contract. So they kept on writing us. Requesting for a status on the implementation so we're now studying it. Nasa Status quo po tayo ngayon, meaning if you're 1 MW up and you still don't have supply contract you will remain or you will stay with the DU at a captive rate kung ano po yun, but we need a more definitive policy and we're in constant communication with ERC on the way forward because it's not sustainable to have an open ended policy on this 1 MW up on whether to reduce it to 750 kW</p> <p><b>Response from Mr. Efren Cortez (HOR)</b></p> <p>Just to corroborate on the statement of Director Mylene, actually, the House of Representatives is already a contestable market. One of its buildings is 1.7MW so, but right now we remain as captive customer of Meralco because we haven't entered into any PSA. Earlier, the representative of La Salle complained that they're getting slightly higher price with the local residents. That's what they're getting from Meralco so that's a problem. It's costlier to get a PSA than to stay as a captive customer. That's the reality.</p>		

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Malampaya Funds	<p>_____</p> <p>About dun sa Malampaya Fund, is there any recommendation already from DOE to use it cover up dun sa naging problem on rates.</p> <p><b>Response from Mr. Efren Cortez (HOR)</b></p> <p>I think there have been studies as to whether or not we would be able to appropriate or allocate the part of Malampaya funds, that's 137 billion. Actually in one of the Committee on Energy meetings there has been a proposition that we allocate like 10 billion to mitigate the impact of this generation rate increase. But then there is this decision of the Supreme Court on the Belgica case and we're still studying if despite the supreme court decision, we would still be able to use part of the Malampaya funds just for mitigation of the impact of this generation rate increase and again, there's also proposition on the HOR that we allow the use of the Malampaya funds for rehabilitation of energy facilities devastated by force majeure. So That's the situation right now at least in the HOR.</p>		To use Malampaya Funds to lower the electricity rates
Electricity Rates	<p><b><u>Engr. Peñalosa - Confederation of Filipino Consulting Organizations and Past President of IIEE</u></b></p> <p>We have discussed these issues many times over especially on why our electricity rates are very high and simply because, number 1, we have really short power source, and most of the sources are mixed as we discussed now. We studied very well in our discussions at the IIEE that we really need something like a stable source of power and that is the only source that we can actually have is the nuclear power. The issue is, how big should it be? Right now, when we get to the plant last month, we actually visit the plant all the time because we want to make sure that that is being protected. Number 1, it is thought to be a need to be culturation, convert the whole thing into different type of operation. And we thought it may have a very old system but that system is working until now, it will only need some sort of adjustments for new things to do.</p> <p>Now, if we can have the nuclear power plant run, I'm sure it can help a lot of power support. If we can have another one in the Visayas or in Mindanao, it can totally make the</p>		Revive Nuclear Power Plant and build another one in Visayas or Mindanao

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	<p>power source more stable. Now, what happens to other power plants that we have? It will be a very good support to the other power generating companies for them to supply power to the different areas.</p> <p>So, right now, what we're talking about is questions on EPIRA, questions on Malampaya running, but actually, we're not solving the problem. The issue is how do look at it right now. The only problem is probably create or put up a new power plant, we have new power plants actually, it's different, but they are, I'll call it fossil fuel and so many other sources.</p> <p>We studied also solar power, we have a lot of wind farms but it is not contributing a lot. We studied that very well and we know very well from the start that when our generating plants will be put into operation and installed and operated by private corporations and even the transmission lines, our power rates will go high. If we do not say we don't want to run it practically by more professional guys, the same thing happens.</p> <p>So in the IIEE, we advocate the use of nuclear power plant. And we actually have three areas considering Luzon, Visayas and Mindanao. And for the last so many decades nuclear power plant they say has a problem of earthquakes, tsunami and so on. It did not have. We have problems and earthquakes in the north, nothing happened, not even a scratch. Now why is it now the cause of these issues is not being given some sort of consideration? This morning I've read in the newspaper that Sec. Petilla is looking into whether to run the power plant or put it into culturation or something else but I think, to my mind, as electrical engineers, we should be able to put that power plant on. If we are talking right now of how to reduce the cost of electricity, that is the only issue. Whatever we are discussing now on EPIRA Law or on Malampaya not running, the others, it will not work, it would be the same. I can tell you that because we had those actually studied long time before and I was there when it was being studied. So I just hope that my, it's probably out of the context of what we discussed, but since you are asking for comments, that is the comments from the IIE and also from the Confederation of Filipino Consulting Organizations.</p>		

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<p>Impediments to the construction of new power plants</p> <p>Benefits to host communities (ER 1-94)</p>	<p><b><u>Philippine Mining and Exploration Association</u></b></p> <p>Mining, like any resource development projects, require energy, some of these project are energy intensive, for example, if you're going to put up a processing plant, then the mining companies have to set up their own power plant. Now, setting up a power plant is basically like putting up a new mine. Because I'm glad that the European Chamber has suggested that we need to resolve impediments to the construction of new power plants.</p> <p>Basically, we have observed that there are two impediments to putting up a power plant. The first one is the local autonomy and the second one is, of course, if the power plant is located at an ancestral domain, we have the indigenous people's rights. Now the basic issue is, can we define putting up a power plant as a project of national interest? So that we can sort of be able to prevent opposition from the local government units.</p> <p>Basically, these local government units are opposing the construction of power plants particularly fossil fuel power plants. Like in the case of in Palawan and in Subic. So these oppositions from local government units are increasing construction costs which ultimately lead to high electricity prices. It's good if the power plant I able to go on stream but unfortunately, if local opposition is so strong, then the project developer might be walk away from the project.</p> <p>Then on the Indigenous People's Rights, Indigenous People have the right to veto because in some instances they were able to oppose the construction of geothermal power plants at the same time wind farms which are basically renewable energy. So we need to, I guess, congress should address the issue on the local governments and indigenous peoples that actually veto energy projects. I think the only solution is to make energy projects a project of national interest so that we can, sort of, the fact that president can be able to overturn the opposition from local governments and from indigenous people.</p> <p><b>Response from Dir. Mylene Capongcol (DOE)</b></p> <p>Actually sir, on declaring the projects as projects of national significance, there have been efforts from the Department of Energy and the Office of the President including the</p>	<p><b>CHAPTER VIII</b> <i>General Provisions</i></p> <p><b>SECTION 66</b> <i>Benefits to Host Communities</i></p> <p>ER 1-94 Benefits to Host Communities</p>	<p>Declare energy projects as projects of national interest to overturn oppositions from the local governments and indigenous peoples</p> <p>Fix the dis-harmonization between the benefits to host communities between the EPIRA and the Renewable Energy Law</p>

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	<p>Legislation on how we will be able to come up and draw such legislation because before there was a plan to issue an executive order but given the coverage of the affected areas or agencies, it was decided that we need to wait for a law. So pakisama na lang po dito sa EPIRA, if ever or a new law can be crafted on this</p> <p><b>Comments from Philippine Mining Association</b></p> <p>If I may also add, I think there's some sort of dis-harmonization between the benefits to host communities between the EPIRA and the Renewable Energy Law. Because the position from local government is that they receive less benefits under the RE Law compared to the EPIRA.</p> <p>The opposition coming from the LGUs are mostly on the complaint that they get lower benefits with the RE Law such as royalties compared to the EPIRA.</p> <p>The communities hosting a geothermal power projects complaining that they receive less royalties now with the RE Law compared to the EPIRA.</p> <p>They are not against the geothermal power plants but what they are against is that they are not getting the right benefits. So why would they risk putting up a power plant in their backyard when they are not getting the right benefits or it takes too long to get the royalties.</p>		
<p>Open Access State owned power plants</p>	<p><b><u>PHILIPPINE ASSOCIATION OF FLOUR MILLERS</u></b></p> <p>Open Access under EPIRA has been very helpful to our members because it has allowed us to contract directly with suppliers at negotiated prices. The current price hikes and market issues only emphasize to us how important it is for us to make our own electricity supply choices so that we are not subject to whatever decisions being made by distribution utilities such as MERALCO. In fact open access should be accelerated down to the</p>	<p><b>CHAPTER II</b> <i>Organization and Operation of the Electric Power Industry</i> <b>SECTION 31</b> <i>Retail Competition and Open Access</i>  Sec. 31 of EPIRA <i>Retail</i></p>	<p>Accelerate the Retail Competition and Open Access The government should have more power plants that are state owned like Malaya Power Plant.</p>

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	<p>household level as provided under Section 31 (last paragraph) of the EPIRA.</p> <p>We want full implementation of EPIRA law so that we can buy power direct. Open access is important as it will allow more generating companies to lower electricity cost.</p> <p>Open Access can be done in the MERALCO area because ang laki ng MERALCO, ang laki ng asset base, ang laki, they have 7M customers, even if you remove 1M customers from Meralco it is still okay. But in the countryside where you have cooperatives and they have 1 customer with 1 MW and you deprive the cooperative of a 1 MW customer that's a damage already. So if we want to resolve to something like that, let us be very careful to differentiate, you can do it here but you cannot do it in the province.</p> <p>Flour millers are situated nationwide, built in Luzon primarily is about 60%, we have a plant in Cebu and 2 in Mindanao. And there one to be built in Cebu and in Mindanao. The plants in Luzon are primarily in Pasig area, Batangas and Quezon.</p> <p>It would be better for the Philippines to have more power plants owned by the government.</p>	<p><i>Competition and Open Access.</i> – Any law to the contrary notwithstanding, retail competition and open access on distribution wires shall be implemented not later than three (3) years upon the effectivity of this Act, subject to the following conditions</p> <p>(a) Establishment of the wholesale electricity spot market;</p> <p>(b) Approval of unbundled transmission and distribution wheeling charges;</p> <p>(c) Initial implementation of the cross subsidy removal scheme;</p> <p>(d) Privatization of at least seventy (70%) percent of the total capacity of generating assets of NPC in Luzon and Visayas; and</p> <p>(e) Transfer of the management and control of at least seventy percent</p>	

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		<p>(70%) of the total energy output of power plants under contract with NPC to the IPP Administrators. Upon the initial implementation of open access, the ERC shall allow all electricity end-users with a monthly average peak demand of at least one megawatt (1MW) for the preceding twelve (12) months to be the contestable market. Two (2) years thereafter, the threshold level for the contestable market shall be reduced to seven hundred fifty kilowatts (750kW). At this level, aggregators shall be allowed to supply electricity to end-users whose aggregate demand within a contiguous area is at least seven hundred fifty kilowatts (750kW). Subsequently and every year thereafter, the ERC shall evaluate the performance of the market. On the basis of such evaluation, it shall gradually</p>	



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		<p>reduce threshold level until it reaches the household demand level. In the case of electric cooperatives, retail competition and open access shall be implemented not earlier than five (5) years upon the effectivity of this Act.</p>	
<p>Providing electricity supply in least cost manner for the captive market. Threshold level for the RCOA be downgraded to 750 KW 2 years after the implementation of RCOA. Franchising Power</p>	<p><b><u>MANILA WATER</u></b></p> <p>I guess the EPIRA is quiet on the least cost manner. So I guess we need to expound on the safeguards of the captive market 'coz obviously that is not evident in the EPIRA.</p> <p>I believe that what happened to us in November and December was not an accident, it was a misregulation by the ERC which means to say that it is not a reasonable economic cost which should have been passed. I come the water sector, there are only two companies here in Metro Manila – Maynilad and Manila Water. Water is a very sensitive issue especially here in the city. And we cannot afford to pass on additional cost of power to the consumer which means to say that any additional cost is not acceptable to our company.</p> <p>The next thing that I would like to mention is about the RCOA. We have 5 contestable facilities right now. And I would like to propose that the threshold level for the contestable customer should be downgraded to 750 kW which is 2 years after the implementation of the RCOA as stated in EPIRA because we have been effected from rates that have been very good. And we would like to continue with that moving forward.</p> <p>One of the things that we are concerned with about especially with the conspiring of control is that there is no mention in Section 27 on embedded generators. And we hope that in the review of EPIRA there will be a more detailed discussion on embedded generators because companies such as ours are very interested on how to be a part of the</p>	<p><b>CHAPTER II</b> <i>Organization and Operation of the Electric Power Industry</i></p> <p><b>SECTION 23</b> <i>Functions of Distribution Utilities</i></p> <p><b>Section 23 of EPIRA</b> The distribution utility shall have the obligation to supply electricity in the least cost manner to its captive market, subject to the collection of retail rate duly approved by ERC.</p> <p><b>CHAPTER II</b> <i>Organization and Operation of the Electric Power Industry</i></p> <p><b>SECTION 25</b> <i>Retail Rate</i></p>	

PROPONENT/SUMMARY OF PROPOSED AMENDMENTS	RATIONALE/DISCUSSION	SPECIFIC PROVISION(S) AFFECTED	PROPOSED REWORDINGS OF PROVISION
	<p>embedded generation of the electric power industry.</p>	<p><b>Section 25 of EPIRA</b>  The retail rates charged by distribution utilities for the supply of electricity in their captive market shall be subject to regulation by the ERC based on the principle of full recovery of prudent and reasonable economic costs incurred, or such other principles that will promote efficiency as may be determined by the ERC.</p> <p><b>CHAPTER II</b>  <i>Organization and Operation of the Electric Power Industry</i></p> <p><b>SECTION 27</b>  <i>Franchising Power in the Electric Power Sector</i></p> <p><b>Section 27 Franchising Power in the Electric Power Sector.</b>  The power to grant franchises to persons engaged in the transmission and distribution of electricity shall be vested exclusively in the Congress</p>	

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		<p>of the Philippines and all laws inconsistent with this Act particularly, but not limited to, Section 43 of PD 269, otherwise known as the “National Electrification Decree”, are hereby deemed repealed or modified accordingly:            Provided, That all existing franchises shall be allowed to their full term: Provided, further, That in the case of electric cooperatives, renewals and cancellations shall remain with the National Electrification Commission under the National Electrification Administration for five (5) more years after the enactment of this Act.</p>	
<p>Taxes Optimal Load Dispatch</p>	<p><b><u>MARS OCAMPO, PRIVATE CONSULTANT</u></b></p> <p>Removal of energy taxes will immediately result to budgetary deficit and extreme peso depreciation.</p> <p>This is my second proposition, we have to go on optimal load dispatch just like in the days of NAPOCOR. By doing optimal load dispatch, it assures the end consumers with the least cost possible even with the interfere of supply and demand and energy efficiency, fuel</p>		<p>Removal of energy taxes To go on optimal load dispatch</p>

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	<p>cost, fixed and variable cost, as well as regulatory costs excluding emissions.</p>		
<p>WESM Rules</p>	<p><b><u>AMERICAN CHAMBER OF COMMERCE</u></b></p> <p>EPIRA is quite correct. It took a long time to pass the law. Amendment is not necessary.</p> <p>What needs to be look at and needs a review or modify the WESM Rules. Make adjustments to the market.</p> <p>Strengthening the capability of the market operators, DOE, ERC and other entities that are responsible for the market is what we suggest against amending the law. So we won't have a repeat of what we experienced last November and December.</p> <p>The law is fine, leave the law as it is. Amendment of the law will make the investors/lenders wary and uneasy. They might think there is volatility in the regulatory environment.</p> <p>For the security of supply, we need to add more capacity in Luzon. The process in putting up a power plant takes too long, what can be done is to shorten the process and requirements for the approvals and permitting procedures. For example it takes NGCP at least 18 months to finish a GIS, ECC it takes 2 – 3 years and ERC process for the review of the PSA is around 12 months.</p>		
<p>Retail Competition and Open Access</p>	<p><b><u>BANGKO SENTRAL NG PILIPINAS</u></b></p> <p>Bangko Sentral is contestable customer, we have 6MVA. We have contacted several suppliers before we drafted our TOR but they were not able to submit quotations until now. The reason maybe is we are buying from Meralco at a generation cost of P4.50 but the suppliers they said they cannot match the price of Meralco, so until now we are still a captive market. The suppliers cannot compete with the price of Meralco.</p>		

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Pricing Methodology	<p><b><u>RCBC PLAZA</u></b></p> <p>RCBC Plaza is also a contestable customer. Our concerns have already been brought out by other parties earlier. Even with the lower kWh consumption the bill went up astronomically.</p> <p>Strangely, the bill is dated even after the TRO came out.</p> <p>We are hoping that ERC would step in with regard to whether there is enough power supply.</p> <p>In EPIRA, ERC is supposed to review on the price methodology. However how these things have happened.</p>		