

Consultative Dialogue on the EPIRA Review

Presenter: MERALCO

Sector: Distribution Utility

Issue	Specific Provision Affected	Proposal
<p>Amending the EPIRA is not the solution to the current concerns of the industry and may even worsen the current status of the sector.</p>		<p>The industry is still undergoing reforms and discussions of amendments may distract the industry from the already difficult and complicated reform process. More importantly, proposals to amend the law reinforce industry investors' fears that the regulatory environment is unstable, which does not provide an investment climate conducive for the power industry.</p> <p>Instead, it may be more productive to focus efforts on addressing the multiple areas of uncertainty in the various implementing policy frameworks to achieve the objectives of EPIRA.</p>
<p>Improved coordination of the grid and system operator with the market operator</p> <p>Sufficiency and transparency in the provision of ancillary service</p>	<p>Philippine Grid Code WESM Rules Ancillary Service Procurement Plan Proposed Transmission Planning Guidelines</p>	<p>Existing rules do not explicitly require NGCP to consider the impact of its plans and operations on WESM prices. In addition, once submitted, GOMPs, although monitored for compliance, are neither analyzed nor evaluated based on its effect on WESM operations</p> <p>From the start of WESM operations in June 2006, it has time and again been demonstrated that the actions of the grid and system operator can have a substantial upward impact on WESM prices. For example, the outage at the San Jose Substation of TransCo a few years led to congestion in the system and hefty increases in WESM prices. For another, we have learned if transmission system losses can be capped and brought down, then we may expect a corresponding reduction in WESM line rental charges.</p> <p>Given these, there is a need to strengthen the real-time cooperation of the WESM's Market Operator (MO), operating on economic principles, and the System and Grid Operator (SO), striving to meet dynamic technical requirements and maintain system security.</p> <p>Over the years, we have been consistently recommending that relevant regulations be promulgated or amended to ensure that NGCP's plans and operations takes into account their impact on WESM prices, with the objective of minimizing any adverse</p>

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		<p>impact while ensuring system security and reliability.</p>
		<p>We respectfully propose that the ERC provide the mechanisms for assessing whether or not the SO procured the optimum A/S levels.</p> <p>Likewise, we propose that the SO must submit regular reports on the level of A/S scheduled against the level of A/S dispatched and the amounts paid for A/S. For example, the Ancillary Service Procurement Plan (ASPP) can be amended to require the Transmission Provider to “submit a monthly report on ancillary services scheduling,” with such report containing data on reserve requirement, scheduled nominations (price and volume) and dispatched capacity (price and volume) of ancillary service providers are not explicitly stated as part of the report’s contents.</p>
<p>Clarity and alignment of ERC, DOE, and PEMC regulations on the implementation of Retail Competition and Open Access (RCOA)</p>	<p>Disclosure and Confidentiality of Contestable Customer Information; Identification of Contestable Customers; Customer Switching Process from one supplier to another; Metering standards and operating procedures; etc.</p>	<p>While RCOA commenced last July 26, 2013, there continues to be a need to reconcile existing regulations of the ERC on RCOA implementation with those issued by the DOE/PEMC. This will reduce the operational complexity of RCOA and, more importantly, resolve uncertainties that affect the all retail market participants.</p> <p>The following are issues in RCOA are not sufficiently addressed in existing policies:</p> <ul style="list-style-type: none"> [1] Duration of the current “transition period” for voluntary contestability [2] Lowering of threshold for contestability <ul style="list-style-type: none"> ▪ Exact date for the entry of customers with a demand of 750 to 999 kW to facilitate DU sourcing ▪ Criteria and pace of further reductions in the threshold [3] Demand aggregation <ul style="list-style-type: none"> ▪ Guidelines and procedures for determination and operationalization of Demand Aggregation ▪ Metering of aggregated customers ▪ Customer switching of aggregated customers

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		<p>Integration of DUs, RES and other stakeholders in the information technology infrastructure currently being developed by PEMC/CRB</p>
<p>ERC as the Sole Regulator of the Power Industry</p>	<p>SEC. 80. Applicability and Repealing Clause – ... The provision with respect to electric power of Section 11(c) of Republic Act 7916, as amended, and Section 5(f) of Republic Act 7227, are hereby repealed or modified accordingly. xx”</p>	<p>This is to correct the typographical error in the EPIRA which is causing the power sector precious time and resources by constantly trying to determine the boundaries of and resolve overlaps in jurisdiction of ERC and PEZA. We respectfully recommend the following revision: “SEC. 80. Applicability and Repealing Clause – .. The provision with respect to electric power of Section 111(c) of Republic Act 7916, as amended, and Section 5(f) of Republic Act 7227, are hereby repealed or modified accordingly. xxx”</p>
<p>Judicious imposition of taxes, cross-subsidies, and other universal charges</p>		<p>While various studies have found that governments in other countries (such as Indonesia, Thailand, and Malaysia) provide subsidies to their respective electricity sectors), in the Philippines and from the enactment of EPIRA, electricity consumers have experienced or will see additional impositions such as new taxes (VAT & LFT), universal charges, lifeline subsidy, senior citizen subsidy and Feed-in-Tariff (FIT) Allowance. As a DU, we are cautious of the additional burden on consumers that any changes in the policy may bring and firmly believe that any such imposition should be continually and carefully evaluated in the context of achieving affordable and competitive electricity prices for all end-users, households and business alike.</p>