

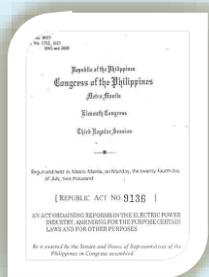


The Philippine Energy Regulatory Framework

Atty. Monalisa C. Dimalanta
Chairperson and CEO

13 December 2022





“There is hereby created an independent, quasi-judicial regulatory body to be named the Energy Regulatory Commission (ERC).”

- Sec. 38 of The Electric Power Industry Reform Act of 2001 or the EPIRA



FUNDAMENTAL MANDATES
(EPIRA, SECTION 43)

Promote competition

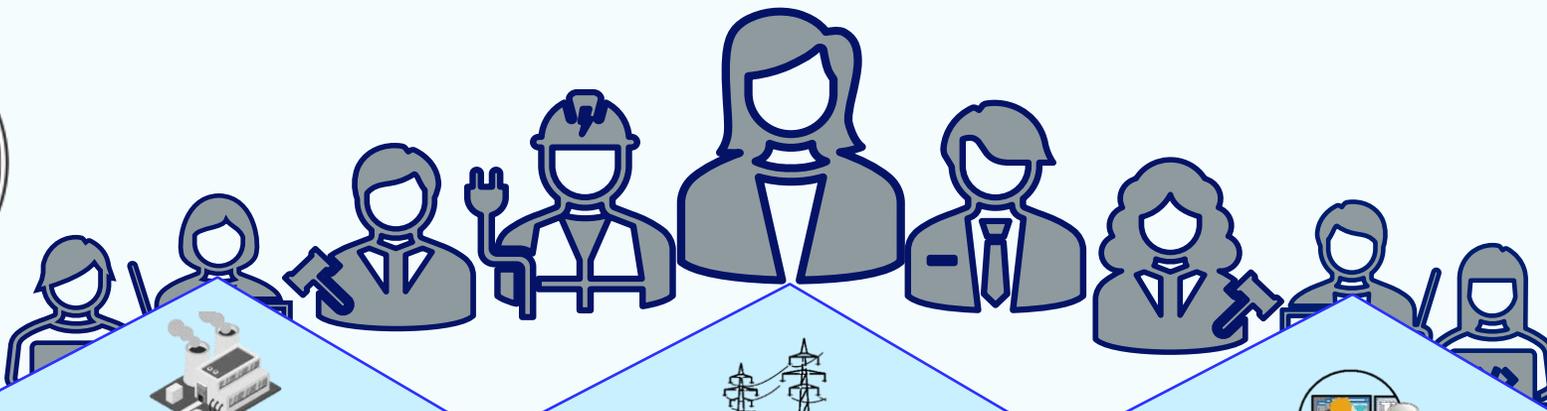
Monitor the Market

Encourage market development

Ensure customer choice

Penalize abuse of market power





227 Generation Companies

590 Power Plants

287 On Grid
303 Off-Grid

Transmission Concessionaire

22,111 Circuit Kilometers of Transmission Lines
40,051 MVA Sub-station Capacity
₱357.7B Total Equity

405 WESM Participants

288 intervals per day in 5 minute-market

141 Distribution Utilities

₱160.4 B

Net Property in Service of Electric Cooperatives & Capital Stocks of Private Distribution Utilities

119 Retail Electricity Suppliers

44 RES
28 Local RES
47 Supplier of Last Resort

327

Employees

34 Management
192 Technical
101 Administrative

₱630 Billion
Industry

₱7.6 Trillion

2020-2040
Philippine Energy Plan
Target Investments

As of November 2022

Sectoral Functions



Generation

- Feed-in-Tariffs (RE)
- SPUG (Missionary Electrification)
- Certificate of Compliance
- WESM Monitoring
- Competition Rules

COMPETITIVE SECTORS



Supply

- Suppliers' Licenses
- Issuance of Rules for Retail Competition
- Declaration of Open Access and Retail competition



REGULATED SECTORS



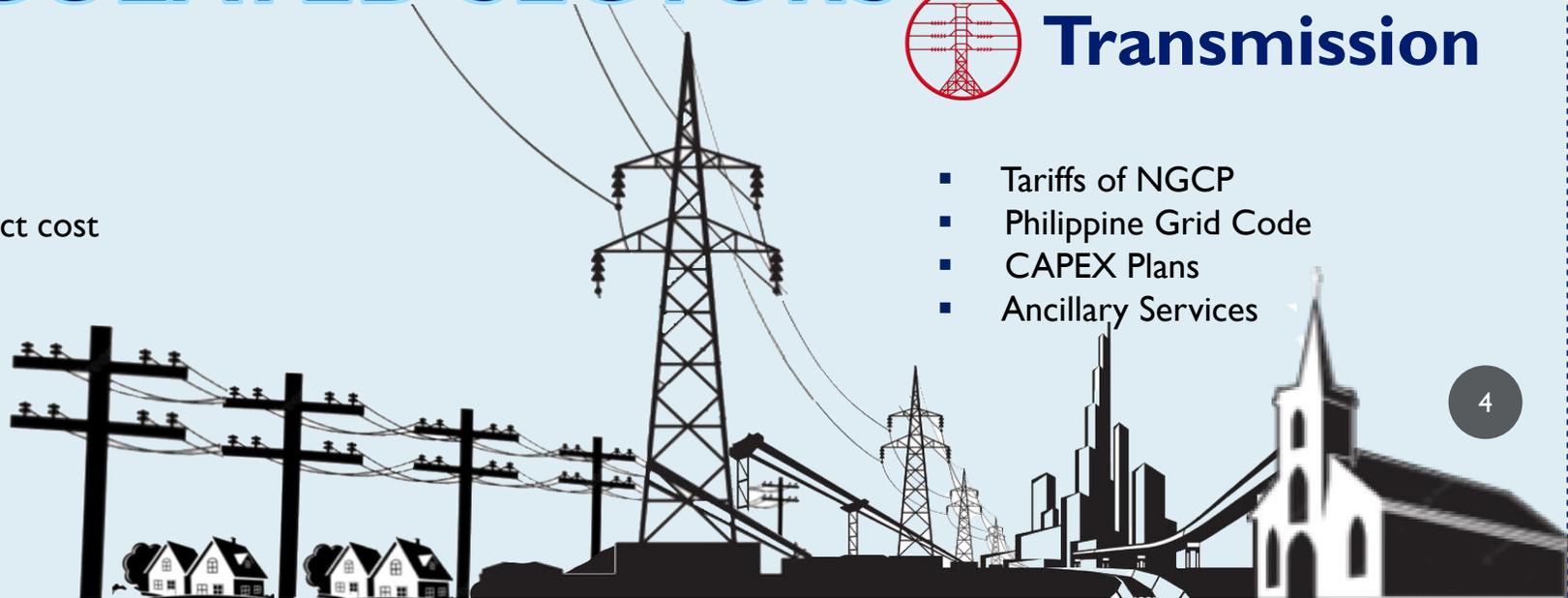
Distribution

- Systems Loss
- CPCN
- Spot Inspections/Audits
- Bilateral Power Supply Contracts
- CAPEX Plans
- Magna Carta and DSOAR enforcement
- Tariffs of distribution utilities
- Philippine Distribution Code
- Lifeline rate
- Stranded contract cost



Transmission

- Tariffs of NGCP
- Philippine Grid Code
- CAPEX Plans
- Ancillary Services



Regulatory Framework



COMPETITIVE SECTORS Generation



National Power Corporation (NPC) :
Return on Rate Base Methodology

- NPC On Grid (Time of Use Rates)
- NPC Off Grid (True Cost Generation Rate (TCGR), Subsidized Approved Generation Rate (SAGR), and Universal Charge for Missionary Electrification (UCME)



Wholesale Electricity Spot Market (WESM) :

- Price Determination Methodology
- Enforcement of Rules on Anti – Competitive behavior



Green Energy Auction Program (GEAP)



Feed-in-Tariff Program

Regulatory Framework: Market Suspension / Resumption



Rules on Market Suspension/ Declaration of Temporary Market Failure and Resumption

ERC Resolution No. 12 Series of 2018 (A Resolution Adopting Amendments to the Rules in the event of Market Suspension or Declaration of Temporary Market Failure and the subsequent Market Resumption of the Operations of the WESM) promulgated on 29 May 2018

ARTICLE II

CRITERIA AND PROCEDURE FOR MARKET SUSPENSION

Section 1. Criteria for Market Suspension

The ERC, during the occurrence of any of the conditions set forth in Section 2 Article I, may declare Market Suspension over the affected area upon breach of any of the following criteria:

System Suspension	Regional Suspension	Island Grid Suspension
A. System Available Generating Capacity less Actual System Demand < Zero (0) MW	Regional Available Generating Capacity less Actual Regional Demand < Zero (0) MW	Grid under Islanding Operation with : 1. Zero (0) or one (1) Generating Plant supplying the Demand; or 2. Two (2) or more Generating Plants but Actual Demand exceeds Available Generating Capacity
B. System Pmin > Actual System Demand	Regional Pmin > Actual Regional Demand	1. Two (2) or more Generating Plants' Total Pmin > Actual Island Demand

ARTICLE IV

CONDITIONS AND PROCEDURES FOR MARKET RESUMPTION

Section I. Conditions for Market Resumption

The ERC is responsible for determining when the market is to resume, upon report from the NGCP-SO of any of the following:

- a. The difference between System/Regional Available Generating Capacity and Actual System/Regional Demand has been above zero (0) for twenty-four (24) consecutive hours regardless if the condition giving rise to the suspension continues to exist;
- b. System/Regional Demand has exceeded System/Regional Pmin for twenty-four (24) consecutive hours
- c. Resynchronization of the isolated part of the grid for twenty four (24) consecutive hours

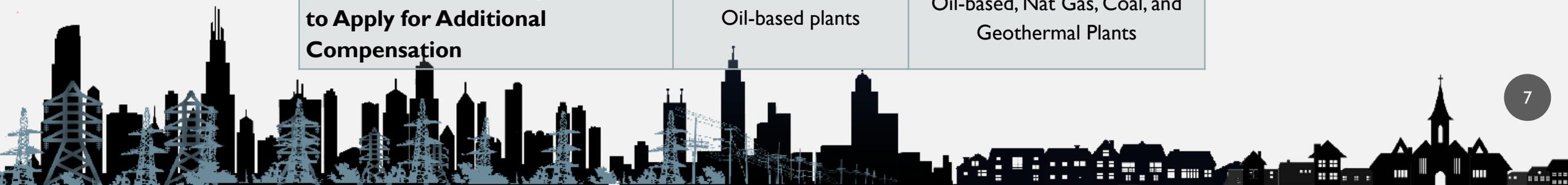
Regulatory Framework: Mitigating Measures



PRICING MECHANISM/ MITIGATING MEASURE	PURPOSE	PRICE
1. Offer Cap	Prevent excessive offer prices	PhP-10,000/MWh PhP32,000/MWh
2. Secondary Price Cap (SPC)	Mitigate sustained high prices	PhP6,245/MWh

In view of the recent increase in coal and fuel prices triggered by unforeseen global events (i.e., Ukraine-Russia War, Indonesian Export Ban), followed by the letter of concern from the Philippine Independent Power Producers Association, Inc. (PIPPA), the 2021 SPC mechanism was amended as follows:

	Resolution No. 04, Series of 2017	2022 Amendment
Power Plant Technologies Allowed to Apply for Additional Compensation	Oil-based plants	Oil-based, Nat Gas, Coal, and Geothermal Plants



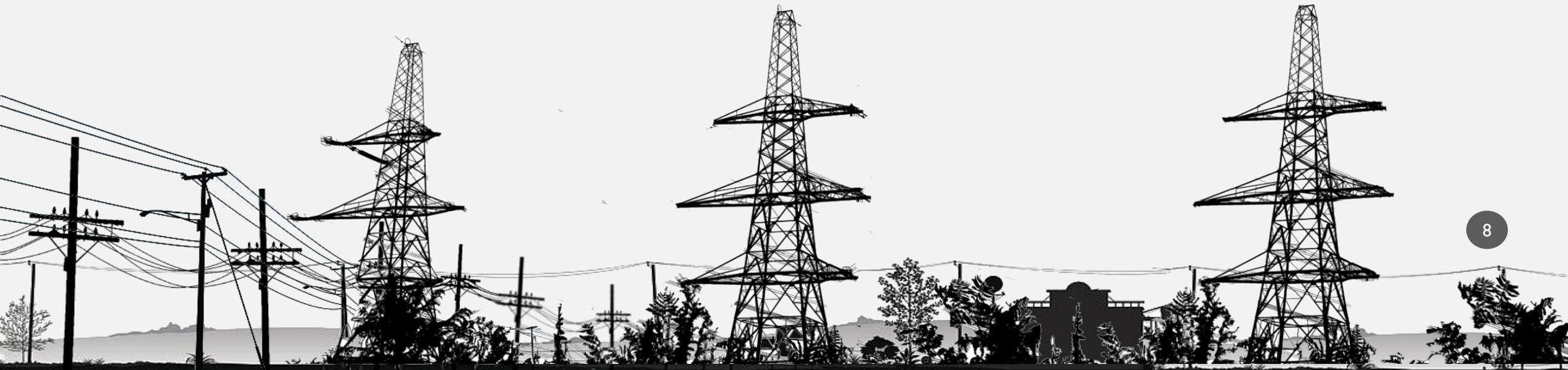
Regulatory Principle – Utilities



SEC. 43. Functions of the ERC. –

(f) In the public interest, establish and enforce a methodology for setting transmission and distribution wheeling rates and retail rates for the captive market of a distribution utility, taking into account all relevant considerations, including the efficiency or inefficiency of the regulated entities. The rates must be such as to allow the recovery of just and reasonable costs and a reasonable return on rate base (RORB) to enable the entity to operate viably. The ERC may adopt alternative forms of internationally-accepted rate-setting methodology as it may deem appropriate. The rate-setting methodology so adopted and applied must ensure a reasonable price of electricity. The rates prescribed shall be non-discriminatory.

Sec. 43 (f) of The Electric Power Industry Reform Act of 2001 or the EPIRA



Regulatory Framework



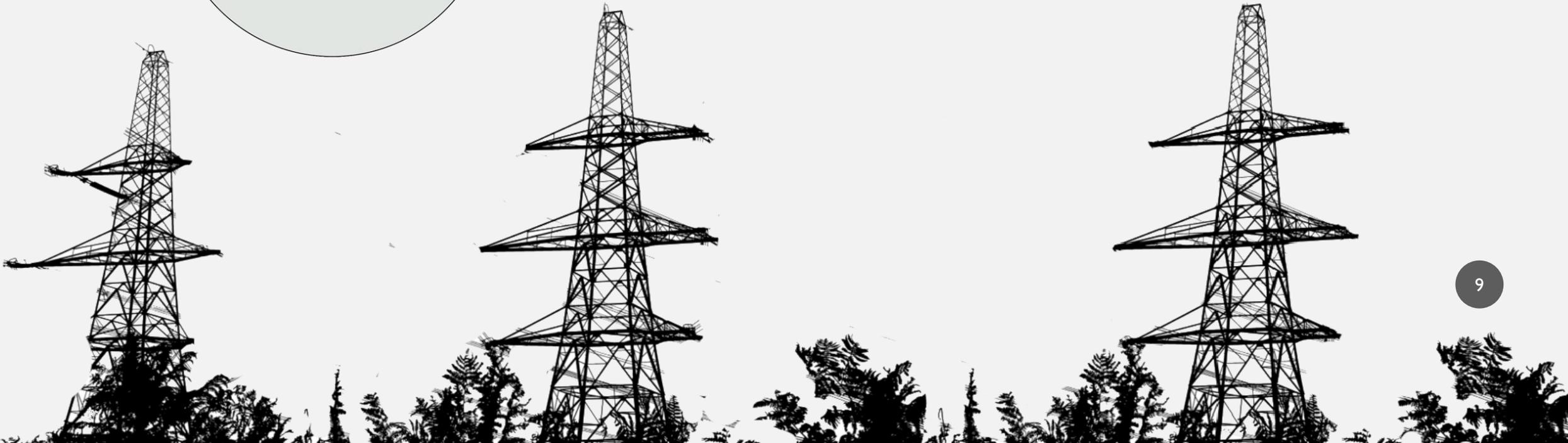
REGULATED SECTORS

Transmission



The National Grid Corporation of the Philippines

- Performance-Based Regulation (PBR)
- Ancillary Services Procurement Agreement (ASPA)
- Transmission Capital Expenditure (CAPEX) and Expansion Projects



Regulatory Framework

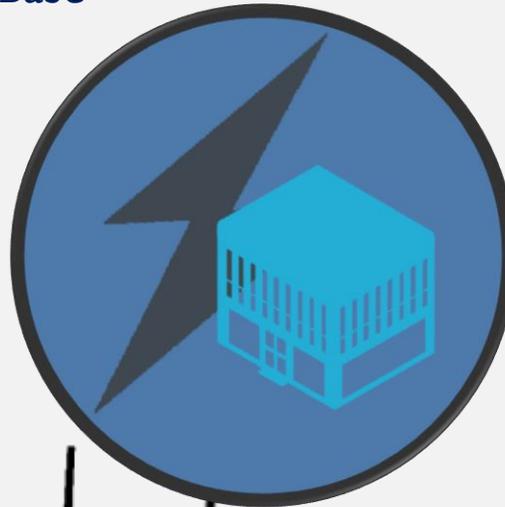


Private Distribution Utilities

- IPPs: Review of bilateral contracts
 - Passed-on Rate to captive customers
- Distribution CAPEX and Expansion Projects
- Performance-Based Regulation
- Return On Rate Base



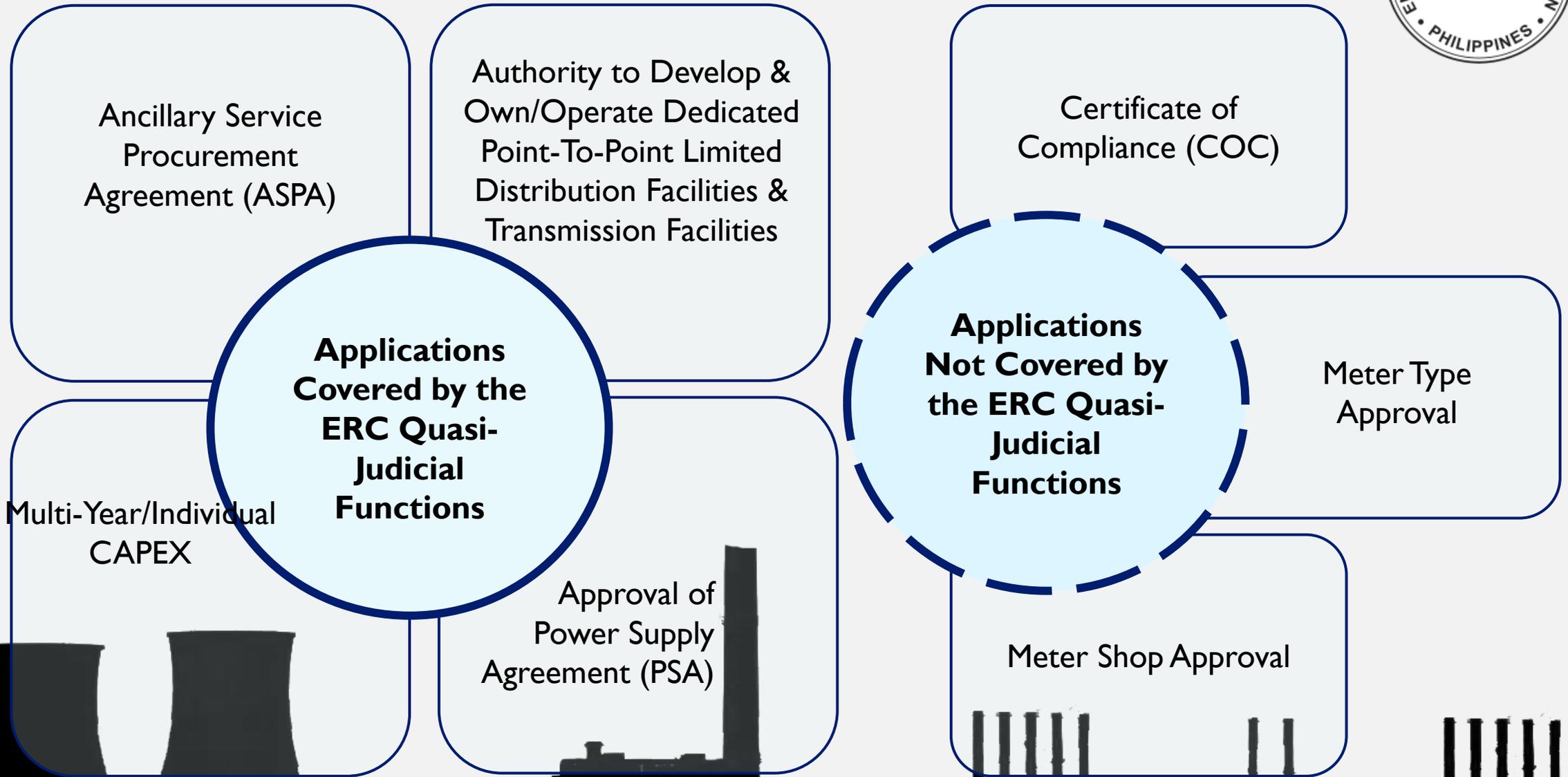
REGULATED SECTORS Distribution



Electric Cooperatives

- IPPs: Review of bilateral contracts
 - Passed-on Rate to captive customers
- Distribution CAPEX and Expansion Projects
- Cash-Based Methodology (Off-Grid)
- Cash-Based Methodology (On-Grid)
- Benchmarking Methodology (On-Grid)

EVOSS Seven (7) Processes



Transparency and Accountability



Transparency

- PSA Caravan
- Implementation of the Continuing Regulatory Education for Stakeholders
- Enforcement of Posting/Publication Rules for Regulated Entities
- Immediate posting of official Issuances on the ERC Website
- On the Dot News Updates on Energy Regulation



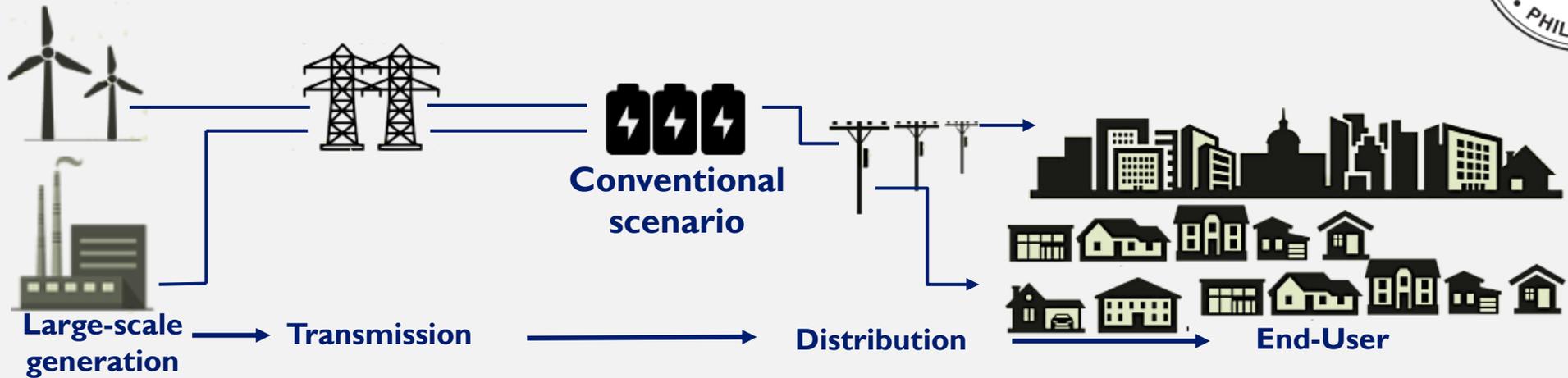
Accountability

- Strict Implementation of the Strategic Performance Management System
- Establishment of a new Investigating and Disciplinary Committee
- Revival of Management Committee (Mancomm) Meetings
- Revised Commission Disbursement Policy
- Institutionalization of Complete Staff Work
- Review and Operationalization of the ERC Academy
- Review and Operationalization of the Mandatory Continuing Professional Education

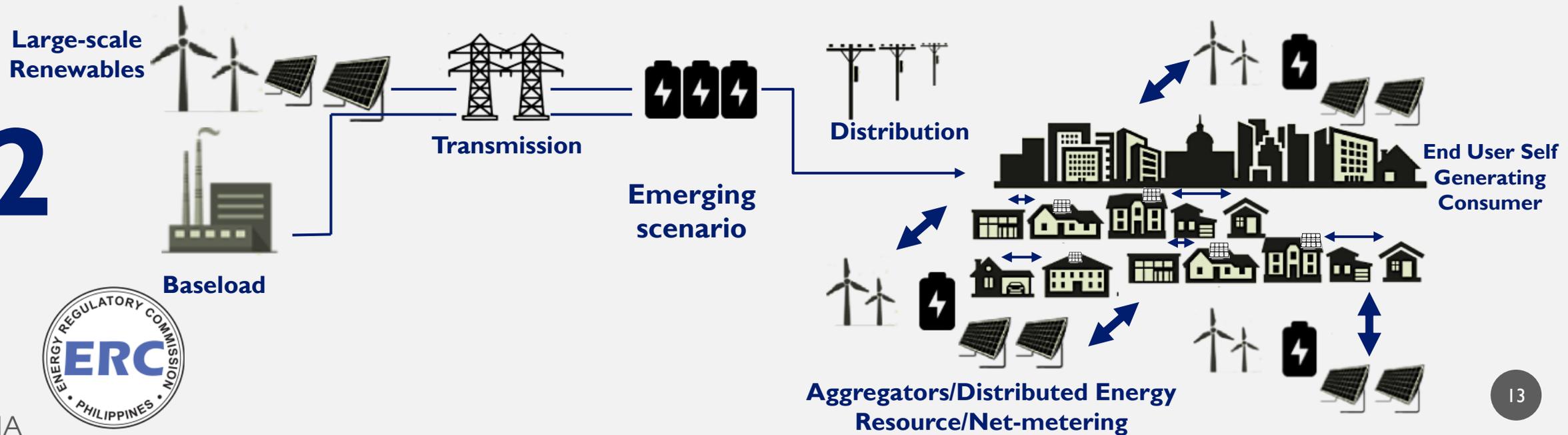
Energy Transition – Industry Transformation



1



2

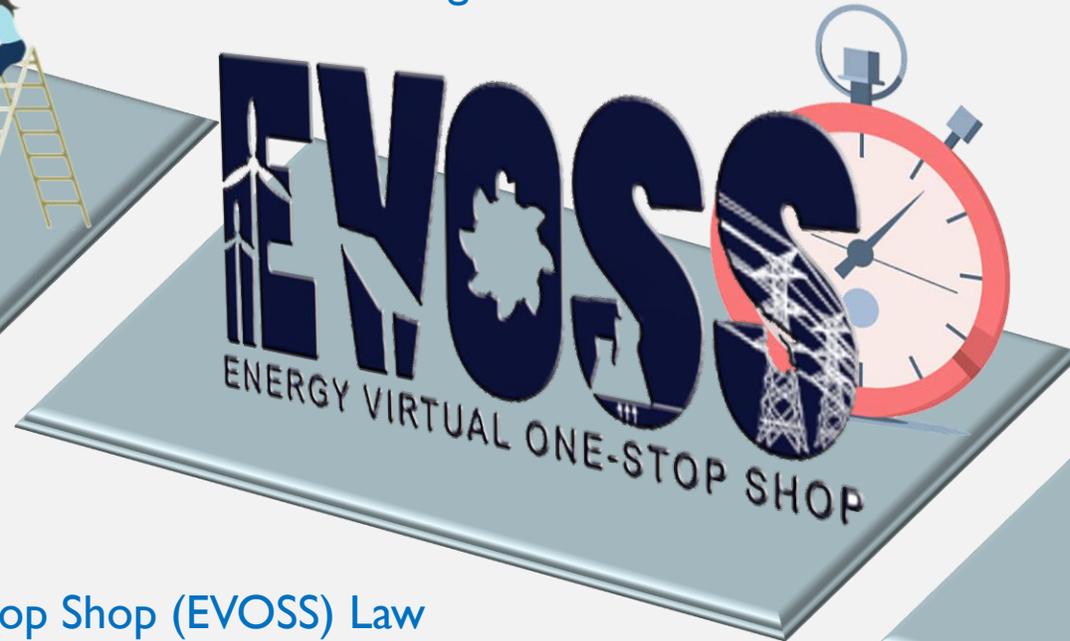


Major Targets for FY 2023



Restructuring for enhanced efficiency in governance

Organizational Capacity Assessment
Workforce Planning



Pursue digital transformation



Energy Virtual One Stop Shop (EVOSS) Law
Ease of Doing Business Act in all ERC processes
Shorter timelines for processing of non-EVOSS

Major Targets for FY 2023



Least cost pricing towards affordability



Implement “least cost” supply obligation



Review and revise framework on:

- Universal Charge
 - Missionary Electrification
- Recovery of systems losses

Competitive Selection Process
Technical Standards and pricing parameters



Rate Reset for Regulated Entities

Major Targets for FY 2023



Adopting Regulatory Framework and Rules for New Technologies to Support Energy Security



Energy Storage Systems

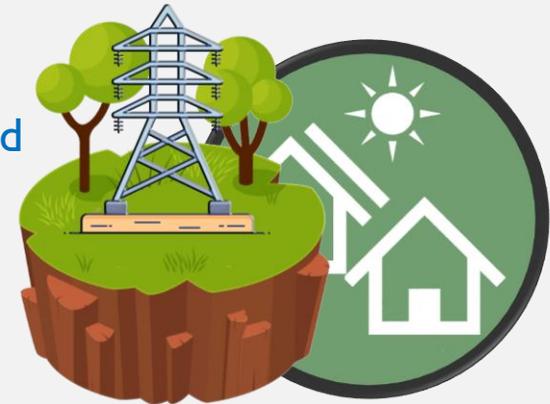
Electric Vehicle



Offshore Wind Technology



Net-Metering for Off-Grid



Technical and Service Performance Standards for Micro-Grid System



Major Targets for FY 2023



Advancing consumer empowerment



Customer Switching
Competitive Retail Electricity Market



Retail Aggregation



Consumer Complaints
E-ticketing system

Net-Metering Program



Green Energy Option



Distributed Energy Resource





Thank you!

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