

National Competitiveness Summit Energy Sector

Sec. Raphael P. M. Lotilla

Heroes Hall, Malacanang

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Outline of Presentation

I. Ensuring energy self-sufficiency and security

- A. **Adequacy of Power Supply**
- B. **Alternative Fuels Development**

II. Lowering the cost of electricity

- A. **Interim measures prior to open access**
- B. **Facilitate implementation of open access**



A. Adequacy of Power Supply

1. Process for Estimating Future Electricity Demand

Forecasting methodologies: government has been coming up with more realistic demand forecasts integrating the inputs from the distribution, transmission, generation

- DOE: Bottoms-up approach – aggregation of individual DDPs of distribution utilities
- TRANSCO: Econometric forecast
- NPC: Trend analysis of data on historical peak demand

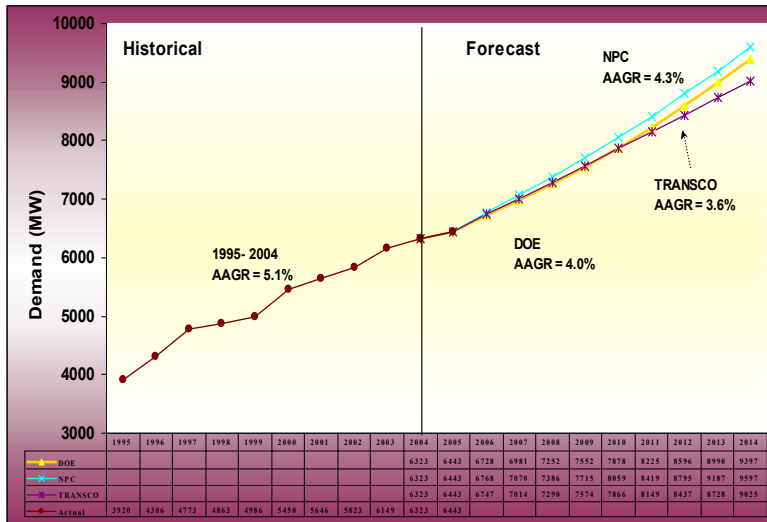
	Bottoms-up (DOE)		Econometrics (TRANSCO)		Trend analysis (NPC)	
Annual Average Growth Rate (%)	Luzon	4.0	Luzon	3.6	Luzon	4.3
	Visayas	6.0	Visayas	6.0	Visayas	5.7
	Mindanao	6.0	Mindanao	6.5	Mindanao	6.2

Different methodologies yield similar results.

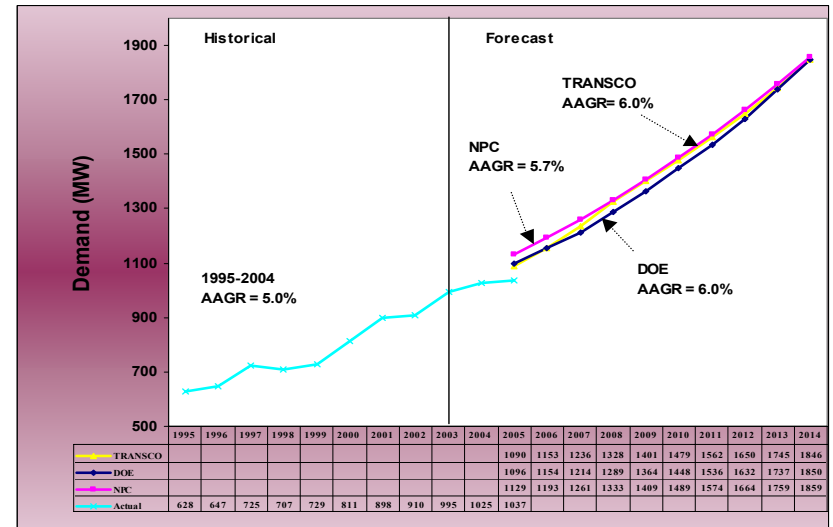
- High confidence in resulting forecasts
- DOE, NPC and TRANSCO forecasts have minimal variance



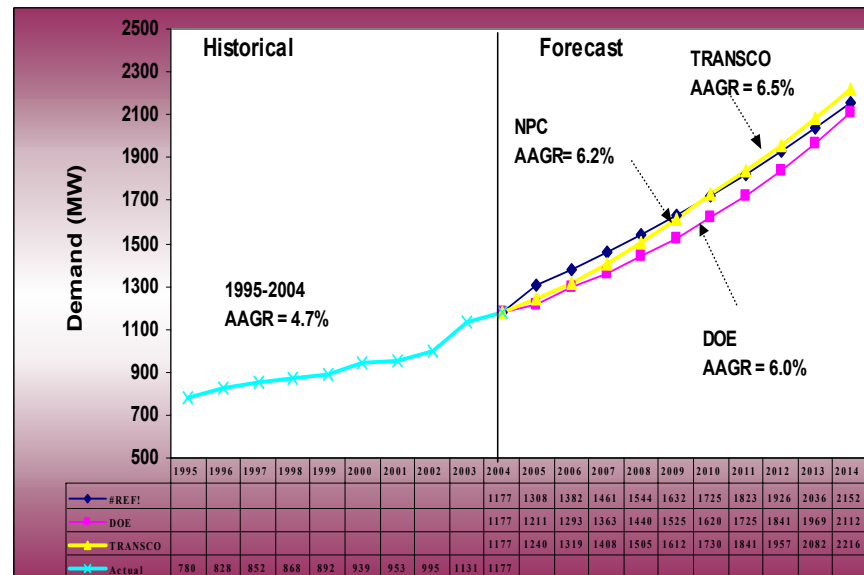
Comparative Peak Demand Forecasts



Luzon



Visayas



Mindanao

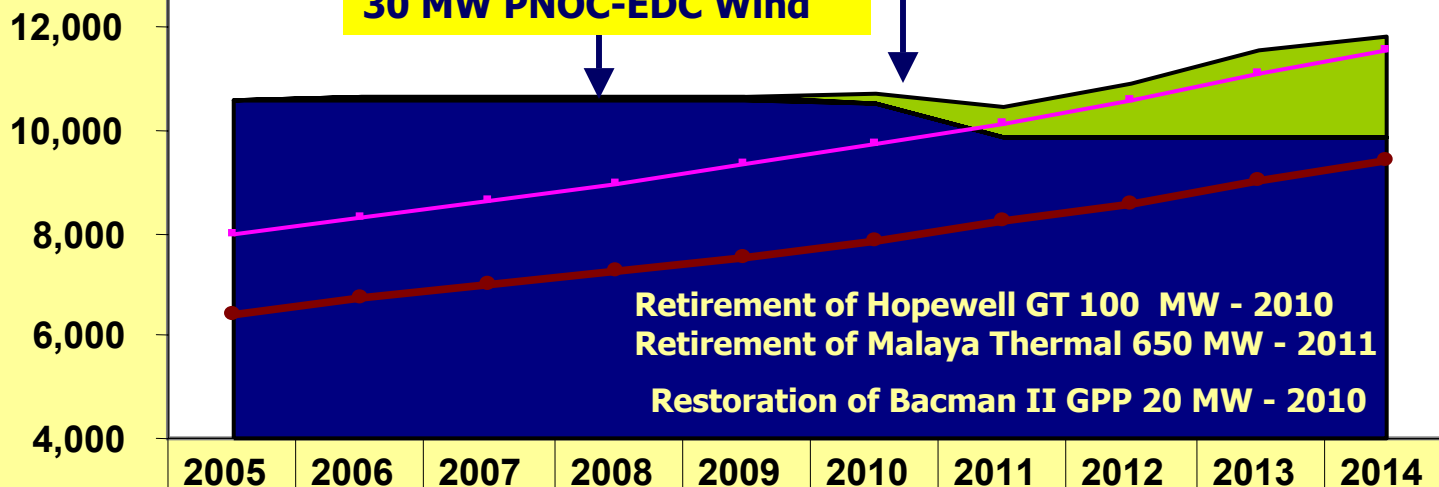


SUPPLY DEMAND PROFILE

Luzon, 2005 – 2014

Critical Period 2010

MW

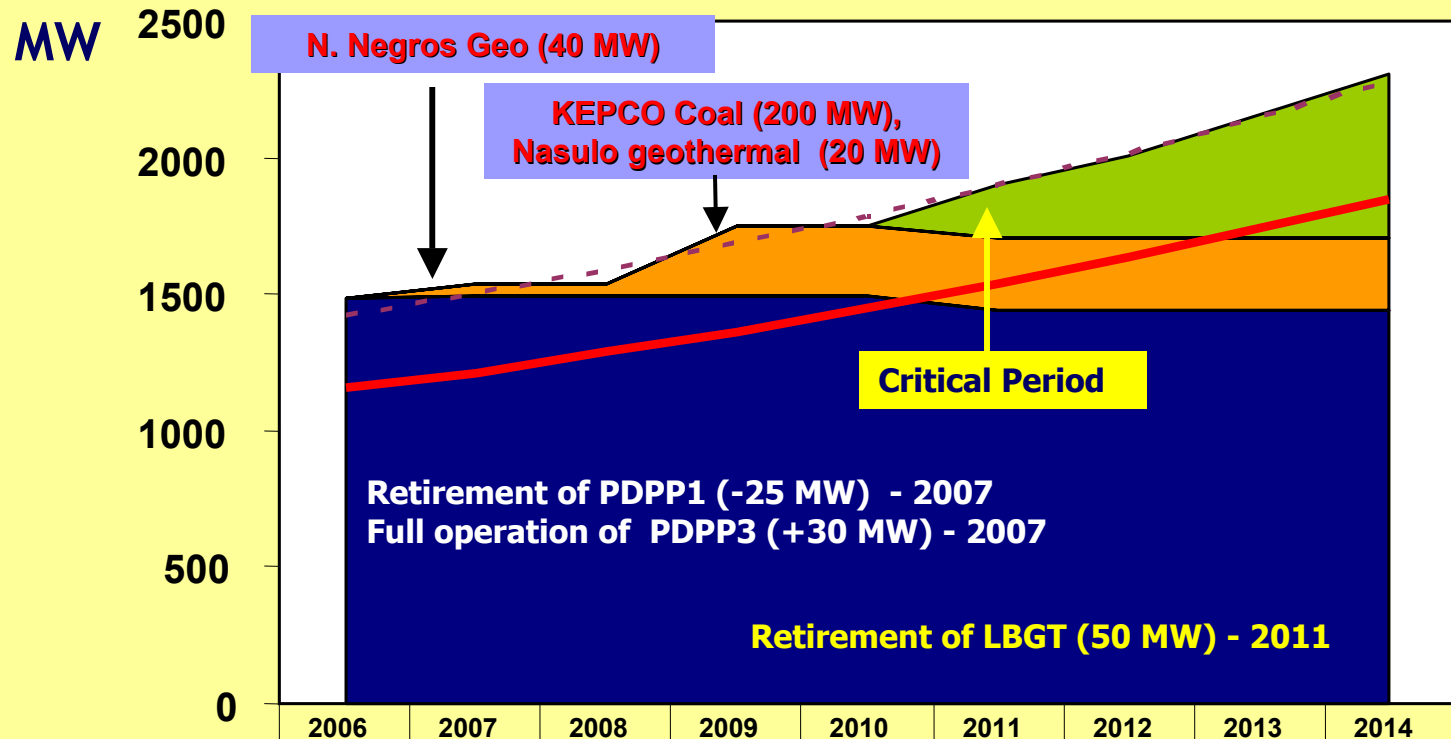


	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Indicative						150	450	450	600	300
Committed				30						
Dep. Capacity	10596	10576	10576	10576	10606	10526	9876	9876	9876	9876
Required Capacity	7951	8302	8614	8949	9319	9721	10150	10607	11093	11596
Peak Demand	6443	6728	6981	7252	7552	7878	8225	8596	8990	9397
Surplus/Deficit (MW)	4,153	3,848	3,595	3,364	2,964	2,008	1,661	1,290	896	489
Reserve Margin	64.5%	57.2%	51.5%	46.7%	39.5%	25.5%	20.2%	15.0%	10.0%	5.2%

Note: Required Capacity refers to the peak demand plus the ERC-approved reserve margin above the peak demand of 23.4 % (2.8% Load Following and Frequency Regulation, 10.3% Spinning Reserve, 10.3% Back-Up)

SUPPLY DEMAND PROFILE

Visayas, 2006 – 2014

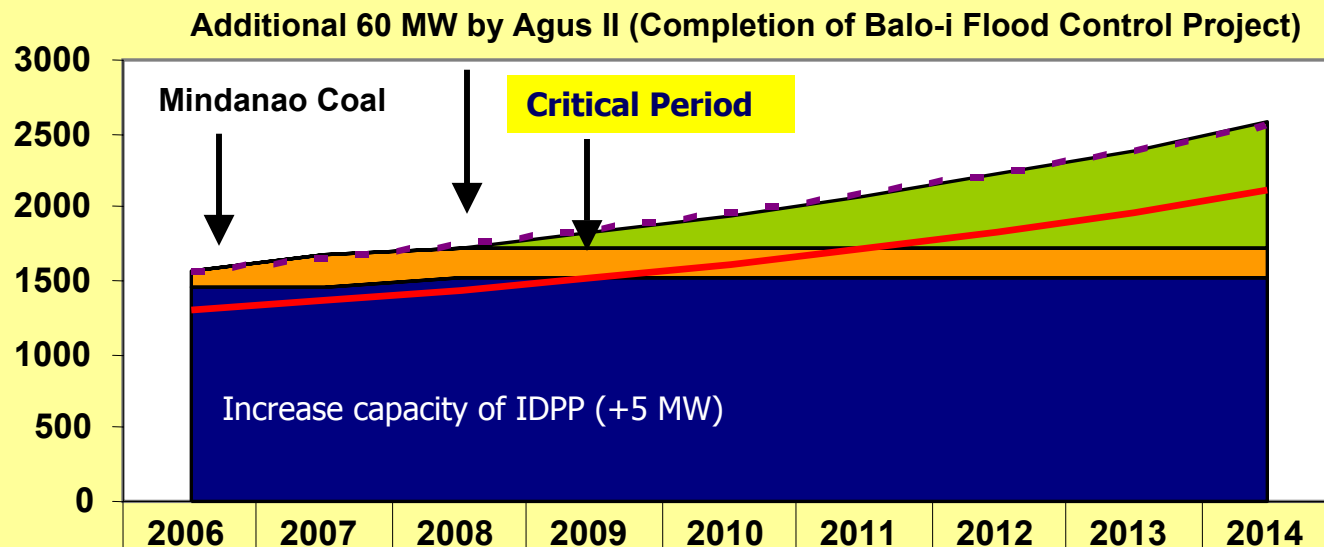


Note: Required Capacity refers to the peak demand plus the ERC-approved reserve margin above the peak demand of 23.4% (2.8% Load Following and Frequency Regulation, 10.3% Spinning Reserve, 10.3% Back-Up)



SUPPLY DEMAND PROFILE

Mindanao, 2005 – 2014



Cumm Req'd cap. Add				100	100	150	150	150	200
Committed, MW	105	105							
Dependable, MW	1455	1565	1730	1730	1730	1730	1730	1730	1730
Required Capacity, MW	1565	1649	1742	1845	1960	2087	2228	2382	2556
Peak Demand, MW	1293	1363	1440	1525	1620	1725	1841	1969	2112

Surplus/deficit	267	307	290	305	310	355	389	411	468
% RM	20.7%	22.5%	20.2%	20.0%	19.1%	20.6%	21.1%	20.9%	22.2%

Note: Required Capacity refers to the peak demand plus the ERC-approved reserve margin above the peak demand of 21.0 (2.8% Load Following and Frequency Regulation, 9.1% Spinning Reserve, 9.1% Back-Up)



A. Adequacy of Power Supply

2. Ongoing efforts to promote investments in additional capacity

a. Encourage more active PSP in power generation

Indicative Capacity Additions

■ Luzon

- 550 MW Combined Cycle Natural Gas Plant (South Luzon)**
- 300-500 MW Ilijan CCGT expansion (South Luzon)**
- 600 MW Coal-fired Thermal Plant (North Luzon)**

■ Visayas

- 100 MW Toledo Coal Expansion (Cebu)**
- 100 MW Coal-Fired Plant (Panay)**

■ Mindanao

- 21.8 MW Minergy Diesel Plant Expansion (North Mindanao)**
- 46 MW Sibulan Hydropower (South Mindanao)**
- 50 MW Mindanao 3 Geothermal (North Mindanao)**
- 200 MW by MG Mining & Energy Corp (South Mindanao)**
- 68 MW Tagoloan Hydropower (North Mindanao)**



A. Adequacy of Power Supply

b. Implement transmission line projects which will ease capacity constraints in Visayas and Mindanao

3. DUs and large industrial/commercial users can help facilitate investments in new capacity by:

- **firming up and indicating their energy requirements**
- **signing up for bilateral contracts with power providers to provide stable market**



B. Alternative Fuels Development

- **Push for the passage of the Biofuels Bill**
 - Final stage of Committee Report deliberation at the Senate
 - Individual amendments to follow
 - Approval of 3rd reading targeted by Oct 2006
- **Physical Targets**
 - 10,000 hectare jatropha mega nursery cum provenance testing and seed orchard in 2006/07
 - 700,000 hectares of biofuel crop plantation from 2007 to 2009
 - 1 million MT biodiesel refinery from 2007 to 2010



II. Lowering the cost of electricity

A. Efforts to reduce cost of electricity to large users and industrial customers prior to open access

1. Introduction of the Customer Choice Program in MERALCO franchise area
2. NPC's One Day Power Sales Program
3. Special Rates for Economic Zones

B. The removal of cross-subsidies also slowed down the rate of increase in electricity prices for Industrial customers relative to Residential customers



II. Lowering the cost of electricity

A. Interim measures prior to open access

1. Introduction of the Customer Choice Program (CCP)

■ MERALCO customers with demand of 1 MW and above can avail of NPC TOU rates

- Published and Application filed with ERC on September 26, 2006
- Expected ERC issuance of Provisional Authority (PA) within 30 days
- Implementation of CCP after the issuance of PA

■ The same program can be expanded to cover areas outside of MERALCO, subject to ERC approval



II. Lowering the cost of electricity

2. NPC's One-Day Power Sales

- Prices offered follow the marginal plant price (normally lower than the average TOU rate)

3. Special Rates for Economic Zones

- PEZA (Baguio, Cavite, Bataan, Mactan)
- Clark Special Economic Zones
- Subic Bay Freeport Zone

4. Push for implementation of TOU rates at the distribution level for customers with demand below 1 MW



II. Lowering the cost of electricity

B. Facilitate implementation of open access

1. Facilitate bilateral contracts between NPC and MERALCO
2. Privatization of 70% of NPC Generating Assets in Luzon and Visayas
3. Accelerate appointment of IPP Administrators



Thank you

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