
**CONSULTATION ON THE PROPOSED AMENDMENTS
TO DOE CIRCULAR NO. 2012-05-0005, ENTITLED
“GENERAL POLICIES FOR THE IMPLEMENTATION OF
RETAIL COMPETITION AND OPEN ACCESS”**



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Outline of Presentation

- **Highlights of RCOA Initiatives**
- **RCOA Developments**
- **General Policies on RCOA Implementation and Proposed Amendments**
- **On-going and Forthcoming Activities**
- **Critical Deliverables**

Highlights of RCOA Initiatives

Pre-Conditions Have Been Complied With

Pre-Conditions	Compliance
Establishment of the Wholesale Electricity Spot Market;	Luzon: 26 June 2006; Visayas: 26 December 2010
Approval of Unbundled Transmission and Distribution Wheeling Charges;	Unbundling of NPC rates (26 Mar. 2002) and Unbundling of DUs rates (June 2003)
Initial Implementation of the Cross Subsidy Removal Scheme;	Inter-Grid, Sept. 2002; Intra-Grid, Oct. 2005 and Inter-Class, Oct. 2005
Privatization of at Least 70% of the Total Capacity of Generating Assets of NPC in Luzon and Visayas; and	Achieved 79.56 %
Transfer of the Management and Control of at Least 70% of the Total Energy Output of Power Plants under Contract with NPC to the IPP Administrators.	Transferred to IPPAs 76.85% of NPC Contracted Energy Output from its IPP

Highlights of RCOA Initiatives

What Has Been Done?

- ▶ ERC issued Resolution No. 10 Series of 2011 declaring the compliance to EPIRA prerequisites and the actual commencement of RCOA on 26 December 2011
- ▶ DOE created the RCOA-SC through Circular No. 2011-06-006 dated 17 June 2011, to **provide the transition framework** and **synchronize the preparatory actions towards ensuring the sufficiency of existing rules, infrastructures and other institutional requirements necessary to achieve the goals of EPIRA**

RCOA Technical Working Group

- Created on July 8, 2011
- Composed of three TWG Sub-Groupings:

1. Risk Management
2. Finance
3. Technical Assessment



Republic of the Philippines
Department of Energy

DOE-EPIMB Questionnaire Form 2011-01

Survey on the Preparedness of Contestable Customers For the Implementation of Retail Competition and Open Access (RCOA)

Dear Respondent:

In accordance with the DOE's mandate under Section 37 of R. A. 9136 or the Electric Power Industry Reform Act of 2001 (EPIRA) to formulate rules and regulations as may be necessary to implement the objectives of the said law, we are conducting a Survey on the Preparedness of Contestable Customers upon the implementation of the Retail Competition and Open Access (RCOA). This survey aims to gather data that will serve as basis to determine the readiness of business (industrial and commercial) entities under RCOA. We look forward to your participation in this survey as your cooperation will significantly assist us in formulating and recommending appropriate policies to better serve the power needs of the country through the EPIRA.

Thank you.


JOSE RENE D. ALMENDRAS
Secretary

The DOE RCOA Survey served as basis in assessing Contestable Customers' knowledge and familiarity on the rights and responsibilities in accordance with RCOA framework.

Highlights of RCOA Initiatives

What Has Been Done?

- ▶ RCOA-Steering Committee composed of DOE, NPC, NEA, PEMC, TRANSCO, PSALM, and NGCP recommended to:
 - ▶ Defer the implementation to 26 December 2012
 - ▶ Integrate RCOA in the WESM
 - ▶ Appoint PEMC as Central Registration Body
 - ▶ Define specific policies to operationalize the RCOA concepts such as customer empowerment or customer choice, the business of supply of electricity, Supplier, SOLR, and membership in the WESM, among others.

Highlights of RCOA Initiatives

What Has Been Done?

- ▶ **DC 2012-02-0002 issued on 24 February 2012 – appointed PEMC as Central Registration Body**
 - PEMC has been administering and operating the market for the past five (5) years.
 - In international markets, it is usually the electricity spot market which administers the monitoring of the transactions at the retail level.
 - PEMC currently has or has the capacity to develop IT and Settlement System and Processes
 - Operational synergy since PEMC will utilize existing WESM facilities
 - If PEMC will not act as the CRB, then another entity will have to be established or designated which will still coordinate with PEMC and hence will only provide another layer in the industry.

Highlights of RCOA Initiatives

What Has Been Done?

- ▶ DOE issued Circular No. 2012-05-0005 “Prescribing the General Policies for the Implementation of Retail Competition and Open Access”
- ▶ Feedbacks, outcomes of discussions on DC 2012-05-0005 necessitates providing details of the policy intents and amendment to the Circular;
- ▶ On-going consultations and meetings to clarify and enhance the general policies set forth in DC 2012-05-0005 for development of Retail Rules
 - ▶ FGDs with
 - ▶ MERALCO and VECO on 18 July 2012 at DOE
 - ▶ BATELEC II, CEBECO I & II and PHILRECA on 19 July 2012 at DOE
 - ▶ Consultation in Cebu with Contestable Customers/DUs on 31 July 2012

DOE Circular No. 2012-05-0005

Prescribing the General Policies for the Implementation of RCOA

Section 1. Declaration of Policy

Original	Proposed Amendment
<p>Consistent with the EPIRA, it is hereby declared that the transition to RCOA should promote genuine competition, greater efficiency, customer choice, and the true cost of electricity.</p> <p>For this purpose, the power of choice of supplier as envisioned in the EPIRA is hereby provided to Contestable Customers (CCs) subject to the rules and regulations herein discussed as well as to subsequent rules and regulations as may be promulgated by the DOE.</p>	<p>Consistent with the EPIRA, the transition to RCOA should promote genuine competition, greater efficiency, customer choice, and the true cost of electricity.</p> <p>It is hereby declared that contestability is mandatory. For this purpose, the power of choice is conferred to Contestable Customers (CCs), subject to the rules and regulations prescribed herein as well as to subsequent issuances by the DOE.</p>

DOE Circular No. 2012-05-0005

Prescribing the General Policies for the Implementation of RCOA

Section 1. Definition of Terms

Original	Proposed Amendment
<p>f. “Directly Connected Customers” refer to industrial or bulk electricity end-users, which are directly supplied with electricity by a Generation Company or Power Sector Assets and Management Corporation (PSALM) or NPC through Subtransmission Assets.</p>	<p>f. “Directly Connected Customers” refer to industrial or bulk electricity end-users, which are directly supplied with electricity by a Generation Company or Power Sector Assets and Management Corporation (PSALM) or NPC pursuant to NPC Charter.</p>
<p>g. “Last Resort Supply Event” refers to an event when a supplier of a CC fails to provide electricity for reasons caused by a default of the Supplier, including but not limited to: (i) cessation of its operation; (ii) revocation of its license; (iii) non-payment for transmission and distribution services; and (iv) suspension of its membership in the WESM due to non-compliance to WESM Rules</p>	<p>“Last Resort Supply Event” refers to an event when a supplier of a CC has defaulted on its obligations or fails to provide electricity based on the following reasons: (i) cessation of its operation; (ii) revocation of its license; (iii) non-payment of transmission and distribution services; and (iv) suspension of its membership in the WESM due to non-compliance to WESM Rules.</p>

DC 2012-05-0005 – *Proposed Amendment*

Proposed to Add A New Definition:

Section 2. Definition of Terms

“Local Supplier” refers to the non-regulated supply business of a Distribution Utility (DU) catering to the Contestable Customers within its franchise area and authorized as such by the ERC. This shall also include the Philippine Economic Zone Authority (PEZA) and the PEZA-accredited Utility Ecozone Enterprises in the public and private Economic Zones (EZs), respectively.

Draft for Discussion

DOE Circular No. 2012-05-0005

Prescribing the General Policies for the Implementation of RCOA

Section 3. RCOA Integration in the WESM.

Consistent with the definition of Open Access, CCs are hereby allowed the use of the transmission and distribution systems and shall therefore be integrated into the WESM. For this purpose, all CCs shall become members of the WESM as Trading Participant, directly or indirectly, as herein provided.

DOE Circular No. 2012-05-0005

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Section 4. Customer's Choice

Original	Proposed Amendment
<p>Upon Open Access Date, a CC shall be allowed to choose where to source its electricity. For this purpose, a CC can source from <u>a Generation Company</u>, a Supplier, an affiliate of a DU which has constituted itself as a Supplier, or the Supply Business of a Distribution Utility (DU) within its franchise area.</p> <p>4.1 All CCs shall only deal with a supplier of electricity duly licensed by the ERC. This includes DUs that have structurally or functionally unbundled their business into Wire and Supply businesses, duly approved by the ERC.</p>	<p>Upon Open Access Date, a CC shall be allowed to choose where to source its supply of electricity. For this purpose, a CC can source from a Supplier, a Local Supplier, or through the WESM, provided that it shall be responsible to manage its own risks.</p>



DOE Circular No. 2012-05-0005

Prescribing the General Policies for the Implementation of RCOA

Section 4. Customer's Choice.

Original	Proposed Amendment
<p>4.2 The ERC shall certify all eligible CCs at least six (6) months prior to the initial implementation of the RCOA. For this purpose, all DUs are hereby mandated to provide DOE, ERC and PEMC the list of CCs including pertinent information, such as but not limited to load profile for the last twelve (12) months, name of customers, among others.</p>	<p>The ERC shall certify all eligible CCs. To facilitate registration of CCs with the CRB, all eligible CCs shall be certified within six (6) months prior to Open Access Date. For this purpose, the ERC shall furnish the DOE and the CRB the list of CCs issued with Certificate of Eligibility/ Contestability.</p>
<p>4.3 The PEMC is hereby directed to register all eligible CCs certified by the ERC within three (3) months prior to Open Access Date.</p>	

DOE Circular No. 2012-05-0005

Prescribing the General Policies for the Implementation of RCOA

Section 5. Supplier of Electricity.

All Suppliers duly licensed by the ERC shall register with the PEMC as a WESM direct member Trading Participant. Further, all Suppliers shall provide PEMC with its offer of terms and conditions to the CCs for publication in the PEMC website.

****Clarification***

General offer terms and conditions may include the following:

- 1. Indicative contract price offers;***
- 2. Scope of services offered; and***
- 3. Billing arrangements.***

DOE Circular No. 2012-05-0005

Prescribing the General Policies for the Implementation of RCOA

Section 6. Supply Contract.

Original	Proposed Amendment
<p>For the initial implementation of the RCOA, Supply Contracts entered into by CCs shall have a minimum term of one (1) year <u>following the WESM billing cycle</u>.</p> <p>The CCs shall provide the PEMC, the ERC and the DOE copies of the Supply Contracts for reference in the development of rules, guidelines and policies necessary for the effective implementation of RCOA</p>	<p>CCs registered upon initial implementation of RCOA must have supply contracts with a minimum term of (1) year from Open Access Date. The CCs or the Suppliers, whichever is applicable, shall provide the DOE, ERC and CRB with copies of their supply contracts to serve for purposes of monitoring, policy development formulation of necessary rules, and guidelines for the effective implementation of RCOA.</p>

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Prescribing the General Policies for the Implementation of RCOA

Section 7. Directly Connected Customers.

Original	Proposed Amendment
<p>7.1 From the effectivity of this Circular, existing Directly Connected Customers (DCCs) must register as a Customer either as a Direct or Indirect Trading Participant in the WESM.</p>	<p>Section 7.3 is deleted.</p>
<p>7.2. Upon expiration of the Power Supply Contracts, all DCCs that meet the demand threshold shall be treated as CCs and shall be subject to all the rules and regulations on RCOA.</p>	
<p>7.3. In case a DCC does not qualify as a CC, it may seek for ERC's approval to be considered as a CC.</p>	

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Section 8. Embedded Generators.

Original	Proposed Amendment
<p>8.1 All embedded generators shall register with PEMC as non-scheduled Generation Company.</p> <p>8.2 Subject to the most beneficial arrangement, the policy for embedded generation shall be developed by the DOE in coordination with relevant stakeholders.</p>	<p>8.1 PEMC shall register embedded generators in accordance with the WESM Rules and relevant market manuals.</p>

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Prescribing the General Policies for the Implementation of RCOA

Section 9. Metering.

9.1 Except for the DCCs connected to the system operated by NGCP, the DU shall be the Metering Service Provider (MSP) and owner of all billing and the associated metering equipment prior to the implementation of competitive metering services.

9.2 The metering requirement for the CC shall be compliant with the WESM metering standards.

Clarification:

WESM Metering Manual will be revised to consider standards for CCs.

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Section 10. Supplier of Last Resort.

Original	Proposed Amendment
<p>The franchised DU shall act as the Supplier of Last Resort (SOLR) in instances of Last Resort Supply Event. To cover the requirement of the Last Resort Supply Event, the DU-SOLR shall source electricity to be supplied to the CC through WESM or any available supply in the market.</p>	<p>Additional provision:</p> <p>The PEMC is hereby directed to design a mechanism that will minimize the exposure of Contestable Customers to a Last Resort Supply Event which may include, among others, timely notification of Suppliers compliance with the prudential requirement.</p>

DOE Circular No. 2012-05-0005

Prescribing the General Policies for the Implementation of RCOA

Section 11. Disconnection Policy

In consultation with the various stakeholders, the Disconnection Policy promulgated by the DOE shall be reviewed and amended to reflect the necessary changes considering the integration of RCOA to WESM. The policy shall apply the concept of cross-default disconnection to all DUs, Suppliers and CCs.

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Prescribing the General Policies for the Implementation of RCOA

Section 12. Customer Switching.

Original	Proposed Amendment
CCs shall only be allowed to switch to another supplier every six (60 months from the implementation of the RCOA or upon the entry of the CC into RCOA and shall be made only at the end of the billing period.	Notwithstanding the term of the contract provided for in Section 6, CCs shall be allowed to switch to a new supplier six (6) months after the Open Access Date. Thereafter, switching of suppliers shall be in accordance with relevant market rules and manuals adopted for this purpose. In this case, the switching shall take effect at the beginning of the WESM billing month.
Formal Advise/Notification to PEMC of the CCs' intent to exercise the switching shall be done at least one (1) month prior to switching.	Formal advise/notification to PEMC of the CCs' intent to exercise the switching shall be done at least one (1) month prior to switching.

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Section 13. Protection for Captive Customers.

- 13.1 Consistent with its mandate under the EPIRA, DUs shall secure Supply Contracts in the least cost manner for its Captive Customers.
- 13.2 DU may continue to provide electricity services to CCs within its franchise area as a local Supplier, a separate entity.

DOE Circular No. 2012-05-0005

Prescribing the General Policies for the Implementation of RCOA

Section 14. Billing and Settlement for Contestable Customers.

As far as practicable, a single billing policy shall be adopted with the Supplier as the billing entity in-charge of issuing the bills to the CC which reflects all applicable charges. Single billing policy is adopted to minimize impact to current billing arrangements and avoid possible double charging and multiple layers of attendant administrative costs.

CLARIFICATION:

- (1) Suppliers shall determine if single billing would be practicable.
- (2) DUs/ECs will remain as the billing entity if it is not possible for the Supplier to adopt the single billing scheme.

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Section 15. Regulatory Support on RCOA Policies.

The ERC shall ensure the provision of support in the regulatory requirements consistent with the policies set forth under this Circular and in accordance with existing laws and procedures.

DOE Circular No. 2012-05-0005

Prescribing the General Policies for the Implementation of RCOA

Section 16. Responsibilities of Philippine Electricity Market Corporation.

In accordance with the policies set forth in this Circular, the PEMC shall perform its responsibilities and obligations under DC 2012-02-0002 designating it as the CRB.

On-going and Forthcoming Activities

- ▶ *On-going development of Retail Rules*
- ▶ *Stakeholders' Readiness Assessment*
- ▶ *Revision of Disconnection Policy and Procedure*
- ▶ *Study Role of Embedded Generators*
- ▶ *Coordinate with Industry Stakeholders to Ensure Consumer Protection*

Critical Deliverables/Events

- Declaration of Open Access Date
- Promulgation of the Retail Market Rules
- CRB's IT Systems Development and Processes
- Approval of DUs' BSUP and ACAM
- Conduct of Stakeholders' Readiness Assessment
- Information and Education Campaign to all Stakeholders

Forthcoming Meetings and FGDs

- 23 August 2012, NCR – with CCs (Government Agencies)
- 03 September 2012, with RESA/Suppliers
- 04 September 2012, NCR – with CCs
- 05 Sept 2012, with ecozone locators CALABARZON area
- 05 Sept 2012, with Directly Connected Customers

Please submit your comments, suggestions and recommendations to:

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END OF PRESENTATION

THANK YOU!!!



USEC. JOSEFINA PATRICIA M. ASIRIT

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