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Energy Regulatory Commission-Philippines



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RETAIL COMPETITION AND OPEN ACCESS

Consultative Meeting with Stakeholders

Atty. Josefina Patricia M. Asirit

Chief of Staff/Undersecretary

DEPARTMENT OF ENERGY

24 October 2011

Outline

- The RCOA Pre-Conditions and Compliance
- The RCOA Steering Committee: Purpose and Objectives
- Major Concerns and Recommendations
- Contestable Customers' Expectations





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Compliance to EPIRA Implementation

Moving Towards A Competitive Power Market ...

Privatization

- 79.56 % of NPC GenCos
- NGCP as the TransCo Concessionaire
- 76.85% transferred to IPP Administrators

Complied with.



Establishment of WESM

- Luzon Commercial Operation on June 2006
- Integration of Visayas Grid, 26 Dec. 2010

Complied with.



Removal of Cross Subsidies

Inter-Grid, Sept. 2002; Intra-Grid, Oct. 2005 and Inter-Class, Oct. 2005

Complied with.



Unbundling

Unbundling of NPC rates (26 Mar. 2002) and Unbundling of DUs rates (June 2003)

Complied with.



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26 December 2011 ...

- ERC Resolution No. 10 Series of 2011
- ERC Decision on ERC Case No. 2011-004 RM
- DOE Circular No. 2011-06-0006



RCOA Steering Committee

- Created through Department of Energy Circular 2011-06-0006 issued 17 June 2011

“Creating the Steering Committee Defining the Policies for the Commencement of Retail Competition and Open Access”

Purpose and Objectives

- Review existing rules and procedures on RCOA;
- Develop and recommend policies to implement systems and process needed to govern the RCOA transactions;
- Timelines and Action Plan to ensure the smooth transition to full competitive environment;
- Provide a forum for any recommendations on all pertinent rules and guidelines; and
- Formulate an information and education campaign about the RCOA.

RCOA Steering Committee

Composition

- Department of Energy (DOE) - Chairman
- Department of Finance
- National Electrification Administration (NEA)
- National Grid Corp. of the Philippines (NGCP)
- National Power Corporation (NPC)
- National Transmission Corporation (TransCo)
- Philippine Electricity Market Corp. (PEMC)
- Power Sector Assets & Liabilities Management Corporation (PSALM)
- Philippine Economic Zone Authority
- Energy Regulatory Commission (ERC) confirmed to participate in all the SC meetings





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RCOA Steering Committee

- Created Technical Working Groups during the 1st Steering Committee Meeting on July 8, 2011

Risk Management

headed by DOE
Undersecretary Atty.
Josefina Patricia M.
Asirit

Finance

headed by PSALM
President Emmanuel R.
Ledesma, Jr.

Technical Assessment

headed by TransCo
President Rolando T.
Bacani



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Highlights of the RCOA TWG/Stakeholders' Concerns and Recommendations (Preliminary Results)



Highlights of Concerns and Recommendations

Concern:

Viability of 26 December 2011 commencement

Technical Working Groups:

Deferment of commencement

Stakeholders:

- *defer either by 2 years or to a viable date which ensures the policy and operational success*
- *Various agencies created for the RCOA such as the CRB and Net Settlement agent are not yet organized*
- *Insufficient time to conduct comprehensive analysis which the change in operating environment requires*
- *Postponement will allow CCs to engage in more detailed preparations*
- *Defer the implementation until governing rules and regulations are properly evaluated*



Highlights of Concerns and Recommendations

Concern:

Design/Framework

Technical Working Groups:

- *whether RES and contestability will be mandatory*

Sec. 31 stipulates “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”

- *whether the wholesale and retail market will be handled separately*
- *Establishment of CRA/CRB, Settlement Agent and B2B*



Highlights of Concerns and Recommendations

Concern:

Establishment of the B2B infrastructure system

Technical Working Groups:

- *Need clear guidelines/direction to consider:*
 - ✓ *Source of fund*
 - ✓ *mechanism for recovery and sustainable operations*
 - ✓ *Estimated completion in 12 months*
 - ✓ *Designated CRA to establish the B2B*



Highlights of Concerns and Recommendations

Concern:

Contestable customers' (CCs) difficulty in securing supply contracts with no price offers from RES

Technical Working Groups:

- RES shall be obliged to publicly make known its offer prices*
- ERC should require the RES to submit its price/rates offer and publish the same in the ERC website for reference*



Highlights of Concerns and Recommendations

Concern:

Metering Issues

Technical Working Groups:

- *Metering standards and protocol should be developed to address among others:*
 - ☑ *Synchronized meter reading*
 - ☑ *Disconnection protocol for two or more customers connected in one line*
 - ☑ *Compliance*
 - ☑ *Appropriate accounting and settlement of energy transactions*
- *Compliance of DU/contestable customers to the Distribution Code requirement on the installation of dedicated circuit breaker*
- *DOE to issue policy to pursue competitive metering services subject to cost-benefit analysis*
- *period of availability of historical metering data should be prescribed so as not to unduly burden the contestable customer.*



Highlights of Concerns and Recommendations

Concern:

Accounting, Billing and Settlement

Technical Working Groups:

Recommend to develop ABS Manual to consider among others:

- Schedule and frequency of data submission*
- settlement process between the RES and the Contestable Customer vis-a-vis the WESM*
- Preparation of settlement*
- Payment of settlement amount*
- Prudential requirements or security deposits*
- timetable of settlement statement*
- procedures and resolution of disputes*



Highlights of Concerns and Recommendations

Concern:

Accounting, Billing and Settlement

Technical Working Groups:

Since there will be additional direct WESM participants, the imbalances should be fully accounted under the B2B system, i.e., the responsible entity that should be charged.

Stakeholders:

*There should be an accurate, transparent and timely accounting of the energy quantity injected into the DU system and their attendant cost
Schedule and frequency of data submission*



Highlights of Concerns and Recommendations

Concern:

RES/Customer Delinquency/Default

Technical Working Groups:

- *Security Deposit required from RES and customer to cover supply, transmission/ distribution wheeling service*
- *Reduction of two months deposit to one month as required for CCs under SOLR considering that the SOLR service is temporary*
- *Establish disconnection policy/guidelines*
- *Sanctions and penalties for delinquent RES e.g. revocation and non-renewal of license*



Highlights of Concerns and Recommendations

Concern:

Contestability

Technical Working Groups:

- *EPIRA Section 31 stipulates “ERC shall allow all qualified customers to be contestable”*
- *Contestability is a choice*

Stakeholders:

- *EPIRA says “ERC shall allow”*
- *Customers say they want to remain captive*



Highlights of Concerns and Recommendations

Concern:

Pricing issues

Technical Working Groups:

- *RES shall be obliged to offer prices to contestable customers.*
- *ERC should require the RES to submit its price/rates offer and publish the same in the ERC website for reference*
- *Benchmark prices should be established/published for reference of contestable customers e.g. cost of Best New Entrant*
- *Safeguards should be in place to ensure that captive customers will not be left with higher power cost when all least-cost generators are already contracted*
- *RES pricing should be subject to random review and should be transparent*
- *Cross-subsidization – need for transparent cost allocation between the DU's regulated and unregulated business*
- *ERC/NEA to study/simulate impact to captive customers*



Highlights of Concerns and Recommendations

Concern:

Management of contracts

Technical Working Groups:

- *Minimum/maximum Term of Contracts should be provided*
- *IEC/Training to assist customers in optimal supply contracting*
- *Validity of existing contracts*



Highlights of Concerns and Recommendations

Concern:

Supplier of Last Resort

Technical Working Groups:

- *Criteria for the designation of SOLR should be clear*
- *Additional premium should be suspended during the transitory period.*
- *The designation of a SOLR (by its very nature) should not preclude the entry of other entities such as other RES to supply the demand of said customer.*
- *The existing DU of the Contestable Customer shall serve as the SOLR in case the CC fails to make a choice.*



Highlights of Concerns and Recommendations

Concern:

Cross-ownership

Technical Working Groups:

- *Compliance on full disclosure of ownership/control in the different sectors should be ensured (Generators, System Operator, Distribution Utilities, RES, MSP, IMO)*



Highlights of Concerns and Recommendations

Concern:

Access to and transparency of information

Technical Working Groups:

- *ERC requirements for provision of information should be time-bound*
 - ☑ *List of qualified RES, SOLR, and Local RES*
 - ☑ *List of qualified contestable customers*
 - ☑ *Provision of information (e.g. Load data) to contestable customers, creditworthiness of RES*
 - ☑ *Suggest for dissemination to take place 60 days prior to commencement*
- *Determine extent of data dissemination to address confidentiality of information*
- *Provision for relevant entity i.e. For Policy making purposes and regulatory oversight*



Highlights of Concerns and Recommendations

Concern:

Status of regulatory approvals and preparations

Technical Working Groups:

- *set definite timelines for the ECs' and ERC's approval of ACAM and BSUP and to provide the necessary seminar for the ECs to help ensure compliance to these requirement*
- *Review of ERC issued guidelines to ensure responsiveness to the current market environment*

Stakeholders:

- *ERC to facilitate resolution of BSUP and ACAM*
- *Review of ERC issued guidelines to ensure responsiveness to the current market environment*
- *Rules and guidelines should be properly evaluated*



Highlights of Concerns and Recommendations

Concern:

Readiness of Stakeholders

Technical Working Groups:

- *ERC's info campaign should not be limited to the CCs*
- *Conduct of workshop with DUs, particularly on the impact of open access to its operations and the captive markets' electricity charges*
- *RCOA-SC IEC*

Stakeholders:

- *Request for the conduct of more IECs*



Highlights of Concerns and Recommendations

Concern:

Establishment of Central Registry Administrator/Central Registry Body

Technical Working Groups:

- *Designate an independent third party*
- *mechanism for selection/designation of the said entity should be clear to ensure check and balance*
- *Consider sustainability of the CRA operations*
- *PEMC can be CRA/CRB having the technical advantage and preparatory study on RCOA integration in the WESM*

Stakeholders:

- *CRA/CRB should be identified to start the preparation of the B2B*



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Survey Results

(as of 20 October 2011)

- *Total of 80 out of 300 respondents submitted 52.5 % PEZA locators and 47.5% non-PEZA*
- *Expectations for RCOA*
 - ☑ 86.3% expects lower price
 - ☑ 86.3% expects better services
 - ☑ 82.7% expects more transparent and efficient transactions
 - ☑ 91.3% expects availability of more suppliers
 - ☑ 82.5% expects more reliable power supply



Next Steps..

- RCOA SC TWGs to finalize recommendations
- Presentation to Steering Committee/DOE
- Submission to JCPC
- Conduct of IEC nationwide



End of Presentation

THANK YOU!!!

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