



Updates on Energy Regulatory Framework

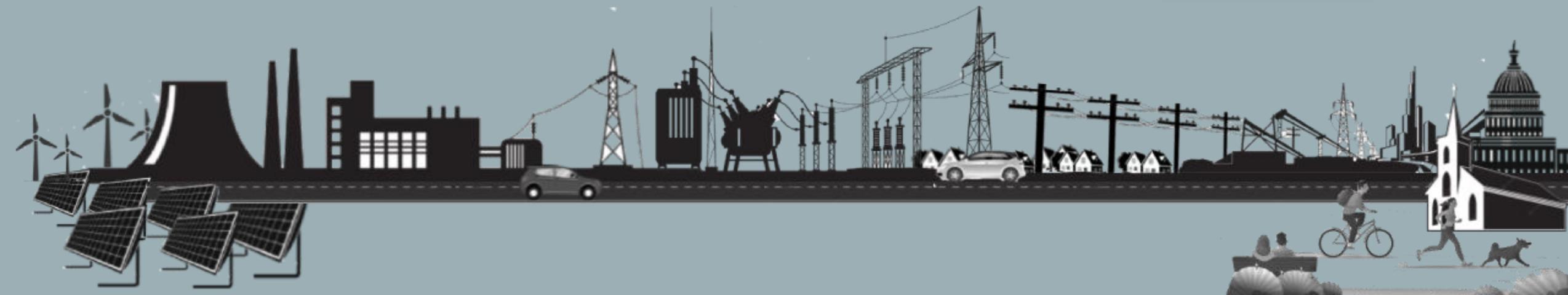
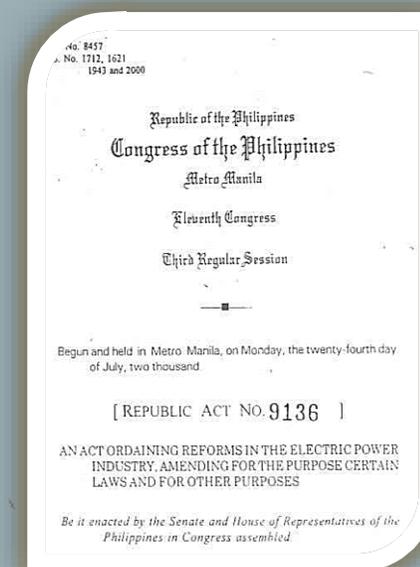
ATTY. MONALISA C. DIMALANTA
ERC Chairperson and CEO

28 October 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

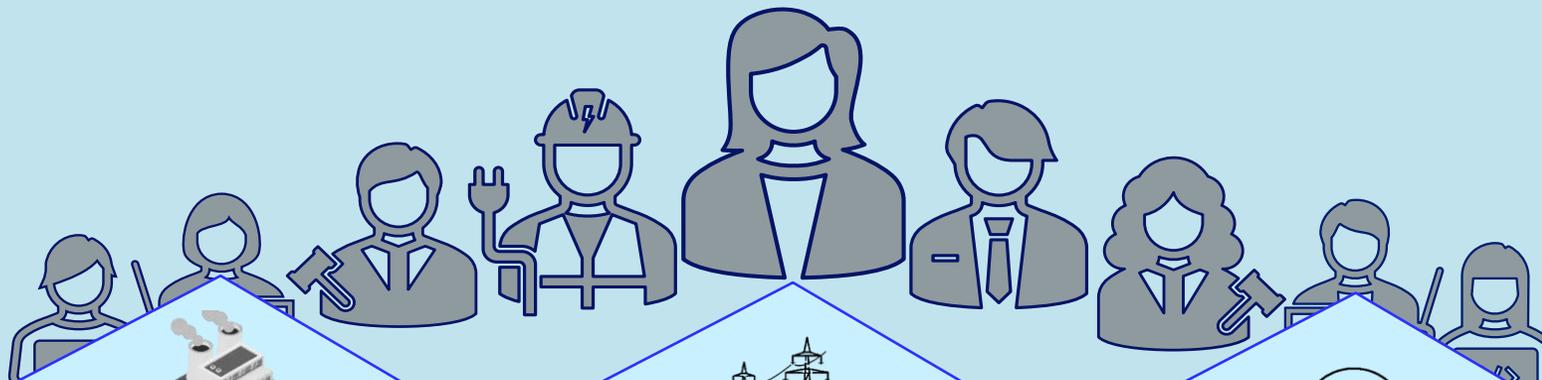
(EPIRA, SECTION 43)

**Promote
competition**

**Ensure
customer
choice and
protection**

**Encourage
market
development**

**Penalize
abuse of
market
power**




227 Generation Companies
581 Power Plants
 286 On Grid
 295 Off-Grid



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



376 WESM Participants
 288 intervals per day in 5 minute-market



142 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

₱630 Billion
Industry

₱7.6 Trillion
 2020-2040
 Philippine Energy Plan
 Target Investments

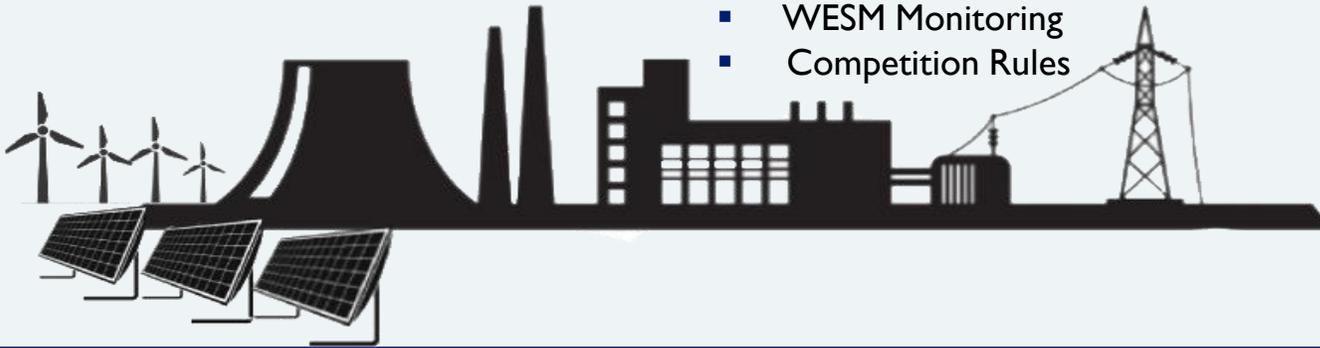


Sectoral Functions



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



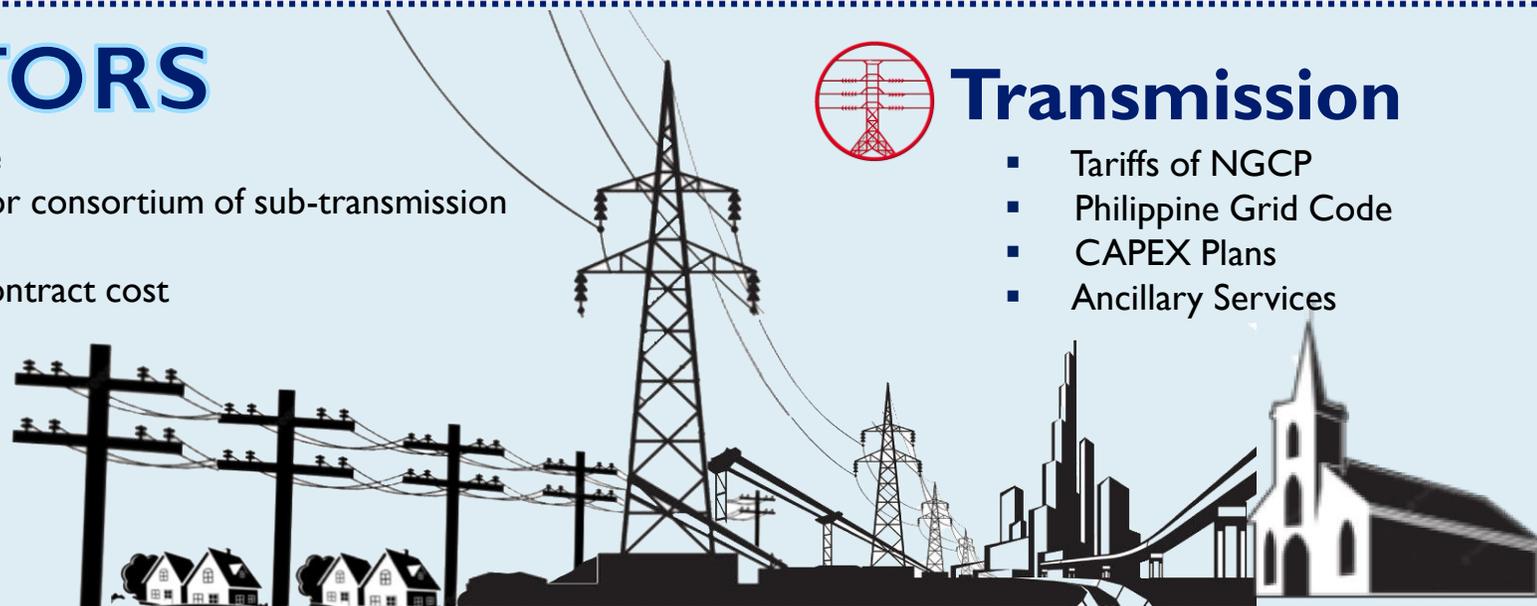
Distribution

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



Transmission

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



Regulatory Framework for each Sector



Competitive Sector

Generation (160+)

- NPC: Return on Rate Base Methodology
 - NPC On Grid (Time of Use Rates)
 - NPC Off Grid (TCGR, SAGR and UCME)
- WESM: Price Determination Methodology
- Feed-in-Tariff (FIT)
- Green Energy Auction Program (GEAP)

Competitive Sector: WESM



ERC CASE NO. 2017-042 RC promulgated on 29 December 2020 **PRICE DETERMINATION METHODOLOGY (PDM)**

This PDM Manual set outs the mechanism for determining the prices and settlements in the Philippine WESM. The PDM contained in the WESM Rules is required by the EPIRA to be approved by the *Energy Regulatory Commission (ERC)*



MARKET TRANSACTION FEES

Based on Commission ruling in its Decision dated 22 June 2006, the total amount of approved Market Transaction Fees shall be apportioned among the generators according to the volume traded by each. Allocations are to be calculated on a monthly basis using the following formula:

$$\text{Market Transaction Fee Rate} = \frac{\text{Total Annual Market Transaction Fee (PhP)/12}}{\text{Total Actual Generated Metered Quantity (kWh)}}$$



ERC Resolution No. 7 Series of 2019 promulgated on 23 October 2019 **A Resolution Adopting Amendments to the Rules for the Distribution of Net Settlement Surplus (2019 NSS RULES)**

NSS PRINCIPLES: Due to the nature of nodal pricing, a surplus (NSS) or deficit (NSD) may arise after all market transactions have been accounted for.

• Total amount to be collected by the MO from customers for energy transactions in the market

$$\text{NSS} = \text{Collectibles} - \text{Payments}$$

• Total amount to be paid by the MO to the generators for energy transactions in the market

Regulatory Framework: Market Suspension/Resumption



ERC Resolution No. 12 Series of 2018 promulgated on 29 May 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 (MS/MI)

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 1. 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 Framework for each Sector



Regulated Sector

Transmission (1 – NGCP)

- Performance-Based Regulation (PBR)
- Ancillary Services Contracts

Distribution (142)

- Private Distribution Utilities (20)
 - IPPs: Review of bilateral contracts
 - Passed-on Rate to captive customers
 - Performance-Based Regulation (18)
 - Return On Rate Base (2)
- Electric Cooperatives (122)
 - IPPs: Review of bilateral contracts
 - Passed-on Rate to captive customers
 - Cash-Based Methodology (Off-Grid) (22)
 - Cash-Based Methodology (On-Grid) (1)
 - Benchmarking Methodology (On-Grid) (99)

Rate-Making Methodologies – Regulated Sector



Cash Based

Return on Rate Base (RORB)

Performance-Based Ratemaking (PBR)

- Rules for Setting Transmission Wheeling Rates (RTWR)
- Rules for Setting Distribution Wheeling Rates (RDWR)
- Rules for Setting Electric Cooperatives' Wheeling Rates (RSEC-WR)
- *“...principle of full recovery of prudent and reasonable economic costs incurred or such other principles that may promote efficiency...”*

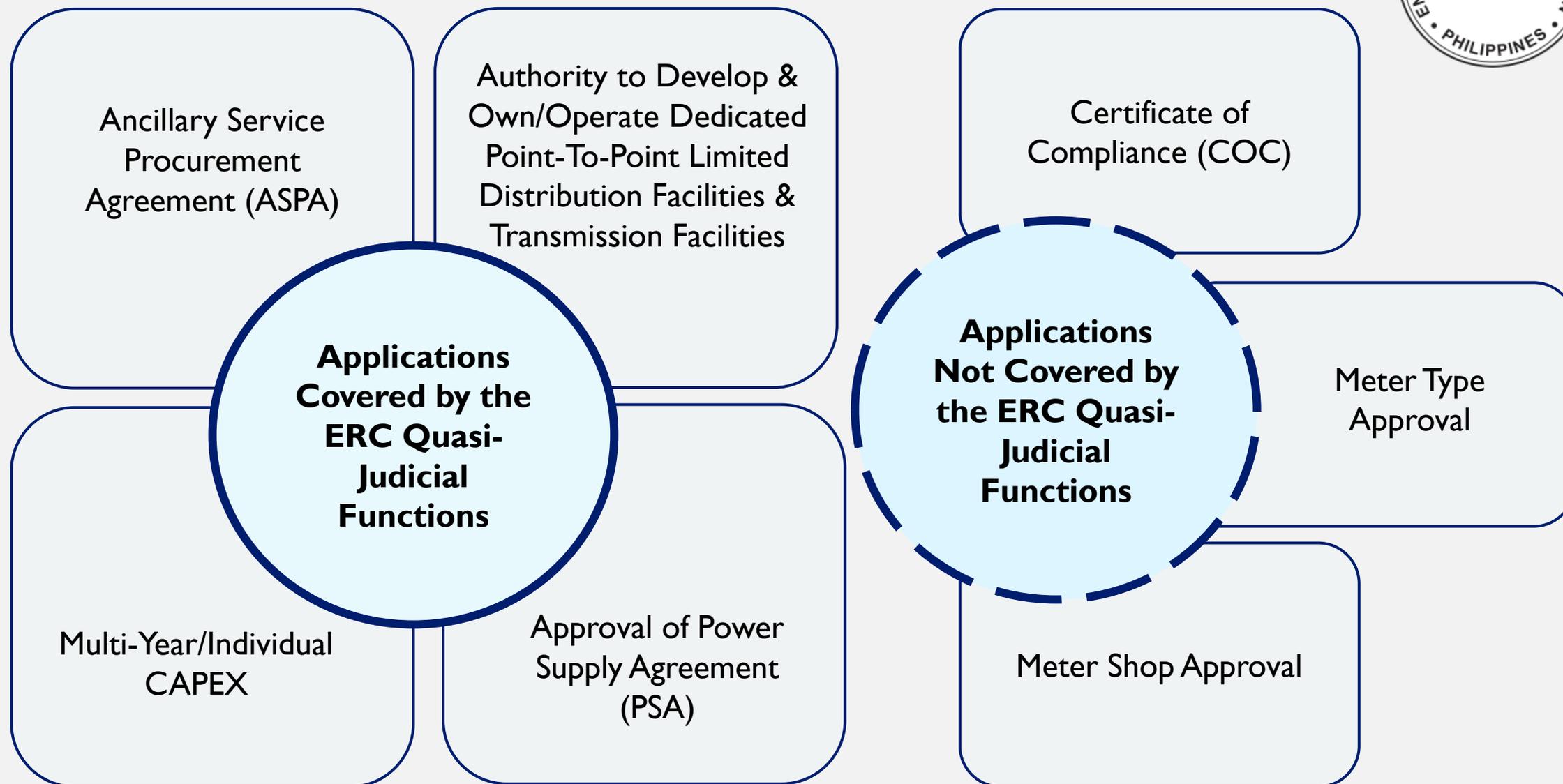
Recent Issuances as of 19 October 2022



Notice of Resolutions for the following was released on 29 Sept 2022:

1. **ERC Case No. 2021-061 RC (2022 FIT-All)** entitled “In the Matter of the Application for Approval of the Feed-in Tariff Allowance for Calendar Year 2022 Pursuant to the Guidelines for the Collection of the Feed-in Tariff Allowance and Disbursement of the Feed-in Tariff Allowance Fund, with Prayer for Provisional Authority”
 2. **ERC Case No. 2020-020 RC (2021 FIT-All)** entitled “In the Matter of the Application for Approval of the Feed-in Tariff Allowance for Calendar Year 2021 Pursuant to the Guidelines for the Collection of the Feed-in Tariff Allowance and Disbursement of the Feed-in Tariff Allowance Fund, with Prayer for Provisional Authority”
 3. **ERC Case No. 2018-004 RM (2022 Amended RTWR)** entitled “A Resolution Adopting the Amended Rules for Setting Transmission Wheeling Rates
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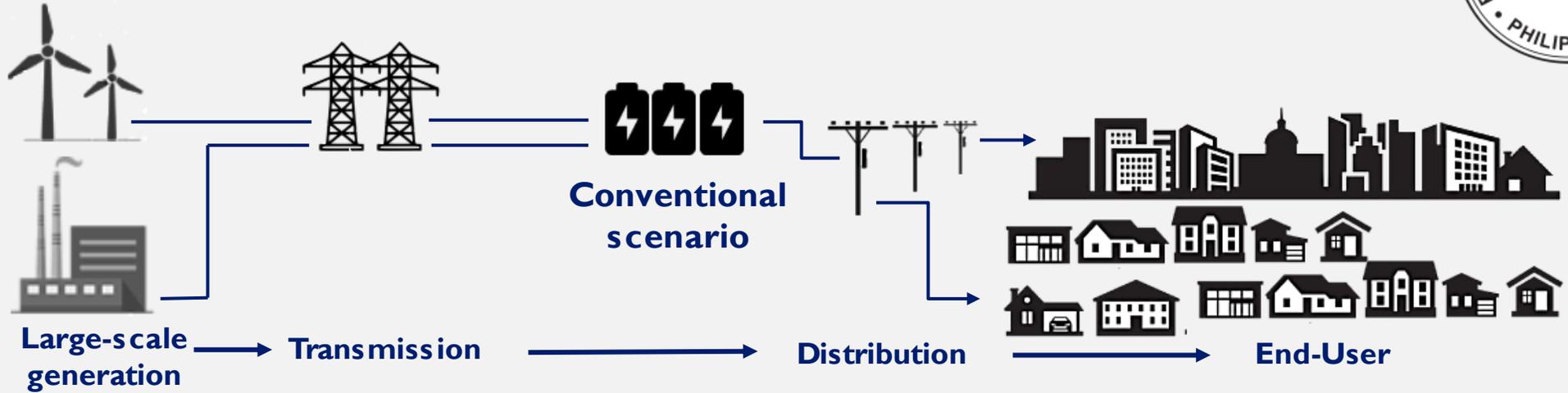
EVOSS Seven (7) Processes



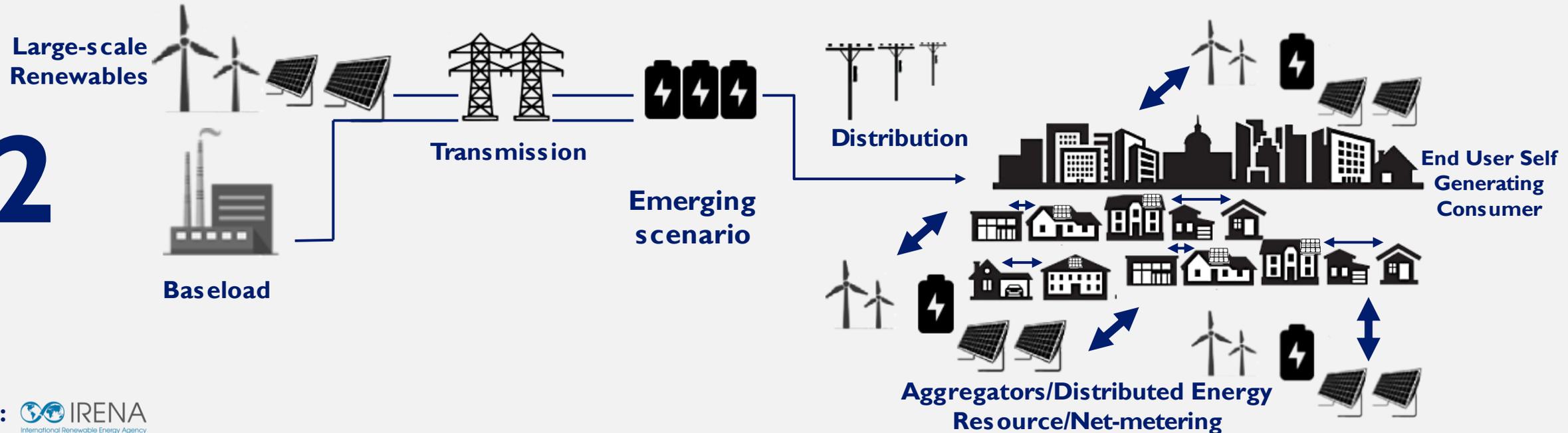
Evolving Energy Industry



1



2



MAJOR TARGETS FOR FY 2023



Restructuring for enhanced efficiency in governance



- Immediate Organizational Capacity Assessment and Workforce Planning
- Strict compliance with Energy Virtual One Stop Shop (EVOSS) Law and Ease of Doing Business Act in all ERC processes
- Shorter timelines for processing of non-EVOSS permits, licenses and cases
- Complete pending ISO Certification applications
- Pursue digital transformation in ERC operations

MAJOR TARGETS FOR FY 2023



Least cost pricing towards affordability



- Review and update parameters of DU compliance with “least cost” supply obligation
- With DOE, initiate review of Competitive Selection Process (CSP) Policy to include, among others, Technical Standards and pricing parameters
- Review and revise framework on: (a) Universal Charge – Missionary Electrification towards a more sustainable and viable program, and (b) recovery of systems losses
- Pursue Regulatory Reset exercise for Distribution Utilities
- Complete Regulatory Reset exercise for the National Grid Corporation of the Philippines

MAJOR TARGETS FOR FY 2023



Supporting the quest for Energy Security



- To increase capacity: (a) strict observance of the EVOSS and non-EVOSS timelines for processing of permits, including licenses/registrations for increased activity in the contestable market, (b) timely approval and monitor implementation of NGCP projects to ensure grid readiness for new/additional capacity
- To increase reliability: review/updating of standards with stakeholders and adoption of digital solutions for more effective implementation of: (a) the Indices on Power Interruption Duration and Frequency, and (b) Reliability Indices of the NGCP and the Generation Companies

MAJOR TARGETS FOR FY 2023



Adopting Regulatory Framework for New Technologies to Support Energy Security

- Promulgate the Rules on the Offshore Wind Technology
- Promulgate the Rules on Net-Metering for Off-Grid
- Establish the Regulatory Framework for Energy Storage Systems
- Establish the Regulatory Framework for Electric Vehicle frameworks
- Provide Technical and Service Performance Standards for Micro-Grid System



MAJOR TARGETS FOR FY 2023



Advancing consumer empowerment



- Full-scale implementation of the Green Energy Option, Net-Metering, Retail Aggregation Program, and update the Green Energy Auction Rate Price for next auction round
- Promulgate the Distributed Energy Resource Rules
- Promulgate the Competitive Retail Electricity Market Rules with emphasis on the new Res Licensing Requirements and Rules on Customer Switching to boost Consumer Choice
- Full implementation of the Consumer Complaints E-ticketing system



Thank you!



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