

39th Electric Power Industry Reform Act (EPIRA) Implementation Status Report

(For the Report Period October 2021)

Prepared by the
Department of Energy

With Contributions from

Energy Regulatory Commission
Philippine Electricity Market Corporation
National Power Corporation
National Electrification Administration
Power Sector Assets and Liabilities Management Corporation
National Transmission Corporation



TABLE OF CONTENTS

I. EXECUTIVE SUMMARY.....	2
II. PRIVATIZATION.....	4
A. Generating Assets and Independent Power Producer (IPP) Contracts	4
B. Other Disposable Assets	5
C. Disposal of Other Disposable Assets	8
D. Privatization Proceeds	9
E. Concession of the National Transmission Network	10
F. Sale of Sub-Transmission Assets (STAs)	10
III. PSALM LIABILITY MANAGEMENT.....	12
IV. ELECTRICITY RATES.....	14
V. COMPETITION.....	29
B. Updates on WESM Governance Activities.....	31
C. Market Development Updates	42
D. Retail Competition and Open Access (RCOA)	43
E. Generating Capacity Market Share and Concentration	48
VI. POWER SUPPLY SECURITY AND RELIABILITY.....	52
VII. TOTAL ELECTRIFICATION.....	71
VIII. PROMOTION OF RURAL ELECTRIFICATION.....	80
IX. POLICY DEVELOPMENT AND MEASURES.....	84
X. INFORMATION, EDUCATION AND COMMUNICATION (IEC) CAMPAIGN ON EPIRA IMPLEMENTATION.....	86
XI. LEGISLATIVE MEASURES ON EPIRA IMPLEMENTATION.....	86

ANNEXES

Annex 1. TransCo Inspection Report Based on Concession Agreement.....	91
Annex 2. NGCP Related Petitions to ERC.....	93
Annex 3. ERC-Approved Capital Expenditure Projects.....	100

I. EXECUTIVE SUMMARY

The 39th Status Report on Republic Act No. 9136 titled “Electric Power Industry Reform Act (EPIRA) of 2001” covers the implementation period May 2021 to October 2021. This highlights significant accomplishments, strategies and policies undertaken by the Department of Energy (DOE), the Energy Regulatory Commission (ERC), the DOE Attached Agencies as well as other private sector instrumentalities mandated by the EPIRA.

Following are the significant accomplishments and developments in the power sector through the DOE, its attached agencies and the private sector, as mandated under the EPIRA:

1. The Power Sector Assets & Liabilities Management Corporation (PSALM) marked two (2) milestones in the implementation of Republic Act No. 9136. These were the successful conduct of the completion of the turnover of the Malaya Thermal Power Plant and its underlying land to the winning bidder, Belgrove Power Corporation and the negotiated sale of the Paco-Manila Property with the winning bidder, Manila Electric Company (MERALCO).
2. On 26 June 2021, DC2021-06-0015 was issued, declaring the Commercial Operation of the Enhanced WESM Design Operations (EWDO) and WESM in Mindanao. Alongside this DC is an Advisory dated 21 May 2021 providing that the WESM Central Scheduling shall be implemented from the period 26 to 25 July 2021. During the said period, energy transactions in Mindanao shall be settled by the trading participants with their counterparties in accordance with their Power Supply Agreements. Thereafter, actual commercial operations shall take place and the posting of Prudential Requirements for three (3) months and compliance to Dispatch Conformance Standards shall be observed. However, due to low level of registration of intended Mindanao market participants, which is 28 out of 91 as of 23 July 2021, the target commercial operation on 26 July 2021 was deferred. The DOE issued an Advisory dated 24 July 2021 for the Extension of Central Scheduling on 25 July 2021, upon evaluation of the report submitted by Independent Electricity Market Operator of the Philippines (IEMOP) with a recommendation for the deferment of the commercial operation.
3. In the first three quarters of 2021, the Philippines' total non-coincident peak demand reached 15,942 MW, which is 299 MW or 4.3% higher than the peak demand in 2019. This increase in demand can be greatly attributed to the gradual opening of the industry through the continuous effort on vaccination to prevent the spreading of COVID-19.
4. In terms of the market share limitations as provided in Section 45 of the EPIRA, it remained that no power generation entity has exceeded the installed generating capacity and market share limitation of 30% per grid and 25% for the national grid. The country's electricity market reflected a moderately concentrated market, as measured by Herfindahl Hirschman Index, indicating the level of competitiveness of the power industry in the country;
5. For the report period, there was a recorded increase of 40% on the number of registered Contestable Customers (CCs) as compared from September of 2020. Ninety percent (90%) of the Contestable customers are located within Luzon and 76% of the total number of CCs are currently being served by MERALCO as Distribution Utility. While NGCP served the two (2%) percent accounting for 34 Directly Connected CC. In retail market performance, MERALCO holds the greatest number of CCs and the largest share of energy sales. The average metered quantity from March 2021 to June 2021 is 1,573 GWh of which 102% of the contracted energy (bilateral contract). Spot market contracts obtained negative contract quantity with an average of -27 GWh from March 2021 to June 2021.
6. In terms of electricity pricing for the retail market as of March 2021, the country's average electricity rate was around PhP8.12/kWh, PhP0.06 centavos lower compared with December 2020 national average systems rate.

7. For the report period, the household electrification level of the country is estimated at 94.94% based on the latest status of energization provided by the National Electrification Administration (NEA) for the ELECTRIC Cooperatives (ECs), LGUOUs and PIOUs as of June 2021. Said level corresponds to 24.57 million energized HHs out of 22.98 million identified and targeted HH population based from the 2015 Census of the Philippine Statistics Authority (PSA).
8. The DOE promulgated nine (9) policies pertaining to Adoption of Further Amendments to the WESM Rules and Market Manual on Protocol for Central Scheduling and Dispatch of Energy and Contracted Reserves for the Effective Implementation of Enhanced WESM Design and Operations, Adoption of Further Amendments to the WESM Rules, Retail Rules and Various Market Manuals for the Implementation of Enhancements to WESM Design and Operations (Provisions to Promote Participation in the Retail Competition, Adoption of General Framework Governing the Test and Commissioning of New Generation Facilities for Ensuring Readiness to Deliver Energy to the Grid or Distribution Network, Declaration the Commercial Operations of Enhanced Wholesale Electricity Spot Market (WESM) Design and Providing Further Policies, Adoption of Further Amendments to the Wholesale Electricity Spot Market (WESM) Rules and Market Manuals on Metering for the Implementation of Enhancements to WESM Design And Operations (Provisions for Metering Services Provider Performance, Metering Standards and Site-Specific Loss Adjustments, Adoption of Further Amendments to the Wholesale Electricity Spot Market (WESM) Market Manual on the Constraint Violation Coefficients and Pricing Re-runs), Adoption of Further Amendments to the Wholesale Electricity Spot Market (WESM) Rules for the Operation of the Renewable Energy Market, Providing Policies for the Adoption of the Wholesale Electricity Spot Market (WESM) Penalty Manual for the Implementation of Enhancements to WESM Design and Operations, and Adopting Further Amendments to The Wholesale Electricity Spot Market (WESM) Rules and Its Market Manuals for the Implementation of Enhancements to WESM Design And Operations (Provisions for Market Surveillance, Enforcement and Compliance).

Further to this, the DOE drafted one (1) policy on Adoption of Further Amendments to the Wholesale Electricity Spot Market (WESM) Rules and Various Market Manuals on the Rationalization of Billing Timelines.

II. PRIVATIZATION

A. Generating Assets and Independent Power Producer (IPP) Contracts

On 25 August 2021, the completion of the turnover of the 650-megawatt Malaya Thermal Power Plant (MTPP) and its underlying land to its winning bidder, Belgrove Power Corporation (BPC) was held successfully. The Power Sector Assets and Liabilities Management Corporation (PSALM) received from Belgrove the amount of PhP4.2 Billion as the entire price for the assets in the amount of PhP3.1 Billion and the payment for the fuel inventory remaining in the MTPP in the amount of PhP1.1 Billion. Consequently, PSALM and Belgrove executed the Deed of Absolute Sale concluding the sale transaction for the MTPP and its land.

Prior to the turnover of MTPP to BPC, PSALM duly informed Soosan ENS Co. Ltd of the pre-termination of the Operations and Maintenance Service Contract (OMSC) effective 03 September 2021 or 30 days from receipt of the notice pursuant to Clause 15, Section VI, Schedule of Requirements of the OMSC.

The completion of the sale and the turnover of the Malaya Power Plant to Belgrove mark a major milestone to PSALM's mandate in the implementation of Republic Act No. 9136.

For the remaining generating assets, the latest privatization target is indicated in Table 1.

Table 1. Schedule of Privatization for Generating Assets as of 31 August 2021

Asset Type/ Plant Name	Rated Capacity (MW)	Bid Date	Turnover Date
Owned Generating Plants			
Agus 1 & 2 Hydro	260.00	Privatization is subject to consultation with Congress and PSALM Board's policy direction	
Agus 4 & 5 Hydro	213.10		
Agus 6 & 7 Hydro	273.00 ^{1/}		
Pulangi Hydro	255.00		

^{1/} Capacity increased by 19 MW as a result of Agus VI Units 1 & 2 Upgrading
Source: PSALM

For the selection and appointment of IPP Administrators, the latest privatization target is indicated in Table 2.

Table 2. Indicative Privatization Schedule for the Appointment of IPPAs as of 31 August 2021

Grid	Plant Name	Contracted Capacity (MW)/Energy (GWh)	Commencement of Privatization Process	Turnover Date
Luzon Grid	Casecnan Multi-Purpose Hydro	150.00 MW	4 th Quarter of 2021	2022
	Caliraya-Botocan-Kalayaan (CBK) Hydro	796.63 MW	2022	2023
Mindanao Grid	Mindanao Coal-Fired	200.00 MW	2023	2024

Source: PSALM

While the privatization activity of the 165-megawatt Casecnan Multi-Purpose Project (CMPP) is set in 2022, during the report period, the PSALM Board approved the commencement of procurement for the Operations and Maintenance (O&M) for CMPP. The procurement of an O&M operator will ensure the continuous operations of CMPP upon its turnover from the CE Casecnan Water and Energy Company, Inc. (CE Casecnan), to the Government on 11 December 2021. The engagement of an O&M operator will not only ensure the generation of energy beyond 11 December 2021 but will also allow the continuation of the irrigation component of CMPP.

The National Irrigation Administration (NIA) agreed to allow PSALM to be the one to procure the OMSC. With the concurrence of the Department of Finance and the Department of Energy, PSALM will undertake the procurement of the OMSC pursuant to Republic Act No. 9184 or the “Government Procurement Reform Act.”

On 12 October 2021, PSALM declared Soosan ENS Co. Ltd. (Soosan ENS) as the lowest bidder during the evaluation of bids for the procurement of the OMSC for the Casecnan Hydroelectric Power Plant (CHPP). The next stage is for PSALM to subject the bid of Soosan ENS to the post-qualification process to ensure that all the financial and legal requirements shall be met as indicated in the bidding procedures of PSALM.

The CMPP is covered by a Build-Operate-Transfer (BOT) contract between the NIA and the Independent Power Producer, CE Casecnan. It started commercial operations in 2002 and will expire on 11 December 2021. There is a Power Purchase Agreement (PPA) between NIA and PSALM, whereby NIA will transfer 60% of the ownership of the CMPP to PSALM by the end of the PPA.

The CMPP provides 19 million kilowatt-hour of hydroelectric power per month to supplement the energy supply in the Luzon grid. It also ensures continuous irrigation services to about 139,200 hectares of farmland in Nueva Ecija, Pampanga, Bulacan and Tarlac, amounting to 58.333 million cubic meters per month in accordance with the water protocol prescribed by the NIA.

B. Other Disposable Assets

a.

For the sale of other disposable assets which include real estate and unserviceable assets, waste and junk materials, following are the updates on PSALM’s bidding activities:

1. Disposal of Real Estate Assets (REA) through Option Existence Notice (OEN)

a. Land Underlying Batangas Coal-Fired Thermal Power Plant (BCFTPP)

On 24 August 2021, PSALM sent its letter dated 23 August 2021 to Sem-Calaca Power Corporation (SPPC), transmitting the signed Deed of Absolute Sale for the portion of the Batangas CFTPP land covered by TCT Nos. 055-2019002652, 055-2019002653 NS 055-2019002654 for the execution by SCPC.

2. Disposal of REA through Public Bidding

a. Land underlying the previous site of Manila Thermal Power Plant (MTPP)

On 10 September 2021, PSALM declared the successful conduct of negotiated sale of the Paco-Manila Property. Manila Electric Company (MERALCO) submitted the highest offer, amounting to PhP632.16 Million and was thus declared as the winning party. This offer of MERALCO surpassed the PSALM Board-approved Minimum Offer Price of PhP527.09 Million.

The results of the negotiated sale will be subject to a post-qualification process to ensure that the winning negotiating party indeed meet all the financial and legal requirements indicated in the negotiation procedures.

The other negotiating party was Toplis Solutions. During the evaluation of the eligibility documents, it was determined that Toplis was unable to include one of the required documents, while another document it submitted did not follow the mandated format and wordings.

The Paco-Manila Property consists of eight (8) separate non-contiguous vacant lots, located at Isla de Provisor, Paco, Manila. It has an indicative area of 20,975 square meters. It is situated near the MERALCO Tegen Substation which houses various electrification equipment.

b. Master Planning Diliman Property

On 28 July 2021, PwC Philippines/Isla Lipana & Co. (PwC) presented the updated appraisal report to the PSALM Board with the following instructions:

1. Proceed with the privatization under long term lease; and
2. Delist the Locsin Buildings from NCAA list and include in the scope of site development

The bidding is scheduled in 2022 and the financial closing is in 2023.

c. Puerto Azul Condominium Units and Club Share

On 16 August 2021, the final appraisal reports of Valuemetrics Inc and Asian Appraisal Company Inc. were received by PSALM.

On 25 August 2021, the commencement of next round of sale was approved by the PSALM Board comprising of three (3) stages as follows:

1. Issuance of Offer to Sell (OTS) to qualified Puerto Azul Golf & Country Club (PAGCC) Members for the Club Share;
2. Issuance of Offer to Sell to qualified PAGCC members for the Condo Units and Club Share (if Stage 1 fails); and
3. Conduct of Public Auction (if Stage 2 fails).

On 27 August 2021, PSALM submitted the Agency Appraisal Documents to Commission of Audit (COA).

The issuance of OTS is targeted on 17 September 2021.

d. Mexico Property

On 15 September 2021, PSALM conducted the pre-bid conference as part of the process for the second round of public bidding for its property in Mexico, Pampanga. The bid submission deadline for this asset is set on 20 October 2021 at 2:00 PM, which will be followed immediately by the opening and evaluation of bids.

Two (2) interested parties, namely, Panasia Energy Inc. and Toplis Solutions Inc., participated in this conference.

The Mexico Property consists of 1 lot, which is 50,447 square-meters. It is located within Barangay Lagundi, Mexico, Pampanga, along Jose Abad Santos Avenue and is 2.5 kilometers from the North Luzon Expressway. It is suitable for residential or commercial real estate development.

The PSALM Board approved the minimum bid price of PhP741.33 Million for the Mexico Property.

e. Baguio Property

On 05 May 2021, PSALM in its letter to TRANSCO requested a structural survey plan for the affected areas along the transmission line right-of-way.

On 27 May 2021, PSALM received a letter from the City Government of Baguio informing PSALM of its final offer to purchase the lots located at Sanitary Camp with a total area of 6,332 sq. m.

On 24 June 2021, PSALM wrote NPC requesting for the turnover of the original copies of the Transfer Certificate of Title (TCT) of the Baguio Property.

NPC in its letter to PSALM dated 23 June 2021 that said property has pending civil case before the RTC Branch 61, Baguio City. NPC deferred the matter for turnover pending the resolution of the said case.

On 14 July 2021, PSALM received a letter dated 08 July 2021 from the Office of the City Mayor of Baguio expressing its agreement with the proposed Memorandum of Agreement and deed of transfer and conveyance indicating all the terms and conditions for the proposed sale. NPC is also requested to be the signatory to the proposed MOA to settle the case between NPC and Baguio LGU covering the Baguio City Property.

On 27 July 2021, PSALM reiterated its request to TRANSCO for structural survey plan for the affected areas along the transmission line right of way in its Baguio City Property.

On 23 August 2021, TRANSCO transmitted to PSALM the said sketch plans, narrative technical description and index map.

On 12 August 2021, PSALM sent a reply letter to Mayor Magalong, City Mayor of Baguio City, acknowledging receipt of Mayor Magalong's letter dated 26 July 2021 and informing him of PSALM's position to sell the Baguio Property without prejudice to the pending claim of NPC for back rentals which pertain to years prior to PSALM's decision to sell.

3. Disposal of REA through Other Modes

a. Limay (Housing) Property

On 09 August 2021, PSALM received a letter from Municipal Government of Limal (MGL), informing PSALM of its intent to proceed with the purchase of three (3) lots only covering lot nos. 330-B-4, 330-B-5-A and 322-A, since the other parcels of land have pending cases and will take time to resolve.

On 12 August 2021, DILG wrote PSALM regarding the request of Vice Mayor Richie Jason David of Limay LGU for full support and help in the negotiations with PSALM for the purchase of Limay Housing Property.

On 18 August 2021, PSALM responded to the letter of Vice Mayor David copy furnished DILG and Senator Bong Go reiterating the mandate of PSALM under EPIRA of the disposal of all its assets in an optimal manner, thus PSALM is compelled to sell all its REAs at the minimum negotiated price which should not be lower than the appraised value determined by a third-party appraiser.

On 31 August 2021, PSALM wrote MGL to submit its final offer not lower than the PSALM Board approved MBP in the amount of PhP79.59 Million.

b. Bataan Thermal Power Plant (BTTP) Property

On 18 August 2021, PSALM received the letter from Fort Pilar Energy, Inc. (FPEI) signifying its intent to purchase the Bataan properties as potential site for construction of future generation assets. Consequently, PSALM informed FPEI to participate in the competitive public bidding that will commence in September 2021.

On 25 August 2021, the PSALM Board approved the sale of the Bataan Properties through any of the following options:

1. Transfer to Another Government Agency;
2. Public Bidding; and
3. Combination of both modes.

c. Sucat Property

The negotiation process is pending as the DOTr still has to engage a Government Financial Institution (GFI) to conduct a valuation on the property.

Further, DOTr has reiterated its keen interest to purchase the property in its letter dated 12 August 2021 and requested land-related document to be able to proceed with the engagement of DBP as 3rd party appraiser.

The requested documents were provided to DOTr through a letter dated 26 August 2021. PSALM also informed DOTr that PSALM targets to complete and execute the MOA within the year.

d. Portion of Agus 5 Property

On 14 July 2021, in its letter to PSALM, the Maria Cristina Falls Homeowners Association, Inc. (MCFHAI) submitted its offer in the amount of PhP113,000.00.

On 23 July 2021, in its letter to NPC MinGen, PSALM requested to determine the exact area, boundaries and technical description of the portion of Agus 5 Property that MCFHAI intends to acquire as well as confirmation those identified watershed areas where there is existence of a restriction to sell.

On 25 August 2021, the PSALM Board approved the sale of portion of Agus 5 Property through Public Auction.

PSALM submitted of the Agency Appraisal Documents to COA on 26 August 2021.

The bidding is scheduled on 14 October 2021.

C. Disposal of Other Disposable Assets

The disposal activity covers Other Disposable Assets defined under Section 5.03 of the Manual of Approvals to include, among others, the excluded assets from sold plants (serviceable or unserviceable) such as spare parts, equipment and scrap/junk materials, waste oil from decommissioned plants, items in warehouses and other items from abandoned and completed projects and scrap materials and other disposable items from PSALM-owned generating plants.

The excluded assets are composed of items which were: a) delivered after the Closing Date; b) not listed in the NPC books of accounts i.e., excess construction materials; and c) not included in Schedule A (Purchased Assets) and Schedule B (Excluded Assets) of the corresponding Asset Purchase Agreement (APA) when the power plant was sold to the Successor Generating Company.

On 17 June 2021, PSALM declared failed bidding for Packages 1,2,3, and 4 as no bids were received.

Asset/Package	Location
Package 1: Various junk/scrap from heavy equipment/engine block/engine crankshaft.	Naga Power Plant Complex (NPPC), City of Naga, Cebu.
Package 2: Various retired equipment, used/obsolete spare parts and scrap materials.	Kalayaan Pumped Storage Power Plant (KPSPP), in Kalayaan, Laguna and Caliraya Hydroelectric Power Plant (CHEPP), in Caliraya, Laguna.
Package 3: Various old structures, retired equipment, used/obsolete spare parts and junk/scrap materials.	Makiling-Banahaw Geothermal Power Plant (MGPP) – Philippine Geothermal Production Corporation (PGPC) and Aboitiz Power Renewables, Inc. (APRI) Facilities located in Calauan and Bay, Laguna and Sto. Tomas, Batangas, and items from Calaca Coal-Fired Thermal Power Plant (CCFTPP), stored in Mexico Central Warehouse.
Package 4: Various Ormat Binary equipment &	Bacon-Manito Geothermal Power Plant (BGPP) in Manito, Albay and Tublijon, Sorsogon, Ligao

On 02-04 August 2021, the inventory, inspection and appraisal for package 2 was conducted and accomplished in preparation for the third round of bidding. Similarly for package 3, the inventory, inspection and appraisal were conducted and accomplished on 05, 06, 09-12, and 16-20 August 2021.

D. Privatization Proceeds

As of 31 August 2021, PSALM, through the privatization of generation assets, the transmission business, and the IPP contracted capacities, has generated a total of PhP912 billion. The actual collection to date amounted to PhP669.4 billion as of August 2021, including interest income on placements, were exclusively utilized for the liquidation of financial obligations amounting to PhP676.7 billion as of August 2021.

Table 3. Privatization Proceeds Generation and Collection as of 31 August 2021 (in PhP Billion)

Privatization Assets	Generated	Collected
Generating Assets	165.09	165.09
Appointment of IPPAs	482.50	309.91
Transmission Concession	260.54	190.53
Decommissioned Plants	0.53	0.52
Other Priva-Related	3.36	3.36
TOTAL	912.02	669.41

Source: PSALM

Table 4. Privatization Proceeds Utilization as of 31 August 2021 (in PhP Billion)

Particulars	Amount
Debt Prepayment	57.62
Regular Debt Service	425.66
Lease Obligations	188.57
Subtotal	671.85
Others Privatization-Related Expenses	4.82
TOTAL	676.67
<i>USD1:PhP50.04 (BSP Guiding Rate dated 31 August 2021)</i>	
<i>Source: PSALM</i>	

PSALM utilizes its privatization proceeds to cover maturing obligations such as regular debt service, debt prepayment, IPP obligations, and other privatization-related expenses.

E. Concession of the National Transmission Network

Pursuant to the Concession Agreement (CA) between the Government and the National Grid Corporation of the Philippines (NGCP), Republic Act (RA) No. 9511 or the Franchise Law and the Construction Management Agreement (CMA), the National Transmission Company (TransCo) continues to monitor the performance and compliance of NGCP to these Agreements.

During the report period, the Joint PSALM-TransCo Technical, Regulatory, Financial and Legal Compliance Assessment Team (TRFLAT) is further evaluating the status of NGCP's compliances to be indicated in the second draft of the 2020 Assessment.

On 10 June 2021, PSALM and TRANSCO transmitted to NGCP a joint letter, informing NGCP that PSALM and TRANSCO are amenable to the conduct of virtual meetings and inspections. On the same letter, PSALM and TRANSCO posted an objection to the Concessionaire's position of not sharing documents during the virtual inspection.

A briefer on the Concession Agreement was prepared for reference of the Department of Finance in time for the Meeting with President Rodrigo Duterte on 26 June 2021.

On 19 July 2021, PSALM's letter dated 05 July 2021 was received by NGCP transmitting the Joint PSALM and TRANSCO Assessment of NGCP's Compliance to the CA for CY 2020.

Meanwhile, as provided under CA, NGCP as the sole regulated entity before the Energy Regulatory Commission (ERC) has pending rate cases filed with the Commission. Annexes 1 and 2 show the status of TransCo Inspection Report Based on Concession Agreement and NGCP related petitions to ERC, respectively.

F. Sale of Sub-Transmission Assets (STAs)

The sale of TransCo's sub-transmission assets involves 199¹ sale contracts with 107 interested distribution utilities (DUs), most of which are electric cooperatives. The sub-transmission assets include around 6,990 ckt-km. of mostly 69 kV transmission lines and 865 MVA of substation capacity.

As of 30 September 2021, TransCo has concluded 118 sale contracts with 95 DUs/ECs/consortia amounting to PhP6 billion. These sales cover an aggregate length of 3,858 ckt-kms of sub-transmission lines and 34,430 sub-transmission structures and 835 MVA of substation capacity.

¹ Number of sale packages pertaining to STAs Divestment with updates as of December 2020

Of the 118 sale contracts, 64 contracts with total sale price of PhP4.1² billion have been approved, approved with modification, and disapproved. As of September 30, 2021, nine (9) contracts amounting to PhP373 Million were disapproved/dismissed by the Energy Regulatory Commission (ERC). The rest of the sale contracts are for filing with the ERC or pending approval by the ERC.

Following the EPIRA provision to extend concessional financing to ECs, TransCo implemented Lease Purchase Agreements (LPAs) with an amortization period of 20 years. Of the 118 sale contracts already signed, 81 are mostly under LPAs with 68 ECs/consortia, valued at around PhP4 billion. The remaining 37 involved sales to private DUs/consortia.

² The total ERC approved amount of PhP3.005 Billion is lower compared to the total approved/disapproved/dismissed contract amount of PhP4.074 Billion due to the following reasons:

- a. Exclusion of some assets from the ERC approval due to reclassification from sub-transmission to transmission assets;
- b. The lower amount of valuation was used as basis of the ERC approval;
- c. Exclusion of some assets from the ERC approval since said assets are not yet connected to the sold assets;
- d. Exclusion of some assets from the ERC approval due to decommissioning;
- e. DU withdrawal from the Joint Application pertaining to the divestment of sub-transmission assets; and
- f. The STAs in the sale contract/s should have been sold to a consortium instead of a single DU because the STAs were in a super loop configuration.

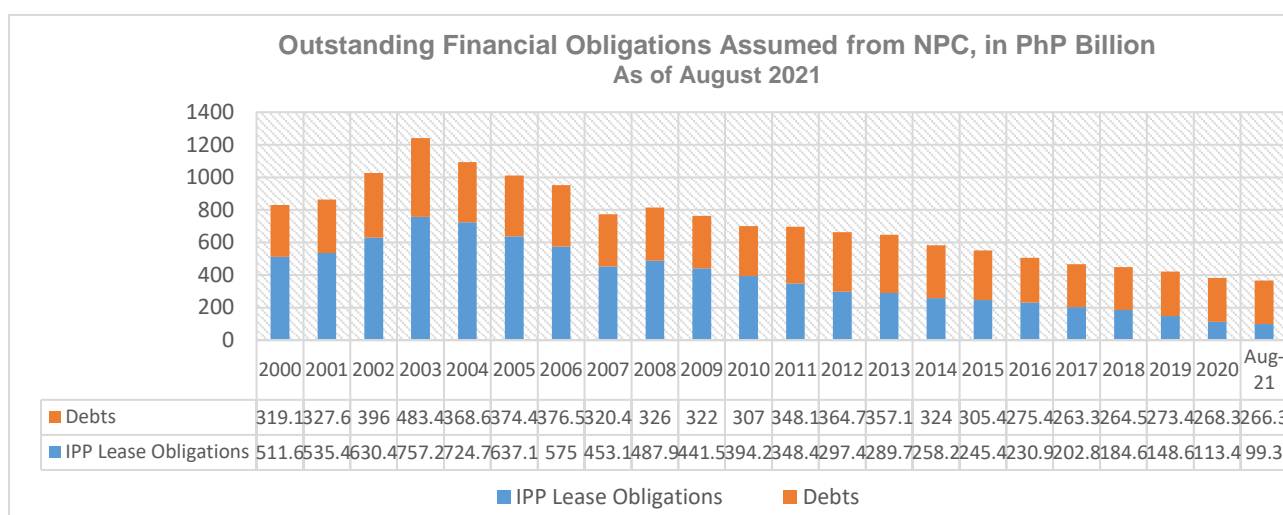
III. PSALM LIABILITY MANAGEMENT

B.

As of 31 August 2021, PSALM's financial obligations were reduced to PhP365.6 billion or a decrease of PhP875 billion from the 2003 level of PhP1,241 billion from 2003 peak level of PhP1.2 trillion. In terms of currency, more than half (59%) of PSALM's Financial Obligations (FOs) is denominated in dollars, amounting to PhP215.8 billion. Peso-denominated FOs of PhP133 billion accounts to 36%, while the remaining FOs amounting to PhP16.8 billion equivalent to 5% is in Japanese Yen.

Figure 1 below shows the movement of the financial obligations of PSALM from 2000 to 31 August 2021.

Figure 1 - PSALM's Outstanding Financial Obligations Assumed from NPC



Source: PSALM

Table 5. Financial Obligations (FOs) as of 31 August 2021

	PhP Equivalent (In Billion)
Debts	266.30
IPP Lease Obligations	99.33
Total	365.63

Source: PSALM

Table 6. Financial Obligations by Currency as of 31 August 2021

Currency	Amount in PhP Equivalent (In Millions)	% to Total
USD	215,781.63	59%
PHP	133,007.94	36%
JPY	16,844.63	5%
Total	365,634.19	100%

Exchange Rates Used: BSP Guiding Rate dated 31 August 2021

USD: PhP 1.00 = 50.04 JPY: PhP 1.00 = 0.4554

Source: PSALM

Debt Financing/Loan Financing

President Rodrigo R. Duterte signed the Special Authority for the PhP43 Billion domestic loan with the Development Bank of the Philippines (DBP). The PhP43 Billion Loan Agreement between PSALM and DBP was signed on 14 May 2020. On the same day, DBP issued the Guarantee Letter for the PhP43 Billion loan.

For the month of June 2021, PSALM settled both Peso and Foreign Currency denominated obligations amounting to PhP737.27 Million and USD69.73 Million, respectively.

On 10 May 2021, on the PhP48 Billion Syndicated Term Loan Facility Agreement with Land Bank of the Philippines, DBP and UCPB, PSALM made its First Availment amounting to PhP21 Billion.

On 12 and 30 July 2021, PSALM settled its debt obligations in the amount of PhP825.9 Million and PhP389.8 Million, respectively. On 06 July 2021, PSALM paid guarantee fees to the Bureau of Treasury amounting to PhP0.26 Billion.

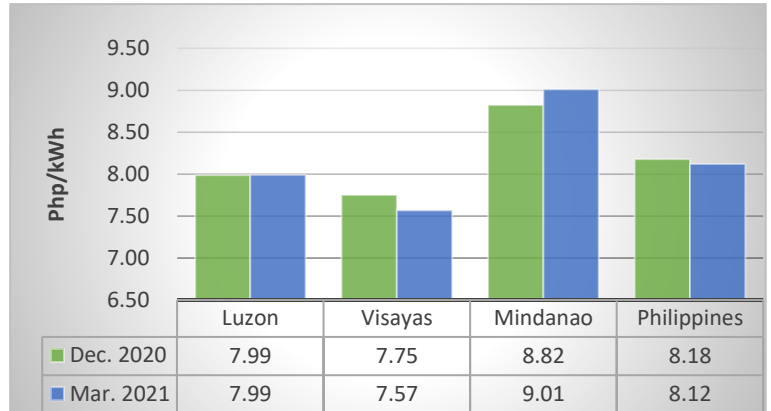
IV. ELECTRICITY RATES

The information contained in the DOE’s EPIRA Reports are intended only to provide the Joint Congressional Energy Committee (JCEC) and the public an idea on the level of electricity prices. The average values are indicative values of available data gathered by the DOE. The relevant movement in prices should be examined more closely on a per utility basis. In this regard, the data cannot be used or attributed directly to the policies being adopted by the DOE.

C. Average Electricity Rates

The country’s average electricity rates as of March 2021 is around PhP8.12/kWh, PhP0.06/kWh lower compared with the December 2020 national average systems rate. The Luzon Grid rate has the same or equivalent value with December 2020 rate which is PhP7.99/kWh. Visayas Grid rate decreased by PhP0.18/kWh from PhP7.75/kWh in December 2020 to PhP7.57/kWh in March 2021, while Mindanao Grid rate increased by PhP0.19/kWh from PhP8.82/kWh to PhP9.01/kWh.

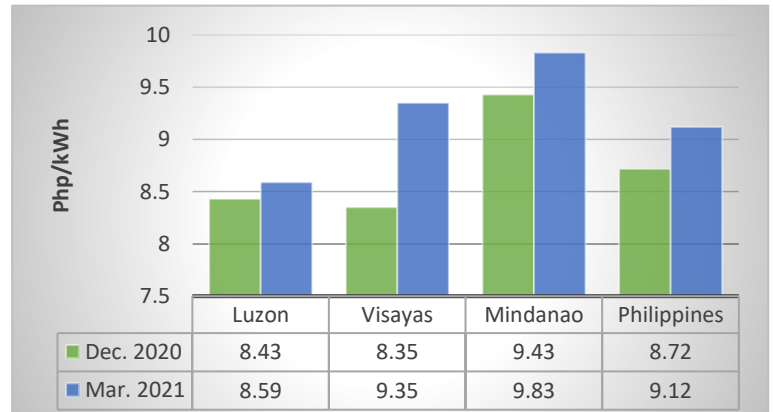
Figure 2 - National Average Systems Rate



Source: NEA and Monthly Operations Report of PDUs

Meanwhile, the ECs’ average systems rate for March 2021 is at PhP9.12/kWh, PhP0.40/kWh higher compared to December 2020 rate. Luzon, Visayas and Mindanao grids, increased in rate by PhP0.16/kWh, PhP1.00/kWh and PhP0.40/kWh, respectively.

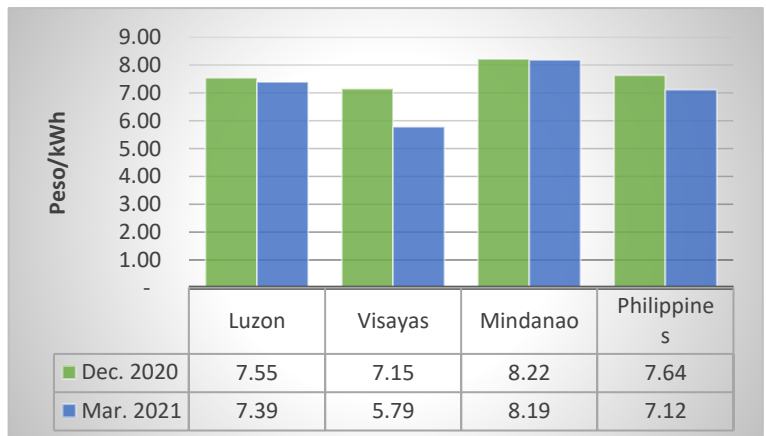
Figure 3 - Electric Cooperatives’ Average Systems Rate



Source: NEA

The national average systems rates of Private Distribution Utilities (PDUs) & Ecozones posted an overall decrease by PhP0.52/kWh from PhP7.64/kWh in December 2020 to PhP7.12/kWh in March 2021. Luzon, Visayas and Mindanao grids posted a decrease in rate by PhP0.16/kWh, PhP1.37/kWh and PhP0.03/kWh, respectively.

Figure 4 - Private Distribution Utilities’ Average Systems Rate



Source: Monthly Operations Report of PDUs

The decrease in rate was due mainly to the activities, programs and initiatives that distribution utilities did to assist consumers to lower the cost of electricity service. Some of the distribution utilities' initiatives in lowering the rate of electricity rate during the time of pandemic are the following: a) coordinated with NGCP to reinstate its power factor discount; b) implemented energy conservation campaign to maintain low system loss cap; c) invoke force majeure provisions in its bilateral contract with power suppliers; d) availed low market price at WESM; e) negotiated with power suppliers for the reduction of capital recovery fee; f) accurate load forecasting for WESM Trading and conducted analysis of the market including daily price curve; g) requested power supplier to suspend portion of CRF in the monthly power bill; h) installed solar power on selected loads; i) coordinated with NGCP for installation of capacitor banks; j) increase of energy sales and supply capacity coming from embedded RE sources; k) ensured prompt payment of obligation to generation power suppliers to avail the 3% PPD so that 50% of such amount be returned to the member-consumer-owners through reduction of rates; and l) negotiated with suppliers during the ECQ to reduce the contracted capacity as needed, among others.

As reflected in Table 7, the ECs' on-grid national average unbundled residential electricity rate for June 2021 was PhP9.88/kWh. Visayas grid has the highest average unbundled residential electricity rates at around PhP10.22/kWh of which generation costs comprise 60.3%. On the average, generation costs comprise the bulk of ECs residential rates at around 59.2% followed by distribution, supply, and metering charges (DSM) at 17.5%.

Table 7. ECs' Unbundled Average Residential Electricity Rates, June 2021

Bill Subgroup	LUZON		VISAYAS		MINDANAO		NATIONAL	
	PhP/kwh	% share	PhP/kwh	% share	PhP/kwh	% share	PhP/kwh	% share
Generation	5.92	60.1	6.16	60.3	5.41	56.4	5.84	59.2
Transmission	0.86	8.7	0.73	7.1	0.87	9.1	0.83	8.4
System Loss	0.73	7.4	0.72	7.1	0.77	8.0	0.74	7.5
DSM ¹	1.70	17.2	1.83	17.9	1.67	17.4	1.73	17.5
RFSC ²	0.38	3.9	0.35	3.4	0.49	5.1	0.40	4.1
Other Charges ³	-0.26	-2.6	0.03	0.3	-0.06	-0.6	-0.10	-1.0
Subsidy Charges ⁴	0.01	0.1	0.06	0.6	0.06	0.7	0.04	0.4
Universal Charges ⁵	0.30	3.1	0.31	3.0	0.30	3.1	0.30	3.0
Other Taxes ⁶	0.21	2.1	0.03	0.3	0.08	0.8	0.10	1.0
Total	9.85	100.0	10.22	100.0	9.59	100.0	9.88	100.0

Source: NEA

¹ Distribution, Supply and Metering Charges

² Reinvestment Fund for Sustainable CAPEX

³ Loan Condonation & PEMC-SPA Charge

⁴ Lifeline & Senior Citizen Subsidy/Discount

⁵ Missionary Electrification, Environmental Charges, NPC Stranded Cost

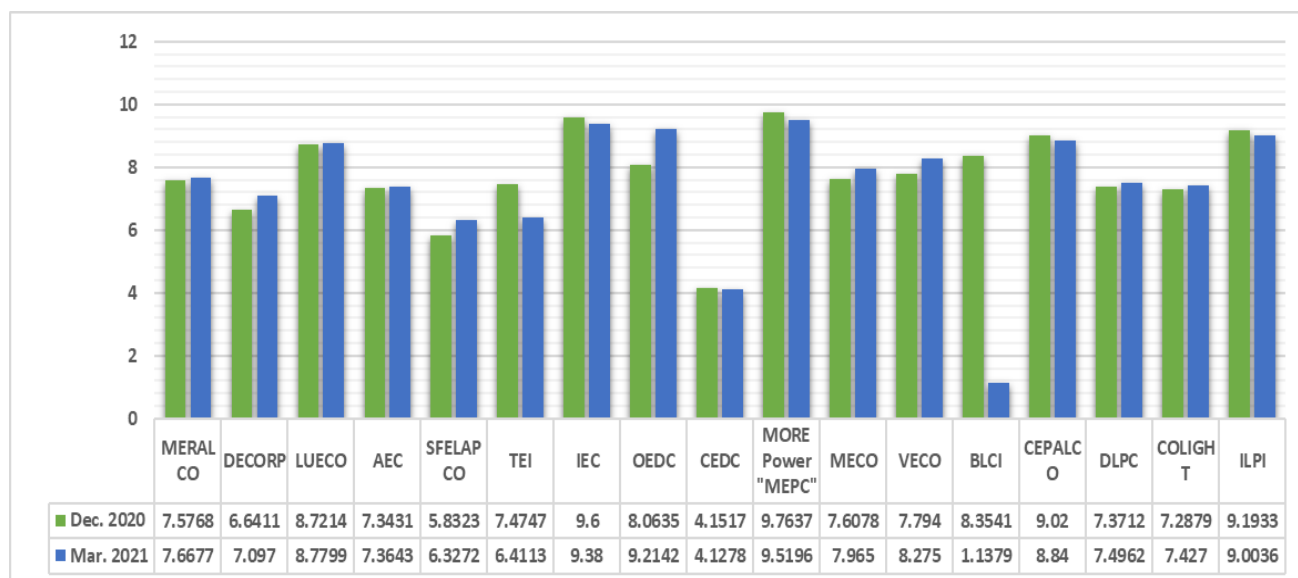
⁶ Local Franchise & Business Taxes, Real Property Tax

Among the Private Investor-Owned Utilities (PIOUs), Ibaan Electric & Engineering Corporation (IEC) in Luzon posted the highest average power rates for the billing month of March 2021 at PhP9.38/kWh followed by Olongapo Electricity Distribution Company, Inc. at PhP9.21/kWh. On the other hand, the lowest average rate was noted for San Fernando Electric Light & Power Company (SFELAPCO) in Luzon at PhP6.33/kWh, higher by PhP0.49/kWh or 8.49% compared to its December 2020 average systems rate. (Please refer to figure 5)

The average electricity rate of MERALCO, the major power distributor utility in the country, slightly grew by 0.09% from PhP7.5768/kWh in December 2020 to PhP7.6677/kWh in March 2021. However, from January to February 2021, MERALCO's average rates moved upward due to higher generation cost driven by tighter supply in the Luzon grid, forced outages of several power plants and maintenance shutdown of Malampaya, due to high IPPs and PSAs charges, lower average dispatch and weakening of peso against the US dollar. While in March 2021, MERALCO's rate was the lowest since August 2017 this was due to a higher share of supply from the Wholesale Electricity Spot Market

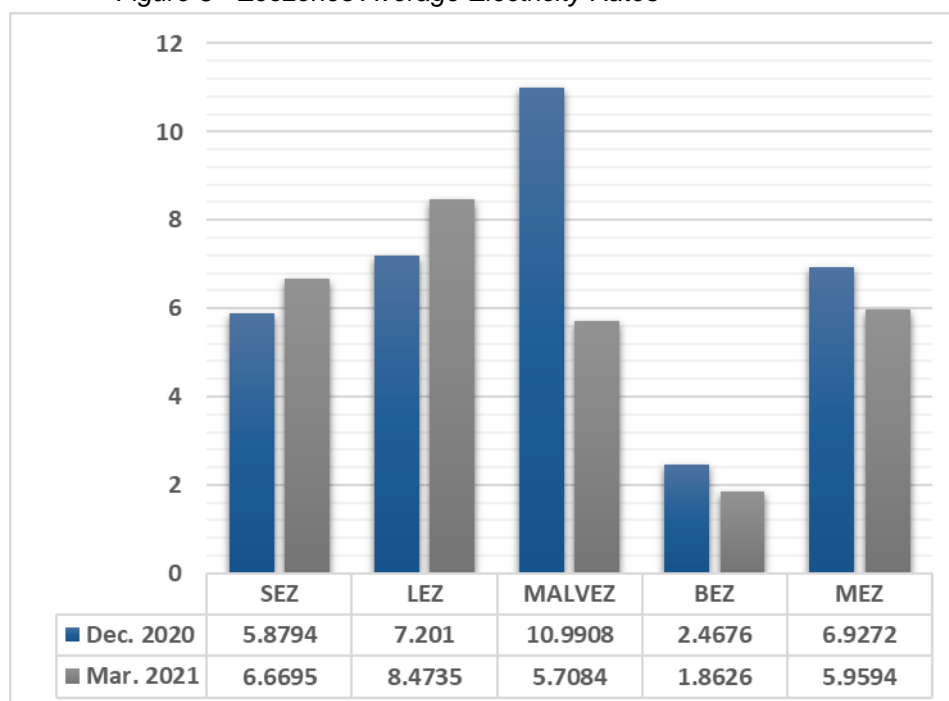
(WESM) contributed to the overall downward adjustment, due to the lower WESM charge offset which increases in costs from PSAs and IPPs.

Figure 5 - Private Investor-Owned Distribution Utilities Average Electricity Rates



Source: Monthly Operations Report of PDUs

Figure 6 - Ecozones Average Electricity Rates



Source: Monthly Operations Report of PDUs

The average electricity rates of Ecozones in March 2021 was recorded at PhP5.73/kWh or 14.35% lower than PhP6.69/kWh in December 2020. The change was affected by the sudden decrease in average rate of Malvar Enerzone (MALVEZ) in March 2021 which was lower by PhP5.28/kWh or 48.06% compared to December 2020. In addition, Lima Enerzone (LEZ) gained the highest average rate while Balamban Enerzone (BEZ) was the lowest in March 2021.

Among the different customer classes, MERALCO has the highest residential electricity rates at PhP9.46/kWh followed by commercial at PhP8.11/kWh and industrial customers with PhP6.83/kWh for the billing month of July 2021.

Table 8. Summary of MERALCO Unbundled Power Rates, July 2021 (PhP/kWh)

Bill Sub-Group	Residential	%	Commercial	%	Industrial	%
Generation	4.88	51.6	4.87	60.0	4.84	70.9
Transmission	0.60	6.3	0.67	8.2	0.54	8.0
Systems Loss	0.49	5.2	0.39	4.8	0.28	4.1
DSM	2.33	24.6	1.18	14.5	0.53	7.7
Cross Subsidies	-0.13	-1.3	0.06	0.7	0.06	0.8
Universal Charges	0.20	2.1	0.20	2.5	0.20	2.9
Gov't Taxes	1.00	10.5	0.66	8.2	0.28	4.2
Fit-All Charges	0.10	1.0	0.10	1.2	0.10	1.4
TOTAL	9.46	100.0	8.11	100.0	6.83	100.0

Source: MERALCO

On the other hand, as shown in Table No. 9, MERALCO's residential rate per consumption level in September 2021 ranged from PhP9.11/kWh to PhP10.32/kWh of which the highest component was generation costs at PhP5.04/kWh. Meanwhile, MERALCO distribution charges for its different residential customer classes comprised 18.4% to 26.7% of the total effective residential rates equivalent to about PhP1.68/kWh and PhP2.75/kWh, respectively. Systems loss charges on the other hand was 38-centavos/kWh.

Meralco's residential rate per consumption level is lower by PhP0.68/kWh compared to its year ago level of PhP8.43/kWh brought mainly by MERALCO's implementation of distribution rate true-up refund brought about by the discrepancies in the actual weighted average tariff and the interim average rate.

Table 9. Summary of MERALCO Residential Unbundled Power Rates as of September 2021 (PhP/kWh)

BILL SUBGROUP	0 to 200 kWh	% Share	201 to 300 kWh	% Share	301 to 400 kWh	% Share	Over 400 kWh	% Share
Generation	5.04	55.4	5.04	53.5	5.04	51.8	5.04	48.9
Transmission	0.68	7.5	0.68	7.2	0.68	7.0	0.68	6.6
System Loss	0.38	4.2	0.38	4.0	0.38	3.9	0.38	3.7
Distribution	1.68	18.4	1.96	20.8	2.24	23.0	2.75	26.7
Subsidies*	0.07	0.8	0.07	0.8	0.07	0.7	0.07	0.7
Government Taxes	0.96	10.5	0.99	10.5	1.03	10.6	1.09	10.6
Universal Charge	0.20	2.2	0.20	2.1	0.20	2.0	0.20	1.9
Fit-All Renewable	0.10	1.1	0.10	1.0	0.10	1.0	0.10	1.0
TOTAL	9.11	100.0	9.43	100.0	9.74	100.0	10.32	100.0

Source: MERALCO

Table No. 10 provides information on generation costs in reference with MERALCO power supply agreements, WESM procurement and the regulated generation costs of PSALM. MERALCO's blended generation costs showed an increasing trend from March 2021 to September 2021 which was due to the increased charges from power supply agreements (PSAs) and independent power producers (IPPs), PSA charges were up due to lower demand, leading to excess energy deliveries, while the lower average plant dispatch led to higher IPP charges. In addition, lower demand in the Luzon grid led to lower Wholesale Electricity Spot Market (WESM) rates. Although in March 2021, MERALCO rates decreased due to the implementation of the distribution rate true-up refund which was due to the discrepancies in the actual weighted average tariff and the interim average rate which will be given within two years starting March 2021.

Table 10. MERALCO/PSALM Generation Costs

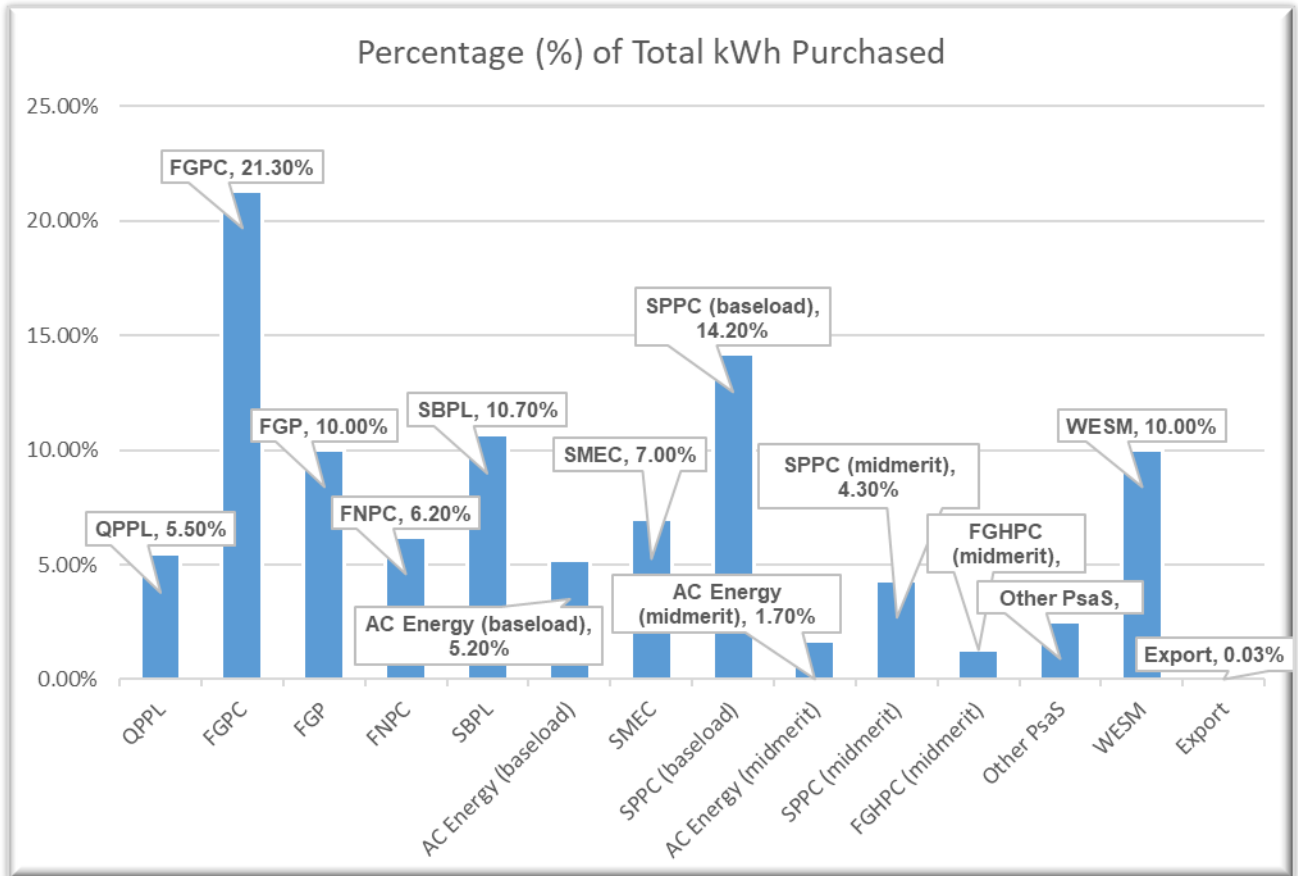
Particular	Mar. 2021	Apr. 2021	May 2021	Jun. 2021	July 2021	Aug. 2021	Sep. 2021
MERALCO BLENDED GENERATION COST	4.37	4.54	4.55	4.62	4.87	4.93	5.04
QPPL	6.72	5.36	5.04	4.41	4.53	6.65	7.69
FGPC - STA.RITA	4.64	4.43	4.43	4.66	4.83	5.20	5.16
FGP - SAN LORENZO	4.14	4.35	4.05	4.04	4.35	4.78	4.89
TLI	-	-	-	-	-	-	-
First Natural Gas Power Corp. - San Gabriel (FNPC)	6.35	3.72	4.72	4.27	4.44	5.33	5.33
San Buenaventura Power Ltd. Co. (SBPL)	4.08	4.70	4.09	4.07	4.49	5.19	5.17
AC Energy (baseload)	4.33	4.58	5.34	5.58	5.35	4.33	3.99
SMEC	4.24	4.24	4.14	4.17	4.00	3.49	3.87
SPPC (baseload)	4.24	4.24	4.20	4.24	4.14	3.68	4.13
AC Energy (midmerit)	4.99	4.99	5.67	6.34	6.48	3.49	5.27
SPPC (midmerit)	4.80	4.02	5.32	5.36	3.87	4.59	5.54
First Gen Hydro Power Corp. (FGHPC) (midmerit)	5.19	5.36	5.35	5.35	5.46	5.47	5.35
Others	4.05	3.92	4.15	3.49	3.63	4.07	4.43
WESM	2.46	5.06	4.83	6.46	8.74	6.05	5.30
Export Energy from Net Metering Customers	4.37	4.33	4.49	4.41	4.57	4.83	4.87
WESM ESSP	4.50	4.04	8.31	-	-	-	-
NPC/PSALM Generation Cost - LUZON	4.39	4.39	4.39	4.39	4.39	4.39	4.39
NPC/PSALM Generation Cost - VISAYAS	3.74	3.74	3.74	3.74	3.74	3.74	3.74
NPC/PSALM Generation Cost - MINDANAO	2.85	2.85	2.85	2.85	2.85	2.85	2.85

Source: MERALCO and PSALM Websites; values were rounded off;

MERALCO's bulk purchase comes from First Gas Power Corp. (FGPC) - Sta. Rita, South Premier Power Corporation (SPPC), and San Buenaventura Power Ltd. Co. (SBPL), both FGPC & SPPC are all-natural gas-powered plants while SBPL is a coal powered plant. Further, MERALCO also sources a considerable amount of supply from FGP Corp. (FGP) - San Lorenzo and WESM.

Also, MERALCO's average bulk power purchase for the month of September 2021 which came from First Gas Power Corp. (FGPC) - Santa Rita at 21.3%, South Premier Power Corporation (SPPC) at 14.2%, San Buenaventura Power Ltd. Co. (SBPL) at 10.7% and FGP San Lorenzo (FGP) at 10% which are all-natural gas-powered plants except for SBPL as mentioned above. About 10% percent of MERALCO's power supply requirement is bought from the WESM.

Figure 7 - Sources of MERALCO Power Supply Requirement



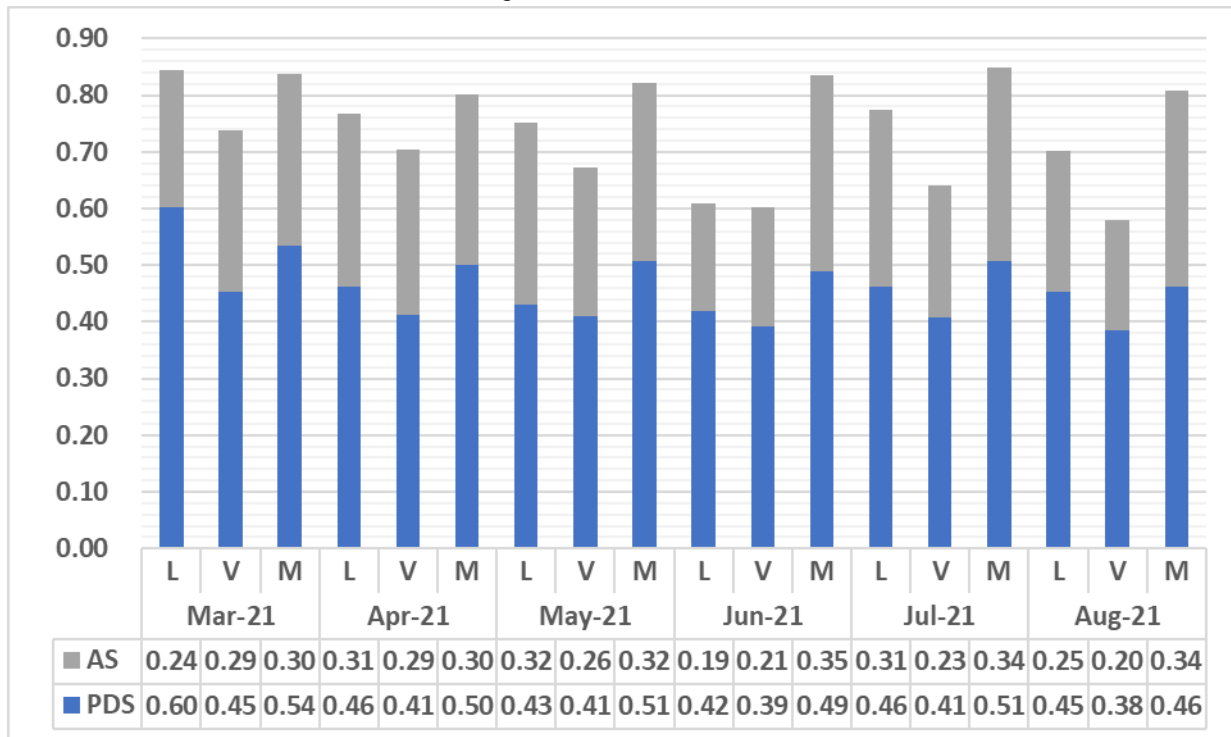
Source: MERALCO

On 06 March 2020 ERC directed distribution utilities, both private and electric cooperatives to refund to their respective consumers the over-recoveries in the Generation Rate (GR), Transmission Rate (TR) System Loss Rate (SLR), Lifeline Subsidy Rate (LSR) and Senior Citizen Subsidy Rate (SrSR), otherwise known as pass through charges effected for a period of twelve (12) months except for MERALCO and Angeles Electric Corporation (AEC) which prayed for a shorter period of refund, starting the next billing cycle thus decreasing the rate on the next bill.

Meanwhile, transmission charges, on the average, comprise around 6.3% to 8% of a DU's average electricity rates. Transmission charges have two major components, namely, power delivery charges (PDS) and Ancillary Service (AS) charges. The PDS share around 61.8% to 66.5% on the average of the total transmission costs while ancillary service is around 33.5% to 38.2% of the total transmission costs.

For the period March 2021 to August 2021, Mindanao Grid recorded the highest transmission charges at PhP0.83kWh of which 50 centavos was paid for the power delivery service while 33 centavos/kWh went to ancillary services. The Visayas Grid has the lowest average transmission cost in August 2021 at 58 centavos of which power delivery service was around 38 centavos/kwh while ancillary services cost 20 centavos/kWh. The highest transmission cost for the report period was noted in the Mindanao Grid at about PhP0.81/kWh in August 2021.

Figure 8 - Transmission Cost



Source: NGCP

Measures Implemented to Provide Relief to Electricity Consumers during the General Community Quarantine (GCQ), Enhanced Community Quarantine, and Modified Enhanced Community Quarantine (MECQ) Periods

During the report period, the DOE issued an Advisory dated 06 August 2021 enjoining all concerned distribution utilities under ECQ and MECQ to implement no disconnection for all electricity consumers due to non-payment of bills falling due on the periods of ECQ and MECQ.

All electricity consumers are advised to immediately coordinate with their Distribution Utility for amicable payment arrangement after the said ECQ and MECQ periods. Notwithstanding, the DOE call on electricity consumers solidarity, particularly those who have the ability to pay, to continue settling their bills within the original due date to help manage the cash flow in the energy supply chain and ensure the continuous operation of entities providing electricity and associated services.

In addition, the ERC also issued an Advisory for Distribution Utilities (DUs) dated 16 September 2021 in view of the implementation of the new Alert Level system, as follows:

- The DUs are directed to cause the conduct of actual meter reading of their customers’ electricity consumption;
- The DUs should provide their Meter Readers and other frontline personnel with complete Personal Protective Equipment (PPE) and other logistical requirements, such as transportation, in order to ensure the safety and smooth performance of their duties; and
- The DUs are directed to submit a report to the ERC on their compliance to the above directives on a monthly basis through e-mail.

D. Universal Charge (UC)

This section provides development on the implementation of UC pursuant to Section 34 of the EPIRA. Highlights include status of collection and disbursements, updates on PSALM's application for the recovery of stranded contract costs and stranded debts, and the implementation of UC collection from self-generating facilities.

1. Universal Charge Remittances, Interests & Disbursements Charge Remittances, Interests & Disbursements

As of 31 August 2021, the total collections of Universal Charge amounted to PhP217 billion with interest earnings from deposits and placements of UC funds amounted to PhP0.3 Billion. On the other hand, UC fund disbursement amounted to PhP214.8 Billion.

Below are the details of UC remittances, interests and disbursements:

Table 11. UC Collections as of 31 August 2021 (in Billion PHP)

Particulars	Remittances	Interests	Disbursements
Special Trust Fund – Missionary Electrification (ME) NPC-SPUG	120.91	0.05	120.95
Special Trust Fund – ME Renewable Energy Developer Cash Incentive (REDCI)	0.97	0.03	0.33
Special Trust Fund – Environmental Charge (EC)	2.56	0.17	1.49
Special Trust Fund – Stranded Contract Cost (SCC)	80.90	0.07	80.39
Stranded Debts	11.66	0.00	11.66
TOTAL	217.00	0.32	214.82

Source: PSALM

2. UC Remittances

For May 2021 to August 2021, PSALM received PhP6 Billion in UC remittances.

3. UC Disbursements

For May 2021 to August 2021, PSALM disbursed PhP6 billion to NPC-SPUG to fund the missionary electrification functions, chargeable against the UC-ME fund.

The aforementioned UC disbursement is pursuant to the following ERC Decisions/Orders:

ERC Case No.	Date Approved	Particulars
2012-085 RC	12 August 2013	ERC Decision on CY 2011 True-up Adjustments (PhP4.651 billion)
2012-046 RC	10 October 2013	ERC Decision on CY 2010 True-up Adjustments (PhP2.566 billion)
2014-135 RC	03 November 2013 & 17 August 2015	ERC Order on CY 2015 UC-ME Subsidy
2012-085 RC	20 April 2015	ERC Order on CY 2014 UC-ME Subsidy (PhP2.763 billion)

In accordance with the ERC decision dated 28 January 2013 under Case No. 2011-091 RC, the amount of PhP0.34 billion was transferred from the UC-SD to the UC-SD Special Fund Account for the period August 2021.

4. ERC-Approved UC Rates

The table below shows the ERC-approved UC rates being implemented as of 28 February 2021:

Type of UC	PhP/kWh
UC-ME	0.1544
ME – REDCI (Renewable Energy Developers Cash Incentive)	0.0017
UC-EC	0.0000 ^{1/}
UC-SCC	0.0000 ^{2/}
UC-SD	0.0428
Total	0.1989

*1/ Collection of **UC-EC of PhP0.0025/kWh** from all electricity end-users by all collecting entities, including NGCP, has been suspended effective 22 May 2020, until further notice from the ERC.*

*2/ Collection of **UC-SCC of PhP0.0543/kWh** from all electricity end-users by all collecting entities has ceased effective February 2020 in view of full recovery of ERC-approved SCC amount of PhP5.117 billion.*

5. Updates on UC Rate Applications

a. UC for Missionary Electrification (UC-ME)

The NPC filed the following petitions before the ERC for the availment of the UC-ME share from the UC which are still pending resolution by the ERC:

ERC Case No.	Date Filed	Purpose	Amount (In PhP)
2013-191 RC	20 September 2013	Shortfall of CY 2012 Subsidy	5,370,284,135.27
2014-089 RC	20 June 2014	Shortfall of CY 2013 Subsidy	5,462,754,938.54
2014-135 RC	14 September 2014	CY 2015 Subsidy	12,093,887,870.00
		CY 2016 Subsidy	11,371,002,556.00
2016-008 RC	26 January 2016	Shortfall of CY 2014 Subsidy	5,895,588,224.47
2016-134 RC	26 May 2016	CY 2017 Subsidy	10,324,139,351.43
2017-006 RC	27 January 2017	Shortfall of CY 2015 Subsidy	1,111,902,576.28
2017-054 RC	30 May 2017	CY 2018 Subsidy	13,304,273,206.97
2018-076 RC	13 July 2018	CY 2019 Subsidy	17,804,818,088.38
2019-004 RC	11 January 2019	Surplus of CY 2016	(1,483,845,466.76)
2019-069 RC	12 September 2019	CY 2020 Subsidy	18,460,843,967.62
2019-084 RC	28 October 2019	True up for 2017	849,455,932.62
2020-004 RC	23 January 2020	True up for CY 2018	5,918,612,399.05
2020-011 RC	13 March 2020	CY 2021 Subsidy	20,730,183,569.03
2021-017 RC	16 March 2021	Shortfall of CY 2019 Subsidy	7,562,400,703.79
2021-022 RC	31 March 2021	CY 2022 Subsidy	20,209,689,289.65
TOTAL			154,985,989,289.65

b. UC for Environmental Charge (UC-EC)

The following petitions for the availment of the EC share from the Universal Charge were filed by NPC before the ERC for its resolution:

ERC Case No.	Date Filed	Purpose	Amount (In PhP)
2014-021 RC	12 March 2014	CY 2014 UC-EC Availment	320,008,239.75
2015-050 RC	12 March 2014	CY 2015 UC-EC Availment	426,875,421.95
2016-019 RC	14 March 2016	CY 2016 UC-EC Availment	426,710,057.72
2017-021 RC	15 March 2017	CY 2017 UC-EC Availment	431,192,804.80
2018-103 RC	15 March 2018	CY 2018 UC-EC Availment	239,350,386.41
2019-021 RC	03 March 2019	CY 2019 UC-EC Availment	240,425,017.78
2021-023 RC	31 March 2021	CY 2022 UC-EC Availment	246,550,016.81
TOTAL			2,331,111,945.22

c. Pending UC-SCC and UC-SD filed before the ERC

In view of the effectivity of the Murang Kuryente Act (MKA) and its implementing Rules and Regulation (IRR), ERC in its Order dated 28 May 2020, dismissed the following PSALM UC-SCC applications:

ERC Case No.	Date Applied	Purpose	Amount Applied
No. 2017-066 RC	06 July 2017	CY 2016 UC-SCC Availment	3,686,192,736.05
No. 2019-048 RC	31 July 2018	CY 2016 UC-SCC Availment	5,228,678,356.46

For UC-SD, the CY 2014 True-Up Adjustment Motion for Reconsideration filed by PSALM on 06 June 2019 amounting to PhP1,578,164,643.22 was declared moot and academic by ERC in its order dated 28 May 2020 as posted in their website.

The following UC-SD True-Up Adjustment applications were likewise dismissed due to the effectivity of the MKA and its IRR:

ERC Case No.	Date Applied	Purpose	Amount Applied
No. 2016-150 RC	30 June 2016	CY 2015 UC-SD True-Up Adjustment	27,670,386,541.73
No. 2017-069 RC	31 July 2017	CY 2016 UC-SD True-Up Adjustment	34,642,180,036.26
No. 2018-087 RC	31 July 2018	CY 2017 UC-SC True-Up Adjustment	11,804,635,030.22
No. 2019-047 RC	25 June 2019	CY 2018 UC-SC True-Up Adjustment	4,722,490,975.31

Meanwhile, PSALM requested the Department of Budget and Management (DBM) for the re-issuance of the Notice of Cash Allocation for FY 2021 amounting to PhP6.9 Billion chargeable against the Murang Kuryente-Special Account in the General Fund (MK-SAGF) pursuant to the Implementing Rules and Regulations of Republic Act No. 11371 or the Murang Kuryente Act (MKA).

E. Lifeline Rate Subsidy

The Lifeline Rate Subsidy is mandated under Section 73 of the EPIRA and is considered a socialized pricing mechanism called a lifeline rate for the marginalized end-users shall be set by the ERC, which shall be exempted from the cross-subsidy phase-out under the Act for a period often (10) years, unless extended by law. The said EPIRA provision originally lapsed in June 2011 and was extended for another ten (10) years upon enactment of Republic Act No. 10150 in June 2011 and is again set to expire in June 2021. On 27 May 2021, President Rodrigo Roa Duterte signed into law Republic Act No. 11552, entitled "An Act Extending and Enhancing the Implementation of the Lifeline Rate, Amending for the Purpose Section 73 of Republic Act No. 9136, Otherwise Known as the "Electric Power Industry Reform Act of 2001," as Amended by Republic Act No. 10150."

In its provisions, RA 11552 provided clarifications on the qualifications of the beneficiaries referred as the marginalized consumers which include: (i) family's or households listed under the Republic Act No. 11310, otherwise known as the "Pantawid Pamilyang Pilipino Program (4Ps) Act whose level of consumption shall be within the threshold determined by the ERC, are qualified marginalized end-users under this Act, and (ii) households that have been certified and continually validated as such by their distribution utility based on a criteria determined by the ERC.

Certain criteria are set to provide safeguard in the implementation of the lifeline rate subsidy. The poverty threshold set by the PSA, and shall contain an exclusive list of requirements to be submitted to the distribution utility: Provided, further, That the exclusive list of requirements shall be simplified and reasonable for the applicant: Provided, furthermore, That the distribution utility shall act on the application for certification as a marginalized end-user within two (2) working days from submission of complete documentary requirements: Provided, finally, That the distribution utility's action on the application shall be within ten (10) working days during the initial implementation of this Act.

To minimize leakages and achieve the objective of providing assistance to electricity consumers especially those living below the poverty line and ensure a more equitable distribution of the lifeline subsidy in the implementation of the lifeline subsidy, the law mandated the ERC to conduct a comprehensive quantitative and qualitative evaluation of its implementation every two (2) years. The ERC is also mandated to submit to the Joint Congressional Energy Commission an annual report on the implementation of the same. A working group composed of representatives from the DOE, ERC, DSWD and the Philippine Statistics Authority (PSA) are collaborating in the formulation of the implementing rules and regulations (IRR) of the sad Act which is expected to be promulgated within the last quarter of 2021.

As of March 2021, the average total number of lifeline customers was 5,607,856 nationwide wherein 68 percent are from Luzon, 16 percent from the Visayas and 15 percent from Mindanao. In the same manner, the biggest subsidy is given by non-lifeline customers in Luzon amounting to PhP348.7 Million, PhP49.0 Million in the Visayas and PhP50.5 Million in Mindanao. Average consumption of lifeline customers in Luzon was recorded at 36 kWh while Mindanao and Visayas have 22 kWh a piece.

Lifeline customers in Luzon enjoyed PhP2.39 discount per kWh, PhP2.48 in the Visayas while PhP2.18 per kWh in Mindanao. This equates to a subsidy of PhP 0.08 per kWh on a national average with Luzon and Visayas attaining the same figure while Mindanao was lower at PhP 0.07 per kWh.

Table 12. Average Lifeline Consumption and Subsidy per Grid

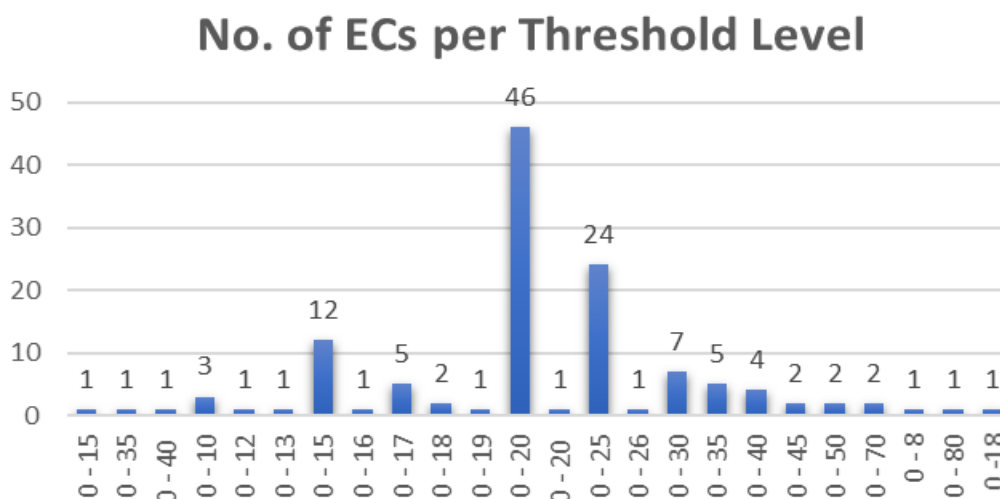
Particulars	Luzon	Visayas	Mindanao	Grand Total
Average Number of Lifeline Customers per Month	3,890,086	925,436	882,334	5,697,856
Average Number of Non-Lifeline Customers per Month	7,597,002	1,979,664	3,548,911	13,125,577

Particulars	Luzon	Visayas	Mindanao	Grand Total
Average Total Monthly Consumption of Lifeline Customers (kWh)	141,546,949	20,357,869	19,022,451	180,927,269
Average Monthly Consumption of Non-Lifeline Customers (kWh)	4,164,377,406	634,210,767	601,556,297	5,400,144,470
Average Total Monthly Subsidy to Lifeline Customers (P/Mo.)	348,748,109	49,035,561	50,539,925	448,323,595
Average Monthly Amount of Subsidy Provided by Non-Lifeline Customers (in PhP)	338,296,119	50,539,925	41,391,344	430,227,389
Average Monthly Consumption per Lifeline Customer (kWh)	36.39	22.00	21.56	31.75
Average Amount of Subsidy Provided to Lifeline Customers, in PhP/kWh	2.39	2.48	2.18	2.38
Average Amount of Subsidy Provided by Non-Lifeline Customers, in PhP/kWh	0.08	0.08	0.07	0.08

Source: ERC

MERALCO still recorded the biggest number of lifeline customers with 2,351,192 as of March 2021 which is almost equivalent to the total lifeline customers of all electric cooperatives which is 2,496,183. Other private distribution utilities have a total of 606,003 lifeline customers as of March 2021. Average consumption per lifeline customer in MERALCO franchise area was 43 kWh while ECs have 12.8 kWh. Other PDUs also recorded an average of 43 kWh of subsidized consumption. It is noted that the highest amount of subsidized consumption is 100kWh for 8 PDUs while Cagayan de Sulu Electric Cooperative (CASELCO) has the lowest amount of subsidized consumption at 8 kWh.

Figure 9. Number of Electric Cooperatives (ECs) per Modal Threshold Level



The highest threshold level in 2021 was recorded at 0-80 while the lowest was 0-8. As shown in figure 9, 0-20 threshold level had the greatest number of ECs, next was 0-25 level with 24 ECs recorded, 0-15 level had 12 ECs and soon.

MERALCO non-lifeline customers contributed PhP0.05 per kWh to lifeline subsidy, the same with the ECs while other PDUs have a higher requirement of PhP0.06 per kWh in March 2021.

Table No. 13. Average Lifeline Consumption and Subsidy per DU.

	MERALCO	Electric Cooperatives	Other PDUs	Grand Total
Average Number of Lifeline Customers per Month	2,351,192	2,496,183	606,003	4,760,490
Average Number of Non-Lifeline Customers per Month	4,585,694	6,827,883	1,291,965	12,705,542
Average Total Monthly Consumption of Lifeline Customers (kWh)	102,121,977	31,953,386	26,296,386	160,371,749
Average Monthly Consumption of Non-Lifeline Customers (kWh)	3,569,421,042	1,496,230,928	940,768,472	6,006,420,442
Average Total Monthly Subsidy to Lifeline Customers (P/Mo.)	170,618,326	73,354,784	56,701,954	300,675,064
Average Monthly Amount of Subsidy Provided by Non-Lifeline Customers (in Php)	170,498,499	69,336,384	58,529,819	298,364,702
Average Monthly Consumption per Lifeline Customer (kWh)	43.43	12.8	43.39	33.69
Average Amount of Subsidy Provided to Lifeline Customers, in Php/kWh	1.67	2.3	2.16	1.87
Average Amount of Subsidy Provided by Non-Lifeline Customers, in Php/kWh	0.05	0.05	0.06	0.05

Source: ERC

F. Mandatory Rate Reduction (MRR)

Upon the effectivity of the EPIRA, Section 73 of the law provides that residential end-users shall be granted a rate reduction from NPC rates of thirty centavos per kilowatt-hour (P0.30/kWh). Such reduction shall be reflected as a separate item in the consumer billing statement. The NPC continuously granting residential customers with the mandatory discount of 30-centavos/kWh in accordance with the provisions of the EPIRA. From the commencement of implementation of the MRR in 2001, the NPC was able to provide a total subsidy amounting to Php31.6 Billion to residential consumers at an average of about Php6 Million per month.

Table 13. NPC Total Amount Incurred Due to Mandatory Rate Reduction

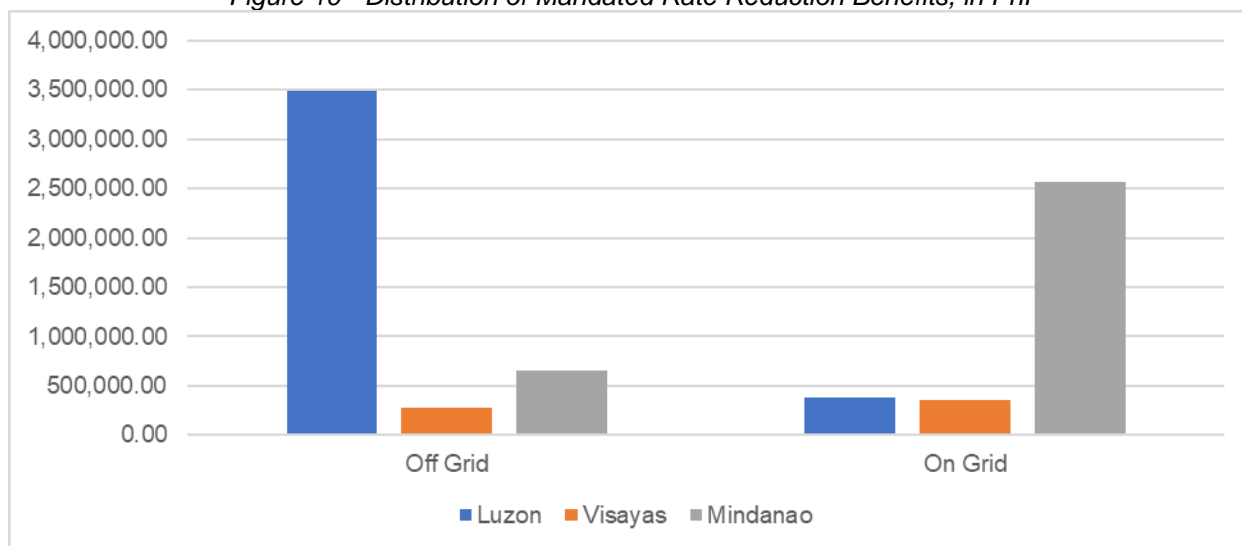
Billing Month	TOTAL LUZON	VISAYAS	MINDANAO	TOTAL
2001-December 2019	3,474,638,051.05	3,254,434.73	5,594,501,835.04	31,532,335,006.60
Jan-20	2,941,005.32	398,185.99	2,599,232.61	5,938,423.92
Feb-20	3,048,343.79	472,958.76	2,588,058.23	6,109,360.78
Mar-20	2,813,156.00	502,510.24	2,525,969.56	5,841,635.80
Apr-20	3,433,780.90	558,445.60	2,640,828.06	6,633,054.56
May-20	3,701,995.55	605,201.38	2,774,469.12	7,081,666.05
Jun-20	3,527,103.44	653,215.60	2,806,772.16	6,987,091.20
Jul-20	3,385,213.38	589,463.96	2,723,942.34	6,698,619.68

Billing Month	TOTAL LUZON	VISAYAS	MINDANAO	TOTAL
Aug-20	3,318,808.44	578,223.55	2,726,251.59	6,623,283.58
Sep-20	3,489,192.11	603,217.69	2,725,210.83	6,817,620.63
Oct-20	2,210,689.89	577,062.66	2,718,006.10	5,505,758.65
Nov-20	3,374,521.93	513,626.09	2,744,676.75	6,632,824.77
Dec-20	3,015,149.59	516,210.30	2,844,367.77	6,375,727.66
Jan-21	3,054,333.64	596,870.81	2,892,998.55	6,544,203.00
Feb-21	2,863,417.33	498,225.51	2,909,206.19	6,270,849.03
Mar-21	2,961,807.02	487,864.90	2,767,671.05	6,217,342.97
Apr-21	3,449,078.40	574,070.77	3,000,840.73	7,023,989.90
May-21	3,875,381.08	637,424.52	3,217,730.55	7,730,536.15
TOTAL	3,512,897,011.39	9,822,756.55	5,626,919,620.16	31,643,366,994.93

Source: NPC

Majority of the rate reduction for the period in review were applied in the off-grid areas and the largest was recorded in Region IV-B with Marinduque taking the biggest amount of subsidy amounting to PhP4.6 Million from January 2021 to May 2021 alone. In the Visayas, residential customers in the Camotes Island remained to be the highest recipient of the MRR with PhPP920 Thousand during the same period. In Mindanao, Basilan remained to get the highest amount of rate reduction with PhP4.1 Million during the 5-month period followed by Sulu and Dinagat Island with PhP3.7 Million and PhP2.1 Million respectively. For On-Grid DUs, Sultan Kudarat Electric Cooperative (SUKELCO) got the biggest share of rate reduction amounting to PhP2.8 Million. The MRR is extended only to residential customers of DUs which has a supply contract with NPC.

Figure 10 - Distribution of Mandated Rate Reduction Benefits, in PhP



Source: NPC

Based on the latest data, for December 2020, the provision of MRR was heavily concentrated in Off-Grid areas particularly in Luzon and Mindanao. This is in consideration that NPC's remaining operation is already concentrated in the Off-Grid areas. The biggest beneficiary provinces are Palawan, Mindoro, Marinduque, Masbate, Catanduanes, Sulu, Tawi-Tawi, Romblon, and other smaller islands where NPC is in operation.

Based on the latest data, for May 2021, the provision of MRR was heavily concentrated in Off-Grid areas particularly in Luzon and Mindanao. This is in consideration that NPC's remaining operation is

already concentrated in the Off-Grid areas. The biggest beneficiary provinces are Palawan, Mindoro, Marinduque, Masbate, Catanduanes, Sulu, Tawi-Tawi, Romblon, and other smaller islands where NPC is in operation.

V. COMPETITION

This section provides an update on key areas of competition covering the period from September 2020 to February 2021 on the operation of the Wholesale Electricity Spot Market (WESM) and monitoring of compliance to Section 45 of the EPIRA.

A. WESM Operational Highlights

As of 25 September 2021, the total registered participants in the integrated WESM (Luzon and Visayas) are two hundred eighty (280). The breakdown of the Generation Companies and Customer Trading Participants is shown in the table below.

Table 15. Registration Update as of 25 September 2021 (Luzon and Visayas)

CATEGORY	REGISTERED						
	TOTAL	DIRECT			INDIRECT		
		LUZ	VIS	LUZ/VIS	LUZ	VIS	LUZ/VIS
Generation Companies	141	92	45	3	1	0	0
Customers							
<input type="checkbox"/> Private distribution utilities & Local government utilities	20	10	5	0	5	0	0
<input type="checkbox"/> Electric cooperatives	71	30	28	0	13	0	0
<input type="checkbox"/> Directly Connected Customers	48	7	5	1	26	8	1
Total Customer Trading Participants	139	47	38	1	44	8	1
TOTAL PARTICIPANTS	280	139	83	4	45	8	1

Source: PEMC

For the billing periods of May to June 2021, the average system demand for the month of May was recorded at 11,102 MW which jumped another 1,000 MW from the previous month. With the onset of rainy season, the system demand had a slight decrease in June at 11,005 MW.

In terms of the effective supply, for a third month in a row at 13,000 MW mark, May 2021 documented a 13,135 MW value. For the month of June 2021, it slightly increased at 13,261 MW.

The electricity demand with consideration of reserve schedule from May to June 2021 were also noted at 12,141 MW and 12,005 MW, respectively.

On the other hand, the WESM registered capacity in May and June billing months recorded an increase from 20,938 MW to 21,247.67 MW. The rise of WESM registered capacity in June was attributable to the 70 MW increase in maximum capacity of Petron Corporation coal plant, and entry of the 150 MW Ingrid Power Holdings, Incorporated and the 150 MW SOLARACE1 Energy Corporation.

For the total WESM registered capacity traded in WESM, the offered/nominated capacities for May to June 2021 are as follows: 61% at 12,776 MW and 63% at 13,259 MW. The table below reflects the capacities unavailable to the WESM due to outage and capacity not offered.

Table 16. Summary of the capacities unavailable to the market

Month	Outage Capacity	Capacity Not Offered
May 2021	2,805 MW	3,903 MW
% of total Registered Capacity	13%	19%
June 2021	2,075 MW	3,945 MW
% of total Registered Capacity	10%	19%

Power plant trading in WESM experience outages for varied reasons. The outage capacity for the month of May averaged at 2,805 MW which was reduced by 14.4% compared to the previous month. Likewise, the outage capacity in June further decreased by 26% at 2,075 MW which was driven by a significant decline in outage capacity of coal plants. The table below mirrors the major plant outages in Luzon and Visayas for the subject billing periods.

Table 17. Major Plant Outages in Luzon and Visayas

Month	Luzon	Visayas	
May 2021	Tiwi 1 Makban 6, 10 Angat M1 & M2 SLPGC 1, 2, 3 & 4 Malaya 1 Calaca 2 Kalayaan 4 Binga 1 & 2 Ilijan A1 Pagbilao 3 Pantabangan 1 & 2 GN Power 1 & 2 Bakun 1 Makban 1 & 4 Masiway	Sual 2 Magat 1,2, 3 & 4 Bacman 3 Limay 1, 4, 5 & 7 Ambuklao 1,2 & 3 San Lorenzo 1 & 2 SLTEC 2 Caliraya 1 & 2 GNP Dinginin 1 Maris 1 & 2 Botocan 1 & 2	Upper Mahiao 1 & 3 Mahanagdong A1 & B1 TPC Sangi 2 PGPP1 Unit 1 & 2 CENPRI 3, 4 & 5 PEDC 3 CEDC 1 & 2 Kepeco Salcon 1 & 2 TPVI 1, 2, 3, 4, 5 & 6 THVI 1 TPC Carmen 4 Nasulo Bohol 3
June 2021	Tiwi 6 Makban 6 Angat M1 & M2 SLPGC 2 & 4 San Roque 1,2 & 3 Malaya 1 Calaca 2 Kalayaan 1, 3 & 4 Binga 1, 2 & 4 Sta. Rita 1, 2, 3 & 4 APEC 1 Masinloc 2 Ilijan A1 & B1 Pagbilao 1 & 2 Avion 1 & 2	GN Power 1 & 2 Bakun 1 Makban 1, 7 & 8 Masiway Sual 2 Magat 3 Anda 1 Bacman 3 Ambuklao 1, 2 & 3 Limay 1 & 7 San Lorenzo 1 & 2 SLTEC 1 & 2 Caliraya 1 & 2	Upper Mahiao 1, 2, 3 & 4 Mahanagdong A2 TPC Sangi 2 PGPP1 Unit 1,2 & 3 PGPP2 Unit 1,2 & 3 CENPRI 3 & 5 PEDC 3 CEDC 1 Kepeco Salcon 1 & 2 TPVI 1, 2, 3, 4 & 5 PDPP3H PB101 Unit 4 THVI 2 Leyte 1,2 & 3 TPC Carmen 1

The supply margin for the billing months of May and June 2021 were recorded at 993 MW and 1,255 MW which held the lowest and second lowest value since January 2020, respectively.

A declining pattern on average market prices was also noted from May to June 2021 with PhP8,035/MWh and PhP6,797/MWh due to the interaction of the supply and demand.

Correspondingly, a total of 40 price spikes and 23 interesting pricing events, and 48 price spikes and 16 interesting pricing events occurred during the May and June 2021 billing months breaching the set thresholds for both market triggers and indicating the presence of high prices.

B. Updates on WESM Governance Activities

a.

PEM Audit Committee (PAC)

During the report period, the PAC supervised the following activities:

1. Audit of the PDM-related Enhancements to the New Market Management System (NMMS) and Central Registration and Settlement System (CRSS)

The PAC continued to supervise the audit of PDM-related enhancement to the NMMS and CRSS conducted by Intelligent Energy Systems Pty Ltd (IES).

The NMMS enhancements audit has been completed in the 4th week of March 2021. And, after ample review of the draft NMMS Audit Report during April – 1st week of June 2021, the PAC approved and accepted the NMMS Audit Report and formally provided the same including the software certificate to the Auditee on 10 June 2021.

On the other hand, the CRSS enhancements is still in progress and is targeted to be completed in July 2021, subject to implementation by the Auditee of the fix for the calculation of rate impact change in the Additional Compensation module.

2. Audit of Philippine Renewable Energy Market System (PREMS) and Vulnerability Assessment and Penetration Testing (VAPT)

The PAC continued to supervise the PREMS Software Certification Audit and VAPT conducted by Reyes Tacandong & Co (RT&Co).

Testing for the PREMS Software Certification Audit has been completed while revalidation (retesting of corrective actions to the findings) is tentatively scheduled on the 3rd week of June.

Following the completion of VAPT, remediation activities commenced with the VAPT rescan on 11-16 June 2021 and presentation of rescan report findings on 17 June 2021.

3. Audit of Net Settlement Surplus/Deficit (NSS/NSD) Allocation

The PAC continued to supervise the NSS/NSD Audit conducted by BDO Roxas Cruz Tagle and Co.

On 3 May 2021, the PAC discussed with BDO Roxas the recommendations to include variance analysis in the audit procedure which the latter incorporated in the draft inception report, accordingly. Another walkthrough meeting was conducted on 19 May 2021 to discuss the sample data provided to the External Auditor.

On 04 June 2021, the PAC approved/accepted the Inception Report for the NSS/NSD Audit. Upon the request of BDO thru its letter dated 21 June 2021 and approval by the PAC/PEMC, the completion of the first quarterly audit, which covers 26 November 2019 – 25 March 2021 billing months was extended to July 2021.

Meanwhile, the Auditee, IEMOP continued to provide documents/data to BDO for the audit execution phase.

4. Joint 7th Market Operations Audit and 4th Review of Metering Installations and Arrangements

The PAC continued to supervise the ongoing 7th MO Audit and 4th RMIA conducted by RSM Australia Pty Ltd.

On 12 May 2021, the PAC adopted RSM's request to move the commencement of the 4th RMIA fieldwork due to the prevailing travel restrictions both in the Philippines and Australia brought about by the COVID-19 pandemic. The new schedule is as follows:

Deliverable	Timeline per Audit Services contract	Proposed New Timeline
Visit 1 – 16 MSPs in Visayas	January 2021	January 2021
Visit 2 – 12 MSPs in Luzon	February 2021	February 2021
Visit 3 – 12 MSPs in Luzon	March 2021	March 2021
Draft Report	May 2021	May 2021
Final Report (including applicable Software Certificates)	June 2021	June 2021
Reporting to PEM Board, and if requested, to ERC and DOE	June 2021	June 2021

The PAC endorsed the same for PEMC's consideration per its memorandum dated 17 May 2021. Also, the PAC proposed to extend the period to be covered by the 4th RMIA until December 2021 to keep the review and results relevant.

Meanwhile, on 31 May 2021, RSM submitted the draft report for the 7th MO audit excluding the results of Task 3.2 Software Certification of PEMC Systems intended for Enhance WESM Design as the NMAS testing is still ongoing. The PAC provided the draft audit report to the Auditees, PEMC and IEMOP, for their review and comments on 31 May 2021.

On 09 June 2021, a coordination meeting among PEMC, IEMOP and RSM was conducted to discuss, clarify and possibly resolve the findings and recommendations for the 7th MO audit. Subsequently, RSM submitted on 21 June 2021 the updated draft report considering the discussions/clarifications in the coordination meeting and submission of additional data.

Upon the request of RSM, through its letters dated 15 and 25 June 2021, and approval by PAC, the submission of remaining deliverables for the 7th MO audit were extended as shown below.

Deliverable	Timeline
Submission of Final Draft Audit Report with Task 3.2 – Software Certification of PEMC Systems for Enhanced WESM Design and Operations (EWDO)	2 July 2021
Final Report and Software Certificate	July 2021
Reporting to the PEM Board and other relevant agencies	July 2021

- Audit of (1) RFC-2103-002: Accounts Management System Instance for WESM Mindanao; and (2) RFC-2003-003: Additional Compensation Tool for MRU Reconciled Intervals for the current one-hour market

In its regular meeting on 12 May 2021, the PAC determined the audit action plans for the IEMOP-endorsed RFCs considering the risk assessment conducted on both enhancements. For the RFC on AMS Instance for WESM Mindanao, the PAC agreed to do a post-audit of the enhancement and will be included in the scope of the next Market Operations audit.

Regarding the RFC on the additional compensation tool for MRU reconciled intervals and security limit, the PAC, after exploring possible options for a pre-deployment audit, decided to conduct a post-deployment audit given the scant remaining time before the target commercial launch of EWDO on 26 June 2021. In its decision, the PAC also took note that the development and testing of the tool have undergone the ICT Change Management of IEMOP.

- Review of Proposed Revisions on the DOE Remanded Proposals on Audit and Performance Monitoring

The PAC presented the matrix of proposed revisions on the remanded proposals on audit and performance monitoring to the Rules Change Committee in its 180th RCC Meeting on 18 June 2021. The revisions were approved as amended by the RCC and will be endorsed to the PEM Board for approval.

Rules Change Committee (RCC)

During the period the RCC accomplished the following:

1. Proposed Amendments to the WESM Rules and WESM Manuals on Validation Timeline Adjustment in Metering and Billing

Rules Change Proposals	Status
RCC Resolution No. 2021-04: Addition to RCC Resolution No. 2020-14 on the Proposed WESM Rules and WESM Manual on Procedures for Changes to the WSM Rules, Retail Rules and Market Manuals	Submitted to DOE last 11 June 2021 (letter dated 10 June 2021) for information.
RCC Resolution No. 2021-05: Proposed Urgent Amendments to WESM Rules and WESM Manual on Constraint Violation Coefficients and Pricing Re-runs, Issue 6 to Harmonize with ERC Directives on Automatic Pricing Re-runs for Under-generation and Over-generation	Submitted to ERC and DOE last 11 June 2021 (letter dated 10 June 2021) for information.

2. Completed Rules Change Proposals

- a. Proposed Amendments to the WESM Rules and WESM Manuals regarding Clarifications on Indirect WESM Membership (RCC Resolution No. 2021-06)

The proposed amendments intend to: [i] address non-registration of unregistered loads, and [ii] clarify the participation of Indirect WESM Members in the market.

The RCC completed the extensive deliberation of the subject proposal during its May 2021 meeting, in which the RCC approved only the portion of the proposal pertaining to clarifications on the participation of Indirect WESM Members in the market. The RCC concluded that the part of the proposed amendments which aim to address non-registration of loads raised concerns that may affect Direct WESM Members, and therefore disapproved said portions of the proposal. A separate proposed amendment from the generation sector shall be submitted to the RCC to address the concerns raised regarding the disapproved part of the proposal on the non-registration of loads.

During its June 2021 meeting, the Committee proceeded to finalize and approve the proposal for submission to the PEM Board. The proposal was subsequently submitted to the PEM Board on 23 June 2021.

- b. Proposed Amendments to the WESM Manual on Dispute Resolution Administration (RCC Resolution No. 2021-07)

The subject proposal is composed of several parts, as follows:

- 1) Provide dispute resolution framework for the Retail Market;
- 2) Provide guidelines for virtual hearings and conferences during arbitration;
- 3) 3) Align the WESM Rules and WESM Manual on Dispute Resolution with Republic Act No. 9285 (Alternative Dispute Resolution [ADR] Act of 2004) and the Special

Rules of Court on ADR, which recognize the nature of an arbitral award being final and binding among the participants, by deleting the provision allowing parties to resort to the ERC if they are not satisfied with the outcome of the arbitration; and

- 4) 4) Remove the PEM Board and the WESM Governance Committees as entities that may be impleaded in WESM Disputes under Clause 7.3.1.1 of the WESM Rules.

The RCC completed its deliberation of the proposal during its May 2021 meeting, in which the Committee resolved to: (i) approve as submitted the proposed changes regarding the dispute resolution framework for the Retail Market and the guidelines for conducting virtual hearings, (ii) disapprove the proposal to delete the provision allowing parties to resort to ERC after arbitration, and (iii) replace the PEM Board and its WESM Governance Committees with “Governance Arm” as one of the entities that may be impleaded in WESM Disputes.

During its June 2021 meeting, the Committee proceeded to finalize and approve the proposal for submission to the PEM Board. The proposal was subsequently submitted to the PEM Board on 23 June 2021.

3. Proposals Under Evaluation

- a. Proposed Amendments to WESM Manuals for Improvements to Market Resource Modelling and Monitoring

The proposal initiated by IEMOP seeks to: (i) provide refinements and clarity in the modelling of market resources in the Market Network Model; and (ii) provide additional features in the modelling of generators.

The RCC deliberated on the subject proposal giving due consideration to the comments received from PEMC, Technical Committee, AC Energy Corp., Aboitiz Power Corp. and Millennium Energy Inc./Panasia Energy, Inc., as well as the IEMOP’s responses.

The RCC provisionally approved the proposal subject to further revisions by IEMOP, especially on the responsibilities of the Market Operator relative to ensuring accuracy of real-time data as input to the market network model, based on comments during the deliberation. Discussions shall be continued in the next RCC meeting in July 2021.

- b. Proposed Amendments to the WESM Rules and WESM Registration Manual regarding De-registration and Cessation

The subject proposal aims to make the process of de-registering more efficient for WESM Members that has recently become ineligible for membership, and provide a validation period for cessation requests in response to a finding during the recent market operations audit.

The RCC deliberated on the subject proposal giving due consideration to the comments received from PEMC, Aboitiz Power Corp., AC Energy Corp. and MERALCO, as well as the IEMOP’s responses.

The Committee approved the proposal for endorsement to the PEM Board. The proposal shall be finalized for submission to the PEM Board in the July 2021 RCC meeting.

- c. Proposed Revisions to the PEM Board-Approved Amendments to Clarify Bilateral Contracts Accounted for in Settlements

The proposal, which was endorsed to the DOE on 09 June 2020, intends to allow other types of bilateral contract transactions to be accounted for in settlements in the WESM which includes replacement power contracts between generators. It was remanded by the DOE on 17 March 2021, with the instruction to provide clear limitation on the scope relative to allowing replacement power contracts to be accounted in WESM Settlement.

Following further revisions by the IEMOP based on the DOE's recommendations and posting in the PEMC website to solicit inputs from stakeholders, the RCC proceeded to deliberate on the proposal giving due course to the comments received from PEMC and the Technical Committee, and IEMOP's response.

The RCC took note of PEMC's recommendation to retain the provision requiring submission of a copy of supply contract during registration for the validation of BCQ declarations (the proposal calls for no longer requiring submission of supply contract to the Market Operator). However, the body also acknowledged that said deletion has already been approved by the PEM Board in June 2020.

The RCC approved the proposal, as amended. The proposal shall be finalized in the July 2021 RCC meeting for submission to the PEM Board.

- d. PEM Board-Approved Proposed Amendments to the WR and WM on Information Disclosure and Confidentiality regarding Exceptions for Confidentiality Undertakings for Oversight Bodies

The proposal was submitted by IEMOP in October 2019 to exempt the DOE and ERC, as oversight bodies, in executing a non-disclosure agreement with IEMOP in receiving confidential market data. It was approved, as amended, to likewise exempt PEMC from executing non-disclosure agreement. The proposal was endorsed to the DOE on 08 April 2020 and underwent public consultations.

The DOE remanded the proposal on 20 May 2021 with the position that only the DOE and ERC should be exempted from executing non-disclosure agreement in light of the current governance structure of the WESM. The DOE recommended PEMC to further justify why it also must be exempted, including the members of the PEMC Board and WESM Governance Committees.

The RCC had initial discussions on the matter and shall continue deliberations on the proposal with PEMC's inputs in the July 2021 meeting.

- e. Proposed Revisions to PEM Board-Approved Amendments to Provisions Related to Audit and Performance Monitoring Under the WESM Rules, Retail Rules, PEM Audit Manual, and Guidelines Governing the Constitution of the PEM Board

The PEM Audit Committee (PAC) initiated the proposal in order to fine-tune the responsibilities of the PAC in the conduct of market audits and special reviews, and enhance the preparation and implementation of market audits and performance monitoring of WESM service providers.

The proposal was endorsed to the DOE on 14 May 2019 and was subjected to several public consultations in June 2020. The DOE remanded the proposal on 21 April 2021 with recommendations for further enhancement and review in connection with the restructuring of PEMC and IEMOP.

The PAC re-submitted and presented the proposal to the RCC during the latter's meeting on 18 June 2021. Amendments were made to further clarify the frequency in conducting audits.

The proposal was approved by RCC and shall be finalized for submission to the PEM Board in the July 2021 RCC meeting.

4. Proposed Amendments to the WESM Rules and WESM Manuals on the Rationalization of Billing Adjustment Timelines

IEMOP submitted to the RCC on 10 September 2020 a proposal to reduce the financial risks of the WESM Trading Participants due to billing adjustments by providing shorter and clearer timelines in reporting and correcting errors or discrepancies in settlement.

During the 169th RCC Meeting (18 September 2020), the RCC approved the publication of the proposal in the PEMC website to solicit comments from industry stakeholders and interested parties. The RCC deliberated on the proposal and subsequently approved for endorsement to the PEM Board, during the 171st RCC Meeting (20 November 2020). The RCC made additional minor changes for clarity and approved the proposal for submission to the PEM Board, during its 172nd RCC Meeting (11 December 2020).

5. Proposed General Amendments to WESM Rules and WESM Manual on Bilateral Contract Quantity (BCQ) Declaration

Pagbilao Energy Corporation (PEC) submitted a proposal to the RCC on 06 July 2020, to amend the Market Manual on Billing and Settlement concerning BCQ, to provide procedures covering the scenario of non-submission, non-confirmation and nullification by the Trading Participant of bilateral contract quantities, resulting to bilateral contract declarations not being accounted during settlement. During the 167th RCC Meeting (17 July 2020), the RCC approved the proposal for posting in the PEMC website to solicit comments from the stakeholders and other interested parties.

Deliberations were made during the 169th (18 September 2020), 170th (16 October 2020) and 171st (20 November 2020) RCC Meetings, discussing various comments received. The RCC resolved to approve the proposal for endorsement to the PEM Board at its 171st RCC Meeting (20 November 2020).

6. Proposed General Amendments to WESM Rules and WESM Manual on Billing and Settlement on Prudential Requirements

IEMOP submitted to the RCC on 17 July 2020, the proposed general amendments to the WESM Rules and Market Manual on Billing and Settlement to incorporate the following:

- a. Addition of settlement by request of prudential requirements;
- b. Inclusion of force majeure and large reduction in load served as considerations for replacement month in the computation of maximum exposure;
- c. Revision of the basis for security amount from average price and monthly quantities to hourly price and hourly quantities;
- d. Revision of the grounds for exempting a WESM Member from prudential requirement;
- e. Revision on the allowed forms of security; and
- f. Clarification on the process of refund.

The RCC during its 168th RCC Meeting (14 August 2020) approved the proposal for publication in the PEMC website, to solicit comments from the stakeholders and other interested parties. The RCC then deliberated on the comments received during the 170th RCC Meeting (16 October 2020) and subsequently approved the proposal for endorsement to the PEM Board during the 171st RCC Meeting (20 November 2020).

7. Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

WESM Rules Clause 2.2.4.2 provides that “no person or entity shall be allowed to inject or withdraw electricity from the grid unless that entity or person is a registered member of the WESM” · However, IEMOP observed that eight (8) grid customers, which were initially served by NPC/PSALM under the Default Wholesale Supplier (DWS) agreement, are still yet to register in the WESM. The non-registration of these entities may pose an issue on the accounting and settlement of their transactions once their bilateral contracts expire. · IEMOP initiated a review of the WESM Rules to identify possible changes that could better facilitate and streamline the registration process of all grid customers in the WESM and submitted a Rules Change proposal on the same. During the 171st RCC Meeting (20 November 2020), the RCC approved the proposal for publication in the PEMC website to solicit comments from the stakeholders and other interested parties.

During the 173rd RCC Meeting (15 January 2021), the RCC decided to defer the discussion of the said proposal and the comments received, to provide the proponent enough time to respond to the questions. The RCC, during the 174th RCC Meeting (19 February 2021), continued the deliberations and subsequently agreed to defer the endorsement to the PEM Board pending the proponent’s rectification of the concerns identified.

8. Corporate Strategic Plan 2021-2022

During the 171st RCC Meeting (20 November 2020), the secretariat presented the RCC Corporate Strategic Plan for 2021-2022. The RCC noted the information provided and agreed to provide inputs specifically on the rules review process.

9. Survey of Rules Changes for Rules Effectiveness Study

The proposal is based on the Market Assessment Group’s (MAG) initiative to: (1) determine whether market rules changes achieved the intended goals or benefits of the proposal; (2) fill the gaps in understanding what rules change worked and did not work; and (3) recommend enhancements to the rules change process.

The RCC, during the 172nd RCC Meeting (11 November 2020) approved the three (3) topics proposed by the MAG on the conduct of rules change effectiveness study, which include must-run units, prudential requirements and registration.

Technical Committee (TC)

During the covered period, the TC accomplished the following:

1. Market Operator (MO) – System Operator (SO) – Distribution Utility (DU) – Embedded Generator (EG) Coordination Protocol

Following the DOE’s recommendation to assess the impact of the TC’s proposal for a DSO-managed model on competition, the TC submitted a request to the Market Surveillance Committee (MSC) to conduct a study on the impact of the TC proposed DSO-managed network on the competition in the generation sector.

On 10 June 2021, the TC participated in the Market Surveillance Committee (MSC) Regular Meeting to discuss the proposal.

In consideration of the comments and suggestions received, the TC finalized the subject proposal and submitted the same to the Market Readiness Steering Committee (MRSC) on 30

June 2021. The TC is invited to present their proposal in the next MRSC meeting on 27 July 2021.

2. TC Study on Demand-Side Bidding

The TC discussed the results of the consultation on the implementation of demand-side bidding in the WESM which was conducted from 23 March 2021 to 30 April 2021. A total of 54 companies responded to the TC's invitation to participate on the TC consultation.

The TC is currently preparing its paper on DSB in the WESM considering the results of the consultation and provide recommendations on the subject matter within Q2 of 2021.

On 30 June 2021, the TC presented their Paper on Demand-Side Bidding (DSB) in the PEM Board to provide information on the results of the TC's survey on the customers awareness of, interest in and preparedness for demand-side bidding. This also serves as PEMC's compliance to the Energy Regulatory Commission's (ERC) directive to PEMC to conduct a survey on DSB. The subject paper is available at the PEMC website.

3. MSC Study Request on the Review of the 2018 PEMC Proposed Methodology for the Determination of New Threshold for the Price Substitution Methodology

The TC continued the preparation of their report providing the following observations on the study request:

- a. Maximum of Price Trigger Factors (PTF) may not be the basis in determining the new threshold. The rules should not be based on outliers but rather on central tendencies while recognizing variances.
- b. Adding the threshold loss and threshold congestion is not recommended since the range of values are generally not comparable.

The TC finalized the report and submitted it to the MSC on May 2021.

Market Surveillance Committee (MSC)

During the covered period, the MSC accomplished the following activities:

1. Assessment of Market Outcomes

- Market Assessment for May 2021

The MSC assessed the market outcome for the period 26 April to 25 May 2021, the highlights of which were presented to the MSC during its Regular Meeting No. 2021-06 held on 10 June 2021. The MSC has taken note of the high market prices that were observed during the billing month, averaging at PHP8,035/MWh in May 2021, which is an increase by 97.4 percent from last month's PHP4,071/MWh. Correspondingly, the MSC noted the 40 price spikes and 23 interesting pricing events which breached the reference thresholds during the month. The MSC further noted the imposition of the secondary price cap in 55 trading intervals.

Highlights of the market assessment for April 2021, was presented during the PEM Board Meeting on 30 June 2021.

2. Assessment of Over-Riding Constraints for April 2021

The MSC reviewed the assessment results on the over-riding constraints imposed on generator-trading participants for the period 26 April to 25 May 2021.

Some assessment highlights are as follows:

- a. A total 5,335 over-riding events involving 20 Luzon generators and 14 Visayas generators were observed during the month, recording a 3.3 percent increase from April 2021.
- b. Similar with the previous month, all OC events this month were categorized under non-security limit, mainly related to the conduct of testing and commissioning (T&C).
- c. Majority of the non-security limit events or 4,934 events were due to T&C involving 13 plants, with 11 plants exceeding the prescribed maximum allowable period for commissioning (2 months).

The MSC likewise discussed the updates provided by the Independent Electricity Market Operator of the Philippines (IEMOP), upon the MSC's request, on the status of plants on testing and commissioning. Eleven (11) out of the 13 plants reported by the IEMOP were observed to have gone beyond the maximum two-month period allowed under ERC Resolution No. 16, S.2014. These are being monitored by the MSC.

3. Retail Market Assessment Report for Q1 2021

The MSC assessed the market results for the Retail Competition and Open Access (RCOA) Market for the period 26 December 2020 to 25 March 2021, the highlights of which were presented to the MSC during its Regular Meeting No. 2021-06.

The MSC discussed the ERC's lowering of the contestability threshold to 500kW to 749kW, beginning 26 February 2021. Correspondingly, during the Quarter:

- The market recorded 43 additional CCs, which is equivalent to a 3% increase from Q4 2020. This translates to a market participation rate of 53% from eligible consumers.
- Three (3) new Retail Electricity Suppliers were recorded during the period. These are: (a) Green Core Geothermal, Inc., (b) AP Renewable, Inc., and (c) Therma Luzon, Inc.
- The MERALCO Group remained the top entity with the most contracted CCs at 37% and also held the largest share in the CCs' total consumption at about 37%.

Highlights of the retail market assessment for Q1 2021, was presented during the PEM Board Meeting on 30 June 2021.

4. Presentation of the MSC Issues Paper / Study on the Philippine RCOA

The MSC presented its MSC Issues Paper / Study on the Philippine RCOA Market to the RCOA Contestable Customers on 08 June 2021. The activity is the last and final leg of the same activity, the first of which was conducted with the Retail Electricity Suppliers Association (RESA) as audience.

Representatives from the DOE and the IEMOP were likewise invited by the MSC and participated in the MSC discussion with the CCs.

The MSC RCOA Issues Paper was submitted by the MSC to the DOE and ERC in February 2021, providing for the following:

- Review of the implementation and current performance of the RCOA Market,
- Benchmarking of best practices in other jurisdictions; and
- Recommendations for the enhancement of the RCOA market.

Inputs from the RCOA stakeholders were gathered and carefully considered in the Study after the completion of the MSC Dialogue Series in year 2020, where it was also agreed for the MSC to present the results of the Study to the RCOA stakeholders.

The MSC noted the request of the RCOA CCs for another discussion forum with the MSC, where they can exchange ideas and learn more on the RCOA market

5. Discussion on the Initial Result of the Study on the NGCP-SO Grid

The MSC discussed the initial result of the Study conducted by MAG as regards the NGCP-SO's Grid Operating Program (GOP). The Study commenced following the MSC's instruction on 13 January 2021 during Meeting No. 2021-01 for MAG to conduct historical regression analysis to determine the sensitivity and dynamics of the NGCP-SO GOP vis-à-vis actual outages.

6. Review of Compliance Monitoring and Assessment

Compliances of Generator-Trading Participants (TP) with the Real Time Dispatch (RTD) schedule, the Must Offer Rule (MOR) and the rule on the Nomination of Loading Level and Projected Output (NOM) for the billing month of March 2021 were deliberated upon by the MSC during its 17 May 2021 Regular Meeting. The said compliances were contained in the Compliance Monitoring and Assessment Report (CMAR) prepared by the Enforcement and Compliance Office (ECO) for the MSC.

Following the MSC's deliberation on the CMAR, the MSC approved the issuance of four (4) requests for investigations (RFI) covering three (3) cases of possible non-compliance with RTD schedule/instruction and one (1) case of possible noncompliance with the rule on the nomination of loading level and projected output, for the March 2021 billing month.

The MSC reviewed the objective of the Study, that is, to determine the extent on which forced outages contribute to the revisions in the GOP. The MSC likewise commented on the initial methodologies used by MAG and provided inputs on these methodologies.

The MSC then approved to extend the timeline on the GOP Study until 3Q, considering the recommendation on the need for another regression analysis to achieve better results. The MSC also requested MAG to meet with Dr. Peter Lee U for a more in-depth discussion on methodologies that could be adopted for use in the Study

7. Review of Compliance Monitoring and Assessment

The MSC discussed three (3) consolidated ECO Investigation Reports, two (2) of which were cases of non-compliances with RTD schedule/instruction, while the third Report is a case on the Must Offer Rule.

After its deliberation on the matter, the MSC submitted on 18 June 2021 the result of the MSC's review and recommendation on the ECO IRs, for the PEM Board's approval. The MSC also presented the highlights of its Review during the PEM Board Meeting held on 30 June 2021.

Dispute Resolution Administrator

Atty. Jesusito G. Morillos is the Dispute Resolution Administrator (DRA) who is tasked to administer and ensure the effective implementation and operation of the WESM dispute resolution process, as well as facilitate in the resolution of disputes within the objectives established under the WESM Rules.

1. Proposed Amendments to the WESM Dispute Resolution Manual Issue No. 6

On May 21, 2021, the DRA attended the RCC Meeting wherein the RCC deliberated on the DRA's Proposed Amendments To reiterate, these proposed amendments are as follows:

a. Dispute Resolution for the Retail Rules

The first proposal for amendment of the Dispute Resolution Manual (DRM) Issue No. 6 introduces a variant mode of arbitration that is specific to the types of disputes that are contemplated within the "Rules for the Integration of Retail Competition in the Wholesale Electricity Spot Market," otherwise known as the "Retail Rules." They are consistent with the goal to integrate retail competition into the WESM and apply the provisions of the WESM Rules to effectively govern the enforcement and dispute resolution under the Retail Rules.

b. Guidelines for Virtual Hearings

The second proposal for amendment of the DRM seeks to streamline the procedures for the conduct of WESM Dispute Resolution proceedings and provide guidelines for virtual hearings and conferences during arbitration. The guidelines are being made available with reference to any dealings during a circumstance that prevents physical meetings between the participants and provide procedural measures that can mitigate the effect of delays to the arbitral process, including delays caused by the COVID-19 pandemic.

c. Final Settlement of WESM Disputes and its Binding Effect

The third proposal seeks to amend provisions of the WESM Rules and the DRM to make them consistent with the provisions of Republic Act No. 9285 and the Special Rules of Court on ADR which recognize the nature of an arbitral award being final and binding among the participants. The objective of the proposal is to harmonize the provisions of the WESM Rules and the DRM with Republic Act No. 9285 and the Special Rules of Court on ADR to be consistent with the principles of an agreement-based arbitration and give primacy to party autonomy.

d. Removal of the PEM Board and the WESM Governance Committees as Impleadable Entities under Clause 7.3.1.1 (c) of the WESM Rules

Similar to the third proposal, this last proposal also intends to align the relevant provisions of the WESM Rules related to WESM Dispute Resolution with the agreement-based or commercial arbitration framework as it was contemplated to be. The proposal seeks to remove the PEM Board and all the WESM Governance Committees from the list enumerating the parties to a WESM dispute under Clause 7.3.1.1 of the WESM Rules. This is under the principle that the actions of the PEM Board and the WESM Governance Committees are mostly, if not all, in performance of their ERC-delegated regulatory or "police" powers therefore, disputes filed against them would question or undermine the enforcement of the regulatory policies of the market.

Out of the four proposals, the RCC approved the two proposals on Dispute Resolution for the Retail Rules and the Guidelines for Virtual Hearings. The DRA's proposal on Final Settlement of WESM Disputes and its Binding Effect was denied, while the proposal to remove the PEM

Board and the WESM Governance Committees as Impleadable Entities under Clause 7.3.1.1 (c) of the WESM Rules was modified to reflect the proper language that refers to PEMC as the governance arm of the WESM.

2. Activities in line with the objective to implement an awareness campaign for the WESM Dispute Resolution Process among Market Participants and continuous education and training for the accredited pool of Mediators, Arbitrators and Dispute Management Protocol (DMP) Focal Persons.

In accordance with its Work Plan for 2021, the DRA is continuously working towards its plan to facilitate the conduct of virtual seminars as part of its awareness campaign among the Market Participants. There are continuous plans to collaborate with various networks and the country's top alternative dispute resolution practitioners for the conduct of trainings and seminars for the DMP Focal Persons and the continuing education of the WESM-Accredited Mediators and Arbitrators. These activities and plans include:

- (a) Continuous coordination with various entities to consider the possibility of featuring WESM Arbitration in Arbitration Conventions and participation in other ADR-related programs, lectures or events organized by external strategic partners for the continuing education of WESM-accredited Mediators/Arbitrators.
 - (b) Preparation for the conduct of seminars for the WESM Pool of Accredited WESM Mediators and Arbitrators on the topics of Negotiation and Mediation, Emergency Arbitration, Dispute Avoidance Modes and facilitation of training on the Retail Market and the Reserve Market as well as updates on changes in the WESM Dispute Resolution Process.
3. Preparations for Appointment of Emergency Arbitrators

The DRA has prepared letters of appointment for the Emergency Arbitrators who will be assigned for the rest of the year, on standby in case an emergency arbitration is filed pursuant to the Dispute Resolution Manual.

4. Preparations for the Annual Updating of the DMP Focal Persons

Pursuant to its Work Plan activities for the second quarter CY 2021, the DRA has begun its preparations for the publication of the Call for Updates on the DMP Focal Persons. The release of the notices relative to this will be next month.

C. Market Development Updates

Enhanced WESM Design and Operations (EWDO)

Following the Energy Regulatory Commission's approval of the Price Determination Methodology for the New Market Management System (NMMS) on 29 December 2020 and the completion of additional software changes and audit, the Philippine Electricity Market (PEM) Board issued on 27 May 2021 the Certification of EWDO Readiness.

This move was also in consideration of the recommendation of the Market Readiness Steering Committee (MRSC) composed of PEMC, IEMOP, National Grid Corporation of the Philippines and the Philippine Independent Power Producers Association.

Finally, on 25 June 2021, the DOE issued DC2021-06-0015 entitled "Declaring the Commercial Operations of Enhanced Wholesale Electricity Spot Market (WESM) Design and Providing Further Policies". The Circular declared the commercial operations date of the EWDO in Luzon, Visayas

and Mindanao on 26 June 2021. Likewise, it provided relaxation of compliance to Dispatch Conformance Standards (DCS) for Luzon, Visayas and Mindanao Trading Participants for the first 3 months of commercial operations.

Establishment of the Wholesale Electricity Spot Market (WESM) in Mindanao

The aforementioned DC2021-06-0015 also declared the Commercial Operation of the WESM in Mindanao. Alongside with the said DC is an Advisory dated 21 May 2021 providing that the WESM Central Scheduling shall be implemented from the period 26 to 25 July 2021. During the said period, energy transactions in Mindanao shall be settled by the trading participants with their counterparties in accordance with their Power Supply Agreements. Thereafter, actual Commercial Operations shall take place and the of the posting of Prudential Requirements for three (3) months and compliance to Dispatch Conformance Standards shall be observed.

However, due to low level of registration of intended Mindanao market participants, which is only 28 out of 91 as of 23 July 2021, the target Commercial Operation on 26 July 2021 was deferred.

Upon evaluation of the report submitted by Independent Electricity Market Operator of the Philippines (IEMOP) with a recommendation for the deferment of the commercial operation of WESM in Mindanao, the DOE issued the Advisory dated 24 July 2021 for the Extension of Central Scheduling on 25 July 2021.

The DOE shall issue another Advisory declaring the actual commercial operation date of the WESM in Mindanao.

Meanwhile, the following is the updated registration status as of September 2021:

Membership Type	Expected Participants	Have Not Yet Applied	On-going Completion of Requirements	Registered
Grid Connected Generator	14	-	1	13
Embedded Generator	29	-	19	10
Electric Cooperative	28	1	20	7
Private Distribution Utility	4	-	2	2
Directly Connected Customer	12	1	8	3
Total	87	3	28	18

D. Retail Competition and Open Access (RCOA)

The implementation of Enhanced Community Quarantine (ECQ) in the Philippines since 17 March 2020 extending to April 30, 2020, affected the performance of the retail market. The consumption shifted from constantly increasing trend to a sudden drop. With the surge from impending economic downfall due to hampered business activities and citizen's mobility brought by ECQ, the Government decided to lift the quarantine guidelines to a less strict Modified ECQ (MECQ) to some parts of the Philippines on 16 May 2020. It was later eased out to General Community Quarantine (GCQ) in 01 June 2020. For nine consecutive months, GCQ is still implemented as of March 2021. However, it was reverted back to ECQ in April and May 2021 due to the variants and surge in number of cases.

There was a 0.3 percent increase in the number of total registered participants in the retail market in June 2021 as compared from March 2021.

Table 17. Summary of RCOA Prospective Participant

Membership Category		Total Registered RCOA participants						
		Jun-13	Sep-20	Mar-21	Jun-21	June 2013 vs. June 2021	Sep 2020 vs. June 2021	Mar 2021 vs. June 2021
Contestable Customers	D ≥ 1MW	892	1,446	1,457	1,470	65 %	2 %	1 %
	750kW ≥ D > 1MW	-	646	667	665	- %	3 %	- 0.3 %
	500kW ≥ D > 749kW	-	-	795	791	- %	- %	- 1 %
	Total	892	2,092	2,919	2,926	228 %	40 %	0.2 %
Suppliers	RES	19	42	45	45	137 %	7 %	5 %
	LRES	13	25	25	25	92 %	0 %	0 %
	Total	32	67	70	70	119 %	4 %	3 %
SOLR		9	47	47	47	422 %	0 %	0 %
RMSP		29	54	56	57	97 %	6 %	2 %
Grand Total		962	2,260	3,092	3,100	221 %	37 %	0.3 %

Source: ERC, PEMC

As of June 2021, the total number of RCOA prospective participants gradually improved, noting the registration of electricity end-users with 500kW to 749kW threshold. The total Contestable Customer (CCs) is comprised of 50 percent customers with 1-MW threshold while 23 percent and 27 percent are partaken by end-users with 750 MW – 1 MW and 500kW to 749kW thresholds, respectively. Within the observed period from March 2021 to June 2021, there were three registered entrants in the suppliers side. Two new participants were enlisted as Retail Electricity Supplier (RES) and one as a Retail Metering Service Provider (RMSP).

Table 18. Summary of RCOA Registration

Membership Category		Registered participants participating in the retail market						
		Jun-13	Sep-20	Mar-21	Jun-21	June 2013 vs. June 2021	Sep 2020 vs. June 2021	Mar 2021 vs. June 2021
Contestable Customers	D ≥ 1MW	240	1,125	1,160	1,174	389 %	4 %	1 %
	750kW ≥ D > 1MW	-	360	387	400	-	11 %	3 %
	500kW ≥ D > 749kW	-	-	38	116	-	-	205 %
	Total	240	1,485	1,585	1,690	604 %	14 %	7 %
Suppliers	RES	15	33	36	38	153 %	15 %	6 %
	LRES	3	14	14	14	367 %	0 %	0 %
	Total	18	47	50	52	189 %	11 %	4 %
SOLR		0	25	25	25	- %	0 %	0 %
RMSP		29	54	56	57	97 %	6 %	2 %
Grand Total		287	1,611	1,716	1,824	536 %	13 %	6 %

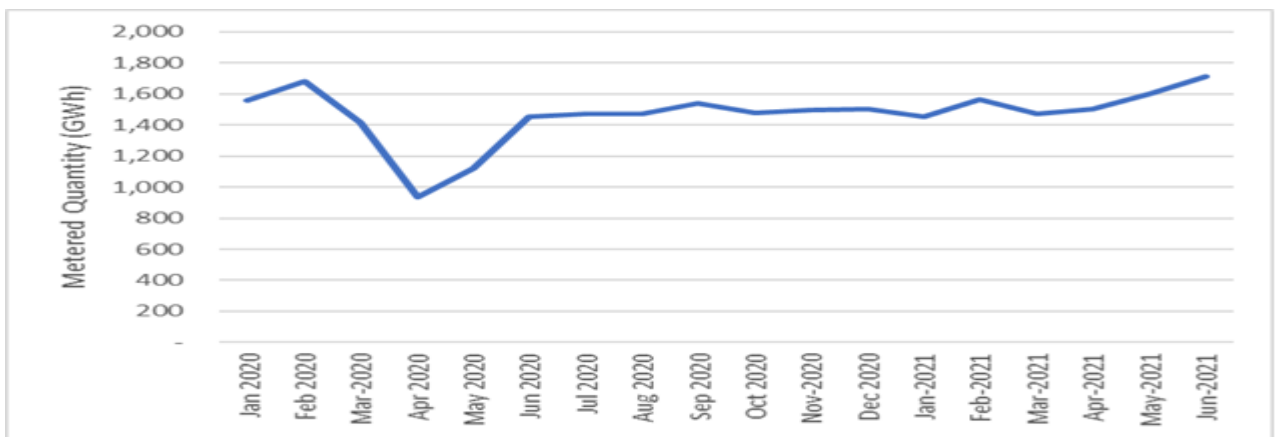
Source: ERC, PEMC

Actual participation in the RCOA as reflected in the list of registered participants from the Central Registration Body (CRB), increased by six percent from 1,716 registered CCs in March 2021 to 1,824 in June 2021. As of June 2021, the total registered participants are composed of 93 percent

Contestable Customers, three percent Suppliers, one percent SOLR and about three percent RMSP.

There was a ladder-step increase in the CC’s energy consumption, measured through Metered Quantity (MWh) from April 2020 to June 2020 after the decline experienced in February (before ECQ) and March 2020 (initial implementation of ECQ). There was a seen recovery after transitioning to MECQ in May and GCQ in June from the strictest among guidelines - the full ECQ implementation in April 2020. The change in quarantine rules, provided an avenue for continuation of, if not most, commercial, and industrial establishments particularly in Metro Manila. The slight increase in consumption was observed in September 2020 yet absorbed steadily decrease in October and November 2020. The energy consumption was consistently maintained in December 2020 until January 2021. In March 2021, the consumption dropped but consistently increased in the following months.

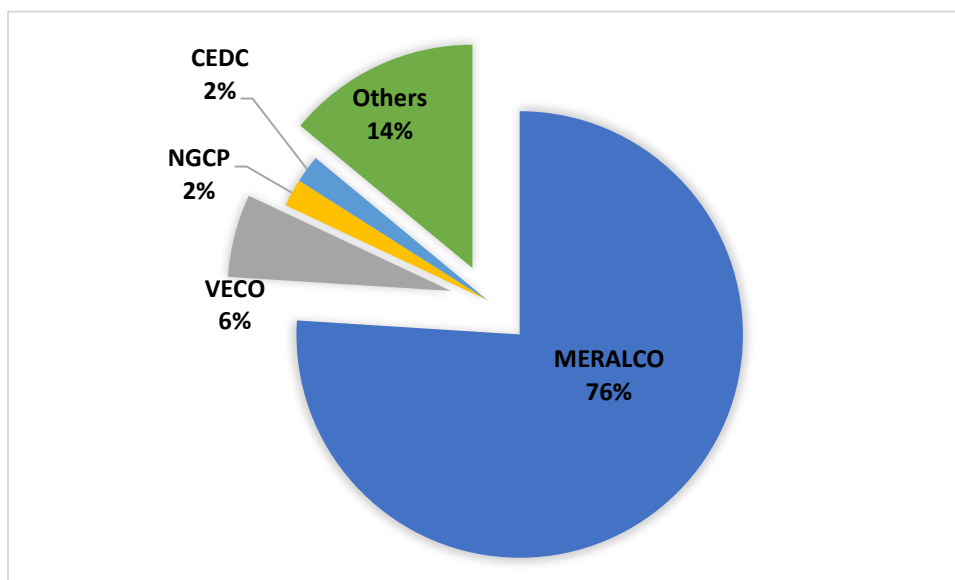
Figure 12 – Total Energy Consumption of Contestable Customers January 2020 to June 2021



Data Source: ERC, PEMC

Figure below illustrates that; majority of the CCs are situated within the franchise area of MERALCO at 76 percent. Six percent is in the franchise area of VECO, while NGCP has accounted for the two percent from the Directly Connected Contestable Customers (DCCC). The Clark Electric Distribution Corporation (CEDC) has two percent as well, and the remaining fourteen percent were distributed among the 53 other franchises.

Figure 13 - Registered Contestable Customers per Franchise Area as of June 2021



Source: ERC, PEMC

Of the 47 total registered Retail Electricity Suppliers, 36 are currently transacting with CCs, mostly associated with the five biggest group of companies having more than one RES or Local RES. These affiliated RES/LRES accounts to 58 percent of the total number of registered suppliers.

Table 19. List of Suppliers with Contestable Customers as of June 2021

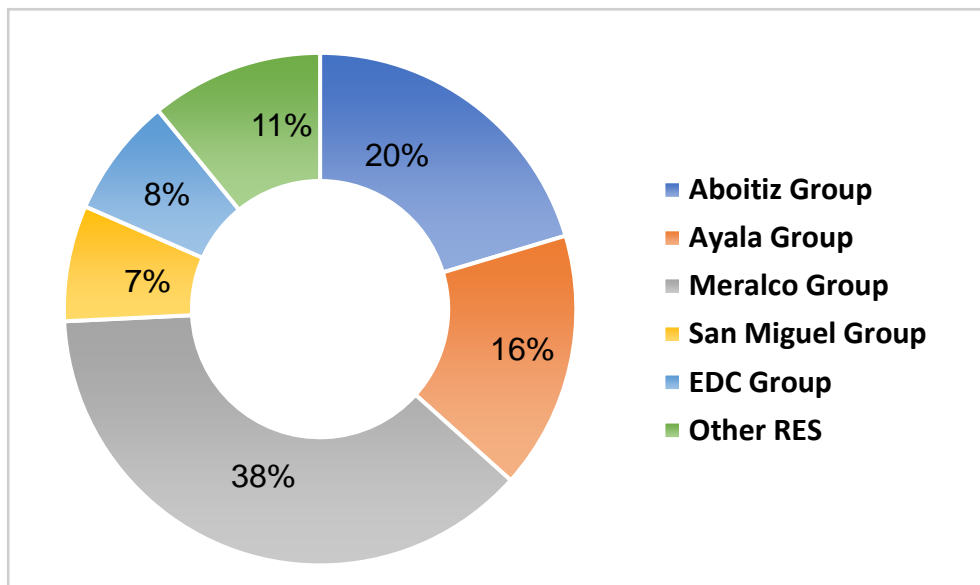
Supplier Group	Number of CCs
Aboitiz Group	
Aboitiz Energy Solutions, Inc.	181
AdventEnergy, Inc.	72
SN Aboitiz Power – RES Inc.	33
San Fernando Light & Power	1
PRISM Energy, Inc.	43
SN Aboitiz Power-Magat, Inc.	7
Ayala Group	
Ecozone Power Management, Inc.	43
DirectPower Management, Inc.	61
AC Energy and Infrastructure Corporation	62
AC Energy Corporation	103
San Miguel Group	
San Miguel Electric Corp.	2
SMC Consolidated Power Corp.	99
Masinloc Power Partners Co., Ltd.	20
MERALCO Group	
Manila Electric Co. (MPower)	539
Vantage Energy Solution and Management, Inc.	72
Clark Electric Distribution Corporation	10
MeridianX Inc.	1
EDC Group	
First Gen Energy Solutions	19
Bac-Man Geothermal, Inc.	91
Green Core Geothermal, Inc.	15
Others	
Global Energy Supply Corp.	23
GNPower Ltd. Co.	4
TEAM (Phils.) Energy Corp.	25
Shell Energy Philippines, Inc.	11
KEPCO SPC Power Corporation	6

Premier Energy Resource Corp.	16
FDC Retail Electricity Sales Corporation	17
Kratos RES Inc.	31
Citicore Energy Solutions	8
Corenergy, Inc.	7
Anda Power Corporation	4
SEM-Calaca RES Corporation	8
Batangas II Electric Cooperative, Inc. – Local RES	1
Mabuhay Energy Corporation	16
Solar Philippines Retail Electricity, Inc.	1
Mazzaraty Energy Corporation	1
EEl RES, Inc.	1

Source: PEMC, ERC

MERALCO group has the greatest number of contracted CCs with 38 percent of the total share as of June 2021. Consolidated number of CCs for the Aboitiz group ranked second with twenty percent and followed by the Ayala Group with sixteen percent. San Miguel Group garnered seven percent while the newly registered supplier group, EDC Group, carved out eight percent of the shares on number of CCs. RES/LRES without affiliation accounted for the remaining eleven percent.

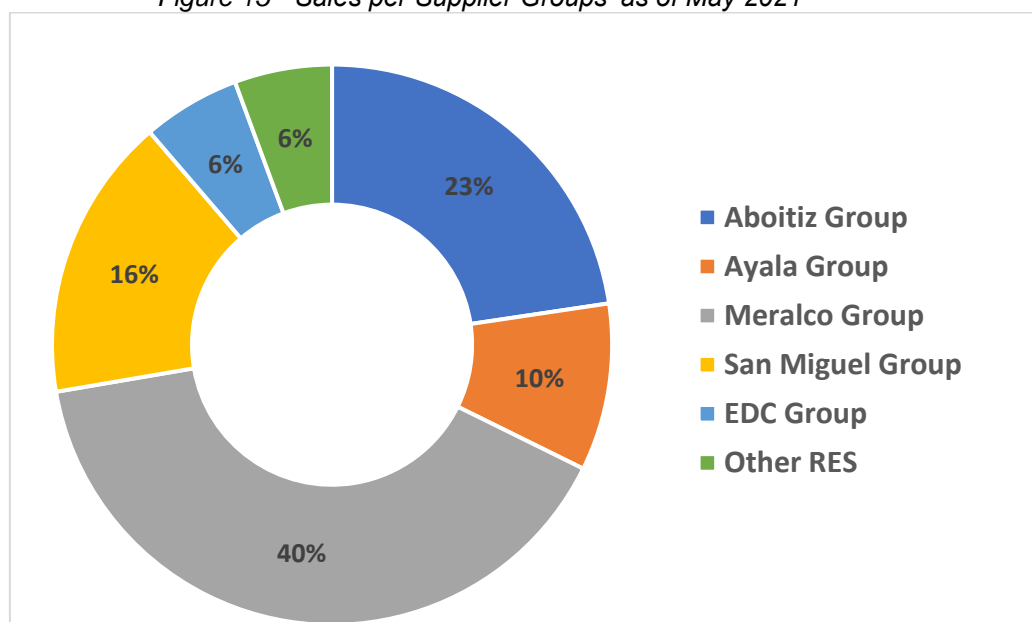
Figure 14 - Number of CCs per Suppliers Group as of June 2021



Source: ERC, PEMC

Similarly, MERALCO group has the largest share of energy sales with 40 percent as of May 2021. Aboitiz and San Miguel group have 23 percent and sixteen percent energy shares, respectively. While Ayala group has ten percent of the total energy sales from CCs. EDC group obtained six percent on the total energy sales. The remaining six percent of the share were attributed from the other Suppliers.

Figure 15 - Sales per Supplier Groups' as of May 2021



Source: ERC, PEMC

The average metered quantity from March 2021 to June 2021 is 1,573 GWh of which 102 percent are contracted energy. Spot market contracts obtained negative contract quantity with an average of -27 GWh from March 2021 to June 2021.

There were 87 CCs switching from March 2021 to June 2021. Among these, 71 out of 87 CCs (82 percent) were located in Luzon. The highest number of customers switching between the said period was recorded in March 2021 totaling to 37 switching cases.

E. Generating Capacity Market Share and Concentration

Section 45 of the EPIRA provides that “No company or related group can own, operate or control more than thirty percent (30%) of the installed generating capacity of a grid and/or twenty-five percent (25%) of the national installed generating capacity”.

Relatively, following are the updates on the compliances of the generation sector to market share limitations:

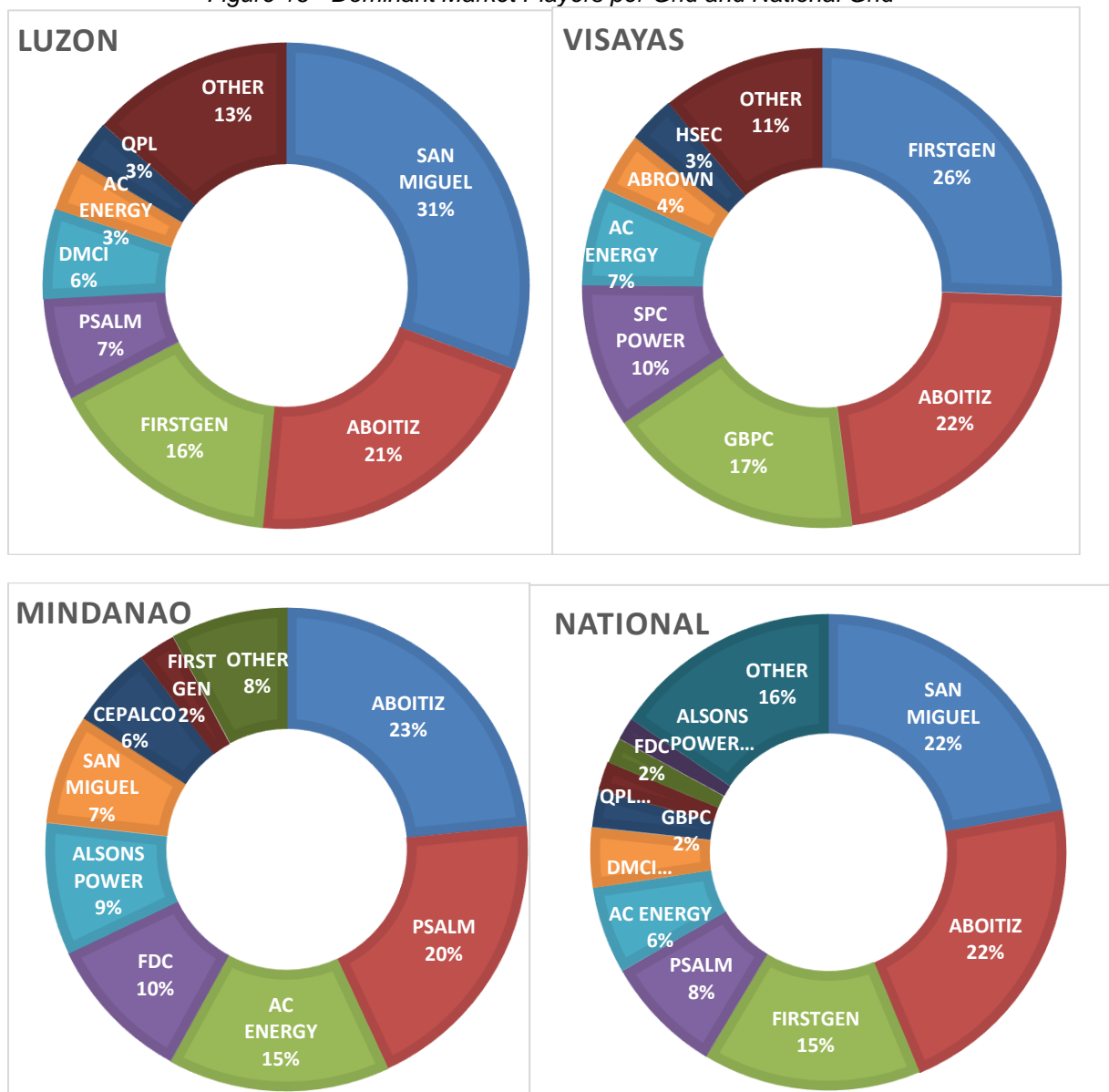
Table 20. Market Share Determination per Grid and National Grid

Grid	Installed Generating Capacity (MW)	% Market Share Limitation as per R.A. 9136	Installed Generating Capacity Limit (MW)
Luzon	15,974,882	30%	4,792,465
Visayas	3,381,608	30%	1,014,482
Mindanao	4,065,849	30%	1,219,755
National	23,422,339	25%	5,855,585

Source: ERC Resolution No. 05, Series of 2021

Below is the graphical presentation of the dominant power market players with their respective percentage market share:

Figure 16 - Dominant Market Players per Grid and National Grid



In Luzon, San Miguel Power Corporation with 4,891.00 MW total installed generating capacity is on the top of the list of the power generation business which reaches 30.62% of the total installed capacity of 15,974.88 MW in Luzon Grid. It is followed by the Aboitiz Power Corporation with 3,340.22 MW total installed generating capacity or 20.91% of the Luzon market share. Other generation company that on the top of the list is the FirstGen Power Corporation with a total installed generating capacity of 2,518.00 MW or 15.76% market share. This is followed by the PSALM having an installed generating capacity of 1,094.95 MW or 6.85% of the market share. The San Miguel Power Corporation slightly exceeded the market share limitation of 30%.

In Visayas, the FirstGen Corporation with 865.84 MW covers 25.60% of the total installed generating capacity of 3,381.61MW. The Aboitiz Power follows with 22.41% or 757.85 MW installed generating capacity. No generating company in Visayas exceeded the market share limitation of 30%.

In Mindanao, the Aboitiz Power holds the main portion of the power generation business having an installed generating capacity of 952.34 MW or 23.42% share in the total installed generating capacity of 4,065.85 MW of the Mindanao Grid. The PSALM seconds on the list with 799.10 MW installed generating capacity or 19.65%, followed by AC Energy with 14.09%, FDC with 9.96%, Alsons Power with 8.84%, San Miguel with 7.38%, CEPALCO with 5.54% and FirstGen with 2.50%. None of the market participants in Mindanao exceeded the market share limitation of 30%.

In the National Grid, the San Miguel Power Corporation gains the largest market share in totality, holding 22.16% of the 23,422.34MW national installed capacity, followed by the Aboitiz Power Corporation with 21.56% and FirstGen Power Corporation with 14.88% while the Government thru PSALM still has 8.09% market share. For the reporting period, no power generation entity has exceeded the installed generating capacity and market share limitation of 25% for the national Grid.

To measure the current Philippine power market concentration, the DOE uses the Herfindahl-Hirschman index (HHI) computation. HHI is the most common measure used to assess concentration from shares of industry participants. In the US, the market with an HHI of less than 1,500 is considered to be a competitive marketplace, an HHI of 1,500 to 2,500 to be a moderately concentrated marketplace, and an HHI of 2,500 or greater to be a highly concentrated marketplace. The closer a market is to a monopoly, the higher the market's concentration (and the lower its competition).

Luzon, Visayas and Mindanao indicate a moderately concentrated market or reasonably competitive market having an HHI of 1,937, 1,759, and 1,445 respectively.

Generally, the HHI for the national grid of 1,512 reflected a moderately concentrated market which means that the energy market of the Philippines is still competitive and quite far from a monopoly.

Table 21. HHI Computation Luzon

Ranking	Market Players	Installed Generating Capacity	Market Share	% Share (squared)
1	SAN MIGUEL	4,891,000	31%	961
2	ABOTIZ	3,340,218	21%	441
3	FIRSTGEN	2,518,000	16%	256
4	PSALM	1,094,948	7%	49
5	DMCI	950,000	6%	36
6	AC ENERGY	562,800	4%	16
7	QPL	460,000	3%	9
8	OTHERS	2,157,916	13%	169
TOTAL		15,974,881.86		1937

Table 22. HHI Computation Visayas

Ranking	Market Players	Installed Generating Capacity	Market Share	% Share (squared)
1	FIRSTGEN	865,840	26%	676
2	ABOITIZ	757,850	21%	441
3	GBPC	590,440	18%	324
4	SPC POWER	327,200	10%	100
5	AC ENERGY	223,700	7%	49
6	ABROWN	135,000	4%	16
7	HSEC	108,120	3%	9
8	OTHERS	373,458	12%	144
TOTAL		3,381,608		1759

Table 23. HHI Computation Mindanao

Ranking	Market Players	Installed Capacity	Generating	Market Share	%Share (squared)
1	PSALM	799,100		20%	400
2	ABOITIZ	952,335		21%	441
3	ALSONS POWER	359,286		11%	121
4	AC ENERGY	605,630		15%	225
5	FDC	405,000		10%	100
6	SAN MIGUEL	300,000		7%	49
7	CEPALCO	225,069		6%	36
8	FIRSTGEN	101,600		3%	9
9	OTHERS	317,829.00		8%	64
TOTAL		4,065,849			1445

Table 24. HHI Computation National

Ranking	Market Players	Installed Capacity	Generating	Market Share	% Share (squared)
1	SAN MIGUEL	5,191,000		22%	484
2	ABOITIZ	5,050,403		21%	441
3	FIRSTGEN	3,485,440		15%	225
4	PSALM	1,894,048		8%	64
5	AC ENERGY	1,392,130		6%	36
6	DMCI	950,000		4%	16
7	GBPC	590,440		3%	9
8	QPL	460,000		2%	4
9	FDC	405,000		2%	4
10	ALSONS POWER	359,286		2%	4
11	OTHERS	3,644,592		15%	225
TOTAL		23,422,339			1512

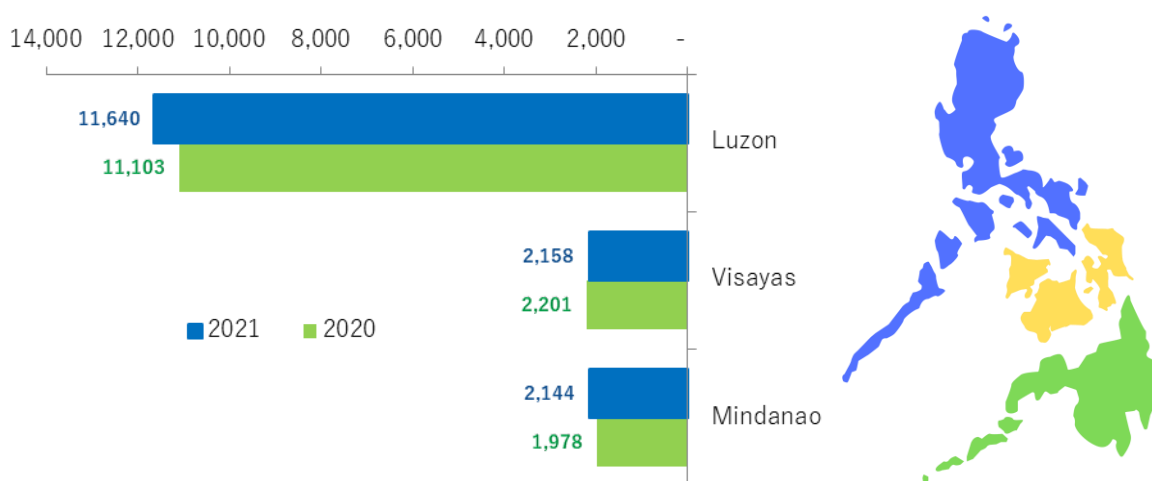
VI. POWER SUPPLY SECURITY AND RELIABILITY

A. Peak Demand

In first three quarters of 2021, the Philippines' total non-coincidental peak demand reached 15,942 MW, which is 299 MW or 4.3% higher than the peak demand in 2019. This increase in demand can be greatly attributed gradual opening of the industry through the continuous effort on vaccination to prevent the spreading of COVID-19.

Among the three main island groups, Luzon had the highest decrease (537 MW) in peak demand. Figure 1 shows the comparison between the recorded peak demand in 2021 and 2020 for Luzon, Visayas, and Mindanao grids.

Figure 17. 2021 vs. 2020 Peak Demand Per Grid, in MW



Grid	Peak Demand in MW		Difference in MW	Growth Rate in Percent
	2020	2019		
Luzon	11,103	11,344	(241)	(2.1)
Visayas	2,201	2,224	(23)	(1.0)
Mindanao	1,978	2,013	(35)	(1.7)
Philippines	15,282	15,581	(299)	(1.9)

The numerous unforeseeable events have greatly affected the nation's electricity consumption patterns due to the ongoing pandemic in 2021. Despite these challenges, the power sector continued to remain steadfast in meeting the country's energy demand especially that the vaccination program of the government continues to prevent further spreading of the virus and to gradually start up the industry and brings back the economy towards normal level.

B. Power Projects

To abate the challenges brought by the pandemic and lessen the delays in construction due to community quarantine restrictions in 2020, the DOE aided power generation companies through holding virtual meetings, issuing official identification cards, and facilitating the entry of their foreign experts to the country, among others. Moreover, the DOE continued to encourage the private sector to invest and develop power generation projects and facilities to augment the existing power capacity to meet the demand in the coming years.

Table below presents the summary of committed and indicative power projects as of 30 June 2021. About 83% of the total 8,067.5 MW committed capacity is from coal and natural gas, while the remaining 17% is from RE and oil-based power projects. Meanwhile, the total indicative capacity stood at 34,786.3 MW, largely coming from RE (68.9%), and natural gas (18.8%). Indicative coal projects decreased to 10.9% due to the implementation of coal moratorium advisory that limits the development of coal power projects. With the recent DOE policy issuance on Energy Storage System (ESS), ESS' committed and indicative capacity reached 2,110.0 MW and 1,047.5 MW, respectively, by the end of 1st half of 2021.

Table 28. Committed and Indicative Capacities, Philippines, as of 30 June 2021 (in MW)

Fuel Type	Committed		Indicative	
	Installed / Rated Capacity (MW)	% Share	Installed / Rated Capacity (MW)	% Share
Coal	3,821.4	47.4%	3,790.0	10.9%
Oil-Based	438.2	5.4%	487.2	1.4%
Natural Gas	2,837.5	35.2%	6,550.0	18.8%
Renewable Energy (RE)	968.6	12.0%	23,959.1	68.9%
<i>Geothermal</i>	115.6	1.4%	266.0	0.8%
<i>Hydro</i>	221.6	2.7%	6,125.6	17.6%
<i>Biomass</i>	64.1	0.8%	102.5	0.3%
<i>Solar</i>	567.3	7.0%	12,317.2	35.4%
<i>Wind</i>	0.0	0.0%	5,147.8	14.8%
TOTAL	8,065.7	100.0 %	34,786.3	100.0 %
BESS	2,110.0		1,047.5	

Source: DOE List of Private Sector – Initiated Power Projects as of 30 June 2021

C. Significant Incidents and Actions Taken

LUZON

The Luzon grid experienced zero operating reserve on 31 May 2021 to inform the public of the declaration of the system operator (NGCP) placing the Luzon Grid on 'RED ALERT' (for intervals 1400H to 1500H) and 'YELLOW ALERT' (for intervals 1100H to 1300H and 1600H) due to unavailable power generation facilities, including derated capacity due to gas restriction, to meet the high demand of the grid.

With the Red alert situation in Luzon, the Department of Energy immediately coordinated with concerned stakeholders such as NGCP, GNPover Mariveles Energy Center (GMEC) and GNPover Dinginin (GNPD) for a back-to-back meeting on 1 and 2 June 2021 to discuss the current situation of the Luzon grid in terms of reserve level and status of power plants that are unavailable since there were rotational brownouts experienced in various part of Luzon.

Luzon Grid went back to normal operation on 3 June 2021 with the onset of Typhoon Dante, which resulted in lower projected demand at 10,331 MW and an available capacity of 11,601 MW, which led to adequate reserve for the grid.

VISAYAS

The Visayas grid encountered a partial blackout at almost midnight on 11:56 PM 20 August 2021 that caused power interruption in the areas of Cebu North, Leyte-Samar, and Bohol. The partial blackout of the grid was due to the auto tripping of the 138 kV Lines 1, 2, and 3 and Colon-Cebu (Cebu-Colon 138kV Lines 1, 2, and 3 and Cebu-Quiot 138kV Line) due to lightning strike. System Operator declared market intervention for Visayas grid on 0000H due to the system imbalance causing cascading tripping of KSPC Unit 2, Unified Leyte and Tongonan Geothermal Power plants, and CEDC Unit 2. Restoration commenced after 26 minutes at 12:22 AM, 21 August 2021. This was followed by the lifting of market intervention at 6:35 AM after the lines were restored within six hours.

D. Status of Transmission Projects

The required transmission expansion, additions, and reinforcement are essential not only to accommodate the entry of new generation capacities in the power system but also to allow reliable delivery of power to load centers. The timely completion of transmission projects is closely monitored by the DOE to ensure sufficient, reliable and continuous conveyance of electricity, as mandated by Republic Act No. 9136, also known as the Electric Power Industry Reform Act of 2001. The steady availability of electric power supply is crucial to economic growth and is a component that fuels the economy of the country.

With the implementation of community quarantine in the country due to the Corona Virus Disease 2019 (COVID-19) pandemic situation that impose restrictions on travel and entry of foreign nationals, the development of major transmission infrastructures has been delayed which may become a future constraint in the delivery of generation capacity addition and addressing projected load growth.

Ongoing Transmission Projects:

1. LUZON GRID

Power Quality

- TUGUEGARAO–LAL-LO (MAGAPIT) 230 kV T/L (PQ, LG)

The Tuguegarao–Lal-lo (Magapit) 230 kV Transmission Line project aims to address the imminent overloading of the Tuguegarao–Magapit 69 kV Line due to the forecasted load growth (LG) in the northern part of Cagayan Province. It also aims to improve the power quality (PQ) and reliability of supply in the area, which is presently being served by a very long 69 kV line. As of 30

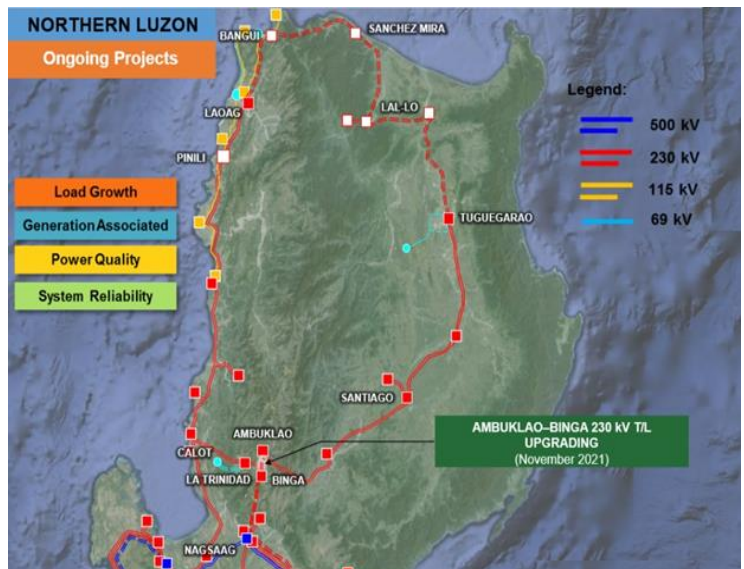
June 2021, the Transmission Line portion is 59.52% complete and the Substation Portion is 88.77% complete. Due to the implementation of community quarantine due to COVID-19 and Right-of-Way issues, the expected time of completion of the project was moved from March 2022 to June 2022.



System Reliability

- AMBUKLAO–BINGA 230 kV T/L UPGRADING

The Ambuklao–Binga 230 kV Transmission Line Upgrading project aims to upgrade the existing line in order to address its old age condition and also to maintain the N-1 contingency provision taking into consideration the repowering of Ambuklao HEPP and the proposed generation capacity additions in the Cagayan Valley area.



Thus, during maximum generation of the power plants, this project will prevent the overloading under N-1 contingency condition, i.e, outage of one 230 kV circuit. As of 30 June 2021, the Substation Portion is 94.35%. The expected time of completion of the project was moved from November 2021 to December 2021.

- BINGA–SAN MANUEL 230 kV T/L

The Binga–San Manuel 230 kV Transmission Line upgrading project aims to provide N-1 contingency during maximum dispatch of the generating plants. The existing line, as well as the power circuit breakers at Binga Substation, which were constructed/installed in 1956 have already surpassed the economic life. Moreover, there are developments in the power plants affecting the power flow at Binga–San Manuel 230 kV line. As of 30 June 2021, the Transmission Line Portion is in initial phase of Construction and the Substation Portion is 91.76% for Binga and 95.02% for San Manuel Substation. The project is expected to be completed on December 2023.

- SAN MANUEL – NAGSAAG 230 kV T/L

The project aims to address the overloading of the San Manuel– Nagsaag 230 kV tie line, Pantabangan–Cabanatuan 230 kV Line, and the Nagsaag 500/230 kV transformer. During Maximum North condition and the hydro plants are maximized, outage of the San Manuel–Nagsaag 230 kV tie line will result in the overloading of the single circuit Pantabangan–Cabanatuan 230 kV line.

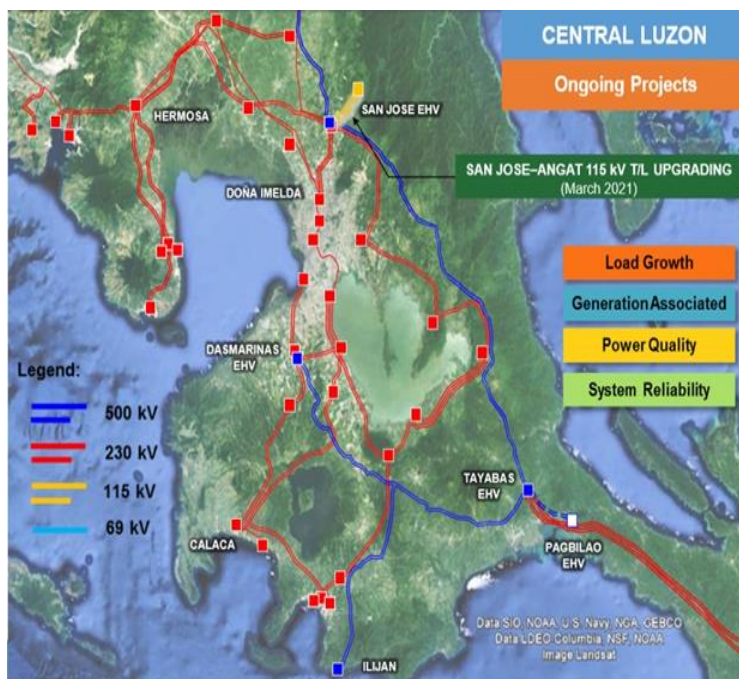


Conversely, the outage of Pantabangan–Cabanatuan 230 kV line will result in overloading of the San Manuel–Nagsaag 230 kV tie line. As of 30 June 2021, the

transmission line portion is 100% complete while the substation portion is above 95.50% complete. Nonetheless, the project is expected to be completed on December 2021.

- **SAN JOSE–ANGAT 115 KV LINE UPGRADING PROJECT**

The San Jose–Angat 115 kV Line Upgrading Project aims to ensure the reliability of the existing 115 kV transmission lines connecting Angat HEPP to the Luzon Grid. The 300 MVA capacity per circuit of the project would be sufficient to provide N-1 contingency during maximum dispatch of the 246 MW Angat HEPP. As of 30 June 2021, the Transmission Line Portion is 94.76% complete and the expected time of completion of the project was moved from June 2021 to December 2021.



- **TIWI 230 KV SUBSTATION PROJECT**

The project aims to upgrade the old and deteriorated substation equipment at Tiwi A and C Substations to improve the reliability of the system. It is also intended to augment the power requirement of Malinao/Ligao LES by installation of additional power transformer at Tiwi C Substation and will clearly identify asset boundaries within the Tiwi Geothermal Power Plant Complex through construction of NGCP's own control facilities. As of 30 June 2021, the erection of Primary Equipment is already 55.13% completed while and the Secondary Equipment is 92.64% completed. The expected time of completion of the project is on December 2021.



- TOWER STRUCTURE UPGRADING OF BICOL TRANSMISSION FACILITIES

The restoration project of Bicol transmission facilities offers the reconstruction of the affected transmission lines destroyed by Typhoon Nina, namely the Naga–Daraga–Tiwi A and Naga–Tiwi C 230 kV Transmission Lines. It will provide permanent solution to address the limitations of the emergency restoration that made use of provisional light-weight modular tower and steel pole structures. The project will involve the erection of 82 new steel tower structure, which are in conformity with the required design standards considering higher wind design criteria replacing the old and toppled structures. The project completion date was moved from May 2021 to July 2021.



Load Growth

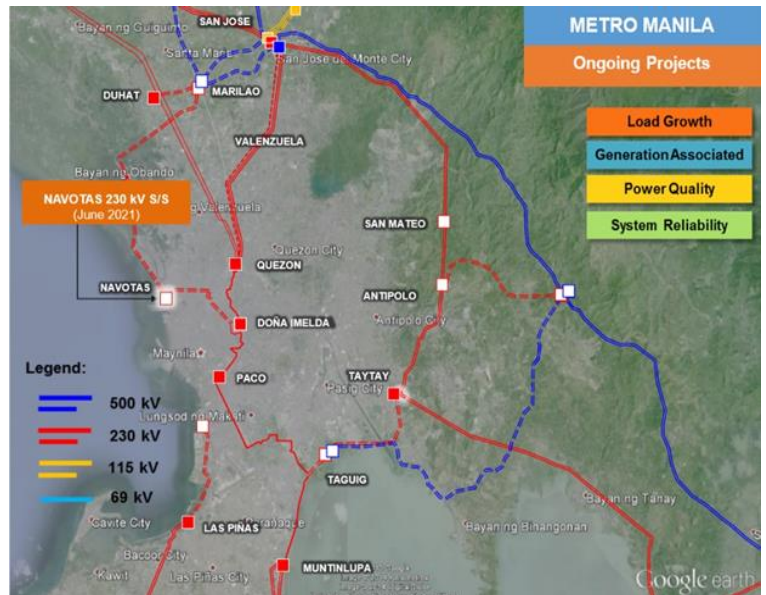
- CLARK-MABIGA 69 KV TRANSMISSION LINE PROJECT

The Clark–Mabiga 69 kV Line Project aims to provide transmission capacity reinforcement to the Mexico–Clark 69 kV Line, which is currently serving PRESCO, PELCO I, PELCO II, Angeles Electric Corporation (AEC), Quanta Paper Corporation and Clark Electric Development Corporation (CEDC). This project will address not only the load growth in the area of Angeles and Mabalacat together with the new industries in Clark Freeport Zone but also improve the power quality of supply in the area. As of 30 June 2021, the Substation Portion is 93.76% complete. On the other hand, its Transmission Line Portion is for re-routing due as the proposed original route was affected by the Malolos–Clark Railway Project. The expected time of completion of the project was moved from December 2021 to September 2022.



- NAVOTAS 230KV SUBSTATION PROJECT

The Navotas 230 kV Substation aims to cater the load growth in the Sector 1 of MERALCO and to serve as a connection point for power plants in the area such as the TMO and Millennium Power Plants. With the further increase in load, the existing 230/115 kV substations in Metro Manila become heavily loaded and have been losing already the provision for N-1 contingency. This will expose the Metro Manila loads to supply reliability risk as well as power quality concerns during system peak load condition. The proposed Navotas 230 kV Substation will be initially linked to the grid through cut-in connection along the existing Marilao–Quezon 230 kV Transmission Line and will ultimately terminate in the future Marilao 500 kV Substation. As of 30 June 2021, the overall project accomplishment is 35.05% complete. The project is expected to be completed on December 2023.



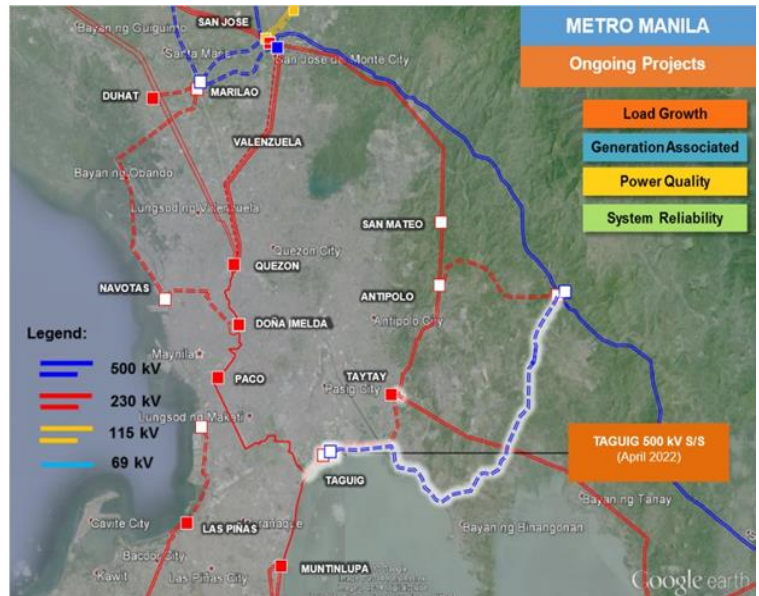
- ANTIPOLO 230 KV SUBSTATION PROJECT

The Antipolo 230 kV Substation aims to cater the load growth in Sector 2 of MERALCO. It involves the construction of a new 230 kV substation that will bus-in along the existing Steel Tower- Double Circuit San Jose-Taytay 230 kV line. Initially, the substation will also be installed with capacitor banks for voltage support. As of 30 June 2021, the status of the project's overall accomplishments is 69.08% complete. The project is expected to be completed in April 2022.



- TAGUIG 500 KV SUBSTATION PROJECT

The Taguig 500 kV Substation intends to provide another 500/230 kV drawdown substation to decongest San Jose EHV Substation and provide higher level of reliability to the 500 kV system of the Luzon Grid. It will also address the criticality of the existing 230 kV single-circuit line from Quezon to Muntinlupa during N-1 contingency. Further, this project will address the severe low voltage of the Metro Manila 230 kV Substations due to the single-circuit configuration and heavy loading condition of the Quezon–Muntinlupa 230 kV Line. As of 30 June 2021, the overall accomplishment of the Transmission Line and the Substation Portion is 21.10% complete. The project is expected to be completed on December 2023.

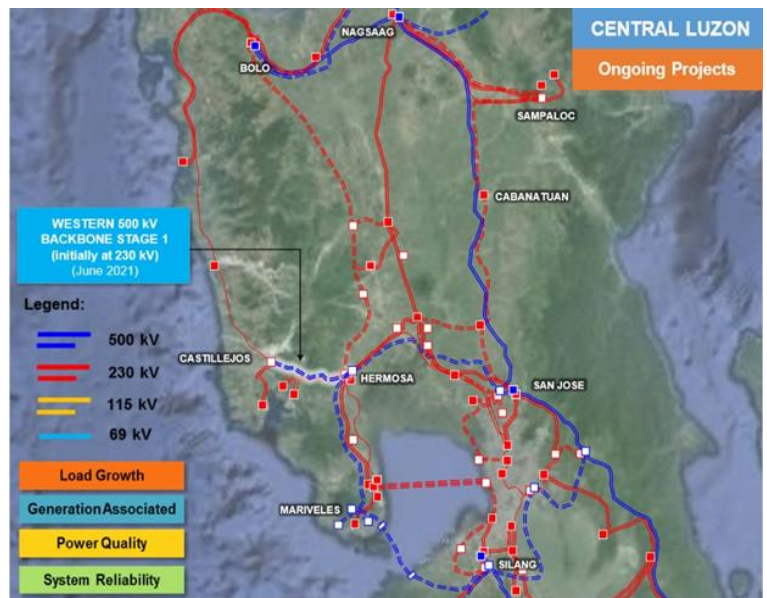


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Generation Entry

- WESTERN LUZON BACKBONE STAGE 1 (Castillejos–Hermosa 500kV T/L Project)

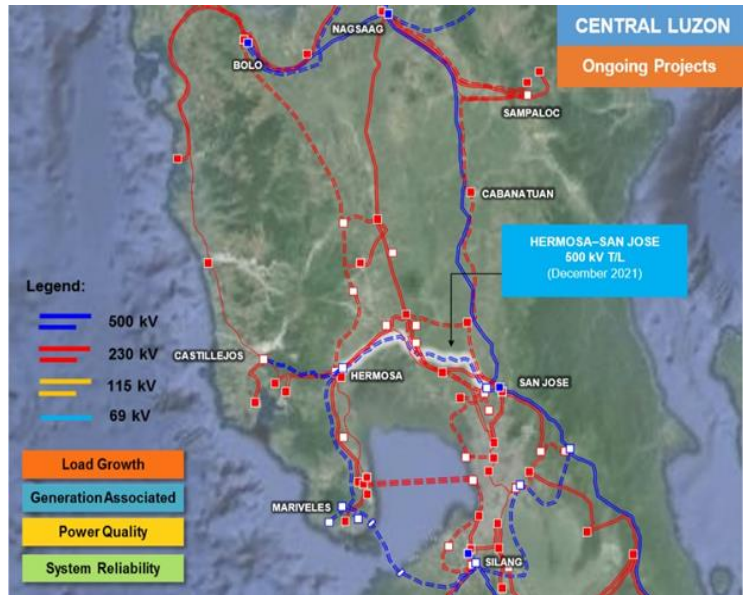
The Western Luzon Backbone (Stage 1: Castillejos–Hermosa 500 kV Transmission Line Project) pertains to the construction of a transmission facility to connect the 2x300 MW RP Energy CFPP to the Luzon Grid through the Hermosa Substation. It is part of the proposed long-term plan for 500 kV backbone loop development from Bolo (Kadampat) down to Hermosa Substation. As of 30 June 2021, the Transmission Line Portion is 93.83% complete. Due to the circumstances brought about by COVID-19, the expected time of completion of the project was moved from June 2021 to June 2022.



- HERMOSA–SAN JOSE 500 KV TRANSMISSION LINE PROJECT

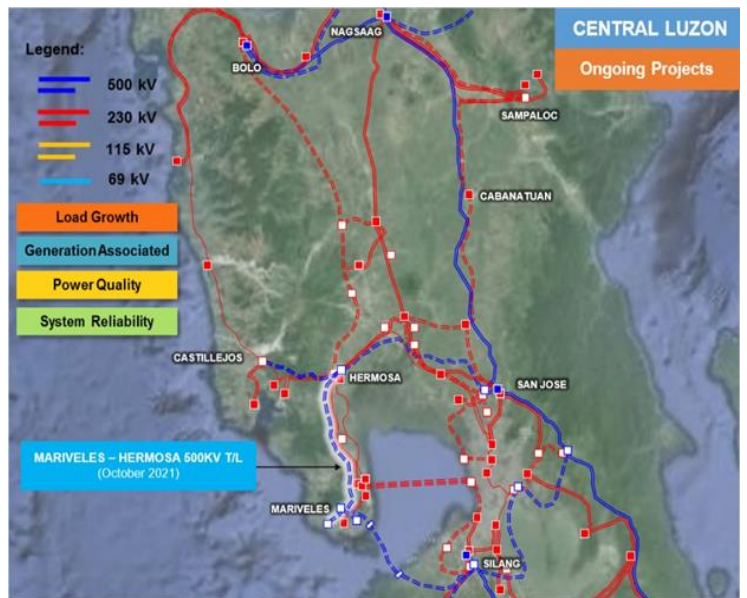
The Hermosa–San Jose 500 kV Transmission Line Project will serve as a new 500 kV corridor for the bulk power generation coming from the existing Limay CCGT, Petron RSFF, Subic Enron DPP, Mariveles CFPP and the programmed generation capacity additions which include RP Energy CFPP and SMC CFPP. As of 30 June 2021, the Transmission

Line portion is 30.17% complete while the Substation Portion is 53.19% complete. Due to COVID-19, the expected time of completion of the project was adjusted from December 2021 to June 2022.



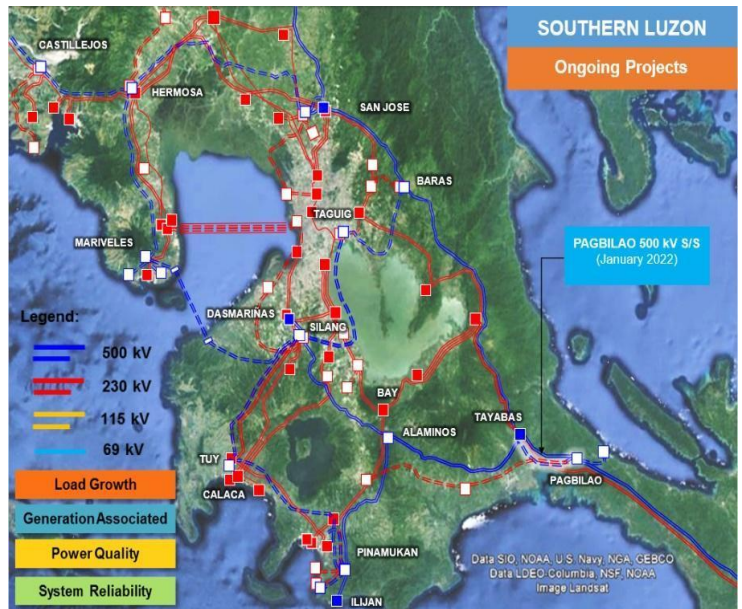
- MARIVELES-HERMOSA 500 KV TRANSMISSION LINE PROJECT

The Mariveles–Hermosa 500 kV Transmission Line Project aims to allow the connection of incoming generations in Bataan Peninsula, which include 2x668 MW GN Power Dinginin CFPP and 8x150 MW SMC Consolidated Power Corporation CFPP. While the Bataan 230 kV Grid Reinforcement Project can increase the capacity of the existing 230 kV corridor in the area, the huge generation capacity addition cannot be accommodated unless a new transmission highway is developed. This new backbone will form part of the loop from Hermosa to Mariveles then to Cavite/Metro Manila upon completion of the future submarine cable. As of 30 June 2021, the Transmission Line Portion is 89.89% complete and the Substation Portion is 69.40% complete. Due to the circumstances brought about by COVID-19, the expected time of completion of the project was adjusted from October 2021 to June 2022.



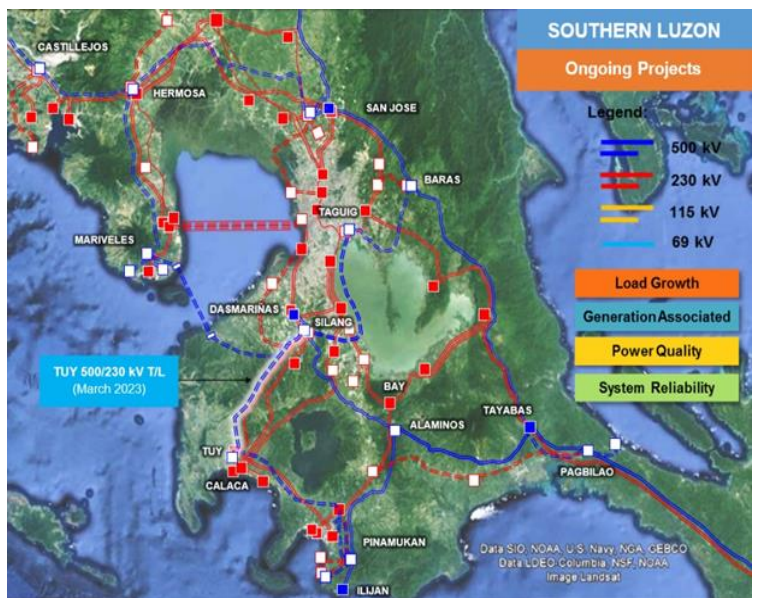
- **PAGBILAO 500 KV SUBSTATION PROJECT**

The Pagbilao 500 kV Substation Project will accommodate the connection of incoming power plants in Quezon Province. The Pagbilao EHV Substation Project will address the overloading of Tayabas 500/230 kV transformers and the fault level issue at Tayabas 230 kV Substation. As of 30 June 2021, the Transmission Line Portion is 85.39% complete and the Substation Portion is 59.77% complete. The project is expected to be completed on March 2022.



- **TUY 500/230 KV SUBSTATION PROJECT/TUY-DASMARIÑAS 500KV T/L PROJECT**

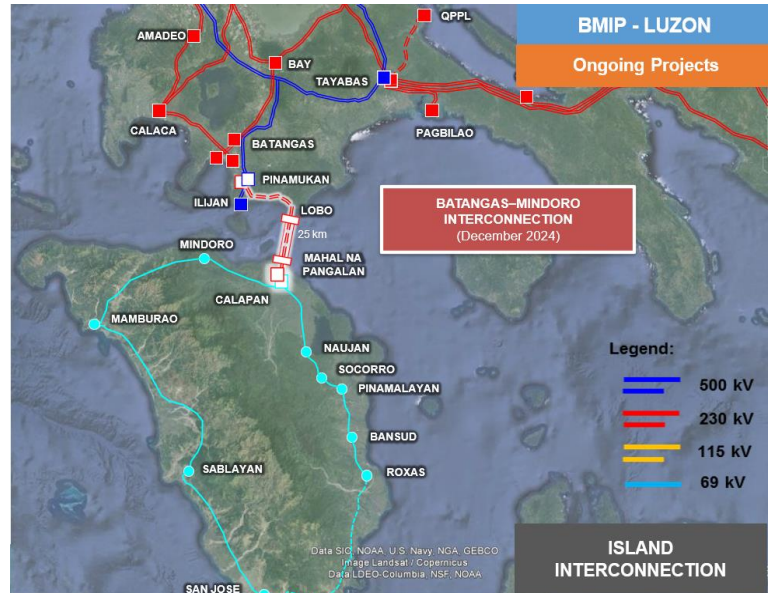
The Tuy 500 kV Substation (Stage 1) aims to accommodate the connection of the 2x350 MW SRPGC Coal Plant and allow full dispatch of bulk generation capacity addition in Batangas. The generation capacity addition will turn Calaca Substation into a merging point of more than 2,000 MW of power generation. As of 30 June 2021, the NGCP has yet to have the Notice-to-Proceed for the Transmission Line component while the Substation component is already 75.94% completed. With the restrictions brought about by COVID-19, the expected time of completion of the project was moved from March 2023 to December 2023.



Island Interconnection

- **BATANGAS-MINDORO INTERCONNECTION PROJECT**

The proposed interconnection of Mindoro Island with the Luzon Grid was envisioned to provide access to bulk generation sources in the main grid, while at the same time providing the means to export possible excess power once the generation potentials, including RE-based plants, within the island have been developed. The nearest connection point in the Luzon Grid for the planned island interconnection project is the proposed Pinamukan 500 kV Substation, while Calapan would serve as the interconnection point in Mindoro Island. As of 30 June 2021, the NGCP is awaiting the approval of the ERC to commence implementation.

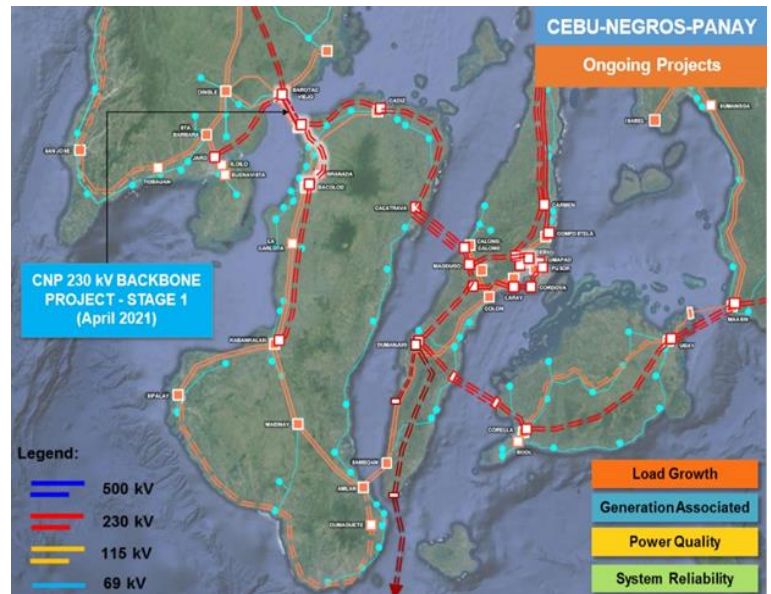


2. VISAYAS GRID

Generation Entry

- **CEBU-NEGROS-PANAY 230KV BACKBONE PROJECT – STAGE 1, GE & SR**

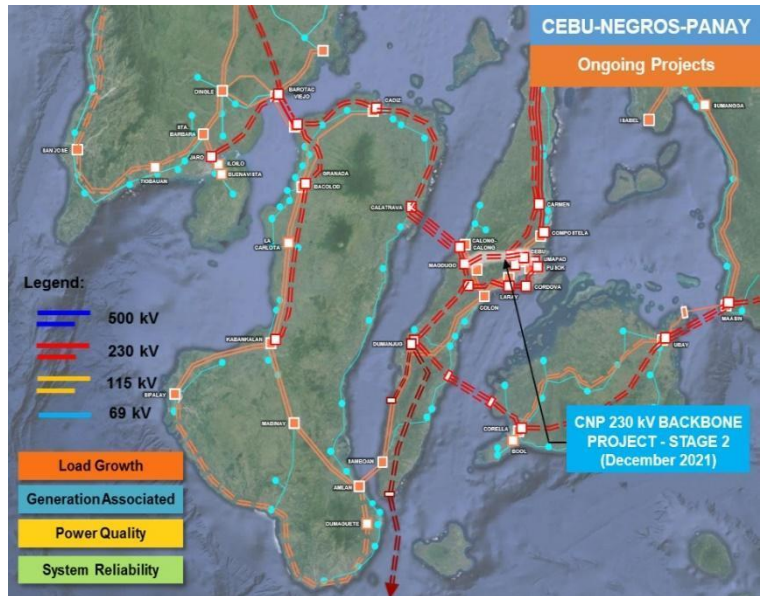
To ensure the effective transmission of excess power generation from Panay towards Negros, a high-capacity transmission corridor is being proposed. Strategically, the project will be designed consistent with the long-term transmission master plan of having a 230 kV transmission backbone in the Visayas by establishing a 230 kV interconnection from Panay to Cebu. The Transmission Line portion is 86.59% complete while the Substation component is already 100% completed. However, with the COVID-19, the expected time of completion of the project was moved from April 2021 to December 2021.



- CEBU-NEGROS-PANAY 230KV BACKBONE PROJECT – STAGE 2, GE & SR

To ensure the effective full generation dispatch of the new power plant, a new transmission corridor, which includes high-capacity transmission line and new substation facilities, is being proposed towards Metro Cebu. As of 30 June 2021, following is the status of the project's components: 1) Transmission Line portion is 100% complete;

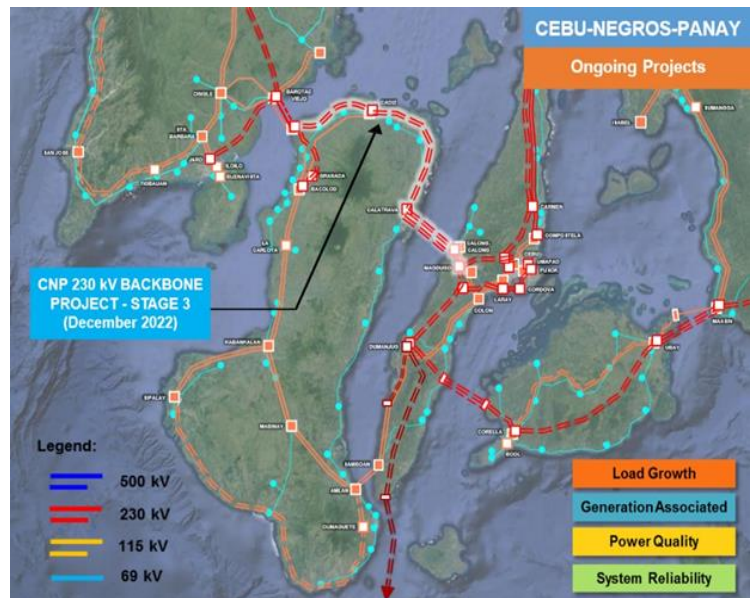
2) Substation Portion is 64.92% complete; 3) Underground Cable is 42.55% complete; and 4) Multi-storey facility is 61.11% complete. Due to the circumstances brought about by COVID-19, the expected time of completion of the project was adjusted from December 2021 to March 2022.



- CEBU-NEGROS-PANAY 230KV BACKBONE PROJECT – STAGE 3

The development of new power plants, including baseload and renewable, in Panay and Negros Islands will result in the increase in power exchange between the islands of Panay, Negros and Cebu. To ensure the effective transmission of excess power generation from Panay and Negros towards Cebu, a high-capacity transmission corridor is being proposed and this will serve as the stage 3 or the final stage for the Cebu–Negros–Panay 230 kV Backbone Project.

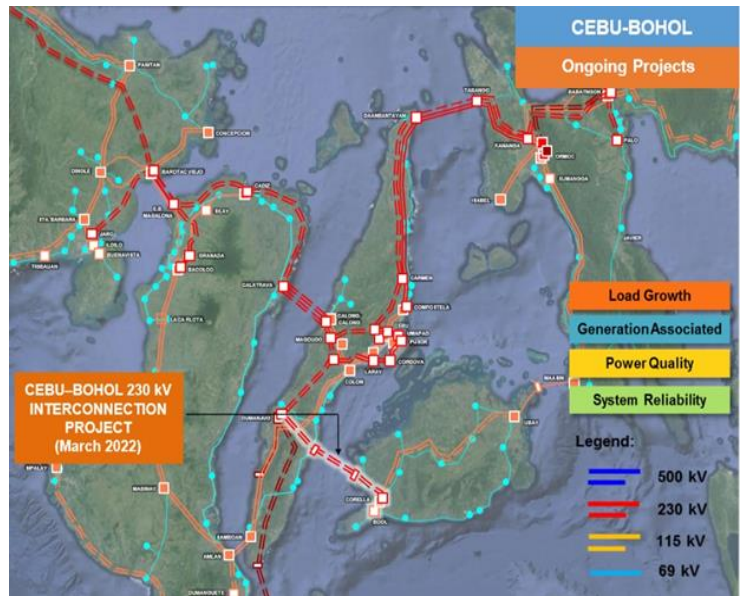
As of 30 June 2021, the overall accomplishment of the project which consist of three phase is 80.12%. The expected time of completion of the project is in December 2022.



Load Growth

- CEBU-BOHOL 230KV INTERCONNECTION PROJECT

Currently, Cebu, Leyte and Bohol are connected radially. As such, an outage of the Leyte–Bohol 138 kV Interconnection will cause power delivery interruption towards the entire Bohol Island. Since the existing power plants in Bohol do not have sufficient generation capacity to cater the power demand in the island during N-1 contingency condition, there is a need to provide additional transmission backbone towards Bohol. As of 30 June 2021, the project is 0.13% completed. The expected time of completion of the project was adjusted from September 2022 to December 2022.



- NAGA (VISAYAS) SUBSTATION UPGRADING PROJECT

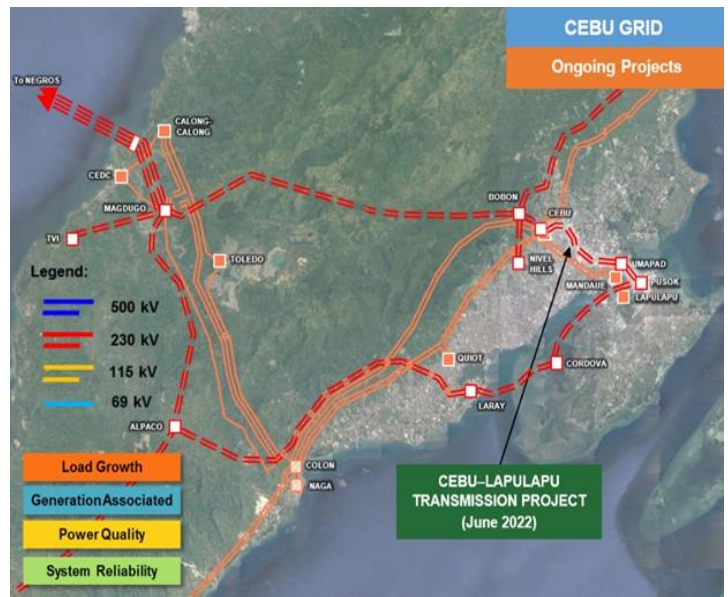
To improve the reliability of the Naga Substation, which was commissioned in 1977, equipment shall be replaced. The project involves the construction of new steel tower structures and installation of associated overhead line component. It also involves the use of steel tower structures with higher wind design capability. As of 30 June 2021, its phase 1 is 8.12% complete. Due to the circumstances brought about by COVID-19, the expected time of completion of the project was moved from December 2021 to March 2023.



System Reliability

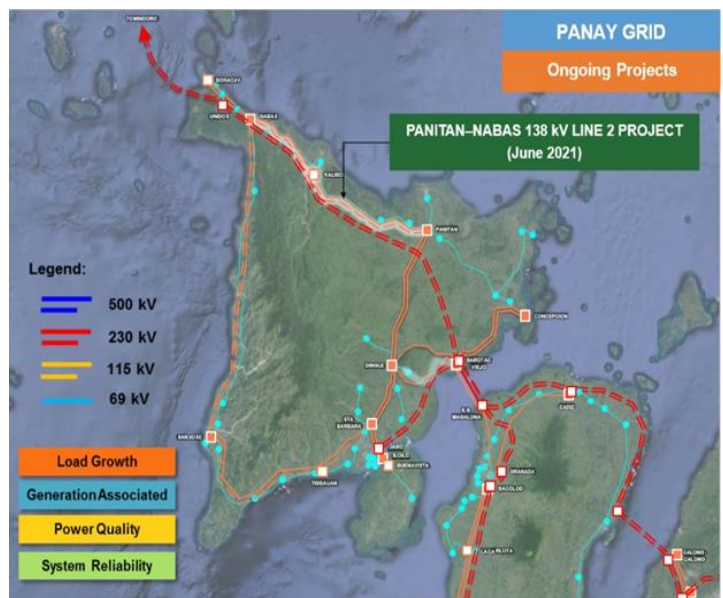
- **CEBU-LAPULAPU 230KV TRANSMISSION PROJECT**

The existing transmission corridors serving the major load centers in Mandaue and Mactan in Cebu do not have N-1 contingency provision. Thus a new transmission corridor, composed of overhead transmission line and submarine/underground cable system, is proposed between Cebu Substation and Lapulapu Substation. As of 30 June 2021, the Substation portion is 97.40% complete. On the other hand, the Transmission Line components of project are at Tendering stage. Time of completion of the project is on to June 2023.



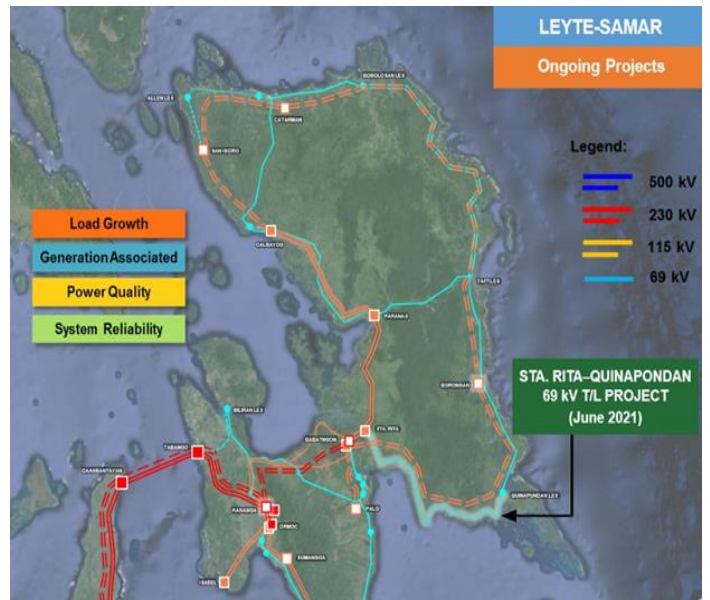
- **PANITAN – NABAS 138 KV TRANSMISSION LINE – LINE 2 (2ND CIRCUIT STRINGING)**

The northwestern part of Panay, which includes the Boracay Island, is served by Nabas Substation which normally draws power from the grid through the existing Panitan–Nabas 138 kV Transmission Line. The Nabas Substation is also linked to San Jose Substation by 69 kV transmission line. However, during the outage of the 138 kV line, the 69 kV line will have limited transmission capacity to cater the entire load of the area, hence, will result in power curtailment. To cater the entire power requirement of Nabas Substation even during N-1 condition, a new 138 kV circuit will be installed from Panitan Substation and Nabas Substation. As of 30 June 2021, the Transmission Line component is ready for Energization while the Substation Portion is 98.57% complete. Due to the circumstances brought about by COVID-19, the expected time of completion of the project was moved from May 2021 to August 2021.



- STA. RITA–QUINAPONDAN 69 KV TRANSMISSION LINE

This project involves the construction of a 97 km 69 kV line connecting Sta. Rita and Quinapondan Substation to improve system reliability and power quality in Eastern Samar Area. As of 30 June 2021, the Transmission Line project is almost complete at 99.67%. The expected time of completion of the project is on June 2021.

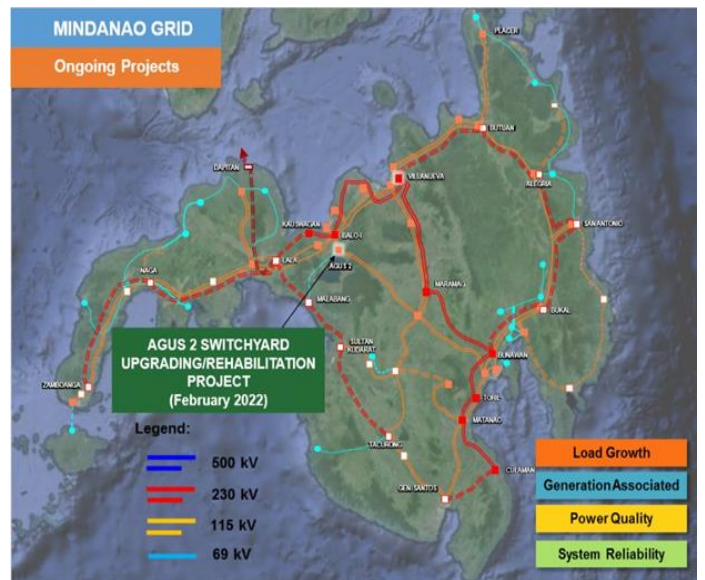


3. MINDANAO GRID

System Reliability

- AGUS 2 SWITCHYARD UPGRADING/REHABILITATION PROJECT

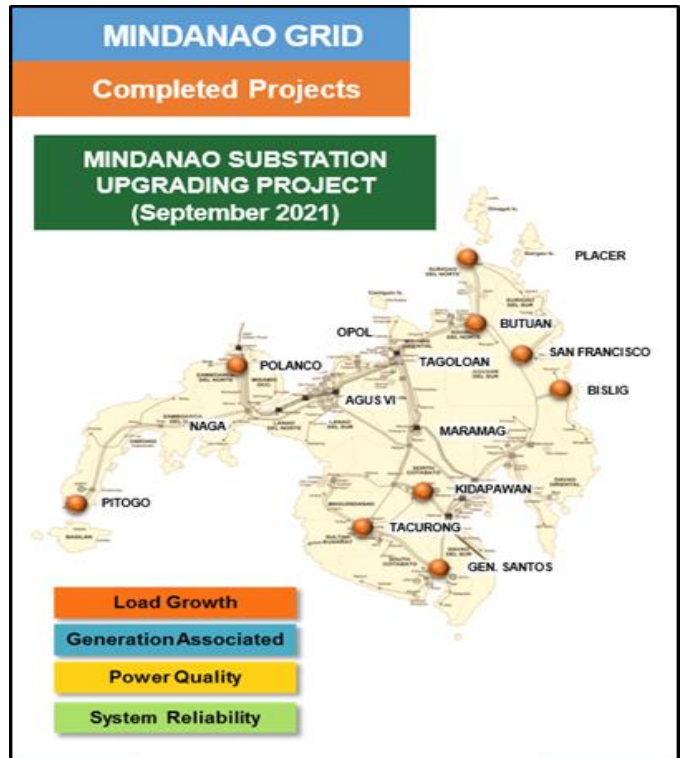
The project enhances the operational stability of the grid that ensures the continuity of service of the power plant's transmission corridor. It involves the replacement of obsolete power circuit breakers, capacitive potential transformers, telecom equipment and other secondary devices. As of 30 June 2021, the transmission project is 94.78% complete. However, with the restrictions brought about by COVID-19, the expected time of completion of the project was adjusted from February 2022 to October 2022.



System Reliability

- MINDANAO SUBSTATION UPGRADING PROJECT (MSUP)

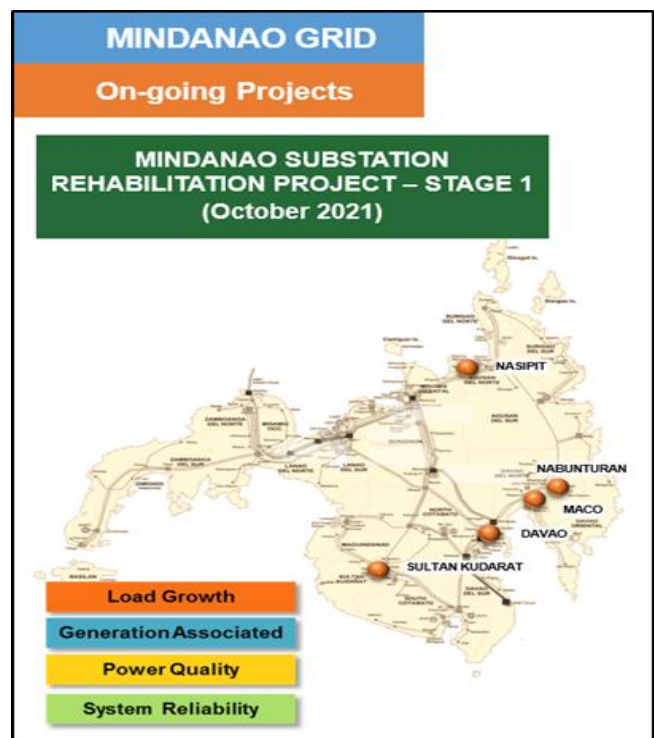
The MSUP will provide additional transformers, install capacitor banks, and replace defective, old, obsolete and underrated power circuit breakers (PCBs) to ensure adequate, reliable, and high-quality power transmission system in Mindanao. It also involves the installation of a total of 875 MVA power transformers, 52.5 MVAR capacitor banks, nineteen (19)-138 kV PCBs and twenty-one (21)-69 kV PCBs. Also included as project component is the replacement of eleven (11)-138 kV and twenty-seven (27)-69 kV PCBs in various substations in the grid.



The Project is divided into two (2) Stages. Segments of Stage 1 of the Project is already 91.56% as of 30 June 2021. On the other hand, Stage 2 of the MSUP is already on-going at 81.90%. The MSUP is expected to be completed in June 2022.

- MINDANAO SUBSTATION REHABILITATION PROJECT (MSRP) – STAGE 1

Mindanao Substation Rehabilitation Project (MSRP) will replace power circuit breakers (PCBs) in various substations in Mindanao due to defectiveness, old age, obsolescence and low fault level capacity. Implementation of the project will increase the reliability of the network, reduce/prevent unserved energy, avoid costly maintenance expenses, improve personnel safety and decrease incidents of breaker failures. As of 30 June 2021, Stage 1 of the project is already 74.14% completed. The expected time of completion of the project is in June 2022.



Island Interconnection

- **MINDANAO-VISAYAS INTERCONNECTION PROJECT**

Due to the circumstances brought about by COVID-19, the expected time of completion of the project was moved to December 2022. See below table.

MINDANAO-VISAYAS INTERCONNECTION PROJECT		STATUS (AS OF 30 JUNE 2021)
OVERALL ACCOMPLISHMENT		64.14%
Submarine Cable	Santader CTS-Dapitan CTS HVDC	99.47%
Substation	Dumanjug Converter Station & S/S	82.51%
	Lala Converter Station & S/S	
	Aurora S/S (3-138kV PCB)	
	Magdugo S/S (2-230kV PCB)	
	Dumanjug S/S	Newly awarded
Umapad GIS S/S		
Transmission Line	Dumanjug-Magdugo HVAC T/L	78.06%
	Kauswagan-Lala HVAC T/L	86.08%
	Aurora-Lala HVAC T/L	
	Dumanjug-Santander HVDC OHTL	87.17%
	Lala-Dapitan HVDC OHTL	
	Alegria-Dumanjug Electrode Line	74.78%
	Kolambugan-Lala Electrode Line	



MVIP also faced delay due to severe submarine cable damage as determined during verification surveys done on 3-6 February 2021. The project will be extended beyond its adjusted December 2021 target completion due to the damage of several portions of its fiber optic cable connection.

E. Distribution Infrastructure Projects

ERC-Approved Capital Expenditure (CAPEX) Projects

Section 43 (f) of the Republic Act No. 9136, otherwise known as the EPIRA, provides that any significant operating costs or projects investment of DU which shall become part of the rate base shall be subject to verification by the ERC to ensure that the contracting and procurement of the equipment, assets and services have been subjected to transparent and accepted industry procurement and purchasing practices to protect the public interest.

On the other hand, the accompanying application for authority to secure loan from the NEA in connection with the funding source for the proposed projects, is being filed pursuant to Section 20 e) of Commonwealth Act No. 146 otherwise known as the Public Service Act, which requires every public service to secure the approval and authorization of the ERC for issuance of any bonds or other evidence of indebtedness payable in more than one year.

During the report period, the ERC approved the Capital Expenditure (CAPEX) Projects applications filed by two (2) Distribution Utilities namely: 1) Camarines Sur I Electric Cooperative, Inc. (CASURECO I); and 2) Davao del Sur Electric Cooperative, Inc. (DASURECO). Details of these projects are shown in Annex 3.

VII. TOTAL ELECTRIFICATION

Under Sec. 2(a) of the EPIRA 2001, it is the declared policy of the State to ensure and accelerate the total electrification of the country. Said law also mandates the DUs to provide universal service in their franchise areas including unviable areas at a reasonable time. The Government has implemented a massive and focused action to increase and accelerate access to electricity services by the country's unenergized communities and households while contributing to poverty alleviation. Previous programs and activities of the Government resulted in almost 100% barangay electrification, with only eight (8) barangays out of the total of 42,395 potential barangays remaining as unenergized due to geographical and security reasons. The current program of the Government aims to attain 100% total household electrification by 2022.

1. Status of Household Electrification

For the report period, the household electrification level of the country is estimated at 94.94% based on the latest status of energization provided by the NEA for the ECs, LGUOUs and PIOUs as of June 2021. Said level corresponds to 24.57 million energized HHs out of 22.98 million identified and targeted HH population based from the 2015 Census of the Philippine Statistics Authority (PSA).

Table 29. Household Electrification Level

Distribution Utility	Total Household Population (2015 Census)	Served HHs	Unserved HHs, actual per DU per Province ^[a]	%HH Level ^[b]
Electric Cooperatives	14,320,138	14,544,188	1,109,511	92.25%
EC - QTP/NPC-SPUG	14,967	11,209	3,758	74.89%
MERALCO	6,478,982	7,769,759	-	100.00%
Other PIOUs/LGU Owned Utilities	2,170,884	2,244,138	48,751	97.75%
Total	22,984,971	24,569,294	1,162,020	94.94%

Source :

DOE

Note :

[a] Unserved HHs per DU per Prov = (Pot. HHs – Served HHs) per DU per Prov

[b] %HH Level = (Pot. HHs – Unserved HHs per DU per Prov) / Pot. HHs

On previous reports, the electrification level only accounts for the served households of all DUs and it results in higher household electrification level since some DUs have already exceeded the total potential number of households as reported by PSA thus, compensating the DUs with low electrification level. With the new computation, it accounts for the actual number of unserved households per DUs per Province. This formula provides accurate representation of the status of household electrification level of the country.

2. On-going and Planned Programs and Activities

- Grid Electrification

- a. NEA's Expanded Sitio Electrification Program (Expanded SEP)

This refers to NEA's program of attaining 100 percent sitio electrification in the country while providing house wiring and connection assistance to eligible HHs. SEP is the energization of unlit sitio/purok/zone defined as a territorial enclave that forms part of barangay, the location of which may be distant from the center of barangay itself, by providing funds for the construction of distribution lines and house wiring facilities to the

beneficiaries. This provision covers for the two (2) bulbs, 1 (one) convenient outlet, a kilowatt-hour meter, and thirty (30) meters of service drop wire, including the cost of house wiring service).

Under the Sitio Electrification Program (SEP) and the off-grid solar project for 5,000 households, the programs are currently experiencing delays due to the continuing restrictions imposed by the government. NEA revised the number of sitios to be included in the SEP this year from the original target of 5,000 sitios that were submitted to DBM to 1,085 sitios. As of June 30, 2021, NEA, through the ECs, has completed the energization of 590 sitios.

b. NEA's Barangay Line Enhancement Program (BLEP)

This aims to rehabilitate those barangays previously energized through solar home systems, generator sets and other off-grid solutions but deemed unsustainable. To enhance the program, it shall only cover those off-grid barangays that are already economically feasible for distribution line extension. Funds are provided for grid extension projects such as overhead lines, submarine cable, underground cable and enhancement /upgrading of distribution lines.

Please take note that no budget allocation on BLEP Projects for CY2018-2021 hence, NEA has no targets for CY2021. However, as of 31 December 2020, there are 166 barangays nationwide that need for enhancement. NEA plans to fully energize the said identified barangays by 2026 and expects to energize around 9,960 households.

c. Rationalization of Implementation of Energy Regulations 1-94 Electrification Funds

Under this concept, the DOE shall effectively administer ER 1-94 EF to support the total electrification of the identified host barangays and municipalities consistent with the policies set forth under the guidelines. This aims of bringing electricity to all households in the communities hosting the power generating facilities and/or energy resources following the radiating order, prioritizing the host cities/municipalities project proposal for DOE's funding approval under the ER 1-94 Electrification Fund.

As part of the DC2018-08-0021 "Providing for the Amendments of Rule 29 Part (A) of the Implementing Rules and Regulations of Republic Act No. 9136", the DOE have conducted its last leg of Information, Education and Communication (IEC) Campaign in Marquis Events Place, BGC, Taguig City on 05 November 2019. The discussion on the said IEC mainly focuses on the computation and allocation of financial benefits, requirements to facilitate the transfer of financial benefits and the projects to be covered/funded under electrification fund.

For the period of May 2021 to October 2021, with the declarations of State of Public Health Emergency and State of Calamity throughout the Philippines, through Proclamation Nos. 922 and 929, respectively, due to the on-going COVID-19 outbreak in the Philippines still in effect, the DOE issued Department Circular No. DC2020-04-0008 "Rationalizing the Utilization of ER1-94 Funds by Local Government Units in Response to COVID-19 Public Health Emergency" which aims to provide additional fund sources for Host LGUs to combat COVID-19 is also still in effect.

Under the Circular, all available and unremitted ER 1-94 Funds with the Department and concerned power generation companies (GenCos) as of 31 December 2019 shall be immediately distributed to the host LGUs for them to have readily available funding to undertake their duty to contain COVID-19 in their respective areas. An Advisory for the Implementation of DC2020-04-008 was issued last 14 July 2020 to provide clarification on particular sections of said DC for the continuity of processes and activities. However,

with this effort, the allocated electrification fund under ER 1-94 due for the DUs will be suspended until the State of Public Health Emergency in the country is lifted.

Table 30. Summary of Transfer of ER1-94 Funds to Host LGUs as of 31 July 2021

Fund Type	No. of Host LGUs	Total Amount Transferred (in Php Million)
Electrification Fund	596	2,135.34 M
Development and Livelihood Fund	843	1,211.50 M
Reforestation, Watershed Management, Health and/or Environment Enhancement Fund	829	1,234.81 M

Source: DOE

d. Nationwide Intensification of Household Electrification (NIHE) Program

Approved in 2014, the NIHE project is a 3-year program that aims to implement measures and grant assistance to intensify household electrification. Under NIHE, DUs are encouraged to adopt more proactive and innovative marketing strategies to fast-track electrification of the remaining unelectrified households both in rural and urban areas of the country. Technical assistance to be undertaken by the NIHE Project include streamlining of connection process, LGU-DU partnership for assistance in connection permits, and policy support to address the issue of slum electrification and flying connections, among others.

However, during the Budget Deliberations in Congress, the House of Representatives has allotted another budget for the program under General Appropriations Act CY2018 to accommodate more requests amounting to Php300,000,000.00.

For the 2015 NIHE Program, 26,716 households are reported energized out of 30,512 approved and allocated with house-wiring and KWH meter subsidy as of 15 September 2021.

For the 2016 NIHE Program, 91,627 households are reported energized out of 116,592 approved and allocated with house-wiring and KWH meter subsidy as of 15 September 2021.

For the 2017 NIHE Program, 62,296 households are reported energized out of 115,216 approved and allocated with house-wiring and KWH meter subsidy as of 15 September 2021.

For the 2018 NIHE Program, 48,142 households are reported energized out of 81,770 approved and allocated with house-wiring and KWH meter subsidy as of 15 September 2021.

The Department of Energy has encountered some administrative concerns about the implementation of the NIHE Program that affected the timely releases of project funds to the concerned ECs in the past. This delay was further worsened during this COVID-19 pandemic. Other factors that affected the release of these funds to concerned ECs includes the delayed submission of the pertinent bidding documents from the concerned ECs as well as the closeout of previously completed projects by the concerned ECs.

Moreover, with the continuous threat of COVID-19 to the health of the general public, the DOE has issued an advisory to DUs about the documentary requirements and procedures in conducting project close-out activities during the COVID-19 Pandemic of Locally Funded Projects (LFP) NIHE and PVM Projects.

Table below shows the list of NIHE projects with funds released as of August 2021.

1. NIHE Projects with Released Project Funds for CY2020

Funding Year	Region	Distribution Utility	No. of HHs	Amount Approved (PhP)	Amount Released (PhP)
2017	IV-A	QUEZELCO I	3,976	14,910,000.00	12,673,500.00
2017	XII	COTELCO-PPALMA	21,835	81,881,250.00	69,408,006.25
2017	VI	AKELCO	1,232	4,620,000.00	3,540,249.40
2018	I	ISECO	3,367	12,626,250.00	8,281,634.39

2. NIHE Projects with Pending Release

Funding Year	Region	Distribution Utility	No. of HHs	Approved Amount (PhP)	Amount for Release (PhP)
2018	I	PANELCO III	3,367	12,626,250.00	10,175,571.89
2018	VIII	LEYECO V	11,500	43,125,000.00	31,749,200.00

The DOE is currently preparing to terminate all projects that have not had any mobilization and development since approval. The list of projects proposed for termination are shown below:

Funding Year	Region	Distribution Utility	No. of HHs	Approved Amount (PhP)
2015	IV-B	BISELCO	100	375,000.00
2016	II	ISELCO I	6,723	25,211,250.00
2016	X	BUSECO	1,393	5,189,342.90
2017	III	ZAMECO II	971	3,641,250.00

Despite the current crisis, the DOE assures that it is coordinating with the concerned ECs and continues processing of documents for the release of funds and project close-out activities of completed projects.

e. Total Electrification Program (TEP)

In line with the goal of the current administration of 100% total household electrification by 2022 and relative to the approval for the Locally funded project - TEP for FY 2021, the DOE issued on 19 & 26 August 2021 two policies that will served as guidelines for the implementation of the LFP-TEP.

Policy Guidelines on the Implementation of Locally Funded Project - Total Electrification Program, or referred as TEP 1, aims to provide variable types of electrification solutions to unserved areas in the Philippines appropriate to local conditions in the area such as - size of the community, density of the population, the distance of the existing national grid, the topography and general socio-economic factors such as possible energy demand and economic growth potential.

Additionally, the DOE also issued the Policy Guidelines for the Provision of Portable Solar Home Systems as Interim Solution for the Immediate and Effective Energization of Unserved Households under Locally Funded Project - Total Electrification Program, referred to as TEP 2. TEP 2 aims to implement portable solar home systems as an additional electrification strategy and interim solution to address the challenges and hasten the provision of electricity to all unserved households in conflict-affected and vulnerable areas in the county.

For TEP 1, the DOE requested through a Memorandum Notice to All DUs issued on 15 September 2021 for submission of Work and Financial Plan that will serve as basis for the determination of the projects to be funded by the LFP-TEP. Initial proposals being evaluated by the DOE are the submitted WFP from NEA and NPC-SPUG.

As for the TEP 2, the DOE initially identified the four (4) electric cooperatives (ECs) from Region IV-B, Oriental Mindoro Electric Cooperative, Inc. (ORMECO), Occidental Mindoro Electric Cooperative, Inc. (OMECO), Busuanga Island Electric Cooperative, Inc. (BISELCO) and Palawan Electric Cooperative, Inc. (PALECO) as its pilot beneficiary of the portable solar home system to be procured by DOE and be distributed to target identified unserved households in the region.

- Off-Grid Electrification

1. PV Mainstreaming (PVM) Program:

Below is the status of the PV Mainstreaming Program with the corresponding funding sources.

- a. EU-PHIL Access to Sustainable Energy Programme (ASEP)

For the reporting period, the Notice to Proceed for the contracting of 30,500 solar home systems under ASEP Window 2 was issued on 27 April 2021 to the winning Bidder. Following the said issuance, the training on the installation, operations, and maintenance of Solar Home Systems (SHS) for all six (6) beneficiary ECs were consecutively conducted from May to July 2021. First tranche of 6,500 SHS was already delivered and inspected in the Contractor's central warehouse in Davao City last 02 and 16 August respectively, while the second tranche with a total of 9,150 SHS is expected to arrive by October. Meanwhile, execution of the Installation Agreement between the participating Electric Cooperatives and National Power Corporation as the implementing arm of the EU-Phil ASEP World Bank component is ongoing. It is expected that full implementation will be completed as targeted by the second semester of 2022.

- b. DOE Locally Funded Project

From the previous reporting period, with the signing of the LFP Advisory by the Secretary in April 2021, ZAMSURECO I and SULECO complied with the requirements and already scheduled final inspection until the end of September 2021. The ILECO II due to quarantine and LGU restrictions, however, is still securing the required documents for the said inspection.

BISELCO on the other hand, has already completed the installations of additional 1,129 SHS for Linapacan, Palawan. This is the last tranche of PVM under the Locally Funded Project. Currently, they are working on the setting up of vending stations and once completed, will be scheduled for final inspection.

Meanwhile, the DOE is waiting for eight (8) ECs namely, BOHECO II, BISELCO, SOCOTECO II, DASURECO, FIBECO, BUSECO, ILECO III and CASURECO IV currently implementing PVM to submit all the necessary requirements for the issuance of DOE Certificate of Endorsement to the Energy Regulatory Commission (ERC) for the issuance of its Order of Approval for the subject implementation. This is in compliance with the ERC Resolution No. 17, series of 2017 “Resolution Adopting the Rules Governing the Setting of Regulated Solar Home Systems Tariff for the Provision of Electricity Service by the Electric Cooperatives.”

2. Qualified Third Party (QTP) Approach

Under Sec. 59 of EPIRA, areas deemed unviable and waived by the DUs may be offered to QTPs as part of the missionary electrification program. There is now a growing interest among the private sector to enter QTP operations with the entry of renewables in off-grid electrification. On 22 November 2019, the DOE issued Department Circular No. DC2019-11-0015 provides a streamlined participation procedure for QTP, greater role for the Distribution Utilities in the selection process of QTP, and harmonized guidelines with the Renewable Energy Law.

In March 2021, the DOE declared and posted on the DOE website, through Public Notice No. PN2021-03-0001, the list of QTP Service Areas.

QTP Service Areas per Public Notice No. PN2021-03-0001	
Distribution Utility	Number of Areas
NOCECO	6
PALECO	63

Following are the updates on the QTP Program being spearheaded by the DOE:

a. Malapascua Island in the Municipality of Daanbantayan, Cebu

PSPI’s QTP Site located in Malapascua Island is currently operating by virtue of the Authority to Operate (ATO) granted by the Energy Regulatory Commission (ERC). Currently, there are 3 units of diesel generator sets at the PSPI QTP site which provide electricity to 1,142 households in the island. The rated capacity of the plant from May-August 2021 is 1.54 MW and the total number of operating hours for said months are 2,822.76 hours. For the reporting period, Malapascua recorded a peak load of 506 kW, an average load of 212.75 kW and an average system loss of 8.39%. Malapascua recorded a total of 55 interruptions for the reporting period due to transmission line fault and engine trouble.

b. Barangay Liminangcong in the Municipality of Taytay, Palawan

PSPI’s QTP Site located in Liminangcong Palawan is currently operating by virtue of the ATO granted by the ERC. Currently, there are 3 units of diesel generator sets at the PSPI QTP site which provide electricity to 1,020 households in the barangay. The rated capacity of the plant on May-June and July-August 2021 is 0.80 MW and 0.63 MW, respectively. The total number of operating hours for said months are 2,932.71 hours. The rated capacity of the plant in May-June and July-August 2021 is 0.80 MW and 0.63 MW, respectively. The total number of operating hours for said months are 2,932.71 hours. For the reporting period, Liminangcong recorded a peak load of 256.25 kW, an average load of 193.25 kw and an average system loss of 8.63%.

Liminangcong recorded a total of 4 interruptions for the reporting period due to synchronization issues, alternator damage and pole replacement.

c. Barangay Candawaga and Culasian in the Municipality of Rizal, Palawan

PSPI's QTP Site located in Rizal Palawan is currently operating by virtue of the ATO granted by the ERC. PSPI also submitted the application for Certificate of Compliance (COC) with the ERC last August 27, 2021. Currently, there are 3 units of diesel generator sets at the PSPI QTP site which provide electricity to 2 barangays (Brgy. Candawaga & Brgy. Culasian) with a total of 1,061 households. The rated capacity of the plant from May-August 2021 is 0.43 MW and the total number of operating hours for said months are 4,352.95 hours. For the reporting period, the said plant has recorded a peak load of 237 kW and an average load of 152.5 kw. Rizal site recorded a total of 32 interruptions for the reporting period due to line faults, generator issues and pole replacement.

d. Barangay Cabayugan (Sabang), Puerto Princesa City, Palawan

SREC continues to provide 24/7 electricity to 564 customers connected to the grid as of 31 August 2021. SREC is prepared to connect more customers to grow our demand load and economic activity within our service area, with support from the local government. The effect of COVID-19 has been severe on the local economy, with tourism coming to a halt. As the international and domestic rollout of vaccines progresses, SREC expects gradual pick-up in tourism and related activities in the last quarter of 2021 and anticipates some increase in load demand thereon.

SREC has an average daily load of around 2153 kWh which corresponds to an increase of 3.3% since the last report. SREC is authorized by the ERC to collect PhP12/kWh for residential and public buildings and PhP 15/kWh for commercial establishments.

For the reporting period, Brgy. Cabayugan experienced 15 unscheduled and 15 scheduled power outages. The scheduled outages were for extensive tree trimming and grid maintenance operations while the unscheduled outages were due to adverse weather conditions, causing tree branches to fall onto the distribution line.

e. Lahuy and Haponan Islands in Caramoan and Quinalasag Island in Garchitorea, Camarines Sur

Below is the summary status of the QTP projects as of August 2021:

PROJECT LOCATION	TECHNOLOGY	TARGET HHs	Served HHs	Electrification Level %	PROPONENT	STATUS
Malapascua, Daan-Bantayan, Cebu	750 kW Diesel	1,342	1144	85.25%	PSPI	Operational, Permanent ATO issued by ERC, 2016
Sabang, Puerto Princesa City, Palawan	Hybrid : 1.4 MW Solar + 1.2 MW Diesel + 2.3 MWh Battery	769	564	73.34%	SREC	Operational, Authority to Operate (ATO) issued by ERC 05 October 2016

PROJECT LOCATION	TECHNOLOGY	TARGET HHs	Served HHs	Electrification Level %	PROPONENT	STATUS
Candawaga & Culasian, Rizal, Palawan	268 kW Diesel	2,151	1049	48.77%	PSPI	Operational, Interim Relief , April 2018
Balut Island, Sarangani, Davao Occidental	690 kW Diesel	4,003			PSPI	On-going PIPO activity, Interim Relief , April 2018
Liminangcong, Taytay, Palawan	108 kW Diesel	1,199	947	78.98%	PSPI	Operational, Provisional ATO issued by ERC, 2016
Brgy. Tumbod, Taytay, Palawan	Line extension from Brgy. Liminangcong	395			PSPI	Expository Hearing conducted on 25 April 2019
Lahuy Island, Haponan Island in Municipality of Caramoan and Quinasalag Island in the Municipality of Garchitorena, Camarines Sur	Lahuy Island: 246 kWp Solar + 400 kW Diesel + 79kWh Battery Haponan Island: 51.4 kWp Solar + 100 kW Diesel + 19 kWh Battery Quinalasag Island: 331 kWp Solar + 500 kW Diesel + 80kWh Battery	Lahuy: 550 HHs Haponan: 87 HHs Quinalasag: 705 HHs			FPIEC	On-going construction, Provisional ATO issued by ERC, June 2019
Bgy. Poblacion, Dumaran, Palawan	Hybrid: 132.8 kWp Solar + 144 kW Diesel + 351.1 kWh Battery	497			PSPI	Endorsed to ERC (18 March 2019)
Bgy. Manamoc, Cuyo, Palawan	216 kW Diesel	605			PSPI	Endorsed to ERC (18 March 2019)
Bgy. Port Barton, San Vicente, Palawan	Hybrid: 200 kWp Solar + 609.5 kW	1,259			PSPI	Endorsed to ERC (18 March 2019)

PROJECT LOCATION	TECHNOLOGY	TARGET HHs	Served HHs	Electrification Level %	PROPONENT	STATUS
	Diesel + 200 kWh Battery					

VIII. PROMOTION OF RURAL ELECTRIFICATION

Pursuant to Section 58 of the EPIRA, as additional mandate, the National Electrification Administration (NEA) shall develop and implement programs in strengthening the technical capability and financial viability of the rural ECs as electric utilities and to prepare the said ECs to operate and compete in deregulated electricity market, specifically in environment open access and retail wheeling.

1. Financial Assistance

During the report period, NEA released a total of PhP333.5 Million loans to SOCOTECO I, TARELCO I, OMECO, BANELCO, IFELCO, NONECO, SURSECO I, CASURECO IV, FLECO, DANECO, ZAMSURECO II, LUELCO, MORESCO I, DORECO, and DIELCO for capital projects. In addition, a total of PhP50 Million loan was released to LANECO for Short Term Credit Facility while a total of PhP42 Million loan was released to CASURECO IV, FICELCO, and BATANELCO for calamity.

Particulars	No.	Electric Cooperatives	Project	Amount (In PhP Million)
Capital Projects	1	South Cotabato I Electric Cooperative, Inc. South Cotabato I Electric Cooperative, Inc. (SOCOTECO I)	Construction of ASD2 Satellite Office	2.2
			Purchase of Bucket Trucks	6.2
	2	Tarlac I Electric Cooperative, Inc. TARELCO I	Installation of 10 MVA substation at Mayantoc Town	19.7
			Installation of Primary & Secondary Safe Equipment for Paniqui 10MVA Power Transformer	4.7
			Purchase of 69kV Line Fault Indicators	2.0
			Purchase of Utility Vehicle (Specialized Manlitt Truck for COMD)	15.1
			Implementation of EC's Computer System Upgrade Project	18.9
	3	Occidental Mindoro Electric Cooperative, Inc. (OMECO)	Kwh meter add-ons-hardwares and materials	2.1
			Rehabilitation and upgrading of lines/Rehabilitation of octopus connection	3.3
			Rehabilitation and upgrading of facilities	4.6
	4	Bantayan Island Electric Cooperative, Inc. (BANELCO)	For settlement of its power accounts with Isla Norte Energy Corp.	15.0
	5	Ifugao Electric Cooperative, Inc. (IFELCO)	Construction of 5MVA Toboso-Calavera substation	30.1
	6	Northern Negros Electric Cooperative, Inc. (NONECO)	Construction of 5MVA Toboso-Calavera substation	3.5
7	Surigao del Sur I Electric Cooperative, Inc. (SURSECO I)	Uprating of San Fernando substation from 5MVA to 10MVA	12.0	
8	Camarines Sur Electric Cooperative IV (CASURECO IV)	Upgrading from 5MVA to 10MVA Power Substation in Lagonoy, Camarines Sur	25.0	

Particulars	No.	Electric Cooperatives	Project	Amount (In PhP Million)
	9	First Laguna Electric Cooperative, Inc. (FLECO)	Upgrading of 10MVA to 20 MVA Power Transformer in Famy Substation	5.1
	10	Davao del Norte Electric Cooperative, Inc. (DANECO)	Line Conversion, Rehabilitation, Revamp Conversion and Improvement of Various CAPEX Projects	4.3
			Distribution Transformers and Add-Ons (New Connections)	26.0
	11	Zamboanga del Sur II Electric Cooperative, Inc. (ZAMSURECO II)	Purchase of additional Distribution Transformers (third release)	6.8
			Purchase of kWh meters in replacement for meter in service over 15 years and kWh meters for new customer (Big loads) (third release)	9.9
	12	La Union Electric Cooperative, Inc. (LUELCO)	Supply, Delivery, Construction, Installation of 69 kV Subtransmission Line from Damortis, Sto. Tomas, La Union to Esperanza, Sison, Pangasinan	14.0
	13	Misamis Oriental I Electric Cooperative, Inc. (MORESCO I)	Construction of MORESCO I's New Administration Building in Poblacion Laguindingan, Misamis Oriental	25.1
	14	Davao Oriental Electric Cooperative, Inc. (DORECO)	Purchase of Tools, Shop, Safety Gadgets, & Garage Equipment	1.2
			Relocation of Jovellar-Banhawan & Nanaingan-San Jose Three Phase Lines	5.3
			Purchase Materials and Supplies-Electric	7.9
			Upgrading of Lupon-Banaynay Line Section, Mati SS-Provincial Hospital Line & Mati SS-Poblacion Tie Line (Feeder #4)	11.4
	15	Agusan del Sur Electric Cooperative, Inc. (ASELCO)	Relocation & Upgrading of the 5MVA S/S from Crossing Cuevas, Trento to Poblacion Rosario, Agusan Del Sur with Site Development	9.7
	16	Dinagat Island Electric Cooperative, Inc. (DIELCO)	Procurement of Tools and Equipment	6.7
			Replacement of Rotten Poles	8.8
			Replacement of Defective kWh Meters & Fuse Cutouts, Procurement of kWh Meters and Service Drop Wires (new consumers)	9.9
			Replacement of inefficient and overload transformers	10.5
	17	Ilocos Norte Electric Cooperative Inc. (INEC)	Procurement and Construction of Pinili Substation	6.5
<i>Subtotal</i>				333.5
Short Term Credit	18	Lanao del Norte Electric Cooperative, Inc. (LANECO)	STCF	50.0

Particulars	No.	Electric Cooperatives	Project	Amount (In PhP Million)
Facility (STCF)				
<i>Subtotal</i>				<i>50.0</i>
Calamity	19	CASURECO IV	Rehabilitation of the distribution facilities damaged by Typhoons Quinta, Rolly, and Ulysses	14.2
	20	First Catanduanes Electric Cooperative, Inc. (FICELCO)	Restoration of the distribution lines after Typhoon Rolly	17.8
	21	Batanes Electric Cooperative (BATANELCO)	Rehabilitation of BATANELCO distribution system damaged by Super Typhoon Kiko	10.0
<i>Subtotal</i>				<i>42.0</i>
TOTAL				425.5

2. Competency Seminars and Training Programs for EC Personnel

Due to the current state of pandemic crisis in the country, NEA pursued to conduct online trainings and competency programs which aimed to increase the learning curve for NEA and EC personnel in the following activities accordingly:

Date	Title of Training/Seminar	No. of Participants
May 4-7, 2021	Seminar on Philippine Electric Power Industry (EPIRA 101) – Batch 5	65
May 18-21, 2021	Advanced Supervisory Development Course (SDC II)	31
May 24-28, 2021	Using Social Media as Customer Communications Channel – Batch 4	36
May 25-28, 2021	Cooperative Management Course – Strategic Thinking (CMC II)	62
June 1-4, 2021	Thriving in the VUCA World – Batch 1	33
June 3-4; June 7-8, 2021	Taxation for ECs	303
June 22-25, 2021	Thriving in the VUCA World – Batch 2	32
July 6-9, 2021	Safety Leadership Seminar for ECs – Batch 1	41
July 13-16, 2021	Seminar on Utility Accounting and Information Systems Audit for ECs – Batch 1	72
July 19-23, 2021	Customer Relationship Management System for ECs – Batch 5	34
July 26-30, 2021	Seminar on Information Technology (IT) Auditing	41
August 10-13, 2021	Seminar on Technical Report Writing – batch 1	29
August 16-20, 2021	Seminar on Fraud Auditing – Batch 2	41
August 17-20, 2021	Safety Leadership Seminar for ECs – Batch 2	56
September 1-3, 2021	Introduction to Competencies and Their Role in Organizations for Selected ECs	25
September 7-10, 2021	Advanced Supervisory Development Course (SDC II) Batch 2	26
September 13-17, 2021	Customer Relationship Management System for ECs- Batch 6	34
August 11-7, 2021	Seminar on Revised Procurement Guidelines and Simplified Bidding Procedures for ECs (IRR-RA 10531 - BILECO)	20
September 29-October 01, 2021	Seminar on Revised Procurement Guidelines and Simplified Bidding Procedures for ECs (IRR- RA 10531 – ABRECO)	15

Date	Title of Training/Seminar	No. of Participants
TOTAL		996

3. Approved Policies/Guidelines

In accordance with its expanded powers, functions, and privileges under Section 5 of RA 9136 and Section 5 of the IRR, the NEA has formulated two (2) policies guidelines geared towards the fulfillment of NEA’s mandate and to provide assistance and guidance to the ECS in the performance of their franchise obligations as DUs.

During the Regular Board Meeting No. 9 dated 27 May 2021, the NEA Board of Administrators approved the following:

- Guidelines in the Provision of NEA Resource Speakers/Lecturers for Seminars Conducted by ECs/Other Government Agencies/Private Institutions;
- Modified Rates on Speakers’ Honorarium; and
- Guidelines in the Candidacy of EC Officials and Employees for 2022 National and Local Elections.

IX. POLICY DEVELOPMENT AND MEASURES

The Department of Energy under Section 37 of the EPIRA is mandated to formulate rules and regulations as may be necessary to implement its objectives; and exercise such other powers as may be necessary or incidental to attain the objectives of the Act.

Following are the policies being approved and promulgated by DOE Secretary Alfonso G. Cusi:

1. Department Circular No. DC2021-05-0010 entitled “Adopting Further Amendments to the WESM Rules and Market Manual on Protocol for Central Scheduling and Dispatch of Energy and Contracted Reserves for the Effective Implementation of Enhanced WESM Design and Operations” promulgated on 10 June 2021 aims to update the market rules in line with the changes brought by the enhanced WESM design and operations, and to address operational issues observed since the implementation of the Central Scheduling and Dispatch of Energy and Contracted Reserves;
2. Department Circular No. DC2021-06-0012 entitled “Adopting Further Amendments to the WESM Rules, Retail Rules and Various Market Manuals for the Implementation of Enhancements to WESM Design and Operations (Provisions to Promote Participation in the Retail Competition” signed on 03 June 2021. The amendments to the Retail Rules and Market Manuals are in line with the implementation of the ERC Resolution No. 9, Series of 2018 “Rules Supplementing the Switching and Billing Process and Adopting a Disconnection Policy for the Contestable Customers.
3. Department Circular No. DC2021-06-0013 entitled “Adopting a General Framework Governing the Test and Commissioning of New Generation Facilities for Ensuring Readiness to Deliver Energy to the Grid or Distribution Network” signed on 03 June 2021. The Circular aims to address the concerns on extended Test and Commissioning of generation facilities which pose material effect to WESM outcomes by displacing scheduled generators while not being required to comply with the mandatory requirements in the submission of offers or projected outputs. Further, determining the definite status of power plants intending to transition to commercial operations is crucial information in planning for short and medium-term supply.
4. Department Circular No. DC2021-06-0015 entitled “Declaring the Commercial Operations of Enhanced Wholesale Electricity Spot Market (WESM) Design and Providing Further Policies” signed on 25 June 2021. The Circular declared the commercial operation of the Enhanced WESM Design Operations (EWDO) EWDO and WESM in Mindanao on 26 June 2021.
5. Department Circular No. DC2021-07-0021 entitled “Adopting Further Amendments to the Wholesale Electricity Spot Market (WESM) Rules and Market Manuals on Metering for the Implementation of Enhancements to WESM Design And Operations (Provisions for Metering Services Provider Performance, Metering Standards and Site-Specific Loss Adjustments)” signed on 25 June 2021. The Circular Aims to harmonize the various metering standards and procedures as provided in the WESM Rules and Market Manual as well as the Philippine Grid code, Philippine Distribution code and issuances of the Energy Regulatory Commission and the DOE.
6. Department Circular No. DC2021-07-0022 entitled “Adopting Further Amendments to the Wholesale Electricity Spot Market (WESM) Market Manual on the Constraint Violation Coefficients and Pricing Re-runs” signed on 25 June 2021. The Circular aims to include additional CVCs to reflect the dispatch and curtailment hierarchy for non-scheduled, priority dispatch and must-dispatch generating unit classifications - collectively called self-scheduled generating units;

7. Department Circular No. DC2021-07-0024 entitled “Adopting Further Amendments to the Wholesale Electricity Spot Market (WESM) Rules for the Operation of the Renewable Energy Market” signed on 09 July 2021. The amendments aim to enable the Renewable Energy Registrar to carry out its functions in issuing Renewable Energy certificates by gaining rights of access to WESM and Retail market registration, metering and settlement data and other confidential information that are vital to the REM operations.
8. Department Circular No. DC2021-07-0025 entitled “Providing Policies for the Adoption of the Wholesale Electricity Spot Market (WESM) Penalty Manual for the Implementation of Enhancements to WESM Design and Operations” signed on 30 July 2021. The Circular enhances the process in determining applicable penalties by specifying the categories or types of breaches and the corresponding applicable penalty levels.
9. Department Circular No. DC2021-07-0026 entitled “Adopting Further Amendments to The Wholesale Electricity Spot Market (WESM) Rules and Its Market Manuals for the Implementation of Enhancements to WESM Design And Operations (Provisions for Market Surveillance, Enforcement and Compliance)” signed on 30 July 2021. The Circular clarifies the roles and functions of the PEM Board, the Enforcement and Compliance Office, the Market Surveillance Committee, the Compliance Committee and other WESM organizational units that are involved in the enforcement and compliance processes in the WESM.

Meanwhile, the DOE drafted one (1) policy entitle “Adopting Further Amendments to the Wholesale Electricity Spot Market (WESM) Rules and Various Market Manuals on the Rationalization of Billing Timelines” that aims to reduce the financial risks of the Trading Participants due to billing adjustments by providing a shorter and clearer timeline in reporting and correcting errors or discrepancies in settlement.

The initial Draft Department Circular was posted for comments in the DOE Website on 18 May 2021 and was subjected to Virtual Public Consultations on 29 June and 02 & 06 July 2021.

Currently, the DOE is finalizing the Draft Department Circular.

X. INFORMATION, EDUCATION AND COMMUNICATION (IEC) CAMPAIGN ON EPIRA IMPLEMENTATION

In compliance with Section 76 of the EPIRA, though the outbreak of COVID-19 pandemic still lives on, the DOE in keeping its mandate undertakes continuing nationwide IEC campaign in a virtual manner on the education and protection of end-users particularly for the academe as participants in selected public and private schools in the country.

The conduct of IEC on the implementation of the EPIRA is in continuation of the DOE's effort to provide information to the academe sector in order for them to be empowered with the basic foundation and familiarization on EPIRA law and enable them to cope with the challenges and changes brought about by the restructuring of the electric power industry pursuant to EPIRA.

On 13 September 2021, the IEC on EPIRA Implementation was conducted virtually with the Cebu Technological University (CTU) and was attended by 318 student participants and twelve (12) faculty members headed by the Dean of the Engineering Department, Dr. Edgar C. Ambos.

The IEC covers presentations of topics on Understanding the Philippine Electric Power Industry, Power Systems 101, Understanding the Electricity Bill, and Magna Carta for Electricity Consumers.

On 07 December 2021, another IEC will be held virtually with the Bulacan State University. Preparatory activities and coordination with the school are ongoing and being finalized.

XI. LEGISLATIVE MEASURES ON EPIRA IMPLEMENTATION

1. The Committee on Energy Technical Working Group (TWG) chaired by Senator Sherwin Gatchalian conducted a series of hearings to discuss and come up with recommendations on the proposed Senate Resolution No. 740 entitled "A Resolution Directing the Senate Committee On Energy To Conduct An Inquiry, In Aid of Legislation on Long Term Solutions To Power Supply Shortages Especially During The Summer Season With the End In View of Ensuring the Quality, Reliability, Security, and Affordability of Electric Power Supply In The Country", authored by Senator Gatchalian.

During the report period, following are the highlights of the TWG hearings being conducted relative to the proposed Senate Resolution No. 740:

a. 10 June 2021 TWG Hearing

During the hearing, the TWG specifically tackled the rotational brownouts which occurred on 31 May 2021 and 01 June 2021 in different parts of the country which affected approximately around 705, 000 customers in two (2) days. Accordingly, despite DOE's presentation of the projection of supply and demand scenario and committed the assurance of no power outages for summer during the 27 April Joint Congressional Energy Commission hearing, said rotational brownouts were experienced.

In the foregoing, DOE Secretary Cusi confirmed said DOE statement in the said JCEC hearing reiterating that there shall be enough capacity in the system to meet the load requirements for the summer as long as there are no two (2) power plants that would go shut down for plant maintenance and rehabilitation. In summary, following were attributed on the said occurrence of rotational brownouts:

- More than two (2) Baseload power plants went on planned and unplanned outages during the said rotational brownouts;

- The DOE requested the Department of Justice, Philippine Competition Commission, and the Energy Regulatory Commission to conduct investigations on the said incident in order to determine whether there was collusion.
- The DOE had undertaken close coordination with NGCP to address the reserve requirements of the grid by complying in their Concession Agreements by contracting the required reserves.

Further, the DOE presented significant policies and issuances that can address the perennial yellow and red alerts and facts to address the issues on compliance as follows:

- The Competitive Selection Program (CSP) Policy was issued by the DOE to address the requirements of the consumers to be implemented by DUs;
- The Supreme Court in its decision, among others, stated that the policies of the DOE cannot be set aside, amended or ignored.
- The Energy Virtual One-Stop Shop or EVOSS Act was passed to fast track the processing of energy applications and the IRR to implement which was issued immediately;
- The ancillary services (AS) policy was issued by DOE to require the system operator (NGCP) to contract AS, among others, on firm basis for a more reliable grid;
- The Grid Operation Maintenance Program or GOMP issued by the DOE, among others, stated the deadline for the submission of the NGCP on the prohibition of allowing the maintenance of power plants, except hydro power plants, for the peak quarter of the grid which covers the months of April, May, June;
- The DOE issued Advisories to address the needs of the country in the power sector during pandemic and calamity period;
- The NGCP did not comply with the deadline due to its submission of GOMP; and
- The Senate may amend the penalty provisions under Section 46 of the EPIRA law which states that the DOE can only recommend to Congress revocation of franchise hence the need to enforce compliance.

b. 17 June 2021 TWG Hearing

The TWG hearing was focused on the discussion of the rotational brownouts that occurred on 31 May 2021 and 01 June 2021 in different parts of the country.

DOE Secretary Cusi presented an available capacity of 17,000 megawatts with a peak demand of 11,000 megawatts and excess capacity of 6,000 megawatts but despite this, unplanned outages occurred. He reiterated that this would not happen if only NGCP had contracted reserves that can be used during this occurrence. Further, he reiterated that the contracted reserve was included in the NGCP's concession agreement. He revealed that NGCP had only "paper compliance" when examined by DOE; there is no actual full reserve requirement contracted. He suggested that the government must take back the System Operator function to provide security and efficient delivery of electricity.

Further, to avoid unplanned outages and brownouts, the DOE suggested the following strategies:

1. To increase capacity, EVOSS comes in early application;
2. No preventive maintenance during the peak period, May, June, and April 2022;
3. Finish all the construction of transmission lines to allow plants to deliver additional power supply; and

4. Allow power plants applying to connect into the system for additional power supply

c. 01 July 2021 TWG Hearing

The hearing was focused on the unplanned outages and brown outs that occurred on 31 May 2020. Chairman Gatchalian reiterated to go into the root cause of these derating outages and what the government is doing to avoid this type of occurrence from happening in the future, and most especially and to put accountability on the part of the GenCos. He also inquired on how to encourage more investors to invest in new power for a new electricity supply.

DOE Secretary Cusi responded that the AS must be part of the demand that must be satisfied, and it must be covered in the contract or by a Power Supply Agreement (PSA) to maintain the reliability of the grid and the SO must contract the reserve. DOE and ERC are closely coordinating with NGCP and NGCP agrees to comply. He also confirmed that DOE and ERC had a meeting with NGCP with regard to Department Circular No. DC 2019-12-0018” Adopting a General Framework Governing the Provision and Utilization of Ancillary Services in the Grid”.

On the issue of current outages and derated power supply, the DOE pursuant to Department Circular No. DC2018-02-003 which adopts and prescribes for the CSP in the procurement by the DUs of Power Supply Agreement for the captive market, evaluates the DUs on whether they are contracting or not in accordance with their forecasted projections.

On other strategies in terms of replacement in power, there were other policies issued by the DOE in 2019 and 2020 on ancillary services firm contracting as well as scheduling of preventive maintenance.

On Green Energy Options (GEOP), the DOE conferred that in moving towards with COA, GEOP is still deregulated with the assurance that the megawatts being purchased is legitimate.

d. 06 July 2021 TWG Hearing

During the hearing, the TWG would like to be enlightened on the technicalities of the transition from non-firm contracts to firm contracts in view of understanding the rate impact of occurrence of potential brownouts in the country.

The ERC in collaboration with the DOE in a meeting held in June 2021 agreed to harmonize their position on the rate impact of converting the non-firm to firm contracts.

The ERC having exclusive jurisdiction over rates under EPIRA law presented to the TWG the said rate impact simulation using the parameters and actual cost approved by the Commission and WESM revenue.

In summary, following agreements were reached to include facts and developments:

- Implementation of CSP Policy that shall establish the competitive bidding process for the procurement of reserve power by the country’s system operator (SO).

On 04 October 2021, DOE Secretary Cusi signed Department Circular No. 2021-10-0031 entitled “Prescribing the Policy for Transparent and Efficient Procurement of Ancillary Services by System Operator” with salient features as follows:

- i. The National Grid Corporation of the Philippines (NGCP) must form an independent Third-Party Bids and Awards Committee (TPBAC). Three (3) of the committee members will come from NGCP, one from IEMOP, and one from TRANSCO.
 - ii. Six (6) months from the effectivity of the circular, the SO must conduct a competitive selection process (CSP) for the procurement of ancillary services purchase agreement (ASPA) for a contract period of a maximum of five (5) years.
 - iii. The SO is also required to submit to the DOE its annual AS agreement procurement plan, which contains the projected AS requirements for the next 10 years, not later than every end-March of each year.
 - iv. Contracting Ancillary Services through competitive selection shall improve transparency, competitiveness, and wide dissemination of bid opportunities to ensure participation of all eligible generation companies to meet the required level of AS; and
 - v. All non-firm ASPAs not converted to firm ASPAs upon effectivity of the circular shall be valid and effective. However, the firm ASPAs will be prioritized over non-firm ASPAs.
- DOE and ERC to look into each of the following:
 - i. Study the optimal mix of firm and non-firm contracts;
 - ii. Promote long-term contracts and allow expiration of ASPA contracts in the next two (2) years; and
 - iii. Create a guided transition activity taking into consideration other mechanisms to reduce electricity prices

ANNEXES

Annex 1. TransCo Inspection Report Based on Concession Agreement

No.	Inspection Report No.	Location	Name of Project/ Transmission Facilities	Inspection Date
LUZON				
1	NLR-D1-21-43	District 1 North Luzon	Bauang, Bacnotan, San Esteban, Bantay, Curimao, and Laoag Sbsttaions	May 4-7, 2021
2	NLR-D6-21-44	District 6 North Luzon	Mexico, Concepcion, Cabanatuan & San Rafael Substation, Pantabangan HEPP & LES and Fatima RS, Cuyapo RS and VCA for North Luzon MTD-B	May 4-7, 2021
3	SLR-D1-21-47	District 1 South Luzon	Dasmariñas, Biñan, Muntinlupa, Las Piñas, Batangas, Salong, Ternate, Calaca & Rosario Substations, Bolbok and Taal LES and VCA for Dasma-Tayabas TL, STACC, Tamayo RS, Dela Paz RS	May 18-21, 2021
4	NLR-AC-21-51	North Luzon	North Luzon Area Control Center, Tuba RS & Ampucao RS	June 2- 4, 2021
5	SLR-D3-21-56	District 3 South Luzon	Tayabas SS, Bay SS, San Juan SS, Lumban SS & RS, Caliraya SS, Gumaca SS, Los Baños LES, Calamba LES, Pitogo LES, Mulanay LES and Lopez LES	June 15-18, 2021
6	SLR-RS-21-60	South Luzon	Calapan RS, Pinamalayan RS & San Aquilino RS	July 1-2, 2021
7	SLR-RS-21-61	South Luzon	Looc Repeater Station	July 1-2, 2021
8	NLR-D3-21-64	North Luzon	North Luzon District 3: San Manuel SS, Nagsaag SS, Labrador SS, Bolo SS, Balingueo SS, San Isidro Repeater Station, Dasol Repeater Station, Cuyapo Repeater Station	July 13-16, 2021
9	NLR-D7-21-68	North Luzon	North Luzon District 7: San Jose SS, Taytay SS, Malaya SS, Quezon SS, Doña Imelda SS, Angat Powerhouse, Angat and San Mateo Repeater Station	July 27-30, 2021
10	NLR-D4-21-69	District 4 North Luzon	Bayombong SS, Lagawe LES, Santiago SS, Ilagan LES & Tuguegarao SS, Ramon RS, Enrile RS & Ilagan RS	Aug. 10-13, 2021
11	NLR-NC-21-71	North Luzon	National Control Center	Aug. 10-13, 2021
12	NLR-D2-21-72	District 2 North Luzon	La-Trinidad SS, Binga SS, Ambuklao SS and Itogon SS	Aug. 10-12, 2021
13	SLR-D2-21-78	District 2 South Luzon	South Luzon District 2: Tayabas SS, San Juan SS, Lumban SS, Caliraya SS, Bay SS, Gumaca SS, Lewin RS, Maunong RS and VCA for Tayabas-San Jose TL	Sep. 21-24, 2021
VISAYAS				
1	VIS-MB-21-45	Visayas	Maintenance & Testing Division-B Visayas	May 4-7, 2021
2	VIS-D1-21-50	District 3 Visayas	Ormoc, Tabango, Maasin, Babatngon, Sta. Rita, Paranas & Calbayog Substation and Ormoc HVDC and VCA for Leyte ACC, Palompon RS, Isabel RS	May 18-21, 2021
3	VIS-RS-21-53	Visayas	Pio Corpuz RS, Borbon RS, Poro RS & Compostela RS	June 2- 3, 2021
4	VIS-TL-21-55	Visayas	Bacolod-Kabankalan Transmission Line	June 2- 4, 2021
5	VIS-AC-21-57	Visayas	Panay Area Control Center & Guimaras RS	June 15-17, 2021
6	VIS-MA-21-62	Visayas	Maintenance & Testing Division-A Visayas	June 29-July 2, 2021
7	VIS-D2-21-63	District 2 Visayas	Visayas District 2: Bohol Island	July 13-16, 2021
8	VIS-D4-21-67	District 4 Visayas	Visayas District 4: Sta. Barbara SS, Barotac SS, San Juan SS, Dingle SS, Concepcion SS, Panit-an SS, Nabas SS, San Jose SS and Boracay Load End Station, Ivisan Repeater Station, Timpas Repeater Station, Tangalan Repeater Station and VCA Panay Area	July 27-30, 2021
9	VIS-D2-21-74	District 2 Visayas	Cebu Island	Aug. 24-27, 2021
MINDANAO				
1	MIN-TL-21-46	Mindanao	Butual-Placer Transmission Line	May 4-6, 2021
2	MIN-RS-21-48	Mindanao	Pikit Repeater Station (New)	May 20-21, 2021
3	MIN-RS-21-49	Mindanao	Pawak Repeater Station (New)	May 20-21, 2021

No.	Inspection Report No.	Location	Name of Project/ Transmission Facilities	Inspection Date
4	MIN-RC-21-52	Mindanao	Mindanao Regional Control Center & Cugman RS	June 1-3, 2021
5	MIN-MA-21-54	Mindanao	Maintenance & Testing Division-A Mindanao	June 1- 4, 2021
6	MIN-D4-21-58	District 4 Mindanao	Butuan, Nasipit, Bislig, San Francisco, Placer Substations, San Isidro RS, Mainit RS, Salvacion RS and VCA for Butuan ACC, Carmen RS	June 15-18, 2021
7	MIN-RS-21-59	Mindanao	Northwestern Mindanao RS	June 30-July 2, 2021
8	MIN-AC-21-65	Mindanao	General Santos ACC, Calumpang, Malalag and Tupi Repeater Stations	July 13-16, 2021
9	MIN-D2-21-66	District 2 Mindanao	Mindanao District 2: Iligan SS, Lugait SS, Balo-I SS, Agus 6/7 SS and Agus 5 Switchyard and VCA for Mindanao MTD-A	July 13-16, 2021
10	MIN-D6-21-70	District 6 Mindanao	General Santos, Tacurong, Kidapawan & Sultan Kudarat Substations and Ilomavis Repeater Station	Aug. 10-13, 2021
11	MIN-D3-21-75	District 3 Mindanao	Mindanao District 3 and Manolo Fortich SS	Sep. 7-10, 2021
12	MIN-MB-21-76	Mindanao	Mindanao MTD-B	Sep. 7-10, 2021
13	MIN-D5-21-77	District 5 Mindanao	Mindanao District 5: Davao SS, Nabunturan SS, Toril SS, Maco SS, Bunawan SS, Culaman SS, Matanao SS and VCA for DACC, Mintal RS, Matina RS	Sep. 21-24, 2021

Source: TRANSCO

Annex 2. NGCP Related Petitions to ERC as of February 2021

ERC Case No./Title	Prayer/Petition	Status
<p>ERC Case No. 2021-065RC: Application of the National Grid Corporation for the Approval of the Implementation of Capital Expenditure Program for Calendar Years 2021-2025 (Batch 3) – filed on August 24, 2021</p>	<ul style="list-style-type: none"> • Immediately ISSUE an Order provisionally authorizing the implementation of the proposed CAPEX Project • APPROVE, After Notice and Hearing, the proposed CAPEX Project 	<ul style="list-style-type: none"> • September 17, 2021 - the Commission promulgated ERC Order dated September 3, 2021, setting the virtual hearing on the following dates: • October 15, 2021 (Friday 2:00PM) – determination of compliance with jurisdictional requirements and Expository Presentation • October 22, 2021 (Friday 2:00PM) – Pre-trial Conference and Presentation of Evidence • October 29, 2021 (Friday 2:00PM) – Presentation of Evidence • August 13, 2021 – TransCo received e-copy of the prefilling documents
<p>ERC Case No. 2021-058 RC Application for Approval of the Ancillary Services Procurement Agreement between the National Grid Corporation of the Philippines and Philippines and King Energy Generation Inc. (Surigao Sur Power Plant)- filed on July 23, 2021</p>	<ul style="list-style-type: none"> • Immediately ISSUE a provisional authority to implement the ASPA between NGCP and KEGI dated 21 May 2021; and • APPROVE, after notice and hearing, the subject ASPA. 	<ul style="list-style-type: none"> • September 29, 2021 – the Commission conducted virtual hearing for the Determination of compliance with jurisdictional requirements and Expository Presentation • September 2, 2021 - the Commission promulgated ERC Order dated August 24, 2021, resetting the virtual hearing for the determination of compliance with jurisdictional requirements, Expository Presentation, Pre-Trial and Evidentiary on September 29 and October 6, 2021, respectively.
<p>ERC Case No. 2021-056 RC Application for Approval of the Ancillary Services Procurement Agreement between the National Grid Corporation of the Philippines and SMCGP Philippine Storage Co. Ltd. (For Regulating Reserve) - filed on July 19, 2021</p>	<ul style="list-style-type: none"> • ISSUE an Order: <ol style="list-style-type: none"> Immediately granting provisional authority to implement the subject ASPA dated 6 May 2021; Treating Schedules 3 and 7 of Annex "A," Annexes "A-1," "C," "C-1," portions of Annex "O", specifically Annex B thereof, "I," and "K" and the information contained therein as confidential information within the purview of Rule 4 of the ERC Revised Rules of Practice and Procedure, and prescribing the guidelines for the protection thereof; and providing for the procedures to be observed in handling the confidential information upon the close of the proceedings and its return/delivery to Applicant SPESCL within the purview of Rule 4 of the ERC Rules of Practice and Procedure and prescribing the guidelines for the protection thereof; • APPROVE, after notice and hearing, the subject ASPA granting final authority. 	<ul style="list-style-type: none"> • August 10, 2021 – The Commission promulgated ERC Order dated July 27, 2021, setting virtual hearing on the following dates: • September 10, 2021 (Friday 9:00AM) – Determination of compliance with jurisdictional requirements and Expository Presentation • September 17, 2021 (Friday, 9:00AM) – Pre-trial Conference and Presentation of Evidence

ERC Case No./Title	Prayer/Petition	Status
<p>ERC Case No. 2021-051 RC Application of the National Grid Corporation of the Philippines for the Approval of Batangas-Mindoro Interconnection Project - filed on July 8, 2021</p>	<ul style="list-style-type: none"> • Immediately ISSUE an Order PROVISIONALLY AUTHORIZING the implementation of Batangas-Mindoro Interconnection Project; and • After notice and hearing, APPROVE the Application for the implementation of the Batangas-Mindoro Interconnection Project. 	<ul style="list-style-type: none"> • August 20, 2021 – TransCo filed its Petition for Intervention • July 30, 2021 – The Commission promulgated ERC Order dated July 21, 2021, setting virtual hearing on the following dates: • September 2, 2021 (Thursday 2:00PM) – Determination of compliance with jurisdictional requirements and Expository Presentation • September 9, 2021 (Thursday, 2:00PM) – Pre-trial Conference and Presentation of Evidence • September 16, 2021 (Thursday, 2:00PM) – Presentation of Evidence
<p>ERC Case No. 2021-049 RC Application of the National Grid Corporation of the Philippines for the Approval of Quezon-Marinduque Interconnection Project – filed on July 8, 2021</p>	<ul style="list-style-type: none"> • Immediately ISSUE an Order PROVISIONALLY AUTHORIZING the implementation of Quezon-Marinduque Interconnection Project; and • After notice and hearing, APPROVE the Application for the implementation of the Quezon-Marinduque Interconnection Project. 	<ul style="list-style-type: none"> • August 23, 2021 – TransCo filed its petition for intervention • September 9, 2021 – virtual hearing for the Pre-trial and Presentation of Evidence were conducted and terminated. • September 2, 2021 – virtual hearing for the Determination of compliance with jurisdictional requirements and Expository Presentation were conducted.
<p>ERC Case No. 2020-039 RC: Application of the National Grid Corporation of the Philippines for the Approval of the Force Majeure Event Regulated FM Pass-Through for Earthquake Incidents in Mindanao, Typhoon “Tisoy” in Luzon and Visayas, Typhoon “Ursula” in Visayas - filed on October 30, 2020</p>	<ul style="list-style-type: none"> • DECLARE the occurrence of Earthquake Incidents in Mindanao, Typhoon “Tisoy” in South Luzon and Visayas, and Typhoon “Ursula” in Visayas which resulted in an increase in costs incurred by the NGCP to restore, repair and rehabilitate various affected transmission assets and facilities in the NGCP Operations and Maintenance and System Operations, as a Force Majeure Event (FME); • Immediately GRANT Provisional Authority to implement and bill the following FM Pass-Through Amounts to Luzon, Visayas and Mindanao customers starting the billing month of January 2021 to December 2025, or until such time that the amounts incurred are fully recovered; • APPROVE the FME CAPEX and OPEX amounting to Eighty-Eight Million Seven Hundred Forty Thousand Sixteen and 12/100 Pesos (Php 88,740,016.12) incurred by NGCP for the repair, restoration and rehabilitation of the damaged transmission assets and facilities due to Earthquake Incidents in Mindanao, Typhoon “Tisoy”, and Typhoon “Ursula”; • APPROVE and ALLOW the recovery of the Net Fixed Asset Value of the transmission assets and facilities damaged by Earthquake Incidents in Mindanao, Typhoon “Tisoy”, and Typhoon “Ursula” amounting to Eighty-Eight Million Six Hundred Sixty-One Thousand Three Hundred Sixty Four and 95/100 Pesos (Php 88,661,364.95) given that it would have been fully recovered by 	<ul style="list-style-type: none"> • September 14, 2021 – TransCo filed with the ERC its Comment on NGCP’s 3rd Supplemental Compliance dated August 27, 2021 thru e-mail • August 31, 2021 – TransCo received e-copy of NGCP’s 3rd Supplemental Compliance on the instant application • August 31, 2021 – TransCo filed its Consolidated Comment on NGCP’s Formal Offer of Evidence (FOE), Partial Compliance, and 2nd Supplemental Compliance thru e-mail • August 3, 2021 – TransCo received e-copy of NGCP’s 2nd Supplemental Compliance on the instant application • June 28, 2021 – NGCP filed its Partial Compliance with Motion for Extension of Time to submit other documents and manifestation relative to the directives of the Commission during the April 29, 2021, hearing. • May 28, 2021 – TransCo received e-copy of NGCP’s Formal Offer of Evidence (FOE) on the case.

**39th Status Report on EPIRA Implementation
As of October 2021**

ERC Case No./Title	Prayer/Petition	Status
	<p>NGCP if these transmission assets and facilities have not been damaged or destroyed by the said FMEs;</p> <ul style="list-style-type: none"> APPROVE, after due notice and hearing, the proposed FM Pass-Through Amounts to be collected from the Luzon, Visayas and Mindanao customers starting January 2021 billing month to December 2025 or until such time that the amounts incurred are fully recovered; and EXCLUDE the proposed Pass-Through Amounts from the side constraint calculation. 	
<p>ERC Case No. 2020-037 RC: Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and Pagbilao Energy Corporation (For Reactive Power Support) – filed on October 19, 2020</p>	<ul style="list-style-type: none"> Immediately ISSUE a provisional authority to implement the subject ASPA executed on 14 July 2020, granting authority for the procurement and supply, under a per-occurrence basis, of RPS outside the range of 85% lagging and 90% leading power factors, the latter subject to the submission of the accreditation certificate: and APPROVE, after notice and hearing, the subject ASPA 	<ul style="list-style-type: none"> September 21, 2021 – the ERC conducted virtual hearing for the continuation of NASECORE's cross-examination to NGCP and PEC witness. September 13, 2021 – ERC promulgated its Order dated August 24, 2021, wherein the Commission DENIED NASECORE's Motion for Reconsideration dated June 24, 2021. August 18, 2021 – ERC called the hearing for the continuation of the cross examination by NASECORE, but the proceeding was reset as the Commission has yet to rule on the Motion for Reconsideration filed by NASECORE on June 24, 2021. June 8, 2021 – ERC promulgated its Order dated May 31, 2021, with the following resolutions: <ul style="list-style-type: none"> DENIED, NASECORE's Motion for Production of Documents dated May 17, 2021. GRANTED, NGCP's Motion (dated May 20, 2021) to cancel the previously scheduled hearing on June 15, 2021. Thereby, resetting NASECORE's cross-examination on August 18, 2021 (2PM via MS Teams Application). May 14, 2021 – continuance of cross examination by NASECORE was conducted. Next hearing will be on June 15, 2021 (2:00PM)
<p>ERC Case No. 2021-031 RC: Application of the National Grid Corporation of the Philippines for the Approval of the Implementation of Capital Expenditure Program for Calendar Years 2021-2025 (Batch 2) – filed on April 27, 2021)</p>	<ul style="list-style-type: none"> Immediately ISSUE an Order provisionally authorizing the implementation of the proposed CAPEX Project; and APPROVE, After Notice and Hearing, the proposed CAPEX Project 	<ul style="list-style-type: none"> August 6, 2021 (Friday 2:00PM) – The Pre-trial brief of NGCP, TransCo and Meralco where discussed but the hearing was suspended until the commission can rule on the motion to dismiss of LKI and petition for intervention of PSALM. July 30, 2021 (Friday 2:00PM) - The Commission conducted virtual hearing and resolved to admit MERALCO, LKI and TransCo as intervenors in this instant case.

ERC Case No./Title	Prayer/Petition	Status
		<ul style="list-style-type: none"> July 23, 2021 (Friday 2:00PM) - virtual hearing for the Expository Presentation for the Mindanao Stakeholders was conducted. July 16, 2021 (Friday 2:00PM) - virtual hearing for the Expository Presentation for the Visayas Stakeholders was conducted. July 9, 2021 (Friday 2:00PM) – Pursuant to ERC Order Dated May 26, 2021, the Commission conducted Virtual Hearing for the Determination of compliance with Jurisdictional requirements and Expository Presentation for Luzon. June 8, 2021 – ERC promulgated its Order dated May 26, 2021, in consideration with NGCP Urgent Motion for Clarification, the Commission hereby cancelled the July 2, 2021, hearing and reset the Virtual Hearing for determination of compliance with jurisdictional requirements, expository presentations, pre-trial conference, and presentation of evidence on July 9, 16, 23, & 30 and August 6, 2021 May 18, 2021 – ERC promulgated its Order dated May 6, 2021, setting the Virtual Hearing for determination of compliance with jurisdictional requirements, expository presentations, pre-trial conference, and presentation of evidence on 2, 9, 16, 23, 30 July, 2021
<p>ERC Case No. 2021-008 RC: Application of the National Grid Corporation of the Philippines for the Approval of the Implementation Lala-Naga-Mindanao-Zamboanga 230kV TL Project and Zamboanga Peninsula Voltage Improvement Project - filed on January 27, 2021</p>	<ul style="list-style-type: none"> Immediately ISSUE an Order provisionally authorizing the implementation of the proposed CAPEX Project APPROVE, After Notice and Hearing, the proposed CAPEX Project 	<ul style="list-style-type: none"> May 25, 2021 (Tuesday, 9:00AM) – the Pre-trial conference and Evidentiary Hearing were conducted and terminated. May 7, 2021 (Friday, 9:00AM) – the scheduled hearing was reset on May 25, 2021. Also, the Commission promulgated its Order dated April 29, 2021, Granting approval to the petition for intervention of TransCo.
<p>ERC Case No. 2021-006 RC: Application of the National Grid Corporation of the Philippines for the Approval of the Implementation of Capital Expenditures (CAPEX) Luzon (Group 2) From 2021-2025 and Beyond -filed on January 25, 2021</p>	<ul style="list-style-type: none"> Immediately ISSUE an Order provisionally authorizing the implementation of proposed CAPEX Project 	<ul style="list-style-type: none"> May 3, 2021 – TransCo received e-copy of NGCP Formal Offer of Evidence (FOE) on the case
<p>ERC Case No. 2021-004 RC: Application of the National Grid Corporation of the Philippines for the Approval of the Implementation of Capital Expenditures (CAPEX) from 2020-2025 and Beyond -filed on January 18, 2021</p>	<ul style="list-style-type: none"> Immediately ISSUE an Order provisionally authorizing the implementation of proposed CAPEX Project; and APPROVE, after Notice and Hearing, the proposed CAPEX Project 	<ul style="list-style-type: none"> May 18, 2021 – TransCo received e-copy of NGCP’s Formal Offer of Evidence (FOE) on the case May 5, 2021, 2:00 PM – ERC conducted virtual hearing and terminated the presentation of Evidence

ERC Case No./Title	Prayer/Petition	Status
		of GNPowr Mariveles Energy Center Ltd. Co. (GMEC)
<p>ERC Case No. 2021-003 RC: Application of the National Grid Corporation of the Philippines for the Approval of the Implementation of Capital Expenditures (CAPEX) Luzon, Visayas and Mindanao (Group 3) from 2020-2025 and Beyond - filed on January 18, 2021</p>	<ul style="list-style-type: none"> • Immediately ISSUE an Order provisionally authorizing the implementation of proposed CAPEX Project; and • APPROVE, after Notice and Hearing, the proposed CAPEX Project 	<ul style="list-style-type: none"> • May 21, 2021 – TransCo received e-copy of NGCP’s Formal Offer of Evidence (FOE) on the case • May 20, 2021 (Thursday, 2:00PM) – the virtual hearing for the Presentation of Evidence of VECCO was conducted and terminated. • May 4, 2021 (Tuesday, 2:00PM) – the virtual hearing for the presentation of VECCO’s witness was set on May 20, 2021.
<p>ERC Case No. 2021-002 RC: Application of the National Grid Corporation of the Philippines for the Approval of the Implementation of Capital Expenditures (CAPEX) Luzon, Visayas and Mindanao (Group 1) from 2020-2025 and Beyond - filed on January 18, 2021</p>	<ul style="list-style-type: none"> • Immediately ISSUE an Order provisionally authorizing the implementation of proposed CAPEX Project; and • APPROVE, after Notice and Hearing, the proposed CAPEX Project 	<ul style="list-style-type: none"> • May 14, 2021 – TransCo received e-copy of NGCP’s Compliance (Answer to TransCo’s Written interrogatories) and Formal Offer of Evidence (FOE) on the case.
<p>ERC Case No. 2020-039 RC: Application of the National Grid Corporation of the Philippines for the Approval of the Force Majeure Event Regulated FM Pass-Through for Earthquake Incidents in Mindanao, Typhoon “Tisoy” in Luzon and Visayas, Typhoon “Ursula” in Visayas - filed on October 30, 2020</p>	<ul style="list-style-type: none"> • DECLARE the occurrence of Earthquake Incidents in Mindanao, Typhoon “Tisoy” in South Luzon and Visayas, and Typhoon “Ursula” in Visayas which resulted in an increase in costs incurred by the NGCP to restore, repair and rehabilitate various affected transmission assets and facilities in the NGCP Operations and Maintenance and System Operations, as a Force Majeure Event (FME); • Immediately GRANT Provisional Authority to implement and bill the following FM Pass-Through Amounts to Luzon, Visayas and Mindanao customers starting the billing month of January 2021 to December 2025, or until such time that the amounts incurred are fully recovered; • APPROVE the FME CAPEX and OPEX amounting to Eighty-Eight Million Seven Hundred Forty Thousand Sixteen and 12/100 Pesos (Php 88,740,016.12) incurred by NGCP for the repair, restoration and rehabilitation of the damaged transmission assets and facilities due to Earthquake Incidents in Mindanao, Typhoon “Tisoy”, and Typhoon “Ursula”; • APPROVE and ALLOW the recovery of the Net Fixed Asset Value of the transmission assets and facilities damaged by Earthquake Incidents in Mindanao, Typhoon “Tisoy”, and Typhoon “Ursula” amounting to Eighty-Eight Million Six Hundred Sixty One Thousand Three Hundred Sixty Four and 95/100 Pesos (Php 88,661,364.95) given that it would have been fully recovered by NGCP if these transmission assets and facilities have not been damaged or destroyed by the said FMEs; • APPROVE, after due notice and hearing, the proposed FM 	<ul style="list-style-type: none"> • August 31, 2021 – TransCo received e-copy of NGCP’s 3rd Supplemental Compliance • August 3, 2021 – TransCo received e-copy of NGCP’s 2nd Supplemental Compliance • June 28, 2021 – NGCP filed its Partial Compliance with Motion for Extension of Time to submit other documents and manifestation relative to the directives of the Commission during the April 29, 2021 hearing. • May 28, 2021 – TransCo received e-copy of NGCP’s Formal Offer of Evidence (FOE) on the case.

ERC Case No./Title	Prayer/Petition	Status
	<ul style="list-style-type: none"> Pass-Through Amounts to be collected from the Luzon, Visayas and Mindanao customers starting January 2021 billing month to December 2025 or until such time that the amounts incurred are fully recovered. EXCLUDE the proposed Pass-Through Amounts from the side constraint calculation. 	
<p>ERC Case No. 2020-037 RC: Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and Pagbilao Energy Corporation (For Reactive Power Support) – filed on October 19, 2020</p>	<ul style="list-style-type: none"> Immediately ISSUE a provisional authority to implement the subject ASPA executed on 14 July 2020, granting authority for the procurement and supply, under a per-occurrence basis, of RPS outside the range of 85% lagging and 90% leading power factors, the latter subject to the submission of the accreditation certificate: and APPROVE, after notice and hearing, the subject ASPA 	<ul style="list-style-type: none"> August 18, 2021 – ERC called the hearing for the continuation of the Cross Examination by NASECORE, but the proceeding where reset since the commission has not yet ruled on the motion for reconsideration filed by NASECORE on June 24, 2021. June 8, 2021 – ERC promulgated its Order dated May 31, 2021, with the following resolutions: <ul style="list-style-type: none"> DENIED, NASECORE’s Motion for Production of Documents dated May 17, 2021. GRANTED, NGCP’s Motion (dated May 20, 2021) to cancel the previously scheduled hearing on June 15, 2021. Thereby, resetting NASECORE’s cross-examination on August 18, 2021 (2PM via MS Teams Application). May 14, 2021 – continuance of cross examination by NASECORE was conducted. Next hearing will be on June 15, 2021 (2:00PM)
<p>ERC Case No. 2017-034 RC: Application of the National Grid Corporation for the Approval of the Implementation of the Visayas-Mindanao Interconnection Project - filed on April 27, 2017</p>	<ul style="list-style-type: none"> Immediately ISSUE an order provisionally authorizing the implementation of the Visayas-Mindanao Interconnection Project; APPROVE, after notice and hearing, the Application for the implementation of the Visayas-Mindanao Interconnection Project. 	<ul style="list-style-type: none"> June 24, 2021 – NGCP submitted its Compliance to the directives of the Commission in its Order dated May 18, 2021.
<p>ERC Case No. 2016-163 RC: Application of the National Grid Corporation of the Philippines for the Approval of Force Majeure Event Regulated FM Pass Through for Typhoon Ineng in Luzon - filed on Aug. 22, 2016</p>	<ul style="list-style-type: none"> DECLARE Typhoon Ineng as Force Majeure Events (FME); Immediately GRANT Provisional Approval to implement and bill the FM Pass-Through Amount to Luzon customers starting September 2016 billing month to December 2020 billing month or until such time that the amount incurred is fully recovered; APPROVE the Capital Expenditure (CAPEX) amounting to PhP1,561,298.74 incurred by NGCP for the repair, restoration and rehabilitation of the damaged transmission assets and other related facilities due to Typhoon Ineng as FME; APPROVE after due notice and hearing, the proposed FM Pass-Through Amount to be collected from the Luzon customers starting September 2016 billing month to December 2020 billing month or until such time that the amount incurred is fully recovered; APPROVE and ALLOW the recovery of the Net Fixed Asset Value of the transmission assets and other related facilities damaged by the FME Typhoon Ineng amounting to Php1,578,209.42 given that it would have been fully recovered by NGCP if these transmission assets and other related facilities have 	<ul style="list-style-type: none"> July 22, 2021- TransCo filed via email e-copy of it’s Motion for Leave to File Consolidated Comment with Consolidated Comment dated July 22, 2021. June 25, 2021 – NGCP filed its Partial Compliance and extension of time to submit other documents with regards to the directives of the Commission during the March 18, 2021 and 8 April 2021 hearings.

ERC Case No./Title	Prayer/Petition	Status
	not been damaged or destroyed by FME Typhoon Ineng; and EXCLUDE the proposed Pass-Through Amount from the side constraint calculation.	
ERC Case No. 2011-108 RC: Application of the National Grid Corporation of the Philippines for the Approval of the Batangas-Mindoro Interconnection Project - filed on Aug. 2, 2011	<ul style="list-style-type: none"> • ISSUE, immediately upon filing of the Application, a Provisional Authority for the implementation of the Batangas-Mindoro Interconnection Project and • APPROVE, after notice and hearing, the Application for the implementation of the Batangas-Mindoro Interconnection Project and render judgment making provisional approval permanent. 	<ul style="list-style-type: none"> • June 1, 2021 – TransCo Received e-copy of NGCP withdrawal of the case

Source: Transco

Annex 3. ERC-Approved Capital Expenditure Projects

APPLICANT	PROJECT DESCRIPTION	RATIONALE	PROJECT COST (PhP)	ERC CASE NO.	DATE FILED/ APPROVED
CASURECO I	EMERGENCY CAPITAL EXPENDITURE PROJECT			2018-111 RC	22 November 2018 /12 May 2021
	Purchase and Installation of Brand New 5MVA Substation at Panaytayan, Ragay, Camarines Sur.	The new 5MVA substation in Panaytayan, Ragay an associated sub-transmission line will correct the power quality issues of the Feeder 6 of Sipocot substation. Also, this project will relieve the existing power transformer of Sipocot substation from critical overloading.	128,199,150.32		
	Construction of 26.5 Kilometers 69kV Sub-transmission Line from Tara, Sipocot to Panaytayan, Ragay, Camarines Sur.				
DASURECO	CAPITAL EXPENDITURE PROJECT			2017-098 RC	26 October 2017/ 15 September 2021
	Rehabilitation of Dilapidated Distribution Lines	This project intends to replace the deteriorated line sections in order to maintain the safety level of DASURECO's distribution network.	1,113,694.00		
	Relocation of Distribution Line to Road Right-of-Way	The project is intended to relocate the affected assets to ensure the reliability and safety of the distribution network as well as the general public.	0.00		
	Refurbishment of 69 kV Sub-transmission Asset	This project is intended to replace the identified structures along the 69kV sub-transmission facility of DASURECO which were found to be in deteriorating condition, in order to maintain the safety level of DASURECO's distribution network.	6,103,885.95		
	Installation of Switchgears in Matanao, Paligue and Malalag Substations	In order to efficiently protect the system, for proper control of its substation facility, and for the safety of its personnel, DASURECO intends to install the necessary switchgears in its respective substations.	13,962,585.00		
	Replacement of Rotten Wood Poles and Defective Distribution Transformers and kWh Meters	This project is intended to replace these identified assets that were found in deteriorating of defective condition in order to maintain the safety level of	8,930,505.61		

APPLICANT	PROJECT DESCRIPTION	RATIONALE	PROJECT COST (PhP)	ERC CASE NO.	DATE FILED/ APPROVED
		DASURECO's distribution network, accommodate the increasing demand of its system, and ensure accurate measurement of energy consumed by each electric consumer.			
	Procurement of Personnel Protective Equipment and Safety Tools	The project is intended to equip DASURECO's linemen with the necessary tools and protective equipment to maximize performance and safety in maintaining the distribution system.	6,047,173.19		
	Installation of a 2.5 MVA 13.2/34.5 kV Substation in Brgy. Lawa, Don Marcelino, Davao Occidental	The project is intended to address the capacity problem of DASURECO's 1 MVA 13.2/34.5 kV Kahluahan Mini Substation.	6,110,999.26		
	Installation of New 20 MVA Substation in Brgy. Zone II, Sta. Cruz, Davao del Sur	The project is intended to address the capacity problem of DASURECO's 10 MVA Astorga Substation.	57,843,929.81		
	Procurement and Installation of Distribution Transformers	The project aims to address the increasing demand of DASURECO. The non-implementation of the project will result in failure to accommodate new customers and projected demand of DASURECO.	21,682,500.00		
	Extension of Primary and Secondary Distribution Lines	The project aims to accommodate new customers of DASURECO by expanding its primary and secondary distribution lines. The non-implementation of the project will result in failure to accommodate its new customers.	43,041,516.61		
	Spare Line Hardwares and Materials for Contingency/Emergency/Calamities	DASURECO has insufficient line materials in its inventory to serve as buffer stock in times of disasters or calamities to properly comply with the mandate of NEA Memorandum No. 2015-023, "Policy on Electric Cooperatives' Resiliency Program".	38,971,569.98		
	Construction of New DASURECO Headquarters	The project, which involves the construction of new main office building, and procurement of necessary furniture and fixtures, is intended to ensure a safe	104,461,425.58		

APPLICANT	PROJECT DESCRIPTION	RATIONALE	PROJECT COST (PhP)	ERC CASE NO.	DATE FILED/ APPROVED
		working environment for DASURECO's personnel and member-consumers.			
	Procurement of Mobile Crane, Boom Trucks, Service Vehicle, and Motorcycle Units	The project is intended to replace the ageing assets of DASURECO and expand the quantity of motorcycle units to facilitate delivery of service, maintenance activity, and its response time within DASURECO's coverage area for the benefit of its consumers.	34,134,923.00		
	Procurement of Laboratory Equipment	The project is intended to equip the personnel of DASURECO with the appropriate equipment needed to monitor the condition of the distribution system.	5,522,049.20		
	Procurement of Additional Meter reading Equipment	The project is intended to improve DASURECO's services on billing, quick collection transactions, and real-time meter reading. The meter reading equipment makes use of the read and bill technology to facilitate business process.	725,500.00		
	Procurement of Desktops, Laptops, Printers, Hard Drives, etc.	The project is intended to replace and update the system of DASURECO with the latest innovations to cope with the rapid changes in technologies to provide reliable and efficient service to its customers.	3,450,032.01		

Source: ERC