

WHEREAS, the Maximum Annual Revenue is a fixed revenue to NGCP regardless of the level of consumption of electricity and therefore fixed cost that will be charged and collected from electricity consumers. Based on NGCP's report, the demand during the government's declared community quarantine decreased by 25%-30%. Thus, with the fixed MAR to be charged and despite the demand reduction due to the community quarantine, the transmission rate is still expected to increase by 33% to 43%;

WHEREAS, it is unjust and unconscionable that the consumers will pay an even higher transmission rate when millions have lost their income and are struggling to survive. The additional PhP3.3 Billion in NGCP's iMAR granted by ERC will further increase the burden of consumers during this very uncertain period of pandemic as there is no certainty yet that a vaccine will be available soon;

WHEREAS, the search for options to unburden our electricity consumers during this period has led to the realization that the Energy Regulatory Commission (ERC), in violation of its rules on Transmission Wheeling Rates Guidelines (TWRG), in fact did not conduct the reset for the 4th Regulatory Period (2016-2020) to determine the appropriate, just and reasonable Maximum Annual Revenue for NGCP. Instead, ERC granted NGCP to charge consumers an Interim Maximum Annual Revenue which increased the 2015 level of PhP43.1 Billion to PhP43.8 Billion in 2016. ERC granted another increase making NGCP's iMAR for 2020 to PhP47.1 Billion;

WHEREAS, these increases, according to ERC's Decision Orders on NGCP IMAR (2015 and 2020) were based only on increasing consumers' demand and NGCP's additional CAPEX. The ERC failed to consider the other important and significant factors in determining transmission rates, in accordance with ERC's own rules and regulations, such as the annual depreciation of assets that are subtracted from Regulatory Asset Base (RAB), and the level of Weighted Average Cost of Capital that are multiplied to RAB to establish the level return on capital or profit of NGCP that may be charged to consumers;

WHEREAS, the NGCP's Weighted Average Cost of Capital (WACC) for the 3rd Regulatory Period (2011-2015) is 15.04% making the profit component of the transmission rate at 66% of the total rate while the rest are allocated to return of capital, OPEX and taxes. NGCP's WACC for the 4th Regulatory Period (2016-2020) is supposed to decrease because the country's Risk Free Rate went down from about 10% in 2010 to only 4% in 2015. This decrease in the country's Risk Free Rate and other factors such as depreciation could potentially reduce NGCP's WACC in 2016 to about 7%. This should translate to a reduction of about PhP53.3 Billion of MAR for the 5-year period (2016-2020);

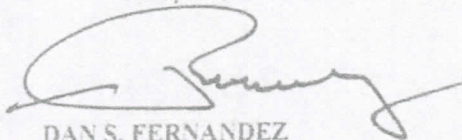
WHEREAS, based on the above premises, the ERC decision to increase NGCP's MAR by PhP3.3 Billion cannot be justified and will bring further hardships to the millions of ordinary consumers who will shoulder the higher cost of electricity;

WHEREAS, for the protection of Filipino consumers, there is a compelling need to investigate ERC's failure to conduct the reset for 4th Regulatory and to establish the reasonable revenue that NGCP is entitled to charge its customers for the period 2016 to 2020; and

WHEREAS, there is an urgent need to determine if the NGCP may be obliged to refund its overrecovery of PhP53.3 Billion to the consuming public through lower tariffs for the same period in order to reduce the power rates especially during this period of public health crises NOW, THEREFORE, BE IT

RESOLVED TO DIRECT THE HOUSE COMMITTEE ON GOOD GOVERNMENT AND PUBLIC ACCOUNTABILITY TO CONDUCT AN IMMEDIATE INVESTIGATION, IN AID OF LEGISLATION, INTO THE RECENT UNEXPLAINABLE SURGE IN POWER RATES AND TO AVERT THE FURTHER ESCALATION IN TRANSMISSION RATES, AS IT MAY BE INDICATIVE OF FAILURES IN REGULATORY OVERSIGHT OF THE POWER INDUSTRY PARTICULARLY THE TRANSMISSION SECTOR, IN ORDER TO EASE THE BURDEN OF ELECTRICITY CONSUMERS RESULTING FROM THE COVID-19 PANDEMIC.

Adopted,



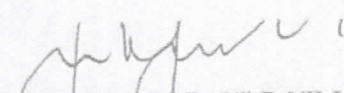
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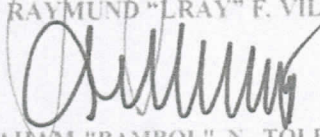
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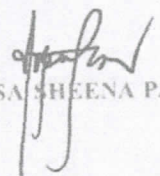
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