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PHILIPPINE RURAL ELECTRIC COOPERATIVES ASSOCIATION, INC.
— *The Philippines' Electric Cooperatives* —

13 March 2023

COMMS-2023-074

HON. LORD ALLAN JAY Q. VELASCO

Chairman Committee on Energy – House of Representatives

Batasan Hills, Quezon City

Dear **Hon. Velasco**:

Greetings of Peace and Solidarity from PHILRECA!

Respectfully forwarding herewith our organization's POSITION PAPER to the following House Bills and Resolutions:

1. **House Bill No. 6423**, introduced by Representatives Sergio Dagooc, Presley de Jesus, Lex Anthony Cris A. Colada, entitled: "AN ACT STRENGTHENING THE ENERGY REGULATORY COMMISSION BY EXPANDING AND STREAMLINING ITS BUREAUCRACY, UPGRADING EMPLOYEE SKILLS, AUGMENTING BENEFITS AND APPROPRIATING FUND THEREFOR";
2. **House Resolution No. 718**, introduced by Representatives Sergio Dagooc and Presley de Jesus, entitled: "A RESOLUTION URGING THE ENERGY REGULATORY COMMISSION TO REVISIT THE MAXIMUM ANNUAL REVENUE CAP GUIDELINES IN RELATION TO THE MAXIMUM DEMAND OF ELECTRICITY TRANSMITTED THROUGH THE FACILITIES OF THE NATIONAL GRID CORPORATION OF THE PHILIPPINES TO DISTRIBUTION UTILITIES";
3. **House Resolution No. 707**, introduced by Representatives Sergio Dagooc and Presley de Jesus, entitled "A RESOLUTION URGING THE COMMITTEE ON ENERGY TO INVESTIGATE THE IMPENDING PLAN OF THE NATIONAL POWER CORPORATION TO REDUCE THE NUMBER OF OPERATING HOURS OF POWER PLANTS IN AREAS UNDER THE SMALL POWER UTILITIES GROUP THAT WOULD RESULT TO A POWER SUPPLY CRISIS AND TO INTERVENE AND AID THE NATIONAL POWER CORPORATION TO AUGMENT THEIR BUDGET ALLOCATION FOR FUEL FOR FISCAL YEAR 2023";
4. **House Bill No. 5870**, introduced by Representative Joseph Gilbert Violago, entitled: "AN ACT MANDATING THE PROPER INSTALLATION AND MAINTENANCE OF OVERHEAD ELECTRIC DISTRIBUTION, COMMUNICATION LINES, AND STRUCTURES BY ALL ELECTRIC DISTRIBUTION, CABLE, AND TELECOMMUNICATIONS COMPANIES FOR PURPOSES OF PUBLIC SAFETY AND GOOD HOUSEKEEPING"; and
5. **House Bill No. 7138**, introduced by Representative Gus S. Tambunting, entitled: "AN ACT MANDATING THE PROPER INSTALLATION AND

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"United We Stand, We Stand United."

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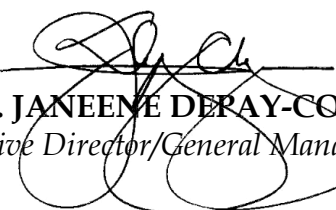
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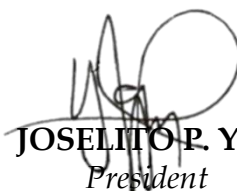
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MAINTENANCE OF OVERHEAD ELECTRIC DISTRIBUTION, COMMUNICATION LINES, AND STRUCTURES BY ALL ELECTRIC DISTRIBUTION, CABLE, AND TELECOMMUNICATIONS COMPANIES FOR PURPOSES OF PUBLIC SAFETY AND GOOD HOUSEKEEPING”.

Thank you and we look forward to your positive accommodation of these comments.

Respectfully yours,


ATTY. JANEENE DEPAY-COLINGAN
Executive Director/General Manager


JOSE LITO P. YAP
President



POSITION PAPER

House Bill No. 6423

"AN ACT STRENGTHENING THE ENERGY REGULATORY COMMISSION BY EXPANDING AND STREAMLINING ITS BUREAUCRACY, UPGRADING EMPLOYEE SKILLS, AUGMENTING BENEFITS AND APPROPRIATING FUND THEREFOR".

The Energy Regulatory Commission (ERC) plays a crucial role in regulating the electric power industry, ensuring that consumers are protected and promoting competitive operations within the electricity market. However, there are concerns about the effectiveness of the ERC's governance structure, which can be addressed by expanding and streamlining its bureaucracy, upgrading employee skills, augmenting benefits, and appropriating funds for these purposes. This position paper argues that such measures will strengthen the ERC and enable it to perform its functions more efficiently.

Expanding and Streamlining the ERC's Bureaucracy:

The ERC's current structure needs to be appropriately specified to ensure that the Chairperson and members of the Commission have the necessary powers to exercise Rule-Making and Quasi-Judicial Powers. It is essential to provide additional qualifications and requirements for ERC Commissioners to promote diversity and ensure they have the required skills and experience to perform their functions effectively.

Upgrading Employee Skills:

It is crucial to upgrade employee skills to enhance the ERC's effectiveness. This can be achieved through regular training programs and providing opportunities for professional development. Upgraded skills will enable employees to perform their functions more efficiently and effectively, ultimately benefiting the consumers.

Augmenting Benefits:

Augmenting employee benefits is essential to attract and retaining the industry's best talent. Adequate benefits motivate employees to perform their duties with more remarkable dedication and efficiency, ultimately benefiting the consumers.

Appropriating Funds:

To implement these measures, funds need to be appropriated. The government should prioritize the funding of the ERC to enable it to perform its functions effectively. Appropriating funds will allow the ERC to expand and streamline its bureaucracy, upgrade employee skills, and augment benefits, strengthening its ability to regulate the electric power industry.

In conclusion, the House Bill entitled "AN ACT STRENGTHENING THE ENERGY REGULATORY COMMISSION BY EXPANDING AND STREAMLINING ITS BUREAUCRACY, UPGRADING EMPLOYEE SKILLS, AUGMENTING BENEFITS AND APPROPRIATING FUND THEREFOR" is an essential piece of legislation that seeks to enhance the capacity of the ERC to perform its mandate more effectively and efficiently. By addressing critical issues within the ERC, promoting the development of the energy sector, and attracting and retaining competent professionals, the proposed bill will



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significantly impact the energy sector in the Philippines. Therefore, the proposed legislation must be passed into law to realize its potential benefits fully and to ensure that the ERC can effectively regulate the electric power industry and protect the interests of consumers.



House Resolution No. 718

"A RESOLUTION URGING THE ENERGY REGULATORY COMMISSION TO REVISIT THE MAXIMUM ANNUAL REVENUE CAP GUIDELINES IN RELATION TO THE MAXIMUM DEMAND OF ELECTRICITY TRANSMITTED THROUGH THE FACILITIES OF THE NATIONAL GRID CORPORATION OF THE PHILIPPINES TO DISTRIBUTION UTILITIES".

The energy industry is a crucial sector in any country's economy, and the Philippines is no exception. The National Grid Corporation of the Philippines (NGCP) is responsible for transmitting electricity from the power generating plants to the distribution utilities (DUs), which, in turn, distributes power to the end-users. The Energy Regulatory Commission (ERC) is the agency responsible for regulating the power industry in the country.

We support the resolution urging the ERC to revisit the Maximum Annual Revenue (MAR) cap guidelines in relation to the maximum demand for electricity transmitted through the facilities of the NGCP to DUs.

The NGCP's Maximum Allowable Revenue (MAR) is the annual approved amount of profit or earnings of the NGCP for each regulatory period, as approved by the Energy Regulatory Commission (ERC). The MAR is the basis for computing the transmission rate charged to the DUs.

The MAR cap guidelines are based on the maximum electricity demand transmitted through NGCP's facilities to DUs. This cap has been in place for several years, and it has been reviewed and adjusted periodically. However, despite the adjustments made to the MAR cap guidelines, NGCP can still not supply the total expected demand required by the DUs. This results in the failure of the DUs to meet the required demand within their jurisdiction. The inability of DUs to meet the required demand could result in power outages, which can have significant economic and social implications.

In March 2022, as mentioned in this resolution, the ERC approved NGCP's application to increase its interim MAR to P51.471 billion from 2020. The increase was said to address the increasing demand for electricity, which has risen from 147.97 gigawatts in 2016 to 170.32 gigawatts in 2020. The additional revenue is intended to be used to augment transmission infrastructure and services, which should result in better performance regarding system reliability, security, and integrity of the grid.

Despite the whopping 51 billion Maximum Allowable Revenue, NGCP is still unable to supply the total expected demand needed and promised to DUs. Frequent interruptions in the transmission service persist, specifically in Northern Mindanao to the Zamboanga Peninsula, wherein line congestion also exists, resulting in higher generation costs. Despite the adjustments, the services still need improvement.

The increase in NGCP's MAR should translate to better performance, system reliability, and security of the grid, which will benefit all end-users. The NGCP should invest in transmission infrastructure to ensure that the increased MAR is used effectively and efficiently. The ERC should closely monitor the NGCP's performance and ensure that the



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increased revenue is used for the intended purpose. It is time for NGCP to improve its performance and live up to its mandate of providing reliable and efficient transmission services to the Filipino people.

Therefore, we support this legislative measure to urge the ERC to revisit the maximum annual revenue cap guidelines in relation to the maximum demand for electricity transmitted through the facilities of the NGCP to DUs.



House Resolution No. 707

“A RESOLUTION URGING THE COMMITTEE ON ENERGY TO INVESTIGATE THE IMPENDING PLAN OF THE NATIONAL POWER CORPORATION TO REDUCE THE NUMBER OF OPERATING HOURS OF POWER PLANTS IN AREAS UNDER THE SMALL POWER UTILITIES GROUP THAT WOULD RESULT TO A POWER SUPPLY CRISIS AND TO INTERVENE AND AID THE NATIONAL POWER CORPORATION TO AUGMENT THEIR BUDGET ALLOCATION FOR FUEL FOR FISCAL YEAR 2023”.

As an update, last March 3, 2023

NATIONAL Power Corp. (Napocor) said it would postpone its plan to reduce the operating hours of its small power utilities group or SPUG power plants following consultations with our customers and stakeholders.

But still, we need to address this issue to prevent it from recurring.

Position:

The National Power Corporation's (NPC) impending plan to reduce the operating hours of power plants in areas under the Small Power Utilities Group (SPUG) is a matter of great concern. This reduction is feared to result in a power supply crisis that will negatively affect the country's economic and social development. This position paper seeks to urge the Committee on Energy to investigate this plan and intervene by providing additional budget allocation for fuel for the NPC in Fiscal Year 2023.

NPC is a government-owned and controlled power company that operates and maintains most of the power plants in the Philippines. Its mandate is to ensure a reliable and affordable power supply to the country. However, NPC faces financial constraints due to rising fuel costs and low electricity rates. As a result, it is considering reducing the operating hours of power plants in areas under SPUG.

SPUG is responsible for providing electricity to remote areas in the country that are not connected to the national power grid. These areas are typically small islands and isolated communities that rely on NPC's diesel-powered generators for their electricity needs. If NPC reduces the operating hours of these generators, these communities will experience power outages that can last for several hours, leading to a power supply crisis.

Several solutions can be considered to resolve NPC's impending plan to reduce the operating hours of power plants in areas under SPUG. Here are some possible solutions:

- **Increase budget allocation for fuel:** The primary reason for NPC's plan to reduce operating hours is the lack of budget for fuel. One solution is to increase the budget allocation for fuel to ensure that NPC can maintain the operating hours of power plants in SPUG areas.
- **ERC to speed up the review of NPC's UCME petitions:** If the ERC can expedite the review of NPC's UCME petitions, it can help provide the NPC with the necessary funds to maintain or increase the operating hours of power plants in

SPUG areas. This can help ensure the availability of electricity and improve the quality of life for the residents in these areas.

- **Utilize renewable energy sources:** Using renewable energy sources such as solar and wind power can be explored to reduce reliance on diesel-powered generators. This can also provide long-term cost savings for NPC and help reduce the carbon footprint of electricity generation.
- **Implement energy efficiency measures:** Another solution is to implement energy efficiency measures in SPUG areas. This includes encouraging energy-efficient appliances, promoting energy conservation practices, and conducting energy audits to identify areas where energy can be saved.
- **Implement demand-side management:** Demand-side management measures such as time-of-use pricing, peak demand reduction programs, and load management can be implemented to reduce the overall electricity demand in SPUG areas, which can help reduce the need for additional fuel.
- **Explore public-private partnerships:** Public-private partnerships can be explored to finance the operation and maintenance of power plants in SPUG areas. This helps ensure that these power plants remain operational and provide reliable and affordable electricity to these communities.

We strongly urge the Committee on Energy to investigate NPC's plan to reduce the operating hours of power plants in areas under SPUG. This reduction will significantly impact the communities that rely on NPC's electricity, leading to a power supply crisis that can negatively affect their economic and social development.

Furthermore, we urge the committee to intervene by providing additional budget allocation for fuel for NPC in Fiscal Year 2023. This intervention will enable NPC to provide reliable and affordable electricity to these remote communities. It will also ensure that NPC can maintain the operating hours of power plants in SPUG areas and prevent a power supply crisis.

In conclusion, NPC's plan to reduce the operating hours of power plants in areas under SPUG is a matter of great concern. It is essential to investigate this plan and intervene by providing additional budget allocation for fuel for NPC in Fiscal Year 2023 and urging ERC to speed up the review and approval of its UCME petitions. This intervention will prevent a power supply crisis and ensure that the communities that rely on NPC's electricity continue receiving reliable and affordable power, which is essential for their economic and social development.



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House Bill No. 5870

“AN ACT MANDATING THE PROPER INSTALLATION AND MAINTENANCE OF OVERHEAD ELECTRIC DISTRIBUTION, COMMUNICATION LINES, AND STRUCTURES BY ALL ELECTRIC DISTRIBUTION, CABLE, AND TELECOMMUNICATIONS COMPANIES FOR PURPOSES OF PUBLIC SAFETY AND GOOD HOUSEKEEPING”.

House Bill No. 7138

“AN ACT MANDATING THE PROPER INSTALLATION AND MAINTENANCE OF OVERHEAD ELECTRIC DISTRIBUTION, COMMUNICATION LINES, AND STRUCTURES BY ALL ELECTRIC DISTRIBUTION, CABLE, AND TELECOMMUNICATIONS COMPANIES FOR PURPOSES OF PUBLIC SAFETY AND GOOD HOUSEKEEPING”.

As an association of the Electric Cooperatives, we recognize the importance of ensuring public safety and the environment by properly installing and maintaining overhead electric distribution, communication lines, and structures. That's why House Bill No. 5870 is a vital piece of legislation to help us achieve these goals.

Electric distribution, cable, and telecommunications companies are critical in providing essential services to the public. These services rely on overhead electric distribution, communication lines, and structures that require proper installation and maintenance to ensure public safety and environmental protection. Unfortunately, some companies must pay more attention to these responsibilities, leading to safety hazards, environmental risks, and service interruptions.

As for our position, we strongly support House Bill No. 5870, as this has always been the problem of ECs with other cable and telecommunications companies. EC poles are often damaged due to the dangling of the cable and telecommunications companies' low-sagging lines, leading to power interruptions. The bill's mandate to ensure the proper installation and maintenance of overhead electric distribution, communication lines, and structures will significantly reduce risks to public safety and promote good housekeeping.

The bill's provisions require all electric distribution, cable, and telecommunications companies to adhere to strict standards in installing and maintaining these structures. These standards will ensure that the structures are safe and reliable and do not pose any risks to public safety or environmental hazards. Additionally, the bill requires regular inspection and assessment of the structures to identify potential risks and ensure they comply with government standards.

The bill's implementation will also promote good housekeeping by preventing the cluttering of unsightly and hazardous structures that may cause public nuisance and obstruct public services. Furthermore, it will reduce the environmental impact caused by the improper installation and maintenance of these structures.

However, as an electric cooperative, we also recognize that implementing the bill may entail additional costs for us. These costs may include hiring additional personnel to



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conduct regular inspections, assessments, and maintenance of our infrastructure. Nevertheless, we recognize that these costs are necessary to achieve the bill's goal, which is to ensure public safety and environmental protection.

Therefore, we commit to supporting the bill and implementing its provisions, including regular inspections and assessments, adherence to government standards, and proper installation and maintenance of our infrastructure. We also support the imposition of penalties for non-compliance by companies that fail to comply with the bill's provisions, as this will ensure that all companies take their responsibilities seriously – provided that the penalties shall only be imposed after a joint inspection by the city or municipal engineer and representatives from the distribution utilities and cable and telecommunications companies has been completed and all concerned utility companies shall execute appropriate actions within fifteen (15) calendar days for the affected facility after the said joint inspection.

In conclusion, House Bill No. 5870 is an essential legislation promoting public safety, environmental conservation, and good housekeeping. The bill's provisions to ensure the proper installation and maintenance of overhead electric distribution, communication lines, and structures by all electric distribution, cable, and telecommunications companies will significantly reduce risks to public safety, environmental hazards, and disruptions in public services. The government must pass this bill to ensure the public's well-being and prevent accidents and incidents that may pose risks to public safety and environmental hazards.