

[ERC RESOLUTION NO. 09, S. 2009, March 16, 2009]

RESOLUTION ADOPTING THE RULES FOR THE CALCULATION OF THE OVER OR UNDER RECOVERY IN THE IMPLEMENTATION OF TRANSMISSION RATES BY DISTRIBUTION UTILITIES (DUS)

WHEREAS, Section 43(f) of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), and its Implementing Rules and Regulations (IRR), provide that the Energy Regulatory Commission (ERC) shall determine, fix and approve, among others, the retail rates to be imposed by Distribution Utilities (DUs) through an established and enforced methodologies;

WHEREAS, to facilitate the evaluation and resolution of all applications for refund of over recoveries or collection of under recoveries, the Commission formulated a draft "Rules for the Calculation of the Over or Under Recovery in the Implementation of Transmission Rates by Distribution Utilities (DUs)", which was subjected to public consultations on various dates;

WHEREAS, after a thorough evaluation of the comments and views submitted by the participants, the Commission deems it necessary to formulate and adopt a set of rules that would govern the calculation of the over or under recovery in the implementation of transmission rates by DUs;

NOW, THEREFORE, be it RESOLVED, as the Commission hereby RESOLVES to ADOPT the "Rules for the Calculation of the Over or Under Recovery in the Implementation of Transmission Rates by Distribution Utilities (DUs)".

This Resolution shall take effect after fifteen (15) days following the completion of its publication in a newspaper of general circulation in the Philippines.

Let copies of this Resolution be furnished the University of the Philippines Law Center-Office of the National Administrative Register (UPLC-ONAR) and all Distribution Utilities (DUs).

Adopted: 16 March 2009

(SGD.) ZENAIDA G. CRUZ-DUCUT
Chairperson

(SGD.) RAUF A. TAN
Commissioner

(SGD.) ALEJANDRO Z. BARIN
Commissioner

(SGD.) MARIA TERESA A.R.
CASTANEDA
Commissioner

(SGD.) JOSE C. REYES
Commissioner

Attachment

Rules for the Calculation of the Over or Under Recovery in the Implementation of Transmission Rates by Distribution Utilities

Pursuant to Section 43(f) of Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001 (EPIRA)", the Energy Regulatory Commission (ERC) hereby adopts and promulgates these Rules to establish a process for the calculation of the over or under recovery in the Transmission Rates by Distribution Utilities (DUs).

ARTICLE I GENERAL PROVISIONS

1.1 Objectives

1.1.1 To ensure transparent and reasonable prices of electric power service in a regime of free and fair competition and to achieve greater operational and economic efficiency;

1.1.2 To ensure full recovery of the allowable cost of Transmission;

1.1.3 To protect the public interest as it is affected by the rates and services of DUs; and

1.1.4 To ensure and maintain the quality, reliability, security and affordability of the supply of electric power.

1.2 Scope

1.2.1 These Rules shall apply to all DUs that are connected to the Grid.

1.3 Definition of Terms

Act - unless otherwise stated, shall refer to Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001;

Distribution Utility - shall refer to any electric cooperative (EC), private corporation, government-owned utility or existing local government unit which has an exclusive franchise to operate a distribution system in accordance with the Act;

Energy Regulatory Commission or ERC - shall refer to the independent, quasi-judicial regulatory agency created under Section 38 of the Act;

Net Transmission Cost- shall refer to the total charges of National Transmission Corporation (TRANSCO), or its buyer or concessionaire, including, but not limited to, transmission and sub-transmission costs, ancillary service, connection service and power cost delivery service net of any imbalance charges, cost associated with the avilment of the One-Day Power Sales (ODPS), and value added tax associated with the transmission service. Net transmission costs shall include only those costs that are prudently incurred, actually paid for, verifiable, reasonable, and are eligible for recovery in accordance with the ERC's Rules and Regulations.

Transmission Rates - for the purpose of these Rules, shall refer to the charges associated with the transmission cost incurred by the DU which have been determined by the ERC in the DU's Unbundling of Rates Application.

ARTICLE II

CALCULATION OF OVER OR UNDER RECOVERY IN TRANSMISSION

2.1 One- Time Determination

The transmission rates paid by the DUs prior to the effectivity of these Rules were fixed annually for four (4) years which incorporated the removal of the intra-grid cross subsidies of TRANSCO as provided in the approved unbundled rates of the DUs. The Commission shall allow the one-time determination of the over or under recovery on the DU's transmission charges from the time the DUs implemented their unbundled rates up to the effectivity of the "Guidelines for the Adjustment of the Transmission Rates by Distribution Utilities" (TRAM Guidelines).

2.2 Adjustment Formula

The calculation of the over or under recovery in the implementation of the transmission rates to effect the "refund" or "collect" thereof from the time the DUs first implemented their unbundled rates up to April 2006 or the month before the DUs were able to implement new transmission rates in accordance with the TRAM Guidelines, shall be based on the following formula per customer class:

<p>Transmission Over or Under Recovery_N (PhP/kWh) =</p>	$\frac{\text{Total Over or Under Recovery}_N}{\sum_{i=1 \dots n} \text{KWh Sales}_{Ni}}$
<p>where: Total Over or Under Recovery_N (PhP) =</p>	$\sum_{i=1 \dots n} [(\text{Allowable Transmission Cost}_{Ni} - \text{Transmission Recovery}_{Ni})]$
<p>Allowable Transmission Cost_{Ni} =</p>	<p>Allowable Transmission Cost of Sales_{Ni}</p>
<p>Allowable Transmission Cost of Sales_{Ni} =</p>	$\frac{(\text{Transmission Cost} - \text{NPF} \times 50\%)}{\text{Total Purchased kWh}_i}$
<p>I =</p>	<p>X Total kWh Sales_i x CP_N</p> <p>refers to month 1, month 2 until month n, where month 1 refers to the month the DU</p>