

[ERC RESOLUTION NO. 12, S. 2005, July 20, 2005]

A RESOLUTION APPROVING A NEW POLICY ON THE TREATMENT OF PROMPT PAYMENT DISCOUNT (PPD)

WHEREAS, Section 26 of Republic Act No. 9136, otherwise known as the Electric Power Reform Act of 2001 (EPIRA) provides that:

"Distribution utilities may, directly or indirectly, engage in any related business undertaking which maximizes the utilization of their assets: Provided, That a portion of the net income derived from such undertaking utilizing assets which form part of the rate base shall be used to reduce its distribution wheeling charges as determined by the ERC:

Provided, further, That such portion of net income used to reduce their distribution wheeling charges shall not exceed fifty percent (50%) of the net income derived from such undertaking: Provided, finally, That separate accounts are maintained for each business undertaking to ensure that the distribution business shall neither subsidize in any way such business undertaking nor encumber its distribution assets in any way to support such business";

WHEREAS, Section 36 of the EPIRA mandated the filing by all distribution utilities (DUs) of their respective applications for unbundling of rates;

WHEREAS, on various dates, the Commission has resolved and decided the unbundling applications of the DUs;

WHEREAS, in the aforementioned Decisions, the Commission deducted from the supply, metering and/or distribution function of their respective revenue requirements, the 50% of the total Prompt Payment Discount (PPD) on the National Power Corporation (NPC) bills for generation and transmission which the DUs availed of in the Year 2000.

WHEREAS, the Commission recognizes the fact that DUs may or may not be able to avail of the PPD;

WHEREAS, the Commission in adopting the "Guidelines for the Automatic Adjustment of Generation Rates and System Loss Rates of Distribution Utilities" considered the aforementioned fact;

WHEREAS, under the abovementioned Guidelines, distribution utilities were allowed to pass on to their customers 50% of the said PPD only if they were able to avail of