

**[ ERC RESOLUTION NO. 24, SERIES OF 2005, November 23, 2005 ]**

**GUIDELINES FOR THE CALCULATION OF THE OVER OR UNDER RECOVERY IN THE IMPLEMENTATION OF SYSTEM LOSS RATE BY DISTRIBUTION UTILITIES**

ERC CASE NO. 2005-08 RM

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 guidelines to establish a process for the calculation of the over or under recovery in the System Loss 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 system loss due to adjustments in the cost of generation and 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 Guidelines shall apply to all Distribution Utilities.

**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 refers 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 regulatory agency created under Section 38 of the Act;

System Loss Rate for the purpose of these guidelines, shall refer to the charge associated with the system loss of the DU which has been determined by the ERC in the Unbundling Decision of the DU.

**ARTICLE II  
CALCULATION OF OVER OR UNDER RECOVERY IN THE SYSTEM LOSS**

2.1 The Commission allows for the one-time determination of the over or under recovery on the DU's system loss charge caused by adjustments in the generation and transmission cost from the time the DUs implemented their unbundled rates up to the effectivity of the Guidelines for the Automatic Adjustment of Generation Rates and System Loss Rates by Distribution Utilities. System loss rate in the calculation of Adjusted System Loss charge should be pegged at the same level as provided in the approved unbundled rates of the DUs.

2.2 Adjustment Formula – The calculation of the over or under recovery in the implementation of the system loss rate to effect the refund or collect thereof from the time the DUs first implemented their unbundled rates up to the effectivity of the Automatic System Loss Rate Adjustment Mechanism in November 2004 shall be based on the following formula:

System Loss

Over or Under Recovery  
(PhP/kWh)

$$= \text{Total Over or Under Recovery} / \sum_{i=1}^n \text{kWh Sales}_i$$

Total Over or Under  
Recovery (PhP)

$$= \sum_{i=1}^n [(\text{Total Adjusted System Loss Charge}_i - \text{Existing System Loss Charge}) \times \text{kWh Sales}_i]$$

Total Adjusted System  
Loss Charge<sub>i</sub>

$$= [(AGR_i + ATR_i) \times U]$$

i

= refers to month 1, month 2 until month n, where month 1 refers to the month the DU implemented its unbundled rates and month n refers to the month prior to the implementation of the automatic system loss adjustment

AGR

= the actual NPC generation rate in PhP/kWh for the month i if the DU is sourcing 100% of its power from NPC; however, if the DU has source(s)