

**[ ERB, December 22, 1998 ]**

**GUIDELINES IMPLEMENTING EXECUTIVE ORDER NO. 473 FOR  
THE SEGREGATION AND UNBUNDLING OF THE POWER TARIFFS  
OF THE NATIONAL POWER CORPORATION AND THE ELECTRIC  
DISTRIBUTION UTILITIES**

Pursuant to Executive Order No. 473 (E.O. 473), the Energy Regulatory Board hereby adopts and promulgates the following Guidelines for the Segregation and Unbundling of Power Tariffs of the National Power Corporation (NPC) and the electric distribution utilities.

**Article I**

**Objectives, Scope and Definition of Terms**

*Section 1. Objectives.* These Guidelines are prescribed to attain the following objectives:

- (a) To promote a policy of full disclosure of all transactions involving public interest;
- (b) To promote transparency and accountability in all phases of providing electric service;
- (c) To identify, segregate and unbundle the different components of the electricity rates of NPC and the electric distribution utilities;
- (d) To provide an environment conducive to wholesome and constructive competition thereby promoting efficiency in the management and operation of electric utilities, with the advent of increased competition resulting from the approval by Congress of the Omnibus Bill on the Electric Power Industry.

*Section 2. Scope.* These Guidelines shall apply to the NPC, private investor-owned utilities, local government-owned/operated utilities, and electric cooperatives (ECs).

*Section 3. Definition of Terms.* As used in these Guidelines, the following terms shall have the following respective meanings:

- a) "Distribution Charge" shall refer to the allowed costs of distribution of electricity, and includes all costs, taxes, return to investors, other charges incurred by the distributor associated with the ownership, operation and maintenance of the distribution system.
- b) "*Distribution System*" shall refer to the electric system of an electric utility which delivers electricity from transformation points on the transmission system to the consumers or end-users.

c) "*Electric Cooperative*" or "*EC*" shall refer to an entity created under Republic Act No. 6038 or Presidential Decree No. 269, as amended, for the purpose of providing electric service.

d) "*Electric Utility*" refers to the private investor-owned utility, local government-owned/operated utility and electric cooperative operating within the NPC grids and other electric systems.

e) "*Energy Regulatory Board*" or "*ERB*" refers to the administrative agency created under Executive Order No. 172, dated May 8, 1987, which, among other functions, fixes and regulates the power rates of electric utilities, now including NPC and electric cooperatives, pursuant to Section 18 of Republic Act No. 7638.

f) "*Independent Power Producers (IPPs)*" refers to generating facilities owned by entities from the private sector and supplying capacity and energy to their customers.

g) "*Load Following and Frequency Regulation*" refers to the provision of generating capacity necessary to adjust total system generation over short periods of time (e.g. minutes) to match system load changes that result from random fluctuations in total Transmission System Load.

h) "*Local Government-Owned/Operated Utility*" refers to an electric system/company owned and/or operated by the Local Government for the coordination and delivery of the electric services to its inhabitants within its territorial jurisdiction.

i) "*National Electrification Administration*" or "*NEA*" means the corporation, wholly-owned and controlled by the government created under the provisions of Presidential Decree No. 269, as amended, and tasked primarily to administer the rural electrification program of the country.

j) "*National Power Corporation*" or "*NPC*" means the corporation, wholly-owned and controlled by the government, formed under the provisions of Republic Act No. 6395, as amended, and tasked primarily to undertake the development of hydroelectric generation of power and the production of electricity from nuclear, geothermal and other sources, as well as the transmission of electric power on a nationwide basis.

k) "*Private Investor-Owned Utility*" refers to an electric system/company owned and operated by private individuals, partnerships, corporations, etc. for the delivery of electric services to customers within a defined franchise area.

l) "*Rate*" means any price or charge imposed in connection with the sale or purchase and/or wheeling of electricity.

m) "*Self-generation Facilities*" refers to electric generating facilities intended primarily for the internal use of the owner but the excess production of which may be sold to the grids.

n) "*Spinning Reserve*" refers to the provision of generating capacity necessary to respond immediately to infrequent, but usually large, failures of generating units or

transmission plants.

o) "*Sub-transmission Charge*" is a charge for the use of NPC's sub-transmission facilities for power delivery service.

p) "*System Loss*" refers to energy lost in an electric system in the process of delivering electricity to consumers or end-users. Lost energy may be caused either by technical factors or by non-technical factors like pilferage.

q) "*Transmission Charge*" is the amount charged by NPC for providing access to its transmission lines to transmit power to any party.

r) "*Unbundled Rate*" refers to the modified rate structure where the different components of the power rates are made transparent to power users.

## **Article II**

### **Types Of Charges On Services Provided By The National Power Corporation**

*Section 1. Rates for Generation.* The rate for the generation portion of NPC shall be segregated to reflect the authorized cost of generating electricity and other generation-related costs, including return. It shall show the charge of the provider (whether NPC-owned or from IPPs) and the corresponding percentage share of generation.

Any social obligations and/or subsidies shall be clearly indicated.

*Section 2. Power Delivery Services.* The rate for the Power Delivery Service shall include transmission and sub-transmission charges, including return.

*A. Transmission Charge* — This shall refer to the rate to be charged for the use of NPC's transmission facilities from the point/s of delivery to the point/s of receipt.

The transmission charge shall conform to the decision in ERB Case No. 96-118 entitled "In Re: Application for Approval of the Open Access Transmission Tariff (OATT) and Tariff for Ancillary Services for Private Sector Generation Facility" and subsequent decisions related thereto.

*B. Sub-Transmission Charge* — This shall refer to the rate to be charged for the use of NPC's sub-transmission lines from the point/s of delivery to the point/s of receipt.

The sub-transmission charge shall conform to the decision in ERB Case No. 96-118 (SUPRA) and subsequent decisions related thereto.

*Section 3. Ancillary Services Charges.* This shall refer to the rates to be charged for the ancillary services including the costs of services necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the Transmission Provider's Transmission System in accordance with Good Utility Practice. Said charges shall include rates for load following and frequency regulation, spinning reserve, and back-up power.

The ancillary services charges shall also conform to the decision in ERB Case No. 96-118 (SUPRA) and subsequent decisions related thereto.