

[ERC RESOLUTION NO. 21, S. 2010, October 18, 2010]

A RESOLUTION AMENDING SECTION 4 OF ARTICLE 4 AND SECTION 1 OF ARTICLE 5 OF THE RULES GOVERNING THE AUTOMATIC COST ADJUSTMENT AND TRUE-UP MECHANISMS AND CORRESPONDING CONFIRMATION PROCESS FOR DISTRIBUTION UTILITIES

WHEREAS, on July 13, 2009, the Energy Regulatory Commission (ERC) issued Resolution No. 16, Series of 2009, adopting and promulgating the "Rules Governing the Automatic Cost Adjustment and True-up Mechanisms and Corresponding Confirmation Process for Distribution Utilities";

WHEREAS, on October 12, 2009, the ERC issued Resolution No. 23, Series of 2009, adopting the template for the Distribution Utilities' (DUs) filing pursuant to the said Rules and extending until further notice the date of the Luzon DUs' filing of their respective consolidated applications for the over/under recoveries on their implementation of various automatic cost adjustment and true-up mechanisms;

WHEREAS, Section 4 of Article 4 of the said Rules provides for the determination of the actual system loss;

WHEREAS, inherent in the distribution sector of the electric industry is the mismatch between meter reading periods at the wholesale and retail levels due to unequal number of billing days, which results to the misalignment of kWh sales and purchased power;

WHEREAS, the ERC recognizes the need to address and resolve the said misalignment of kWh sales and purchased power which causes spikes and dips in the computed monthly system loss and adversely affects the actual system loss of the DUs during certain billing months;

WHEREAS, to accomplish this, it is necessary to amend the formula in Section 4 of Article 4 of the said Rules;

WHEREAS, the ERC likewise, recognizes the need to update the timelines in the said Rules to afford all DUs sufficient time to adequately prepare for their confirmation filings;

NOW, THEREFORE, the ERC, after thorough and due deliberation, hereby RESOLVES, as it is hereby RESOLVED, to APPROVE and ADOPT the amendments to Section 4 of Article 4 and Section 1 of Article 5 of the said Rules, as follows:

"ARTICLE 4

CALCULATION OF THE OVER OR UNDER RECOVERY IN THE IMPLEMENTATION OF ADJUSTMENT MECHANISMS

x x x

Section 4. System Loss Rate Over/Under Recovery. The System Loss Rate Over/ Under Recovery (SLOUR) shall be calculated based on the following formula:

Formula 9

$$\text{SLOUR} = \frac{[(\text{ASLC}-\text{ASLR}) + r\text{SLOUR}]}{S_{\text{LOUR}}}$$

Where:

SLOUR = Refers to over/under recoveries in system loss during the recovery period expressed in Peso/kWh

ASLC = Allowable System Loss Cost incurred during the recovery period determined as follows:

$$\text{ASLC} = \text{ASLC}_{Y1} + \text{ASLC}_{Y2} + \dots \text{ASLC}_{Yn}$$

Where:

$$\text{ASLC}_{Y1-n} = \left(\frac{\text{GTGC}_Y}{\text{TPG}_Y} + \frac{\text{TC}_Y - 50\%}{\frac{\text{PFD}_Y}{\text{TPG}_Y}} \right) U) S_Y$$

Where: GTGC_Y = Sum of the generation costs (GTGC) for January to December of each year during the recovery period

Where: GTGC = As defined in Section 4, Article 2 hereof

TC_Y = The actual transmission cost in Peso for January to December of each year during the recovery period

PFD_Y = Power Factor Discounts availed by the DU, net of the Power Factor Discounts given to customers and Third Parties for January to December of each year during the recovery period, where: Discount passed on to customers and Third Parties < discount availed from TRANSCO/NGCP for month 1 to m

TPG_Y = Total kWh Purchased and Generated for January to December of each year during the recovery period net of kWh distributed to customers under special programs and Sale for Resale Agreements, if such sales have different system loss charge rates from regular customers.

U = Gross UP Factor = % SL / (1 – Actual % System Loss);

The % SL is based on:

- a) the Actual Systems Loss for January to December or the Systems Loss Cap, whichever is lower plus
- b) the Actual Company use for January to December or 1%, whichever is lower.