

[ERC RESOLUTION NO. 19, S. 2005, September 28, 2005]

GUIDELINES FOR THE ADJUSTMENT OF TRANSMISSION RATES BY DISTRIBUTION UTILITIES

ERC CASE NO. 2005-06 RM

Pursuant to Section 43 (f) of Republic Act No. 9136 or the Act and Rule 7 of the Implementing Rules and Regulations (IRR) of the Act, the Energy Regulatory Commission (ERC) hereby adopts and promulgates these guidelines to establish a process for the adjustment of Transmission Rates by Distribution Utilities.

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 all allowable transmission costs in an efficient and timely manner;
- 1.1.3 To protect the public interest as it is affected by the rates and services of Distribution Utilities; and
- 1.1.4 To ensure and maintain the quality, reliability, security and affordability of the supply of electric power.

1.2 Scope

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, 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 by Section 38 of the Act.

Net Transmission Cost - Refers to the total charges of TRANSCO including but not limited to transmission and sub-transmission costs, ancillary service, connection service and power cost delivery service billed to the Distribution Utility by TRANSCO net of any imbalance charges. Net Transmission costs include only those costs that are prudently incurred, actually paid for, verifiable, reasonable, and are eligible for recovery in accordance with the ERC regulation.

Other Transmission Cost Adjustments (OTCA) - Shall refer to over/(under) recoveries in transmission costs, recoveries from any billing corrections as well as other adjustments deemed necessary by the ERC, after prior verification and confirmation subject to the provisions of these guidelines. The OTCA shall not be subject to any carrying charge.

ARTICLE II ANNUAL ADJUSTMENT OF THE TRANSMISSION RATE

2.1 Adjustment Formula

No later than sixty (60) days from the effectivity of these guidelines and on the tenth (10) day of the month following the month when TRANSCO shall have changed its rates after the determination of its Maximum Annual Revenue (MAR) in accordance with the Transmission Wheeling Rates Guidelines (TWRG), Distribution Utilities shall calculate new Transmission Rates for each of its customer classes based on the following formula:

2.1.1 Customer classes with Transmission Rates expressed in Peso/kWh:

$$TR_n = \frac{t_n + OTCA}{P}$$

Where:

TR_n = Transmission Rate expressed in Peso/Kwh

t_n = Current TRANSCO Transmission Rate x billing determinant for the previous twelve (12) months ending December 31 multiplied by the Coincident Peak (CP) demand allocation factor for customer class $_n$ corresponding to the same period, if

available, or the CP demand allocation factor as reflected in the last approved unbundled rates of DUs

OTCA = Other Transmission Cost Adjustment

P = kWh purchased for the previous twelve (12) months ending December 31 for customer class_n.

2.1.2 Customer classes with Transmission Rates expressed in Peso/kW:

$$TR_n = \frac{(t_n + OTCA)}{D_n}$$

Where:

TR_n = Transmission Rate expressed in Peso/Kw

t_n = Current TRANSCO Transmission Rate x billing determinant for the previous twelve (12) months ending December 31 multiplied by the Coincident Peak (CP) demand allocation factor for customer class_n corresponding to the same period, if available, or the CP demand allocation factor as reflected in the last approved unbundled rates of DUs

OTCA = Other Transmission Cost Adjustment

D_n = kW billing demand for the previous twelve (12) months ending December 31 for customer class_n.

2.1.3 Customer classes with Transmission Rates expressed in both Peso/kWh and Peso/kW. The component expressed in Peso/kWh shall remain constant. On the other hand, the component expressed in Peso/kW shall be adjusted using the following formula:

$$TWR_n = \frac{t_n - [(TKR_n * S_n) + OTCA]}{D_n}$$

Where:

TWR_n = Transmission Rate component expressed in Peso/kW

t_n = Current TRANSCO Transmission Rate x billing determinant for the previous twelve (12) months ending December 31 multiplied by the Coincident Peak (CP) demand allocation factor for customer class_n corresponding to the same period, if available, or the CP demand allocation factor as reflected in the last approved unbundled rates of DUs

TKR_n = Current Transmission Rate component expressed in Peso/kWh

S_n = kWh sales for the previous twelve (12) months ending December 31 for customer class_n

OTCA = Other Transmission Cost Adjustment

D_n = kW billing demand for the previous twelve (12) months ending December 31 for customer class_n.

In the case of OTCA, the DUs shall calculate OTCA from the effectivity of these guidelines.