

[ERC RESOLUTION NO. 01, s. 2007, December 11, 2006]

A RESOLUTION CLARIFYING ERB RESOLUTION NO. 2001-04 ON THE IMPLEMENTATION OF THE THIRTY CENTAVO (PHP0.30) MANDATED RATE REDUCTION UNDER SECTION 72 OF REPUBLIC ACT NO. 9136

WHEREAS, on June 26, 2001, the then Energy Regulatory Board (ERB) issued Resolution No. 2001-04 Implementing Section 72 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA);

WHEREAS, in the said resolution, the National Power Corporation (NPC) was directed to reduce its rates to electric distribution utilities sourcing their power supply from NPC by an amount which, when passed on to the residential customers of said distribution utilities, will be equivalent to THIRTY CENTAVOS (Php0.30) per kilowatthour starting its June 26 to July 25, 2001 billing cycle;

WHEREAS, on June 26, 2006, the Wholesale Electricity Spot Market (WESM) commenced commercial operation;

WHEREAS, on July 27, 2006, the Manila Electric Company (MERALCO), through a letter, inquired as to how said Resolution will be implemented to its customers considering that some of its power requirements are being sourced from NPC through the WESM;

WHEREAS, the Energy Regulatory Commission (ERC) has interpreted the term "NPC rates" as referred to in Section 72 of the EPIRA, from which the Mandated Rate Reduction (MRR) should be applied, to mean the regulatory approved NPC rates;

WHEREAS, there is a need to clarify ERB Resolution No. 2001-04 to address the issue on the effect of the commercial operation of the WESM on the MRR;

NOW, THEREFORE, the ERC hereby RESOLVES, to clarify the said Resolution as follows:

1. For power supply sourced from NPC through existing Transition Supply Contracts, the Mandated Rate Reduction as provided under ERB Resolution No. 2001-04 shall continue to apply; and
2. For power supply sourced from NPC through the WESM, the MRR will not apply since the WESM clearing price that is charged therefor is derived from the operation of the market and therefore, not considered as regulated.