

[**ERC RESOLUTION NO. 25, S. 2005, December 16, 2005**]

"DRAFT DETERMINATION" ON THE PRICE CONTROL ARRANGEMENTS FOR THE SECOND REGULATORY PERIOD

WHEREAS, Section 43 (f) of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), authorizes the Energy Regulatory Commission (ERC) to adopt alternative forms of internationally- accepted rate-setting methodology it may deem appropriate;

WHEREAS, on May 29, 2003, the ERC adopted a performance-based rate setting methodology for setting the transmission wheeling rates of the transmission service provider embodied in a document denominated as the "Transmission Wheeling Rates Guidelines" (TWRG);

WHEREAS, under Section 7.1.2 of the TWRG, the ERC must issue a Regulatory Reset Issues Paper embodying its initial views on the issues raised by the pending Regulatory Reset Process, specifying the information required to be delivered and indicating the procedure to be undertaken by the Regulated Entity for purposes of the Regulatory Reset Process;

WHEREAS, on September 17, 2004, the ERC issued its Issues Paper;

WHEREAS, in accordance with the TWRG and the Issues Paper, the National Transmission Corporation (TRANSCO) and Power Sector Assets and Liabilities Management (PSALM) Corporation filed an application on September 22, 2005 docketed as ERC Case No. 2005-041RC;

WHEREAS, in the said application, TRANSCO prayed for the approval of, among others, its proposed: a) Regulatory Asset Base (RAB); b) Capital Expenditure (CAPEX); c) Operating Expenditure (OPEX); and d) Weighted Average Cost of Capital (WACC).

WHEREAS, a determination by the ERC of the said proposals would lead to a revenue reset for TRANSCO and any future concessionaire thereof for the Second Regulatory Period (2006 to 2010);

WHEREAS, under Section 7.1.7 of the TWRG and the Issues Paper, the ERC must issue a Draft Determination on the price control arrangements that are to apply for the Second Regulatory Period;

WHEREAS, said Draft Determination shall embody the ERC's initial evaluation of TRANSCO's proposal in the abovementioned application;

WHEREAS, after due deliberation and consideration of TRANSCO's application, the ERC hereby RESOLVES to APPROVE and ADOPT, as it hereby APPROVES and ADOPTS the "*Draft Determination*" on the price control arrangements for the Second Regulatory Period hereto attached and made an integral part of this Resolution as *Annex "A"* .

This Resolution shall take effect immediately.

Adopted: 16 Dec. 2005.

(SGD.) RODOLFO B. ALBANO, JR.
Chairman

(SGD.) OLIVER B. BUTALID
Commissioner

(SGD.) JESUS N. ALCORDO
Commissioner

(SGD.) RAUF A. TAN
Commissioner

(SGD.) ALEJANDRO Z. BARIN
Commissioner

* Text Available at Office of the National Administrative Register, U.P. Law Complex, Diliman, Quezon City.

