

SIXTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES)  
First Regular Session )



Senate  
Office of the Secretary

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SENATE  
P. S. Res. No. 416

RECEIVED BY: *je*

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Introduced by Senator Joseph Victor G. Ejercito

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**RESOLUTION DIRECTING THE APPROPRIATE SENATE  
COMMITTEE, IN AID OF LEGISLATION, TO REVIEW THE EPIRA  
LAW, PROPOSE NECESSARY AMENDMENTS AND CONDUCT  
INVESTIGATION REGARDING THE ABRUPT INCREASE OF  
POWER GENERATION COSTS FOR THE PURPOSE OF PROTECTING  
THE INTEREST OF THE CONSUMERS AND THE GENERAL PUBLIC**

**WHEREAS**, Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act (EPIRA) was enacted in 2001 to restructure the electric power industry and ensure the delivery of quality, reliable, secure and affordable supply of energy for the public;<sup>1</sup>

**WHEREAS**, EPIRA aims to liberalize the power industry by setting deregulation measures and mandating the privatization of the state-owned utility National Power Corporation (NAPOCOR);

**WHEREAS**, the privatization of NAPOCOR has the effect of breaking up its vertically integrated structure into smaller generation, transmission and distribution structures;

**WHEREAS**, MERALCO, one of the distribution utilities of energy in the country recently announced that it has incurred a total generation cost of Php 22.64 billion due to the maintenance shutdown of Malampaya natural gas plant facility;

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<sup>1</sup> <http://www.transco.ph/announcements/RA9136.pdf>.

**WHEREAS**, under Sec. 25 of the EPIRA, "The retail rates charged by distribution utilities for the supply of electricity in their captive market shall be subject to regulation by the ERC based on the principle of full recovery of prudent and reasonable economic costs incurred, or such other principles that will promote efficiency as may be determined by the ERC;"

**WHEREAS**, the aforesaid provision allows MERALCO to pass on their generation costs to the consumers immediately one month after they were incurred;

**WHEREAS**, in a letter to the Energy Regulatory Commission ("ERC"), MERALCO proposed that in order to mitigate the effects of the abrupt increase in generation cost, it will allow a lower generation charge of Php7.90 per kilowatt hour instead of reflecting the actual generation charge of Php9.1070 per kilowatt hour in the December billing and from the amount of Php22.64 billion, Php 3 billion will be included in the computation of the generation charge for February 2014 billing. <sup>2</sup>

**WHEREAS**, the ERC authorized MERALCO to implement a staggered charging of costs beginning with a generation charge of P 7.67 per kilowatt hour in December 2013, followed by a Php 1.00 per kilowatt hour increase in February, and the remaining deferred cost in March 2014;

**WHEREAS**, the consumers will carry the weight of the impending power increase without being given the chance to challenge its propriety;

**WHEREAS**, the deregulation of the energy sector through EPIRA was seen as a way of reducing energy costs but the said goal was not achieved considering the exorbitant power and generation costs that are being shouldered by the consumers;

**WHEREAS**, it is incumbent upon the Senate, thru the proper Senate Committee to protect public interest and safeguard the rights of consumers

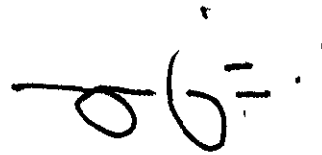
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<sup>2</sup> Letter from MERALCO to ERC dated December 5, 2013; Re: Mitigating the Impact on the December 2013 Generation Charge of the Increase in Generation Cost for November 2013.

from the exercise of corporate greed and abuse of law by distribution utilities , more so because the country is still recovering from a series of tragedies that plagued the country in the recent months.

**NOW THEREFORE, BE IT RESOLVED**, *as it is hereby resolved*, for the Senate to direct the appropriate Senate Committee, in aid of legislation, to review the EPIRA Law, propose necessary amendments and conduct investigation regarding the abrupt increase of power generation costs for the purpose of protecting the interests of the consumers and the general public.

*Adopted,*

A handwritten signature in black ink, appearing to read 'J. Ejercito', with a stylized flourish extending to the left.

**JOSEPH VICTOR G. EJERCITO**  
Senator