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THIRTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)

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SENATE
P.S. R. NO. **343**

Introduced by SENATOR EDGARDO J. ANGARA

RESOLUTION DIRECTING THE PROPER SENATE COMMITTEE/S TO
INQUIRE INTO THE DELAY IN THE PRIVATIZATION OF THE
NATIONAL POWER CORPORATION'S (NPC's) GENERATING ASSETS IN
LUZON AND VISAYAS AS MANDATED BY THE
ELECTRIC POWER INDUSTRY REFORM ACT

WHEREAS, Among fifteen (15) selected Asian countries, the Philippines ranked fourth (4th) in terms of average electricity rates amounting to P 7.03 / kwh, next only to Japan, Cambodia, and Hongkong;

WHEREAS, One possible solution to bring down the cost of electricity in the Philippines is the "open-access" scheme, which aims to ensure and promote competition in the energy market, as envisioned in Republic Act 9136 or the Electric Power Industry Reform Act (EPIRA) law;

WHEREAS, Pursuant to Section 31 of RA 9136 and Rule 12 of its Implementing Rules and Regulations, retail competition and open access on distribution wires shall be implemented not later than three (3) years upon its effectivity, subject to the following conditions, *to wit*:

- (a) Establishment of the wholesale electricity spot market;
- (b) Approval of unbundled transmission and distribution wheeling charges;
- (c) Initial implementation of the cross subsidy removal scheme;
- (d) *Privatization of at least seventy percent (70%) of the total capacity of generating assets of NPC in Luzon and Visayas; and*
- (e) Transfer of the management and control of at least seventy percent (70%) of the total energy output of power plants under contract with NPC to the IPP administrators. (*Italics supplied*);

WHEREAS, The implementation of the retail competition or open-access scheme, which is targeted to commence in Luzon by 1 July 2006, may not be realized as certain conditions abovementioned may not be complied with, foremost is the privatization of at least 70% of the total capacity of NPC's generating assets in Luzon and Visayas;

WHEREAS, The Power Sector Assets and Liabilities Management, Corporation (PSALM), created by virtue of RA 9136, is the government agency tasked to manage the orderly sale, disposition, and privatization of NPC generation assets, real estate and other disposable assets, and IPP contracts with the objective of liquidating all NPC financial obligations and stranded contract costs in an optimal manner.

In the implementation of the foregoing mandate, PSALM shall pursue the government's privatization program in the power sector in order to ensure a steady power supply for our people at competitive rates in the medium and long term and to help reduce the country's financial deficit;

WHEREAS, To date, PSALM has only been able to privatize six (6) generating plants with a total installed capacity of 608.5 MW amounting to US\$ 567 M, including the Masinloc sale with a bid price of US\$ 561.7 M, which all in all comprises roughly only eleven percent (11%) of NPC's total generation capacity;

WHEREAS, There is a need to focus on NPC privatization rather than fresh borrowings, as this will, in fact, help the government raise the funds needed to pay NPC's burgeoning debts, reduce government borrowings as well as the tax burden on Filipinos, and ultimately, bring down power cost by reducing the Total Delivery Cost by as much as 20 - 40%; and

WHEREAS, Given this backdrop and if only to ensure that the retail competition or open-access scheme will meet the 2006 target date, PSALM should be required to speed up its timeframe in the privatization of NPC's generation assets.

RESOLVED, AS IT IS HEREBY RESOLVED, That the proper senate committee/s be directed to look into the delay in the privatization of the National Power Corporation's generating assets in Luzon and Visayas as mandated by the Electric Power Industry Reform Act (EPIRA) law.

Adopted,


EDGARDO J. ANGARA
Senator