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

SENATE

P. S. Res. No. 9

Introduced by Senator Ralph G. Recto

A RESOLUTION
DIRECTING THE SENATE COMMITTEE ON ENERGY TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE SERIES OF INCREASES IN ELECTRICITY RATES REPORTEDLY DUE TO THE STRANDED DEBTS OF THE NATIONAL POWER CORPORATION (NPC) THAT ARE BEING PASSED ON TO POWER END-USERS, WITH THE END IN VIEW OF ENSURING A RELIABLE AND SECURE SUPPLY OF ELECTRIC POWER AT REASONABLE AND AFFORDABLE RATES

WHEREAS, the restructuring and privatization of the power industry in the Philippines are being undertaken under the Power Sector Restructuring Program of the Asian Development Bank and are embodied in the Electric Power Industry Reform Act (EPIRA) that was enacted in 2001;

WHEREAS, the EPIRA primarily aims to make the entire energy sector more efficient by providing reliable, secure and affordable supply of electric power while privatizing assets of the National Power Corporation (NPC) and correspondingly using the proceeds thereof to pay for its existing financial or loan obligations at the time of the passage of the law;

WHEREAS, as of December 2011, the government was able to privatize 79.56% of generating plants or 4,102.33 megawatts (MW) in capacity, 3,370 MW of which is the total rated capacity of NPC generating assets in the Luzon and Visayas grids; [1]

WHEREAS, proceeds from the privatization of these power assets which includes appointment of Independent Power Producer Administrators have reached US$ 10.21 billion; [2]

WHEREAS, the outstanding financial obligations of the NPC composed of debts and Independent Power Producer lease obligations from 2001 to December 2011 stands at US$ P15.85 billion or P696.5 billion; [3]

WHEREAS, despite the thirteen-year implementation of the EPIRA, the power rates in the country remains to be one of the highest in Asia, with an average effective electricity rate estimated at PhP9.6854/kWh as of March 2012, with the Luzon region getting the highest rates at PhP10.3545/kWh and Mindanao, the lowest, at PhP7.2475/kWh; [4]

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[1] PSALM. Liability Management, Privatization Proceeds and Utilization. http://www.psalm.gov.ph/liability.asp#pdp (Accessed on 10 April 2013)

[2] Department of Energy. 20th Status Report on EPIRA Implementation (Period Covering November 2011 to April 2012): Privatization Proceeds.

[3] NPC/PSALM Finances 2001-2036, Outstanding Financial Obligations 2001-2011, 08 November 2012

[4] Department of Energy. 20th Status Report on EPIRA Implementation (Period Covering November 2011 to April 2012): Electricity Rates.

WHEREAS, the series of increases in power rates had been attributed to the charges for the stranded recovery costs of NPC and Meralco, missionary electrification, watershed rehabilitation, as well as cost of royalty on energy from indigenous or renewable sources being passed on to consumers;

WHEREAS, Section 32 of EPIRA clearly defines stranded debts as referring to "unpaid financial obligations of NPC";

WHEREAS, the Power Sector Assets and Liabilities Management Corporation (PSALM), which is mandated by the law to sell assets of NPC, reportedly appears to have only paid down part of the NPC debts while incurring a new batch of indebtedness through loans to refinance other loans and bankroll operating expenses;

WHEREAS, in 2009, PSALM allegedly filed before the Energy Regulatory Commission (ERC) its bid to pass on to electricity consumers the P80.9 million "performance incentive" bonus it gave to its employees;

WHEREAS, furthermore, the "performance incentive" is allegedly on top of the P80.5 million salaries for its 165 personnel, P18.4 million covering night shift differential for its trading team then at the Wholesale Electricity Spot Market (WESM) and P118 million for professional services that were paid to its consultants on privatization, comprising the P470.865 billion inserted in the company's filing for stranded debts recovery; [5]

WHEREAS, however, the EPIRA does not mention any provision prescribing that stranded debts will include employee compensations or bonuses;

WHEREAS, the component in the NPC stranded debts, along with the power firm's stranded contract costs, shall be passed on to electricity end-users as universal charge (UC), thus inflating bills by P0.313 per kilowatt hour (kWh) until PSALM's end of corporate life in 2025; [6]

NOW THEREFORE, BE IT RESOLVED, by the Philippine Senate, to direct the Committee on Energy to conduct an inquiry, in aid of legislation, on the series of increases in electricity rates reportedly due to NPC's stranded debts being passed on to power end-users, with the end in view of ensuring a reliable and secure supply of electric power at reasonable and affordable rates.

Adopted,

RALPH G. RECTO

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[5] Energy Regulatory Commission. Transcript of ERC Case No. 2009-047RC (PSALM Petition for Recovery of NPCs Stranded Debts Portion of the Universal Charge for the Luzon, Visayas and Mindanao Grids pp. 53-70), 10 November 2009.
[6] Department of Energy. 20th Status Report on EPIRA Implementation (Period Covering November 2011 to April 2012): *UC for Stranded Contract Costs and Stranded Debts*.