

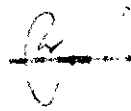
FIFTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

SENATE
OFFICE OF THE SECRETARY

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SENATE

P. S. Res. No. 57

RECEIVED BY 

Introduced by Sen. Ralph G. Recto

A RESOLUTION

DIRECTING THE 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 (NAPOCOR) THAT ARE BEING PASSED ON TO POWER END-USERS, WITH THE END 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 (NAPOCOR) 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 May 2010, the government was able to privatize twenty five (25) operating/generating power facilities or 91.8 percent of the total 3,778.23 MW total rated capacity of NPC generating assets in the Luzon and Visayas grids;

WHEREAS, proceeds earned by the government from the privatization, excluding that of the sub-transmission assets (STAs), has already amounted to US\$ 10.6 billion or roughly 470 billion pesos;

WHEREAS, despite the nine-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 PhP7.2491/kWh as of December 2009, with the Visayas regions getting the highest rates at PhP7.4313 and Mindanao, the lowest, at PhP5.8445/kWh;

WHEREAS, the series of increases in power rates had been attributed to the charges for the stranded recovery costs of NAPOCOR 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 National Power Corporation (NAPOCOR)";

WHEREAS, however, a cursory reading of the law yields no mention of any provision prescribing that stranded debts will include employee compensations or bonuses;

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

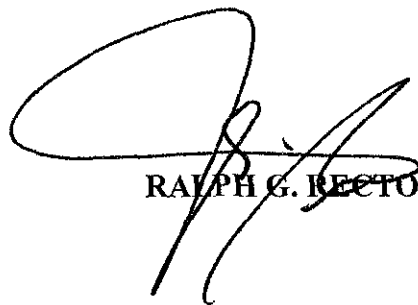
WHEREAS, PSALM filed before the Energy Regulatory Commission (ERC) its bid to pass on to electricity consumers the P80.9 million “performance incentive” bonus it gave to its employees;

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;

WHEREAS, the component in the NAPOCOR 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 P0.3049 per kilowatt hour (kWh) in the next 17 years or until PSALM’s end of corporate life in 2025;

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 NAPOCOR’s stranded debts being passed on to power end-users, with the end view of ensuring a reliable and secure supply of electric power at reasonable and affordable rates.

Adopted,



RALPH G. RECTO