

A RESOLUTION EMBODYING THE ENERGY REGULATORY COMMISSION'S POLICY FOR REPLACING EXISTING SYSTEM LOSS CAPS OF DISTRIBUTION UTILITIES

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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 replace the system loss caps prescribed in Section 10 of Republic Act No. 7832;

WHEREAS, Article 3.4 of the Philippine Distribution Code (PDC) provides that the ERC, after due notice and hearing, shall prescribe the caps for the system losses that a Distribution Utility (DU) can pass on its customers;

WHEREAS, on September 29, 2004, the ERC promulgated the Guidelines for the Application and Approval of Caps on the Recoverable Rate of Distribution System Losses (Guidelines);

WHEREAS, Section 1 of Article IV of the abovementioned Guidelines requires all DUs to file with the ERC an application for the approval of caps on the recoverable rate of distribution system losses;

WHEREAS, in compliance with the said directive, most DUs, on various dates, filed their respective applications for the approval of system loss caps;

WHEREAS, a preliminary evaluation of these applications disclosed that the data contained therein are insufficient to enable the ERC to make a reasonable determination of the new system loss caps for these DUs;

WHEREAS, the ERC is set to promulgate a new rate-making methodology for the Electric Cooperatives (ECs) within the year, while private DUs, on the other hand, are transitioning to the Performance-Based Regulation (PBR) methodology;

WHEREAS, the ERC's new policies on the treatment of system losses and the setting of new system loss caps can be incorporated in the said new rate-making methodology for ECs and the PBR methodology for private DUs;

WHEREAS, be it RESOLVED, as the Commission hereby RESOLVES, to adopt the following policy declarations:

1. The DUs' applications for approval of system loss caps already filed with the ERC shall be dismissed. The DUs who have not filed their applications within the deadline set by the ERC shall not be required anymore to do so or sanctioned for their failure to file;
2. All ECs are required to file their respective applications as required under the Guidelines using updated data after three (3) years from effectivity of this Resolution and within the new deadline to be set by the ERC;
3. The ECs are directed to utilize the three (3) year deferment period to build up the pertinent data bases in preparation for the filing of their applications as referred to above;
4. The ERC's new policies on the treatment of systems loss and the setting of new caps for private DUs shall be incorporated in the ERC's evaluation of their respective applications as entrants to the PBR; and

5. In the meantime, the ERC shall consider incorporating its policies on the treatment of system loss and the setting of new system loss caps for the ECs in the new rate-making methodology to be adopted for them.

Let a copy of this Resolution be furnished all parties concerned.

This Resolution shall take effect immediately.

Adopted: 7 June 2007

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

(SGD.) RAUF A. TAN
Commissioner

(SGD.) ALEJANDRO Z. BARIN
Commissioner

(SGD.) MARIA TERESA R. CASTANEDA
Commissioner

(SGD.) JOSE C .REYES
Commissioner

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