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Performance-Based Regulation (PBR) - a Challenge and an Opportunity to Strengthen Electric Cooperatives' Chances in Competing Under the Deregulated Power Industry

Hyatt Regency, Manila – Department of Energy (DOE) Secretary and concurrent National Electrification Administration (NEA) Chairman Raphael P.M. Lotilla and Energy Regulatory Commissioner Rauf A. Tan, leads today the opening ceremonies of the National Dissemination Workshop on Performance-Based Regulation for Electric Cooperatives in the Philippines as part of the activities for the 2006 National Energy Week.

The European Commission-ASEAN Energy Facility (EAEF) through the ASEAN Centre for Energy (ACE) funded the project proposal submitted by the University of the Philippines-National Engineering Center (UPNEC) and the NEA for the "Strengthening of Institutional Capacity in the Philippines to Prepare the Electric Cooperatives for the adaptation of Performance-Based Regulation". The grant contract took effect on February 24, 2006. This is in anticipation of the implementation of Performance-Based Regulation (PBR) by the Energy Regulatory Commission (ERC) for distribution utilities, in line with the on-going restructuring of the Philippine Electric Power Industry.

"Electric cooperatives (ECs) operate on a non-profit basis that some of the characteristics of the ECs' operation may come in conflict with the adaptation of the PBR. The responsibility of equipping the 119 ECs with the technical know-how for PBR falls on NEA's shoulders. Hence, this grant from the European Commission through the ASEAN Centre for Energy is very timely. NEA is very thankful to UPNEC for all its efforts in behalf of the country's 119 ECs," said Administrator Edita S. Bueno.

The UPNEC and the NEA have been collaborative to implement and sustain activities in support of the existing and planned modernized structure of the Philippine electric power industry. Among this partnership's varied activities were the trainings and seminars conducted for the NEA and ECs.

Two international consulting firms, the Mercados Energeticos S.A will provide the expertise and experience in the design of regulatory frameworks, and adoption of commercial strategies and decision making procedures; and, the Trama TecnoAmbiental S.L. for the development of a long-term sustainable rural electrification program, particularly on regulations of local energy service providers and assistance in program implementation.

In this undertaking, NEA will provide technical experts, for the collection of information necessary to assess NEA and EC policies, and to facilitate coordination with the ECs at various stages of the project. Eight pilot ECs will be part of the Project Team, namely: Benguet Electric Cooperative, Inc. (BENECO), Ilocos Norte Electric Cooperative, Inc. (INEC), Negros Occidental Electric Cooperative, Inc. (NOCECO), Bohol I Electric Cooperative, Inc. (BOHECO I), Aklan Electric Cooperative, Inc. (AKELCO), Davao del Sur Electric Cooperative, Inc. (DASURECO), South Cotabato I Electric Cooperative, Inc. (SOCOTECO I), and South Cotabato II Electric Cooperative, Inc. (SOCOTECO II). These ECs were selected based on the relative speed with which the ECs could respond in the data requirements of the project, among others. The ECs participation is crucial; the PBR methodology will result in rate petitions with the ERC.

The results of the Project Team's studies on the adaptation of incentive regulation for ECs were presented today during the Technical Workshop here at Hyatt hotel. The Project Output was handed over by the Project Implementors, the NEA and the UPNEC represented by Administrator Bueno and Dean Rowena Cristina L. Guevarra, respectively, to the ERC, represented by its Chairman Rodolfo B. Albano, Jr.

"The Performance-Based Regulation is both a challenge and an opportunity for the Electric Cooperatives. It is a challenge considering that the ECs will need to make their operation above par, and this will be good news for the member-consumers. At the same time it is an opportunity because if they perform excellently well they will surely benefit from this PBR. With excellent performance come reasonable incentives which will be good both for the cooperative and the member-consumers. And, of course, the ECs will be qualified and ready to face competition in the electricity industry once their operations are consistently remarkable," added Ms. Bueno.

NEA is mandated to enhance the competence of electric distribution utilities to respond to the demands of a deregulated environment. To this end, NEA closely monitors the performance of the 119 ECs and provides them financial, institutional, and technical (FIT) support. ###