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HON. ZENAIDA G. CRUZ-DUCUT
Chairperson, Energy Regulatory Commission
Pacific Center Building, San Miguel Avenue
Ortigas Center, Pasig City

Dear Chairperson Ducut,

Greetings!

This is a follow up to our letters dated 30 March and 16 April 2010 both of which requested for the recall of the generation charge increases of P0.9114/kWh for the month of March and P0.93/kWh for the month of April 2010 hoping that the Commission will give the much needed relief to the millions of MERALCO consumers.

While we understand that adjustment in the basic generation charge is automatic under the Generation Rate Adjustment Mechanism (GRAM) promulgated by ERC for distribution utilities with power purchase agreements (PPA) with certain independent power producers like MERALCO, the hapless MERALCO consumers can not help but feel being “terrorized” by the recent generation charge increases.

Such being the case, we prepared an analysis of MERALCO’s generation rates as found in their own website hoping that this would help move ERC to respond favorably to our request. Below is a table that will show how MERALCO comes up with the unreasonable pricing of its generation charge.

APRIL 2010¹

Source	(A) Energy Share	(B) Dispatch	(C) Price/kWh	(D) (AxC)
1. NPC	34.14%		P 5.5493	P1.8945
2. WESM	17.52%		11.3607	1.9904
3. QPPL	13.59%	96.05%	4.4372	0.6030
4. Sta. Rita	19.45%	61.70%	6.7598	1.3148
5. San Lorenzo	15.27%	96.04%	5.8850	0.8986
6. Philpodeco	0.01%		3.9688	0.0004
7. MMPC	0.01%		6.4692	0.0006
		Subtotal		P6.7030*/kWh
		Other Generation Adj		0.0669
		April 2010 Gen Charge		P6.7699/kWh

*rounded off

MARCH 2010²

Source	(A) Energy Share	(B) Dispatch	(C) Price/kWh	(D) (AxC)
1. NPC	38.46%		P5.4664	P2.1024
2. WESM	17.08%		9.3824	1.6025
3. QPPL	8.48%	57.31%	5.4799	0.4647
4. Sta. Rita	19.97%	60.57%	4.9019	0.9789
5. San Lorenzo	15.99%	96.15%	4.3931	0.7025
6. Philpodeco	0.01%		4.6651	0.0005
7. MMPC	0.001%		6.4655	0.0000
		Subtotal		P5.8520/kWh
		Other Generation Adj		(0.0103)
		March 2010 Gen Charge		P5.8417/kWh

*rounded off

FEBRUARY 2010³

Source	(A) Energy Share	(B) Dispatch	(C) Price/kWh	(D) (AxC)
1. NPC	30.01%		P4.6615	P1.3989
2. WESM	14.26%		6.0769	0.8666
3. QPPL	9.62%	59.04%	6.0865	0.5855
4. Sta. Rita	30.48%	83.96%	4.5310	1.3810
5. San Lorenzo	15.61%	85.30%	4.5426	0.7091
6. Philpodeco	0.02%		4.5191	0.0009
7. MMPC	0.00%		6.4764	0.0000
		Subtotal		P4.9421*/kWh
		Other Generation Adj		(0.0118)

¹ <http://www.meralco.com.ph/Corporate/rates/gentrans.htm>

² http://www.meralco.com.ph/Corporate/rates/gentrans_March2010.htm#gentable

³ http://www.meralco.com.ph/Corporate/rates/gentrans_February2010.htm#gentable

March 2010 Gen Charge P4.9303/kWh

*rounded off

JANUARY 2010⁴

Source	(A) Energy Share	(B) Dispatch	(C) Price/kWh	(D) (AxC)
1. NPC	29.24%		P 4.3764	P 1.2796
2. WESM	14.42%		3.7402	0.5393
3. QPPL	9.89%	62.94%	5.6695	0.5607
4. Sta. Rita	32.83%	95.10%	3.2489	1.0666
5. San Lorenzo	13.61%	77.12%	3.5516	0.4833
6. Philpodeco	0.02%		4.4057	0.0008
7. MMPC	0.00%		6.1959	0.0000
		Subtotal		p3.9301*/kWh
		Other Generation Adj		0.0165
		<u>March 2010 Gen Charge</u>		<u>P3.9175/kWh</u>

*rounded off

Based on Section 23 of the Electric Power Industry Reform Act (EPIRA) which mandates a distribution utility to supply electricity in the least cost manner to its captive market, we prepared a table that will show the least cost supply of electricity that MERALCO should be charging its captive customers by using the month where MERALCO was able to source from its supplier the least cost of electricity and also used its manner of computing for its generation charge.

Source	(A) Energy Share	(B) Dispatch	(C) Price/kWh	(D) (AxC)
1. NPC	29.24%	(Jan)	P4.3764	P 1.2796/kWh
2. WESM	14.42%		3.7402	0.5393
3. QPPL	9.89%	96.05% (Apr)	4.4372	0.4388
4. Sta. Rita	32.83%	95.10% (Jan)	3.2489	1.0666
5. San Lorenzo	13.61%	77.12%	3.5516	0.4833
		Least Cost of Electricity		P 3.3243/kWh

Moreover, we are also requesting the Commission to look into the dispatch level of the IPPs of MERALCO especially those that are below the 83% minimum economic quantity (MEQ) which is the basis of the “take or pay” agreement. We are simply appalled at the gross inconsistency in the pricing of their IPP rates. For example, in January 2010, the generation charges of their Sta. Rita and San Lorenzo plants at a dispatch level of 95.10% and 77.12% were only P3.2489kWh and P 3.5516/kWh, respectively.

⁴ http://www.meralco.com.ph/Corporate/rates/gentrans_January2010.htm#gentable

But in March 2010, the generation charge of San Lorenzo at a dispatch level of 96.15%, higher than the January level by 0.19%, was P4.3931/kWh or higher by P0.8415/kWh, when this should even be lower because of the higher dispatch level.

Since MERALCO makes monthly submission of these data and its generation rate adjustment to ERC, does ERC have an explanation for this and the other inconsistencies in the pricing of MERALCO generation charges?

The consumers can only be comforted with a plausible explanation from ERC based on its supposed regular review of MERALCO's monthly submission of its adjustment in its generation charge that should justify the same.

In this regard, we would like to reiterate our request for the Commission to immediately recall the generation charge increase in the months of March and April 2010 pending the conclusion of its investigation and peg the generation charge at P3.3243/kWh based on the least cost supply of electricity provision of the law.

Further, may we be furnished MERALCO's submission of its monthly adjustment in its generation charge from July 2007 to March 2010?

In the public interests, we hope the Commission will favorably respond to our request in order to arrest the consumers' growing distrust in ERC.

Thank you and God bless.

Very truly yours,

PETE L. ILAGAN
President