



National Association of Electricity Consumers for Reforms
No. 10, Bayside Court Compound, 680 Quirino Avenue Tambo
Parañaque City 1700 Philippines
Phone No.: +63.2.8530731
TeleFax No.: +63.2.8530732
<http://www.nasecore.org>
eMail: nasecore2003@yahoo.com

29 March 2010

HER EXCELLENCY GLORIA MACAPAGAL-ARROYO
President, Republic of the Philippines
Malacanang Palace
Arroceros, San Miguel
Manila

Attention: **HON. LEANDRO R. MENDOZA**
Executive Secretary

Dear Madam President,

Greetings!

We respectfully bring to your attention the plight of the Mindanao electricity consumers who are now hapless victims of regular power outages due to the patent and combined negligence of the government, specifically the Department of Energy in enforcing its powers under Section 37 of the Electric Power Industry Reform Act (EPIRA), and of the distribution utilities (i.e., private and electric cooperatives) for their non-compliance with DOE Circular No. 2001-12-011 issued on 05 December 2003 (the "DOE Circular"), mandating the distribution utilities to *"assume full responsibility to **forecast, assure and contract** for the supply of electric power in their respective franchise areas to meet their obligations as a distribution utility"* [emphasis supplied].

Nevertheless, we are happy that the government appears to be working out solutions to the so-called power crisis in Mindanao by providing a calamity fund purportedly for the importation of diesel plants to solve the power shortage. However, the importation reportedly will result in the increase of the price of electricity from its current rate of a little over ₱3/kWh to about ₱10/kWh. This will certainly be an added burden to the consumers of Mindanao, who are already suffering from our ailing economy.

On 21 January 2009, NASECORE wrote former DOE Secretary Angelo T. Reyes, inquiring about the compliance status of all the distribution utilities in the country, regarding their obligation of contracting for the supply of electric power. In response, DOE provided us a list of *Transition Supply Contracts* (TSC) between distribution utilities and NPC, and *Power Supply Agreements* (PSA) between electric cooperatives (ECs) and NPC privatized plants with pending application for approval by the Energy Regulatory Commission (ERC). (letters attached)

The list clearly shows that *none* of the 140 distribution utilities contracted for sufficient supply of electricity to meet the demand of their respective captive markets in compliance with the DOE Circular. Lamentably, despite our letter, DOE has *not done* anything to avert its own power crisis forecast, which was made as early as 2004.

Amidst the looming power crisis, DOE offers nothing but a theory on the cause of the power outages that continue to plague the different regions of the country, especially Mindanao. DOE seems to have forgotten its express powers under Section 4 of the DOE Circular in relation to Sections 45 (p) and 46 of the EPIRA, like the immediate recommendation of the non-complying distribution utility to the Energy Regulatory Commission (the "ERC") for appropriate sanction, fines and/or penalties, including the modification and revocation of its certificate of public convenience and/or necessity, license, or permit.

We believe that had the law been enforced, the distribution utilities would have responded by contracting power supply agreements (PSA) with investors in the generation sector. There would have been no power outages, which only confirm DOE's failure to ensure compliance from distribution utilities.

In this regard, may we respectfully request Her Excellency to compel the Secretary of Energy to exercise and enforce its powers under Section 4 of the said DOE Circular and Section 37 (pars. d, l, p and q) of the EPIRA mandating the DOE to "ensure the reliability, quality and security of supply of electric power," "formulate and implement programs, including a system of providing incentives and penalties, for the judicious and efficient use of energy in all energy-consuming sectors of the economy," "formulate such rules and regulations as may be necessary to implement the objectives of [the EPIRA]," and "exercise such other powers as may be necessary or incidental to attain the objectives of [the EPIRA]?"

We fervently hope Her Excellency will heed our humble request. May the Lord Almighty grant Her Excellency the wisdom and strength as she personally attends to this power crisis.

Respectfully yours,

PETE L. ILAGAN
President

Copy furnished:

Hon. Juan Ponce Enrile, Senate President
Hon. Prospero Nograles, Speaker of the House of Representatives
Hon. Zenaida C. Ducut, ERC Chairperson
Hon. Gregorio B. Honasan, Chair, Senate Committee on Energy
Hon. Mikey M. Arroyo, Chair House Committee on Energy
Mr. Bert Hofman, Country Director-World Bank
Mr. Neeraj Jain, Country Director- Asian Development Bank
Ms. Elzadia Washington, Mission Director-USAID
Mr. Francis C. Chua, Philippine Chamber of Commerce
Mr. Austen Chamberlain, American Chamber of Commerce
Mr. Hubert D' Aboville, European Chamber of Commerce