



National Association of Electricity Consumers for Reforms
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MR. JOSE C. IBAZETA
President & CEO, PSALM
7th Floor Bankmer Building
Ayala Avenue, Makati City

Dear President Ibazeta,

Greetings!

This still on the power outage which hit part of Metro Manila and nearby provinces last Monday, January 25, 2010, reportedly due to the breakdown of one of the two (2) units of the 1,000 MW SUAL plants. Also, as reported these plants were awarded by PSALM to San Miguel Corporation as the Independent Power Producer Administrator in accordance with Section 31 (e) of the Electric Power Industry Reform Act (EPIRA).

Further, it was reported that SUAL II has been offline since January 8, 2010 because of coal supply problem, thus resulting to the deprivation of the Luzon grid of the combined 1,000 megawatt (MW) capacities of the two (2) SUAL plants. This shows that it was not only the breakdown of SUAL I plant but also because SUAL II plant did not have coal to make it run and produce electricity that have caused the power outage on January 25, 2010.

San Miguel Corporation as an IPP Administrator, we believe, is under the obligation to maintain the plant in good condition and to ensure adequate supply of the needed fuel in order to put the operation of the generation plant online so as to keep the supply of electricity in the Luzon grid reliable and secured.

The unfortunate incident on January 25, 2010 puts now to question both the transfer and control by PSALM of the IPP contract to San Miguel Corporation and its capability as the Administrator of the two (2) SUAL plants for its failure to maintain SUAL I plant in good condition and its glaring negligence in ensuring adequate level of coal supply inventory to make SUAL II plant online. Undoubtedly, these were the reasons for the power outage last Monday.

In this regard, may we respectfully request PSALM to review its IPP Administration Agreement with San Miguel Corporation and if the findings so warrants, to immediately cancel the IPPA agreement and take over the operations of SUAL plants until such time that a new IPP Administrator qualifies.

Further, PSALM must impose the corresponding penalties for such power outage in order to protect the end-users from the damage done upon them. The power outage necessarily puts online the stand by power plants which are more expensive to operate and therefore, will result to higher rates that the consumers will have to pay for.

This request is anchored on our desire to see the reliability, quality and security of supply of electric power in the ongoing restructuring of the power industry and for consumer protection.

We also reiterate our request for copy of PSALM's IPP Administrator Agreement with San Miguel Corporation so that we, the consumers, may know how consumers are protected from incidents like that of January 25, 2010.

We will highly appreciate PSALM's favorable response to our requests.

Thank you so much and God bless.

Very truly yours,

PETE L. ILAGAN
President

Cc: Her Excellency, Gloria Macapagal-Arroyo, *President of the Philippines*
Hon. Eduardo Ermita, *Executive Secretary to the President*
Hon. Angelo T. Reyes, *DOE Secretary*
Hon. Gregorio B. Honasan II, *Chair, Committee on Energy, Philippine Senate*
Hon. Mikey M. Arroyo, *Chair, Committee on Energy, House of Representatives*
Hon. Zenaida C. Ducut, *ERC Chairperson*