



# Committee Daily Bulletin

18<sup>th</sup> Congress  
Third Regular Session

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## COMMITTEE MEETING ON HOUSE MEASURES

| COMMITTEE | MEASURES |                  | SUBJECT MATTER   | ACTION TAKEN/DISCUSSION  |
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|           | NO.      | PRINCIPAL AUTHOR |  |  |
| Energy    | HR 2206  | Rep. Benitez     | Inquiry into the increase in electricity rates of electric cooperatives in Negros and Iloilo | <p>The Committee, chaired by Rep. Juan Miguel Macapagal Arroyo (2<sup>nd</sup> District, Pampanga), suspended its deliberation on House Resolution 2206.</p> <p>The Committee Vice Chair, Catanduanes Rep. Hector Sanchez, who co-presided over the meeting as requested by the Chair, said that in the Committee's previous hearing, the following information were established: 1) The increase in electricity rates in the Western Visayas Region was due to lack of power supply as a result of the damaged Amlan-Samboan submarine transmission cables (connecting Cebu to Negros Occidental and Panay Island) owned by the National Grid Corporation of the Philippines (NGCP); 2) The NGCP is already assessing the extent of the damage to its cables; 3) The electric cooperatives in Negros had to source their power supply from other providers that charge higher rates; and 4) There is a need to assess and review the rules and regulations on entering into and executing power supply agreements (PSA).</p> <p>Minority Leader Joseph Stephen "Caraps" Paduano (Party-List, ABANG LINGKOD) maintained that based on the letter of the Department of Energy (DOE) and Energy Regulatory Commission (ERC) addressed to Central Negros Electric Cooperative (CENECO), the electric cooperative violated existing laws and regulations when it decided to extend its two expired PSAs with generation companies (gencos) without complying with the competitive selection process (CSP). The Minority Leader said such decision made by CENECO was disadvantageous to its member-consumers as it might have contributed to the increase in the electricity price in the area.</p> <p>As stated in HR 2206, a consumer group reported to DOE and filed cases with the National Electrification Administration (NEA) against CENECO for its alleged overpriced power agreement with certain gencos and for allegedly passing on the added cost to its consumers.</p> <p>Under DOE's Circular 2018-02-0003, generation companies whose contracts have expired must apply for a new PSA and comply with the Department's CSP guidelines.</p> <p>CENECO Board of Director Ernie Larida explained that the Board's decision to extend the PSAs was necessary to avoid sourcing power from other gencos which sell at higher rates and this decision was made in the meantime that the CSP is still ongoing. He mentioned that the power supply extension is favorable for the consumers because the CENECO</p> |

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| Continuation...<br>Energy |  |  |  | <p>was able to purchase electricity at a lower price compared to the price in the Wholesale Electricity Spot Market (WESM). The WESM is a centralized venue for buyers and sellers to trade electricity as a commodity where prices are determined based on actual use (demand) and availability (supply). (Source: Philippine Electricity Market Corporation website)</p> <p>ERC Chairperson Agnes Devanadera said that despite the noble intention of CENECO, it is still required to comply with the CSP, where all other generation companies can compete, to truly determine which genco offers the best price.</p> <p>Committee Chair Rep. Arroyo and Minority Leader Paduano inquired about the actions the ERC has taken so far against CENECO.</p> <p>Devanadera answered that the ERC is currently investigating CENECO's extension of expired PSAs. She added that the ERC may impose penalties on distribution utilities (DUs), such as CENECO, that implement an ineligible contract. However, it is the NEA which has the power to impose sanctions against any erring member of the CENECO Board, Devanadera further said.</p> <p>Replying to the query of Rep. Francisco "Kiko" Benitez (3rd District, Negros Occidental), author of HR 2206, Devanadera said that starting November 2021, affected consumers in the Region are expected to get a refund of the congestion charges and other applicable charges that were already collected from the consumers for the billing months of June to August while the NGCP transmission line was out of commission.</p> <p>Likewise, Iloilo City Rep. Julienne "Jam" Baronda asked if the computation of an alternative pricing for electricity is already available while waiting for the repair of the submarine transmission cable.</p> <p>Devanadera stated that the ERC has already determined that the pricing reference will be based on the 2018 or January to April 2021 modified administrative prices.</p> <p>Meanwhile, Rep. Rosanna "Ria" Vergara (3rd District, Nueva Ecija) asked what sanctions can be imposed against the Department of Public Works and Highways (DPWH) and its contractor for the damage they caused to the NGCP's submarine transmission cable. She stressed that they must be held liable for the damage pointing out that it has caused undue burden on the part of the consumers as they had to pay higher electricity rates.</p> <p>DOE Electric Power Industry Management Bureau Director Mario Marasigan explained that it is not within the jurisdiction of DOE to impose sanctions against other government agencies. The DOE, he said, can only call on the DPWH to determine the liability of the contractor and to oblige the latter to pay for the damage it caused.</p> <p>According to NGCP President Anthony Almeda, the damage to Amlan-Samboan submarine transmission</p> |
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| Continuation...<br>Energy |  |  |  | <p>cables was caused by the dredging activity of DPWH. In addition, NGCP Engineering Project Management Head Randy Galang said that the NGCP is currently repairing the damage and expects that the repair will be completed by December 2022. However, in a worst case scenario, the estimated completion of the repair is by November 2023.</p> <p>Rep. Sergio Dagooc (Party-List, APEC) asked the NGCP not to pass on the cost of repairing the damaged submarine cables to the consumers stressing that the damage is not their fault.</p> <p>Almeda said the NGCP will take into consideration the request of Rep. Dagooc when it decides on the matter. Almeda added that the NGCP will seek the advice of ERC and the Committee on what action will be best for the consumers.</p> <p>San Carlos, Negros Occidental Bishop Gerrado Alminaza commented that the major problems that contribute to the increasing electricity rate are the country's dependence on fossil fuel, ineffective power procurement rules, and lack of an ambitious energy transition plan. He advocated a swift transition to renewable energy based on a comprehensive energy transition plan.</p> <p>Utilities Consumers Association for Reform President Teddy Macainan likewise criticized CENECO's extension of the expired contracts, adding that the electric cooperative's non-compliance with the CSP might result in the imposition of additional charges to its consumers.</p> <p>Also during the meeting, Rep. Vergara asked if the ERC has the authority to suspend the excise tax collection on fuel. She surmised that such suspension might help lower the prices of electricity from diesel-operated power plants in Western Visayas.</p> <p>Devanadera said that the ERC has no legal authority to suspend the collection of any tax.</p> <p>Relative to this, Deputy Speaker Rufus Rodriguez (2<sup>nd</sup> District, Cagayan de Oro City) informed the Committee that he filed a bill, which seeks to suspend the increase in the collection of excise taxes on fuel products under Section 43 of Republic Act 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN) Act. The suspension is proposed to be implemented for four years from January 1, 2022 to December 31, 2025. This means that from 2022 to 2025, the collection of excise taxes on fuel products will be based on the National Internal Revenue Code before it was amended by the TRAIN Law.</p> <p>The Deputy Speaker said that his bill aims to ease the burden on consumers who are the ones greatly affected by the increasing fuel prices especially during this time of pandemic.</p> |
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