

**Republic of the Philippines
Energy Regulatory Commission
Ortigas Avenue, Pasig City**

IN THE MATTER OF THE PROPOSAL
TO AMEND CERTAIN PROVISIONS
OF THE FRAMEWORK FOR DEMAND- ERB CASE NO. 2001-55
SIDE MANAGEMENT (DSM) IN THE
PHILIPPINES

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Stipulation and Agreement

I. Introduction

As a result of discussions among parties to the above-captioned proceeding, the signatories hereby stipulate and agree on the issues involved therein.

II. Background

Pursuant to a USAID initiative, the ERB engaged in a collaborative process in the mid-1990s on the subject of Demand-Side Management (DSM). The ERB adopted a “DSM Framework” that outlines the filing requirements for the utilities. This Framework’s general structure is sound and very flexible. It requires the filing of a DSM plan by each utility once every two years. It also allows utilities to apply for cost recovery including lost revenues and incentives. The first filings were due in 1998; however, of the 141 utilities required to file, only 38 or so have filed.

A Pre-Hearing Conference took place on June 18, 2001 with various representatives from the Energy Regulatory Board (ERB), the Efficient Lighting Initiative (ELI), Regulatory Assistance Project (RAP), Private Electric Utilities, Rural Electric Cooperatives, Government Agencies, and other Non-Governmental Organizations (NGO) were in attendance.

During the conference, ERB Board Member Oscar E. Ala stated that there is an intention to conduct a collaborative process in regard to the proposed amendments to the 1996 DSM Regulatory Framework. However, comments are needed as issues stated therein will be taken up in the collaborative process.

ERB Board Member Ala mentioned that if issues have been determined already on the basis of the comments, the body would convene for the collaborative process. Discussion of the issues raised in the comments or position papers will follow and based on the results of the discussions, the body will reach for a consensus and come up with the amended DSM Framework.

During the conference, Mr. David Moskovitz of the Regulatory Assistance Project, the consultant that prepared the proposed amendments for the 1996 DSM Framework, presented their recommendations. The specific amendments are found in the following sections:

- Section 1(2) – Definitions
- Section 3(g) – DSM Policies and Principles
- Section 5(b) – DSM Plan Review and Approval Process
- Section 6 – DSM Plan Guidelines
- Section 7 – Cost Recovery and Financial Incentives
- Section 8 – Pilot Demand-Side Management Programs

Before the meeting was adjourned, ERB Board Member Ala announced that the Collaborative Meeting will be scheduled on July 12 & 13, 2001 at the ERB Hearing Room.

The participants were given ten (10) days from the date of the pre-hearing conference within which to submit written comments on the proposed amendments.

III. Collaborative Process

The Collaborative Process on amendment of the 1996 DSM Framework formally started with the meeting on July 12 and 13, 2001. It was participated in by representatives from the Efficient Lighting Initiative (ELI), Private Electric Utilities, Rural Electric Cooperatives (REC), Independent Power Producers, National Power Corporation (NPC), Government Agencies, Non-Government Organizations (NGO), Environmentalists and Consumer Groups.

The Energy Regulatory Commission (ERC), on the other hand, provided the Secretariat and was designated to act as facilitator, through the person of Ms. Ellen C. Aguila, for the series of meetings conducted on July 12 and 13, 2001.

In the first and second Meetings of the Collaborative, the draft ground-rules for the collaborative process and the issues to be addressed were tackled.

The issues identified for discussion were the following:

1. Classification of utilities into small and large
2. Large utilities may also be allowed to develop and submit simple DSM Plan
3. Allowing other interested parties to be involved in the development of standard DSM Plan
4. Default DSM plan
5. Showing DSM Charge as a separate item in the bill
6. Granting of incentives to utilities who have spent 1% of their gross revenues as DSM expenditure
7. Determination of the group composition in the development of Standard and Default DSM Plan.
8. Definition of Pre-Approved regarding DSM Plans

IV. Specific Agreements

A. Allowing other interested parties to be involved in the development of standard DSM Plan

The collaborative parties reached a consensus to allow interested parties to attend hearings or consultation in developing standard DSM Plan.

B. Default DSM plan

Consensus was reached on the basis that a provision in the Framework for standard and default plans already existed; and thus, no objections were made.

C. Determination of the group composition in the development of Standard and Default DSM Plan.

The Working Group shall (or will) be composed of representatives from the following organizations :

Core Group – Phase I

ERC	VECO
DOE	CEPALCO
NEA	One (1) Luzon Private Utility
COA	ZAMCELCO
Consumer Group (one each from Luzon, Visayas and Mindanao)	BATELEC I
Off-Grid/Spug	ANTECO
MERALCO	ELI

Phase II – the rest of the stakeholders can join the core group

V. Unresolved Issues

A. Classification of utilities into small and large

The following classification schemes were put on the floor :

Proposal 1: Top 10 utilities (based on kWh sales) will submit customized DSM plan. Note that this is the original recommendation of Mr. David Moskovitz of RAP.

The following are the top ten (10) utilities based on this classification:

MERALCO	BATELEC II
VECO	SOCOTECO II
DAVAO LIGHT	ZAMCELCO
CEPALCO	PANAY ELECTRIC
CENECO	ANGELES ELECTRIC

Proposal 2: Classify according to:

- a. R.A. 9136, wherein :
 - Small* – Peak Demand is equal to or less than 10 MW
 - Large* – Peak Demand is more than 10MWWith this classification, 15 out of 17 private utilities and 60 out of 119 rural electric cooperatives, respectively, will do customized DSM plans. Note that the intent of the classification on Sec. 28 of R.A. 9136 is specifically on dispersal ownership and de-monopolization of public utilities.
- b. Load Factor
- c. Peak Demand, wherein :
 - Large* - 20 MW and above
 - Small* - less than 20 MWThis classification means that 12 out of 17 private utilities and 26 out of 119 rural electric cooperatives, respectively, will do mandatory customized DSM plan.

Proposal 3: No classification, where it will provide liberty to utilities to submit customized, standard or default DSM Plans

The majority, or 70% of the stakeholders present, voted on Proposal No. 1.

B. Large utilities may also be allowed to develop and submit simple DSM Plan

This issue was already addressed in the issue regarding the classification of utilities into small and large.

C. Showing DSM Charge as a separate item in the bill

The following options were put on the floor :

Proposal 1: Show DSM Charge as a separate item in the bill

Proposal 2: Incorporate DSM Charge under the Distribution Charge

It must be noted that the documents that should be submitted to the ERC should be transparent. Note that this is the original recommendation of Mr. David Moskovitz of RAP.

The majority, or 70% of the stakeholders present, voted on Proposal No. 2

D. Granting of incentives to utilities who have spent at least one percent (1%) of their gross revenues as DSM expenditure

The following options were put on the floor :

Proposal 1: Granting of incentives to utilities who have spent at least 1% of their gross revenues as DSM expenditure

Proposal 2: Granting of incentives to utilities who have surpassed their DSM objectives/based on utility performance

Proposal 3: Moratorium for the first three (3) years on the 1% minimum but utilities can still apply for incentives during the moratorium period

The majority, or 74% of the stakeholders present, voted on Proposal No.3.

E. Definition of Pre-Approved regarding Standard and Default DSM Plans

The following options were put on the floor :

Proposal 1: The Working Group will just develop the standard and default plan and there will be no approval. If a utility adopts the standard or default plan then there will be a public hearing and the approval will be on a per utility basis.

Proposal 2: In Phase I, the Working Group will develop the Plan and it goes to Phase II in which opportunities will be given to stakeholders to attend in the collaborative group, if there is a consensus then there is no need for resolution proceedings.

The majority, or 91% of the stakeholders present, voted on Proposal No. 2.

VI. Negotiated Agreement

This Stipulation and Agreement represents a negotiated settlement. The agreements and statements contained herein are effective for this proceeding only, and are not intended to have precedential effects or to be binding upon parties or the ERC in any other proceeding before the ERC, and the statements and/or positions of the parties in this stipulation and agreement will not be admissible in any proceeding before any regulatory body or court.

VII. Conclusion

The parties request that the Honorable Commission consider the agreements contained in this Stipulation and Agreement.

A copy of the revised Regulatory Framework is hereto attached for the review and approval by the Honorable Commission.

Done in Pasig City, this 26th day of October, 2001.

For BLCI

For IEEC

[Sgd.] Noel Alingig

[Sgd.] Manolito Saludo

For CELCOR

For MANSONS

[Sgd.] Rommel Hernal

[Sgd.] Reynald Gimongala

For CEPALCO

For MECO

[Sgd.] Ramon Abaya

[Sgd.] Gilbert Pagobo

For DECORP

For MERALCO

[Sgd.] Serafin Marcia

[Sgd.] Ruben Benosa

For PUD-OLONGAPO

[Sgd.] Andrew Dayot

For VECO

[Sgd.] Oscar Rodriguez

For AEC

[Sgd.] Higinio Romel Manaloto

For CAPELCO

[Sgd.] Rolando Ignacio

For CASURECO I

[Sgd.] Francisco Quiñones

For DASURECO

[Sgd.] Godofredo Guya

For FLECO

[Sgd.] Emelyn Caringal

For ANECO

[Sgd.] Noli Namocatcat

For ANTECO

[Sgd.] Gregorio Rufino

For BATELEC II

[Sgd.] Ruel Magracia

For LUELCO

[Sgd.] Ramon Posadas

For MARELCO

[Sgd.] Eduardo Bueno

For MOELCI II

[Sgd.] Paz Buhisan

For NOCECO

[Sgd.] Cornelio Samodjo, Jr.

For GUIMELCO

[Sgd.] Edwin Gallego

For ILECO I

[Sgd.] Wilfredo Billena

For PALECO

[Sgd.] Jose Tan Paredes

For PANELCO III

[Sgd.] Rosalino Culalic

For SOCOTECO II

[Sgd.] Crisanto Sotelo

For CASURECO IV

[Sgd.] Ernie Pacardo

For CENECO

[Sgd.] Junel Jardeleza

For OMECO

[Sgd.] Ricky Gonzales

For SORECO I

[Sgd.] Vicente Sia

For SURSECO I

[Sgd.] Rafael Rabaya

For TARELCO I

[Sgd.] Virginia Beltran

For ZAMCELCO

[Sgd.] Cesar Melad

For DANECO

[Sgd.] Felix Hibionada

For INEC

[Sgd.] Romillas Pascual

For ILECO II

[Sgd.] Abelardo Bacalocos

For ISECO

[Sgd.] Cesar Gironella

For LASURECO

[Sgd.] Penda Tun Masorong

For MASELCO

[Sgd.] Bonifacio Francisco

For SAMELCO II

[Sgd.] Ponciano Rosales

For PRESCO

[Sgd.] Jay Razon

For TARELCO II

[Sgd.] Alexander Mercado

For LANECO

[Sgd.] Resnol Torres

For MAGELCO

[Sgd.] Mariano Caliva

For NEECO II

[Sgd.] Jun Capulong

For PELCO I

[Sgd.] Leonilo Udan

For SUKELCO

[Sgd.] Guia Retirado

For VRESCO

[Sgd.] Paulino Almedilla

For ZANECO

[Sgd.] Efren Buñao

For PANELCO I

[Sgd.] Jude Domoguen

For SORECO II

[Sgd.] Vicente Frondoza

For LEYECO IV

[Sgd.] Cruzito Payapaya

For LEYECO V

[Sgd.] Jovenal Alesna

For TIELCO

[Sgd.] Pedro Fronda

For NORECO II

[Sgd.] Ephraim T. Taclob

For ZAMSURECO I

[Sgd.] Decca Ojudilla

For ILPI

[Sgd.] Avelino L. Quiamco

For NORECO I

[Sgd.] Dante Anhao

For ZAMSURECO II

[Sgd.] Jesus Castro

For LUECO

[Sgd.] Maximo Parlan

For DOE

[Sgd.] Francisco Benito

For NEA

[Sgd.] Pablo Pan III

For NPC

[Sgd.] Edgardo Orenca

For NICA

[Sgd.] Robert Mallillin

For DTI/BPS

[Sgd.] Gerardo Maglalang

For TARLAC STATE UNIVERSITY

[Sgd.] Leodegardo Pruna

For MIRIAM-PEACE

[Sgd.] Herbert Janubas

For PHILRECA

[Sgd.] Rosalino Culalic

**For IFC/GEF EFFICIENT LIGHTING
INITIATIVE**

[Sgd.] Alexander DR Ablaza