

APPENDIX G – Collaborative Meeting Minutes July 12, 2001

**MINUTES OF THE FIRST COLLABORATIVE MEETING ON THE PROPOSAL
TO AMEND CERTAIN PROVISIONS OF THE 1996 REGULATORY
FRAMEWORK FOR DEMAND-SIDE MANAGEMENT (DSM) IN THE
PHILIPPINES**

DATE : JULY 12, 2001
TIME : 9:30 AM
VENUE : ERB Hearing Room
15th Floor, Pacific Center Building, San Miguel Ave.,
Ortigas Center, Pasig City

I. ATTENDANCE

ERB

Hon. Marietta U. Larracas
Hon. Oscar E. Ala
Hon. Nicomedes B. Deynata
Hon. Alberto D. Dosayla
Florentina M. Robles
Fructuoso C. Lagunzad, Jr.
Crisoldo B. Fortuna
Elsa G. Gonzaga
Lorenzo M. Durian, Jr.
Teodora M. Paguio
Marina C. Bugayong
Edwin O. Ocenar
Tomas C. Macatangay
Ellen C. Aguila
Ma. Cristina L. Vicencio
Carmelita L. Cacdac
Iluminada B. Bigay
Crispin C. Carlos
Leila O. Cirio
Carminda C. Evangelista
Nilda T. Lumapak
Rizalyn G. Tejada
Evangeline A. Dulay
Ma. Teresa C. Ocampo

Sherman T. Buenviaje
Emerita C. Morandarte
Rubiminda Trapela
Josephine Vergara
Lucia Claustro
Gerald Erulin
Narciso Velasco

ELI

Alexander Ablaza
Ruben Lambuson
Randee Gabriel

Private Utilities

Noel Alingig	BLCI
Jovencio Tolentino	CELCOR
Rommel Hernal	CELCOR
Ramon Abaya	CEPALCO
Edwin Bernal	CEPALCO
Serafin Marcia	DECORP
Ruben Arizabal	DECORP
Manolito Saludo	IIEC
Reynald Gimongala	MANSONS
Gilbert Pagobo	MECO
Annie Reodica	MERALCO
Aris Lumague	MERALCO
Alex Evangelista	MERALCO
Pedro Co	MERALCO
Danny Aquillo	MERALCO
Andrew Dayot	PUD-OLONGAPO
Miguel Lagman	SFELAPCO
Alvin Mercado	TEI
Roy Yutuc	TEI
Lyndon Jayme	VECO

Independent Power Producers

Joseph Nocos	ALSON'S POWER
Oscar Guevarra	MAGELLAN UTILITIES DEV'T. CORP.
Theo Sunico	MIRANT PHILIPPINES / SOUTHERN ENERGY PHILIPPINES

Rural Electric Cooperatives

Noli Namocatcat	ANECO
Gregorio Rufino	ANTECO
Ofelia Cabrera	BATELEC I
Imelda Cornejo	BATELEC I
Apolinario Dastas III	BATELEC I
Evangel Manundo	BATELEC II
Christine Tabajonda	BENECO
Gilbert Guiamoy	BENECO
Isabelo Sumontan	BOHECO I
Jessie Villena	BUSECO
Jonas Sale	BUSECO
Manuel Jimenez, Jr.	CAPELCO
Teresita Alcantara	CASURECO I
Godofredo Guya	DASURECO
Stephen Veleña	FLECO
Milagros Castillo	FLECO
Jose Altamirano	GUIMELCO
Wilfred Billena	ILECO I
Rolando Torreflores	ILECO I
Emeterio Lumacang	ILECO I
Jovencio Pataueg	LUELCO
Eduardo Bueno	MARELCO
Junie Marcos	MASELCO
Noel Dumalagan	MOELCI I
Reynaldo Rada	MOELCI II
Julie Real	MORESCO I
Norman Eballe	MORESCO I
Cornelio Samodjo, Jr.	NOCECO
Alfred Dantis	OMECO
Lucy Samson	OMECO
Ricky Gonzales	OMECO
Ike Matining	ORMECO
Jocelyn Dasco	PALECO
Rodrigo Regino	PALECO
Ferdinand Cerezo	PANELCO III
Nonato Magsino	QUEZELCO I
Deodennis Asistin	QUEZELCO I
Victor Cada	QUEZELCO II
Mr. Dagooc	SIARELCO
Rodolfo Ocat	SOCOTECO II
Vicente Sia	SORECO I
Rafael Rabaya	SURSECO I

Samuel Allan Bermudez	TARELCO I
Pedro Fronda	TIELCO
Orville Ferranco	TIELCO
Angel Laureano	ZAMECO II
Alvin Farrales	ZAMECO II
Virgilio Acierto	ZAMECO II

Government Agencies

Nelia Villeza	COA
Raul Buenavista	DBM
Jundy del Socorro	DENR-EMB
Edmundo Escubio	DENR-EMB
Clovis Tupas	DOE
Ronald Siquioco	DOE
Gerardo Maglalang	DTI/BPS
Guillermo Paz	NEA
Restituto Abellera	NEA
Nicacio Baluyo	NEA
Justina Payumo	NPC

NGOs (Including Environmentalists and Consumer Groups)

Obet Versola	CACP
Felix Gooneratne	IEEC
Wayne Abayan	IEEC
Romy Pacudan	IEEC
Robert Mallillin	NICAI
Rolando Orosco	PRRM

ACADEME

Leodegardo Pruna	TARLAC STATE UNIVERSITY
Jose Logarta	UP SCHOOL OF ECONOMICS
Nimfa Mendoza	UP SCHOOL OF ECONOMICS
Jordan Orillaza	UP SCHOOL OF ENGINEERING

II. MINUTES OF THE 1st COLLABORATIVE MEETING ON THE PROPOSAL TO AMEND CERTAIN PROVISIONS OF THE 1996 REGULATORY FRAMEWORK FOR DEMAND-SIDE MANAGEMENT (DSM) IN THE PHILIPPINES

The first meeting of the collaborative group started at about 9:30 in the morning. Board Member Marietta U. Larracas of the Energy Regulatory Board (ERB) welcomed the participants and turned the floor to Ms. Ellen C. Aguila, Supervising

Energy Regulation Officer of ERB's Energy Demand Management Division (EDMD), whom she designated as the facilitator.

- B.** The Facilitator informed the collaborative parties of the agenda for the first collaborative meeting, to wit:
 - 1. Discussion of the Draft Ground Rules that will govern the collaborative process;
 - 2. Overview/Background of the DSM Collaborative Process;
 - 3. Highlights of the 1st Collaborative Meeting on June 18, 2001;
 - 4. Discussion of the following issues:
 - a. Classification of utilities into small and large
 - b. Large utilities may also be allowed to develop and submit simple DSM plan
 - c. Allowing other interested parties to be involved in the development of standard DSM plan
 - d. Default DSM plan
 - e. Showing DSM Charge as a separate item in the bill
 - f. Granting of incentives to utilities who have spent 1% of their gross revenues as DSM expenditure
 - 5. Reaching a consensus on the issues discussed; and
 - 6. Other matters.
- C.** The Facilitator asked the participants if each of them has reference materials already. Seeing that everyone has materials, she proceeded to the approval of the agenda for the first collaborative meeting.
- D.** Upon approval of the Agenda by the collaborative body, the Facilitator proceeded to the first item in the agenda, which is the discussion of the Draft Ground Rules that will govern the collaborative process.

Issues raised/clarified:

Is the MOA between ERB and ELI still binding when ERB becomes ERC? –
Dr. Leodegardo Pruna of Tarlac State University (TSU)

- Board Member Nicomedes B. Deynata of the ERB stated that the MOA between ERB and ELI will still be binding to the new Commission, as it will inherit legal contracts of the ERB.

If the ERB has objections to the decision reached by the collaborative group, can the ERB return the matter in due time so that it can be resolved immediately by the collaborative group - Mr. Robert Mallilin of NICAI

- Board Member Larracas explained that it is up to the collaborative parties to reach a consensus at any time and it is up to the new Commission to accept the consensus of the collaborative group. She added that if the decision reached by the collaborative group is not acceptable to the ERC, it will still be subjected to hearings where anybody can make comment on a particular issue.

Suggestions raised:

1. There are provisions in the ground rules which are stated negatively. Dr. Pruna of TSU suggested to change negative statements to positive statements, specifically 3rd paragraph page 2, to:

“The ERB is bound to note stipulated agreements of the collaborative participants and if a stipulated agreement is accepted by the ERB, the stakeholders will agree not to litigate consensus issues in subsequent ERB hearings, according to time-bound terms of the stipulated agreement.”

- The proposal to restate said paragraph was then approved and duly seconded.

2. Change ERB to ERC - Mr. Resty Abellera of NEA – REO II

Deadline for the Board to render decision on the result of the collaborative meeting - Mr. Robert Mallilin of NICAI);

- Board Member Larracas stated that the collaborative group may request the ERC to set certain deadline for the approval of the recommendation of the collaborative group.

Limiting the collaborative process to 30 days but not to exceed 60 calendar days - Mr. Alex Ablaza of ELI

Some of the participants cannot actively participate because they don't have a background on what DSM is all about - GM Evangel Manundo of Batelec II

- E. The Facilitator then called on Ms. Elsa G. Gonzaga, Chief Energy Regulation Officer of the ERB's EDMD, who made a presentation on the “Overview/Background of the Collaborative Process.”

- F. After the presentation, the Facilitator asked the collaborative parties for the approval of the draft ground rules. Mr. Mallillin of NICA I proposed the approval of the ground rules subject to amendments if the collaborative group will encounter major issues that will require amendment therein. A consensus on the approval and adoption of the ground rules was reached by the collaborative body.
- G. The Facilitator asked the body whether everyone has a copy of the Minutes of the Pre-Hearing Conference. However, upon the suggestion of Board Member Larracas, the Facilitator requested the collaborative parties to just go over the Minutes comments thereon will be discussed the next day, so that they can move on to the discussion of more important issues. She then called on Mr. Alexander Ablaza of Efficient Lighting Initiatives (ELI), who discussed the highlights of the June 18, 2001 Pre-hearing Conference.
- H. The collaborative parties proceeded to the discussion of the 4th item in the agenda, which is the discussion of major issues:

1. Classification of Utilities

- a. Mr. Ferdinand Cerezo of PANELCO III, suggested that utilities be classified based on the classification provided for in R.A. 9136, to wit:

Small – Peak Demand equal to or less than 10 MW
Large – Peak Demand more than 10MW

- Mr. Ablaza commented that with this classification, it would mean that 15 of the 17 investor-owned utilities and 60 of the 199 electric cooperatives, respectively, will be preparing their customized DSM plan.
- b. Mr. Lyndon Jayme of VECO stated that all utilities should develop their own DSM Plan and if a utility wants to recover lost revenue, it should submit a customized DSM plan.
- c. GM Wilfred Villena of ILECO I suggested that utilities be classified based on load factor.
- d. Professor Pruna of TSU also suggested to group utilities in accordance to R.A. 9136 but should consider Load Factor and Systems Loss for those who will be assisted and all incentives should remain.
- e. Mr. Edwin Bernal of CEPALCO recommended that classification of utilities based on peak demand, 20 MW and above as Large Utilities and less than 20 MW as Small Utilities.

- f. Mr. Miguel Lagman of SFELAPCO stated that there is no need to classify utilities. ERB should see whether the DSM plan is viable or not and let utilities recover cost.
- Mr. Ablaza commented that everyone can avail of incentives, but there should be a minimum number of utilities who will fuel DSM in the Philippines. He added that larger utilities have the expertise and the staff to do their DSM. He further mentioned that at least top 10 utilities should do customized DSM plan. These are the utilities who will become a reference in getting new ideas and sustain the process.
- g. Mr. Namocatcat of ANECO said that utilities need not be classified but top 10 utilities (according to kWh sales) who has the financial capabilities and resources, should develop a customized DSM plan.
- Mr. Ablaza concurred on the suggestions and stated that it is actually the consultant's (Mr. David Moskovitz of RAP) recommendation.
- The Facilitator summarized the suggestions on the classification of utilities, to wit:
 1. Top 10 utilities (based on kWh sales) will submit customized DSM plan.
 2. Classify according to:
 - 2.1. R.A. 9136
 - Small – Peak Demand equal to or less than 10 MW
 - Large – Peak Demand more than 10MW
 - 2.2 Load Factor
 - 2.3. large - 20 MW and above
small - less than 20 MW
 3. No classification
 - Utilities should develop their own DSM plan. If a utility wants incentives then it should submit a customized DSM plan.
- h. GM Evangel Manundo said that if a utility belongs to the Large Utilities Classification, it is mandatory to invest 1% of gross revenues in DSM and it will have a great impact in the rates.

- i. Mr. Victor Cada of QUEZELCO II asked how they can implement DSM when their cooperative is only on seven (7) hours operation and they are encouraging load building.
 - Mr. Ablaza explained that DSM goes beyond load shifting and that even at seven (7) hours operation, one has to defer capacity at some point. He also shared that in the US, island cooperatives depend on DSM because they found the most urgent need to defer investment.
 - The Facilitator added based on the DSM Regulatory Framework, all utilities should submit a DSM Plan. Utilities are free to set their DSM load shape objectives and load shape objectives include not only peak clipping and load shifting but also load building.

- I. Before the group paused for lunch break, the Facilitator reminded the collaborative parties to assign a principal and alternate representative for each organization/agency because the issue on utility classification needs to be voted upon.

- J. The afternoon session resumed at around two o'clock in the afternoon. The Facilitator announced that sheets of papers are circulating where the collaborative parties can write their principal and alternate representatives. The Facilitator then made a recapitulation of the morning session.

Issues raised/clarified:

1. Mr. Noni Magsino of QUEZELCO I requested that case utilities discuss their experience on DSM implementation.

2. Ms. Nelia Villeza of COA also requested for a presentation on a sample DSM Plan submitted and approved by the ERB.
 - The Facilitator asked Mr. Bernal of CEPALCO if he could make a brief presentation of its DSM Plan. Receiving a positive response from Mr. Bernal, the Facilitator announced that CEPALCO and ERB's EDMD would make presentations on the next day.

3. Mr. Ablaza of ELI made the following comments on the proposed utility classification:
 1. Top 10 utilities (based on kWh sales) will submit customized DSM plan.
 - This is the original recommendation of Mr. David Moskovitz.

2. Classify according to:

2.1. R.A. 9136

Small – Peak Demand equal to or less than 10 MW
Large – Peak Demand more than 10MW

- With this classification, 15 out of 17 private utilities and 60 out of 119 electric cooperatives, respectively, will do customized DSM plans. He also added that the intent of the classification on Sec. 28 of R.A. 9136 is specifically on dispersal ownership and de-monopolization of public utilities.

2.2 Load Factor

- Load factor is not the only criterion and that there are other technical and non-technical considerations.

2.3. large - 20 MW and above
small - less than 20 MW

- This classification means that 12 out of 17 private utilities and 26 out of 119 electric cooperatives, respectively, will do mandatory customized DSM plan.

3. No classification

- This will provide liberty to utilities to submit customized, standard or default DSM plan and the ERB might end up with only two (2) customized DSM plans.

K. The Facilitator then asked the parties to cast their votes on the three (3) proposals for classifying utilities. Following are the results:

Proposal # 1	Proposal # 2	Proposal # 3
ANECO	PUD-Olongapo	BATELEC II
MORESCO I	CEPALCO	MERALCO
IIEC	IIEC	VECO
SFELAPCO	TSU	FLECO
DECORP	TARELCO I	DOE
Bohol Light	NICAI	OMECO
MECO	PANELCO III	QUEZELCO II
SURSECO I	ZAMCELCO	MARELCO
SOCOTECO I		
CELCOR		

Continuation of Proposal # 1

UP Diliman	PRRM
QUEZELCO	IDTI / BPS
ORMECO	CASURECO I
PALECO	CACP
BOHECO I	LUELCO
ELI	NEA
MASELCO	DASURECO
ILECO I	COA
NOCECO	SORECO
CAPELCO	NPC

TOTAL VOTES	=	Proposal No. 1-	38
		Proposal No. 2-	8
		Proposal No. 3-	8

The Facilitator reminded the collaborative parties that since there was no consensus reached and only a majority vote, the issue on utility classification will be considered as a non-consensus issue that will be submitted to ERB for litigation.

- L. On the second issue, which is, **allowing large utilities to develop and submit a simple DSM plan**, the Facilitator explained that this *issue was already addressed in issue number one*.
- M. The Facilitator opened the discussion of **Issue Number 3: Allowing other interested parties to be involved in the development of standard DSM Plan**.
 - Mr. Bernal of CEPALCO called the attention of the collaborative group on the provision of the DSM Regulatory Framework particularly on Section 5(c) Public Hearings. He said that the said provision addresses issue number 3.
 - *The collaborative parties reached a consensus to allow interested parties to attend hearings or consultation in developing standard DSM plan.*
- N. The collaborative parties started discussing **Issue Number 4: Default DSM Plan**.

Issues raised/clarified:

1. GM Evangel Manundo of Batelec II raised that although it's one of the top 10 utilities, it's not big in terms of finances and asked that they be allowed to have the option in preparing a DSM plan. He added that a costly DSM plan will have a big impact into the rates of the cooperative.

- Mr. Ablaza of ELI explained that financing is a universal problem and that utility in distress should be the one to do DSM all the more. He stressed that cost-recovery is allowed in DSM. Mr. Ablaza further pointed out that in doing DSM, utilities gain better relationship with their commercial and industrial customers, plus the environmental benefits due to the deferral of putting-up additional capacity.
 - Mr. Mallilin of NICAI opined that the ERB will not approve DSM plans that will be detrimental to the electric cooperatives.
2. Mr. Obet Versola of CACP said that recovery of lost revenue should be net of profit.
 - Mr. Crisanto Laset of CEPALCO responded that Mr. Versola’s concern was already addressed in Section 1(s) of the revised framework for DSM, specifically the definition of “Net Revenue Loss.”
 3. Ms. Annie Reodica of MERALCO asked for a clarification on the definition of pre-approved DSM plans and whether pre-approved plans will still undergo regulatory process.
 - The Facilitator asked the collaborative participants if the definition of pre-approved plans be included in the agenda of the next meeting so that the body can move on to the discussion of other issues. There being no manifestation of objection from the parties, discussion on the next issue followed.

As for discussion of issue 4, consensus was reached on the basis that a provision in the framework for standard and default plans already existed; no objections were made.

- O. Before going on with the discussion of **Issue Number 5: Showing DSM Charge as a separate item in the bill**, the Facilitator called on Ms. Reodica of MERALCO to read to the collaborative body its comments on the issue.

Issues raised/clarified:

1. Ms. Reodica read MERALCO’s comments on the issue, to wit:

“Has the proposed regulatory framework addressed the separate line item on the customers’ bills that will appear with the implementation of the DSM programs? And does the unbundling of rates consider a DSM rate adjustment?”

2. Ms. Villeza of COA said that she is uncomfortable with not showing DSM Charge as a separate item in the bill. She added that the amount to be recovered in the DSM Charge should be net cost of the over-all DSM program (actual cost minus actual benefits)
3. Mr. Versola of CACP stated that consumers should not be understated in understanding what DSM is all about and favored showing DSM charge as a separate item in the bill. Utilities should be transparent if it is making money from DSM.
 - Mr Ablaza of ELI explained that DSM does not mean automatic profitability for utilities. He added that there is no automatic reduction of profit and at the same time there is no automatic increase in profit. He went on to say that DSM depends on the skillful management, design, implementation, etc. by the utility. He further stated that if done properly, DSM will maintain profitability of the utility.
4. Mr. Lumague of MERALCO pointed out that with the unbundling, DSM Charge must be shown as a separate item in the bill.
 - Board Member Larracas clarified that even with the unbundling, there are only five (5) major item classifications, namely: (1) Generation Demand Charge; (2) Transmission Energy Charge; (3) System Benefits Charge; (4) Power Delivery Services Charge; and (5) Ancillary Services Charge.
5. Mr. Lagman of SFELAPCO opined that additional item in the bill means additional rate, so ERB should decide on the issue. However, he suggested that DSM Charge be incorporated in the Distribution Charge.
6. Mr. Mallillin of NICAI suggested that since the ERC will be changing its reporting requirements in accordance with the new law, DSM Charge may not be shown as a separate item. He stressed that documents submitted to ERB should be detailed and transparent.
7. Some are of the collaborative participants were of the opinion that DSM Charge should not be showed as a separate item in the bill because since it's another item to pay and therefore, customers may not like it.
8. On the other hand, some participants opined that it should be shown in the bill as a separate line and just educate the customers on DSM in the utility campaigns.
9. Mr. Namocatcat of ANECO added that the DSM Charge may be a very small amount.

- Mr. Ablaza of ELI shared that based on US experience, utilities who had showed DSM Charge as a separate item regretted it. He added that there are other ways to educate consumers about DSM and not through the bill. He further stated that DSM Charge as a separate line item in the bill is a barrier in doing DSM.

P. The Facilitator then asked the parties to cast their votes based on the following:

- Show DSM Charge as a separate item in the bill; and
- Incorporate under the Distribution Charge (documents submitted to the ERC must be transparent).

Following are the results of the votes cast by the collaborative parties:

Proposal # 1		Proposal # 2
PUD-Olongapo		ANECO
DECORP		IIEC
UP Diliman		BATELEC II
COA		MECO
QUEZELCO I		SOCOTECO I
ORMECO		PALECO
TIELCO		MERALCO
TARELCO I		MASELCO
CELCOR		NOCECO
PRRM		BATELEC I
DTI / BPS		VECO
CACP		DASURECO
PANELCO III		OMECO
LUELCO		NICAI
		QUEZELCO II
		NEA
		MORESCO I
		SFELAPCO
		Bohol Light
		SURSECO I
		CEPALCO
		BOHECO I
		ELI
		ILECO I
		ANTECO
		MANSONS
		FLECO
		BENECO
		CASURECO I
		ZAMCELCO
		MARELCO
		BUSECO
TOTAL VOTES	=	Proposal No. 1- 14
		Proposal No. 2- 32
		1 (TSU Abstained)

Since there was no consensus reached and only a majority vote, the issue on DSM charge to be included as line item will be considered as a non-consensus issue that will be submitted to ERB for litigation.

Q. Since it was already getting late in the afternoon, the Facilitator made a suggestion that the issue on the **Granting of Incentives** be included in the agenda for the next day, to which the collaborative parties agreed.

IV. CONCLUSION

Before the meeting was adjourned, the Facilitator reminded the participants to read the Minutes of the Pre-Hearing Conference so that they can give their comments thereto the next day. The Facilitator also announced the agenda for the next meeting, to wit:

1. Approval of the Minutes of the Pre-Hearing Conference conducted last July 18, 2001
2. Presentation by CEPALCO and EDMD
3. Granting of Incentives
 - * determination of cut-off percentage
 - * suggestion on other forms of incentives
4. Definition of “Pre-Approved”
 - * Standard/Default plans are pre-approved
 - * Customized plans will still undergo regulatory process
5. Determination of group composition in the development of standard and default DSM plan
6. Other matters

There being no matters to be discussed the meeting was adjourned at around 4:45 pm.

ELLEN C. AGUILA
Collaborative Facilitator