

APPENDIX I – Final Stipulation and Agreement July 13, 2001
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-SIDE MANAGEMENT (DSM) IN THE PHILIPPINES	ERB CASE NO. 200155
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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 10MW

With 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 MW

This 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 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 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 two (2) years on the 1% cap but utilities can still apply for incentives during the moratorium period

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 3rd day of October, 2001.

For BLCI

For IEEC

By: Noel Alingig

By: Manolito Saludo

For CELCOR

For MANSONS

By: Jovencio Tolentino

By: Reynald Gimongala

For CEPALCO

For MECO

By: Ramon Abaya

By: Gilbert Pagobo

For DECORP

For MERALCO

By: Serafin Marcia

By: Dominic Lirios

For PUD-OLONGAPO

By: Andrew Dayot

For SFELAPCO

By: Miguel Lagman

For TEI

By: Alvin Mercado

For VECO

By: Lyndon Jayme

For ALSON'S POWER

By: Joseph Nocos

**For MAGELLAN UTILITIES DEV'T.
CORP.**

By: Oscar Guevarra

**For MIRANT PHILIPPINES /
SOUTHERN ENERGY PHILIPPINES**

By: Theo Sunico

For ANECO

By: Noli Namocatcat

For ANTECO

By: Gregorio Rufino

For BATELEC I

By: Ofelia Cabrera

For BATELEC II

By: Evangel Manundo

For BENEKO

By: Christine Tabajonda

For BOHECO I

By: Isabelo Sumontan

For BUSECO

By: Jessie Villena

For CAPELCO

By: Manuel Jimenez, Jr.

For CASURECO I

By: Teresita Alcantara

For DASURECO

By: Godofredo Guya

For FLECO

By: Stephen Veleña

For GUIMELCO

By: Jose Altamirano

For ILECO I

By: Wilfred Billena

For LUELCO

By: Jovencio Pataueg

For MARELCO

By: Eduardo Bueno

For MOELCI I

By: Noel Dumalagan

For MOELCI II

By: Reynaldo Rada

For MORESCO I

By: Julie Real

For NOCECO

By: Cornelio Samodjo, Jr.

For OMECO

By: Alfred Dantis

For ORMECO

By: Ike Matining

For PALECO

By: Jocelyn Dasco

For PANELCO III

By: Ferdinand Cerezo

For QUEZELCO I

By: Nonato Magsino

For QUEZELCO II

By: Victor Cada

For SIARELCO

By: Mr. Dagooc

For SOCOTECO II

By: Rodolfo Ocat

For SORECO I

By: Vicente Sia

For SURSECO I

By: Rafael Rabaya

For TARELCO I

By: Samuel Allan Bermudez

For TIELCO

By: Pedro Fronda

For ZAMECO II

By: Angel Laureano

For ZAMCELCO

By: Cesar Melad

For DBM

By: Raul Buenavista

For DENR-EMB

By: Jundy del Socorro

For DOE

By: Clovis Tupas

For DTI/BPS

By: Gerardo Maglalang

For NEA

By: Guillermo Paz

For NPC

By: Justina Payumo

For CACP

By: Obet Versola

For IEEC

By: Felix Gooneratne

For NICA

By: Robert Mallillin

For PRRM

By: Rolando Orosco

For TARLAC STATE UNIVERSITY

By: Leodegardo Pruna

For UP SCHOOL OF ECONOMICS

By: Jose Logarta

For UP SCHOOL OF ENGINEERING

By: Jordan Orillaza

**For IFC/GEF EFFICIENT LIGHTING
INITIATIVE**

By: Alexander DR Ablaza

For COA

By: Nelia Villeza