

Understanding the Bill

OUTLINE

I. POWER SECTOR SUPPLY CHAIN

II. THE (UNBUNDLED) ELECTRIC BILL

A. GENERATION

B. TRANSMISSION

C. SYSTEM LOSS

D. TAXES

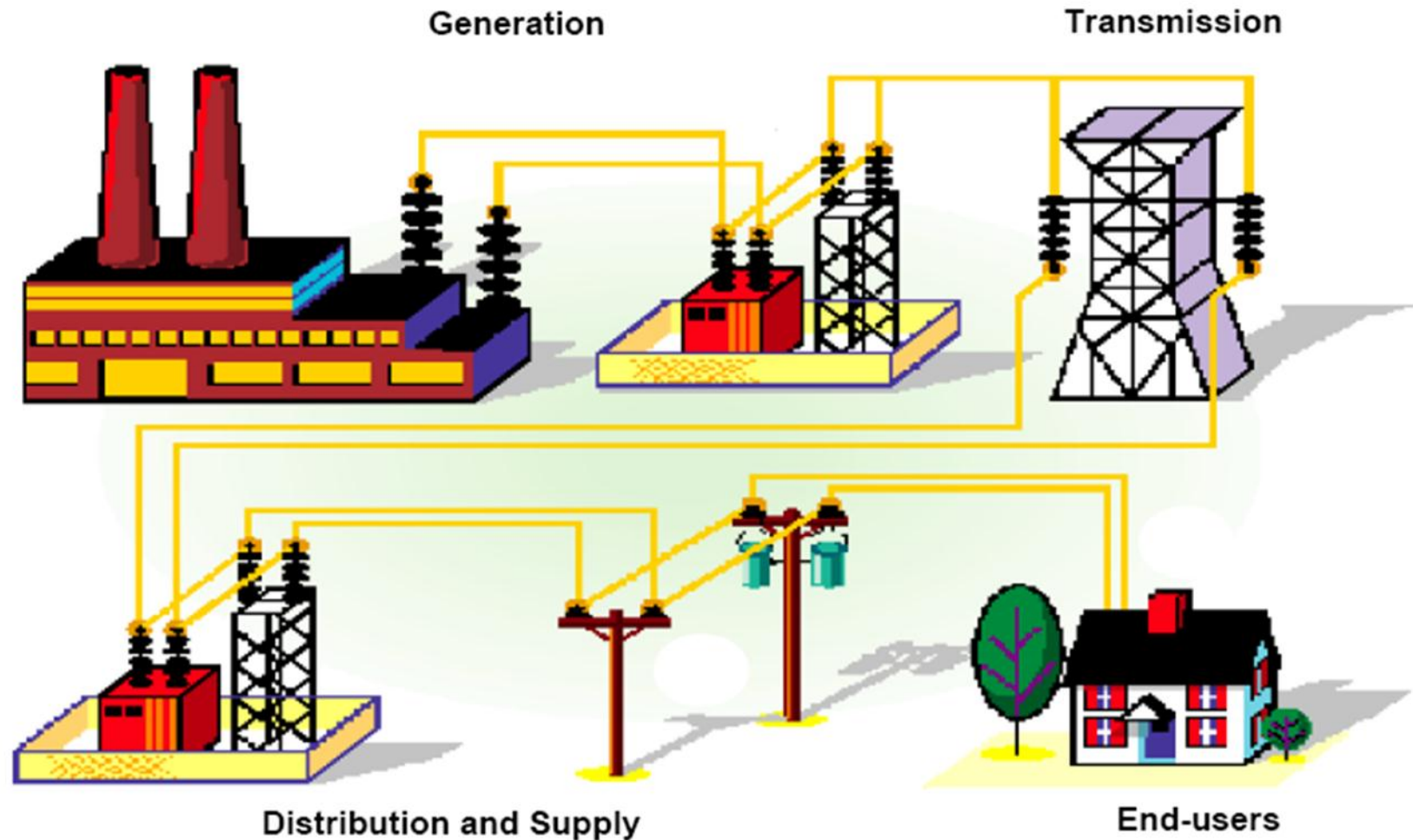
E. SUBSIDIES

F. DISTRIBUTION

III. RANKING THE PHILIPPINES' ELECTRICITY RATE

IV. WHAT MERALCO CAN DO

I. POWER SECTOR SUPPLY CHAIN



I. POWER SECTOR SUPPLY CHAIN

In the Philippines, the power sector supply chain is operated by multiple stakeholders

Generation

NATIONAL POWER CORPORATION



**PRIVATIZED GENERATION COMPANIES
(TOP POWER PRODUCERS IN THE PH)**



**WHOLESALE ELECTRICITY
SPOT MARKET (WESM)**



Transmission

NATIONAL GRID CORPORATION OF THE PHILIPPINES (NGCP)



Distribution

**MANILA ELECTRIC
COMPANY**



VISAYAN ELECTRIC COMPANY

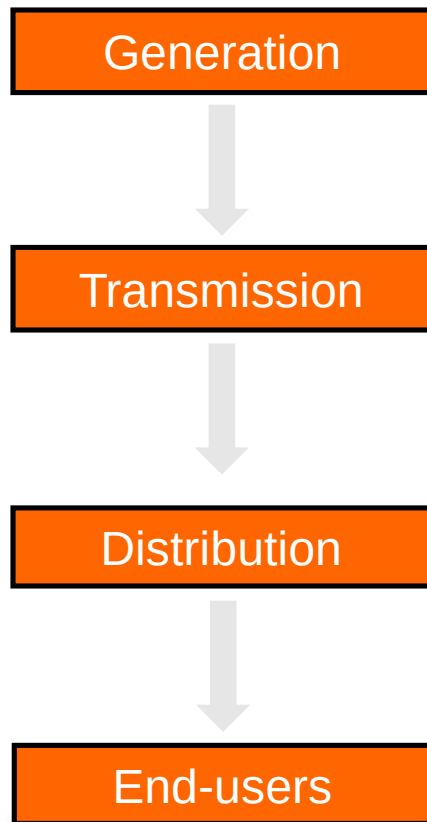


**DAVAO LIGHT & POWER
COMPANY**



II. UNBUNDLED ELECTRIC BILL

The power sector supply chain is mirrored by the unbundled electric bill



Section 36 of RA 9136 (EPIRA)

"The distribution wheeling charge shall be unbundled from the retail rate ..."

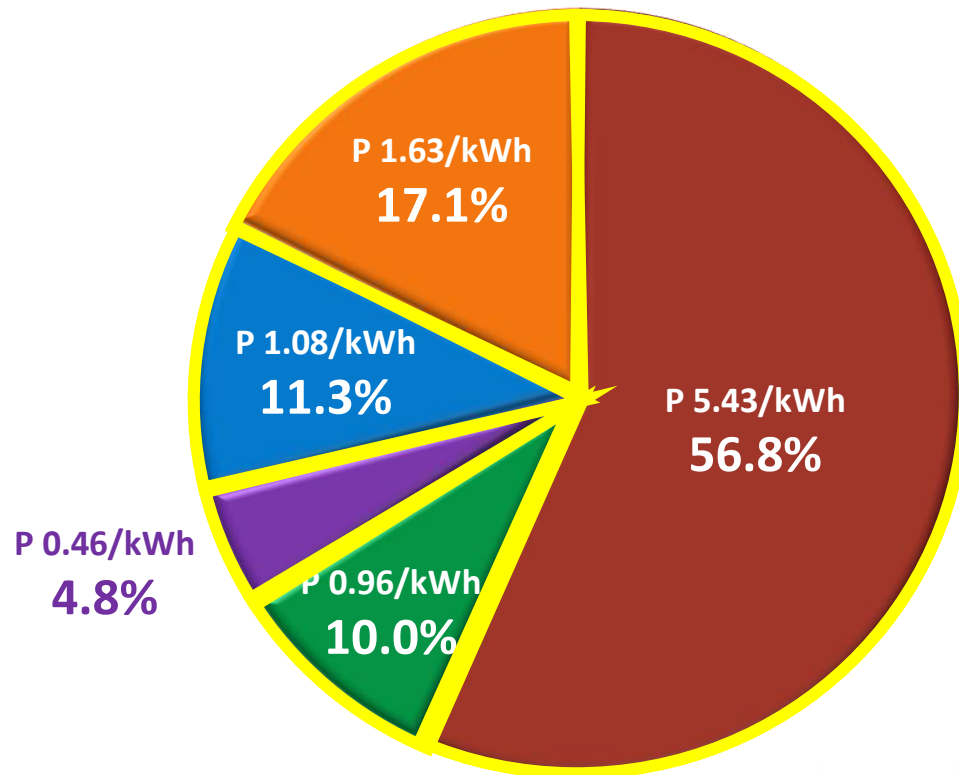
"Any electric power industry participant shall functionally and structurally unbundle its ... rates ..."

Billing Summary	
BILL SUBGROUP	SUBTOTAL
Generation	14,354,389.00
Transmission	1,890,963.76
System Loss	1,006,330.50
Distribution (Meralco)	614,004.68
Subsidies	332,526.60
Government Taxes	1,810,389.01
Universal Charges	128,991.80
Other Charges	823,348.01
Total	20,960,943.35

Sample bill from a large industrial customer

II. UNBUNDLED ELECTRIC BILL

1Q 2014 Share per Bill Component



PASS THROUGH CHARGES

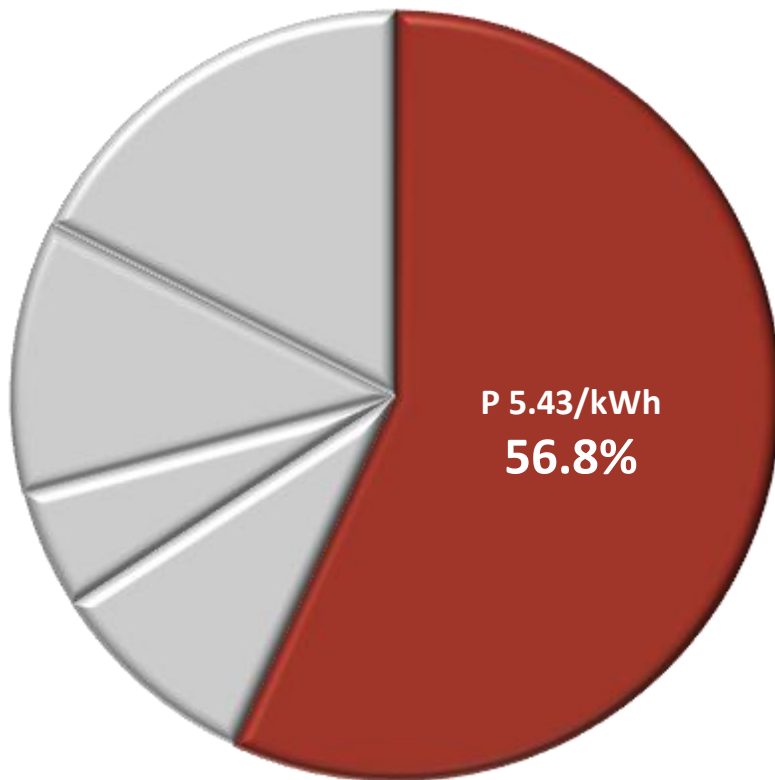
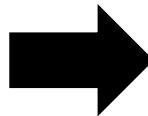
-  Generation Charge
-  Transmission Charge
-  System Loss Charge
-  Taxes & Universal Charges

MERALCO CHARGE

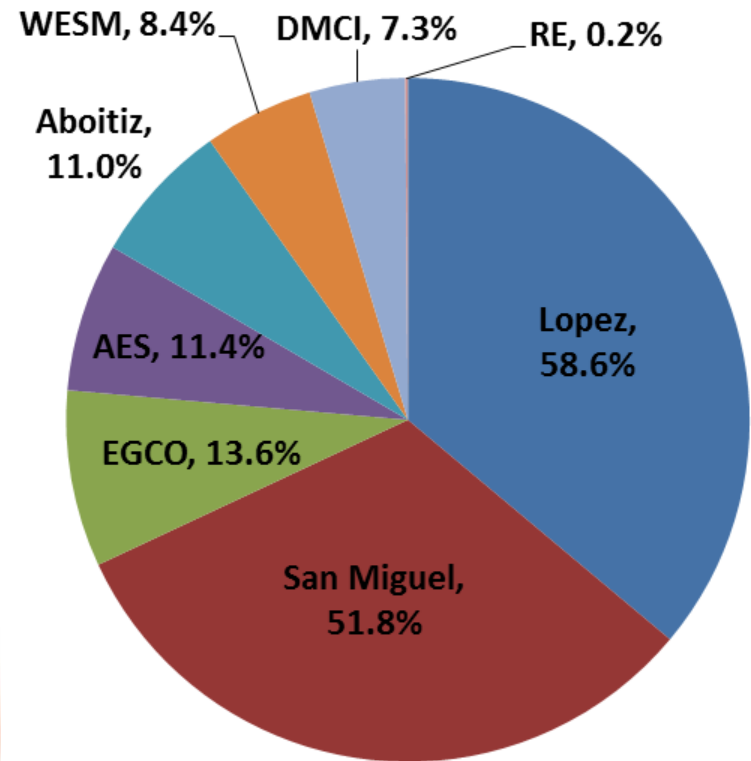
II. A. GENERATION CHARGE

This is the cost of generating electricity. This goes to power generators.

1Q 2014 Share per Bill Component

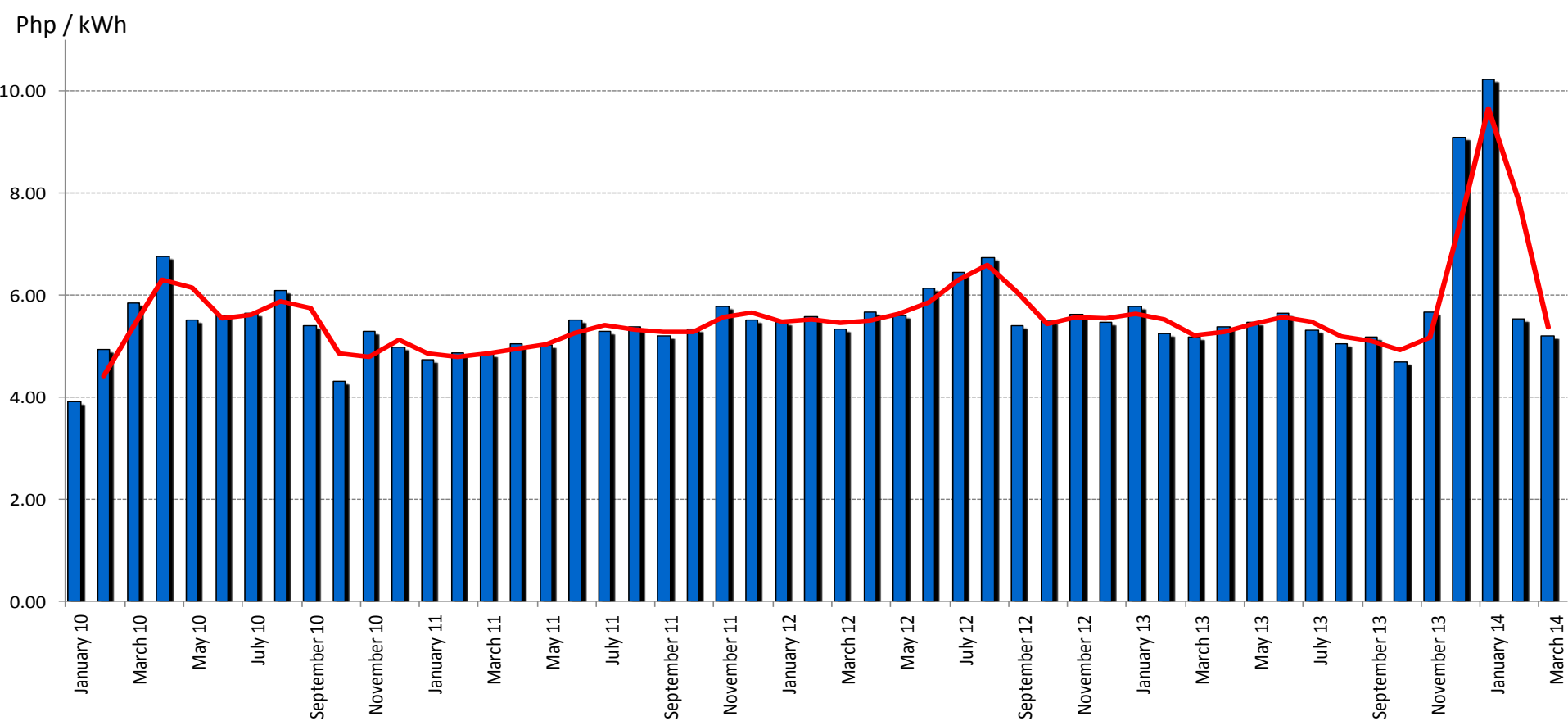


1H 2013 Generation Charge Bill
Component Share by Generation Source



II. A. GENERATION

Generation Charge is the primary source of monthly electricity rate movement
Average monthly increase from Jan '10-Mar '14 is Php 0.03/kWh

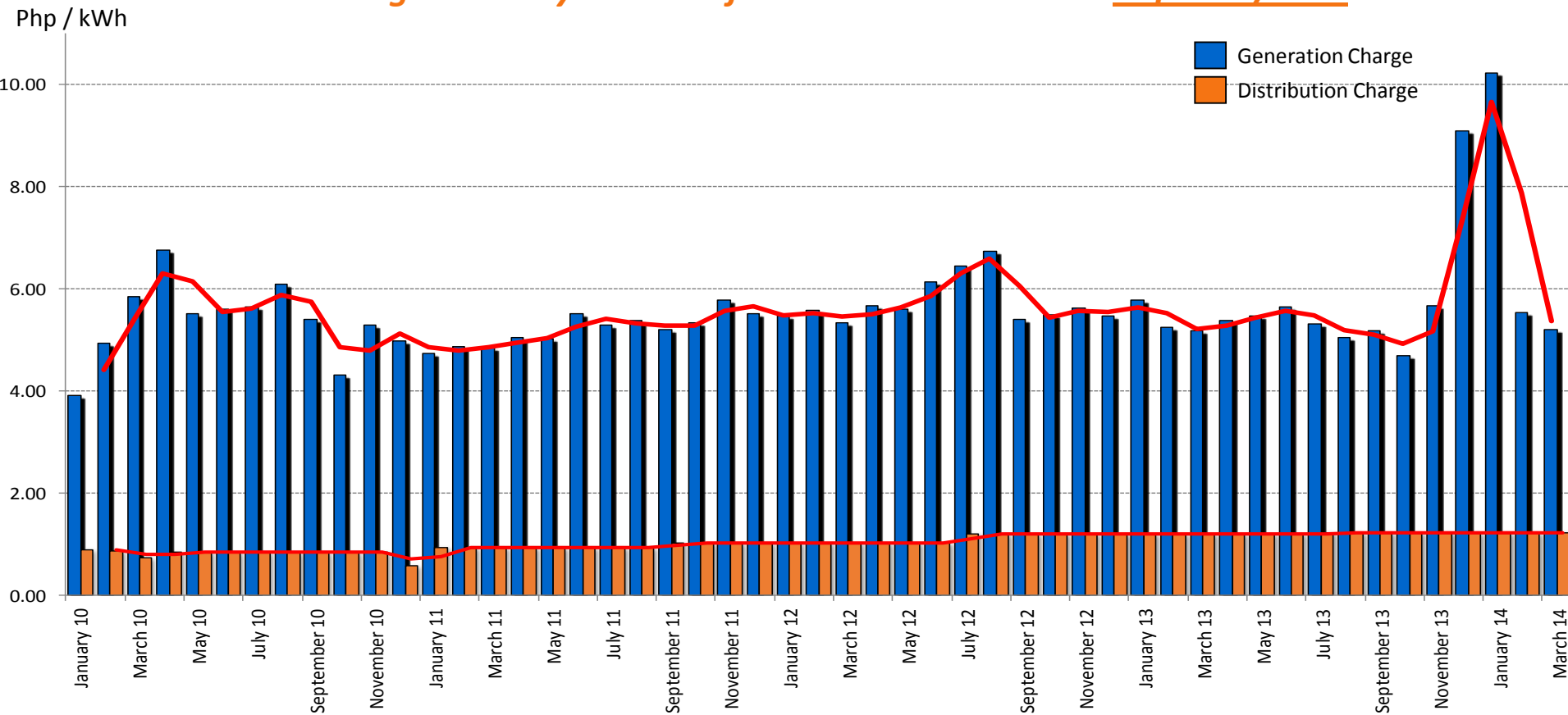


II. A. GENERATION

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Average monthly increase from Jan '10-Mar '14 is Php 0.01/kWh



II. A. GENERATION

Factors affecting Generation Charge

WESM Prices



Power Plants Dispatch (level of plant utilization)



Fuel Prices



Forex Rate

CANADA	CAD	0.9512	0.8883
CHINA	CNY	7.3169	6.0910
EURO	EUR	0.6644	0.6100
JAPAN	JPY	109.00	102.00
SINGAPORE	SGD	1.3712	1.2630
HONG KONG	HKD	7.043	6.4072
NEW ZEALAND	NZD	1.1646	1.0675
MYR	MYR	3.2536	2.7918

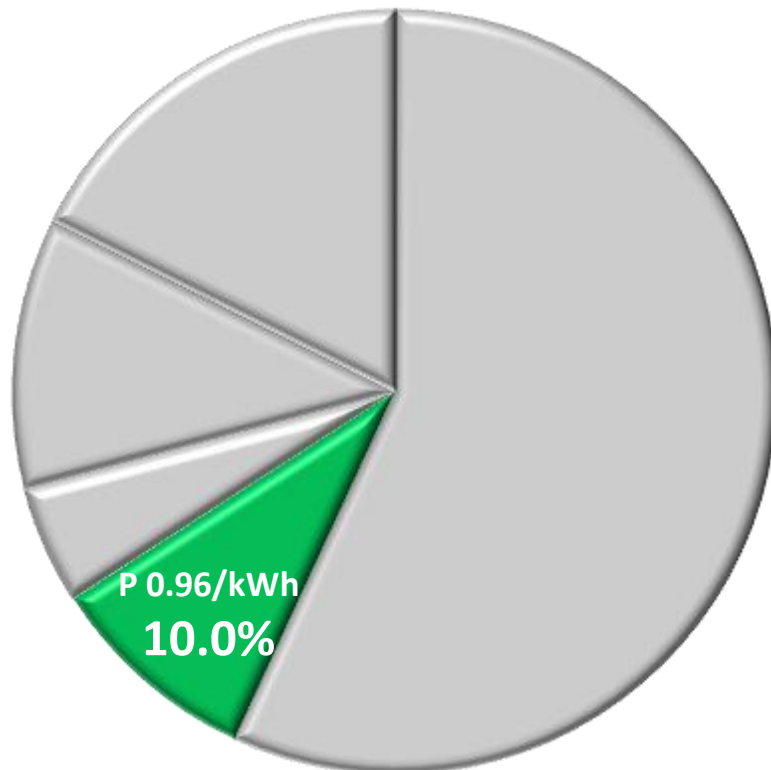
Season



II. B. TRANSMISSION

This is the cost of delivering electricity from generators (typically located in the provinces) to Meralco's distribution system. This goes to the National Grid Corporation of the Philippines (NGCP)

1Q 2014 Share per Bill Component



Components of the Transmission Charge

1

Wheeling Charges

- Power Delivery Service
- System Operations Charge
- Supply & Metering Charges

Goes to
NGCP

2

Ancillary Service Charges

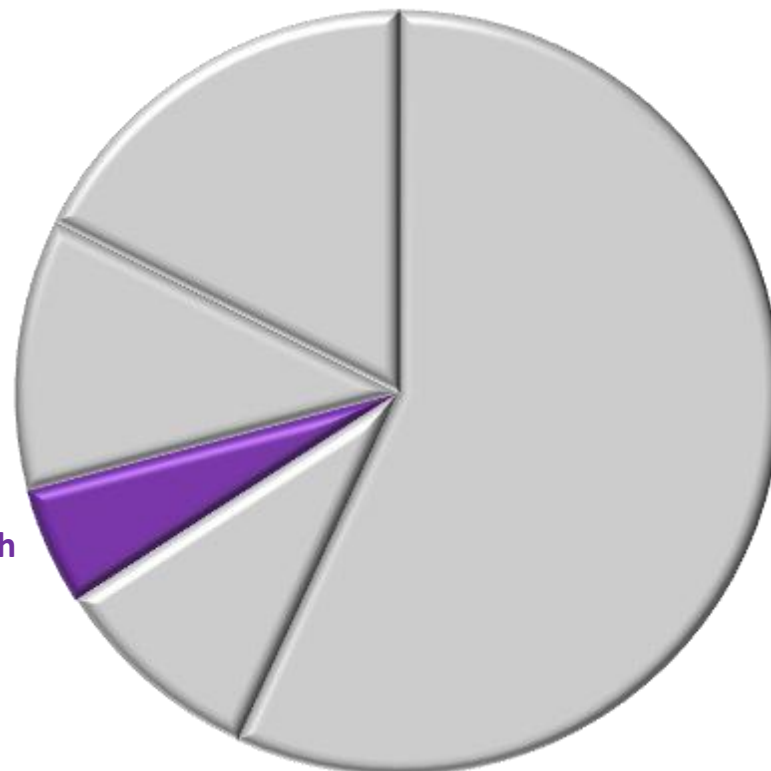
- Dispatchable Reserve
- Contingency Reserve
- Frequency Regulation
- Reactive Power Support
- Black Start

Goes to
Power
Generators
(pass-thru cost)

II. C. SYSTEM LOSS

*The recovery of power lost due to technical & non-technical system losses.
 This cost is collected by Meralco for the Generation Companies and NGCP*

1Q 2014 Share per Bill Component



RA 7832: Anti-Electricity Pilferage Act

Imposes stiffer penalties for electricity pilferage, but sets ceiling on system losses that can be recovered through rates

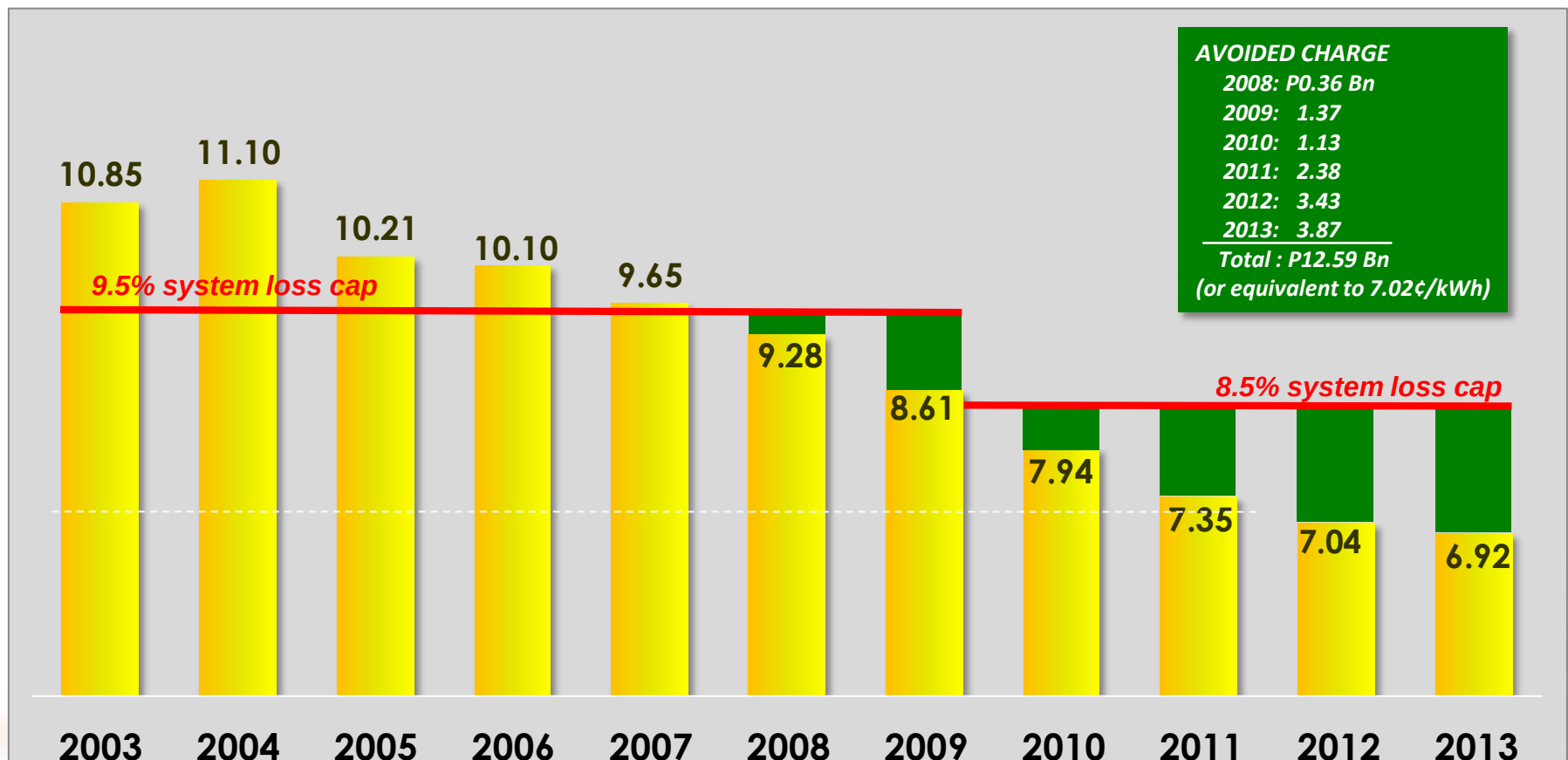
System loss is part of Distribution Utility's (DU) performance metrics and is regularly monitored by the ERC.

Year	System Loss Cap*
1996	14.50%
1997	13.25%
1998	11.75%
1999-2009	9.5%
2009-present	8.5%

* As a percentage of Net System Input (NSI)

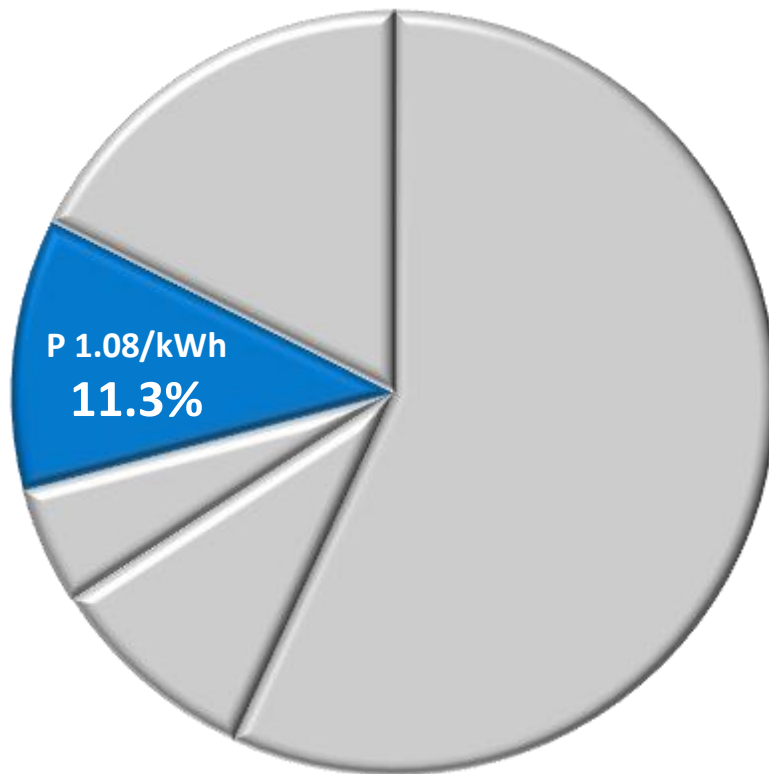
Meralco System Loss Performance

➤ Record system loss at 6.92%



II. D. TAXES, SUBSIDIES & UNIVERSAL CHARGES

1Q 2014 Share per Bill Component



1. Value Added Tax (VAT)
2. Local Franchise Tax
3. Lifeline Subsidy
4. Missionary Electrification Charge
5. Environmental Charge

II. D. TAXES, SUBSIDIES & UNIVERSAL CHARGES

Taxes

Value Added Tax

With Republic Act 9337, VAT was imposed on the power industry, in lieu of the national franchise tax. **Goes to the national government**

Local Franchise Tax

Distribution utilities are required to pay local franchise taxes. **Goes to local government units**

Universal Charges

A non-bypassable charge **remitted to the Power Sector Assets and Liabilities Management Corporation (PSALM)**

Missionary Electrification Charge

The amount collected is used for the electrification activities of Small Power Utilities Group (SPUG) that gives basic electric service to remote & unviable-to-serve areas

Environmental Charge

The amount collected is used to rehabilitate and maintain watershed reservations surrounding hydroelectric plants for sustained power generation

II. D. TAXES, SUBSIDIES & UNIVERSAL CHARGES

Lifeline Subsidy & Discount

Section 73 of EPIRA: “A **socialized pricing mechanism called a lifeline rate for the marginalized end-users shall be set by the ERC**, which shall be exempted from the cross subsidy phase-out under this Act for a period of ten (10) years, unless extended by law. The level of consumption and the rate shall be determined by the ERC after due notice and hearing”

Discounts to marginalized end-users will be subsidized by all other customers of the Distribution Utility

KWh Consumption	Distribution Charge	Lifeline Rate Subsidy (₱/kWh)	Lifeline Discount (% of Charge)
1-20	1.0278	-	100%
21-50	1.0278	-	50%
51-70	1.0278	-	35%
71-100	1.0278	-	20%
101-200	1.0278	0.1283	-
201-300	1.3851	0.1283	-
301-400	1.7223	0.1283	-
401 up	2.3096	0.1283	-

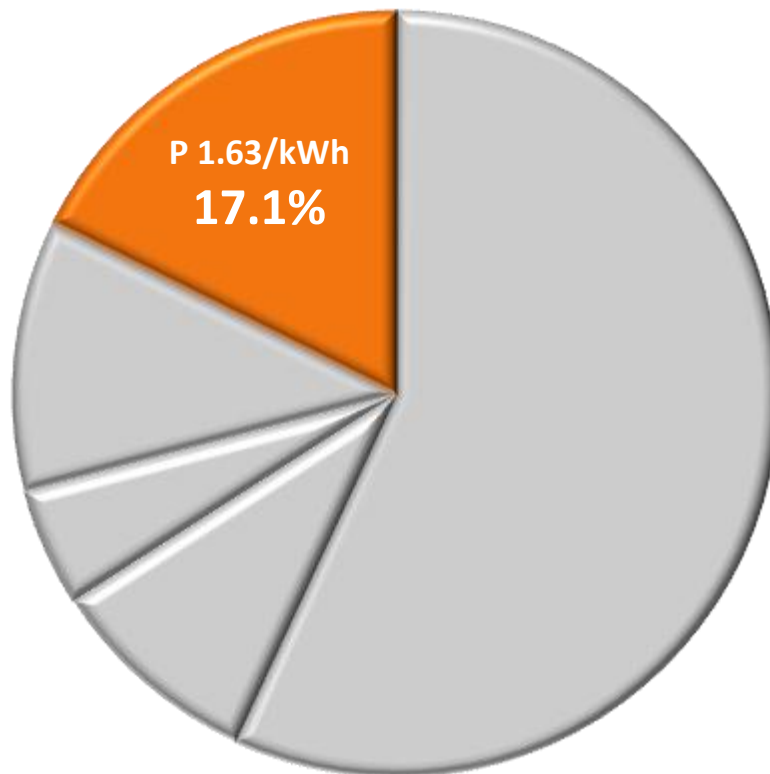
Customers with low consumption simultaneously enjoy a lower distribution charge and a lifeline discount

On the other hand, larger consumers are both imposed a higher distribution charge and provide a lifeline subsidy

II. E. MERALCO CHARGE

This is the cost of delivering electricity from the transmission system to the end users (residential, commercial & industrial business). This goes to Meralco.

1Q 2014 Share per Bill Component



Components of the Meralco Charge

1. Distribution Charge
2. Metering Charge
3. Supply Charge*

II. E. MERALCO CHARGE

Distribution Charge

This pays the cost of building, operating and maintaining the distribution system of the Distribution Utility, which brings power from high-voltage transmission grids, to commercial, industrial and residential end-users

DISTRIBUTION UTILITY

- Regulated common carrier business requiring a franchise
- Subject to regulation by ERC
- As of 2009, the distribution sector is composed of
 - 120 electric cooperatives
 - 17 private utilities
 - 8 local government-owned utilities



II. E. MERALCO CHARGE

Metering Charge

The cost for reading, operating and maintaining of power metering facilities



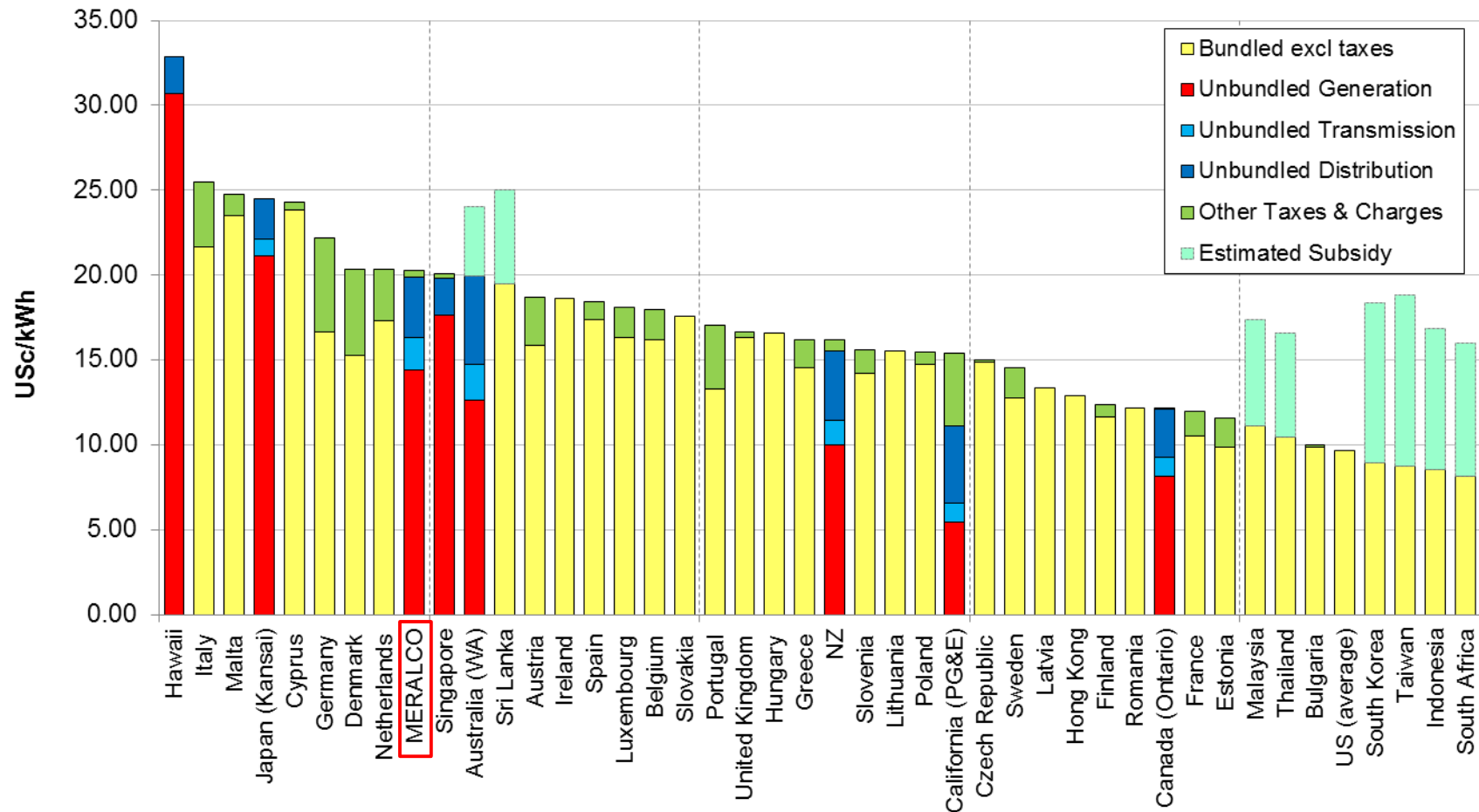
Supply Charge

The cost for rendering services to customers, such as billing, collection, customer assistance and associated services.



III. RANKING THE PHILIPPINES' ELECTRICITY RATE

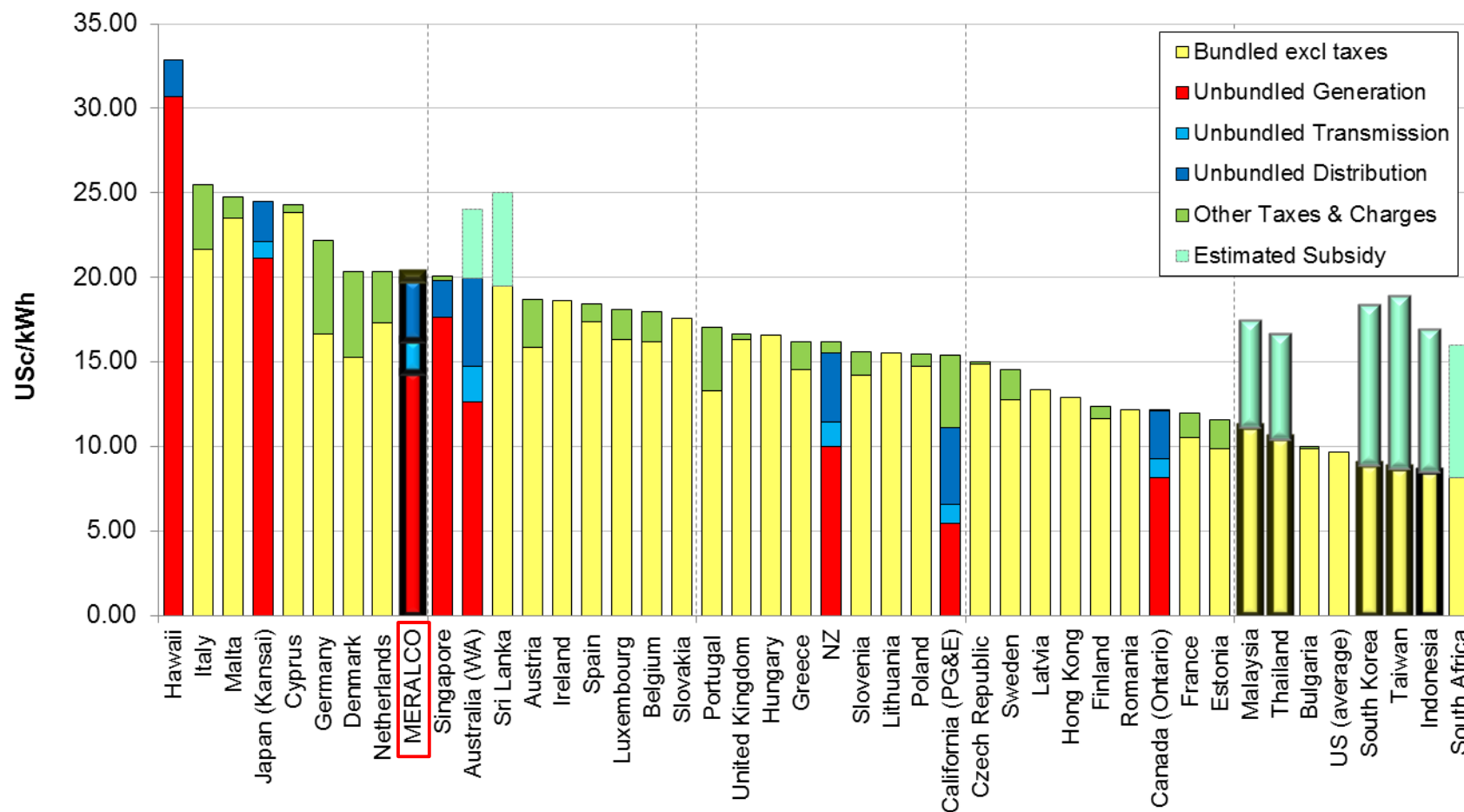
A study made by International Energy Consultants (IEC) in June 2012 revealed that Meralco's electricity rate ranks in the top quintile of 44 countries surveyed.



III. RANKING THE PHILIPPINES' ELECTRICITY RATE

Why are Meralco rates higher VS others?

1) GOVERNMENT SUBSIDIES

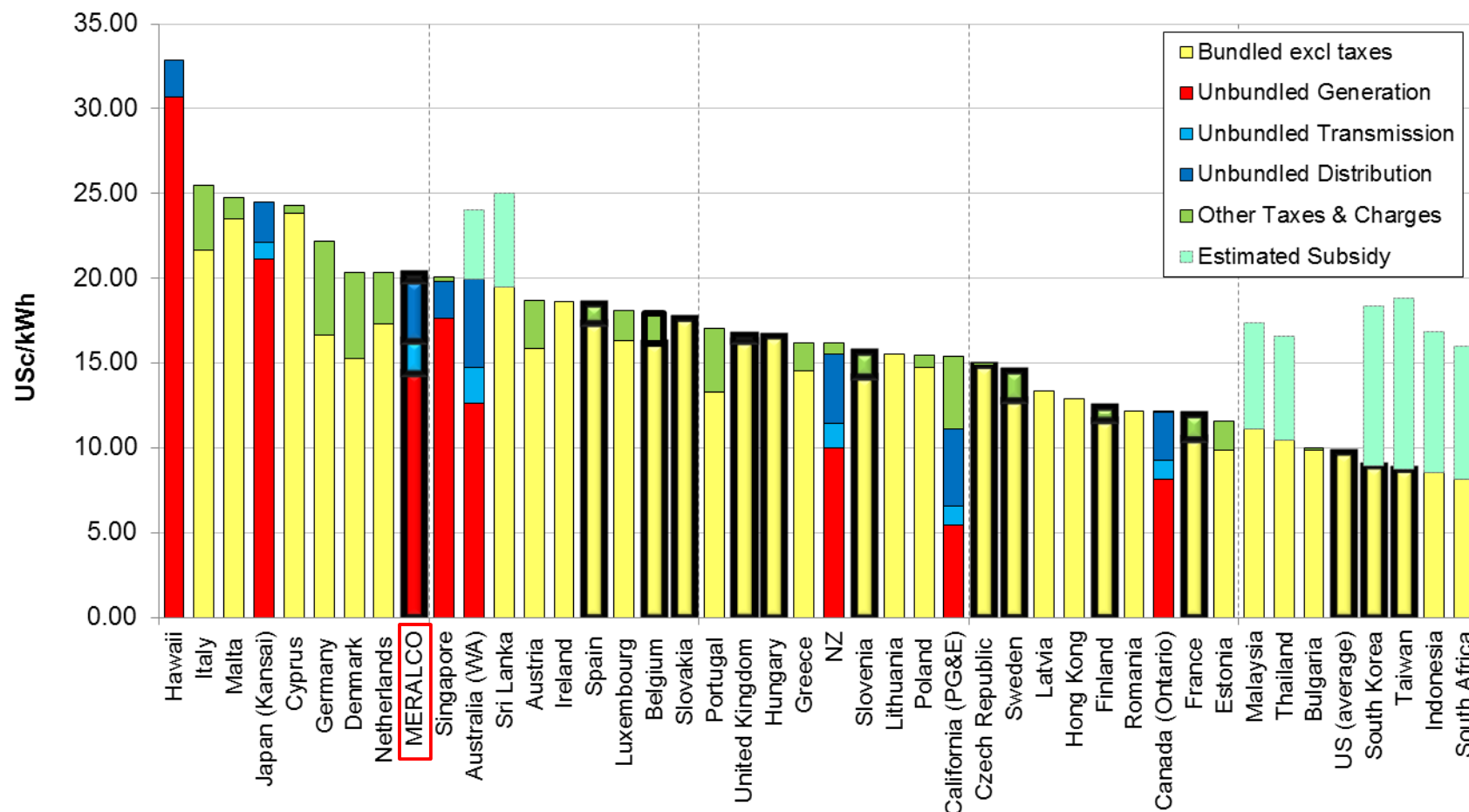


III. RANKING THE PHILIPPINES' ELECTRICITY RATE

Why are Meralco rates higher VS others?

2) HIGH COST OF SUPPLY

- Dependence on fossil fuel

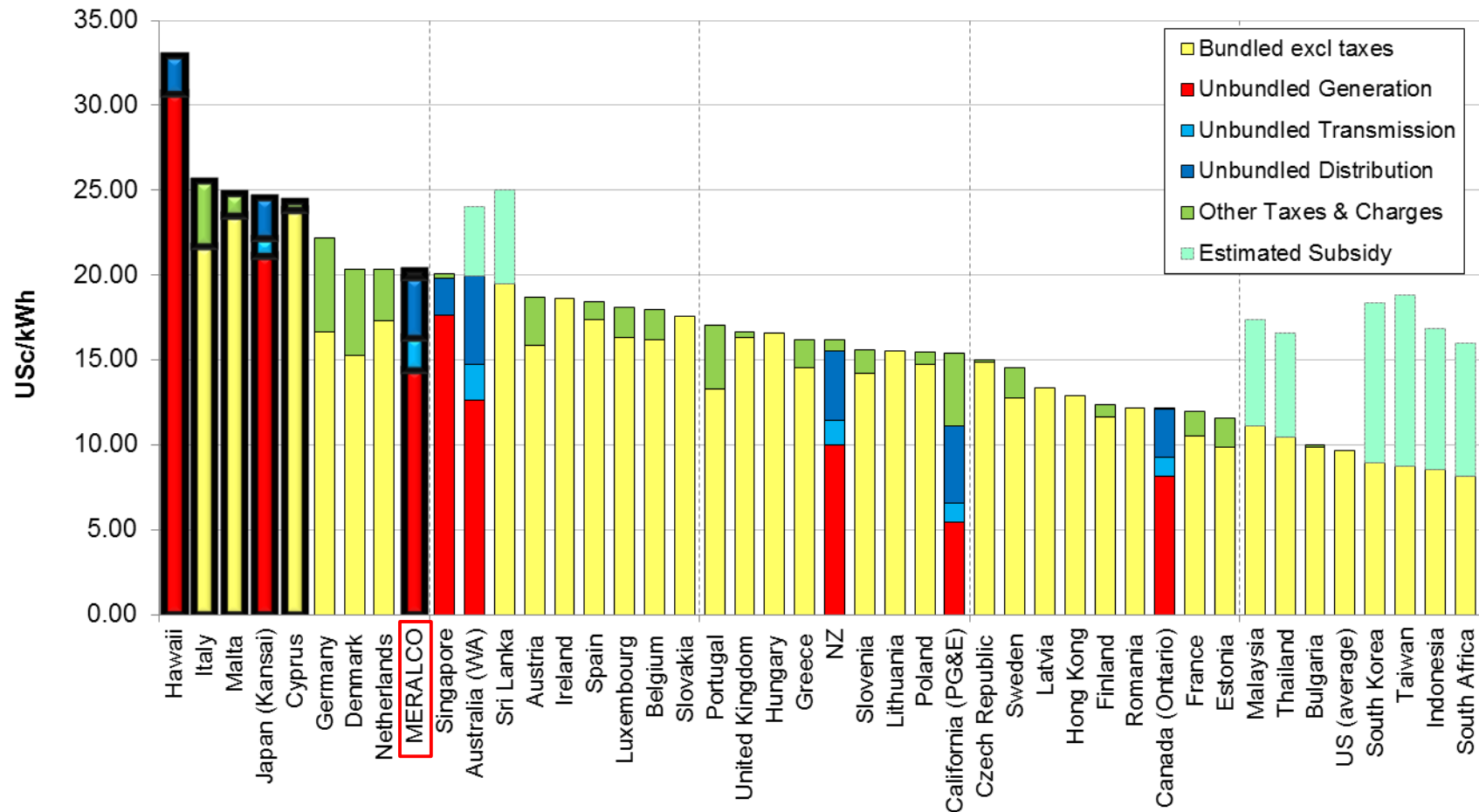


III. RANKING THE PHILIPPINES' ELECTRICITY RATE

Why are Meralco rates higher VS others?

2) HIGH COST OF SUPPLY

- Geographic challenges (island nations)



IV. MERALCO'S EFFORTS TO MANAGE ELECTRICITY RATES

a. Negotiated Power Supply Agreements with generation companies

In 2013, Meralco secured long-term Power Supply Agreements (PSAs) which reduced the generation charge component of the Meralco bill

	JAN 2013 SUPPLY MONTH		DEC 2012 SUPPLY MONTH	RATE CHANGE
	% SHARE	RATE	RATE	
PSAs	55%	P4.41	P5.51*	(P1.10) 
IPPs	39%	P5.24	P4.95	P0.28 
Others**	6%	P12.83	P12.48	P0.35 
Gen Charge		P5.24 Feb 2013	P5.79 Jan 2013	(P0.55) 

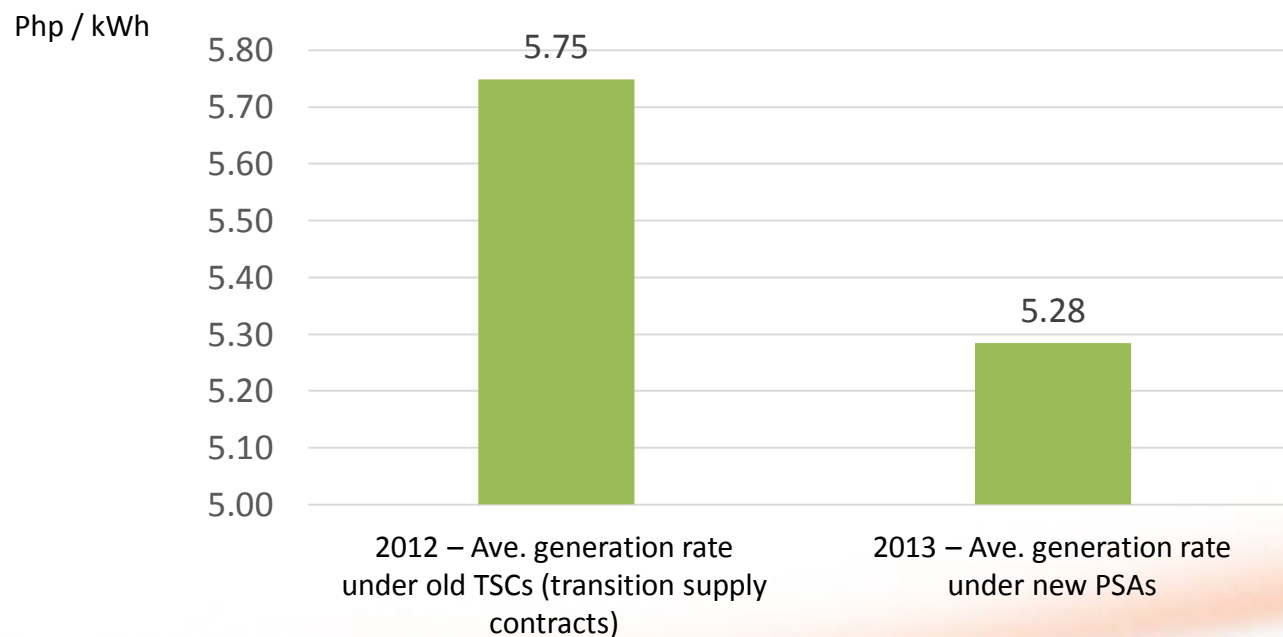
*NPC - TSC

** WESM, OTHER IPPS; NPC TSC (Jan 2013)

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IV. MERALCO'S EFFORTS TO MANAGE ELECTRICITY RATES

b. Entry into Power Generation



MGen is a wholly-owned subsidiary of Meralco. MGen's mission is to develop highly cost competitive and reliable power plants, and ensure the provision of adequate, reliable and affordable power to residential, commercial and industrial customers in the Meralco franchise area and in other areas which may benefit from its supply of power.

MGen is in the process of developing multiple power generation projects for a planned portfolio of up to 2,700 MW total power generation capacity

- Ongoing site preparation for a 2x300 MW coal-fired plant in Subic thru RP Energy Inc.
- Joint study with Chubu Electric Power (Japan) for an LNG-fired plant in Atimonan, Quezon
- Partnership with Shell Philippines for an LNG-fired plant in Batangas
- Signed MOU with Global Business Power Corporation for potential projects in Visayas and Mindanao

IV. MERALCO'S EFFORTS TO MANAGE ELECTRICITY RATES

c. Peak/Off-Peak Rates



Meralco POP is an energy-pricing scheme which offers rates based on the time of day electricity is generated and on the cost of supplying electricity during that time. Rates are higher than average during peak period and significantly lower during off-peak periods.

Php / kWh	Dry Season	Wet Season
Peak Rate	7.48	7.28
Off-Peak Rate	3.55	3.55
Difference	3.94	3.73

IV. MERALCO'S EFFORTS TO MANAGE ELECTRICITY RATES

c. Peak/Off-Peak Rates



Days	Peak	Off-Peak
Monday-Saturday	8am – 9pm (13 hours)	9pm – 8am (11 hours)
Sunday	6pm – 8pm (2 hours)	8pm – 6pm (22 hours)

How to avail (for business):

- 1) Send a letter of intent addressed to your Relationship Manager
 Meralco will:
 - Update your service contract, including the bill deposit
 - Send a charge letter for the one-time application fee of Php 24,908.00 + 12% VAT
- 2) Pay the one-time application fee to the CBG Technical Support team
- 3) Submit the notarized signed Memorandum of Agreement

Thank You!