



November 28, 2022

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Gentlemen:

We reply to your letter dated November 28, 2022 (received thru EDGE Submission System at 09:56 a.m. yesterday) requiring us to clarify and/or confirm the information contained in the news article entitled “Meralco wants 1,070-MW emergency power deals exempted from bidding” posted in manilastandard.net on November 28, 2022. The article reported in part that:

“Power retailer Manila Electric Co. renewed its call to the Department of Energy over the weekend for the exemption from the competitive selection process of 1,070 megawatts of emergency power supply agreements.

Meralco said this was to ensure supply security in the wake of the Court of Appeals’ issuance of a 60-day temporary restraining order on the Energy Regulatory Commission’s rejection of San Miguel Corp.’s joint petition with the power retailer for a rate increase under a 2019 power supply agreement.

Meralco first vice president and head of regulatory management Jose Ronald Valles said the company had received the official copy of the TRO on the PSA between Meralco and SMC subsidiary South Premiere Power Corp.

‘We are reviewing the resolution in consultation with our counsel to determine the next steps,’ Valles said.

‘We have also written the DOE to follow up on our previous letter requesting for CSP exemption of certain emergency PSAs that are ready to be implemented to shield our customers against volatile and potentially higher WESM [Wholesale Electricity Spot Market] price,’ the executive said

Meralco is seeking CSP exemption for the one-year PSA for the following generators: SEM Calaca Power Corp. (200 MW), GNPowder Dinginin Ltd. Co. (300 MW), Masinloc Power Partners Co. Ltd. (250 MW), SMC Consolidated Power Corp. (200 MW) and SPPC (120 MW).

Based on the previous presentation of Meralco, it said the EPSA offers ranged from P7.80 to P10.21 per kilowatt-hour, higher than what SPPC was asking for about P6.0691 per kWh.

Meralco said this would mean a P12.6-billion burden to consumers, adding that the ERC approval of the temporary rate adjustment and the grant of the change in circumstances of the SMC PSAs was compliant with the least cost mandate of the Electric Power Industry Reform Act of 2001.

The distributor said if it failed to get an approval from the DOE, it would be forced to secure supply from the WESM, the trading floor of electricity where electricity prices were volatile.

The CA order suspended the implementation of SPPC’s PSA with Meralco as it ‘empathizes with petitioner’s serious losses, which are capable to render it insolvent due to unforeseeable cost’.

‘In view of the circumstances and the interest of the general public, this court grants the TRO and hereby suspends the implementation of the PSA. The TRO shall be effective for a period of 60 days from service on respondents,’ the CA said in its decision.

Meralco and SMC are expected to discuss the impact of the TRO and whether the SPPC would continue to supply or terminate the PSA.

Meralco head of utility economics Lawrence Fernandez said the impact of the TRO, if any, would be during the December supply months that would be reflected in the January generation charge.

...”

We would like to confirm the statements in the news article attributed to our Atty. Jose Ronald V. Valles, First Vice President and Head, Regulatory Management Office, and Lawrence S. Fernandez, Vice President and Head, Utility Economics, with a clarification that the actual capacity and the suppliers for the Emergency Power Supply Agreements are still to be determined.

Thank you.

A handwritten signature in black ink, appearing to read 'William S. Pamintuan', is positioned above the printed name.

WILLIAM S. PAMINTUAN
Senior Vice President
Assistant Corporate Secretary &
Information Disclosure Officer