

Affordability

Delivering Energy Attainable by All

SASB IF-EU-240



Affordability is not only crucial to maximize the positive impacts of power, particularly in emerging economies like the Philippines—it is also one of Meralco’s primary legal responsibilities. Republic Act 9209 mandates the Company to “supply electricity to its captive market in the least-cost manner.” At the same time, by providing lower electricity prices, we help improve quality of life and drive economic activity. As such, we strive to deliver fairly priced electricity, in full compliance with the regulatory standards set by the Energy Regulatory Commission ("ERC"), to power homes and enterprises within our service area. Mindful of the impact of energy supply on the cost of power, we are committed to expanding our own generation capacity through MGEN by constructing new power plants that leverage different technologies, enabling us to help lower electricity costs in the country.

A. Maintaining Affordability for Our Customers

AVERAGE RETAIL ELECTRICITY RATE (in PhP/kWh)

	MERALCO			CLARK ELECTRIC		
	2022	2023	2024	2022	2023	2024
Residential	10.40	11.86	12.14	6.68	6.60	6.70
Commercial	9.57	10.36	10.14	6.67	6.56	6.65
Industrial	8.31	9.10	8.86	6.47	6.40	6.50
OVERALL	9.52	10.55	10.54	6.58	6.50	6.59

Meralco’s average retail rate was flat at PhP 10.54 per kWh in 2024 from PhP 10.55 per kWh in 2023 due to lower generation charges that offset increases in transmission and other charges. The generation charge, which accounted for about 62.8% of the total retail rate, went down by almost 5.8% due to lower Wholesale Electricity Spot Market (“WESM”) charges, decrease in international coal prices, and the implementation of generation

over-recovery adjustments based on the ERC’s Resolution on Automatic Cost Adjustments and True-Up mechanisms of Pass-through Charges.

Meanwhile, Clark Electric’s overall average retail rate grew from 2023 to 2024 due to relatively higher energy sales from key primary-metered customers in the hotel and casino, aviation, mixed-use facility, and telecommunication sectors.

SYSTEM LOSS METRICS

	MERALCO			CLARK ELECTRIC		
	2022	2023	2024	2022	2023	2024
Amount of energy lost through the distribution system (in MWh)	2,919,488	3,095,968	3,373,343	11,868	13,388	16,692
Energy lost in the distribution system vs. net system input (in %)	5.77	5.88	5.99	1.81	1.92	2.28
Customer savings due to lower system loss vs. ERC’s system loss cap (in PhP million)	4,688.26	4,876.21	5,060.41	139.51	164.50	146.15

We continued to take proactive steps to lower both technical system loss (inherent limitations in the physical delivery of electricity) and non-technical system loss (caused by actions external to the power system including electricity pilferage, inaccurate registration due to damaged meters, and natural wear and tear or facilities). These losses, which are charged to our customers up to a statutory cap, are carefully managed by our Group

through continuous system improvement efforts as well as our collaboration with law enforcement officers, including the Philippine National Police, to prevent and enforce rules against illegal service connections. We periodically conduct studies to find the right balance between the benefits of a lower system loss and the capital expenditure ("CapEx") needed for improvement measures.

Meralco ended 2024 with a system loss performance of 5.99%, which is 0.11% higher than the 2023 level. The uptick was primarily driven by the higher share of high-loss-to-serve residential customers in the overall sales mix. Nevertheless, the Company remained significantly below the indicative 6.5% regulatory cap for the 17th consecutive year—which translated to a total of PhP 5.1 billion in customer savings.

Clark Electric's system loss rate rose to 2.28% in 2024 from 1.92% in 2023, but still remained below the mandated total system loss cap of 6.27%. The increase was driven by adjustments in customers' reading schedules that were made to align the Net System Input ("NSI") and energy sales readings as well as by the integration of the Kalaw-Sunvalley-Roxas 69-kV lines, which resulted in longer sub-transmission lines.



B. Reducing Electricity Costs with a Wider and Diversified Generation Portfolio

Meralco recognizes that a robust body of scientific evidence shows that the continuous combustion of fossil fuels exacerbates global warming. LNG and coal, however, continue to be cost-competitive and reliable energy sources in the Philippines today and remain the Company's primary sources of electricity for its customers. This approach helps Meralco fulfil its long-standing legal responsibility to provide the lowest-cost electricity as we gradually transition away from coal in our supply portfolio.

We have actively expanded our own power generation capacity through MGEN in ways that can help reduce costs for our customers. Our San Buenaventura Power Ltd. ("SBPL") coal-fired facility in Quezon has been steadily injecting energy to the Luzon grid since 2019. It uses the latest coal technology called HELE, or High Efficiency Low Emissions, which emits lower carbon compared with a traditional coal-fired power plant.

