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November 19, 2019

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Gentlemen:

We reply to your letter dated November 19, 2019 (received thru EDGE Submission System at 8:50 a.m. today) requiring us to clarify and/or confirm the information contained in the news article entitled “ERC denies Meralco bid to extend supply deal” posted in The Manila Times (Online Edition) on November 19, 2019. The article reported in part that:

“THE Energy Regulatory Commission (ERC) has rejected Manila Electric Co.’s (Meralco) application to extend its supply deal with a unit of AboitizPower Corp. until December 2022.

In its order, the regulator resolved to deny the motion to extend the power supply agreement (PSA) of Meralco with Therma Luzon Inc. (TLI), a wholly owned subsidiary of Therma Power, Inc. (TPI). TPI is the holding company for AboitizPower’s non-renewable energy projects.

The ERC said in its September 11, 2019 ruling that the listed firm should comply with the Department of Energy’s (DoE) circular promulgated in 2018 wherein a distribution utility (DU)

must procure power supply through the competitive selection process (CSP) except in case of emergency power supply.

The circular defines emergency power as the 'power required by the DU in the event that a DU's actual power supply falls below its load demand due to force majeure and fortuitous events or other analogous circumstances that are beyond the control of the DU and such shortfall cannot be addressed through any reasonable means within a month, subject to the final determination by the DoE.'

Meralco, however, failed 'to allege and substantiate that its situation falls under the aforecited exemption.'

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We would like to confirm the information contained in the above quoted news article. We also would like to add that the supply capacity covered by the said TLI PSA sought to be extended has already been included in the recently concluded baseload supply CSP of the Company.

Thank you.


GESLINE F. ALMERO
Senior Assistant Vice President &
Head of Financial Reporting