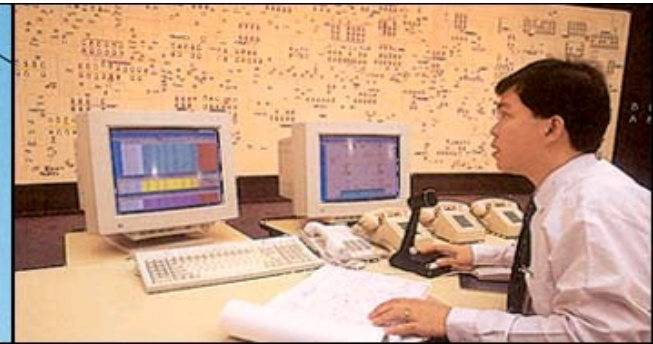


Towards competitive and reasonable electricity rates

January 31, 2008

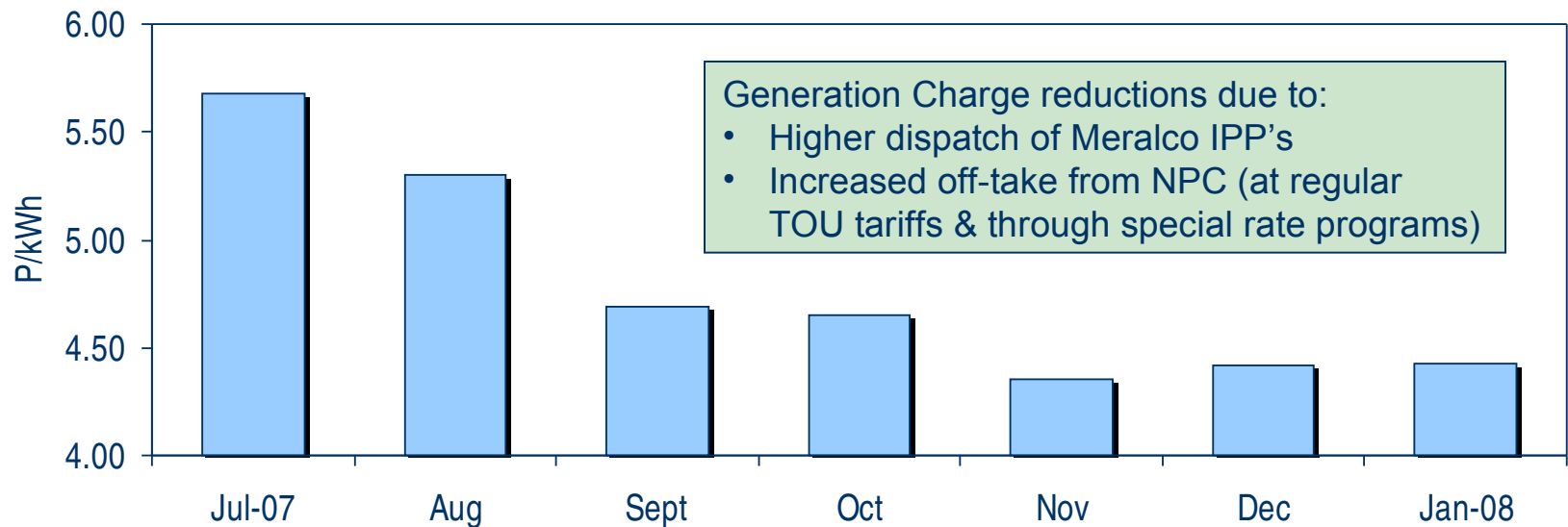


Components of the unbundled electric bill *(for the month of December 2007)*

<i>Component</i>	<i>Average Rate (P/kWh)</i>	<i>% of Total</i>
Generation	4.36	59%
Transmission	0.92	12%
System Loss	0.58	8%
Subsidies	(0.01)	0%
Taxes & Univ Chgs	0.65	9%
Subtotal	6.49	87%
Meralco Chgs	0.93	13%
Total	7.43	100%

Pass-through components

Generation Charges have gone down substantially in recent months



- The Generation Charge has stabilized to its lowest levels since early 2005, although it is still the single biggest component of the electric bill

Programs to address biggest unbundled bill component

- Meralco has launched **multiple programs** that address **single biggest component** of the unbundled bill and **provide customers choice**

<i>Component</i>	<i>Average Rate (P/kWh)</i>	<i>% of Total</i>
Generation	4.36	59%
Transmission	0.92	12%
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Total	7.43	100%

NPC Hourly Time-of-Use



Ecozone Rate

ODPS

Multiple programs to address the generation charge



PEZA-registered semicon manufacturer
2-MW load & 80% load factor



Residential customer
2,500-kWh consumption

- ✓ Blended average generation charge
- ✓ NPC Hourly TOU
- ✓ Meralco TOU
- ✓ Ecozone Rate
- ✓ ODPS

Self-Generating Non-PEZA-registered metal foundry
2-MW load & 50% load factor



Customer choice programs



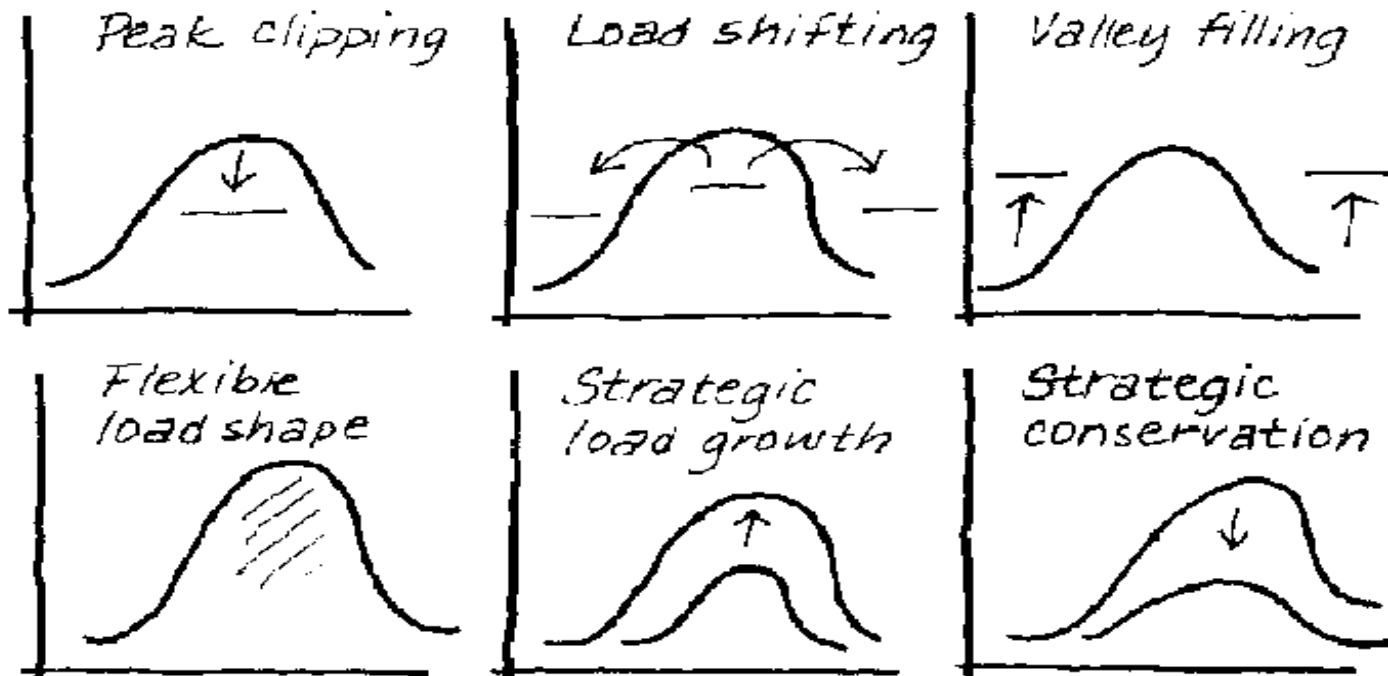
- NPC Hourly Time-of-Use
 - Based on NPC’s ERC-approved **hourly** Time-of-Use tariffs
 - Commercial & industrial customers with demand of at least 750-kW
- Meralco Time-of-Use Program
 - Provides four **“price buckets”** (Mon-Fri Peak & Off-peak; Sunday Peak & Off-peak)
 - Eligibility
 - Commercial & industrial customers, demand of at least 750-kW
 - Residential users (1st phase – 2000kWh, 2nd phase – 1000kWh)
- Ecozone Rate
 - Generation Charge: P3.52/kWh + adjustments (GRAM/ICERA/FBHC)
 - Scope: 10 ecozones + **PEZA-registered** industrial customers (at least 1MW & 80%-load factor)
- One-Day Power Sales
 - For **self-generating** end-users that wish to return to grid power

Addressing the cross-subsidy in generation charges

- Current Generation Charge is a uniform “P/kWh” rate, regardless of size of user or pattern of consumption
- New rate programs will lead to different effective Generation Charges for different customers
 - Reduces embedded cross-subsidy

Various customer choice programs provide incentives for DSM

- Customer choice programs provide a variety of pricing signals for demand-side management (DSM)



Further differentiation of System Loss Charges

<i>Component</i>	<i>Average Rate (P/kWh)</i>	<i>% of Total</i>
Generation	4.36	59%
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Total	7.43	100%

- Differentiation of System Loss Charges being explored
- Present System Loss Charges do not recognize special characteristics of facilities in ecozones:
 - Compact area; facilities easier to secure and maintain
 - Proximity to substations or delivery points

Breakdown of the Meralco Rate

December 2007

	<i>Dec-06</i>	<i>Dec-07</i>	<i>% of Total</i>	<i>Res'l</i>	<i>Comm'l</i>	<i>Ind'l</i>
Generation	4.78	4.36	59%	4.29	4.39	4.34
Transmission	0.94	0.92	12%	0.92	1.03	0.77
Meralco Chgs	1.05	0.93	13%	1.82	0.69	0.33
System Loss	0.64	0.58	8%	0.73	0.56	0.44
Subsidies	(0.01)	(0.01)	0%	(0.26)	0.10	0.10
Taxes/Univ Chg	0.69	0.65	9%	0.79	0.68	0.47
TOTAL	8.08	7.43	100%	8.28	7.46	6.45

Small end-users continue to receive *Lifeline Discounts*

- Lifeline Discount
 - Applied to sum of Generation, Transmission, Distribution, Supply, Metering, and System Loss charges

KWh Consumption	% Lifeline Discount
1-50 kWh	50.00%
51-70 kWh	35.00%
71-100 kWh	20.00%

- Last October 2007, Meralco had **1.7 million lifeline customers**
 - Accounted for **43% of all residential end-users**
- Lifeline discount is subsidized by all other customers through a subsidy that is currently at 11.32-¢/kWh

About three-fourths of all residential customers receive a subsidy through lower distribution charges

KWh Consumption	Customer Count	Cumulative Share of Total	Distribution Charge (₱/kWh)
0-50	706,652	17.5%	0.5729
51-70	409,933	27.6%	0.5729
71-100	617,084	42.9%	0.5729
101-200	1,241,482	73.6%	0.5729
201-300	526,421	86.6%	0.8765
301-400	230,852	92.3%	1.1628
Over 400	309,123	100.0%	1.6615

Note: Residential customer breakdown is for October 2007

Developments in the “Meralco Charges”

- Meralco Charges = **distribution, supply, & metering** charges
- **Performance-Based Regulation** is now mandatory for private distribution utilities
 - Meralco, with CEPALCO & DECORP, are the first entrants
 - Release of “Final Determination” last August 31
- Under PBR, distribution utilities have to undertake committed CAPEX and other programs **while meeting specific performance standards**

<i>Component</i>	<i>Average Rate (P/kWh)</i>	<i>% of Total</i>
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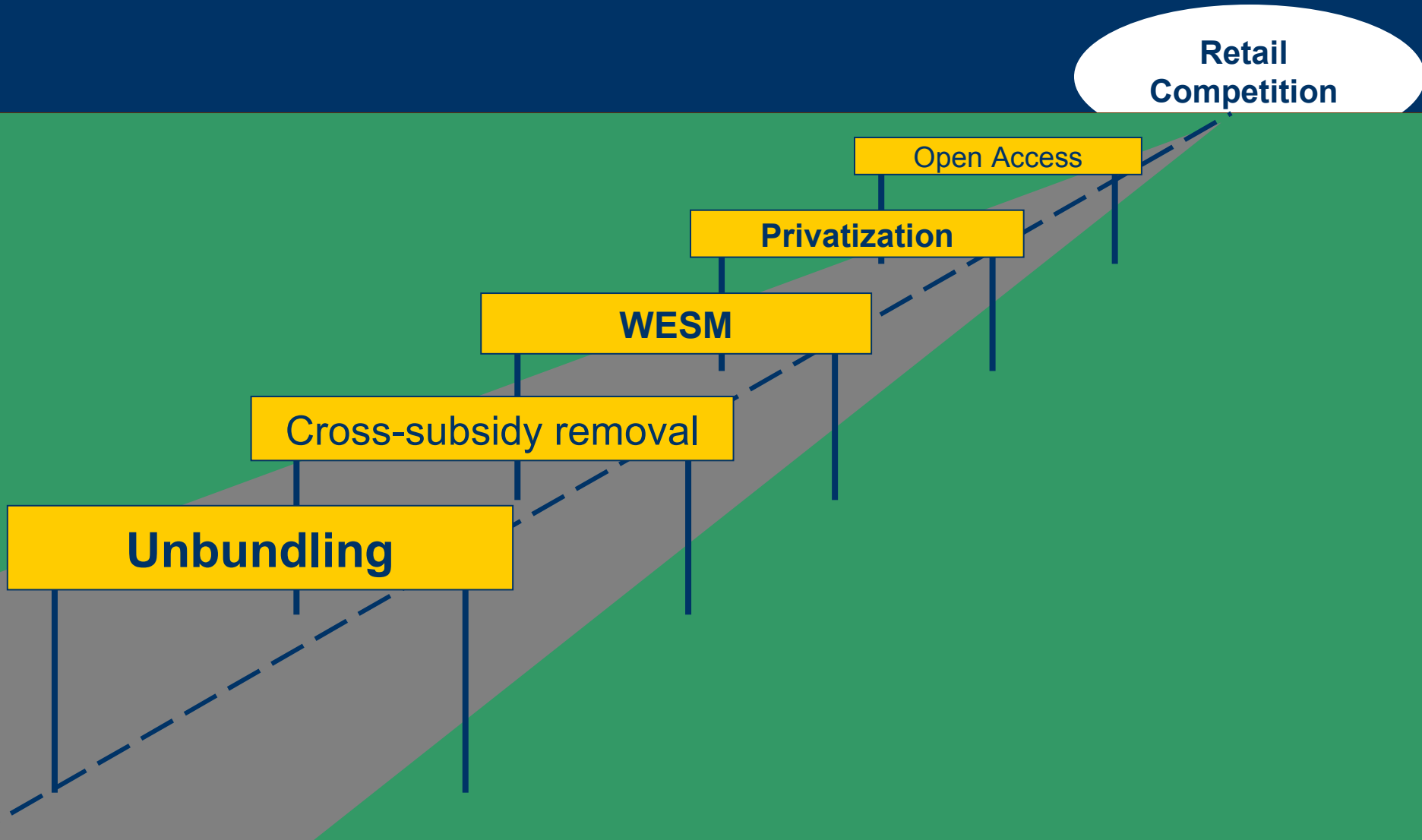
Under PBR: DU's have rewards & penalties depending on performance

PRICE-LINKED INCENTIVE SCHEME	Units	Wt.	Target (Dead-band)
Interruption Frequency Rate (IFR) – Forced and Pre-arranged	#	0.20	$15.40 \geq \text{IFR} \geq 5.90$
Cumulative Interruption Time (CIT) – Forced only	Hrs	0.20	$9.56 \geq \text{CIT} \geq 3.52$
Cumulative Interruption Time (CIT) – Pre-arranged only	Hrs	0.15	$6.19 \geq \text{CIT} \geq 1.94$
Voltage Regulation Index: Probability of Voltage Violation (pVv)	%	0.10	$5\% \geq \text{pVv} \geq 3\%$
System Loss (Current)	%	0.05	$\text{SL} \geq 11.27\%$
Time to Process Applications (TPA)	Day	0.10	$19 > \text{TPA} \geq 7$
Time to Connect Premises (TCP)	Day	0.10	$4 > \text{TCP} \geq 2$
Call Center Performance (CCP)	%	0.10	$25.5\% > \text{CCP} \geq 12.66\%$

Under PBR: DU's have rewards & penalties depending on performance

GUARANTEED SERVICE LEVEL	Weighting	Threshold	Penalty Level
Customer experiencing a total duration of sustained service interruptions in a RY that exceeds threshold (GSL1)	37.0%	35 Hours	P 120
Customer experiencing a number of sustained service interruptions in a RY that exceeds threshold (GSL2)	8.5%	25 Times	P 150
Restoration of supply to a customer after a fault on the secondary distribution network taking longer that the threshold time (GSL3)	43.2%	15 Hours	P 120
Customer connection not provided on the day agreed with the customer (GSL4)	11.3%	>1 day late	P 47/day (max of P235)

The Road to Restructuring





Haliging matatag, Sandigan sa lahat ng oras.

