

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

RESOLUTION NO. 14, Series of 2022

**A RESOLUTION ADOPTING THE REVISED RULES
GOVERNING THE AUTOMATIC COST ADJUSTMENT AND
TRUE-UP MECHANISMS AND CORRESPONDING
CONFIRMATION PROCESS FOR DISTRIBUTION UTILITIES**

WHEREAS, Resolution No. 16, Series of 2009, entitled “*A Resolution Adopting the Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities*” was adopted consolidating, updating and rationalizing the requirements for automatic cost adjustment mechanisms, and establishing a systematic confirmation process that conforms with the due process requirement for the automatic cost and true-up mechanisms, including the reportorial requirement;

WHEREAS, Resolution No. 21, Series of 2010, entitled “*A Resolution Amending Section 4 of Article 4 and Section 1 of Article 5 of the Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities*” was adopted prescribing a new formula in the determination of the actual system loss as well as the period of filing of the Distribution Utilities’ consolidated applications for confirmation of over/under recoveries on the implementation of various automatic cost adjustment and true-up mechanisms;

WHEREAS, Resolution No. 23, Series of 2010, entitled “*A Resolution Adopting the Rules Implementing the Discounts to Qualified Senior Citizen End-Users and Subsidy from the Subsidizing End-Users on Electricity Consumption Under Sections 4 and 5 of Republic Act No. 9994*” was adopted to establish a process of revenue neutral implementation of the Senior Citizen Discount and Subsidy Rates by Distribution Utilities;

WHEREAS, to conform with the subsequent issuances after the adoption of Resolution No. 17, Series of 2009, the Commission issued Resolution No. 24, Series of 2011, entitled “*A Resolution Adopting the Revised Uniform Reportorial Requirement (URR) By All Distribution*

Utilities,” prescribing the Revised URR Excel Model to be adopted by Distribution Utilities starting January 2012;

WHEREAS, in order to ensure appropriate recovery of the various pass-through costs in an efficient manner and to establish a fair, timely and transparent process for: (a) calculating the automatic cost adjustments implemented by Distribution Utilities; (b) monitoring the accuracy of these adjustments and ensuring prompt reversal of discrepancies; and (c) confirmation of the automatic cost adjustments implemented by Distribution Utilities and the true-up of other pass-through charges as approved by the ERC, the latter recognized the need to introduce amendments and/or changes in the existing guidelines;

WHEREAS, on 05 June 2018, the Commission approved for posting on its website www.erc.gov.ph, the first draft of the proposed “*Revised Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities*” wherein electric power industry stakeholders were invited to submit their comments thereon until 26 June 2018;

WHEREAS, the Commission conducted public consultations in Luzon, Visayas and Mindanao on 31 August 2018, 03 September 2018 and 04 September 2018, respectively, for the adoption of the Revised Draft of the “*Revised Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities;*”

WHEREAS, after consolidating all the comments of the stakeholders to the initial draft Rules and public consultations conducted, focus group discussions in Luzon, Visayas and Mindanao were held on 22 October 2018 to 26 October 2018;

WHEREAS, on 27 November 2018, the Commission approved the posting of the Second Draft of the “*Revised Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities*” wherein electric power industry participants were again invited to submit their comments thereon until 10 December 2018;

WHEREAS, on 07 September 2022, the Commission approved the posting of the Third Draft of the “*Revised Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities*” with its corresponding Revised URR spreadsheet template wherein electric power industry

participants were again invited to submit their comments thereon until 19 September 2022;

WHEREAS, the Commission took note of all the submissions and considered all comments from the different electric power industry participants and stakeholders in the finalizations of the proposed rule;

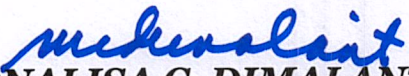
NOW THEREFORE, the Commission hereby **RESOLVES** to **APPROVE** and **ADOPT** the “*Revised Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities*,” with its corresponding “*Revised Uniform Reportorial Requirement (URR) Spreadsheet Template*,” hereto attached as Annexes A and B, respectively.

This Resolution shall take effect fifteen (15) days following its publication in a newspaper of general circulation in the country.

Let copies of this Resolution be furnished to all parties concerned, the University of the Philippines Law Center – Office of the National Administrative Register (UPLC-ONAR) and all industry stakeholders, as well as published in the Commission’s website and such other online platform available to the Commission.

Pasig City, 19 December 2022.

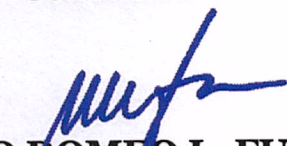



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**REVISED RULES GOVERNING THE AUTOMATIC COST
ADJUSTMENT AND TRUE-UP MECHANISMS AND
CORRESPONDING CONFIRMATION PROCESS FOR
DISTRIBUTION UTILITIES**

Pursuant to Section 43 (f) and (t) of Republic Act No. 9136, Rule 7 of its Implementing Rules and Regulations (IRR), and Section 10 of Republic Act No. 7832, the Energy Regulatory Commission (ERC) hereby adopts and promulgates these Rules to establish a procedure for the automatic recovery or refund of pass-through costs and the confirmation process that would govern the automatic cost adjustment and true-up mechanisms approved by the ERC.

ARTICLE 1

GENERAL PROVISIONS

Section 1. Objectives

These Rules shall have the following objectives:

- 1.1** To ensure appropriate recovery of various pass-through costs in an efficient manner;
- 1.2** To put in place a fair, timely, and transparent process for:
 - 1.2.1** Calculating the automatic cost adjustments implemented by the Distribution Utilities (DUs);
 - 1.2.2** Monitoring the accuracy of these adjustments and ensuring prompt reversal of discrepancies; and
 - 1.2.3** Confirmation of the automatic cost adjustments implemented by the Distribution Utilities (DUs) and the true-up of other pass-through charges as approved by the Commission;
- 1.3** To ensure and maintain the quality, reliability, security, and affordability of the supply of electric power; and
- 1.4** To protect the public interest as it is affected by the rates and services of the DUs.

Section 2. Scope

These Rules shall apply to all DUs, and shall govern the recovery of the following pass-through costs:

- 2.1** Generation;
- 2.2** Transmission;

- 2.3 System Loss;
- 2.4 Lifeline Subsidy;
- 2.5 Senior Citizen Subsidy; and
- 2.6 Other Pass-through Costs as may be approved by the Commission, following the filing of applications by the DUs specifying a proposed adjustment mechanism.

In relation to item 2.6 above, the proposed adjustment mechanism to be filed by the DU may be guided by Articles 2 to 5 below, subject to the Commission's approval or modification, if applicable.

Section 3. Definition of Terms

Unless the context otherwise provides, the following words and terms used herein shall have the following meanings:

- 3.1 **“Act”** unless otherwise stated, shall refer to Republic Act No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001.”
- 3.2 **“Buying DU”** shall refer to any distribution utility that buys power from another DU (the Selling DU) for resale to its customers.
- 3.3 **“Captive Market”** shall refer to electricity end-users who do not have the choice of a Supplier of electricity, as may be determined by the Commission in accordance with the Act.
- 3.4 **“Commission”** shall refer to the Energy Regulatory Commission created under Section 38 of Republic Act No. 9136.
- 3.5 **“Contestable Customer (CC)”** shall refer to an electricity end-user who has a choice of a supplier of electricity as determined by the Commission in accordance with the Act and the Rules for Contestability.
- 3.6 **“Distributed Energy Resources (DER)”** shall refer to Power sources connected to distribution system or electrical system of End-Users, that could be aggregated to meet a demand.
- 3.7 **“Distribution Feeder Loss”** shall refer to the sum of Feeder Technical Loss and Non-Technical Loss as defined in ERC Resolution No. 10, Series of 2018,¹ and any amendments thereto.

¹ “A Resolution Clarifying the System Loss Calculation and Providing the Effectivity of the Rules for Setting the Distribution System Loss Cap” and any amendments thereto.

- 3.8 “Distribution System Loss (DSL)”** is the electric Energy Input minus the electric Energy Output for a specified billing period or set of billing periods as defined in ERC Resolution No. 10, Series of 2018.²
- 3.9 “Distribution System Loss Cap”** shall refer to the level of System Loss recoverable from customers, as provided for under ERC Resolution No. 10, Series of 2018.³
- 3.10 “Distribution Utility (DU)”** shall refer to any electric cooperative, private corporation, government-owned utility or existing local government unit which has an exclusive franchise to operate a distribution system in accordance with the Act.
- 3.11 “Electric Cooperative (EC)”** shall refer to a Distribution Utility organized and incorporated pursuant to Presidential Decree No. 269, as amended by Presidential Decree No. 1645 and Republic Act No. 6938, otherwise known as the Cooperative Code of the Philippines.
- 3.12 “Embedded Generator”** shall refer to generating units that are indirectly connected to the Grid through the distribution system that supplies power to the host DU or the grid.
- 3.13 “End-User”** shall refer to any person or entity requiring the supply and delivery of electricity for its own use.
- 3.14 “Energy Input”** is the energy delivered to the distribution system by the transmission system, embedded generators, other distribution systems, and user systems with generating facilities, as defined in ERC Resolution No. 10, Series of 2018.⁴
- 3.15 “Energy Output”** is the energy delivered to the users of the distribution system, including the energy for distribution utility use, as defined in ERC Resolution No. 10, Series of 2018.⁵
- 3.16 “Export Energy”** shall refer to the energy exported or delivered by the Qualified End-User from the Grid/Distribution System.
- 3.17 “Generation Rate (GR)”** shall refer to the rate associated with the purchase of power from power supplier/s and distribution utility-owned generation facility as incorporated in the approved unbundled rates or as subsequently authorized by the Commission.
- 3.18 “Generator Wheeling”** shall refer to generators that are connected to the distribution network but do not have a supply contract with a distribution utility.

² *Supra*, note 1.

³ *Ibid.*

⁴ *Ibid.*

⁵ *Ibid.*

- 3.19 “Generation Rate Adjustment Mechanism (GRAM)”** shall refer to the adjustment to rates for the change in NPC’s fuel and power purchase costs.
- 3.20 “Green Energy Option Program (GEOP) End-user”** shall refer to any person or entity requiring the supply and delivery of electricity sourcing 100% of its electricity requirements from RE Resources for its own use.
- 3.21 “Incremental Currency Exchange Rate Adjustment (ICERA)”** shall refer to the adjustment to rates for the effect of changes in exchange rates on NPC’s costs.
- 3.22 “Individual Generation Supply Agreements”** shall refer to generation supply agreements between DU end-users and generators entered into prior to the introduction of contestability.
- 3.23 “Ineligible Supply Contracts”** shall refer to power supply agreements entered into by the DUs with the Independent Power Producers (IPP) or other DUs, which were not approved by the then Energy Regulatory Board or by the Commission.
- 3.24 “Lifeline Subsidy Rate (LSR)”** shall refer to the rate charged to non-lifeline customers to cover the lifeline discount provided to marginalized/low income captive market end-users, as defined in Rule 3 of the Implementing Rules and Regulations of R.A. No. 11552.
- 3.25 “Marginalized End-Users”** shall refer to captive, household electricity consumers whose household income fall below the poverty threshold of the province or of the district, whichever is applicable under Rule 8, Section 1 of the IRR of R.A. No. 11552, and whose level of electricity consumption fall at or below the consumption threshold determined and approved by the ERC, in accordance with Rule 3 of the Implementing Rules and Regulations of R.A. No. 11552.
- 3.26 “National Grid Corporation of the Philippines (NGCP)”** shall refer to the private consortium which had been awarded the concession to assume the power transmission functions of the National Transmission Corporation (TransCo).
- 3.27 “National Power Corporation (NPC)”** shall refer to the government corporation created under Republic Act No. 6395, as amended.
- 3.28 “National Transmission Corporation (TransCo)”** shall refer to the Corporation organized pursuant to the Act which assumed the electrical transmission function of the NPC.
- 3.29 “Net-Metering”** shall refer to a system, appropriate for distributed generation, in which a distribution grid user has two-

way connection to the grid and is only charged for his net electricity consumption and is credited for any overall contribution, as defined in Section 4(gg) of R.A. No. 9513.

- 3.30 “Non-Network Revenue”** is the total of Allowable Generation Cost, Allowable Transmission Cost, Allowable System Loss Cost, Lifeline Discount, and Senior Citizen Discount, as determined in the URR template.
- 3.31 “Pilferage Cost Recoveries (PCR)”** shall refer to costs recovered from illegal tapping, tampering of meter, use of jumper, and other means of illicit usage of electricity.
- 3.32 “Power Factor Discount (PFD)”** shall refer to the discount extended to DUs having maintained their power factor above the set threshold which maximizes the capacity of TransCo’s facilities thereby resulting to real savings in power costs, improvement of voltage regulation and release in system capacity.
- 3.33 “Prompt Payment Discount (PPD)”** shall refer to the discount given to DUs by power supplier/s for paying their bills within the discount period.
- 3.34 “Power Supplier/s”** shall refer to an entity/ies selling power to a DU which may include the following: a) National Power Corporation (NPC); b) Independent Power Producers (IPPs), either through bilateral power supply contracts or through the Wholesale Electricity Spot Market; and c) Other DUs.
- 3.35 “Qualified End-Users (QE)”** shall refer to entities that generate electric power from an eligible on-site renewable energy generating facility, such as, but not limited to, house or office building with photovoltaic system that can be connected to the grid, for the purpose of entering into a Net-Metering agreement, as defined in Section 7 of the Implementing Rules and Regulations of R.A. No. 9513.
- 3.36 “Recovery Period”** shall generally refer to the period when the cost adjustments are implemented.
- 3.37 “Restricted Fund”** shall refer to a separate account into which the DU shall place funds equal to the aggregate over-recovery and can only be drawn down by an amount equal to the reduction in the over-recovery.
- 3.38 “Sale for Resale Agreements”** refer to arrangements or agreements, entered into by, between or among DUs, involving the purchase of power by one DU (Buying DU), from another DU or other Dus (Selling Dus) for resale to the Buying DU’s customer or end-users.

- 3.39 “Selling DU”** shall refer to any distribution utility that sells power to another DU (the Buying DU) for resale to the Buying DU’s customers.
- 3.40 “Senior Citizen Subsidy Rate (SCSR)”** shall refer to the rate charged to subsidizing end-users to cover the discount provided to qualified captive market end-users who are senior citizens and qualified senior citizen centers and residential care facilities/institutions or group homes customers, in accordance with Section 5(d) of the Republic Act 999 and Article 12, Section 2 of its IRR.
- 3.41 “Special Programs”** are programs where a Government direction mandates that the DU supply a specified customer/s or customer class at non-standard prices or terms and conditions.
- 3.42 “Sub-Transmission and Substation Loss”** shall refer to the sum of Sub-Transmission System and Substation Technical Losses and Non-Technical Loss as defined in ERC Resolution No. 10. Series of 2018.
- 3.43 “System Loss Rate (SLR)”** shall refer to the rate determined in accordance with the formula set forth in Article II hereof. For DUs where different system loss charges were granted for each of their respective customer classes in the Unbundling Decisions, SLR shall be calculated based on an individual customer class level with the requisite reliable information to support individual System Loss Rates.
- 3.44 “Time of Use Rates or TOU rates”** refer to the approved hourly generation rates to be charge to TOU customers as defined in ERC Resolution No. 05, Series of 2009.⁶
- 3.45 “Triennial Review”** shall refer to the process under which the DUs file the calculations of over and under recoveries for a three-year period and the Commission reviews those calculations and determines any adjustments that shall be applied to future prices to offset the accumulated over or under recovery.
- 3.46 “Transmission Rate (TR)”** shall refer to the rate associated with the cost incurred in the transmission of electricity from the generators to the distribution utilities’ system.
- 3.47 “Wholesale Electricity Spot Market (WESM)”** shall refer to the market where trading of electricity is made, established pursuant to Section 30 of R.A. No. 9136.

⁶ “A Resolution Adopting the Rules to Govern the Implementation of the Time of Use (TOU) Retail Rates of Distribution Utilities (DUs) Purchasing their Power Requirements from Various Sources” and any amendments thereto.

ARTICLE 2

CALCULATION OF THE ADJUSTED RETAIL RATES

Section 1. Generation Rate. The Generation Rate (GR) of the DU shall be determined as follows:

1.1. For a DU sourcing 100% of its power requirement from NPC:

1.1.1. For TOU customers, the GR shall be the NPC TOU rates plus adjustments on GRAM, ICERA and Franchise and Benefits to Host Communities as approved by the Commission;

1.1.2. For customers under special programs of the DU, the GR shall be based on their contracts; and

1.1.3. For other customers, the GR shall be computed using the formula provided under Section 2 hereof.

1.2. For a DU sourcing at least some of its power requirements from sources other than NPC:

1.2.1. For TOU customers, the GR shall be the DU's TOU rates as approved by the Commission based on the DUs purchases from NPC and/or other sources;

1.2.2. For customers under special programs of the DU, the GR shall be based on their contracts;

1.2.3. For customers of a Buying DU under a Sale for Resale Agreement, if the customers being supplied are not connected with the main distribution grid and the cost is different from those for other regular customers, the GR shall include the Generation, Transmission, System Loss, Distribution, Supply and Metering Charges of the Selling DU, and other pass-through charges as may be approved by the Commission pursuant to ERC Resolution No. 02, Series of 2009, or any subsequent rules as may be approved by the Commission;⁷ and

1.2.4. For other customers, the GR shall be computed using the formula provided under Section 2 hereof.

Section 2. Generation Rate Formula. The GR applicable to customers referred to in Sections 1.1.3 and 1.2.4 shall be calculated and billed each calendar month by the DU using the following formula:

⁷ "A Resolution Adopting the Rules for Recovery of Costs Associated with the Sale for Resale Agreements By, Between or Among Distribution Utilities," and any amendments thereto.

FORMULA 1

$$GR = AGR + OGA$$

Where:

GR = Generation Rate expressed in Peso/kWh;

AGR = Adjusted Generation Rate calculated, as follows:

$$AGR = \frac{TGC}{kWh_{GR}}$$

Where:

TGC refers to Total Generation Cost defined as:

$$TGC = [(GC_i + GC_{ii} + \dots + GC_n) - 50\% (PPD_i + PPD_{ii} + \dots + PPD_n) - PCR]$$

Where:

$GC_{i\ to\ n}$ = The Generation Costs in Pesos from source of power i through source of power n for the previous month coming from Transition Supply Contracts (excluding Mandated Rate Reduction and penalties), Power Supply Agreements, WESM purchases, Net-Metering and Distributed Energy Resources Export Energy, and distribution utility-owned generation facility, as incorporated in the approved unbundled rates or as subsequently authorized by the Commission, exclusive of the following:

- a. Cost of power allocated to contestable customers in accordance with Section 10 of ERC Resolution No. 16, Series of 2012⁸ and to GEOP end-users in accordance with Section 14 of ERC Resolution No. 08, Series of 2021;⁹
- b. Cost of power distributed to customers under DU's special programs;
- c. Cost of power distributed to customers under a Sale for Resale Agreement, if the customers being supplied are not connected with the main distribution grid and the cost is different from those for other regular customers; and
- d. Losses due to trading of the contracts to the WESM in accordance with ERC Resolution No. 16, Series of 2016;¹⁰

Note: Payments for de-loading of certain loads during periods of constraint are not part of generation costs and are recovered separately through OGA.

⁸ "A Resolution Adopting the Transitory Rules for the Implementation of Open Access and Retail Competition," and any amendment thereto.

⁹ "A Resolution Adopting the Rules for the Green Energy Option Program," and any amendment thereto.

¹⁰ "A Resolution Instituting the Policy in the Computation of Generation Charges Relative to Wholesale Electricity Spot Market (WESM) Traded Participated in by Distribution Utilities (DUs)," and any amendment thereto.

$PPD_{i \rightarrow n}$ = Prompt Payment Discounts and any other discounts availed by the DU from source of power i through source of power n for the previous month, net of discounts extended to the end-users, where discount extended to end-users cannot be higher than the discount availed from the power supplier/s, relative to the previous month's generation cost;

PCR = Pilferage cost recoveries during the previous month; and

kWh_{GR} = Energy input (for the previous month, in total kWh) excluding Site Specific Loss Adjustment (SSLA), as clarified in ERC Resolution No. 10, Series of 2018,¹¹ net of kWh exported to the Transmission system, kWh delivered to customers with individual generation supply agreements, kWh sold to contestable customers and GEOP end-users, and kWh distributed to special programs and Sale for Resale Agreements, if the customers being supplied are not connected with the main distribution grid and the cost is different from those for other regular customers.

OGA = Other Generation Cost Adjustments, refers to generation rate adjustments approved by the Commission (including recovery of payment of de-loading compensation of ILP participants) and adjustments determined using the formula provided in Article 4, Section 2 and Article 5, Section 3 hereof.

In the case of ineligible supply contracts, the generation costs from such contracts shall include the kilowatt-hours pertaining to ineligible contracts pegged at the DU's load weighted average NPC TOU rates, or in case DU is not sourcing from NPC, NPC's TOU rates¹² as posted in their website, or the actual rate as billed by the IPP or Selling DU under a Sale for Resale Agreement, whichever is lower. Provided that this is without prejudice to the imposition of appropriate penalties by the Commission based on the EPIRA and its rules and regulations.

In the case of embedded generators without supply contracts with the DU, energy deliveries, which form part of the Energy Input, shall not be compensated by the DU and shall not form part of the generation costs.

Section 3. Transmission Rate. The Transmission Rate (TR) shall be calculated and billed each calendar month by the DUs using the following formulae:

¹¹ *Supra*, note 1.

¹² ERC Approved Rates.

3.1. For Customer classes with TR expressed in Peso/kWh:

FORMULA 2.A

$$TR_N = \left(\frac{t_N}{kWh_{TR_N}} \right) + OTCA_N$$

Where:

TR_N = Transmission Rate expressed in Peso/kWh;

t_N = $PTC \times CP_N$;

Where:

PTC = Refers to the previous month's actual transmission cost, net of fifty percent (50%) of PFD availed;

Where:

PFD = Power Factor Discounts and any other discounts availed by the DU, net of the Power Factor Discounts given to end-users and Third Parties for the month, *where*: Discount passed on to end-users and Third Parties \leq discount availed from TransCo/NGCP for the month.

CP_N = Actual Coincident Peak Demand or the computed Coincident Peak Demand Allocation Factor for customer class N corresponding to the previous month's period.

kWh_{TR_N} = Energy input (for the previous month in total kWh) excluding Site Specific Loss Adjustment (SSLA), as clarified in ERC Resolution No. 10, Series of 2018,¹³ corresponding to customer class N, net of kWh exported to the transmission system, and kWh distributed to special programs and Sale for Resale Agreements, if the customers being supplied are not connected with the main distribution grid and the cost is different from those for other regular customers;

Where:

$kWh_{TR_N} = kWh_{TR} \times S_N$;

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¹³ *Supra*, note 1.

Where:

kWh_{TR} = Energy input (for the previous month in total kWh) excluding Site Specific Loss Adjustment (SSLA), as clarified in ERC Resolution No. 10, Series of 2018,¹⁴ net of kWh exported to the transmission system, and kWh distributed to special programs and Sale for Resale Agreements, if the customers being supplied are not connected with the main distribution grid and the cost is different from those for other regular customers; and

S_N = Actual kWh Sales Allocation Factor for customer class N corresponding to the previous month's period.

$OTCA_N$ = Other Transmission Cost Adjustments, refer to transmission rate adjustments approved by the Commission and adjustments determined using the formula provided in Article 4, Section 3 and Article 5, Section 3 hereof; and

N = Refers to a specific customer class (ex. $N=1,2,\dots$, where 1= Residential, 2= Commercial, etc.).

3.2. Customer classes with TR expressed in Peso/kW:

FORMULA 2.B

$$TR_N = \left(\frac{t_N}{D_N} \right) + OTCA_N$$

Where:

TR_N = Transmission rate expressed in Peso/kW ;

t_N = $PTC \times CP_N$,

Where:

PTC = Refers to the previous month's actual transmission cost, net of fifty percent (50%) of PFD availed;

Where:

PFD = Power Factor Discounts and any other discounts availed by the DU, net of the Power Factor Discounts given to end-users and Third Parties for the month, *where*: Discount passed on to end-users and Third Parties \leq discount availed from TransCo/NGCP for the month; and

¹⁴ *Ibid.*

CP_N = Actual Coincident Peak Demand or the computed Coincident Peak Demand Allocation Factor for customer class N corresponding to the previous month's period.

$OTCA_N$ = Other Transmission Cost Adjustments, refer to transmission rate adjustments approved by the Commission and adjustments determined using the formula provided in Article 4, Section 3 and Article 5, Section 3 hereof;

D_N = kW billing demand for the previous month for customer class N multiplied by $(1+u)$; and

u = Loss Factor = Actual % system loss / (1- Actual % system loss)

Actual % system loss is the actual loss for the most recent 12-month period.

N = Refers to a specific customer class (ex. $N=1,2,\dots$, where 1= Residential, 2= Commercial, etc.).

3.3 Customer classes with TR expressed in both Peso/kWh and Peso/kW.

The component expressed in Peso/kWh (TKR_N) shall remain constant.

The component expressed in Peso/kW shall be adjusted using the following formula:

FORMULA 2.C

$$TR_N = \left(\frac{t_N - (S_{TR_N} \times TKR_N)}{D_N} \right) + OTCA_N$$

Where:

TR_N = Transmission rate expressed in Peso/kW;

t_N = $PTC \times CP_N$;

Where:

PTC = Refers to the previous month's actual transmission cost, net of fifty percent (50%) of PFD availed, by the corresponding kWh purchased;

Where:

PFD = Power Factor Discounts and any other discounts availed by the DU, net of the Power Factor Discounts given to end-users and Third Parties for the month, *where*: Discount passed on to end-users and Third Parties \leq discount availed from TransCo/NGCP for the month; and

CP_N = Actual Coincident Peak Demand or the computed Coincident Peak Demand Allocation Factor for customer class N corresponding to the previous month's period.

S_{TR_N} = kWh sales for the previous month for customer class N;

TKR_N = TR component expressed in Peso/kWh based on the Approved Unbundled Rates for customer class N or the latest Approved Rate for customer class N, if any;

$OTCA_N$ = Other Transmission Cost Adjustments, refer to transmission rate adjustments approved by the Commission and adjustments determined using the formula provided in Article 4, Section 3 and Article 5, Section 3 hereof;

D_N = kW billing demand for the previous month for customer class N multiplied by $(1 + u)$ where u is defined as above; and

N = Refers to a specific customer class (ex. $N=1,2,\dots$, where 1= Residential, 2= Commercial, etc.).

Section 4. System Loss Rate. The System Loss Rate (SLR) shall be calculated and billed each calendar month by the DUs using the following formula:

FORMULA 3

$$SLR = (AGR + ATR)U + OSLA$$

Where:

SLR = System Loss Rate expressed in Peso/kWh;

AGR = Adjusted Generation Rate as defined in Section 2 Formula 1;

ATR = Average Transmission Rate expressed in Peso/kWh, computed as follows:

$$ATR = \frac{t_N}{kWh_{TR}}$$

Where:

t_N = Total Transmission Cost for the previous month;

Where:

If SLR is a uniform charge to all customer classes:

t_N = PTC as defined in Article 2, Section 3 hereof;

If SLR varies per each customer class:

t_N = PTC x CP_N ;

Where:

PTC = As defined in Article 2, Section 3 hereof;

and

CP_N = As defined in Article 2, Section 3 hereof.

kWh_{TR} = Energy input (for the previous month in total kWh) excluding Site Specific Loss Adjustment (SSLA), as clarified in ERC Resolution No. 10, Series of 2018,¹⁵ net of kWh exports to the transmission system, and kWh distributed to special programs and Sale for Resale Agreements, if the customers being supplied are not connected with the main distribution grid and the cost is different from those for other regular customers. If SLR varies per each customer class, the denominator *kWh_{TR}* shall also pertain for each customer class.

U = Gross Up Factor defined as:

$$U = \frac{DSL_{ST+SS} + \text{Min}(DSL_{fdr}, DSL_{fdr, cap})}{1 - (DSL_{ST+SS} + DSL_{fdr})}$$

Where:

- DSL_{ST+SS}* = Sub-Transmission and Substation Loss for the most recent 12-month period, in percent;
- DSL_{fdr}* = Distribution Feeder Loss for the most recent 12-month period, in percent; and
- DSL_{fdr, cap}* = Distribution Feeder Loss cap, in percent.

Determination of Distribution System Loss recoverable through system loss rates shall be in accordance with ERC Resolution No. 10, Series of 2018,¹⁶ or any subsequent rules as may be approved by the Commission.

If SLR varies per customer class, the DU shall compute the applicable Gross Up Factor per customer class provided that the total recoverable Distribution System Loss shall be determined based on DU's overall Distribution System Losses computed as the sum of the Sub-transmission and Substation Losses and lower of the Distribution Feeder Loss and Distribution Feeder Loss Cap, pursuant to Section 2.4 of ERC Resolution No. 10, Series of 2018.¹⁷

OSLA = Other System Loss Cost Adjustments, refers to system loss rate adjustments approved by the Commission and adjustments determined using the formula provided in Article 4, Section 4 and Article 5, Section 3 hereof.

Section 5. Lifeline Subsidy Rate Formula. The Lifeline Subsidy Rate (LSR) shall be calculated and billed each calendar month by the DU using the following formula:

¹⁵ *Supra*, note 1.

¹⁶ *Supra*, note 1.

¹⁷ *Ibid*.

FORMULA 4

$$LSR = \left(\frac{TD}{S_{NL_{LSR}}} \right) + OLRA$$

Where:

LSR = Lifeline Subsidy Rate expressed in Peso/kWh

TD = Total Discount amount given to Lifeline customers in the previous month computed as follows:

$$TD = \sum_{i,j} [(S_{LSRij} \times TRate_i) + (NCust_{i,j} \times Fixed/Cust)] D_j$$

Where:

i = Each area in which there is a different Trate

j = Lifeline level bracket 1 to lifeline bracket n;

S_{LSRij} = Total kWh for the previous month of lifeline bracket j in area i ;

$TRate_i$ = Total PhP/kWh rate in area i subject to lifeline discount which include generation, transmission, system loss, distribution, supply, metering and loan condonation, and other charges as may be approved by the Commission;

$NCust_{i,j}$ = Total number of customers for the previous month for lifeline bracket j in area i ;

D_j = Discount rate for lifeline bracket j ; and

$Fixed/Cust$ = Fixed metering charge for residential customers.

$S_{NL_{LSR}}$ = Total kWh of non-lifeline customers for the previous month; and

$OLRA$ = Other Lifeline Cost Adjustments, refer to lifeline subsidy rate adjustments approved by the Commission and adjustments determined using the formula provided in Article 4, Section 5 and Article 5, Section 3 hereof.

Section 6. Senior Citizen Subsidy Rate Formula. The Senior Citizen Subsidy Rate (SCSR) shall be calculated and billed each calendar month by the DU using the following formula:

FORMULA 5

$$SCSR = \left(\frac{TD_{Sr}}{kWh_{SEU}} \right) + OSrRA$$

where:

$SCSR$ = Senior Citizen Subsidy Rate expressed in Peso/kWh for the month to be charged to all subsidizing end-users

TD_{Sr} = total amount of discount granted to all Senior Citizen customers during the previous month which shall be computed as follows:

$$TD_{Sr} = (TD_{SrResl} + TD_{SrInst})$$

where:

TD_{SrResl} = The total amount of discounts granted to all qualified residential senior citizen customers during the previous month in accordance with Section 4(c) of the Republic Act 9994 and Article 12, Section 1 of the abovementioned Act's IRR

The computation is as follows:

$$TD_{SrResl} = \sum_i \sum_1^{100} (\{kWhS_{SrResl} \times TRate_i\} + \{NCust_{SrResl} \times [\text{Fixed SuppRate/Cust/Mo}_{SrResl} + \text{Fixed MetRate/Cust/Mo}_{SrResl}]\} \times [100\% - L_{j=1..n}]) \times D_{SrResl}$$

where:

i = Each area in which there is a separate TRate

$kWhS_{SrResl}$ = total kWh sales per kWh consumption of all qualified individual senior citizens during the previous month in area i

$TRate_i$ = Total PhP/kWh rate in area i subject to lifeline or Senior Citizen discount which include generation, transmission, system loss, distribution, supply, metering and loan condonation, and other charges as may be approved by the Commission

$NCust_{SrResl}$ = total number of customers in area i per kWh consumption of qualified residential senior citizen who were granted the senior citizen discount during the previous month.

$\text{Fixed SuppRate/Cust/Mo}_{SrResl}$ = fixed supply charge for residential customers

$\text{Fixed MetRate/Cust/Mo}_{SrResl}$ = fixed metering charge for residential customers

$L_{j=1..n}$ = Lifeline level discount percentage for lifeline level bracket 1 to lifeline level bracket n applicable to the billing month's kWh consumption of the specific qualified lifeline residential senior citizen customer

Note: For DUs where the maximum lifeline level is below the mandated 100 kWh subject to senior citizen discount, the excess kWh consumption shall have an equivalent zero percent (0%) for this variable since the same are not subject to lifeline discount but only to senior citizen discount.

D_{SrResl} = applicable discount rate for all qualified residential senior citizen customers as mandated under Section 4(c) of the Republic Act 9994 and Article 12, Section 1 of the abovementioned Act's IRR

TD_{SrInst} = total amount of discount granted to all qualified senior citizen centers and residential care facilities/institutions or group homes during the previous month in accordance with Section 5(d) of the Republic Act 9994 and Article 12, Section 2 of the abovementioned Act's IRR, with separate computation for each customer class where the qualified senior citizen centers and residential care facilities/institutions or group homes belong.

The computation is as follows:

$$TD_{SrInst} = \sum TD_{SrInst\ i..n}$$

where:

$$TD_{SrInst\ i..n} = ([kWh_{SrInst\ i..n} \times TRate_{SrInst\ i..n}] + [NCust_{SrInst\ i..n} \times \{Fixed\ MetRate/Cust/Mo_{SrInst\ i..n} + Fixed\ SuppRate/Cust/Mo_{SrInst\ i..n}\}] + [kWS_{SrInst\ i..n} \times \{TransRate_{SrInst\ i..n} + DistRate_{SrInst\ i..n}\}]) \times D_{SrInst}$$

where:

$kWh_{SrInst\ i..n}$ = total kWh sales per customer classification of all qualified senior citizen centers and residential care facilities/institutions or group homes during the previous month

$TRate_{SrInst\ i..n}$ = total PhP/kWh rate per customer classification subject to the discount granted to all

qualified senior citizen centers and residential care facilities/institutions or group homes which include generation, transmission, system loss, distribution, supply, metering and loan condonation (for electric cooperatives), and other charges as may be approved by the Commission

$NCust_{SrInst\ i,n}$ = total number of customers per customer classification of qualified senior citizen centers and residential care facilities/institutions or group homes who were granted the senior citizen discount during the previous month

$Fixed\ MetRate /Cust/Mo_{SrInst\ i,n}$ = fixed metering charge per customer classification of all qualified senior citizen centers and residential care facilities/institutions or group homes

$Fixed\ SuppRate /Cust/Mo_{SrInst\ i,n}$ = fixed supply charge per customer classification of all qualified senior citizen centers and residential care facilities/institutions or group homes

$kWS_{SrInst\ i,n}$ = total kW sales per customer classification of all qualified senior citizen centers and residential care facilities/institutions or group homes during the previous month

$TransRate_{SrInst\ i,n}$ = transmission demand charge (PhP/kW) per customer classification of all qualified senior citizen centers and residential care facilities/institutions or group homes

$DistRate_{SrInst\ i,n}$ = distribution demand charge (PhP/kW) per customer classification of all qualified senior citizen centers and residential care facilities/institutions or group homes

$D_{SrInst\ i,n}$ = applicable discount rate for all qualified senior citizen centers and residential care facilities/institutions or group

homes as mandated under Section 5(d) of the Republic Act 9994 and Article 12, Section 2 of the abovementioned Act's IRR

kWh_{SEU} = total kWh Sales to all subsidizing end-users during the previous month

$OSrRA$ = Other Senior Citizen Cost Adjustment, refer to senior citizen subsidy rate adjustments approved by the Commission and adjustments determined using the formula provided in Article 4, Section 6 and Article 5, Section 3 hereof.

Note: Any part of or variable in the formula that is not applicable shall have the value of zero (0).

Section 7. Other Pass-Through Costs. Other pass-through costs pursuant to Article 1, Section 2.6 shall be determined in accordance with the mechanism and formula determined by the Commission.

ARTICLE 3

REPORTORIAL REQUIREMENTS

Section 1. Submission of Reportorial Requirements. Starting on the month upon inclusion of the computed rates in the customers' bills, the DU shall provide the Commission with all calculations and information relative to the adjustment mechanisms provided for herein through the prescribed Uniform Reportorial Requirements (URR) spreadsheet template along with prescribed supporting documentation. The information is to be provided by the last day of the month, or the next working day if the last day falls on a weekend or a public holiday.

Section 2. Prescribed Format for the Calculation and Provision of Information. The DU shall strictly adopt and use the prescribed URR spreadsheet template¹⁸ prescribed by the Commission, to calculate the automatic cost adjustments to tariffs. It shall report on a monthly basis the over and under-recovery of these cost adjustments. The DU shall ensure that the information provided is accurate and complete and the monthly submissions are provided no later than the due date.

Section 3. Supporting Information. The supporting information to be provided, together with the monthly submission on the calculation and monitoring of the automatic cost adjustments, shall include, but not be limited to, the following:

¹⁸ The prescribed URR spreadsheet template shall be accomplished in Microsoft Excel Spreadsheet Software.

3.1 Basic Supporting Documents

- i. Official receipts and invoices from Power Supplier/s, including the computation of the fuel cost billed¹⁹ by the power supplier, official receipts and invoices showing the cost of fuel purchases and the quantities of fuel purchases by generation companies, fuel purchase agreement/fuel supply contracts between generation companies and its fuel suppliers, Delivery Receipts by fuel suppliers, and transaction summaries or similar documentation for WESM purchases;
- ii. Official Receipts and invoices from National Transmission Corporation (TransCo)/National Grid Corporation of the Philippines (NGCP), including the details on the Meter Point Profile;
- iii. Debit/Credit Memos from Power Supplier/s and TransCo/NGCP, if any;
- iv. Official Receipts of payments to Power Supplier/s and TransCo/NGCP, or any proof of payment, as applicable, in case suppliers fail to issue receipts for any reason outside the control of the DU;
- v. Actual consumer bills per class (3 bills per class);
- vi. Actual consumer bills of customers with any pass-through rate different from Captive Customers, if any;
- vii. Other Technical Data Template;
- viii. and other documents/data/information that may be required by the Commission.

3.2 For Generation Rates and System Loss Rates

- i. Sworn statement of DU if it has its own generation facility (one-time submission only, if applicable);
- ii. Monthly Generation Report for DU-Owned generation facility, if applicable; and
- iii. Sworn and notarized statement on PPD availed from power supplier/s, PPD extended to end-users and pilferage recoveries enjoyed by the DU.

¹⁹ A format/table is included in the Other Technical Data Template.

3.3 For Transmission Rates

- i. Sworn and notarized statement on PFD availed from TransCo/NGCP and PFD extended to end-users and Third Parties by the DU.

ARTICLE 4

CALCULATION OF THE OVER OR UNDER RECOVERY IN THE IMPLEMENTATION OF ADJUSTMENT MECHANISMS

Section 1. Calculation of Over/Under Recoveries. The DU shall calculate the over or under recoveries on the Generation Rate, Transmission Rate, System Loss Rate, Lifeline Subsidy Rate and Senior Citizen Subsidy Rate brought about by the variance between the allowable cost and the revenues billed using the applicable formulae. The sections below set out the basis for the calculation for the cumulative over or under-recovery amount for a period as the difference between the amount billed in regard to that component during the period and the actual costs for the component. The calculated amount billed excludes adjustments determined by the Commission in respect of over or under-recoveries in prior Compliance Filing periods. The computed amount (in Pesos) shall be the basis for the Commission's approval of the DU's over or under-recoveries. The cumulative over or under-recovery is divided by the relevant quantity to express the rate per amount billed for that component, as a reference for the indicative rate impact of the computed over or under-recoveries. The calculated cumulative over or under-recoveries for the period is used:

- 1.1 **At the triennial review** for the Commission's determination of the total amount of over or under-recovery to be returned or recouped in the next period and the adjustment to the rates required for this.
- 1.2 **During the three-year period** to monitor the level of over and under-recoveries during the period and the DU's compliance with the requirements of Article 5 and the calculation of any corrections under Formula 15 in Section 3 of Article 5.

Section 2. Generation Rate Over/Under Recovery. The Generation Rate Over/Under Recovery (GOUR) applicable to customers being referred to in Article 2, Sub-sections 1.1.3 and 1.2.4, and to customers being referred to in Section 1.2.1, if sourcing is the same from non-TOU customers being referred to in Article 2, Sub-sections 1.1.3 and 1.2.4, shall be calculated based on the following formula:

FORMULA 7

$$GOUR = \frac{[(AGC - GRR) + eGOUR]}{S_{GOUR_{Total}}}$$

Where:

GOUR = Refers to under/over-recoveries in generation costs during the recovery period expressed in Peso/kWh;

AGC = Total Allowable Generation Cost, computed as follows:

$$AGC = \left(\frac{TGC_{GOUR}}{kWh_{GOUR}} \right) S_{GOUR}$$

Where:

TGC_{GOUR} refers to Total Generation Cost defined as:

$$TGC_{GOUR} = [(GC_i + GC_{ii} + \dots + GC_n) - 50\% (PPD_i + PPD_{ii} + \dots + PPD_n) - PCR_{GOUR}]$$

Where:

GC_{i to n} = The Generation Costs in Pesos from source of power i through source of power n for month 1 to m coming from Transition Supply Contracts (excluding Mandated Rate Reduction and penalties), Power Supply Agreements, WESM purchases, Net-Metering and Distributed Energy Resources Export Energy, Interruptible Load Programs (net of de-loading compensation revenue from Contestable Customers and GEOP end-users) and distribution utility-owned generation facility, as incorporated in the approved unbundled rates or as subsequently authorized by the Commission, exclusive of the following:

- a. Cost of power allocated to contestable customers in accordance with Section 10 of ERC Resolution No. 16, Series of 2012²⁰ and to GEOP end-users in accordance with Section 14 of ERC Resolution No. 08, Series of 2021;²¹
- b. Cost of power distributed to customers under DU's special programs;
- c. Cost of power distributed to customers under a Sale for Resale Agreement, if the customers being supplied are not connected with the main distribution grid and the cost is different from those for other regular customers; and
- d. Losses due to trading of the contracts to the WESM in accordance with ERC Resolution No.

²⁰ *Supra*, note 8.

²¹ *Supra*, note 9.

16, Series of 2016, or any subsequent rules as may be approved by the Commission;²²

$PPD_{i\ to\ n}$ = Prompt Payment Discounts and other discounts availed by the DU, net of the discounts extended to the end-users for month 1 to m, where discount extended to end-users cannot be higher than the discount availed from the power supplier/s, relative to generation cost;

PCR_{GOUR} = Pilferage cost recoveries for month 1 to m;

kWh_{GOUR} = Energy input (for month 1 to m in total kWh) excluding SSLA as clarified in ERC Resolution No. 10, Series of 2018,²³ net of kWh exported to the Transmission system, kWh delivered to customers with individual generation supply agreements, kWh sold to contestable customers and GEOP end-users, and kWh distributed to special programs and Sale for Resale Agreements, if the customers being supplied are not connected with the main distribution grid and the cost is different from those for other regular customers; and

S_{GOUR} = Actual energy sales for month 1 to m, net of kWh exported to the Transmission system, kWh delivered to customers with individual generation supply agreements, kWh sold to contestable customers and GEOP end-users, and kWh distributed to special programs and Sale for Resale Agreements, if the customers being supplied are not connected with the main distribution grid and the cost is different from those for other regular customers.

In the case of ineligible supply contracts, generation costs shall include the kilowatt-hours pertaining to ineligible contracts, but the costs shall be pegged at the DU's load weighted average NPC TOU rates, or in case DU is not sourcing from NPC, NPC's TOU rates²⁴ as posted in their website, or the actual rate as billed by the IPP or Selling DU under a Sale for Resale Agreement, whichever is lower. Provided that this is without prejudice to the imposition of appropriate penalties as provided under the EPIRA or the rules and regulations of the Commission.

In the case of embedded generators without supply contracts with the DU, energy deliveries, which form part of the Energy Input, shall not be compensated by the DU and shall not form part of the generation costs.

GRR = Total generation revenues billed to customers (exclusive of any adjustments approved by the Commission to address prior period over and under recoveries at previous Compliance Filing Reviews) except revenues from contestable customers, GEOP end-users, those with individual generation supply agreements, special programs and Sale for Resale Agreements, if the area is not connected with the main distribution grid and the cost is different from those for other regular customers, computed as follows:

²² *Supra*, note 10.

²³ *Supra*, note 1.

²⁴ *Supra*, note 12.

Where:

$$GRR = (AGR_{non-TOU} \times S_{non-TOU}) + TOU_{rev}$$

$AGR_{non-TOU}$ = AGR (as defined in Article 2, Section 2); and

$S_{non-TOU}$ = S_{GOUR} as defined above less TOU sales

TOU_{rev} = Total TOU revenue billed to DU's TOU customers, which was supplied by the same source as that of customers billed with GR under Article 2, Section 1

$eGOUR$ = The total ending balance of the refund/collect as a result of any prior confirmation/s.

$S_{GOUR_{Total}}$ = Total energy sales for the most recent months corresponding to the recovery period or as determined by the Commission, net of kWh exported to the Transmission system, kWh delivered to customers with individual generation supply agreements, kWh sold to contestable customers and GEOP end-users, and kWh distributed to special programs and Sale for Resale Agreements, if the customers being supplied are not connected with the main distribution grid and the cost is different from those for other regular customers.

Section 3. Transmission Rate Over/Under Recovery. The Transmission Rate Over/Under Recovery (TOUR) shall be calculated per customer class based on the following formula:

3.1. For Customer classes with TR expressed in Peso/kWh:

FORMULA 8

$$TOUR_N = \frac{[(ATC_N - TRR_N) + eTOUR_N]}{S_{TOUR_N}}$$

3.2. Customer classes with TR expressed in Peso/kW and Customer classes with TR expressed in both Peso/kWh and Peso/kW:

FORMULA 9

$$TOUR_N = \frac{[(ATC_N - TRR_N) + eTOUR_N]}{BD_{TOUR_N}}$$

Where:

$TOUR_N$ = Refers to over/under recoveries in transmission cost during the recovery period for the relevant customers (i.e., customer class with transmission charge expressed in Peso/kWh in Formula 8 and customer class with transmission charges expressed in Peso/kW, or Peso/kW and Peso/kWh in Formula 9);

ATC_N = Refers to the allowable transmission cost during the recovery period for the relevant customers (i.e., total cost for customer class with transmission charge expressed in Peso/kWh in

Formula 8 and customer class with transmission charges expressed in Peso/kW, or Peso/kW and Peso/kWh in Formula 9) computed as follows:

$$ATC_N = \sum_{1...m} \left[\left(\frac{TC - 50\%PFD}{kWh_{TOUR}} \right) S_{TOUR} \right] CP_N$$

Where:

TC = The actual transmission cost in Peso for month 1 to m;

PFD = Power Factor Discounts and any other discounts availed by the DU, net of the Power Factor Discounts given to end-users and Third Parties for month 1 to m, *where*: Discount passed on to end-users and Third Parties \leq discount availed from TransCo/NGCP for month 1 to m;

kWh_{TOUR} = Energy input (for month 1 to m in total kWh) excluding SSLA as clarified in ERC Resolution No. 10, Series of 2018,²⁵ net of kWh exports to the transmission system, and kWh distributed to special programs and Sale for Resale Agreements, if the customers being supplied are not connected with the main distribution grid and the cost is different from those for other regular customers corresponding to the transmission cost;

S_{TOUR} = Actual kWh Sales for month 1 to m (net of kWh exports to the transmission system, kWh wheeled by generator wheeling customers, and kWh distributed to special programs and Sales for Resale Agreements, if the customers being supplied are not connected with the main distribution grid and the cost is different from those for other regular customers) corresponding to the transmission cost;

CP_N = Actual Coincident Peak Demand or the computed Coincident Peak Demand Allocation Factor for the relevant customers (*i.e.*, customer class with transmission charge expressed in Peso/kWh in Formula 8 and customer class with transmission charge expressed in Peso/kW, or Peso/kW and Peso/kWh in Formula 9) corresponding to the recovery period; and

N = Refers to a specific customer class (ex. $N=1,2,\dots$, where 1= Residential, 2= Commercial, etc.).

TRR_N = Total Transmission Revenues during the recovery period (exclusive of any adjustments approved by the Commission to address previous over and under recoveries at previous Compliance Filing Reviews), to be computed as follows:

$$TRR_N = \sum_{1...m} [(TR_{N,m} \text{ in } \text{Php}/kWh \times S_{N,m}) + (TR_{N,m} \text{ in } \text{Php}/kW \times BD_{N,m})]$$

²⁵ *Supra*, note 1.

Where:

$TR_{N,m}$ = Transmission Rate in PhP/kWh and/or PhP/kW as applicable to customer class N as implemented by the DU for month 1 to m (exclusive of any adjustments approved by the Commission to address previous over and under recoveries at previous Compliance Filing Reviews). If the transmission rate for customer N is expressed in PhP/kWh only, then the Transmission Charge in PhP/kW in the formula shall be equal to zero (0) and vice-versa;

$S_{N,m}$ = Total kWh sales for customer class N for month 1 to m;

$BD_{N,m}$ = Total kW billing demand for customer class N for month 1 to m; and

N = Refers to a specific customer class (ex. $N=1,2,\dots$, where 1= Residential, 2= Commercial, etc.).

$eTOUR_N$ = The total ending balance of the refund/collect as a result of any prior confirmation/s.

S_{TOUR_N} = Total kWh Sales for the most recent months corresponding to the recovery period or as determined by the Commission for the relevant customers (*i.e.*, customer class with transmission charge expressed in Peso/kWh).

BD_{TOUR_N} = Total kW billing demand for the most recent months corresponding to the recovery period or as determined by the Commission for the relevant customers (*i.e.*, customer class with transmission charge expressed in Peso/kW, or Peso/kW and Peso/kWh).

Section 4. System Loss Rate Over/Under Recovery. The System Loss Rate Over/Under Recovery (SLOUR) shall be calculated based on the following formula:

FORMULA 10

$$SLOUR = \frac{[(ASLC - ASLR) + eSLOUR]}{S_{SLOUR}}$$

Where:

$SLOUR$ = Refers to over/under recoveries in system loss during the recovery period expressed in Peso/kWh;

$ASLC$ = Allowable System Loss Cost incurred during the recovery period computed as follows:

$$ASLC = \sum_n ASLC_{yn}$$

Where:

$$ASLC_{Y,1...n} = \left(\left[\frac{TGC_Y}{kWh_{GOUR}} + \frac{TC_Y - 50\%PFD_Y}{kWh_{TOUR}} \right] U \right) S_Y$$

TGC_Y = TGC_{GOUR} (as defined in Article 4, Section 2) for January to December of each year during the recovery period;

TC_Y = The actual transmission cost in Peso for January to December of each year during the recovery period

PFD_Y = Power Factor Discounts and any other discounts availed by the DU, net of the Power Factor Discounts given to end-users and Third Parties for January to December of each year during the recovery period, *where*: Discount passed on to end-users and Third Parties \leq discount availed from TransCo/NGCP for month 1 to m;

kWh_{GOUR} = Energy input (for January to December in total kWh) excluding SSLA as clarified in ERC Resolution No. 10, Series of 2018,²⁶ net of kWh exported to the transmission system, kWh delivered to customers with individual generation supply agreements, kWh sold to contestable customers and GEOP end-users, and kWh distributed to special programs and Sale for Resale Agreements, if the customers being supplied are not connected with the main distribution grid and the cost is different from those for other regular customers corresponding to the generation cost;

kWh_{TOUR} = Energy input (for January to December in total kWh) excluding SSLA as clarified in ERC Resolution No. 10, Series of 2018,²⁷ net of kWh exported to the transmission system, and kWh distributed to special programs and Sale for Resale Agreements, if the customers being supplied are not connected with the main distribution grid and the cost is different from those for other regular customers corresponding to the transmission cost;

S_Y = The total kWh sales for January to December of each year, excluding kWh wheeled by generator wheeling customers, during the recovery period

U = Gross Up Factor defined as:

$$U = \frac{DSL_{ST+SS} + \text{Min}(DSL_{fdr}, DSL_{fdr,cap})}{1 - (DSL_{ST+SS} + DSL_{fdr})}$$

Where:

DSL_{ST+SS} = Sub-Transmission and Substation Loss for the period January to December, in percent;

DSL_{fdr} = Distribution Feeder Loss for the period January to December, in percent; and

$DSL_{fdr,cap}$ = Distribution Feeder Loss cap, in percent;

²⁶ *Supra*, note 1.

²⁷ *Supra*, note 1.

Determination of Distribution System Loss recoverable through system loss over/under-recovery shall be in accordance with ERC Resolution No. 10, Series of 2018,²⁸ or any subsequent rules as may be approved by the Commission.

The total recoverable Distribution System Loss shall be determined based on DU's overall Distribution System Losses computed as the sum of the Sub-transmission and Substation Losses and lower of the Distribution Feeder Loss and Distribution Feeder Loss Cap, pursuant to Section 2.4 of ERC Resolution No. 10, Series of 2018, or any subsequent rules as may be approved by the Commission.²⁹

ASLR = Total actual system loss revenues billed to customers or per customer classes (exclusive of any adjustments approved by the Commission to address previous over and under recoveries at previous Compliance Filing Reviews), except those associated with special programs and Sale for Resale Agreements, if such sales have different system loss charge rates from regular customers, computed as follows:

$$ASLR = \sum_{1...m} \sum_N [SLR_{N,i} \times S_{N,i}]$$

Where:

SLR_{N,i} = Actual implemented systems loss rate for each customer class for each month of the recovery period (exclusive of any adjustments approved by the Commission to address previous over and under recoveries at previous Compliance Filing Reviews).

S_{N,i} = Actual kWh Sales for each customer class for each month during the recovery period, net of kWh distributed to special programs and Sale for Resale Agreements, if such sales have different system loss charge rates from regular customers, and kWh wheeled by generator wheeling customers;

eSLOUR = The total ending balance of the refund/collect as a result of any prior confirmation/s.

S_{SLOUR} = Total kWh sales for the most recent months corresponding to the recovery period or as determined by the Commission, net of kWh distributed to customers under special programs and Sale for Resale Agreements, if such sales have different system loss charge rates from regular customers, and kWh wheeled by generator wheeling customers.

Section 5. Lifeline Subsidy Over/Under Recovery. The Lifeline Subsidy Over/Under Recovery (LSOUR) shall be calculated based on the following:

²⁸ *Ibid.*

²⁹ *Ibid.*

FORMULA 11

$$LSOUR = \frac{LDiff + eLSOUR}{S_{LSOUR}}$$

Where:

LSOUR = Refers to over/under recoveries on the Lifeline subsidy during the recovery period expressed in Peso/kWh;

LDiff = Difference between the Total Discounts given to Lifeline customers and Total Subsidy collected from non-Lifeline customers, computed as follows:

$$LDiff = \sum_{1...m} (TD_{Lifeline} - TS_{Lifeline})$$

Where:

TS_{Lifeline} = Lifeline subsidy amount collected from non-Lifeline customers for month 1 to m, computed as follows:

$$TS_{Lifeline} = S_{NLC} \times LSR$$

Where:

S_{NLC} = total kWh consumption of non-Lifeline customers for the month; and

LSR = Lifeline subsidy rate per kWh collected from non-Lifeline customers for the month (exclusive of any adjustments approved by the Commission to address previous over and under recoveries at previous Compliance Filing Reviews).

$\sum TD_{Lifeline}$ = Total discount amount given to Lifeline customers for month 1 to m, computed as follows:

$$TD_{Lifeline} = \sum_i \sum_{j=1...n} \left(\frac{LD_j}{E_j} \right) \times TS_j$$

Where:

i = Each area in which there is a different TRate

j = Lifeline consumption level 1 to Lifeline consumption level n;

LD_j = Discount (in Php) for Lifeline in consumption level j;

E_j = Energy consumption (in kWh) for Lifeline in consumption level j;

TS_j = Total energy sales (in kWh) to all Lifeline customers in bracket j.

$eLSOUR$ = The total ending balance of the refund/collect as a result of any prior confirmation/s.

S_{LSOUR} = Total kWh consumption of non-lifeline customers for the most recent months corresponding to the recovery period or as determined by the Commission.

Section 6. Senior Citizen Subsidy Over/Under Recovery. The Senior Citizen Subsidy Over/Under Recovery (SCSOUR) shall be calculated based on the following:

FORMULA 12

$$SCSOUR = \frac{SCDiff + eSCSOUR}{S_{SCSOUR}}$$

Where:

$SCSOUR$ = Refers to over/under recoveries on the Senior Citizen subsidy during the recovery period expressed in Peso/kWh;

$SCDiff$ = Difference between the Total Discounts given to qualified Senior Citizen customers and Total Subsidy collected from all subsidizing end-users, computed as follows:

$$SCDiff = \sum_{i...m} (TD_{Sr_i} - TS_{SEU_i})$$

Where:

TS_{SEU_i} = Senior Citizen Subsidy amount collected from subsidizing end-users for month 1 to m, computed as follows:

$$TS_{SEU_i} = SCSR_{SEU_i} \times kWh_{SEU_i}$$

Where:

kWh_{SEU_i} = Total kWh consumption of subsidizing end-users for the month; and

$SCSR_{SEU_i}$ = Senior Citizen Subsidy Rate per kWh collected from subsidizing end-users for the month (exclusive of any adjustments approved by the Commission to address previous over and under recoveries at previous Compliance Filing Reviews)

TD_{Sr_i} = total discount amount given to qualified Senior Citizen customers for month 1 to m, computed as follows:

$$TD_{SrI} = \sum TD_{SrResI} + \sum TD_{SrInstI}$$

$\sum TD_{SrResI}$ = total amount of discount implemented or granted to all qualified residential senior citizen customers for the recovery month within the period covered

$$TD_{SrResI} = \sum_i \sum_{j=1..n} \left(\frac{SCD_j}{E_{Srj}} \right) \times TS_j$$

i = Each area in which there is a separate TRate

j = Senior Citizen bracket 1 to Senior Citizen bracket n;

SCD_j = Actual Discount (in Php) for Senior Citizens in bracket j;

E_{Srj} = The level of energy consumption (in kWh) for Senior Citizens in bracket j;

TS_j = Total energy sales (in kWh) to all Senior Citizens in bracket j.

$\sum TD_{SrInstI}$ = total amount of discount implemented or granted to all qualified senior citizen centers and residential care facilities/institutions or group homes for the recovery month within the period covered

$$TD_{SrInstI} = SCD_i + SCD_{ii} + \dots + SCD_n$$

$SCD_{i \text{ to } n}$ = Actual Discount (in Php) for qualified senior citizen centers and residential care facilities/institutions or group homes customer i to customer n;

$eSCSOUR$ = The total ending balance of the refund/collect as a result of any prior confirmation/s.

$SSCSOUR$ = Total kWh consumption of subsidizing end-users for the most recent months corresponding to the recovery period or as determined by the Commission.

Section 7. Over and Under-recovery of other Pass-Through Costs. Over and under-recoveries and the adjustments in regard to other pass-through costs pursuant to Article 1, Section 2.6 shall be determined in accordance with the mechanism and formula determined by the Commission.

ARTICLE 5

ADJUSTMENT OF RATES TO CORRECT ERRORS AND REDUCE THE LEVEL OF MONTHLY OVER AND UNDER RECOVERIES

Section 1. Adjustment of rates to correct errors and monthly over and under recoveries. In order to provide timely correction of discrepancies and errors and prevent the accumulation of large over and under-recovery balances that can add to price volatility, DUs shall:

- a. File the standardized submission, including the monthly and accumulated over and under-recovery balances, on a monthly basis;
- b. Monitor the accumulated over and under-recoveries; if it is an over-recovery, place the over-recovery amount in a Restricted Fund to prevent their use for any purpose other than repayment to customers in subsequent months; and
- c. If at any point the accumulated over and under recoveries exceed $\pm 10\%$ ³⁰ of total non-network revenues for the preceding three (3) billing period, the DU shall adjust its prices in accordance with Formula 15 starting on the succeeding billing period in order to reduce the accumulated over and under recovery balance to within $\pm 3\%$ of the rolling 3-month total non-network revenues within the prescribed number of months. Failure to observe the obligations under Article 3 shall prohibit the DU from implementing the adjustment of rate to correct errors and monthly under recoveries.

While the accumulated over and under-recoveries remain within the allowed band of $\pm 10\%$ of the rolling 3-month total non-network revenues, the DU shall implement the automatic adjustments in accordance with the formula in Article 2 without further corrections [*i.e.*, Formula 15 does not apply if Section 1(c) has not been triggered or the over/under recovery balance has been returned to within $\pm 3\%$ of the rolling 3-month total non-network revenues, in accordance with the requirements of Section 1(c) above]. The Commission, at its discretion, may direct the DU to implement Formula 15 even if the $\pm 10\%$ threshold has not been breached.

Section 2. Operation of the restricted fund. The DU shall open a separate account that shall hold the restricted fund and ensure the appropriate recovery of the aggregate over-recovery resulting from the DUs' operations.

For each month of its operation, the required closing balance in the fund shall be the greater of:

³⁰ For the avoidance of doubt and for purposes of applying these Rules, the $\pm 10\%$ threshold shall be considered breached starting below -10% or beyond 10% of the rolling 3-month total non-network revenues.

1. the aggregate over-recovery as of the current month plus interest earned on the funds held (net of tax withheld); or
2. zero.

If the actual balance at the end of the month exceeds the required closing balance for the month (*i.e.*, an under-recovery for the current month shall result in a lower aggregate over-recovery from the actual balance), the DU may draw down from the fund an amount equivalent to the difference. If the required closing balance for the month exceeds the actual balance in the fund at the end of the month (*i.e.*, an over-recovery for the current month shall result in a higher aggregate over-recovery from the actual balance), the DU shall, within 5 working days from the last day of the month, place into the fund an amount equivalent to the difference.

The DU shall submit to the Commission, every 31st day of May, an annual bank statement or statement of account, detailing the account transactions during the year. The Commission may also require the submission of such statement of account at any time, as may be necessary.

Section 3. Calculation of corrections once the aggregate over or under-recovery exceeds ± 10%. Once the limit of ± 10% of the rolling 3-month total non-network revenues has been exceeded, the DU shall include a correction to prices to reduce the over or under recovery balance for each component of the total over and under-recovery in proportion to the over and under-recovery for that component. These corrections shall continue until the over or under recovery amount has been reduced to within ± 3% ³¹of the rolling 3-month total non-network revenues.

The correction for each component of the resulting over or under recovery amount shall be calculated in accordance with Formula 15. However, for the net or total under recovery amount, in which the sum of the component corrections (per kWh) calculated using Formula 15 exceeds PhPo.30/kWh (the 'side-constraint'), the change for each component shall be reduced by an equal percentage so that the sum of the component corrections (per kWh) does not exceed PhPo.30/kWh.

FORMULA 15

$$Adj_i = \frac{OUR_i / m}{S_i}$$

Where:

Adj_i = Adjustment to component i of tariffs to address the over or under-recovery balance (ex. $i = 1, 2...$ where 1=Generation, 2=Transmission, etc.)

³¹ For the avoidance of doubt and for purposes of applying these Rules, the ± 3% threshold shall be considered breached starting below -3% or beyond 3% of the rolling 3-month total non-network revenues.

- OUR_i = Balance of over and under recovery for component i (e.g., generation over or under-recovery balance) calculated in the monthly URR report
- m = Number of months by which the over or under-recovery balance shall be reduced to within $\pm 3\%$ of the rolling 3-month total non-network revenues
- S_i = Relevant measure of sales (kWh or kW) for the calculation of component i .

This adjustment is applied to each tariff component as calculated in Article 2. The adjustment is to be applied for transmission charges per customer class (TR_N). If the DU implements SLR per customer class, the DU shall compute the applicable Adjustment (Adj_i) per customer class.

The default value for m in Formula 15 is one (1) to address over-recovery balance.

On the other hand, to address the under-recovery balance, the default value for m in Formula 15 is six (6) for the first billing month and for the succeeding billing months, m equals $m-1, m-2...m-5$. If the balance is not reduced to within $\pm 3\%$ of the rolling 3-month total non-network revenues within the prescribed number of months, the DU shall continue to apply Formula 15 in each month until the cumulative balance is reduced to within $\pm 3\%$ of the rolling 3-month total non-network revenues. The value of m shall be one (1) for each month that the Formula 15 continues to be applied beyond the initial period.

Section 4. Termination of corrections to address an over and under recovery. The monthly adjustments under Section 3 shall continue to be made until the over or under recovery amount is reduced to within $\pm 3\%$ of the rolling 3-month total non-network revenues. For example, if the adjustments are triggered by an over recovery amount in excess of 10% of the rolling 3-month total non-network revenues, the corrections shall continue until the cumulative over recovery amount has been reduced to within 3% of the rolling 3-month total non-network revenues, or until there is a cumulative under recovery amount (whether or not the under recovery amount is above or below 3% of the rolling 3-month total non-network revenues).

ARTICLE 6

TRANSITION ARRANGEMENTS AND FILING AND RESOLUTION OF THE APPLICATIONS

Section 1. Transition arrangements. The obligations under this Resolution shall commence on 1 January 2023.

- a. Reporting for the period up to December 31, 2022 shall continue under ERC Resolutions No. 16, Series of 2009³² and 24, Series of 2011.³³
- b. All DUs shall be obliged to file, through the online reporting platform by April 2023, the standardized monthly submissions using the new templates. For the purpose of submission and calculation for adjustment of rates to correct errors and monthly over and under recoveries, and without prejudice to over and under recoveries prior to 1 January 2023, each DU shall commence with an opening accumulated over and under recovery balance of zero.
- c. Each DU shall file its consolidated Applications and supporting documentation for the Triennial Review by the Commission in accordance with Section 2 below. At this time, the Commission shall review the information provided, and the over and under recoveries for the period up to December 31, 2022 and in subsequent periods, and determine any adjustment to be applied to reduce over and under recoveries in total and for specific categories of cost adjustments.
- d. The adjustments approved by the Commission in regard to consolidated Applications already filed as of 1 January 2023, and at future Triennial Reviews, shall apply independently of the calculation of within-period adjustments in accordance with Article 5 Section 3.

Section 2. Filing. The DUs shall file their respective consolidated applications for Triennial Review within the period as prescribed hereunder. DUs do not have to resubmit documents filed as part of the monthly submissions from December 31, 2022 but shall provide a consolidated list of documents submitted since that date, as part of the monthly submissions that support its Application for the Triennial Review. However, the DUs shall submit other relevant documents as may be required by the Commission.

Distribution Utilities	Period of Filing	Period covered
Luzon DUs	March 31, 2023	January 2020 – December 2022
Visayas DUs	March 31, 2024	January 2021 – December 2023
Mindanao DUs	March 31, 2025	January 2022 – December 2024

Subsequently, the DUs shall file their respective consolidated applications every three (3) years, following the period of filing prescribed above.

³² “A Resolution Adopting the Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities.”

³³ “A Resolution Adopting the Revised Uniform Reportorial Requirement (URR) by All Distribution Utilities.”

Section 3. True Up Mechanisms Approved by the Commission at the Triennial Reviews. The filing of calculations of over or under recoveries from adjustments implemented by the DUs referred to in the preceding Section shall include the Generation Rates Recovery Mechanism, System Loss Rates Recovery Mechanism, Transmission Rates Recovery Mechanism, Lifeline Subsidy Rates Recovery Mechanism, Senior Citizen Subsidy Rate Recovery Mechanism, and such other mechanisms that the Commission may adopt.

Section 4. Applicability of Rules Governing the True-Up Mechanisms. The specific rules for the calculation of over and under-recoveries under this Resolution shall prevail in the event of a difference between these rules and any earlier rules or resolution. Any provisions of earlier resolutions and rules shall remain in effect unless amended by pertinent provisions of these rules.

Section 5. Form of Application and Supporting Documents. The applications and supporting documents therewith shall adopt the templates to be prescribed by the Commission.

Section 6. Referral to External Auditors. At its discretion, the Commission may refer the application at the Triennial Reviews to an accredited external auditor for audit. The cost of hiring such accredited auditor, as stipulated in the contract for the services of such accredited auditor approved by the Commission, shall be borne by the Commission or the concerned DU. Any cost accruing to the delivery of such service, with prior approval by the Commission, shall be treated, upon proof of actual payment thereof, as a recoverable expense and shall be considered in the calculation of over or under recoveries for the test period covered.

Section 7. Applicability of the ERC Rules of Practice and Procedure. - The ERC Rules of Practice and Procedure, as may be amended from time to time, shall apply suppletorily to the verification process outlined in these Rules insofar as they are not inconsistent herewith.

ARTICLE 7

VIOLATION OF THE RULES

Section 1. Fines and Penalties – Violation of any provision of these Rules shall be subject to the imposition of fines and penalties in accordance with Republic Act No. 9136 or the Rules to Govern the Imposition of Administrative Sanctions in the Form of Fines and Penalties Pursuant to Section 46 of Republic Act No. 9136, promulgated by the Commission on May 17, 2002, as amended by

Resolution No. 03, Series of 2009,³⁴ and any subsequent amendments thereto.

ARTICLE 8

FINAL PROVISIONS

Section 1. Exception Clause – Where good cause appears, the Commission may allow an exemption from any provision of these Rules, if such is found to be in the public interest and is not contrary to law or any other related rules and regulations.

Section 2. Separability Clause – If for any reason, any part or section of these Rules is declared unconstitutional or invalid, the other parts or sections hereof which are not affected thereby shall continue to be in full force and effect.

Section 3. Repealing Clause – All previous Commission issuances not consistent with these Rules are hereby accordingly repealed or deemed modified.

Section 4. Effectivity – These Rules shall take effect fifteen (15) days following its publication in a newspaper of general circulation.

Pasig City, 19 December 2022

³⁴ “Resolution Amending the Guidelines to Govern the Imposition of Administrative Sanctions in the Form of Fines and Penalties Pursuant to Section 46 of Republic Act No. 9136.”