

Customer Bulletin 2022-14**June 01, 2022****Order on NGCP's Application for the Approval of an Interim Maximum Annual Revenue for Calendar Year 2020 (iMAR2020)**

On 29 April 2022, the Energy Regulatory Commission (ERC) promulgated an Order dated 23 March 2022 on NGCP's iMAR₂₀₂₀ Application docketed as ERC Case No. 2019-086RC entitled, *In the Matter of the Application for the Approval of the Interim Maximum Annual Revenue for Calendar Year 2020, With Prayer for the Urgent Issuance of Provisional Authority.*

In the said Order, the ERC resolved the case as follows:

*“WHEREFORE, premises considered, after due deliberation and thorough evaluation of all the documents submitted and all the information gathered thus far by the Commission pursuant to its regulatory powers, the Motion for Reconsideration filed by Intervenor National Transmission Corporation (TransCo) on 26 May 2020, Reiteratory Motion and Motion to Resolve filed by the Applicant NGCP on 4 October 2021 and 22 February 2022, respectively, is hereby **RESOLVED**, as follows:*

*(1) The Motion for Reconsideration filed by the National Transmission Company (TransCo) is **PARTIALLY GRANTED**; and*

*(2) Applicant National Grid Corporation of the Philippines (NGCP) is **GRANTED** interim relief to implement an Interim Maximum Annual Revenue for Calendar Year 2020 (iMAR2020) in the amount of Fifty-One Billion Four Hundred Seventy-One Million One Hundred Thirty Thousand Pesos (**PhP 51,471,130,000.00**), effective on January 2020 until a new transmission revenue has been determined.*

***RELATIVE THERETO**, Applicant NGCP is hereby **DIRECTED** to implement the abovementioned iMAR2020 in the next billing cycle and to submit its proposed recovery scheme on its unbilled iMAR2020 for CYs 2020, 2021 and first four (4) months of 2022, within sixty (60) days from receipt of this Order.*

SO ORDERED.

In compliance with the foregoing directive of the ERC, starting May 2022 Billing Month (or 26 April to 25 May 2022), NGCP shall bill its customers in Luzon, Visayas, and Mindanao with transmission charges based on the ERC-approved iMAR₂₀₂₀ of PhP51,471.13Mn.

Filing, Approval and Implementation of iMAR₂₀₂₀

It can be recalled that at the time of the filing of NGCP's iMAR₂₀₂₀ Application in 2019, the forecast demand was already significantly higher than the demand adopted by the Commission in the iMAR₂₀₁₆ computation. Moreover, despite the upward movement in the system demand that is being supported by the implementation of capital expenditure (CAPEX) projects, the revenue of NGCP remained set at the Third Regulatory Period (3rd RP) level. Considering that the new timeline for the regulatory Reset Process was still to be determined by the Commission, the approval of an adjusted revenue was deemed necessary to address the revenue requirement gaps created by the delay in the reset process, hence the filing of the iMAR₂₀₂₀ Application.

However, with the COVID-19 pandemic in 2020, this triggered quarantine arrangements that caused a reduction in the demand of Transmission Customers. Nevertheless, the actual demand was still significantly higher than the demand considered in the iMAR2016 computation.

Moreover, despite the challenges posed by the unprecedented situation, NGCP continued with its implementation of its CAPEX projects thereby significantly exceeding the 3rd RP level as shown below.

Particulars	3rd RP*	4th RP**	Inc/(Dec)
CAPEX, in PhPMn	62,809	145,757	132%

*actual for 2011 to 2015

**actual for 2016 to 2020

It should be noted that as NGCP considers a 'business as usual' planning scenario, it does not increase or decrease its CAPEX incurrence due to short-term volatility in demand requirement. Transmission CAPEX are planned and implemented over a long-term horizon and thus, cannot simply be altered due to momentary or short-term demand fluctuations. While the pandemic may have had impact on the demand growth, this will at most, momentarily slow down the increase in demand. Hence, the infrastructure required will remain the same, although may only entail delay in full utilization. Nevertheless, such CAPEX will still have to be pursued as early as now. NGCP must make sure that as the country bounces back, its infrastructure can readily support the demand requirement of the country.

This was clearly recognized by Commission when it noted that, *the demand is a major cost driver directly affecting the incurrence of the CAPEX projects. In the decision of CAPEX cases, the Commission considers necessity to approve CAPEX projects in order to meet the transmission capacity and demand requirements⁵. Grid expansion and investment in the transmission assets in order to cater to the actual and growing demand in electricity is crucial in the economic progress of the country.*

Similar to the revenue approved for a regulatory period, NGCP believes that the level of the iMAR₂₀₂₀ determined by the Commission aims to reflect a certain level of sustainability in support of the continuing provision of transmission service when it considered recent developments in the economy rather than fixating on the economic situation of 2020. NGCP notes that while the iMAR was proposed in reference to year 2020, similar to iMAR₂₀₁₆, this will be implemented provisionally until a new revenue is determined and will be subject to adjustment during the reset process for the transmission business.

A copy of the ERC Order can be downloaded at www.erc.gov.ph.

This Customer Bulletin was prepared by the Revenue Management Department (RevMD) of the Revenue and Regulatory Affairs (RRA). For any questions/inquiries, you may send an email to jddatingaling@ngcp.ph.