



10 February 2023  
COMMS-2023-051

**HON. LORD ALLAN JAY Q. VELASCO**  
Chairman Committee on Energy – House of Representatives  
Batasan Hills, Quezon City

Dear **Hon. Velasco**:

Greetings of Peace and Solidarity from PHILRECA!

Respectfully forwarding herewith our organization's POSITION PAPER to the following House Bills:

### **On the Mandatory Installation of RE Systems on Government-Owned Buildings**

1. HB No. 1888 - AN ACT MANDATING ALL NATIONAL AND LOCAL GOVERNMENT OWNED BUILDINGS TO INSTALL AND UTILIZE ON-GRID SOLAR ENERGY SYSTEMS, PROVIDING FUNDS THEREFOR AND FOR OTHER PURPOSES, introduced by Representative Maria Theresa V. Collantes
2. HB No. 2565 - AN ACT REDUCING THE COST OF ELECTRICITY FOR NATIONAL GOVERNMENT OFFICES BY PROMOTING THE DEVELOPMENT AND UTILIZATION OF SOLAR ENERGY IN ALL GOVERNMENT BUILDINGS AND OFFICES, PROVIDING FUNDS THEREFOR, AND FOR OTHER PURPOSES, introduced by Representative Ralph G. Recto
3. HB No. 3177 - AN ACT ACCELERATING THE COUNTRY'S TOTAL ELECTRIFICATION OF HOUSEHOLDS AND PROVIDING FOR A RELIABLE AND EFFICIENT SOLAR ENERGY SYSTEM TO PUBLIC SCHOOLS, ALLOCATING FOR THE PURPOSE THE PROCEEDS FROM THE NET NATIONAL GOVERNMENT SHARE FROM THE MALAMPAYA NATURAL GAS PROJECT AND FOR OTHER PURPOSES introduced by Representative Ralph G. Recto
4. HB No. 6972 - AN ACT MANDATING THE USE AND UTILIZATION OF ON-GRID SOLAR ENERGY SYSTEMS IN NATIONAL AND LOCAL GOVERNMENT-OWNED BUILDINGS, PROVIDING FUNDS THEREFOR, AND FOR OTHER PURPOSES, introduced by Representative Ching B. Bernos

### **INQUIRY ON HIGH ELECTRICITY GENERATION COST**

1. HR No. 235 - A RESOLUTION URGING THE HOUSE OF REPRESENTATIVES TO CONDUCT AN INVESTIGATION IN AID OF LEGISLATION ON THE



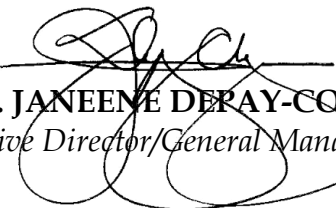
**PHILRECA**


PHILIPPINE RURAL ELECTRIC COOPERATIVES ASSOCIATION, INC.  
*The Philippines' Electric Cooperatives*

RISING GENERATION COSTS RESULTING TO HIGHER ELECTRICITY RATES  
by Representatives Sergio C. Dagooc and Presley C. de Jesus

Thank you and we look forward to your positive accommodation of these comments.

Respectfully yours,

  
ATTY. JANEENE DERAY-COLINGAN  
*Executive Director/General Manager*

  
JOSELITO P. YAP  
*President*



## POSITION PAPER

### ON THE MANDATORY INSTALLATION OF RE SYSTEMS ON GOVERNMENT-OWNED BUILDINGS

In recent years, there has been a growing awareness of the importance of transitioning to renewable energy sources to combat climate change and reduce our dependence on finite fossil fuels. This position paper argues in favor of the mandatory installation of renewable energy systems in government-owned buildings; however, different challenges shall also be addressed.

We support the legislative measures on the following grounds:

1. **Increased Renewable Energy Generation:** The mandatory installation of renewable energy systems in government-owned buildings will result in increased renewable energy generation, reducing the country's dependence on fossil fuels and helping to sustain its energy needs.
2. **Improved Energy Mix:** By requiring the installation of renewable energy systems, the country's energy mix will be enhanced, reducing the reliance on traditional energy sources, and increasing the proportion of clean and sustainable energy sources.
3. **Reduced Energy Costs:** Renewable energy systems are becoming increasingly cost-competitive with traditional energy sources, and the mandatory installation of these systems can result in lower energy costs for the country.
4. **Improved Energy Security:** Renewable energy systems are domestically produced and do not rely on imported fuel, improving the country's energy security, and reducing its dependence on foreign energy sources.
5. **Reduced Greenhouse Gas Emissions:** Renewable energy systems have lower greenhouse gas emissions than traditional energy sources, helping to mitigate the impacts of climate change.
6. **Improved Customer Satisfaction:** The installation of renewable energy systems in government-owned buildings can demonstrate the distribution utilities' commitment to sustainability, leading to increased customer satisfaction and enhanced public perception of the utilities.

However, the mandatory installation of renewable energy systems on government-owned buildings could pose several challenges for distribution utilities. Some of these challenges include:

1. **Technical Integration:** Integrating renewable energy systems into existing building infrastructure can be challenging, requiring significant technical expertise and resources from distribution utilities. Integrating renewable energy systems into the existing grid infrastructure could pose technical challenges and require upgrading the distribution network to ensure stability and reliability.



2. **Cost Implications:** The cost of upgrading the distribution network and integrating renewable energy systems could be substantial, and distribution utilities may need to pass on the cost to their customers, which could be a point of contention.
3. **Regulatory Challenges:** The regulatory framework for integrating renewable energy systems into the grid may need to be better developed, and there may be clear guidelines for the distribution utilities to follow. This could lead to disputes between the utilities and the government over the responsibilities and costs associated with integrating renewable energy systems into the grid.
4. **Grid Stability:** Renewable energy systems, particularly those based on solar and wind power, are dependent on weather conditions, which can lead to fluctuations in the generation of electricity. This can pose challenges for grid stability, and the distribution utilities may need to invest in new technologies to mitigate these fluctuations and ensure stability.
5. **Inadequate Infrastructure:** In some areas, the existing infrastructure may not support the installation of renewable energy systems, requiring significant investment from distribution utilities to upgrade it.
6. **Stranded Contract Costs:** Some distribution utilities may have existing contracts with traditional energy providers, which may become stranded due to the mandatory installation of renewable energy systems.

May we humbly provide the following suggestions/recommendations to address the possible challenges for the mandatory installation of renewable energy systems on government-owned buildings:

1. **Start with pilot projects:** Implement renewable energy systems in a few government buildings first to demonstrate their effectiveness and to address any technical or administrative challenges that may arise.
2. **Set achievable targets:** Establish goals and targets for reducing carbon emissions and energy consumption in government buildings, and track progress towards these targets over time.
3. **Provide incentives:** Offer financial incentives, such as tax credits or grants, to encourage the adoption of renewable energy systems.
4. **Promote education and awareness:** Provide training and education for government building managers, employees, and the general public on the benefits of renewable energy systems and how they can be used effectively.
5. **Work with private sector partners:** Partner with private sector companies to provide expertise and technology for installing and maintaining renewable energy systems.



6. **Consider funding options:** Consider alternative funding options, such as public-private partnerships, to finance the installation and maintenance of renewable energy systems in government buildings.
7. **Consider the long-term:** Renewable energy systems typically have a longer lifespan than traditional energy systems, so it's essential to consider long-term costs and benefits when making decisions about installing these systems.
8. **Monitor and evaluate:** Regularly monitor and assess the performance of renewable energy systems to identify areas for improvement and to ensure they are functioning effectively.
9. **Collaborate with other government agencies:** Collaborate with other government agencies, such as the Department of Energy or the Environmental Protection Agency, to share information and resources related to the use of renewable energy in government buildings.

In conclusion, the mandatory installation of renewable energy systems in government-owned buildings is an essential step towards a more sustainable future. By reducing greenhouse gas emissions, increasing cost-effectiveness, and promoting energy independence, the government can lead by example in the transition to a clean energy future. But first, we must also carefully consider and address those significant challenges for the distribution utilities to ensure a smooth and successful transition to a more sustainable energy future.



## ON THE HIGH ELECTRICITY GENERATION COST

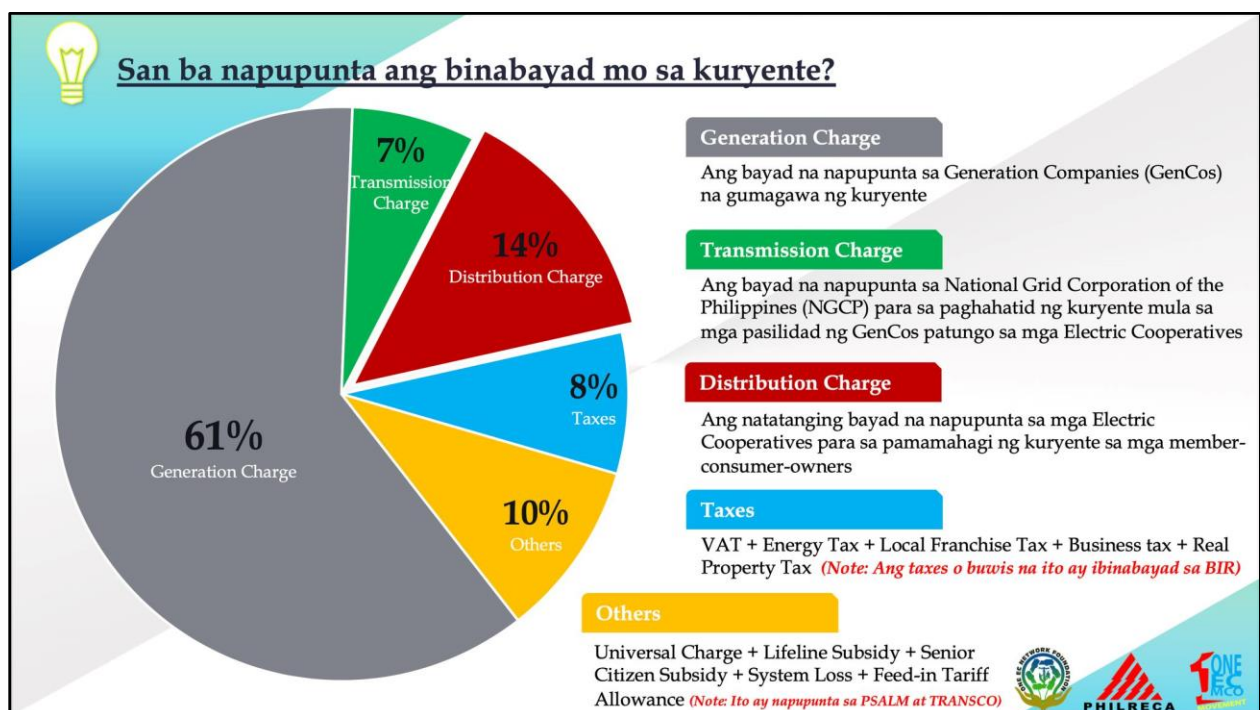
The rising generation costs and the resulting higher electricity rates is a pressing issue that affects millions of households and businesses across the country. This has resulted in an increased financial burden for the citizens, hindering their economic growth and development. As a result, there is a need for an investigation by the House of Representatives in aid of legislation to address this issue.

Electric cooperatives are being vilified, crucified, and even tried in the court of public opinion for levying rising electricity rates in recent months. Despite being collectors or collecting agents **only** of the payments due to generation companies, the transmission system operator, and even the taxes due to the government, many consumers and stakeholders would think that the ECs are the ones who benefit (or worse, the culprit) whenever there are increases in electricity rates.

It should be understood, however, that one of the objectives of the electric cooperatives is not only to look for reliable and sustainable sources of electricity **but, more importantly**, to take advantage of affordable sources of energy because this is how we can help our member-consumer-owners have more purchasing power, more choices, and more options in life, hence giving the MCOs better quality of life.

But the rising cost of electricity is an unfortunate event that has been happening. As early as the start of last year, gasoline prices have started to balloon almost every week. The cost of electricity eventually followed. But what precisely are the causes of the power hike?

Before we can quickly and objectively understand this issue, we must explain the components of an electricity bill that a consumer pays regularly.





In a typical electricity bill, there are five components (these are unbundled as required by EPIRA or the Electric Power Industry Reform Act):

- Generation Charge
- Transmission Charge
- Distribution Charge
- Taxes
- Others

The most significant chunk of a consumer's bill is the generation charge (about 61% or more than half of the entire amount). Other costs pale in comparison to this component. For quick reference: when you pay your bills, the only amount that goes to the electric cooperative is reflected in the Distribution Charge or the distribution-supply-metering (DSM) charges. **This amount is fixed by law, regulated, and can only increase or decrease after deliberations and approval by the ERC.** All other components are remitted to generation companies, NGCP, or the government (taxes and subsidies).

For your information, the DSM rate, which in this example is just a meager 14% of the entire bill, **has never changed before and during the pandemic, and not in the last ten years or since 2010.**

The consumer experience increases by an increase in charges in the other component of our electricity bills – mainly, the generation charge and the resulting increase in government taxes because taxes are expressed in percentages.

In recent years, electricity generation costs have increased significantly, leading to higher electricity rates for consumers.

But what exactly causes the increase in generation components? They are the following:

- Higher fuel costs in the global market due to instability in supply, mainly driven by the Russian invasion of Ukraine
- The lack of coal sources or supply caused the skyrocketing of coal prices, and
- Weakening peso against other currencies, hence, affecting how we pay our imports

The EPIRA law allows generation companies to pass these costs to the consumers. How? The charges are passed through using the fuel cost adjustment mechanism, which is embedded in the Power Supply Agreement of the generation company and the distribution utility.

We are not trying to blame anyone or any sector for what is happening. We want to be clear that we are making these clarifications so that we know how to address the problem. Likewise, we wish to avoid barking up the wrong tree. Furthermore, electric cooperatives, being collectors of other charges, had no control over the imposition of other fees. The only fees that the ECs have control of - the distribution, supply, and metering or DSM charges - remained unchanged and did not change over the last ten years - it did not change, and we never intended for it to increase.



The causes of the rate increases are clear, and we are all aware of them. But we must work hard to easily change the law and the immediate situation we are in. Because of what is happening right now, our policymakers are directly engaging in discussions and are bent on reviewing the EPIRA to become more responsive to the plight of the people.

Given the significance of this issue, the House of Representatives must conduct an investigation in aid of legislation. The inquiry should focus on identifying the root causes of the rising generation costs and the steps that can be taken to address this issue. The results of this investigation should be used to develop effective policies and regulations that will ensure the generation costs are kept under control, and the electricity rates are reasonable and affordable for the citizens. Investigation will have far-reaching benefits, not just for the citizens but also for the economy and the environment.

The following are issues and concerns that we suggest our policymakers look into when EPIRA is revised or replaced:

- The Power Generation must be regulated. Continuing a deregulated generation sector will only result in an imbalance in the power industry, with the opportunities of each to bring down the electricity cost being impeded. One must bear in mind that the power distributed by the DUs carries the exact cost offered by the Generator, it being a pass-thru cost plus the VAT.
- A provision allowing the government (both LGU and national) to generate power must be reintroduced, not leaving the matter only to the private sector. True competition may be achieved only with the presence in the market of a price-neutralizing factor, the government.
  - Although we have PSALM to do this role, it is only disheartening to note that this instrumentality prefers the private DUs in volume allocation to the ECs, which are supposedly the government's partners in rural electrification.
  - The government should seriously look into how the PSALM allocates its capacities. Priority in greater allocation of PSALM's capacities should be the ECs instead of the private DUs. Increasing the capacity allocation of the ECs will favorably affect the power mix costing. The inherently lower cost of PSALM serves as the prime factor in the equation to lower the electricity cost.
- A provision allowing the ECs to generate power either on its own or through a joint venture with interested corporations must be introduced.
- We earnestly hope for ERC's support through the issuance of an advisory clarifying the causes of the increased electricity rates and that no increase in the DSM has been granted nor implemented by the ECs since 2010. Such issuance from the ERC will significantly help and assist the ECs' IEC Campaigns since it would simply appear as a self-serving statement if said pronouncement only comes from the ECs themselves.

**WE WELCOME THESE DISCUSSIONS AND POSSIBLE REVISIONS OF THE LAW.** In addition to this, we are also finding other ways how we can help in the long-





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term future bring down and protect our MCOs further. Our best way forward is through clean energy innovation and firm low-carbon pathways to a no-carbon future. We have started nationwide discussions and initiatives on developing EC's very own renewable energy sources, and we have invited legal minds to review our power supply agreements and see how we can protect the ECs and the MCOs from unreasonable rate hikes without disrespecting the sanctity of contracts.

But until the law is amended to give more protections to the consumer this time, we will be vulnerable to market imperfections in the short term. We appreciate our legislators for recognizing our accomplishments and objectives. We will be eternally grateful if these deliberations and amendments in the law will benefit the ECs and MCOs in terms of more affordable, more reliable, and more sustainable sources of energy.