

Terra Solar Philippines, Inc. PSA Rate Impact at 50% pdf
(March 2023 to February 2028)

BILLING COMPONENT	UNIT	BASE RATES ¹⁰	BILLING DETERMINANT ¹¹	AMOUNT (PHP)
A) Capacity Payment (MCP)	(Php/kWh)	23,688,2000	95,000 (kWh)	2,256,970,000.00
B) Variable GS&M Payment (MVO&M)	(Php/kWh)	0.3120	3,723,000,000 (kWh)	1,154,130,000.00
VAT Payment	(Php)			0.00
Total Payment (VAT Inclusive)	(Php)			21,221,100,000.00
Effective Rate at Plant Gate (VAT Inclusive)	(Php/kWh)			5.7000
WESM Line Rental Rate ¹²	(Php/kWh)			0.1000
Delivered Rate (VAT Inclusive) ¹³	(Php/kWh)			5.8000
Effective Cost if sourced from WESM ¹⁴	(Php/kWh)			9.7840
Increase / (Decrease) over WESM	(Php/kWh)			(3.9840)
Meralco Captive Energy Demand ¹⁵	(kWh)			41,894,579,402
Increase / (Decrease) in Generation Cost	(Php)			(14,832,296,825.24)
Increase / (Decrease) in Generation Cost	(Php/kWh)			(0.3540)

Assumptions:
¹⁰ Contract Price (VAT excluded) as indicated in the TS TOR.
¹¹ Energy billing determination for Mar 2023 to Feb 2028 based on 2023 pdf with respect to the Contract Capacity.
¹² Line rental rate for Terra Solar Philippines, Inc. is based on the maximum allowable value as indicated in TS TOR.
¹³ Delivered Rate (VAT Inclusive) will include AS Cost Recovery rate once imposed under existing rule or regulation. AS Cost Recovery rate for Terra Solar Philippines, Inc. shall be based on the lower between actual rate and cap of P90.28/kWh.
¹⁴ Cost if equivalent volume of Terra Solar Philippines, Inc. was sourced from WESM and priced using forecasted average WESM prices during peak hours for the period Mar 2023 to Feb 2028, inclusive of 6% VAT.
¹⁵ Forecasted Meralco Captive Energy for Mar 2023 to Feb 2028 based on the latest Power Supply Procurement Plan as submitted to DOE.

- MERALCO notes that the annual delivered rate of Pp 5,800 per kWh (VAT and line rental inclusive) is lower by about Pp 3,984 per kWh than the effective cost of Pp 9,784 per kWh (VAT and line rental inclusive), if the equivalent capacity under the MERALCO-TSPI PSA is to be sourced from the WESM. In fact, by sourcing the capacity through the MERALCO-TSPI PSA, MERALCO's average blended generation rate will be reduced by about Pp 0.354 per kWh (as seen in the RATE IMPACT ANALYSIS above) resulting in savings to consumers of about Pp 14.8 billion.
- In support of this Joint Application, the Judicial Affidavit of ENGR. ELVIN C. JACOB, Officer of MERALCO's Energy Sourcing – Energy Sourcing Operations Team, is attached as ANNEX "E" and made an integral part hereof.
- Likewise, in support of the instant Joint Application, the Applicants provide the following documents, which underwent the pre-filing conference and pre-filing marking of annexes with the Honorable Commission:

Description of Document	Annex
MERALCO's Secretary's Certificate	"A"
TSPI's Secretary Certificates	"B" and "B-1"
TPBAC Summary-Report regarding the conduct of the CSP	"C"
MERALCO-TSPI PSA	"D"
Write-up that the PSA is not under emergency procurement with a DOE-issued Certificate of Exemption	"D-1"
Judicial Affidavit of MERALCO's witness, Engr. Elvin C. Jacob, Officer of MERALCO's Energy Sourcing – Energy Sourcing Operations Team	"E"
MERALCO's Articles of Incorporation and By-Laws (SEC-certified true copy)	"F"
MERALCO's Latest General Information Sheet ("GIS") (SEC-certified true copy)	"G"
Verified Certification of True Copies of MERALCO's Articles of Incorporation, By-Laws, and GIS and of MERALCO's Ultimate Parent Company, all of its subsidiaries and affiliates	"G-1"
MERALCO's Demand Side Management Program	"H"
Write-up on the Non-Applicability of National Power Corporation ("NPC") Certification regarding whether or not Transition Supply Contract ("TSC") capacity and energy is expected to be available during the contractual period	"I"
Excerpt of MERALCO's Distribution Development Plan – Power Supply Procurement Plan (Supply and Demand Scenario); Average Daily Load Curve scenarios	"J"
Details of Existing Suppliers	"J-1"
Details of Power Supply Contract Utilization	"J-2"
Details of SAIDI and SAIFI	"J-3"
Estimation of the potential for a reduction in load supplied by MERALCO due to ROCA	"J-4"
Write-up of no inconsistencies/differences from documents presented	"J-5"
Documents showing MERALCO's conduct of CSP	"J-6"
SEC Certificate of Registration including the Articles of Incorporation and By-Laws of TSPI	"K" and series
2022 General Information Sheet of TSPI (SEC-certified true copy)	"L"
Verified Certification of the list of Board Directors and members of the Ultimate Parent Company, subsidiaries and all affiliates of TSPI	"M"
Diagram of Corporate Structure	"M-1"
Shareholders' Agreement dated 17 September 2020	"M-2"
Supplement to the Shareholder's Agreement dated 24 October 2021	"N"
Executive Summary of PSA	"N-1"
Written Explanation on In-applicable Documents	"O"
1. Renewable Energy Service Contracts from the DOE	"P" and series
2. Certificate of Registration or Certificate of Confirmation of Commerciality by an RE Developer	
3. Environmental Compliance Certificate ("ECC")	
4. Board of Investments ("BOI") Certificate of Registration	
5. Certificate of Compliance issued by the Energy Regulatory Commission	
6. Certification from the Department of Energy regarding the Philippine Development Plan or Certificate of Endorsement	
7. Water Permit from the National Water Resources Board	
8. Single-Line Diagram ("SLD")	
9. Details regarding transmission projects or grid connection projects necessary to complement the proposed generation capacity; Identification of the parties that will develop and/or own such facilities; any cost related to such project; and specification of the parties responsible for the recovery of any costs related to such projects	
10. Copy of Related Agreements	
11. Updated costs in relation to a previously filed PSA	
12. Sworn Statement regarding the procurement of fuel	
13. Certification of the net heat rate in liters per kWh	
14. Simulation of the number of operating units necessary to meet the MEOT and/or additional energy/demand requirements of the DU	
15. Distribution Wheeling Service Agreement	
16. Potential cost of Ancillary Services as and when the PP on the DU is connected to the main grid	
17. Certified True Copy of the WESM Registration	
Write-up on Sources of Funds and Financial Plans; Generation Rate and Derivation*	"Q"
Spreadsheet of Financial Model, Bid Price Calculation, and Cost Analysis*	"Q-1"
Technical and Economic Characteristics of the TSPI Plant	"R"
Certified True Copy of TSPI's Audited Financial Statements	"S"
Verification and Certification of Non-Forum Shopping	"T"

ALLEGATIONS IN SUPPORT OF THE MOTION FOR CONFIDENTIAL TREATMENT OF INFORMATION

- Under Rule 4 of the ERC's Revised Rules of Practice and Procedure ("ERC's RRPP"), a party to any proceeding before the Honorable Commission may request that certain information not be disclosed and be treated as confidential, by describing with particularity the information to be treated as confidential, specifying the ground for the claim of confidential treatment of the information and, if applicable, specifying the period during which the information must not be disclosed.
- With respect to the documents marked and attached as ANNEXES "Q and Series" as well as the amendments stipulated under clause 3.1 of the Supplement to the Shareholders' Agreement dated 24 October 2022 marked and attached as ANNEX "N-1", TSPI respectfully moves that these be treated as confidential and not be disclosed to any party for the reason that these contain non-public, proprietary information, data and calculations involving the investments, financial calculations, and business operations of TSPI. The data and information contained therein are part of the overall formula and process in arriving at the competitive rates of TSPI. These formula and process are specifically developed for the use of TSPI and are treated as trade secrets. If the information contained in these documents are unduly disclosed, it will seriously prejudice the competitiveness of TSPI. These documents are neither generally available to the public nor already in the possession of the Honorable Commission on a non-confidential basis.
- In the case of *Air Philippines Corporation vs. Pennswell Inc.*,² the Supreme Court defined "trade secret" as follows:

"A trade secret is defined as a plan or process, tool, mechanism or compound known only to its owner and those of his employees to whom it is necessary to confide it. The definition also extends to a secret formula or process not patented, but known only to certain individuals using it in compounding some article of trade having commercial value. A trade secret may consist of any formula, pattern, device, or compilation of information that (1) is used in one's business; and (2) gives the employer an opportunity to obtain advantage over competitors who do not possess the information. Generally, a trade secret is a process or device intended for continuous operation of the business, for example, a machine or formula, but can be a price list or catalogue or specialized customer list. It is indubitable that trade secrets constitute proprietary rights." (Emphasis supplied.)

- The protection of trade secrets is likewise recognized by the Honorable Commission in its Decision in ERC Case No. 2015-111 RC:

"In the case of PNOG RC, the documents sought to be protected from disclosure contains formula and pricing structures used in arriving at their proposed tariff. The prices cited in the documents were components of the proposed tariff. In fact, all three (3) documents were used by the Commission in evaluating the reasonableness of the proposed rate. In electric power industry [where] prices is a major consideration in selecting one's supplier, it is apparent that the assumption used in arriving at one's proposed tariff is considered a competitive leverage by one player against its competitors.

Thus, the Commission resolved to treat the said documents confidential and may not be publicly disclosed."

- TSPI hereby submit one (1) copy of the foregoing confidential documents in a sealed envelope, with the envelope and each page of the documents marked "Confidential."
- The interest of the consumers of MERALCO is sufficiently protected by the review and evaluation of the rates under the PSA by the Honorable Commission, without the need to disclose the contents of ANNEXES "Q and series" and Clause 3.1 of ANNEX "N-1". The reasonableness and transparency of the prices of electricity is to be assured by the Honorable Commission through its own review and verification of the foregoing documents sought to be afforded confidential treatment in the evaluation and handling thereof.
- Lastly and corollary to the foregoing, TSPI would like to implore the discerning wisdom of the Honorable Commission to include in its issuance for this purpose the "procedures for handling or returning the confidential information, as may be appropriate, upon the close of the proceedings..." (Sec. 2, Rule 4, ERC's RRPP)
- This is guided by the fact that TSPI will seek for the return of these sought to be declared confidential annexes after its utilization as evidence in this case and/or at the close of the proceedings hereof, so as to relieve the Honorable Commission of the burden of safekeeping the trade secrets of TSPI enclosed in the subject annexes.

PRAYER

WHEREFORE, premises considered, Applicants respectfully pray that the Honorable Commission:

- Issue an Order TREATING ANNEXES "Q and series" and Clause 3.1 of ANNEX "N-1" and all other information contained therein as CONFIDENTIAL, directing their non-disclosure to persons other than officers and staff of this Honorable Commission, continuously protecting the said information from public disclosure by maintaining the same separate and apart from the records of the case, and ensuring that these are not divulged to unauthorized persons, and that the same will be returned to Applicant TSPI, pursuant to Rule 4 of the ERC's RRPP; and
- After hearing on the merits, render a Decision APPROVING the MERALCO-TSPI PSA and the terms and conditions thereunder, including the price.

Other reliefs, just and equitable under the circumstances, are likewise prayed for.

The Commission sets the instant *Joint Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on the following dates and online platforms for the conduct thereof, pursuant to Resolution No. 09, Series of 2020⁴ and Resolution No. 01, Series of 2021⁵ (ERC Revised Rules of Practice and Procedure):

Date	Platform	Activity
21 April 2023 (Friday) at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams or Zoom Application	Determination of compliance with the jurisdictional requirements and expository presentation
28 April 2023 (Friday) at two o'clock in the afternoon (2:00 P.M.)		Pre-trial Conference and presentation of evidence

Any interested stakeholder may submit its **comments and/or clarifications** at least one (1) calendar day prior to the scheduled initial virtual hearing, via electronic mail (e-mail) at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph. The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

Moreover, any person who has an interest in the subject matter of the instant case may become a party by filing with the Commission via e-mail at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph, a verified **Petition to Intervene** at least five (5) calendar days prior to the date of the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- The petitioner's name, mailing address, and e-mail address;
- The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- A statement of the relief desired.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may file through e-mail at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph, their **Opposition or Comment** at least five (5) calendar days prior to the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- The name, mailing address, and e-mail address of such person;
- A concise statement of the Opposition or Comment; and
- The grounds relied upon.

All interested parties filing their *Petition to Intervene*, *Opposition or Comment* are required to submit the hard/printed copy/ies thereof either through personal service, registered or ordinary mail/private courier, within five (5) working days from the date that the same were electronically submitted, as reflected in the acknowledgment receipt e-mail sent by the Commission.

Any of the persons mentioned in the preceding paragraphs may access the copy of the *Joint Application* on the Commission's official website at www.erc.gov.ph.

Finally, all interested persons may be allowed to join the scheduled initial virtual hearings by providing the Commission, thru legal.virtualhearings@erc.ph, with their respective e-mail addresses and indicating therein the case number of the instant *Joint Application*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearings.

WITNESS, the Honorable Chairperson and CEO **MONALISA C. DIMALANTA**, and the Honorable Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA**, and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 20th day of February 2023 in Pasig City.

Floresinda G. Baldo-Digal
FLORESINDA G. BALDO-DIGAL
 Commissioner

LS:VMA/LSP/MCCG

¹ Entitled "Amending Certain Provisions of and Supplementing Department Circular No. DC2018-12-0003 on the Competitive Selection Process in the Procurement by the Distribution Utilities of Power Supply Agreement for the Captive Market," published on 14 October 2021.
² G. R. No. 172855, 13 December 2007.
³ In the Matter of the Application for the Approval of the Power Supply Agreement Between Nueva Ecija II Electric Cooperative, Inc. – Area 2 (NEECO II – Area 2) and PNOG Renewables Corporation (PNOG RC) with Prayer for Provisional Authority, ERC Case No. 2015-111 RC, Decision dated 30 May 2017, p. 26.
⁴ A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.
⁵ A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

Poll,
from SI/1

China Banking Corp. Chief Economist Domini S. Velasquez said prices of eggs also went down as the avian flu remains contained, while fish prices slipped as the fishing season resumed. However, this may be offset by the rising prices of rice and meat, she added.

"Other commodities showed mixed performance for the month. Electricity in Meralco-serviced (Manila Electric Co.) areas are up due to high generation charges brought about by the shutdown of Malampaya," she said.

Meralco hiked the overall rate to P11.4348 per kilowatt-hour (kWh) in March from P10.8895 per kWh a month ago due to an increase in generation charge.

The generation charge went up by P0.4636 to P7.3790 amid the maintenance shutdown of the Malampaya gas production facility from Feb. 4 to 18. Power plants supplied by Malampaya ran on more expensive alternative fuels to ensure continuous power supply during the two-week shutdown.

Ms. Velasquez said the higher generation charge in April and the looming El Niño may continue to drive up utility rates.

Philippine National Bank (PNB) economist Alvin Joseph A. Arogo said the lagged and second-round impact of higher prices from last year has not faded, but base effects will "play a big role" for the rest of the year.

Since March 2022, headline inflation has been above the 2-4% target range.

Mr. Tsuchiya also said inflation may continue to slow given easing supply-side pressures on food and energy, as well as softening domestic demand.

Union Bank of the Philippines, Inc. Chief Economist Ruben Carlo O. Asuncion said he does not expect a rapid disinflation this year. His full-year inflation forecast is 7.1%, higher than the BSP's 6% average forecast.

"We see food to remain elevated primarily due to supply constraints and will not be remedied by the BSP's hiking interest rates," Mr. Asuncion said.

Banks,
from SI/1

Most lenders expect their assets to grow between 10% and 15%, while digital banks projected asset growth up to more than 20%.

"The expansion in bank assets was expected to be largely in the form of credit growth to further support the country's financing needs," the central bank said.

About 78.9% of banks anticipate double-digit growth in their loan portfolio for the next two years, higher than the 72.7% seen in the prior survey.

Universal banks surveyed said they would want to focus on the manufacturing, wholesale and retail trade, and consumer finance sectors in the next two years.

BSOS results also showed banks have a more optimistic outlook on their profitability, with 77.9% of respondents seeing double-digit growth in net income, higher than the 74.4% in the previous survey.

Better loan quality is also expected in the next two years due to the economy's recovery and a rebound in credit activity. About 52.4% of banks expect their non-performing loan (NPL) ratio to exceed 5%. This is a lower number compared with the 58.9% of respondents in the previous survey.

As of January, the industry's NPL ratio stood at 3.28%, lower than the 4.14% in January 2022.

Half of the banks surveyed also anticipate an NPL coverage ratio of 51% to more than 100% in the next two years.

By banking group, the NPL ratio projection of universal and commercial banks shifted to within the range of greater than 2-3% from above 3% in the previous year. Most U/KBs also see their NPL coverage ratio to be at least 75% to more than 100%.

"Digitalization of products and services was identified as a top strategic priority of banks in the next two years," the central bank said.

Ms. Velasquez said core inflation is still expected to remain elevated at around 7.8% in March, before "slowly trending downwards."

"Moreover, prices of some food commodities seem to be moving upwards, rice and meat in particular. We are still awaiting greater non-monetary interventions to make sure food prices are brought down," she added.

Core inflation, which discounted volatile prices of food and fuel, quickened to 7.8% in February from 7.4% in January, the fastest pace in over 22 years.

Security Bank Corp. Chief Economist Robert Dan J. Roces said core inflation may remain high if not flat in the next two months "as this responds with a lag from broader price effects."

"Given these, the BSP will remain cautious as risks remain. With the next policy meeting in May, the central bank will have two months' worth of data to consider as to its next move," Mr. Roces said.

"We do think it has done much of the heavy lifting, and monetary policy can only do so much. Thus, we think there is a higher chance that it may decide to pause at the current policy rate," he added.

The BSP has raised rates by a total of 425 basis points (bps) since May 2022, bringing the policy rate to 6.25% – the highest since 2007.

"If we're right, and inflation continues to fall in the coming months before the BSP Monetary Board meets next in May, then I suspect that they will have enough confidence to hit the pause button on its tightening cycle," Miguel Chanco, chief economist for emerging Asia at Pantheon Macroeconomics, said in an e-mail.

For Mr. Dacanay, inflation will remain well above the BSP's 2-4% target range.

"We expect the BSP to whip out another 25-bp hike (to 6.5%) at the next Monetary Board meeting before eventually pausing its tightening cycle," he said.

The Monetary Board's next policy review is on May 18.

According to the BSOS, majority of banks are already improving their digital capabilities. Banks also identified deposit operation as the most important area of focus, followed by payment systems.

Due to the increasing digitalization of financial transactions, banks are aware that risks to cybersecurity may arise.

Most of the respondent banks said it is important to continually monitor against threats, and that a reliable information technology department would ensure quick response to security incidents.

"Banks have also invested in updated security tools, performed periodic vulnerability assessments, and enhanced their security framework, among others," the BSP said.

Meanwhile, banks said the top risks to their operations are asset quality and credit risks.

Respondents are also wary of macroeconomic, operational risks, and cybersecurity threats, the survey's results showed.

To protect their respective banks against internal and external shocks, lenders said they are strengthening their risk governance framework, the BSP said.

"The Philippine banking system sustained its resilient and robust performance amid the lingering effects of the COVID-19 (coronavirus disease) crisis alongside the tightening of global financial conditions," the BSP said.

"Moving forward, the BSP will continue to adopt prudential measures that will strengthen corporate and risk governance in banks as well as promote responsible innovation and mainstream sustainable finance. All these are intended to foster a resilient, dynamic, and inclusive financial system that is supportive of sustainable economic growth."

— **Keisha B. Ta-asan**