

Terra Solar Philippines, Inc. PSA Rate Impact at 50 % pcf (March 2027 to February 2028)

Table with columns: BILLING COMPONENT, UNIT, BASE RATES, BILLING DETERMINANT, AMOUNT (PHP). Rows include Capacity Payment, Variable G&M, VAT, Total Payment, Effective Rate at Plant Gate, WESM Line Rental Rate, Delivered Rate, Effective Cost if sourced from WESM, Increase/Decrease over WESM, Meralco Captive Energy Demand, Increase/Decrease in Generation Cost, Increase/Decrease in Generation Cost.

Assumptions: 1) Contract Price (VAT exclusive) as indicated in the TS TOR. 2) Energy billing determination for Mar 2027 to Feb 2028 based on 50% pcf with respect to the Contract Capacity. 3) Line Rental rate for Terra Solar Philippines, Inc. is based on the maximum allowable value as indicated in TS TOR. 4) 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. 5) 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 2027 to Feb 2028, inclusive of 6% VAT. 6) Forecasted Meralco Captive Energy for Mar 2027 to Feb 2028 based on the latest Power Supply Procurement Plan as submitted to DOE.

- 12. MERALCO notes that the annual delivered rate of PhP 5,800 per kWh (VAT and line rental inclusive) is lower by about PhP 3,984 per kWh than the effective cost of PhP 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 PhP 0.354 per kWh (as seen in the RATE IMPACT ANALYSIS above) resulting in savings to consumers of about PhP 14.8 billion.
13. 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.
14. 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:

Table with columns: Description of Document, Annex. Rows include Meralco's Secretary's Certificate, TSPI's Secretary Certificates, TPBAC Summary-Report regarding the conduct of the CSP, Meralco-TSPI PSA Write-up, Judicial Affidavit of Meralco's witness, Meralco's Articles of Incorporation and By-Laws, Meralco's Latest General Information Sheet, Verified Certification of True Copies of Meralco's Articles of Incorporation, By-Laws, and GIS, Meralco's Ultimate Parent Company, Meralco's Demand Side Management Program, Excerpt of Meralco's Distribution Development Plan, Average Daily Load Curve scenarios, Details of Existing Suppliers, Details of Power Supply Contract Utilization, Details of SAIDI and SAIFI, Estimation of the potential for a reduction in load supplied by Meralco due to RCOA, Write-up of no inconsistencies/differences from documents presented, Documents showing Meralco's conduct of CSP, SEC Certificate of Registration including the Articles of Incorporation and By-Laws of TSPI, 2022 General Information Sheet of TSPI, Verified Certification of the list of Board Directors and members of the Ultimate Parent Company, subsidiaries and all affiliates of TSPI, Diagram of Corporate Structure, Shareholders' Agreement dated 17 September 2020, Supplement to the Shareholder's Agreement dated 24 October 2022, Executive Summary of PSA, Written Explanation on In-applicable Documents, Certificate of Registration or Certificate of Confirmation of Commerciality by an RE Developer, Environmental Compliance Certificate, Board of Investments (BOI) Certificate of Registration, Certificate of Compliance issued by the Energy Regulatory Commission, Certification from the Department of Energy regarding the Philippine Development Plan or Certificate of Endorsement, Water Permit from the National Water Resources Board, Single-Line Diagram (SLD), 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, Copy of Related Agreements, Updated costs in relation to a previously filed PSA, Sworn Statement regarding the procurement of fuel, Certification of the net heat rate in liters per kWh, Simulation of the number of operating units necessary to meet the MEOT and/or additional energy/demand requirements of the DU, Distribution Wheeling Service Agreement, Potential cost of Ancillary Services as and when the PP on the DU is connected to the main grid, Certified True Copy of the WESM Registration, Write-up on Sources of Funds and Financial Plans; Generation Rate and Derivation, Spreadsheet of Financial Model, Bid Price Calculation, and Cost Analysis, Technical and Economic Characteristics of the TSPI Plant, Certified True Copy of TSPI's Audited Financial Statements, Verification and Certification of Non-Forum Shopping.

ALLEGATIONS IN SUPPORT OF THE MOTION FOR CONFIDENTIAL TREATMENT OF INFORMATION

- 18. 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.
19. 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.
20. In the case of Air Philippines Corporation vs. Pennswell Inc., 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.)

- 21. 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.

- 22. 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."
23. 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.
24. 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)
25. 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:

- a) 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
b) 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 2020 and Resolution No. 01, Series of 2021 (ERC Revised Rules of Practice and Procedure):

Table with columns: Date, Platform, Activity. Rows include Determination of compliance with the jurisdictional requirements and expository presentation (21 April 2023) and Pre-trial Conference and presentation of evidence (28 April 2023).

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:

- 1) The petitioner's name, mailing address, and e-mail address;
2) 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
3) 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:

- 1) The name, mailing address, and e-mail address of such person;
2) A concise statement of the Opposition or Comment; and
3) 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 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. 172835, 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.

BSP pause, from SI/1

and is therefore a concern," Nomura Chief ASEAN (Association of Southeast Asian Nations) Economist Euben Paracuelles and analyst Rangga Cipta said in a note. Despite easing headline inflation, Nomura still expects the central bank to hike borrowing costs by 25 basis points (bps) at each of its next two meetings on May 18 and June 22 before pausing. This would bring the key policy rate to 6.75%.

"We think the pickup in core inflation in March will leave BSP uncomfortable with the inflation outlook, with second-round effects likely to be deemed as more persistent and therefore provide scope for a further monetary policy response," Nomura said.

Nomura noted Philippine core inflation was broad-based, as price increases quickened in items such as household equipment, restaurants, communication services, recreation and personal services.

Following the release of inflation data, the BSP said it is prepared to adjust its policy stance as necessary to tame price pressures and prevent more second-round effects from emerging.

"In our view, this signals a cautious tone and doesn't clearly suggest BSP is already considering a pause, especially in reference to the risk of 'additional' second-round effects, which were evident in the core inflation pickup," Nomura said.

Nomura also expects the BSP to begin cutting its policy rate starting March, with a total of 125 bps to bring the rate to 5.5% in 2024.

It projects inflation to average 5.8% this year, before easing to 3.1% in 2024.

"Our forecast continues to pencil in a trajectory, in which headline inflation has already peaked, but will moderate only slightly to 6.9% year on year in the second quarter, before dropping further to 3.2% in the fourth quarter, which would see it back within BSP's target, partly due to base effects," Nomura said.

Month-on-month inflation will not decline until July, it added.

"The downside risks posed by the lower-than-expected outturn

Debt, from SI/1

"Government tax revenue collections improved as the economy reopened towards greater normalcy, while disciplined government spending curtailed government expenditures," Mr. Ricafort said.

"Maturities of government securities also relatively lower in January, thereby fundamentally leading to lower government debt servicing," he added.

Debt servicing could also rise in the next few months.

"For the coming months, government debt servicing could increase in view of larger maturities of government securities up to April," Mr. Ricafort said.

Finance Secretary Benjamin E. Diokno earlier said the government plans to launch a retail dollar bond offering this month.

For 2023, the government programmed debt payments to reach P1.6 trillion, 23.3% higher than last year's P1.298-trillion program.

ICC, from SI/1

Mr. Duterte had canceled the Philippines' membership in the tribunal in 2018. Mr. Marcos said the Philippines would not rejoin the ICC, saying the Philippines has a functioning justice system. "(Mr. Marcos) rejection of further cooperation with the ICC will expose him as an unreliable economic partner, interested only in exacting economic benefits while rejecting values deemed important by various international partners," Terry L. Ridon, a public investment analyst and convener of think tank InfraWatch PH, said in a Facebook Messenger chat.

He said other economic partners may see the President's commitment to the rule of law and human rights as mere lip service, in light of country's non-participation in the ICC probe.

Mr. Ridon said the Philippines is at risk of losing its trade perks under the European Union's (EU) Generalized Scheme of Preferences Plus (GSP+).

In March is, in our view, offset by recent increases in global crude oil prices, which are likely to have had an immediate impact on retail fuel prices," Nomura said.

Global oil prices spiked earlier this month following the announcement by the Organization of the Petroleum Exporting Countries and their allies including Russia of further output target cuts of around 1.16 million barrels per day from May through the rest of the year.

"Monetary authorities will be looking for prices to fall outright, and not just a deceleration in year-on-year inflation. Thus, with core remaining sticky, there is an upside risk for the BSP to continue tightening should data support it," Security Bank Corp. Chief Economist Robert Dan J. Roces said.

Unless core inflation eases in April or weak first quarter economic growth will be reported on May 11, Mr. Roces said the BSP will continue its tightening cycle by another 25 bps on May 18.

"We do think, however, that the monetary authorities have done enough; with the peso relatively behaved, loan growth beginning to weaken, and an inflation trajectory on track to decelerate, the BSP may still pause at the current 6.25% policy rate, with rate cuts to take place only in the second quarter of 2024," he said.

Meanwhile, Pantheon Chief Emerging Asia Economist Miguel Chanco said that core inflation may stabilize by April, which adds weight to the view that the Monetary Board will consider a pause in May.

"Headline disinflation should continue over the remainder of this year, with the mean-reversion in food inflation likely to remain the biggest drag, followed by continued disinflation in oil price-sensitive sub-indices," Mr. Chanco said.

He said full-year inflation will settle at 5.4%, below the BSP's 6% average forecast for this year.

"Our baseline implies that inflation will return to the BSP's 2%-to-4% target range in October, at the earliest... (Core inflation) should show some much-needed stability by the time (Monetary Board) members next meet," Mr. Chanco said.

— Keisha B. Ta-asan and Reuters

In 2022, actual debt service payments reached P1.293 trillion, up 7.4% year on year.

The government borrows from external and local sources to fund a budget deficit capped at 6.1% of gross domestic product (GDP) this year.

For 2023, the government plans to borrow P2.207 trillion. Of the total, P1.654 trillion will be sourced domestically and the remaining P553.5 billion will be borrowed from external sources.

At the end of February, outstanding debt hit a record high of P13.75 trillion.

The country's debt-to-GDP ratio stood at 60.9% as of end-December, still above the 60% threshold considered manageable by multilateral lenders for developing economies.

The government aims to trim the debt-to-GDP ratio to less than 60% by 2025, and to 51.5% by 2028.

— Luisa Maria Jacinta C. Jocson

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