DoE wants reserve power spot market to start commercial operations by Dec.

THE Department of Energy (DoE) said it has set a target to begin commercial operations of the spot market for power reserves on Dec. 26.

"Starting Dec. 26, the market operator shall implement the full commercial operation of the reserve market, wherein the co-optimized energy and reserve schedules, including their associated prices, generated by the market dispatch optimization model shall be financially binding," the DoE said in a draft circular issued on Sept. 16.

On Friday, the Energy Regulatory Commission (ERC) granted preliminary approval to the application for amendments to the price determination methodology.

The joint application was filed by the Independent Electricity Market Operator of the Philippines (IEMOP) and the Philippine Electricity Market Corp. in October 2022 for the implementation of the co-optimized energy and reserve market in the Wholesale Electricity Spot Market (WESM).

According to the circular, the IEMOP is directed to complete preparations and start limited live dispatch operations between Sept. 26 and Dec. 25.

During the period, the IEMOP will conduct live parallel operations which involves end-to-end testing using a non-production system between the market operator, system operator, and registered ancillary service (AS) providers.

IEMOP operates the WESM. The reserve market will facilitate the trading of AS or power reserves to support the transmission system.

It started trial operations for the reserve market on June 26, according to the DoE.

"All generation companies, duly certified and accredited by the system operator as AS providers, shall ensure completion of their registration on the reserve market before Sept. 26," the DoE said. — **Sheldeen Joy Talavera**

House expects to approve budget on third reading by end of Sept.

THE House of Representatives will begin plenary debate on the proposed P5.768-trillion 2024 national budget on Tuesday, with a target of passing the budget bill by the end of September, the chamber's leadership said.

"We will work morning and afternoon and on Thursday and Friday this week to meet our timeline. The national spending bill is the single most important piece of legislation Congress passes every year," Speaker Ferdinand Martin G. Romualdez said in a statement.

Mr. Romualdez said the target date to pass the 2024 General Appropriations Bill on third and final reading is Sept. 27.

The House Committee on Appropriations ended committee debate on the budget bill last week, during which the various government agencies presented their budget requests for examination.

Separately, the Congressional Policy and Budget Research Department (CPBRD), a policy think tank, expects global rules to curb tax avoidance by multinationals to start forcing changes to Philippine tax policy in a few years.

It said that the latest component of the base erosion and profit shifting (BEPS) initiative covers the taxation of taxing digital services.

The Inclusive Framework for BEPS 2.0, "is defined by a two-pillar strategy... (that notes) the type and size of enterprises to be taxed, determine the allocable tax base by formula and set the tax rates to be applied to the bases."

"Countries that adopt these rules are expected to repeal or amend some of their tax laws so as not to be inconsistent with BEPS 2.0. The Philippines needs to be a signatory to the OECD Inclusive Framework. It is urgent therefore that the country at least attempt to reckon or estimate the costs and benefits of being part of it," the CPBRD said in its policy brief of the Finance department. — **Beatriz Marie D. Cruz**

Health, energy key to exiting lower middle-income 'trap'

THE Philippines' emergence from lower middle-income status will hinge on investment in healthcare and energy, as well as sound fiscal management, former government officials said.

"How do we navigate the post-pandemic economy and avoid the lower middle-income trap and gear for a bright future? One is stabilization and the need for strong public health systems and in the long run, industrialize and engage in energy development and come up with affordable electricity rates," former National Economic and Development Authority (NEDA) Director-General Dante B. Canlas said during a forum at the University of the Philippines Diliman last week.

The Philippines is currently a lower middle-income economy, according to the World Bank.

Philippine gross national income (GNI) per capita increased 11.3% to $3,950 in 2022. The World Bank bracket for lower middle-income economies is $1,136-$4,465.

The government hopes to reach upper middle-income status by 2025.

To reach upper middle-income status, Mr. Canlas, the chief economic planner for the Arroyo administration, said the government also needs to manage deficit financing and public debt prudently.

"Get rid of wasteful spending in the budget and raise current taxes that are easy to administer and progressive," he said.

The government is aiming to bring down the deficit-to-gross domestic product (GDP) to 3% by 2028. It also hopes to reduce the debt-to-GDP ratio to below 60% by 2025.

He also noted the need to force a budget accord with Congress beyond one year.

"All taxes emanate from the House. If you want to reduce the deficit to 3%, which many people believe is safe, as you do it, it's got to be (done responsibly). We have to protect core Filipino values: health, education, and make sure we can modernize and expand infrastructure. Those are all impeding economic growth," he added.

Mr. Canlas said an approach that relies on "infinite" borrowing is "not sustainable."

The government should also focus on improving public health systems, he said.

"It's important to have investments in health or population management. We know the impacts of COVID-19 but there could be other communicable diseases that could (come about) that increase morbidity and absenteeism in the workplace," he said.

Achieving affordable energy will also be crucial to escaping the "lower middle-income trap."

"We have to accelerate the cost competitiveness of renewables... if we hope to replace fossil fuels in generating electricity and transport. We need strategies to transition from coal to renewables," he added.

The economy must also be transformed through industrialization.

"First, raising productivity in all sectors: agriculture, industry, and services. People think it's just building the heavy industries. We have to be careful in choosing the industries to support," Mr. Canlas added.

The government must also address income inequality. "It's been widening. There are several studies that income inequality is very harmful to growth. You cannot build a modern society if it gets unequal over the years," Mr. Canlas said.

Mr. Canlas also said there is a need to minimize youth unemployment through skill acquisition programs. "Unless we rectify that, give them new skills, what will happen is the young and unemployed today will become adults and unemployed tomorrow."

Former Philippine Institute for Development Studies President Josef T. Yap also noted the long-term trend of low investment levels.

"For the better part of three decades we have (had) a lower investment-to-GDP ratio. Investment is important for future economic growth. We were in the backseat with regard to investment. Among ASEAN+3, only the Philippines and Cambodia have never reached the 30% threshold (for investment) between 1960-2019," he said. — **Luisa Maria Jacinta C. Jocson**

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