



FAIR AND REASONABLE. A cross-country study by the International Energy Consultants showed that Meralco's rates remain fair and reasonable with the distribution utility's average tariff 3% below the global average.

Meralco: Powering Economic Growth with Fair and Reasonable Rates

ELECTRICITY rates worldwide have always been a primary concern for investors in making business decisions, particularly in terms of regional development and expansion. Power quality and rates are significant factors that can strongly impact operations, production, and regional and global competition.

In recent years, electricity rates were significantly impacted from global disruptions particularly the COVID-19 pandemic and the Russia-Ukraine war. These challenges had a severe impact on many markets and sectors including the Philippine energy industry which took a hit given the country's heavy reliance on imported coal and domestic gas since these are benchmarked in the volatile world market prices.

These recent global disruptions highlighted the important role electricity rates play in powering and defining economic progress and social development.

Since the situation is not the same across all energy markets, a comprehensive analysis is important

in contextualizing the drivers of electricity rates in different countries like what the International Energy Consultants or IEC did when it compared 46 energy markets, including two American states, in the world.

The IEC is an Australia-based consulting firm that has strong familiarity with the energy markets in the Philippines, Singapore, Vietnam, Taiwan, Japan, Indonesia, New Zealand, and South Korea. Its most recent 2022 study is the fourth in a series to be published by the IEC. Similar reports have been compiled as well in 2012, 2016, and 2018.

Just like in its previous reports, energy markets included in the 2022 study were selected based on availability and quality of data, with a focus on those which would provide a representative range of costs and tariffs. For the Philippines, the IEC used data from the Manila Electric Company (Meralco) since the company is the largest distribution utility in the country.

The IEC indicated that the data was calculated using published tariff schedules for each market's respective utility or supplier and cross-checked with actual customers' bills to ensure accuracy. Results of the survey highlighted interesting insights that properly contextualizes Philippine electricity rates and allows for better appreciation and understanding of data.

Fair and Reasonable Rates Meralco's electricity rates remain fair and reasonable in comparison to other energy markets, results of the recent IEC study showed.

Meralco's average tariff in 2022 is 3% below the global average and ranks 21st among those surveyed. This, even though the Philippines lacked subsidies for electricity tariffs unlike neighboring countries such as Thailand, Indonesia, Malaysia, Korea, Taiwan and Vietnam, which are more than 50% subsidized.

In addition, Meralco's tariff increase at 24% is about the same level of 23% increase over the past



CONTEXTUALIZING ELECTRICITY RATES. Meralco Vice President and Head of Corporate Communications Joe R. Zaldarriaga discusses the results of the cross-country study of the International Energy Consultants.

five years worldwide. The IEC noted that this is due to higher generation charge, a pass-through cost, which in turn was a result of fuel price increases particularly imported cAol and domestic gas.

In terms of distribution charge, the IEC study noted that Meralco only recorded a 2% increase and recognized the distribution utility as well for its diligent management of supply contracts, noting that increase in the generation charge could have been much higher if not for the company's efforts.

“Notwithstanding this increase, all of the components of the regulated tariff are judged fair and reasonable by IEC, based on comparisons with other markets versus the underlying cost of electricity supply in Luzon,” the IEC said.

“Considering that the Luzon power market is unsubsidized, and the majority of the electricity is produced using imported fuel, Meralco appears to have done a very good job of minimizing tariff increases,” it added.

Overall, the IEC study showed that Meralco's tariffs remain close to both the global average and median for the past decade.

As for other energy markets, the IEC, in its study, noted that electricity tariffs in most subsidized markets have either remained unchanged (in local currency terms) or the increases have been insufficient to offset the increases in inputs costs and currency depreciation. As a result, many of A(in US dollar terms) decline which has resulted in Aa massive increase to subsidies.

Meralco's average commercial tariff ranks 21/46 & 3% below the average of all markets

2022 Rank	2021 Rank	Country*	2022 Tariff ^{1,2}	2021 Tariff ^{1,2}	Change in Tariff
1	1	Norway	43.38	25.42	69.5%
2	2	Denmark	31.62	18.03	75.4%
6	3	California (PG&E)	30.30	20.79	45.8%
5	4	Italy	26.94	20.79	29.6%
14	5	Greece	26.85	17.68	51.3%
1	6	PHG	25.26	27.56	-8.4%
9	7	Cyprus	24.48	18.54	32.0%
7	8	Belgium	24.32	20.48	19.0%
3	9	Germany	24.26	23.67	2.5%
8	10	Ireland	23.89	18.19	24.5%
27	16	Singapore	20.23	19.25	97.5%
10	19	Japan (Kansai)	19.89	18.52	6.3%
		Average (All 46 Markets)	18.00	14.61	23.2%
24	23	Meralco ³	17.50	14.07	24.4%
58	52	*Finland	12.84	10.17	26.3%
40	37	US (Average)	12.81	10.09	27.0%
39	38	Hungary	12.60	10.12	24.5%
20	19	Poland	12.03	12.64	-5.2%
35	40	*S. Korea	10.42	10.07	-3.5%
42	41	*Malaysia	9.31	9.43	-1.3%
46	42	*S. Africa	9.06	7.32	23.9%
43	43	*Taiwan	8.95	8.80	1.0%
44	44	*Netherlands	8.38	8.43	-0.6%
36	45	*Sri Lanka	7.79	10.29	-24.3%
45	46	*Indonesia	6.84	8.06	-15.1%

* Light blue indicates subsidized market
1 Tariffs are US\$/kWh excluding VAT but including all other non-recoverable taxes and charges
2 All data for Nov 2022 except EU countries which are H1 2022 and US (Average) which is Oct 2022
3 Meralco tariff is gross (ie. DTTU refund added back for comparison)

