

NGCP declares yellow alert on Luzon; over 4,000 MW unavailable to grid



THE National Grid Corp. of the Philippines (NGCP) placed the Luzon grid on yellow alert Sunday with more than 4,000 megawatts (MW) of capacity unavailable to the grid.

In an advisory Sunday afternoon, the grid operator raised the yellow alert for the period 8 p.m. to 10 p.m. and 11 p.m. to 12 midnight on May 27.

Available capacity was 11,127 MW while peak demand was estimated at 10,776 MW.

The NGCP said that three power plants have been forced

outage since 2023, two between January and March 2024, and 17 between April and May. Six are running on derated capacities.

A total of 4,417.5 MW was unavailable to the grid.

A yellow alert is issued when the operating margin is insufficient to meet the transmission grid's contingency requirement.

As of its 1:23 p.m. update, the NGCP said that Pitogo-Mulanay 69-kilovolt line has been unavailable starting 2:24 a.m. Sunday, affecting the custom-

ers of Quezon I Electric Cooperative, Inc. The transmission line was partially restored at 9:01 a.m.

On May 24, Manila Electric Co. said that around 487,000 customers were affected after it implemented manual load dropping or rotational power interruptions lasting around 1-1.5 hours due to supply deficiencies on the grid.

Areas affected were parts of Bulacan, Cavite, Laguna, Metro Manila, Rizal, and Pampanga. — **Sheldeen Joy Talavera**

Weak peso seen adding uncertainty to bidding for power contracts

LONG-TERM weakness in the peso will have an impact on power supply contracts, which tend to require fixed-price bids for terms of 15 years or so, an industry official said.

"For investors like ourselves, it's also quite challenging because right now, when you participate in a competitive bidding... they require the bidders to fix their price to 15 years," First Gen Corp. President and Chief Operating Officer Francis Giles B. Puno said during *BusinessWorld's* economic forum last week.

Mr. Puno said that all capital expenditures (capex) are basically foreign exchange-driven, adding that a weak peso would make the effective cost higher.

"There are things that I think sometimes we have to be also very practical about. But there's a balance between addressing the consumer needs (and earning a) reasonable return on a prolonged basis for investors," Mr. Puno said.

Jaime Z. Urquijo, chief sustainability and risk officer of Ayala-led ACEN Corp., said as the majority of the company's portfolio are renewable energy based, he said that "it definitely impacts us a little bit less than it could have been."

On May 21, the peso closed at P58.27 to the dollar, its weakest close in more than 18 months.

Analysts said that prolonged peso weakness may result to an increase in energy costs due to potential higher charges from power plants that run on imported energy resources.

Leonardo A. Lanzona, economics professor at the Ateneo de Manila, said in a chat message that peso weakness will cause energy costs to rise "and will eventually lead to inflation."

"The government has been trying to defend the peso in small amounts, but this approach is apparently not enough to stop the depreciation," Mr. Lanzona said.

Mr. Lanzona said interest rates are likely continue to be elevated in order to defend the peso.

"As such, the depreciation, the inflation and the high interest rates will all raise energy costs, resulting in further declines in household consumption," he said.

Michael L. Ricafort, chief economist at Rizal Commercial Banking Corp., said the peso depreciation, which he

said started early in the year, will correspond to additional import costs that would "lead to some pick up in overall prices/inflation."

The Monetary Board kept interest rates unchanged at a 17-year high of 6.5% for a fifth straight meeting. Bangko Sentral ng Pilipinas Governor Eli M. Remolona, Jr. signaled that the central bank could start rate cuts as early as August.

"This would lead to higher costs for power plants to be constructed and the other operating costs of power plants for imported fuel, coal, diesel, LNG (liquefied natural gas), equipment, spare parts, and other imported inputs," he said in a Viber message.

Jose M. Layug, Jr., president of the Developers of Renewable Energy for Advancement, Inc., said any acceleration in the peso's depreciation may potentially affect oil prices.

This in turn "affects power rates when we utilize more diesel plants in the system," he said in a Viber message.

Analysts said that renewables may have an edge in such conditions as the technology does not require much importing of inputs like fuel.

"Renewables now offer cheaper and more competitive energy costs. That is why it is critical that we add more RE (renewable energy) capacity to the system to offset partially any adverse impact of higher oil prices," Mr. Layug said. — **Sheldeen Joy Talavera**

3 German firms considering PHL expansions, PEZA says

THE Philippine Economic Zone Authority (PEZA) said three German companies in the automotive, semiconductor, and pharmaceutical industries are planning to expand their Philippine operations.

In a statement Sunday, the investment promotion agency (IPA) said it found out about the expansion plans after business-to-business meetings on a visit to Germany this month.

PEZA did not disclose the names of the companies but added that one of the companies is already preparing to apply for registration with the IPA.

"We (will) announce the identities of these companies once they file their application with

PEZA," PEZA Director General Tereso O. Panga said.

One of the companies, PEZA said, makes automotive safety sensors in the Philippines.

"They mentioned their plans to expand their operations (and are currently testing) their new products," PEZA said.

The second company is one of "the world's largest manufacturers of discrete semiconductors and passive electric components" with automotive, industrial, computing, military, aerospace, and medical applications.

"(It) discussed with PEZA plans to expand its operations in the Philippines to cater to their new products," the IPA said.

PEZA also met with a German company that makes pharma-

ceutical laboratory and medical equipment calibrating devices, which is now preparing its application with PEZA.

"PEZA was also able to secure a meeting with one of the world's biggest pharmaceutical companies that is into life sciences, healthcare, and electronics and with one of the world's leading car makers headquartered in Germany," it added.

PEZA was in Germany for a week-long investment mission on May 13-17, during which it attended the IFAT Munich 2024 trade show.

"This event is important to PEZA as we are transforming our ecozones into smart and sustainable locations for investments," Mr. Panga said.

Citing a report by Sumitomo Mitsui Banking Corp., PEZA said that German companies primarily consider demographics and the availability of supply chain networks when investing in the Philippines.

It added that German companies are also testing the waters on locating outside of China.

"Given this positive outlook for the Philippines, we remain aggressive in our efforts to promote the country as a smart high-tech manufacturing hub and as an enviable investment destination in Asia," Mr. Panga said.

To date, PEZA houses 37 locator companies with German equity, which accounted for P30 billion in investment and 20,000 jobs. — **Justine Irish D. Tabile**

Aboitiz Power cites downsides to RE reliance, calls for 'creative solutions' to hit power goals

By **Sheldeen Joy Talavera**
Reporter

ABOITIZ Power Corp. (Aboitiz Power) said there is a need to acknowledge the limitations of relying heavily on renewable energy (RE) and urged the industry to tap other energy sources.

"We need to accept the constraints of variable renewable energy but we also need to be creative in tapping solutions to

make sure we are actually addressing the targets," Aboitiz Power President and Chief Executive Officer Emmanuel V. Rubio was quoted as saying in a statement late Friday.

He said other challenges include the lack of transmission connectivity for renewables like hydro and wind, which can only be harnessed at the location of the resource.

Mr. Rubio said that the intermittent nature of solar and wind power justifies the need for "a di-

verse energy mix that can provide reliable and dispatchable power in sync with demand pattern of consumers."

Meanwhile, he said the Green Energy Auction Program (GEAP) and the electricity spot market provide an avenue for tapping uncontracted capacity.

"In the Philippine context, if you participate in the GEAP and you win the auction, then you're guaranteed a revenue stream," he said.

"Other than that, Aboitiz Power believes in the system we have. We have a spot market that works... We were one of the first investors in the Philippines to invest significantly in the government's privatization project... it's a vote of confidence in the system that's in place in the Philippines," he added.

The company is aiming to grow its total capacity to 13 gigawatts (GW) in the next six years, of which 7.5 GW will come from new renewable energy projects.

OPINION

How GenAI can accelerate business transformations

IN BRIEF:

• According to the EY 2023 Work Reimagined Survey, 84% of organizations plan to implement GenAI within the year, aligning with strategic goals to revolutionize processes such as product development and customer engagement.

• GenAI's success relies on quality, trustworthy data, and cross-disciplinary collaboration, necessitating investments in data optimization and team synergy among AI specialists, data scientists, and business stakeholders.

• GenAI adoption must adhere to responsible AI principles, prioritizing transparency, fairness, and ethical considerations to build stakeholder trust and sustainably leverage the technology's full potential.

Given the fast-paced nature of digital evolution, businesses are increasingly turning to innovative technologies to stay ahead of the curve. Generative Artificial Intelligence (GenAI), which refers to AI algorithms that generate outputs based on existing data, has emerged as a transformative force that can revolutionize operations like product development, customer engagement, and software programming. However, integrating this technology into business processes requires strategic planning and careful execution.

The EY 2023 Work Reimagined Survey shows that 84% of employers are expecting to implement GenAI within a year. Additionally, 33% of employees and employers see potential benefits for productivity and new ways of working. GenAI's transformative capabilities are expected to augment human work and increase efficiency, which will have

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By staying agile and responsive, organizations can harness the full potential of GenAI to drive innovation and secure a competitive advantage.

long-term effects on the global business landscape.

The technology can transform business processes and unlock new levels of creativity and efficiency. To help ensure the success of GenAI implementation, this article will share five key strategies to effectively harness the power of GenAI in business transformation.

ANCHOR EVERYTHING TO THE ENTERPRISE STRATEGY

Begin by clearly defining business objectives and assessing how GenAI fits into the organization's broader strategy. Identify specific areas where implementing an AI solution can drive value, such as streamlining operations, enhancing creativity, or personalizing customer experiences.

By aligning AI initiatives with strategic goals, businesses can ensure that resources are allocated efficiently and that AI investments deliver measurable, tangible returns.

PREPARE QUALITY DATA

The success of GenAI will depend on the quality and diversity of data used to train models. It encompasses algorithms that leverage upon neural networks to generate new data that resembles the patterns found in the inputs it

has been trained on. Access to relevant and high-quality data is therefore crucial for training and validation.

Organizations must invest in data collection, cleansing, and augmentation processes to ensure that AI systems are trained with accurate and representative datasets. Additionally, diverse training data will be imperative to capture a wide range of scenarios and edge cases. This can improve the robustness of AI models, help mitigate biases, and ensure fair outcomes.

COLLABORATE WITH THE RIGHT TEAMS

The effective implementation of GenAI requires collaboration among multidisciplinary teams, highlighting the need for partnerships between AI specialists, data scientists, domain experts, and business stakeholders. Involve a cross-functional team in the decision-making process, blending technical expertise with business acumen and ethical considerations, to create a balanced and forward-thinking AI strategy.

By fostering a collaborative ecosystem, organizations can leverage diverse perspectives and domain knowledge to develop AI solutions that address real-world challenges. Cross-functional teams should work together iteratively, from ideation to deployment, to ensure that AI solutions are aligned with business needs and user requirements.

APPLY RESPONSIBLE AI

Ethical and responsible AI practices are paramount in today's data-driven world. Prioritize transparency, fairness, and accountability throughout the AI lifecycle. Implement measures to mitigate biases, ensure data privacy, and establish mechanisms for explaining AI-generated outputs.

Bias in particular often manifests in ways that harm certain parts of the population. When the data that is used to train a model does not accurately reflect the group it is intended to serve, it can create imbalances in the model's outcomes. For example, imbalances could stem from a lack of diversity in the types of data collected. However, there are other types of imbalances that may compromise the precision of the GenAI model without negatively affecting a particular group. Although preventing such imbalances entirely is challenging, the development team must investigate potential sources of imbalance and seek ways to reduce it.

By embedding ethical considerations into AI development processes, businesses can build trust with stakeholders and mitigate potential AI-deployment risks.

LEARN, ADAPT, AND IMPROVE CONTINUOUSLY

AI implementation is a journey, not a destination. Embrace a culture of continuous learning and adaptation, where feedback loops drive incremental improvements. Monitor the performance of AI systems in real-world environments and gather insights from user interactions.

Furthermore, use this feedback to refine AI models, optimize algorithms, and adapt strategies according to evolving business dynamics. Learning and growing from the project should be treated as an essential component of an AI endeavor, instead of a last-minute consideration. Foster an environment of ongoing education, prompting those involved to thoughtfully evaluate all triumphs and challenges. By staying

agile and responsive, organizations can harness the full potential of GenAI to drive innovation and secure a competitive advantage.

TRANSFORMING IN THE LONG TERM

While previous technological advancements mostly focused on automation, GenAI can also assist with complex cognitive functions like predictive analytics, machine learning, and natural language processing. Also, its use-cases encompass a diverse range of industries, occupations, and tasks. For example, the case study Generative AI at Work showed that customer service agents could resolve 13.8% more customer inquiries per hour with the help of GenAI tools.

The successful implementation of GenAI requires a holistic approach that encompasses strategic alignment, data excellence, collaborative engagement, ethical considerations, and continuous learning. By adopting these key strategies, businesses can unlock new opportunities, drive operational efficiencies, and stay ahead in today's digital economy. Through concrete, actionable steps, GenAI can boost efficiency and innovation, reshaping today's ways of working.

This article is for general information only and is not a substitute for professional advice where the facts and circumstances warrant. The views and opinion expressed above are those of the author and do not necessarily represent the views of SGV & Co.

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