TWENTIETH CONGRESS OF THE REPUBLIC OF THE PHILIPPINES)
First Regular Session)

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SENATE
P.S. Res. No. 20

Introduced by Senator WIN GATCHALIAN

A RESOLUTION DIRECTING THE APPROPRIATE SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, INTO THE REGULATORY FRAMEWORK AND RATE-SETTING METHODOLOGY EMPLOYED BY THE ENERGY REGULATORY COMMISSION (ERC) IN TRANSMISSION WHEELING RATES, WITH THE END IN VIEW OF ENSURING THE BEST INTEREST OF CONSUMERS

WHEREAS, Republic Act No. 9136, otherwise known as the *Electric Power Industry Reform Act of 2001* (EPIRA), declares it the policy of the State to ensure the quality, reliability, security, and affordability of electric power in the Philippines;[1]

WHEREAS, Section 43 (f) of the EPIRA directs the ERC to ensure that transmission rates "allow the recovery of just and reasonable costs and a reasonable return on rate base (RORB)" while securing "a reasonable price of electricity" for end-users;

WHEREAS, on September 28, 2022, the ERC unanimously adopted its Amended Rules for Setting Transmission Wheeling Rates (Amended RTWR) to address gaps in the timely reset of transmission revenues;[2]

WHEREAS, on December 21, 2022, the National Grid Corporation of the Philippines (NGCP) filed ERC Case No. 2022-089 RC seeking approval of its Maximum

[1] Section 2(b) of the EPIRA.
[2] ERC Resolution No. 08, Series of 2022.

Annual Revenue (MAR) for the Fourth Regulatory Period (4^{th} RP) under the Amended RTWR;

WHEREAS, on August 21, 2024, the ERC posted a Draft Final Determination (Draft FD) for 2016–2022, where the NGCP proposed a total Annual Revenue Requirement (ARR) of PhP 310.97 billion for 2016–2022;[3]

WHEREAS, on January 30, 2025, the ERC issued its Final Determination (FD), which was promulgated on April 11, 2025, approving with modifications the NGCP's MAR for the 4th RP under the Amended RTWR;

WHEREAS, the Final FD approved PhP 327.27 billion of ARR, or an increase of PhP 16.30 billion from the Draft FD, quantifying a total PhP 28.297 billion under-recovery, and prescribing a PhP 0.0384/kWh surcharge over eighty-four (84) months to be shown on consumer bills as "Under-recovery 2016–2022";[4]

WHEREAS, the ERC, in approving the Final FD adopted an "as-spent" methodology, rolling uncommissioned or partially completed projects into the Regulatory Asset Base (RAB);

WHEREAS, the Final FD reflects elevated Weighted Average Cost of Capital (WACC) inputs compared to the Draft FD's implied parameters, resulting to an inflation of the rate base, which in turn drove up the allowed Return on Capital;

WHEREAS, there is a lack of clarity on how these methodological shifts translate into long-term rate burdens, and whether alternative treatments such as "as-commissioned" RAB, lower market risk premium (MRP), or standardized gearing could have yielded lower transmission charges without endangering NGCP's viability;

WHEREAS, an in-depth, public, legislative-level review of the ERC's rate-setting framework, its statutory mandates, internal rules, comparator practices, is essential to ensure that policy remains aligned with consumer welfare and energy-sector competitiveness;

[3] Draft Final Determination. https://www.erc.gov.ph/Files/Render/issuance/44662. Accessed 7 July 2025.
[4] ERC Decision No. 2022-089 RC. https://www.erc.gov.ph/Files/Render/issuance/45780. Accessed 7 July 2025.

NOW, THEREFORE, BE IT RESOLVED, as it is hereby resolved, to urge the appropriate Senate committee to conduct an inquiry, in aid of legislation, into the regulatory framework and rate-setting methodology employed by the ERC in transmission wheeling rates, with the end in view of ensuring the best interest of consumers by looking into (a) the statutory and regulatory basis for the "as-spent" approach vs. traditional "as-commissioned" asset treatment in NGCP's 4th RP reset; (b) the basis for the PhP 16.3 billion increase between the Draft FD's and Final FD's approved ARR; (c) the rationale and consumer-cost impact of the PhP 0.0384 /kWh surcharge over eighty-four (84) months; (d) the selection and calibration of WACC parameters; (e) whether alternative rate-setting approaches or consumer-protections could better balance NGCP's funding needs with lower electricity bills; and (f) recommended legislative or regulatory reforms to enhance transparency, public participation, and consumer fairness in future ERC rate resets.

Adopted,

WIN GATCHALIAN