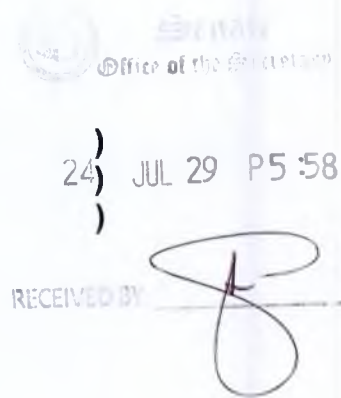


NINETEENTH CONGRESS OF THE PHILIPPINES
REPUBLIC OF THE PHILIPPINES
Third Regular Session



SENATE

P.S.R. No. 1090

INTRODUCED BY SENATOR ALAN PETER "COMPAÑERO" S. CAYETANO

RESOLUTION
CALLING FOR THE DEFERMENT OF MERALCO'S COMPETITIVE
SELECTION PROCESS FOR 600-MW AND 400-MW POWER SUPPLY
REQUIREMENTS

WHEREAS, Section 2 of Republic Act No. 9136 or the Electric Power Industry Reform Act of 2001 (EPIRA) sets the policy of promotion of "the utilization of indigenous and new and renewable energy resources in power generation in order to reduce dependence on imported energy;"

WHEREAS, the Department of Energy (DOE) issued Department Order No. 002023-10-0022 *Directing the National Electrification Administration to Facilitate the Joint Conduct of Competitive Selection Process for the Power Supply of Electric Cooperatives Using Indigenous Natural Gas as Transition Fuel*, which declares the following general principles and objectives:

- i. Ensure adequate and optimal allocation of natural gas for the provision of reliable supply and reasonably priced electric power to complement the variability of renewable energy and achieve the desired targets under the Philippine Energy Plan;
- ii. Encourage the full utilization of indigenous natural gas, including the aggregation and blending thereof, to develop the domestic natural gas industry;
- iii. Ensure a market for existing and future production and utilization of indigenous natural gas;

- iv. Provide a transparent and competitive environment for natural gas stakeholders, specifically the distribution utility offtake for brownfield and greenfield natural gas power facilities;
- v. Achieve the execution of the necessary power supply contracts with natural gas-fired power generation facilities; and
- vi. Ensure that the distribution utilities' conduct of competitive selection process for the demand for transition fuel is consistent with their obligation as Mandated Participants under the Renewable Portfolio Standards and their obligation to supply their captive customers in the least cost manner, and shall not result in over-contracting of power supply.

WHEREAS, the DOE, in its Advisory dated 11 October 2023, directed privately-owned distribution utilities, local government unit-owned and operated distribution utilities, and entities duly authorized to operate within economic zones to abide by the foregoing principles;

WHEREAS, the EPIRA and the above-cited issuances of the DOE clearly give preference to indigenous natural gas and encourage its full utilization;

WHEREAS, the Manila Electric Company (Meralco) issued an Invitation to Bid for the supply of Contract Capacity of 600 MW (net) for a contract period of fifteen (15) contract years from either the ERC Approval or Operations Effective Date of 26 August 2025 (CSP 1), whichever is later;

WHEREAS, Meralco also issued an Invitation to Bid for the supply of Contract Capacity of 400 MW (net) for a contract period of fifteen (15) contract years from either the ERC Approval or Operations Effective Date of 26 August 2025 (CSP 2), whichever is later;

WHEREAS, Meralco is a privately-owned distribution utility;

WHEREAS, Malampaya produces and supplies indigenous natural gas to the Santa Rita, San Lorenzo, San Gabriel, Ilijan, and Avion Power Plants, which in turn supply power to distribution utilities. The Power Purchase Agreement (PPA) between Santa Rita and Meralco will expire in August 2025 and the PPA between San Gabriel and Meralco already expired in February 2024;

WHEREAS, Meralco acknowledged the preference given to indigenous natural gas when it stated in the CSP 1 and CSP 2 that "power suppliers with natural-gas fired power plants are highly encouraged to participate in the Bidding and prioritize the use of indigenous natural gas;"

WHEREAS, the Terms of Reference (TOR) of CSP 1 and CSP 2 do not reflect the real preference afforded to indigenous natural gas and its full utilization;

WHEREAS, under the TOR of CSP 1 and CSP 2, the historical actual costs of other non-fuel items are only for evaluation purposes and not binding, but the winning bidder can pass through fully the non-fuel commodity costs once it starts delivering power;

WHEREAS, the above provision puts indigenous natural gas suppliers at a disadvantage because other energy sources may submit a bid with low fuel cost compared to indigenous natural gas but eventually pass through higher non-fuel commodity costs to consumers, resulting in a higher price compared to the total price that consumers would pay for indigenous natural gas-sourced power;

WHEREAS, if the indigenous natural gas-powered plants are not given a chance to fairly compete in CSP 1 and CSP 2, the Malampaya indigenous natural gas will be unutilized, contrary to the policy and objectives of the EPIRA and Department Order No. 002023-10-0022 of transitioning to clean energy mix;

WHEREAS, during the hearing conducted on 18 July 2024 by the Senate Committee on Energy, it was discovered that Meralco has the ability to manipulate the results of the Competitive Selection Process (CSP), if not dictate its winning bidder and the energy source it will supply, by simply changing the meaning of certain concepts such as “greenfield” in their TOR and allowing the use of reference rates/prices for imported liquified natural gas instead of a fixed formula when bidding;

WHEREAS, the CSP must ensure fairness and competition in the bidding process such that only power suppliers that offer the true least cost supply will be contracted;

WHEREAS, the lack of clarity in the rules regarding TORs in the biddings will result in underutilization of our indigenous natural gas, open the possibility of circumventing the distribution utilities’ obligation to supply their captive customers in the least cost manner, and allow potential discrimination in the procurement of power supplies;

WHEREAS, in the same hearing, the Energy Regulatory Commission acknowledged this possibility and committed to study the rules on the conduct of CSP and the TORs issued to determine the propriety of having a deferment of Meralco’s CSP 1 and CSP 2;

NOW THEREFORE, BE IT RESOLVED, AS IT IS HEREBY RESOLVED, by the Senate of the Philippines to call on Meralco to defer the competitive selection process for 600-MW and 400-MW power supply requirements in order to review and revise the Terms of Reference thereof to comply with the state policy of giving preference to and promoting the utilization of indigenous natural gas and new and renewable energy resources in power generation.

A handwritten signature in black ink, consisting of several fluid, overlapping loops and strokes, positioned above the printed name.

ALAN PETER "COMPAÑERO" S. CAYETANO