

**Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City**

**SIXTEENTH CONGRESS
First Regular Session**

House Bill No. 2922



Introduced by: Representatives Michael Angelo C. Rivera and Rodel M. Batocabe

EXPLANATORY NOTE

The bill seeks to extend the life of the Power Sector and Liabilities Management Corporation (PSALM). For the purpose of managing the sale, disposition and privatization of the assets and IPP contracts of the National Power Corporation, the Power Sector Assets and Liabilities Management Corporation (PSALM Corp) was created by the Electric Power Industry Reform Act of 2001, otherwise known as the EPIRA. It was to exist for a period of twenty-five (25) years or until 2026. The intent was that after some of the NPC obligations were assumed by the National Government upon effectivity of the Act, PSALM would optimally apply on the remaining NPC obligations the cash flow from (a) the sale of NPC assets and (b) the collected universal charges from the consumers, such that by the expiration of PSALM the National Government would be left with minimal or nil liabilities of NPC.

In its mid-life the total financial obligations of PSALM for NPC have not decreased significantly despite seventy percent (70%) of NPC generation assets and IPP contracts have been sold and privatized. After liquidating US\$5.62 Billion of NPC financial obligations with the sales proceeds of privatized assets amounting to US\$5.51 Billion (excluding interest of placements thereof) as of 2011, the total outstanding financial obligations still stands at US\$17.14 Billion broken down into US\$8.49 billion debt and US\$8.65 billion IPP obligations. These financial obligations have not decreased significantly due to the following reasons:

- 1) Mismatch between the privatization cash flow and the maturity profile of financial obligations brought about by:

- a) Failure of the privatization to realize in the bidding process the target prices for the assets;
 - b) Delays in privatization due to conditions that must be satisfied to complete the sale process and/or deferment in the privatization of some assets particularly of the Agus-Pulangi Complex in Mindanao which was expected to bring in a hefty price;
- 2) Continuous operation at a loss of NPC's un-privatized assets resulting to new debts. This was brought about by power rates/tariff not commensurate with the true cost of electricity;
 - 3) Foreign exchange losses.

All outstanding NPC debts transferred to PSALM will mature by 2036. It is only fitting and proper that for the better management of the remaining liabilities and IPP contract obligations it assumed from NPC, the PSALM Corporation's life should be extended by 10 more years beyond 2026 until 2036.

Approved.



MICHAEL ANGELO C. RIVERA
Representative
I-CARE PARTY LIST



RODEL M. BATOCABE
Representative
AKO BICOL PARTY LIST

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**AN ACT EXTENDING THE LIFE OF POWER SECTOR ASSETS AND
LIABILITIES CORPORATION (PSALM) AMENDING FOR THE PURPOSE
REPUBLIC ACT NO. 9136 AND FOR OTHER PURPOSES**

*Be it enacted by the Senate and the House of Representatives of the Philippines in Congress
assembled:*

1 **Section 1.** Section 50, Chapter VI of Republic Act No. 9136, otherwise known as the “Electric
2 Power Industry Reform Act of 2001” or EPIRA, is hereby amended to read as follows:

3 “Section 50. Purpose and Objective, Domicile and Term of Existence – The principal
4 purpose of the PSALM Corp. is to manage the orderly sale, disposition, and privatization of
5 NPC generation assets, real estate, and other disposable assets and IPP contracts with the
6 objective of liquidating all NPC financial obligations and stranded contract costs in an optimal
7 manner.

8 The PSALM Corp. shall have its principal office and place of business within Metro Manila.

9 The PSALM Corp. shall exist for a period of [twenty five (25)] **THIRTY FIVE (35)** years
10 from the effectivity of this Act, unless otherwise provided by law, and all assets held by it, all
11 moneys and properties belonging to it, and all its liabilities outstanding upon the expiration of its
12 term of existence shall revert to and be assumed by the National Government.”

13 **Section 2.** Separability Clause.- If any part or section of this Act is declared unconstitutional,
14 such declaration shall not affect in any manner other parts or sections of this Act.

15 **Section 3.** Repealing Clause. – The provisions of Republic Act No. 9136, otherwise known as
16 the “Electric Power Industry Reform Act of 2001” shall continue to have full force and effect except
17 in so far as they are inconsistent with this Act.

18 **Section 4.** Effectivity Clause. – This Act shall take effect on the fifteenth day following its
19 publication in at least two (2) national papers of general circulation.

Approved.