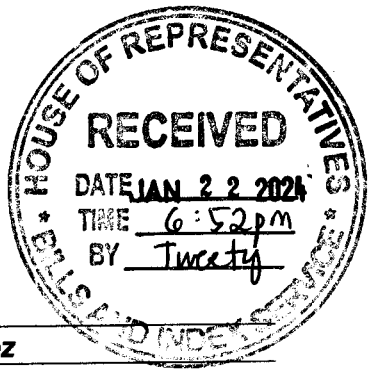
NINETEENTH CONGRESS)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)



HOUSE OF REPRESENTATIVES

Introduced by Representative Rufus B. Rodriguez

House Bill No.9813

EXPLANATORY NOTE

This Bill seeks the renewal of the legislative franchise granted to Manila Electric Company (MERALCO) by virtue of Republic Act No. 9209 issued on June 9, 2003.

The renewal of this franchise is urged to ensure the continuous and uninterrupted supply and distribution of quality and reliable electric service to the customers within its franchise area in consideration of the nature of the vital service it provides. MERALCO serves thirty-eight (38) cities and seventy-three (73) municipalities and is home to the key political and economic centers of the Philippines, which includes major air and seaports, main offices of government, and centers for trade and commerce. MERALCO brings reliable and world-class electric service to homes and supports the competitiveness of industrial and commercial customers that totaled more than 7.6 million in number by the end of 2022. For the year 2022 alone, MERALCO delivered 48,916 GWh of electricity to these end-users at an average retail rate of PhP9.52 per kilowatt-hour. Electricity consumption in the MERALCO franchise area already represented more than 50% of the country's total electricity consumption in 2022[2]. MERALCO's proven track record over the span of 120 years has assisted greatly in the development of the country's key economic growth areas.

While many have said that Philippine power rates are among the highest in the region, a report from the International Energy Consultants (IEC) clarified that tariffs in countries like Indonesia, Malaysia, and Thailand are subsidized fully or substantially by their governments, while Philippine power prices are reflective of the actual cost of electric service. Furthermore, even with the recent spikes in international fuel prices in 2022, IEC found that "[i]f subsidized markets are excluded, then Meralco's tariff is 13% lower than the world average". The resilience of MERALCO's tariffs has been attributed by IEC to "Meralco's ability to source low-cost PSAs and a "generation contract portfolio [that] appears to be very well managed". In fact, according to IEC, "[t]he increase in the generation charge [from 2018 to 2022] - although significant — is much lower than it might have been without diligent contract management by Meralco." In 2022, around 91% of supply to captive customers was sourced from power supply contracts that were procured under prevailing regulations. IEC also determined that "all of the components of the regulated Meralco tariff are judged fair and reasonable by IEC, based on comparisons with other markets and versus the underlying cost of electricity supply in Luzon". In particular, with respect to the MERALCO component of the rate, IEC concluded that "[t]he Distribution Charge (2.56c/kWh @ 14% of the total) is 33% less than the average rate for the markets surveyed. On this basis, IEC judges that the charge is certainly fair and reasonable.

Observation of residential customer bills of Philippine distribution utilities (DUs) and electric cooperatives (ECs) in 2023 shows that the effective electricity prices fluctuated due to generation cost volatility from sourcing mix, fuel prices, and purchases from the Wholesale Electricity Spot Market. For distribution charges, MERALCO's approved distribution rate of PhP 1.35/kWh was approved by the ERC in 2022. Comparing among the approved distribution rates of the 18 private DUs show that the MERALCO rate ranks 6th lowest. MERALCO's

average distribution rate is lower than the PhP 2.22/kWh in Tarlac City, PhP 1.59/kWh in Cebu City, and PhP 1.42/kWh in Davao City.

Recently, upon MERALCO's own initiative that was followed by an ERC decision directing the refund of distribution-related charges arising from ERC's final review of 2012- 2015 rates and delays in the regulatory reset process, MERALCO completed a PhP48 billion refund to customers, which brought MERALCO's distribution prices down further.

As part of the societal obligation to marginalized customers within MERALCO's franchise area, MERALCO implements a lifeline mechanism with a range of 20% to 100% discount to customers with a monthly consumption of 100 kWh and below, subsidized by other customers. The maximum discount and range of consumption are the largest among Philippine DUs.

Through its household electrification advocacy, MERALCO assisted 6,376 low-income families in its franchise area allowing them access to electric service. In the 40th Electric Power Industry Reform Act (EPIRA) Implementation Status Report (for the Report Period April 2022) prepared by the Department of Energy, it reported that MERALCO achieved 100% household electrification (based on the 2015 Census of Population and Housing).

Tabla 25. Household Electrification Level

Electric Cooperatives	14,320,138	14,830,858	1,005,910	92.98%
EC - QTP/NPC-SPUG	14,967	11,510	3,531	76.41%
MERALCO	6,478,982	7,922,478	-	100.00%
Other PIOUs/LGU Owned Utilities	2,170,884	2,251,995	46,273	97.87%
Total	22,984,971	25,016,841	1,055,722	95.41%

Source DOE
Note *(a) Unserved HHs per DU per Province = (Potential HHs - Served HHs) per DU per Province*
(b) %HH Level = (Potential HHs - Unserved HHs per DU per Province) / Potential HHs

To support economic development and improve people's quality of life, MERALCO invested more than PhP 220 billion from 2003 to 2022 for new connections, asset renewals, and load growth projects to serve more customers and their expanding electricity needs, while continuing to support government projects. These investments also helped improve operational efficiency and enable a more resilient distribution network against natural or man-made calamities.

MERALCO continues to improve its performance with customers experiencing 8% less power interruptions (from 2021's 1.41 times to 2022's 1.30 times) with 7% shorter duration (128.4 minutes in 2022 vs. 138.8 minutes in 2021). New customers in 2022 also experienced a much shorter processing time with applications taking only an average of 2.20 days to process. This was more than half a day shorter than the same figure in 2021 (2.96 days).

MERALCO has been consistently improving its System Loss and has returned the full amount of pilferage recoveries to its customers in the form of lower generation costs. Even before the enactment of Republic Act No. 7832 which put a limit on the recoverable system loss charges by DUs from its customers, MERALCO already recognized that the system loss charge

represents a significant portion of the customers' total bill. Thus, from a system loss rate of 21.01% in 1986, MERALCO was able to reduce its system loss to just 5.77% in 2022. This reduction was accomplished over a 36-year period through a comprehensive and intensive system loss reduction program. Over the period from 2008 to 2022, MERALCO customer savings due to lower-than-cap system loss performance has reached Php 56.2 billion.

In addition to savings, MERALCO customers also benefit from the full amount of pilferage recoveries (or differential bills collected by MERALCO, including surcharges) that is returned to all DU customers in the form of Generation Charge discount. For the period from 2005 up to 2022, the total amount of pilferage recoveries returned by MERALCO to its customers has almost reached Php 10 billion.

MERALCO proactively supports the government's goal to accelerate renewable energy (RE) development, especially through programs under the Renewable Energy Act of 2008. MERALCO connected the country's first Net Metering (NM) Program customer and has remained as the DU with the most number of NM participants than all other DUs and ECs combined. For 2023, the Energy Regulatory Commission (ERC) said that "majority of these new [Net Metering] prosumers [were connected by] Meralco. The utility also hosts a variety of large RE-based generators, providing timely connection and reliable wheeling service to, among others, the 30 MW Maibarara geothermal powerplant in Batangas, the 50 MW solar plant of Power Source First Bulacan, and the 54MW Alternergy wind project in Rizal province. In compliance with the Renewable Portfolio Standards (RPS) and after the conduct of a Competitive Selection Process (CSP), MERALCO recently entered into a contract with Terra Solar Philippines for the supply of 850MW of renewable energy. The resulting PSA has been approved by ERC and shall support the construction of the largest solar farm in the world.

MERALCO is not just powering homes and businesses across the country — it is also illuminating the path for excellence in its field.

In the area of electrification, MERALCO has installed a microgrid pilot facility within the island of Cagbalete in Quezon province in efforts to learn how advancements in technology and renewable energy may be used to bring power to end-users in remote and unviable areas. Under the guidance of the ERC, MERALCO put up a microgrid with a centrally controlled solar-battery facility backed up by diesel generators in 2018. With a 60 kWp Solar PV array, a 150 kWh Li-Ion Battery Energy Storage System, two (2) units of 30 kW Diesel Generators, and its distribution system, MERALCO is now providing electric service to 136 households on the island. MERALCO has shown that it is willing and able to utilize microgrid technology — the same technology provided under Republic Act 11646 or the Microgrid Act — to bring seamless MERALCO electric service to remote and unviable areas. Thus, MERALCO should be allowed to expand the use of these and other innovative technologies for electrification of the remaining more than 600 households on Cagbalete Island and other areas.

With big data and information technology-driven industries reaching Philippine shores, MERALCO is strengthening its network to support very large, and power quality-conscious customers called global hyperscalers. These customers require reliable and scalable power supply, a stable electricity grid, high-capacity infrastructure, redundancy for backup power, ability to accommodate increasing power demands as the hyperscaler expands, and renewable energy sources and solutions such as energy efficiency and power quality. Digital Edge, a global company engaged in building enterprise and hyperscale data centers, announced last March 2023 that "Narra 1", its first data center in the Philippines, is ready for service. Housed in Binan, Laguna, it will provide colocation and interconnection services to the region. Digital Halo, another hyperscaler, is developing a 70MW data center campus on a 3.75-hectare

location in Cainta, Rizal. In addition to these, PLDT's 54MW Vitro Data Center in Sta. Rosa, Laguna is expected to be completed this year. The market research group Statista Market Insights predicts that for the Philippines, "Revenue in the Data Center market is projected to reach US$513.60m in 2024." MERALCO should thus be directed to continue to strengthen and build up its network so that hyperscalers will continue to choose to locate in the Philippines.

MERALCO is also home to the largest number of customers participating in retail customer choice programs prescribed by the EPIRA and the Renewable Energy Act. According to the records of the Philippine Electricity Market Corporation (PEMC), as of end September 2023, there are 1,345 contestable customers, or 71% of the registered participants in Retail Competition and Open Access (RCOA) and the Green Energy Option Program (GEOP), in the MERALCO franchise area. To empower these customers in their exercise of retail choice, MERALCO replaced their traditional meters that measure cumulative consumption and are read once a month with more advanced meters capable of measuring and storing electricity consumption at market trading intervals then transmitting them to the DU in near real-time. As retail choice and other customer-empowerment programs advance and expand to create more value for electricity end-users, MERALCO should be allowed to roll out the needed advanced metering technology and supporting infrastructure.

In addition to empowering customers with retail choice, MERALCO has enabled more than 6,700 customers to install renewable energy systems in their homes under the NM program. These MERALCO customers comprise more than half of the nation's 11,707 NM participants (as of December 2023). Further, soon after the release of the Net Metering Rules by ERC in July 2013, MERALCO connected the first NM customer in the country in December of the same year. MERALCO also worked with the National Renewable Energy Board and the DOE to come up with the 1st Net Metering Reference Guide in 2015 with the assistance of Deutsche Gesellschaft fuir Internationale Zusammenarbeit (GIZ). Sharing learnings from actual experience, MERALCO again worked with stakeholders and an updated version of the guidebook was released in 2022. MERALCO and the NM program have empowered customers to contribute to the renewable energy initiative while at the same time increasing the available supply that can be utilized by others. MERALCO should therefore be directed to further broaden the participation of customers in the NM program.

MERALCO also looks for ways to empower even the most regular of customers. MERALCO has put in place numerous platforms to avail of electric service. These include a cellular phone app and a website where a customer can apply for electric service, inquire about an on-going application, report an incident or brownout, or find the nearest business center. MERALCO has also set up multiple avenues so that customers can easily pay their regular monthly bills at their most convenient time. In addition to the business centers, MERALCO customers can pay over the counter at banks, shopping malls, through phone apps, credit cards, and electronic wallets.

For those who prefer to prepay their electricity, MERALCO has also rolled-out its Prepaid Electricity Service called "K-Load". After the pilot in 2013, MERALCO has steadily expanded the program that is now enjoyed by more than 97,300 customers. Prepaid electricity has empowered customers to better manage their electricity consumption and costs. MERALCO should be directed to expand this so that more Filipinos can take the reins of their electricity consumption.

MERALCO has always been at the forefront of sustainability and is one of the largest supporters of the DOE's DC2021-07-0023 entitled: "Providing for a Policy Framework on the Guidelines for the Development, Establishment, and Operation of Electric Vehicle Charging Stations (EVCS) in the Philippines". By the end of 2022, MERALCO had already installed

forty-nine (49) electric vehicle charging stations across Metro Manila and the provinces within its franchise area. These stations utilize multiple charging protocols and support MERALCO's fleet as it transitions to utilizing more and more electric vehicles. As the country moves towards more sustainable transportation solutions, it would be advantageous that MERALCO be directed to build up both its electric vehicle fleet and the needed supporting infrastructures such as charging stations.

One of the technologies at the cornerstone of sustainability are Energy Storage Systems (ESS) and MERALCO is leading the way, utilizing this technology to improve power quality, minimize power interruptions, and manage electricity consumption at peak periods. In partnership with Hitachi, MERALCO installed two (2) units of one (1) MW Battery Energy Storage Systems (BESS) in the MERALCO distribution network that have been in operation since March 2019. Located along circuits that serve both end-users and a 3.82 MW Solar Farm, MERALCO uses the BESS to improve power quality and provide voltage support; properly integrate a renewable energy source with variable output; and, reduce costs to consumers through peak shaving. The use of the BESS allows MERALCO to defer the construction of more expensive system upgrades. With these benefits that can accrue to consumers, DUs like MERALCO should be explicitly allowed to own and operate ESS.

With the MERALCO distribution network serving as the host to many renewable energy generators, such as wind farms and solar arrays like Power Source First Bulacan and Alternergy, MERALCO can utilize the technology of distributed energy resources — or power sources connected directly to the distribution network — in building network resilience. With the generators much closer to end-users, customers enjoy better power quality, shorter restoration times, and potentially less interruptions. As a forerunner in this customer-benefitting technology, it would only be reasonable that MERALCO be allowed to continue to strengthen its network with additional and more extensive distributed energy resources.

Throughout its long and storied history, MERALCO has garnered a multitude of recognitions, solidifying its position as a model distribution utility. In an award given last December 6, 2023, the DOE has recognized MERALCO for three (3) key policy directives of the Department: first, ensuring adequate and reliable electric power supply in the country as prescribed under DOE Department Circular (DC) No. 2010-03-0003; second, full compliance to reportorial requirements and pertinent data in the formulation of the power development plan specified in DOE DC No. 2015-04-0002; and third, ensuring effective and successful transition towards the implementation of Retail Competition and Open Access (RCOA) as contained DOE DC No. 2013-05-0006.

For its part, the ERC, on August 4, 2023, issued a certification that MERALCO is in full compliance with the reportorial requirements of the Commission, including system performance. These reports cover the regular monthly submission on rates; revenue and remittances; and, electric service standards and utility performance, among others.

As a testament to the quality and reliability of service that MERALCO provides, electricity end-users in areas outside of MERALCO have taken steps to request for MERALCO service when what they receive from the current provider has proven inadequate. As early as 2008, Evercrest Golf Club Resort, Gulod Resort, Chateau Royale Sports & Country Club, and the Metropolitan Medical Center relayed to their DU that they experience nearly daily power interruptions affecting their ability to serve their customers and patients. Failing to obtain a response or solution, they sought the court's assistance to direct MERALCO, the service provider closest to them in Tagaytay City, to take over their electric service.

In a decision rendered on August 30, 2018, the Regional Trial Court Branch 14 in Nasugbu,

Batangas issued a decision on the matter stating, among others, that "MERALCO...has the capability to provide adequate and reliable electric power supply to plaintiff's establishments. Its area of operation includes the province of Cavite or until the boundary of Nasugbu, Batangas. Plaintiff's establishments are located just several meters away from the said boundary. Batelec I has failed to provide bulk energy needs of plaintiff s establishments but may well be provided by MERALCO with great reliability and efficiency".

In a similar move, the Sangguniang Bayan of Nasugbu, Batangas issued Resolution 368 last December 4, 2023 endorsing the transfer of electric service in the municipality to MERALCO. This resolution was in response to a petition signed by more than 22,500 Nasugbu residents and business owners seeking better electric service because they could no longer bear the "exorbitant electricity bills, frequent power interruptions, and poor service quality that cause disruption to day-to-day 1ives"[1] from their provider.

On multiple occasions, MERALCO has taken the opportunity to share its expertise and resources with other distribution utilities and end-users in areas outside MERALCO by providing assistance and support following natural disasters, such as typhoons and floods. After Typhoon "Pablo" slammed into Southern Mindanao on December 4, 2012, MERALCO travelled to Mindanao to assist the hard-hit Davao Oriental Electric Cooperative (DORECO) and assist in bringing back the electric service. In 2013, in the aftermath of typhoon "Yolanda", MERALCO crews, bringing with them forty (40) generators, helped power-restoration efforts in Tacloban, Leyte and other areas across the country. MERALCO also provided power restoration assistance in Batanes after the destruction brought by typhoon "Ferdie" in September 2016. The Meralco contingent had to perform restoration activities manually due to the unavailability of mechanized equipment and vehicles. In November of 2020, in the wake of typhoon "Rolly", MERALCO joined the Power Restoration Rapid Deployment (PRRD) Task Force Kapatid to help in the power restoration in Albay, Catanduanes, and parts of Camarines Sur. Right before Christmas in 2021, MERALCO crews travelled to the province of Cebu in support of the restoration efforts of the Visayan Electric Company (VECO) and Mactan Electric Co. (MECO) that were devastated by typhoon "Odette". Just last July 2023, MERALCO crews travelled to Ilocos Norte to assist the Ilocos Norte Electric Cooperative (INEC) in restoring power after the passage of typhoon "Egay". These are in addition to restoration assistance provided in Albay after typhoon "Glenda" (2014); Sorsogon and Oriental Mindoro after typhoon "Nona" (2015); Cagayan and Isabela after typhoon "Lawin" (2016); and, the Bicol Region, Oriental Mindoro, and Quezon Province after typhoon "Nina" (2016).

MERALCO assisted in various ways including sending personnel, equipment, tools, and repair materials; providing relief goods and donations in partnership with the One Meralco Foundation (OMF); and, providing lighting facilities such as generators, solar "liter of light" streetlights, and household solar lamps.

In 2020, as the world wrestled with the COVID pandemic, MERALCO worked with the COVID-19 Inter-Agency Task Force (IATF) to provide support to the Department of Public Works and Highways (DPWH) in the establishment and operation of quarantine facilities and support groups. These facilities included the Ninoy Aquino Stadium COVID-19 Treatment Facility, the East Avenue Medical Center Mortuary Freezer, and the Ciudad Victoria Philippine Arena Mega Quarantine Facility.

Since 2014, under the direction of the DOE and ERC, MERALCO and volunteer customers have been implementing the Interruptible Load Program (ILP) to ration limited power supply in the grid when power interruptions are imminent. As of end-September 2023, there are 110 MERALCO customers with a total committed de-loading capacity of 539.26 MW that have signed up with MERALCO and with Retail Electricity Suppliers as ILP Participants. Since Meralco

started implementation in 2014, ILP was activated 27 times in MERALCO's area, and because of the support of ILP participants, the program has successfully spared as many as 1.8 million households from power interruptions.

MERALCO is also a dependable partner of the government in the roll-out of the Build- Better-More program, multiple Public-Private-Partnership initiatives, and other projects in coordination with the Department of Public Works and Highways (DPWH) and the Department of Transportation (DOTr). These include the Connector Road between the North Luzon and South Luzon Express Ways; the Skyway Stage 3; the Metro Rail Transit Line 7 (MRT-7); and, Cavite-Laguna Expressway. From the period 2019 to 2023, MERALCO has relocated a total of 14,479 electric poles in line with the completion of these and other projects.

It is our obligation as representatives of the people to ensure that all electricity end- users within the franchise of MERALCO continue to enjoy safe, reliable and efficient service at fair and reasonable prices. It is therefore imperative that the State give its support to the renewal of MERALCO's franchise so that it may continue to deliver the benefits of accessible and reliable power at a fair and reasonable price to residents, businesses, industries, government agencies, and all electricity end-users in its franchise area.

In view of the foregoing, approval of this bill is earnestly requested.

RUFUS B. RODRIGUEZ

NINETEENTH CONGRESS)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)

HOUSE OF REPRESENTATIVES

Introduced by Representative Rufus B. Rodriguez

House Bill No 9313

AN ACT
RENEWING FOR ANOTHER TWENTY FIVE YEARS THE FRANCHISE GRANTED TO THE MANILA ELECTRIC COMPANY TO CONSTRUCT, OPERATE, AND MAINTAIN A DISTRIBUTION SYSTEM FOR THE CONVEYANCE OF ELECTRIC POWER TO THE END-USERS IN THE CITIES/MUNICIPALITIES OF METRO MANILA, BULACAN, CAVITE AND RIZAL, AND CERTAIN CITIES/MUNICIPALITIES/BARANGAYS IN BATANGAS, LAGUNA, QUEZON AND PAMPANGA, EFFECTIVE UPON THE EXPIRATION OF ITS FRANCHISE GRANTED UNDER REPUBLIC ACT NO. 9209

Be it enacted by the Senate and the House of Representatives of the Philippine Congress assembled:

SECTION 1. Nature and Scope of Franchise. — Subject to the provisions of the Constitution and applicable laws, rules and regulations, there is hereby granted to Manila Electric Company (MERALCO), hereunder referred to as the grantee, its successors or assigns, a franchise to construct, operate and maintain in the public interest and commercial purposes, a distribution system for the conveyance of electric power to the end-users in the cities and municipalities of Caloocan, Las Piñas, Makati, Malabon, Mandaluyong, Manila, Marikina, Muntinlupa, Navotas, Parañaque, Pasay, Pasig, Pateros, Quezon City, San Juan, Taguig and Valenzuela of Metro Manila; cities and municipalities of Angat, Balagtas, Baliuag, Bocaue, Bulacan, Bustos, Calumpit, Doña R. Trinidad, Guiguinto, Hagonoy, Malolos, Marilao, Meycauayan, Norzagaray, Obando, Pandi, Paombong, Plaridel, Pulilan, San Ildefonso, San Jose del Monte, San Miguel, San Rafael and Sta. Maria, Province of Bulacan; cities and municipalities of Alfonso, Amadeo, Bacoor, Carmona, Cavite, Dasmariñas, Gen. Alvarez, Gen. E. Aguinaldo, Gen. Trias, Imus, Indang, Kawit, Magallanes, Maragondon, Mendez Nuñez, Naic, Noveleta, Rosario, Silang, Tagaytay, Tanza, Ternate and Trece Martires, Province of Cavite; cities and municipalities of Angono, Antipolo, Baras, Binangonan, Cainta, Cardona, Jala-Jala, Montalban, Morong, Pililla, San Mateo, Tanay, Taytay and Teresa, Province of Rizal; cities and municipalities of Batangas, San Pascual and Sto. Tomas, Province of Batangas; cities and municipalities of Alaminos, Bay, Biñan, Cabuyao, Calamba, Calauan, Liliw, Los Baños, Luisiana, Magdalena, Majayjay, Nagcarlan, Pila, Rizal, San Pablo, San Pedro, Sta. Cruz, Sta. Rosa and Victoria, Province of Laguna; cities and municipalities of Candelaria, Dolores, Lucban, Lucena, Mauban, Pagbilao, Sampaloc, San Antonio, Sariaya, Tayabas and Tiaong, Province of Quezon; barangays of Balucuc and Calantipe in Apalit, Pampanga; Barangay Concepcion in San Simon, Pampanga; and barangays of Bahay Pare, Barangca, Dulong Ilog, Mangumbali, Mandili, Mapaniqui, Paligui, Pangclara, Pulong Gubat, Pulong Palazan, Salapungan, Vizal San Pablo, Vizal Santo Cristo and Vizal Sto. Niño in Candaba, Pampanga.

Nothing herein shall prevent the grantee from extending service to other persons or entities located outside its franchise area as may be directed by a court of competent jurisdiction.

As used in this Act, distribution system refers to the system of wires and associated facilities including sub-transmission lines, belonging to or used by a franchised distribution utility extending between the delivery point on the national transmission system or generating facility and the metering point/facility of the end-user.

SECTION 2. Manner of Operations of Facilities. — All electric distribution facilities, lines and systems for electric services owned, maintained, operated or managed by the grantee, its successors or assigns shall be operated and maintained at all times in a superior manner, and it shall be the duty of the grantee, its successors or assigns, whenever required to do so by the Energy Regulatory Commission or its legal successor, hereafter referred to as the ERC, to modify, improve and change such facilities or systems in such manner and to such extent as the progress in science and improvements in the electric power services may render reasonable and proper and in accordance with uniform standards as may be promulgated by the ERC.

Whenever practicable and for purposes of maintaining order, safety and aesthetics along the highways, roads, streets, alleys or right-of-way, the grantee may allow the use of free spaces in its poles, facilities or right-of-way by interested parties upon reasonable compensation to the grantee. The ERC, shall decide in case of dispute or disagreement between the parties.

SECTION 3. Excavation and Restoration Works. — For the purpose of erecting and maintaining poles and other supports for said facilities, wires, or other conductors or for the purpose of laying and maintaining said poles, facilities, wires, cables, or other conductors, it shall be lawful for the grantee, its successors and assigns, with the prior approval of the Department of Public Works and Highways (DPWH) or the local government units (LGUs) concerned, as may be appropriate, to make excavations or lay conduits in any of the public places, highways, streets, lanes, alleys, venues, sidewalks or bridges of said provinces, cities, and/or municipalities without need of compensation: Provided however, That any public place, highway, street, lane, alley, avenue, sidewalk or bridge disturbed, altered or changed by reason of the erection of poles or other supports, or the laying of wires, other conductors or conduits, shall be immediately repaired and properly restored at the expense of the grantee, its successors and assigns, in accordance with the standards set by the DPWH and concerned LGUs.

In the event that the DPWH or LGU requires the relocation of electric subtransmission and distribution lines along, upon, under and across publicly owned lands and public thoroughfares, including, without limitation, all roads, highways, streets, alleys, bridges and causeways, for the primary purpose of the government, the grantee shall be properly compensated for such relocation.

SECTION 4. Responsibility to the Public. — The grantee shall supply electricity to its captive market in the least cost manner. The grantee may supply electricity to the contestable market subject to conditions that may be prescribed in applicable laws, rules and regulations. In the interest of the public good and as far as feasible and whenever required by the ERC, the grantee shall modify, improve, or change its facilities, poles, lines, systems and equipment for the purpose of providing efficient and reliable service and reduced electricity costs. The grantee shall charge reasonable, just and competitive power rates for its services to all types of consumers within its franchised area. In support of providing universal service in off-grid and other areas where generation companies cannot supply power, the grantee may also construct, acquire, own, operate and maintain generating facilities within its franchise area.

The grantee shall have the obligation to provide open and nondiscriminatory access to its distribution system and services for any end-user within its franchise area consistent with Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001", as may be amended. The grantee shall not engage in any activity that will constitute an abuse of market power such as but not limited to, unfair trade practices, monopolistic schemes and any other activities that will hinder competitiveness or businesses and industries.

SECTION 5. Rates for Services. — The retail rates to its captive market and charges for the distribution of electric power by the grantee to its end-user shall be regulated by and subject to the approval of the ERC.

The grantee shall identify and segregate in its bill to the end-users the components of the retail rate pursuant to Republic Act No. 9136, unless otherwise amended. Such rates charged by the grantee to the end-users shall be made public and transparent. The grantee shall implement lifeline rate to marginalized end-users as mandated under Republic Act No. 9136, as amended.

SECTION 6. Promotion of Consumer Interests. — The herein grantee shall establish a consumer desk that will handle consumer complaints and ensure adequate promotion of consumer interests. The grantee shall act with dispatch on all complaints brought before it.

SECTION 7. Right of the Government. — A special right is hereby reserved to the President of the Philippines in times of war, rebellion, public peril, calamity, emergency, disaster, or disturbance of peace and order to temporarily take over and operate the distribution system of the grantee or to authorize the temporary use and operation thereof by any agency/department of the government, upon due compensation to the grantee, its successors or assignees, for the use of the said distribution system during the period when they shall be operated.

SECTION 8. Right of Eminent Domain— Subject to the limitations and procedures prescribed by law, the grantee is authorized to exercise the power of eminent domain insofar as it may be reasonably necessary for the efficient establishment, improvement, upgrading, rehabilitation, maintenance, and operation of services. The grantee is authorized to install and maintain its poles, wires, and other facilities over, under, and across public property, including streets, highways, forest reserves, parks, and other similar property of the government of the Philippines, its branches or any of its instrumentalities. The grantee may acquire such private property as is actually necessary for the realization of the purposes for which this franchise is granted, including, but not limited to poles, wires, cables, transformers, switching equipment and stations, buildings, infrastructure, machineries and equipment previously, currently or actually used, or intended to be used, or have been abandoned, unused or underutilized, or which obstructs its facilities, for the operation of a distribution system for the conveyance of electric power to end users in its franchise area: Provided, That proper expropriation proceedings shall have been instituted and just compensation paid.

Provided, further, That upon the filing of the petition for expropriation, or at any time thereafter, and after due notice to the owner of the property to be expropriated and the deposit in a bank located in the franchise area of the full amount of the assessed value of the property or properties, the grantee shall be entitled to immediate possession, operation, control, use and disposition of the properties sought to be expropriated, including the power of demolition, if necessary, notwithstanding the pendency of other issues before the court, including the final determination of the amount of just compensation to be paid. The court may appoint a representative from the ERC, or its legal successor, as a trial commissioner in determining the amount of just compensation. The court may consider the tax declarations, current audited financial statements, and rate-setting applications of the owner or owners of the property or properties being expropriated in order to determine their assessed value.

SECTION 9. Term of Franchise. — This franchise shall be for a term of twenty five (25) years from the expiration of the current franchise granted under Republic Act No. 9209, unless the franchise granted under this Act is sooner revoked or cancelled by Congress for any violation of the terms and/or provisions of the franchise herein granted.

The grantee shall apply for a new franchise before its expiration date.

SECTION 11. Warranty in Favor of National and Local Governments. — The grantee shall hold the national, provincial, city, and municipal governments of the Philippines harmless from all claims, accounts, demands or actions arising out of accidents or injuries, whether to property or persons, caused during the construction, installation, operation and maintenance of the distribution system of the grantee.

SECTION 12. Liability for Damages. — The grantee shall be liable for any injury and damage arising from or caused by accident to persons and property by reason of any defective construction of any infrastructure built pursuant to the operation of its business under this franchise or of any neglect or omission to keep its poles and wires in a safe condition.

SECTION 13. Sale, Lease, Transfer, Usufruct, or Assignment of Franchise — The grantee shall not lease, transfer, grant the usufruct of or sell this franchise or the rights and privileges acquired thereunder to any person, firm, company, corporation or other commercial or legal entity, nor merge with any other corporation or entity, nor shall the controlling interest of the grantee be transferred whether in whole or in part, and whether simultaneously or contemporaneously, to any such person, firm, company, corporation or entity without the prior approval of the Congress of the Philippines, except to a wholly-owned subsidiary of the grantee or where the grantee is the surviving corporation: Provided, That any such transfer, sale or assignment is in accordance with the constitutional limitations. Any person or entity to which this franchise is sold, transferred or assigned shall be subject to the same conditions, terms, restrictions and limitations of this Act.

SECTION 14. Reportorial Requirement. — The grantee shall submit an annual report of finances and operations to the Congress of the Philippines.

SECTION 15. Equality Clause. — In the event that any individual, partnership or corporation shall receive any advantage, favor, privilege, exemption, or immunity granted under an existing permit or power distribution franchise, or which may hereafter be granted, such terms and/or provisions shall be deemed part hereof and shall operate equally in favor of the herein grantee: Provided, That any terms and/or provisions herein granted which are not contained in other franchise that may hereafter be granted shall likewise be enjoyed by the future grantees: Provided, however, That the foregoing shall neither apply to nor affect the provisions concerning territory covered by the franchise and the life-span of the franchise.

SECTION 16. Applicability Clause. — The grantee shall comply with and be subject to the provisions of Commonwealth Act No. 146, otherwise known as the "Public Services Act," as amended, and Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001."

SECTION 17. Repealing and Nonexclusivity Clause. — This franchise shall be subject to amendment, alteration or repeal by the Congress of the Philippines when the public interest so requires and shall not be interpreted as an exclusive grant of the privileges herein provided for.

SECTION 18. Separability Clause. — If for any reason, any of the sections or provisions of this Act is declared unconstitutional or invalid, the other parts or provisions hereof which are not affected thereby shall continue to be in full force and effect.

SECTION 19. Repealing Clause. —All other laws, decrees, orders, resolutions, instructions and rules and regulations or parts thereof, which are inconsistent herewith, are hereby deemed repealed or modified accordingly.

SECTION 20. Effectivity Clause. — This Act shall take effect fifteen (15) days from the date of its publication, upon the initiative of the grantee, in the Official Gazette or in any newspaper of general circulation in the Philippines.

Approved,