

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasan Hills, Quezon City

NINETEENTH CONGRESS
Second Regular Session



HOUSE RESOLUTION No. 1353

Introduced by
ACT Teachers Party-List Rep. FRANCE L. CASTRO,
GABRIELA Women's Party Rep. ARLENE D. BROSAS,
and **KABATAAN Party-List Rep. RAOUL DANNIEL A. MANUEL**

RESOLUTION
URGING THE HOUSE COMMITTEE ON ENERGY AND THE HOUSE
COMMITTEE ON NATIONAL DEFENSE AND SECURITY TO CONDUCT A
JOINT INVESTIGATION, IN AID OF LEGISLATION, ON THE ECONOMIC
AND NATIONAL SECURITY IMPLICATIONS OVER THE 40% CHINESE
CAPITAL OWNERSHIP AND CONTROL OF THE NATIONAL GRID
CORPORATION OF THE PHILIPPINES

WHEREAS, Article XII, Section 11 of the 1987 Philippine constitution states that no franchise, certificate, or any other form of authorization for the operation of a public utility shall be granted except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. Also, the participation of foreign investors in the governing body of any public utility enterprise shall be limited to their proportionate share in its capital, and all the executive and managing officers of such corporation or association must be citizens of the Philippines;

WHEREAS, Section 2-A of Commonwealth Act No. 108, known as Anti-Dummy Law, prohibits any foreign country, to intervene in the management, operation, administration or control of corporations or associations whose at least 60% capital was reserve to Filipino people by the Constitution, whether as an officer, employee or laborer except technical personnel whose employment may be specifically authorized by the President upon recommendation of the Department Head concerned, if any;

WHEREAS, since March 1, 2003, National Transmission Corporation (TransCo) operated and managed the power transmission system that links power plants to the electric distribution utilities nationwide. The agency was created as mandated under Section 8 of RA 9136, otherwise known as Electric Power Industry Reform Act

(EPIRA). However, Section 21 of the same law mandated the privatization of TransCo through an outright sale or management concession agreement;¹

WHEREAS, in December 2007, the TransCo concession was awarded to the National Grid Corporation of the Philippines (NGCP) and on January 15, 2009, TransCo turned over the management and operation of the country's sole power transmission line that supplies electricity throughout Luzon, Visayas and Mindanao to NGCP. Ownership of all transmission assets, however, remains with TransCo;

WHEREAS, Congress, through RA 9511, granted the NGCP a franchise to operate, manage, maintain and engage in business of conveying or transmitting electricity through high voltage back-bone system of interconnected transmission lines, substations and related facilities, systems operations, and other activities that are necessary to support the safe and reliable operation of a transmission system and to construct, install, finance, manage, improve, expand, operate, maintain, rehabilitate, repair and refurbish the present nationwide transmission system of country;

WHEREAS, Section 2 of RA 9511 reiterated the 40% constitutional limit to foreign capital ownership of the franchise. It also submitted NGCP under the laws pertaining to foreign ownership and management of public utilities;

WHEREAS, State Grid International Development Ltd., a subsidiary of State Grid Corp. of China (SGCC), has a 40% capital ownership of the NGCP entitling it to three (3) out of ten (10) board seats. Monte Oro Grid Resources Corp. and Calaca High Power Corp. both have 30% of the total share of NGCP;

WHEREAS, during a Senate budget hearing, National Transmission Corporation (TransCo) President Melvin Matibag claimed that "it was possible for a hostile third party to disable the country's power grid remotely." He also revealed that TransCo, the owner of NGCP, has limited system access and oversight over the NGCP. He further revealed that NGCP didn't allow for it to be audited despite the formal letters from TransCo and an order from Energy Regulation Commission (ERC) to conduct an independent third-party audit;²

WHEREAS, serious concerns were recently raised over the possibility that the power grid can allegedly be operated remotely through a monitoring and control system called supervisory control and data acquisition (SCADA), wherein the remote operating system is located in Nanjing, China;

WHEREAS, theoretically, if Nanjing engineers received an order to turn off the Philippine power grid, the Philippines, with its current system, can only do a manual override of the system "within 24 to 48 hours depending on the gravity" of the disruption;

¹ <https://www.transco.ph/about>

² <https://news.abs-cbn.com/business/11/27/19/onerous-power-grid-deal-with-fil-chinese-firm-lacks-full-oversight-doe-chief>

WHEREAS, retired Supreme Court Justice Antonio Carpio highlighted that it is easy for the Chinese to inject malware in the software and shut down the national grid if they are the one maintaining it;

WHEREAS, DOE supported the Senate’s move to conduct a security audit and legislative inquiry into the operations of NGCP. Earlier in 2016, it is noted that Secretary Alfonso Cusi raised the issue upon his assumption as the head of the agency;³

WHEREAS, according to an internal report for the lawmakers obtained by CNN, it claims that Chinese engineers have access to “key elements of the system” and in theory, the grid can be deactivated remotely on Beijing’s orders. Even though there is no history of such an attack on the grid by China, being it theoretically possible poses a threat to the national security of the country. According to the report, the technology upon which the grid is based is increasingly being switched over to Huawei products, which the report claims are “completely proprietary” and can only be operated by Chinese engineers. Such allegations were denied by Huawei in its statement to CNN saying that it didn’t provide any equipment for NGCP’s control systems;

WHEREAS, on Nov. 27, 2019, NGCP President and CEO Anthony Almeda claimed that the SGCC investment is limited to being a technical adviser. He assured that the management and control of NGCP, including of the software and hardware system that controls the Philippine grid, was operated only by authorized Filipino technical experts;⁴

WHEREAS, during a press briefing in Beijing on November 27, Chinese Foreign Minister Spokesperson Geng Shuang dismissed the allegation of China’s control over the Philippines' power grid or threat to the country's national security as groundless;

WHEREAS, given that China is currently aggressive over its claims on the West Philippine Sea depicted through its intrusions to Philippine territory and disrespect to Philippine sovereignty, the surrender of the control over Philippine power system and other public utilities is a clear threat to Philippine national security;

WHEREAS, it is the primordial duty of Congress, in the exercise of its legislative and oversight functions, to ensure the safety and security of our people and to provide mechanisms to hold responsible officials and employees accountable at all times. This resolution was first filed by Bayan Muna Partylist during the 18th Congress. During the 16th Congress, this issue was already previously initially raised in the course of the investigation initiated by Bayan Muna during the anomalous shutdown of the Malampaya plant.

³ <https://newsinfo.inquirer.net/1195848/doe-backs-ngcp-audit-as-china-eases-fears>


⁴ <https://newsinfo.inquirer.net/1195405/ngcp-on-security-risk-chinese-just-technical-advisers>

NOW, THEREFORE BE IT RESOLVED, that the House of Representatives, through its Committee on Energy and Committee on National Defense and Security to conduct a joint an investigation, in aid of legislation, on the economic and national security implications over the 40% Chinese capital ownership of the National Grid Corporation of the Philippines.

Adopted,



Rep. FRANCE L. CASTRO
ACT Teachers Party-List



Rep. ARLENE D. BROSAS
GABRIELA Women's Party



**Rep. RAOUL DANNIEL A.
MANUEL**
KABATAAN Party-List