

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
Pasig City

**RESOLUTION NO. 19, SERIES OF 2026**

**A RESOLUTION ADOPTING THE RULES FOR OFF-GRID TRANSMISSION WHEELING AND SYSTEM OPERATION CHARGES (OFF-GRID WHEELING AND CHARGES RULES)**

**WHEREAS**, Section 43 (f) of Republic Act No. 9136, otherwise known as the **Electric Power Industry Reform Act of 2001 (EPIRA)**, vests upon the Energy Regulatory Commission (ERC) the authority to promulgate rules and regulations and to regulate transmission and distribution wheeling charges and retail rates for the captive market of a distribution utility;

**WHEREAS**, under the same Section 43 (f) of the EPIRA, the ERC may adopt alternative forms of internationally-accepted rate-setting methodology, as it may deem appropriate, and the methodology so adopted and applied must ensure a reasonable price of electricity;

**WHEREAS**, Section 8 of the EPIRA created the National Transmission Corporation (TransCo) to assume the electrical transmission functions of the National Power Corporation;

**WHEREAS**, Sections 9(a) and 9(e) of the EPIRA mandate TransCo to act as the system operator of the nationwide electrical transmission and subtransmission system, and serve as grid operator responsible for providing central dispatch of all generation facilities connected to the transmission system, subject to technical constraints;

**WHEREAS**, Section 70 of the EPIRA on missionary electrification provides that the National Power Corporation (NPC), through its Small Power Utilities Group (SPUG), shall be responsible for providing power generation and associated power delivery systems in areas that are not connected to the main transmission;

**WHEREAS**, the Department of Energy (DOE) issued Department Circular No. DC2019-01-0001, otherwise known as the *DOE Omnibus Off-Grid Guidelines*, which prescribe the framework for enhancing off-grid power development and operation, including the designation of a System Operator for small grids;

**WHEREAS**, Rule 7.1.1 of the *DOE Omnibus Off-Grid Guidelines* provides that the System Operator for a particular small grid shall be responsible for operating and managing the system in accordance with standards set under relevant issuances from competent government agencies;

**WHEREAS**, the DOE subsequently issued Department Circular No. DC2021-11-0039, which amended Rule 7.1.2 of the *DOE Omnibus Off-Grid Guidelines* and specifically mandated TransCo to serve as the Small Grid System Operator in identified small grid configurations;

**WHEREAS**, the TransCo filed a *Petition for Rule-Making* under ERC Case No. 2025-001 RM, which the ERC, pursuant to the *Order and Notice of Proposed Rule-Making* both dated 28 May 2025, set for public consultation on 15 July 2025 for Luzon, 22 July 2025 for Visayas and 29 July 2025 for Mindanao, and all of which proceeded as scheduled;

**WHEREAS**, the same *Order and Notice of Proposed Rule-Making* sought the submission of comments and clarifications on the proposed Rules from all interested stakeholders until 08 July 2025;

**WHEREAS**, TransCo duly complied with the jurisdictional requirements pursuant to Rule 21 of the ERC's Revised Rules of Practice and Procedure (RRPP),<sup>1</sup> including the publication of the *Notice of Proposed Rule-Making* in the *Business World* newspaper issue dated 01 July 2025;

**WHEREAS**, on various dates, the ERC received comments from the National Grid Corporation of the Philippines (NGCP) and the National Power Corporation (NPC);

**WHEREAS**, after careful evaluation of the *Petition* and consideration of the comments submitted, the ERC approved the Rules for Off-Grid Transmission Wheeling and System Operation (SO) Charges (Off-Grid Wheeling and SO Charges Rules) on 13 May 2026;

**NOW, THEREFORE**, the ERC hereby **RESOLVES**, as it is hereby **RESOLVED**, to **APPROVE** and **ADOPT** the **RULES FOR OFF-GRID TRANSMISSION WHEELING AND SYSTEM OPERATION CHARGES (OFF-GRID WHEELING AND SO**

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<sup>1</sup> ERC Resolution No. 01, Series of 2021, entitled, "Resolution adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission."

**CHARGES RULES)** hereto attached as **Annex "A"** and made an integral part hereof.

This Resolution shall take effect fifteen (15) days after its publication in a newspaper of general circulation in the country or in the Official Gazette.

Let copies of this Resolution be furnished to the University of the Philippines Law Center – Office of the National Administrative Register (UPLC-ONAR) and all parties concerned, as well as published on the ERC's official website ([www.erc.gov.ph](http://www.erc.gov.ph)) and such other online platforms available to the ERC.

Pasig City. June 15, 2026

  
**FRANCIS SATURNINO C. JUAN**  
*Chairperson and CEO*

  
**FLORESINDA G. BALDO-DIGAL**  
*Commissioner*

  
**MARKO ROMULO L. FUENTES**  
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*Commissioner*

  
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*Commissioner*

  
LS: CCT/JGGW/MCCG

  
ROS: GAC/GCM/AJMO

*\*Deliberated and approved during the 13 May 2026 Commission Meeting.*

**Annex “A”**

**RULES FOR OFF-GRID  
TRANSMISSION WHEELING AND  
SYSTEM OPERATION CHARGES  
(OFF-GRID WHEELING AND SO  
CHARGES RULES)**

**ERC Case No. 2025-001 RM**

Republic of the Philippines  
**Energy Regulatory Commission**  
Pasig City

**RULES FOR OFF-GRID TRANSMISSION WHEELING AND SYSTEM  
OPERATION CHARGES  
(OFF-GRID WHEELING AND SO CHARGES RULES)**

The Electric Power Industry Reform Act of 2001 (EPIRA) created the National Transmission Corporation (TransCo) with a mandate to assume the transmission functions of the National Power Corporation (NPC). Following the privatization of TransCo's operations, the National Grid Corporation of the Philippines (NGCP) operates and maintains the transmission network under a 25-year concession agreement with TransCo.

However, NGCP's role as system operator (SO) and transmission network provider (TNP) does not extend to the off-grid areas. For the off-grid areas, Section 70 of the EPIRA on Missionary Electrification governs that the NPC shall perform the missionary electrification function through its Small Power Utilities Group (SPUG). Although the SPUG is also mandated to install transmission systems in qualified areas under its coverage to improve systems reliability, the law is silent as to who shall be the SO for the off-grid areas.

Through the Department of Energy's (DOE) Department Circular No. DC2021-11-0039 dated 09 November 2021, it mandated TransCo as the Small Grid System Operator (SGSO) in any of the following classifications:

- More than one (1) Distribution Utility (DU) utilizing a High Voltage line to transmit power generated by more than one (1) Generation Company (GenCo);
- Only one (1) DU utilizing a High Voltage line to transmit power generated by more than one (1) GenCo; and
- Only one (1) DU utilizing a Medium Voltage line to transmit power generated by more than one (1) GenCo.

Additionally, Section 9.3.4 of DOE Department Circular No. DC2019-01-0001 states that TransCo or its Concessionaire shall acquire off-grid transmission facilities in preparation for interconnection with the Main Grid. Section 9.6 further mandates TransCo and NPC to develop, finance, and implement techno-economically feasible projects for the intra-connection of the off-grid areas. These projects are expected to optimize system operation and eventually lower generation costs.

With this mandate, TransCo can potentially manage the transmission functions in the off-grid areas, leveraging its pre-privatization expertise. This aligns with the EPIRA framework and the government's goal of delivering reliable, and efficient electricity to the off-grid areas, enhancing overall transmission services.

These Off-Grid Wheeling and SO Charges Rules, as approved by the ERC consistent with Section 43 (f) of the EPIRA, shall also apply to regulated off-grid entities authorized to provide off-grid transmission services.

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**ARTICLE I  
GENERAL PROVISIONS**

**1.1. Purpose and Scope**

1.1.1 The purpose of these Off-Grid Wheeling and SO Charges Rules is to set out the methodology to be used in setting the applicable rates that may be charged for the provision of the regulated Off-Grid Transmission Services by the Small Grid Transmission Network Provider, Small Grid System Operator and Small Grid Metering Services Provider. These Off-Grid Wheeling and SO Charges Rules shall be guided by the Implementing Rules and Regulations of Republic Act No. 9136 (EPIRA), Philippine Grid Code (PGC), Philippine Distribution Code (PDC), and Philippine Small Grid Guidelines (PSGG), among others.

References to the Open Access Transmission Service (OATS) Rules, the Rules for Setting Transmission Wheeling Rates (RTWR) are for interpretive guidance only and shall not be construed as an incorporation or application of such rules to off-grid systems, except where expressly provided in these Rules.

**1.2. Applicability of the Off-Grid Wheeling and SO Charges Rules**

1.2.1 These Off-Grid Wheeling and SO Charges Rules shall apply to the following:

Type of Rate/Charge	Off-Grid Transmission Customer			
	Generation Companies <sup>1</sup>	Directly Connected Customers	Distribution Utilities	
Small Grid Transmission Network Provider Rate (SGTNPR)	PhP/kW	Applicable	Applicable	Applicable
Small Grid System Operation Rate (SGSOR)	PhP/kW	Applicable	Applicable	Applicable
Small Grid Metering Services Provider Charge (SGMSPC)	PhP/metering point/month	Applicable	Applicable	Applicable

Notes:

<sup>1</sup> – This shall be applicable for the period/s when the GenCos draw power from the off-grid for their own use.

<sup>2</sup> – Currently, the off-grid areas do not have GenCos drawing power, nor do they have customers directly connected to the off-grid system.

**1.3. Definition of Terms**

In these Off-Grid Wheeling and SO Charges Rules, unless a contrary intention appears, the following words and phrases have the following meanings:

<b>Billing Period</b>	refers to the time interval specified by the Regulated Off-Grid Entity in which the Off-Grid Transmission Customer's level of service is regularly recorded, accumulated, and read for billing purposes. The Billing Period typically begins on the 26 <sup>th</sup> day of the current month and ends on the 25 <sup>th</sup> day of the following month; however, it may vary depending on the billing cycle of the Off-Grid Transmission Customer.
<b>Billing Statement</b>	an invoice and statement issued by the Regulated Off-Grid Entity to the Off-Grid Transmission Customer, detailing all charges and credits for services provided to the Off-Grid Transmission Customer under these Off-Grid Wheeling and SO Charges Rules
<b>Business Day</b>	every day except Saturday, Sunday or holiday
<b>Department of Energy (DOE)</b>	the government agency created by virtue of Republic Act No. 7638, as amended by EPIRA, to supervise the restructuring of the electric power industry
<b>Distribution Utility (DU)</b>	an Electric Cooperative (EC), private corporation, government-owned utility, or existing local government unit which has an exclusive franchise to operate a Distribution System
<b>Energy Regulatory Commission (ERC)</b>	the quasi-judicial regulatory agency created by Section 38 of EPIRA
<b>EPIRA</b>	Republic Act 9136 also known as the "Electric Power Industry Reform Act of 2001"
<b>Force Majeure Event (FME)</b>	<p>(a) a typhoon, storm, tropical depression, lightning, flood, drought, volcanic eruption, earthquake, tidal wave or landslide; or</p> <p>(b) an act of a public enemy, war (declared or undeclared), sabotage, blockade, revolution, riot, insurrection, civil commotion or any violent or threatening actions,</p> <p>All such events occurring in the Philippines which result in an increase in the costs incurred by the Regulated Off-Grid Entity in the transmission of electricity to connection points, or in complying with the provisions of any legislation, or of any</p>

rules, regulations or Rules made under the EPIRA, including its IRR, PGC, and PSGG, which must be complied with in relation to the transmission of such electricity. Additionally, any future FME provisions or issuances considered by the ERC will also be included.

<b>Generation Company (GenCo)</b>	any person or entity authorized by the ERC to operate facilities used in the generation of electricity
<b>Grid</b>	the backbone system of interconnected transmission lines, substations, and related facilities located in each of the island groups of Luzon, Visayas and Mindanao, or as may be determined by the ERC in accordance with Section 45 of EPIRA
<b>High Voltage</b>	a voltage level exceeding 34.5kV up to 230kV
<b>Load Billing Determinant (LBD)</b>	the calculated 12-month average of the monthly Billing Determinant Demand (kW)
<b>Low Voltage</b>	a voltage level not exceeding 1,000 V or 1kV
<b>Main Grid</b>	has the same definition as “Grid”
<b>Market Operator</b>	the entity responsible for the operation of the spot market governed by the Philippine Electricity Market Board
<b>Medium Voltage</b>	a voltage level exceeding 1kV up to 34.5kV
<b>Meter</b>	a device which measures and records the consumption or production of electricity. This refers to the revenue meter unless specified otherwise.
<b>Metering Equipment</b>	the apparatus necessary for measuring electrical real and reactive power and energy, inclusive of a multi-function meter and the necessary instrument potential and phase shifting transformers and all wiring and communication devices as provided
<b>Metering Point</b>	location where the metering equipment is installed
<b>National Power Corporation (NPC)</b>	the government corporation created under Republic Act No. 6395 and mandated by EPIRA to perform missionary electrification through the

	Small Power Utilities Group (SPUG) and shall be responsible for providing power generation and its associated power delivery systems in the off-grid areas that are not connected to the Grid
<b>National Transmission Corporation (TransCo)</b>	the government-owned and controlled corporation established under EPIRA to acquire all National Power Corporation (NPC) transmission assets
<b>Off-Grid Area</b>	an area or system that is not connected to the Main Grid
<b>Off-Grid Transmission Assets</b>	the components in the off-grid area used by the Small Grid Owner to provide off-grid transmission services
<b>Off-Grid Transmission Customer</b>	any entity purchasing and/or receiving off-grid transmission services
<b>Off-Grid Transmission Services</b>	the transmission services provided by the SGTNP, SGSO, and/or SGMSP as regulated by the ERC
<b>Philippine Grid Code (PGC)</b>	the document that establishes and provides the basic rules, requirements, procedures and standards governing the operation, maintenance and development of the high voltage backbone transmission system in the Philippines
<b>Philippine Small Grid Guidelines</b>	the document that sets the rules and guidelines governing the operation and management of the Small Grid
<b>Regulated Off-Grid Entity</b>	any entity that provides off-grid transmission services. For the purposes of these Off-Grid Wheeling and SO Charges Rules, this includes TransCo.
<b>Regulatory Period</b>	a five (5)-year period which the ERC applies for setting the off-grid transmission tariffs
<b>Regulatory Year</b>	the First Regulatory Year and any subsequent calendar year that occurs during a Regulatory Period
<b>Service Agreement</b>	the contract between the Off-Grid Transmission Customer and Regulated Off-Grid Entity in the provision of the off-grid transmission services

<b>Small Grid</b>	the backbone system of interconnected High Voltage (HV) lines or Medium Voltage (MV) lines, substation and other related facilities not connected to the Main Grid. In these Off-Grid Wheeling and SO Charges Rules, the Small Grid and off-grid area are interchangeable
<b>Small Grid Control Center (SGCC)</b>	the control center established for the System Operation of the Small Grid
<b>Small Grid Metering Services Provider (SGMSP)</b>	the entity authorized by the ERC to provide, install, commission, maintain, calibrate, and test the metering facilities. It is responsible for collecting accurate meter data.
<b>Small Grid Owner (SGO)</b>	the entity that owns the backbone transmission facilities in the off-grid areas and responsible for planning, operations, and maintenance adequate capacity
<b>Small Grid System Operator (SGSO)</b>	the entity responsible for general dispatch and real-time control of the power system in off-grid areas through the management of operating reserves, reactive power support, black start, and other operating requirements, to ensure safety, power quality, stability, reliability, and security of the Small Grid. This entity utilizes the SGCC in undertaking the system operations.
<b>Small Grid Transmission Network Provider (SGTNP)</b>	<p>the entity responsible in maintaining adequate off-grid capacity in accordance with the provisions of the PSGG</p> <p>For purposes of these Rules, the terms SGO and SGTNP shall be construed to refer to the same entity in cases where both functions are performed/represented by a single entity or service provider.</p>
<b>Subtransmission Assets (STA)</b>	refer to the facilities related to the power delivery service below the transmission voltages and based on the functional assignment of assets including, but not limited to step-down transformers used solely by load customers, associated switchyard/substation, control and protective equipment, reactive compensation equipment to improve customer power factor, overhead lines, and the land where such facilities/equipment are located. These include the assets of the Small Grid Owner linking the transmission system and the

distribution system which are neither classified as generation nor transmission.

In addition, words and phrases used in these Off-Grid Wheeling and SO Charges Rules as defined in the EPIRA or its IRR have the same meaning given to them in the EPIRA or the IRR (as the case may be).

**ARTICLE II**  
**OFF-GRID TRANSMISSION WHEELING RATES METHODOLOGY**

**2.1. Annual Revenue Requirement (ARR) Primary Building Blocks Components**

To compute the Annual Revenue Requirement for a regulatory year ( $ARR_t$ ) for the Regulated Off-Grid Entity's operation as SGTNP, SGSO, and/or SGMSP, the following formulas will be used:

**As a SGTNP:**

$$ARR_{TNP} = \text{Return on Capital}_{TNP} + \text{Return of Capital}_{TNP} + OPEX_{TNP} + Taxes_{TNP}$$

**As a SGSO:**

$$ARR_{SO} = \text{Return on Capital}_{SO} + \text{Return of Capital}_{SO} + OPEX_{SO} + Taxes_{SO}$$

**As an SGMSP:**

$$ARR_{MSP} = \text{Return on Capital}_{MSP} + \text{Return of Capital}_{MSP} + OPEX_{MSP} + Taxes_{MSP}$$

In each formula, the components are defined as follows:

**2.1.1. Return on Capital**

This represents the return earned by the Regulated Off-Grid Entity from the capital investments made in relation to the provision of off-grid transmission services. It is calculated as the average value of the Regulatory Asset Base for that regulatory year ( $RAB_t$ ), determined using the roll forward asset values under Article 2.1.1.1 plus the Working Capital as determined under Article 2.1.1.2, multiplied by the rate of return as determined in accordance with Article 2.1.1.3. This is mathematically written as:

$$\text{Return on Capital} = (\text{Average RAB} + \text{Working Capital}) \times (\text{Rate of Return})$$

where:

<b>Average RAB</b>	is the average between Opening RAB and Closing RAB for each year of operation
<b>Working Capital</b>	is the allowance necessary to cover and finance the obligations and daily operation as determined in accordance with Article 2.1.1.2
<b>Rate of Return</b>	is the rate as determined in accordance with Article 2.1.1.3

### 2.1.1.1. Regulatory Asset Base (RAB)

The Regulatory Asset Base refers to the value of the off-grid transmission assets to be used/proposed by the Regulated Off-Grid Entity for its provision of off-grid transmission services.

#### 2.1.1.1.1. Asset Valuation

The assets shall be valued based on the following criteria:

Type of Asset	Asset Value
existing off-grid transmission assets	The value of such assets shall be determined based on the appraised value conducted by a third (3 <sup>rd</sup> ) party appraiser
new off-grid transmission assets	such assets shall be valued based on the acquisition cost or book value

#### 2.1.1.1.2. Roll Forward RAB

To determine the RAB for each regulatory year, the ERC shall adopt a roll forward methodology. The roll forward process shall be as follows:

**Table 1: Steps in Determining the Roll Forward RAB**

Opening RAB	It is the closing value of the previous regulatory year ( $RAB_{t-1}$ ). If there is no $RAB_{t-1}$ , then the value is set to zero.
Add: Capital Expenditure (CAPEX)	This is the cost of new assets or investments relative to off-grid operation.
Less: Regulatory Depreciation	It is the Return of Capital as computed under Article 2.1.2.
Less: Asset Disposal	It is the book value or depreciated value of assets disposed.
Closing RAB	It is the ending value of $RAB_t$ to be carried forward as the Opening $RAB_{t+1}$ of the next regulatory year.

In the case of shared CAPEX for services of SGTNP, SGSO, and SGMSP, the CAPEX will be divided proportionately among SGTNP, SGSO, and SGMSP with respect to the asset utilization.

#### 2.1.1.1.3. RAB Details

The details of the rolled-forward valuation must be comprised in an asset register which contains the list and value of the off-grid transmission assets including but not limited to the following:

SGTNP	SGSO	SGMSP
a) Transmission lines b) Substations c) Non-network assets d) Other assets associated with providing transmission network services in the off-grid area	a) Supervisory Control and Data Acquisition (SCADA) assets b) Telecommunication assets c) Non-network assets d) Other assets associated with providing system operation in the off-grid area	a) Revenue metering assets b) Metering installation, testing and maintenance instruments/equipment c) Non-network assets d) Other assets associated with providing metering services in the concerned off-grid area

**2.1.1.2. Working Capital**

The working capital to be adopted is the percentage (%) of the proposed OPEX based on a lead/lag study of the Regulated Off-Grid Entity's relevant payables and receivables, excluding bad debts subject to approval of the ERC.

**2.1.1.3. Rate of Return**

The applicable Rate of Return shall be based on the Weighted Average Cost of Capital (WACC), as may be proposed by the applicant in the rate case, subject to review, evaluation, and approval by the ERC.

**2.1.2. Return of Capital (Regulatory Depreciation)**

This refers to the depreciation or amortization of the capital investments over their useful life. It ensures that the cost of the capital investment is recovered over time.

**2.1.2.1. Depreciation Method**

The Regulated Off-Grid Entity shall adopt the straight-line method of depreciating an asset computed as the acquisition cost of assets over the estimated economic life of the assets. The depreciation of assets will start a year after the asset acquisition.

**2.1.2.2. Economic Life of Asset**

The economic life of the asset will be the asset life used in the latest RAB Handbook for Distribution Utilities.

### **2.1.3. Operating Expenses (OPEX)**

This refers to the Personnel Services (PS) and Maintenance and Other Operating Expenses (MOOE) necessary for providing off-grid services, subject to approval of the ERC.

- 2.1.3.1.** The PS shall be based on the projected salaries/wages and mandatory benefits for the personnel performing the off-grid transmission services.
- 2.1.3.2.** The MOOE will cover expenses such as maintenance costs, utilities, supplies, repairs and other necessary operational expenditures, as may be allowed by the ERC, of the Regulated Off-Grid Entity for its off-grid transmission services.
- 2.1.3.3.** In cases where OPEX is shared among SGTNP, SGSO, and SGMSP, the expenses will be proportionately allocated based on the asset value percentages.

### **2.1.4. Taxes**

This shall cover the projected Corporate Income Tax and other applicable taxes.

#### **2.1.4.1. Corporate Income Tax Computation**

The estimated corporate income tax payable by the Regulated Off-Grid Entity in regulatory year on income derived from its off-grid transmission services shall be proposed by the entity in its rate application and shall be determined and approved by the ERC.

#### **2.1.4.2. Other Taxes**

This includes any tax, levy, impost, deduction, charge, rate, duty or withholding, which is levied or imposed by the national government or a local government, or any agency, department, instrumentality or other authority of the national government or a local government.

On the other hand, the 12% value-added tax (VAT) shall be calculated based on the total amount charged to Off-Grid Transmission Customers. This will appear as a separate line item on the power bill of each Off-Grid Transmission Customer. For clarity, the VAT shall not be included in the taxes under the ARR component but is an additional charge on top of the bill.

## 2.2. Off-Grid Wheeling and SO Rate/Charge

### 2.2.1. Small Grid Transmission Network Provider Rate (SGTNPR)

The monthly SGTNPR shall be determined by the formula:

$$SGTNPR = \frac{\sum_i^{i+n-1} ARR_{TNP,i}}{(12)(n)(LBD)}$$

where:

**ARR<sub>TNP,i</sub>** is the annual revenue requirement of the Regulated Off-Grid Entity as SGTNP at a given year *i* which is determined under Article 2.1

**LBD** is the sum of the average of the recent twelve (12) monthly non-coincident peak demand in kW for all metering points of the Off-Grid Transmission Customers. For those customers without a recent twelve (12)-month history, the billing determinant would be determined by the Regulated Off-Grid Entity from the information provided in the Service Agreement.

**i** is the index of the summation that has an initial value equal to the start of the regulatory year (year 1) of the Regulated Off-Grid Entity's operation in a certain off-grid area

**n** is equal to five (5)-year regulatory period

Accordingly, the SGTNP charge (SGTNPC) payable by each Off-Grid Transmission Customer shall be determined as follows:

$$SGTNPC = (SGTNPR)(LBD_{Cust})$$

where:

**SGTNPR** is the Small Grid Transmission Network Provider rate determined in this Article and as approved by the ERC

**LBD<sub>Cust</sub>** is the average of the recent twelve (12) monthly non-coincident peak demand in kW for a specific Off-Grid Transmission Customer. If the customer does not have a recent twelve (12)-month history, the billing determinant will be determined by the Regulated Off-Grid Entity from the information provided in the Service Agreement.

### 2.2.2. Small Grid System Operation Rate (SGSOR)

The monthly SGSOR shall be determined by the formula:

$$SGSOR = \frac{(\sum_i^{i+n-1} ARR_{SO,i})}{(12)(n)(LBD)}$$

where:

**ARR<sub>so,i</sub>** is the annual revenue requirement of the Regulated Off-Grid Entity as SGSO at a given year i which is determined under Article 2.1

**LBD** is the sum of the average of the recent twelve (12) monthly non-coincident peak demand in kW for all metering points of the Off-Grid Transmission Customers. For those customers without a recent twelve (12)-month history, the billing determinant would be determined by the Regulated Off-Grid Entity from the information provided in the Service Agreement.

**i** is the index of the summation that has an initial value equal to the start of the regulatory year (year 1) of the Regulated Off-Grid Entity's operation in a certain off-grid area

**n** is equal to five (5)-year regulatory period

Accordingly, the SGSO charge (SGSOC) payable by each Off-Grid Transmission Customer shall be determined as follows:

$$SGSOC = (SGSOR)(LBD_{Cust})$$

where:

**SGSOR** is the small grid system operation rate as determined in this Article and as approved by the ERC

**LBD<sub>Cust</sub>** is the average of the recent twelve (12) monthly non-coincident peak demand in kW for a specific Off-Grid Transmission Customer. If the customer does not have a recent twelve (12)-month history, the billing determinant will be determined by the Regulated Off-Grid Entity from the information provided in the Service Agreement.

### 2.2.3. Small Grid Metering Services Provider Charge (SGMSPC)

The SGMSPC is composed of a common metering charge (applied universally to all customers regardless of their voltage level) and a per voltage level charge (based on the voltage level at which the customer is connected). The allocation of metering charges between common and per voltage metering charge shall be based on the Metering Asset Register and the associated services rendered.

### 2.2.3.1. SGMSP Common Metering Charge (SGMSPCMC)

The SGMSP<sub>CMC</sub>, which is a fixed charge billed monthly for each metering point, will apply to all connected Off-Grid Transmission Customers to cover the cost of common metering assets and their operations. The common metering assets are the assets used for all metering installations. This is described as follows:

$$SGMSP_{CMC} = \frac{ARR_{MSPCMC}}{12 \times NMI}$$

where:

**ARR<sub>MSPCMC</sub>** is the portion of the annual revenue requirement at the start year of the Regulated Off-Grid Entity as SGMSP as determined under Article 2.1 for the common metering assets

**NMI** is the total number of metering installations

### 2.2.3.2. SGMSP Per Voltage Level Charge (SGMSPVLC)

This component of the SGMSPC varies depending on the voltage level of the infrastructure provided by the SGMSP for metering installations. SGMSP<sub>VLC</sub> is a fixed charge billed monthly to off-grid customers in PhP for each metering point. The charge will differ based on voltage level and type of installation (whether full metering or meter only setups) and shall be determined as follows:

$$SGMSP_{VLC} = \frac{ARR_{MSPVLC}}{12 \times NMI_L}$$

where:

**ARR<sub>MSPVLC</sub>** is the portion of the annual revenue requirement at the start year of the Regulated Off-Grid Entity as SGMSP as determined under Article 2.1 for the metering assets pertaining to certain voltage level and type of installation

**NMI<sub>L</sub>** is the total number of metering installations considering the voltage level and type of installation

The common metering assets are the assets commonly used for all metering installations.

### **2.3. Off-Grid Wheeling and SO Charge Translation**

The DU shall implement a structured approach in translating charges for its customer groups based on residential, commercial, industrial customers, and other relevant classifications. This approach shall consider utilizing detailed customer group profiles to ensure equitable and transparent pricing.

### **2.4. Off-Grid Wheeling and SO Charge Adjustment**

The off-grid charges shall be adjusted if the following scenarios occur/transpire:

#### **2.4.1. Interconnection of the Small Grid to the Main Grid**

**2.4.1.1.** In the event that the Small Grid is interconnected with the Main Grid before the covered regulatory period ends, the Small Grid shall be subject to the provision under Article 3.1. Moreover, the collection of SGTNPR, SGSOR and SGMSPC by the relevant Regulated Off-Grid Entity/ies will continue for a period equivalent to the actual number of years of the off-grid operation.

**2.4.1.2.** However, if the Small Grid is interconnected with the Main Grid after the covered regulatory period, the Regulated Off-Grid Entity shall file for a new rate with the ERC pursuant to Article 2.1 and Article 2.2 hereof. Any over and under recovery from previous rate setting will be reviewed/considered. The currently approved charges shall remain in effect and chargeable by the relevant Regulated Off-Grid Entity/ies until the ERC resolves the new rate application.

#### **2.4.2. Significant Changes in Generation and Load Growth**

If there are changes in the generation and load plans which significantly deviate from the forecasts used in the off-grid rate setting, the Regulated Off-Grid Entity may seek and file for rate adjustments subject to the approval by the ERC.

#### **2.4.3. Due to Force Majeure Event (FME)**

In the event that the off-grid transmission assets are damaged or rendered inoperable due to a Force Majeure Event (FME), the Regulated Off-Grid Entity may apply with the ERC for the recovery of prudently incurred and verified incremental costs necessary for the repair, restoration, or replacement of such assets.

Recovery of FME-related costs shall be allowed only to the extent that such costs were not already recovered, provided for, or contemplated under the approved ARR pursuant to Articles 2.1 and 2.2 of these Rules and are determined by the ERC to be reasonable, prudent, and directly attributable to

the FME, subject to the applicable procedural and documentary requirements under the prevailing RTWR, insofar as consistent with these Rules.

## **2.5. Off-Grid True-Up Mechanism**

Annually, the Regulated Off-Grid Entity shall review any under and over recovery and shall submit a report to the ERC. The report shall contain the following:

- 2.5.1. status of ARR collection
- 2.5.2. comparison of the projected and the actual demand and energy
- 2.5.3. comparison of the actual accomplished plans and targets, and the approved plans and targets
- 2.5.4. adjustments to the plans and targets, if necessary
- 2.5.5. other documents as may be required by the ERC

In the event that the report shows an under or over recovery for that year, the Regulated Off-Grid Entity shall file true-up adjustment application to the ERC, subject to the approval of the ERC.

**ARTICLE III**  
**TURNOVER OF ASSETS UPON INTERCONNECTION OF SMALL**  
**GRID TO THE MAIN GRID**

TransCo or its Concessionaire is required to operate and maintain the transmission assets/facilities in the Small Grid once interconnected to the Main Grid, or as directed by the ERC.

**3.1. Turnover of SGTNP Assets**

Upon interconnection of the Small Grid to the Main Grid, the assets of the Small Grid Owner shall be acquired by the Main Grid TNP at their rolled-forward value, pursuant to Article 2.1.1.1.1 hereof to form part of the latter's RAB, or retained with TransCo to form part of its RAB.

The operation and maintenance, however, shall be assumed by the concessionaire of TransCo as the TNP of the Main Grid.

If the transmission assets in the Small Grid become STAs upon interconnection with the Main Grid, TransCo shall undertake the divestment of the said STAs in accordance with the pertinent resolutions of the ERC.

**3.2. Turnover of SGSO Assets**

The assets maintained and funded by the Regulated Off-Grid Entity for its system operation prior to the interconnection with the Main Grid may be transferred to the concerned DU, Main Grid SO, or GenCo/s. The concerned DU, Main Grid SO, or GenCo/s shall compensate the Regulated Off-Grid Entity of the remaining book value of CAPEX as determined by the ERC.

**3.3. Turnover of SGMSP Assets**

The assets maintained and funded by the Regulated Off-Grid Entity for its metering services prior to the interconnection with the Main Grid shall be transferred to the concerned DU or Main Grid MSP. The concerned DU or Main Grid MSP shall compensate the Regulated Off-Grid Entity for the remaining book value of CAPEX as determined by the ERC.

**ARTICLE IV  
OFF-GRID BILLING AND SETTLEMENT**

**4.1. Metering, Reading and Validation**

The SGMSP shall perform on-site and/or remote meter reading in accordance with the PSGG and in coordination with the billing system of the SGTNP and SGSO. The SGMSP shall also undertake the validation of the metering data.

The SGMSP shall use the metering data of demand and energy that is either visually read from the meter display or the electronically retrieved demand and energy data for billing and settlement purposes based on the prevailing OATS Rules.

**4.2. Billing and Settlement Service**

**4.2.1. Issuance of Billing Statement**

Within ten (10) days after the Billing Period, the Regulated Off-Grid Entity shall issue a Billing Statement to each Off-Grid Transmission Customer. The Billing Statement shall include, but shall not be limited to, the following:

- 4.2.1.1. detailed charges and credits for that Billing Period provided under these Off-Grid Wheeling and SO Charges Rules;
- 4.2.1.2. outstanding balance due from the previous Billing Periods;
- 4.2.1.3. net amount payable/refundable by the Off-Grid Transmission Customer; and
- 4.2.1.4. payment due date of the Billing Statement.

In cases where a single Regulated Off-Grid Entity is authorized to undertake multiple responsibilities, among being SGTNP, SGSO and SGMSP, the Regulated Off-Grid Entity's billing statement shall list separately the items mentioned above.

The said Billing Statement shall include all supporting data necessary to enable the Off-Grid Transmission Customer to verify the amount payable to, or owed by, the Regulated Off-Grid Entity for that Billing Period.

**4.2.2. Correction – identified by Regulated Off-Grid Entity**

In the event that the Regulated Off-Grid Entity identifies an error in the Billing Statement, it shall issue a debit/credit notice within ninety (90) days from the issued date of the Billing Statement to correct the error; Provided that metering errors, such as, but not limited to, the following: incorrect use of multiplier; partial metering failure; inaccurate meter registration due to drift and others, shall be corrected within ninety (90) days from detection or within the period prescribed by applicable rules and guidelines; Provided further, that the metering error was detected within one (1) year from its occurrence. Adjustments arising from metering errors detected beyond one (1) year from occurrence shall not be permitted, unless otherwise approved by the ERC or required under applicable law.

#### **4.2.3. Correction – identified by Off-Grid Transmission Customer**

If the Off-Grid Transmission Customer identifies an error in the Billing Statement, it shall immediately notify the Regulated Off-Grid Entity within fourteen (14) days from receipt thereof. Upon verification of an error, the Regulated Off-Grid Entity, at its discretion, shall either:

- 4.2.3.1. issue a new Billing Statement to correct the error within seven (7) days from receipt of notice from the Off-Grid Transmission Customer; or
- 4.2.3.2. issue a debit/credit notice within ninety (90) days from the date of its receipt of notice from the Off-Grid Transmission Customer.

#### **4.2.4. Billing Statement Binding**

If no error is notified by either the Regulated Off-Grid Entity or Off-Grid Transmission Customer within the periods of time specified in Article 4.2.2 and Article 4.2.3 hereof, the Billing Statement shall be deemed correct and binding.

### **4.3. Payment and Due Date**

The Off-Grid Transmission Customer shall pay the amount stated in the Billing Statement on or before the last day of the following Billing Period without necessity of demand via the collection facility arrangement with the Regulated Off-Grid Entity's designated banks, unless otherwise agreed.

If the due date falls on a holiday or weekend, payment shall be made on or before 12:00 noon of the preceding business day.

#### **4.3.1. Interest in Partial and/or Delayed Payment**

The Off-Grid Transmission Customer shall pay interest on any amounts unpaid after the due date, calculated based on the daily outstanding balance for each day the amount remains unpaid. The interest rate applied to the Off-Grid Transmission Customer's overdue account shall be based on the 1-month tenor of Philippine Bloomberg Valuation Service (BVAL) Reference Rate of the next business day after the due date.

#### **4.3.2. Application for Partial Payment/s**

In case of partial payment, the order of prioritization shall be as follows:

- 4.3.2.1. Interest from unpaid previous balance;
- 4.3.2.2. Unpaid previous balance; and
- 4.3.2.3. Current billing month due.

#### **4.4. Billing Disputes**

##### **4.4.1. Non-interruption of Service**

In the event of a billing dispute between the Regulated Off-Grid Entity and the Off-Grid Transmission Customer, both parties shall first settle the dispute internally as promptly as possible. If they are unable to resolve the dispute within thirty (30) days (or such other periods as agreed upon by the parties), such dispute shall be referred to the ERC for resolution.

The Regulated Off-Grid Entity shall continue to provide service under these Off-Grid Wheeling and SO Charges Rules as long as the Off-Grid Transmission Customer makes all payments that are not in dispute.

##### **4.4.2. Suspension of Service**

If the Off-Grid Transmission Customer fails to meet the requirements in Article 4.4.1., the Regulated Off-Grid Entity shall notify the Off-Grid Transmission Customer of its intention to suspend service. This suspension will take effect five (5) days from Off-Grid Transmission Customer's receipt of notice.

If the fifth (5<sup>th</sup>) day falls on a Friday, weekend, or a holiday, the suspension of service shall be executed on the next business day pursuant to DOE Department Circular No. DC2010-08-0010.

**ARTICLE V  
FINAL PROVISIONS**

**5.1 Amendment**

These Off-Grid Wheeling and SO Charges Rules may only be amended as determined by the ERC and for purposes of giving effect to a decision made in accordance with these Off-Grid Wheeling and SO Charges Rules, or as may be proposed by the Regulated Entity subject to the approval by the ERC, or as ordered by a court with appropriate jurisdiction. The ERC may also introduce amendments to clarify, provide implementation details, or respond to contingencies, as the case may be.

**5.2 Exception**

Where good causes appear, the ERC may allow an exception from any provision of these Rules, provided that such exception is for public interest and is not contrary to law, or any other related rules and regulations.

**5.3 Separability**

If, for any reason, any provision or part of the provision of these Off-Grid Wheeling and SO Charges Rules is declared unconstitutional or invalid, the unaffected provisions will continue to be in full force and effect.

**5.4 Effectivity**

These Rules shall become effective fifteen (15) calendar days after publication in a general circulation newspaper or in the Official Gazette.