

## UNBUNDLED RATE COMPOSITION GUIDE

1. **Generation System Charge** refers to the cost of producing electricity that is supplied to consumers. This charge covers expenses incurred by power generation companies (GenCos) for producing electricity from various sources, such as coal, natural gas, hydro, geothermal, and renewable energy.

### Key Points About Generation System Charge:

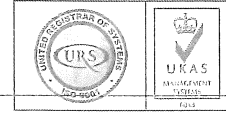
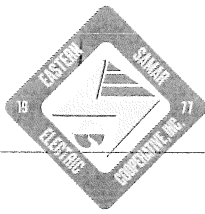
- **Collected by Distribution Utilities (DUs)** – Although this charge appears in the bill from your distribution utility (e.g., ESAMELCO, SAMELCO I, or LEYECO), it is passed through to the power generators and not retained by the DU.
- **Varies Monthly** – The rate fluctuates based on fuel costs, supply-demand conditions, and market trading in the Wholesale Electricity Spot Market (WESM).
- **Regulated by the Energy Regulatory Commission (ERC)** – ERC ensures that the rates charged to consumers are reasonable.

2. **The Transmission System Charge** refers to the cost of delivering electricity from power generation plants to distribution utilities (DUs) or electric cooperatives (ECs) through the high-voltage transmission network. This charge is collected by distribution utilities but is **remitted to the National Grid Corporation of the Philippines (NGCP)**, which operates the transmission system.

### Key Points About Transmission System Charge:

- **Covers the Cost of Transmission Infrastructure** – This includes the operation, maintenance, and expansion of transmission lines, substations, and other facilities.
- **Regulated by the Energy Regulatory Commission (ERC)** – NGCP's charges must be approved by the ERC to ensure fair pricing.
- **Varies Depending on Location and Usage** – Transmission charges may differ based on the distance of electricity delivery and the category of the consumer (residential, commercial, industrial).

3. The **System Loss Charge** refers to the cost of electricity lost during transmission and distribution before it reaches consumers. These losses occur due to technical factors (e.g., resistance in wires, transformers) and non-technical factors (e.g., electricity theft, meter tampering).



#### **Key Points About System Loss Charge:**

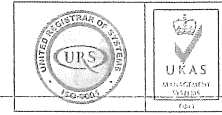
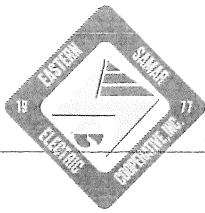
- Covers Inevitable Energy Losses – Some energy loss is unavoidable due to the physical properties of electricity transmission and distribution.
  - **Regulated by the Energy Regulatory Commission (ERC)** – ERC sets a maximum allowable system loss rate:
  - **Included in Consumer Bills** – Distribution utilities recover system losses by passing them on to consumers within the allowed limits.
4. **Distribution System Charge** refers to the cost of delivering electricity from the transmission system (managed by NGCP) to end-users through the infrastructure operated by **distribution utilities (DUs) or electric cooperatives (ECs)**

#### **Key Points About Distribution System Charge:**

- Covers Distribution Infrastructure Costs – This includes operation, maintenance, and expansion of power lines, transformers, substations, and other distribution facilities.
  - Collected by the Distribution Utility (DU) – Unlike generation and transmission charges (which are passed to power producers and NGCP), the distribution charge is retained by the DU (e.g., ESAMELCO, SAMELCO I, or LEYECO).
  - **Regulated by the Energy Regulatory Commission (ERC)** – The ERC approves rates based on the utility's expenses, efficiency, and service quality.
  - **Varies Based on Consumer Type** – Residential, commercial, and industrial users may have different distribution rates depending on usage patterns and infrastructure costs.
5. The **Supply System Charge** refers to the cost of **retailing electricity to consumers**, including billing, customer service, and other administrative expenses incurred by the distribution utility (DU) or electric cooperative (EC).

#### **Key Points About Supply System Charge:**

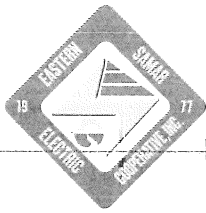
- **Covers Customer-Related Services** – This includes meter reading, bill processing, payment collection, and customer support.
- **Collected by the Distribution Utility (DU) or Electric Cooperative (EC)** – Unlike generation and transmission charges (which are passed to power producers and NGCP), this charge is **retained** by the DU or EC.



- **Regulated by the Energy Regulatory Commission (ERC)** – The ERC sets a cap on supply charges to ensure fair rates.
  - **Fixed Monthly Fee + Variable Component** – The charge may have a **fixed** component (flat rate per customer) and a **variable** component (based on electricity consumption).
6. The **Meter System Charge** in a power bill in the Philippines refers to the cost of using and maintaining the electric meter installed at the consumer's premises. This charge covers the expenses related to the meter's **installation, operation, maintenance, and eventual replacement.**
- 7.
- Key Points About Meter System Charge:**
- **Covers Meter-Related Costs** – This includes the cost of meter reading, periodic calibration, maintenance, and replacement due to wear and tear.
  - **Collected by the Distribution Utility (DU) or Electric Cooperative (EC)** – Since the meter is part of the distribution system, the charge is **retained** by the DU or EC.
  - **Regulated by the Energy Regulatory Commission (ERC)** – The ERC sets and approves the metering charges to ensure fair pricing.
  - **Usually a Fixed Monthly Charge** – Unlike other charges that vary with electricity consumption, the meter charge is typically a **fixed fee per billing period.**
8. **Lifeline Subsidy** in a power bill in the Philippines is a government-mandated discount provided to low-income households who consume minimal electricity. This subsidy aims to make electricity more affordable for economically disadvantaged consumers.

**Key Points About Lifeline Subsidy:**

- **Eligibility Based on Consumption** - The subsidy is available to **residential consumers** whose electricity consumption falls below a specified threshold (varies by distribution utility but typically around **0-15 kWh** per month or less).
- **Discount Rates** - The discount rate varies depending on the level of consumption; lower consumption usually means a higher percentage discount.
- **Funded by Non-Lifeline Consumers** - The cost of this subsidy is shared by regular consumers through a minimal charge on their bills.



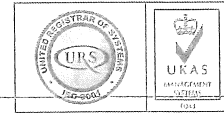
- **Mandated by Law** - Established under the Electric Power Industry Reform Act (EPIRA) of 2001 and further supported by the Lifeline Rate Extension Act, ensuring continued assistance to low-income households.
- **Administered by Distribution Utilities (DUs) and Electric Cooperatives (ECs)** - DUs and ECs apply the discount directly to the eligible consumers' bills.

**9. Senior Citizen Subsidy** - refers to the discount granted to qualified senior citizen households to help reduce their electricity costs. This is mandated under Republic Act No. 9994 (Expanded Senior Citizens Act of 2010).

**Key Points About Senior Citizen Subsidy:**

- **Eligibility Criteria:**
  - o The electricity account must be registered under a senior citizen's name.
  - o The senior citizen must be residing at the registered address.
  - o Monthly electricity consumption must not exceed **100 kWh**.
- **Discount Applied:**
  - o A **5% discount** is applied to the **first 100 kWh** of electricity consumption.
  - o Consumption **beyond 100 kWh is charged at the regular rate**.
- **Application Process:**
  - o Seniors must apply at their distribution utility (e.g., Meralco, Visayan Electric) and submit:
    - o A Senior Citizen ID (OSCA-issued) or other proof of age.
    - o A proof of residence (e.g., utility bill, barangay certificate).
    - o A duly filled-out application form from the distribution utility.
- **Regulated by the Energy Regulatory Commission (ERC):**
  - o The ERC ensures the correct implementation of the subsidy for eligible seniors.

**10. Over Recovery and Under Recovery** refer to the adjustments made by distribution utilities (DUs) and electric cooperatives (ECs) when there is a difference between the actual costs incurred and the amounts collected from consumers for specific charges (e.g., generation, transmission, and system loss charges). These adjustments help ensure fair pricing and compliance with regulatory rules.



### Key Points About Over and Under Recovery:

- **Over Recovery** (Refund to Consumers)
  - o Occurs when a distribution utility collects more than the actual cost incurred for a particular charge.
  - o This excess amount is credited or refunded to consumers through bill adjustments.
- **Under Recovery** (Additional Charge to Consumers)
  - o Happens when a distribution utility collects less than the actual cost incurred for a charge.
  - o The difference is charged to consumers in future bills to compensate for the shortfall.

**11. Franchise Tax** - refers to the tax imposed on distribution utilities (DUs) and electric cooperatives (ECs) for the right to operate and distribute electricity in a specific area. This tax is mandated under Section 119 of the National Internal Revenue Code (NIRC) and is collected by the Bureau of Internal Revenue (BIR).

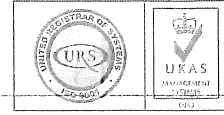
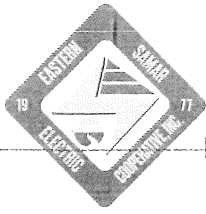
### Key Points About Franchise Tax:

- Although the franchise tax is imposed on the distribution utility, it is typically passed on to consumers as part of the electricity bill.
- The ERC ensures that the collection and implementation of the franchise tax comply with regulations.

**12. Real Property Tax (RPT)** - refers to the tax imposed on land, buildings, and infrastructure owned by distribution utilities (DUs) or electric cooperatives (ECs) used for electricity distribution. This tax is levied by local government units (LGUs) where the assets are located.

### Key Points About Real Property Tax in Electricity Bills:

- RPT applies to **land, buildings, substations, transmission lines, poles, and other fixed assets** used for power distribution.
- While the tax is imposed on the **utility**, it is typically **passed on to consumers** as part of the electricity bill.
- The ERC oversees the fair application of this charge in electricity bills.



**13. Generation Tax** - is a tax imposed on **power generation companies** for producing electricity. It is part of the Philippine government's revenue collection and is regulated by the Bureau of Internal Revenue (BIR).

**Key Points About Generation Tax:**

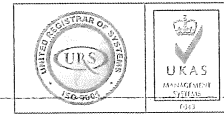
- Power generation companies (**GenCos**) that produce electricity from fossil fuels (e.g., coal, natural gas, diesel) are subject to **a tax**
- Renewable energy (RE) sources such as solar, wind, and hydro may be **exempt** from this tax under the Renewable Energy Act (RA 9513).
- While this tax is imposed on generation companies, they typically pass it on to consumers as part of the Generation System Charge in electricity bills.
- The ERC ensures that generation taxes and related charges are applied correctly in consumer billing.

**14. Transmission Tax** - refers to the tax imposed on transmission companies for transporting electricity from power generation plants to distribution utilities (DUs) or electric cooperatives (ECs). In the Philippines, the National Grid Corporation of the Philippines (NGCP) operates the transmission system and is responsible for paying this tax.

**15. System Loss Tax** - refers to the tax applied to the **System Loss Charge**, which covers the cost of electricity lost during transmission and distribution due to technical and non-technical factors. This tax is imposed on **distribution utilities (DUs) and electric cooperatives (ECs)** but is typically passed on to consumers as part of the **electricity bill**.

**16. Distribution Tax** - refers to the tax imposed on distribution utilities (DUs) and electric cooperatives (ECs) for providing electricity distribution services. This tax is part of their operational costs and is typically included in the electricity bill as part of the Distribution System Charge.

**17. Universal Charge – NPC Stranded Debt** is a fee included in electricity bills to help pay off the outstanding debts of the National Power Corporation (NPC). This charge is mandated under Republic Act No. 9136 (Electric Power Industry Reform Act or EPIRA), which restructured the power sector in the Philippines.



**18. Universal Charge – Missionary Electrification (UC-ME)** is a fee included in electricity bills to fund the electrification of **off-grid and remote areas** in the Philippines. This charge helps finance the operations of the **Small Power Utilities Group (SPUG)**; a division of the **National Power Corporation (NPC)** responsible for providing electricity to areas not connected to the main transmission grid.

**19. FIT-All (Feed-in Tariff Allowance) Charge** is a fee included in electricity bills to support renewable energy development in the Philippines. It funds the Feed-in Tariff (FIT) system, which provides guaranteed payments to renewable energy (RE) producers to encourage investment in solar, wind, hydro, and biomass energy projects.

**Key Points About FIT-All Charge:**

- **What Is It For?**

- Provides subsidies to renewable energy generators to promote clean energy development.
- Helps achieve the Renewable Energy Act of 2008 (RA 9513) goal of increasing the country's RE share.

- **Who Pays This Charge?**

- All electricity consumers nationwide contribute to the FIT-All through their monthly electricity bills.

- **How Is It Collected?**

- The **FIT-All is a fixed charge per kWh of electricity consumed** (e.g., ₱0.0364/kWh as approved by ERC for 2022).
- This charge is remitted to the National Transmission Corporation (TransCo), which administers the FIT fund.

- **Regulated by the Energy Regulatory Commission (ERC)**

- The ERC reviews and adjusts the FIT-All rate annually based on renewable energy costs and market conditions.

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**20. Reinvestment Fund for Sustainable Capital Expenditures (RFSC)** is a charge included in electricity bills for **electric cooperatives (ECs)** to fund the **maintenance, expansion, and upgrading of distribution facilities**. This ensures that ECs can continue providing reliable electricity services to consumers.