

## **National Transmission Corporation 2009 Accomplishment Report**

Following the turnover of the transmission functions to NGCP on January 15, 2009, the new National Transmission Corporation (TransCo) went through the usual process associated with the establishment of a new organization. Overcoming numerous constraints including lack of manpower, TransCo quickly operated under an interim Table of Organization upon turnover date and officially started operations as a new corporation on July 15, 2009.

With the approval of TransCo's new table of organization, TransCo was given four basic mandates:

1. To ensure the concessionaire's (NGCP) compliance with the terms and conditions of the Concession Contract and the policies and guidelines of the Department of Energy
2. To handle all existing cases including right of way claims which accrued prior to the Commencement Date (January 15, 2009)
3. To divest remaining sub-transmission assets to qualified distribution utilities
4. To undertake operation and maintenance, management and consultancy and other technical services for the power distribution systems under Philippine Economic Zone Authority (PEZA)

With the separation of most employees from government service on July 16, 2009 as a result of the turnover, TransCo speeded up the processing of claims and benefits (separation pay, terminal leaves, Provident Fund equity withdrawal, GSIS benefits, CNA incentives) of about 5,000 employees and service agreement personnel of the former TransCo.

At the same time, TransCo implemented an employee selection and placement process for over 200 permanent employees and 84 service agreement personnel who now man the corporation. TransCo also developed and put in place information systems including the following:

1. online clearance for separated employees
2. online job application
3. online job placement
4. payroll
5. property appraisal
6. disbursement voucher management
7. Power Billing and Collection system for the Utility Management Department
8. Corporate website and intranet

While over 30 information systems were in various stages of development, the following information systems were also migrated to the new TransCo:

1. HR Information System (HRIS)
2. Financial Management Information System (FMIS)
3. Provident Fund (PFMS)
4. Materials Management System (MMS)

5. Service Agreement Information System (CSPS)
6. Records Management Information System (RMIS)

To comply with its first and third corporate mandates, TransCo formed the Concessionaire Contracts Management Group (CCMG). The group accomplished following in 2009:

1. Audit of on-going transmission projects turned over to NGCP. TransCo, PSALM, and NGCP hired the services of independent appraiser, SKM/CUERVO, to conduct an audit to determine the cost overruns/savings to complete the projects under construction (PUCs) listed in the concession agreement. The Concession Fee as a result of the audit will be adjusted accordingly. Cost overruns will mean downward adjustment to the concession fee while savings will result to upward adjustment. TransCo managed the data room, conducted field inspections, and participated in meetings of parties and commented on the draft audit report.
2. Audit of NGCP's Initial Working Capital. PSALM, TRANSCO and NGCP hired the services of independent auditor KPMG-Manabat for the determination of concessionaire's initial working capital as of commencement date as against what was disclosed during the bidding date. Audit findings may result in adjustment of the concession fee. TransCo managed the data room and provided technical assistance in the inspection of assets.
3. Establishment of Operational Protocol with NGCP. The protocol is anchored on the transferred rights and responsibilities of TRANSCO to the Concessionaire under subsection 2.01 of the Concession Agreement. TransCo has already transmitted its initial set of specific protocol and this is still being reviewed by NGCP for its concurrence.
4. Implementation of Executive Order No. 701. The EO had early on directed TransCo to provide discounted transmission rates to HHIC-Philippines and to acquire its connection assets in Subic. The grant of discounted transmission rate has accordingly been complied with starting March 2008. Discounts are being reimbursed through the Industry Competitiveness Fund created under Executive Order No. 796. The other mandate to acquire the connection assets is an ongoing activity and is already under negotiation. Funding for the acquisition has been requested from DBM through the DOE.
5. Inspection of status of TransCo Assets. A specific protocol for Asset Inspection between NGCP and TransCo was forwarded to NGCP for its concurrence. CCMG's role is to assess the status and effectiveness of the Concessionaire's maintenance's strategy, capacity and reporting system as per compliance with the Philippine Grid Code. As of end-2009, CCMG personnel have inspected eight (8) NGCP districts nationwide and three (3) assets with significant incidents.

6. Inspection of status of PUCs and New Projects. TransCo adopted the same Inspection Procedure for PUCs and New Projects as that for the Transmission Assets. TransCo also evaluated contracts, specifications, relevant technical information/data, and test/factory acceptance reports which were used in the inspection of the projects. PUC contracts include documents comprising the contracts such as specifications, schedule of activities (S-Curve), drawings and approved variation/change orders. Specific protocols of NGCP and TransCo in monitoring PUCs and New Projects have been forwarded to NGCP for its concurrence. As of December 31, 2009, TransCo has inspected seven (7) PUCs out of the 42 total PUCs.
7. Handling of Insurance Coverage of TransCo assets. Three major fires affecting TransCo assets operated by NGCP were reported in 2009: at the Dasmariñas Substation on March 5, 2009, the System Operations facilities in Iligan City on May 16, 2009, and the Dolores Substation on October 7, 2009. Transmission assets affected by fires have yet to be replaced. The Insurance Coverage for transmission assets are still being arranged by PSALM/NPC/TransCo/NGCP with the GSIS. While payment for insurance premiums is the responsibility of the concessionaire, TransCo being the owner, is co-assured.
8. Monitoring the preparation of the Transmission Development Plan (TDP). TransCo reiterated to NGCP that TransCo should be consulted during the preparation of the TDP. A specific protocol on TDP Consultation between NGCP and TransCo is now with NGCP for its concurrence. CCMG's role is to review the required transmission expansion/reinforcement projects to be proposed by the Concessionaire and oversee if the government policy(EPIRA/PGC) and regulations are reflected in the preparation of the TDP.
9. Monitoring NGCP Contracts. As part of the monitoring activities in compliance with the Concession Agreement, TransCo reminded the concessionaire regarding the assignability provision in the Concession Contract in as much as the first contract entered into by NGCP (with Xian Electric Engineering, Co. Ltd. for the San Jose Rehabilitation Project) did not have this particular provision. The Concession Agreement subsection 3.03 (h) provides that " The Concessionaire agrees that it shall ensure that all contracts to be entered into by the Concessionaire relating to the operation of the concession during the term of this Agreement and which (a) are for a term of 12 months or more and (b) involving the payment/receipt of money in excess of \$1 Million shall only be entered if it includes an expressed provision of the assignability, at TransCo's option, to TransCo or its nominee upon expiration of the concession period or earlier termination of this agreement".
10. Creation of TransCo Regulatory Reset Team (TRRT). In preparation for the Third Regulatory Period (2011-2015), the TRRT was tasked to identify reasonable TransCo

expenses (as provided in Section 5.08 of the Concession Agreement) that should be included in the regulatory reset filing. The TransCo filing package was included by NGCP in the Third Regulatory Application filed before the Energy Regulatory Commission on December 18, 2009.

11. Divestment of Subtransmission Assets. As of December 31, 2009, out of a total of 6,186 circuit kilometer (ckm) lines and 1,615 MVA of transformer capacity classified as subtransmission assets, 2,783 ckm and 325 MVA were divested to qualified electric distribution utilities. For January to December 2009, some 415 ckm lines and 5 MVA transformer capacity were. Of these figures, ERC approved the sale of 1,048 ckm and 320 MVA valued at PhP1.39Billion. Some 1,732 ckm and 5 MVA valued at PhP1.8 Billion are for filing and approval of the ERC. Remaining sub-transmission assets that need to be divested are 3,400 ckm lines and 1,290 MVA transformers valued at about PhP4.25 Billion.
12. Provision of inputs in the drafting of the IRR for various laws including: 1) the Renewable Energy Act (RA 9513), 2) HB 6208/SB 3147- An Act Imposing A Uniform Franchise Tax On Distribution Utilities Enjoying Legislative Franchise In Lieu Of Any And All Taxes Collected By The Government With The End In View Of Reducing The Cost Of Electricity Borne By Consumers); 3) SB 3148 – An Act Directing The Reduction Of Electricity Rates Through The Utilization Of The Government Share In The Discovery, Exploration, Development And/Or Production Of Indigenous Sources Of Energy For The Purpose Of Lowering The Cost Of Electricity and various House Bills such as; HB 6208, HB 3391, HB6351, HB 6490, and HB 6399.
13. Reports and Updates to Government Agencies. TransCo submitted regular updates on TransCo's EPIRA mandate to the Joint Congressional Power Commission(JCPC), provided updates on the Presidential Directives issued in 2002 (7<sup>th</sup> batch), prepared and submitted reportorial requirements of ERC, NEDA, PMS-Malacañang, DOE, COA, Lending Institutions, and other external customers.
14. ERC Hearings and Public Consultation. TransCo participated in public consultations conducted by ERC relative to the regulatory reset and amendments of regulatory guidelines; attended relevant hearings (TWRG, OATS, Issues Papers, ASPP, CCRSTC filed by NGCP); provided comments on the ERC's draft Issues Paper and Position Paper relative to the Third Regulatory Period reset and draft Rules for Setting Transmission Wheeling Rates (RTWR).
15. Assistance to the Concessionaire. In complying with requirements of other government agencies and lending institutions such as COA, PMS, NEDA, DOE, JICA, World Bank, EDCF, ADB, etc. This is a continuing activity.

In addressing its second mandate, TransCo continued handling right of way (ROW) claims which accrued prior to the turnover to NGCP. It also provides counseling for all TransCo functional groups.

For its fourth and last mandate, TransCo continued to operate and maintain the electrical distribution systems of the four Economic Zones (Bataan, Cavite, Mactan, Baguio) of the Philippine Economic Zone Authority (PEZA) as provided in the contract signed in 2008.