

RESOLUTION NO. 02, Series of 2010

A RESOLUTION ADOPTING THE AMENDMENTS TO THE DISTRIBUTION SERVICES AND OPEN ACCESS RULES (DSOAR)

WHEREAS, on January 18, 2006, the Commission promulgated the Distribution Services and Open Access Rules (DSOAR) which took effect on February 17, 2006 and aims to provide rules and terms and conditions pertaining to Distribution Connection Assets and Services, Service to the Captive Market, Supplier of Last Resort, Service to the Contestable Market, Unbundled Distribution Wheeling Service and Guidelines for Establishing Regulated Service Rates;

WHEREAS, the Energy Regulatory Board's (ERB) "Standard Rules and Regulations Governing the Operation of Electrical Power Services" and ERB Resolution 95-21 were superseded by the DSOAR;

WHEREAS, recognizing the need to amend the DSOAR in view of the new regulatory regimes that were adopted for the Private Utilities (PUs) and the Electric Cooperatives (ECs), such as the Performance-Based Regulation (PBR) and Rules for Setting Electric Cooperatives' Wheeling Rates (RSEC-WR), respectively, the Commission solicited comments/inputs from the industry stakeholders in October 2007;

WHEREAS, the Commission's "Rules on Re-Distribution of Electricity", which was incorporated in the DSOAR, aim to address and protect the interests of individual tenants or unit owners of buildings/condominiums, who are being billed by a re-distributor. A public consultation on the said Rules was conducted in 2006;

WHEREAS, on February 25, 2009, the Commission posted at its website the proposed amendments to the DSOAR and the Notice of Public Consultation;

WHEREAS, on March 13, 2009 and March 19, 2009, expository presentations on the proposed amendments to the DSOAR were conducted in the Commission's Main Office for Luzon stakeholders and at the Eduardo Aboitiz Development Studies Center in Cebu for the Visayas and Mindanao stakeholders, respectively. Subsequently, on April 7, 2009, a public consultation thereon was held;

WHEREAS, after the April 7, 2009 public consultation, no comment/input on the "Rules for Re-Distribution of Electricity" was received by the Commission. In view thereof, the Commission held meetings with identified contact persons of condominium and mall unit owner, such as Ayala Group, SM Group, Serendra, Jollibee and McDonalds as well as with the Organization of Socialized Housing Developers of the Philippines (OSHDP), a low cost housing/condominium developer. Said stakeholders' comments/inputs on the DSOAR were then considered in the proposed amendments;

WHEREAS, the Commission posted at its website on November 16, 2009 the proposed amendments to the DSOAR for final comments by the stakeholders and the deadline for submission of comments was on December 7, 2009. The comments/inputs received were then considered in the final proposed version of the DSOAR;

NOW THEREFORE, the Commission, after thorough and due deliberation, **RESOLVED**, as it hereby **RESOLVES** to **ADOPT** the amendments to the "Distribution Services Open Access Rules (DSOAR)". The pertinent amended provisions thereof are hereto attached as "**Annex A**".

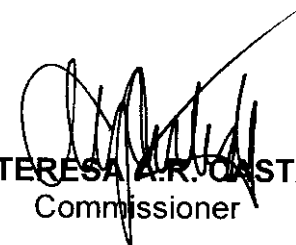
This Resolution shall take effect fifteen (15) days following its complete publication in a newspaper of general circulation in the Philippines.

Let copies of this Resolution be furnished the University of the Philippines Law Center-Office of the National Administrative Register (UPLC-ONAR).

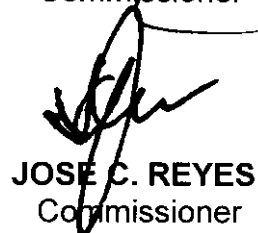
Pasig City, February 22, 2010.


ZENAIDA G. CRUZ-DUCUT
Chairperson


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Commissioner


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Commissioner

**AMENDED DISTRIBUTION SERVICES
AND OPEN ACCESS RULES
(DSOAR)**

February 22, 2010

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Republic of the Philippines
Energy Regulatory Commission
Pacific Center, San Miguel Avenue, Pasig City

**AMENDED DISTRIBUTION SERVICES
AND OPEN ACCESS RULES
(DSOAR)**

Pursuant to Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act (EPIRA) of 2001, and the Implementing Rules and Regulations issued pursuant to that Act, the Energy Regulatory Commission hereby promulgates the following rules, terms, and conditions for distribution services and open access.

**AMENDED DISTRIBUTION SERVICES AND OPEN ACCESS RULES
(DSOAR)**

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ARTICLE I
GENERAL PROVISIONS

1.1. PURPOSE

The purpose of the DSOAR is to set forth the terms and conditions related to the provision of Connection Assets and Services, service to the Captive Market, Supplier of Last Resort ("SOLR") service to the Contestable Market, unbundled Distribution Wheeling Service ("DWS") provided to the Contestable Market, and redistributors' service to sub-meter users. Furthermore, these rules set forth the procedures for establishing regulated service rates for Distribution Utilities ("DUs").

1.2. DEFINITION OF TERMS

In the DSOAR, unless the contrary intention appears, the following words and phrases have the following meanings:

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| Ancillary Services | Those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining the reliable operation of the Grid or a Distribution System or a Subtransmission System in accordance with standard utility practice, the Grid Code and the Distribution Code. |
| Applicant | An End-user or Generator, depending on context, that has submitted a Connection Application. |
| BAPA | Barangay Power Association. It is an organization of Electric Cooperative's (EC) member-consumers residing in a bounded cluster of households as organized by the ECs within a given barangay or locality with a set of officers for the purpose of managing the distribution of power in their own locality. |
| Billing Adjustment | Refer to the amount to be charged to the person concerned for the unbilled electricity due to inaccurate meters and other billing errors that are not billing differential. |
| Billing Differential | Refer to the amount to be charged to the person concerned for the unbilled electricity illegally consumed as determined through the use of methodologies outlined in the Implementing Rules and Regulation (IRR) of Republic Act (R.A.) 7832. |
| Building | A structure that stands alone or that is cut off from adjoining structures by fire walls and openings therein protected by approved fire doors. |
| Business Day | A day other than a Saturday or a Sunday or an official or declared Philippine national or local public holiday. |

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| Business Separation Guidelines | The rules and principles for the clear separation of accounts between regulated and non-regulated business activities; and, the structural and functional unbundling requirements that must be implemented and observed by electric power industry participants. |
| Business Separation Plan | The plan submitted by a market participant pursuant to the Business Separation Guidelines. |
| Captive Market | Refers to electricity end-users who do not have choice of a supplier of electricity, as may be determined by the ERC in accordance with the EPIRA. |
| Central Registration Body (CRB). | The entity designated by the ERC to develop and manage the B2B system which facilitates Customer Switching and keeps track of the movement of End-users in the Contestable Market. The ERC, through Resolution NO. 15, Series of 2006, designated the Philippine Electricity Market Corporation (PEMC) as the Central Registration Body. |
| Common Areas | The entire project or building excepting all units separately granted or held or reserved. |
| Connection Agreement | Agreement between a Connection Customer and a DU governing Distribution Connection Assets and Services. |
| Connection Applicant | An End-user, DU, or Generator seeking to connect to the Distribution System, including a RES applying on behalf of an End-user in the Contestable Market. |
| Connection Application | An application made by a Connection Applicant for a Connection Agreement or modification to a Connection Agreement. |
| Connection Charges | DU charges for Distribution Connection Assets and Services. |
| Connection Customers | End-users, DUs, and Generators with a Connection Point on the Distribution System who purchase Distribution Connection Assets and/or Distribution Connection Services. |
| Connection Point | The point of connection of the User System or Equipment to the Grid (for Users of the Grid) or to the Distribution System (for Users of the Distribution System). For the purposes of this definition herein, User System or Equipment does not include the service entrance up to the meter. |
| Contestable Customer | An electricity End-user that belongs to the Contestable Market. An aggregate of Contestable Customers organized under the second phase of retail competition and open access shall be considered as a single Contestable Customer, unless otherwise provided by the ERC. |

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| Contestable Market | The electricity end-users who have a choice of a supplier of electricity, as may be determined by the ERC in accordance with the EPIRA. |
| Contribution in Aid of Construction (CIAC) | <p>Amounts paid by a Connection Customer for the construction and/or extension of Distribution Connection Assets beyond the Standard Connection Facilities. The DU maintains a separate account of these amounts and the assets never appear in rate base nor in a DU asset appraisal.</p> <p>It includes Amounts paid by a Connection Customer who requested modifications, rearrangement, relocation, or removal of any DU's existing facilities for any purpose that does not result in a net increase in demand or electricity usage,</p> |
| Customer | <p>In respect of a Regulated Distribution System:</p> <p>(a) a person whose User System or Equipment is directly connected to the Regulated Distribution System and who purchases or receives regulated distribution services in respect of that Regulated Distribution System; and</p> <p>(b) any other person who purchases or receives regulated distribution services in respect of that Regulated Distribution System.</p> <p>For the avoidance of doubt, this may include a person who operates an Embedded Generator, a RES, an End-user, another DU, or Generator wheeling power through the Regulated Distribution System.</p> |
| Customer Segment | A category of End-use customers connected to the Distribution System established pursuant to the guidelines promulgated by ERC. Customer Segments proposed by a DU and approved by the ERC have similar consumption characteristics for regulated distribution services in respect of that Regulated Distribution System, based on their network configuration and consumption profile, as measured by the number of connections, the energy input (kWh), the non-coincident peak load (kW), the co-incident peak load (kW), the time-of-day or any other physical measure as approved from time to time by the ERC. A Customer Segment of a particular DU includes all of the Customers who are charged the same tariff. |
| Dedicated Transformer Developer | <p>A transformer serving a single end-user.</p> <p>A realtor or contractor in-charge in the development of a subdivision or condominium project who may apply for connection with the DU either in its name or on behalf of the buyers of the project who will ultimately be the customers.</p> |

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| Distribution Assets Study (DAS) | A study to determine all distribution assets and costs necessary to accommodate a proposed Connection Agreement. |
| Distribution Code | The Philippine Distribution Code adopted by the ERC. |
| DCAS | Distribution Connection Assets and Services (separately defined below). |
| Distribution Connection Assets | <p>Those assets that are put primarily to connect a customer to the Distribution System for purposes of Distribution Connection Services for the conveyance of electricity.</p> <p>Those are facilities which may be bypassed or removed from the network without affecting any customer except those that are directly connected to it.</p> |
| Distribution Connection Services | <p>In respect of a Regulated Distribution System:</p> <ul style="list-style-type: none"> (a) the provision of capability at a Connection Point in respect of that Regulated Distribution System to deliver electricity to or take electricity from that Connection Point; (b) the planning, installation, maintenance, augmentation, testing and operation of Distribution Connection Assets in respect of that Regulated Distribution System; and (c) the provision of services that support any of the services referred to in paragraphs (a) to (b). |
| Distribution Wheeling Service (DWS) | The conveyance of power throughout a Distribution System in a manner to meet the demand of End-users or Generators. |
| Distribution Impact Study (DIS) | A study performed to assess the ability of the Distribution System to accommodate a proposed Connection Agreement and any upgrades that may be required. |
| Distribution System | <p>In respect of a Regulated Entity, a system of wires and associated facilities extending between:</p> <ul style="list-style-type: none"> (a) the delivery points on the Grid and any Subtransmission System; and (b) the points of connection of Embedded Generators, on the one hand, and the points of connection of User Systems and Equipment of End-users, on the other hand. |
| Distribution Utility (DU) | Refers to any electric cooperative, private corporation, government-owned utility or existing local government unit which has an exclusive franchise to operate a distribution system in accordance with the EPIRA, including DUs operating in the economic zones. |

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| DU Billing Meter | The billing meter provided by the DU to the redistributor that registers the sum of the energy measured by the sub-meters of the redistributor including the redistribution loss. |
| Electric Plant Held for Future Use | An account that includes amounts of utility assets that were (1) acquired but held for use in the future and (2) previously used but since retired from service and being held pending reuse in the future under a definite plan. |
| End-user | Refers to any person or entity requiring the supply and delivery of electricity for its own use. |
| EPIRA | Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001. |
| Equipment | Equipment as defined in the Distribution Code. |
| ERC or Commission | The Energy Regulatory Commission created by virtue of the provisions under Section 38 of the EPIRA. |
| Force Majeure Event | An event, the occurrence of which could not be foreseen or which foreseen, where inevitable or beyond the control of either party such as: <ul style="list-style-type: none"> (a) typhoon, storm, tropical depression, flood or inundation, volcanic eruption, earthquake; or (b) war insurrection, riots, national emergencies, act of public enemies; (c) or changes in any law, order, regulation which makes it unreasonable or impossible for a party to perform its obligations. |
| Franchise Area | Geographical area designated within the legal franchise of a DU. |
| Generator | A person or entity authorized by the ERC to operate a facility used in the generation of electricity. |
| Grid Connection Point | A "Connection Point" as that term is defined in the Rules for Setting the Transmission Wheeling Rate. |
| Industrial or Commercial Complex | For the purpose of this Rules, shall mean any cluster of buildings which are used in the production of goods or intended for commercial use, including buildings or houses that serve as residences of the buildings' workers, located within the vicinity or in a contiguous land area that is fenced off from the surrounding properties; and such cluster of buildings, houses and the land where the said buildings are located, are owned or leased by a single person or entity. |
| IRR | The Implementing Rules and Regulations issued pursuant to the EPIRA. |
| Local Government | Local Government as defined in Executive Order No. 292, otherwise known as the Administrative Code of 1987. |

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| Local RES | The non-regulated business segment of the DU catering to the Contestable Market only within its franchise area. As such, a license is not required. |
| Magna Carta | Magna Carta for Residential Electricity Consumers including the Guidelines to Implement the Magna Carta issued by the ERC. |
| MAP | The Maximum Average Price or Maximum Annual Price as defined in the RDWR. |
| Metering Equipment | The electrical measurement devices including instrument transformers, wiring, communications, and other auxiliary devices associated with metering. |
| Metering Service Provider | A person or entity authorized by the ERC to provide Metering Services. The DU shall be the sole metering service provider for the retail market until such time that the ERC determines the provision of metering services at the retail level as competitive. |
| National Government | The National Government as defined in Executive Order No. 292, otherwise known as the Administrative Code of 1987. |
| Nominal Service Voltage | For the purpose of this DSOAR, it is the nominal value assigned for the purpose of monitoring the voltage at the point where the electric system of the distribution utility and the electric system of the user are connected. |
| One-way Sweep or Pole Sweep | The measure of deviation from straightness along the length of the pole. |
| Person | Refers to a natural or juridical person, as the case may be. |
| PhP | Philippine Peso. |
| Quarter | A period of three months from 1 January to 31 March (both dates inclusive), 1 April to 30 June (both dates inclusive), 1 July to 30 September (both dates inclusive) or 1 October to 31 December (both dates inclusive). |
| Redistribution | The act of redistributing electricity to other persons or entities by a person or entity which has an electric service contract with a distribution utility. |
| Redistributor | A person or entity which has an electric service contract with a DU and who re-distributes electricity to other person/s or entity/ies. This may include a building owner, building administrator or homeowners' association charged with the responsibility of redistributing electricity to the individual unit-users of the same building or the owner of the Load-End Power Substation charged with the responsibility of redistributing electricity to the individual building owners within an Industrial or Commercial Complex. |

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| Redistribution Loss | The difference between the total registered consumption in the redistributor's DU billing meter and the accumulated energy consumption registered by all of the sub-meters. Redistribution loss shall include technical and non-technical losses |
| Regulatory Period | The First Regulatory Period, the Second Regulatory Period or a Subsequent Regulatory Period (as the case may be) of the RDWR. |
| Regulatory Reset Process | Pertains to the actions prior to the start of any Regulatory Period, through which the price control arrangements are established that will apply to a Regulated Entity with regard to the provision of Regulated Distribution Services in each Regulated Distribution System for the next Regulatory Period. |
| Renewable Energy Act or RA 9513 | The Act passed by the Philippines Congress promoting the development, utilization and commercialization of renewable energy resources and for other purposes. |
| Retail Electricity Supplier (RES) | Any person or entity authorized by the ERC to sell, broker, market or aggregate electricity to the End-users in the Contestable Market. |
| Rules for Setting Distribution Wheeling Rates (RDWR) | Refers to the rules promulgated by the ERC to govern the entry of private distribution utilities into performance based regulation and any amendments thereto. |
| Rules for Setting Electric Cooperatives' Wheeling Rates (RSEC-WR) | Refers to the rules promulgated by the ERC that embody the new regulatory framework for the on-grid Electric Cooperatives. |
| Side Constraints | Limitation in the amount of annual change in the MAP as described in section 6.4 of the RDWR. |
| Standard Connection Charge | An unbundled connection charge on End-users that is uniform within a particular Customer Segment of a DU. The Standard Connection is based on the Standard Connection Facilities used to connect a typical End-user within the Customer Segment and is subject to ERC approval. |
| Standard Connection Facilities | The Connection Assets identified for a particular Customer Segment for the purpose of calculating a Standard Connection Charge. |
| Sub-Meter | The billing meter provided by the redistributor to each unit-user which registers only the energy consumption of the unit or end-user. |
| Sub- | The facilities classified as such based on functional |

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| transmission Assets | standards established in Article III of the Guidelines to the Sale and Transfer of Transco's Sub-transmission Assets and the Franchising of Qualified Consortiums. These include Transco assets linking the transmission system and the distribution system, which are neither classified as generation nor transmission. |
| Supplier of Last Resort (SOLR) | A regulated entity with the obligation of serving End-users in the Contestable Market pursuant to the provisions set forth in the DSOAR and other guidelines promulgated by ERC. |
| System Operator | System Operator as defined in the WESM Rules. |
| Tax | 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. |
| TransCo | The National Transmission Corporation or its successor. |
| Transmission Wheeling Rate Guidelines | The Guidelines on the Methodology for Setting Transmission Wheeling Rates promulgated by the ERC which was later amended as Rules for Setting the Transmission Wheeling Rate. |
| Uniform Rate Filing Requirements | The Uniform Rate Filing Requirements promulgated by ERC on October 31, 2001. |
| Unit | <p>A part of a building or condominium project intended for any type of independent use of ownership, including one or more rooms or spaces located in one or more floors (or part or parts of floors) in a building or buildings and such accessories as may be appended thereto.</p> <p>For purposes of this Rule, it will also refer to the dwelling of a BAPA member</p> |
| Unit-user | <p>A person or entity owning or leasing a unit inside the same building being served by the redistributor, whose electric consumption is measured through sub-meter.</p> <p>For purposes of this Rule, a BAPA member shall be considered as a unit-user.</p> |
| User | A person or entity that uses the Distribution System and related Distribution facilities. |
| User Development | The System or Equipment to be connected to the Distribution System or to be modified, including the relevant proposed new connections and/or modification within the User System that requires a Connection Agreement. |
| User System | Refers to a system owned or operated by the User of the Distribution System. |

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| WESM | The Wholesale Electricity Spot Market established pursuant to the EPIRA. |
| Weighted Average Cost of Capital (WACC) | An average cost of all sources of financing or financial capital where each is weighted by the reasonable percentage of each in the financing of utility investment. The WACC shall be that value determined pursuant to the RDWR. |

In addition, words and phrases used in these Guidelines which are defined in the EPIRA or the Implementing Rules and Regulations (IRR) have the meaning given to them in the EPIRA or the IRR (as the case may be).

1.3. APPLICABILITY

The DSOAR apply to:

- (a) Distribution Utilities (“DUs”), including DUs in the economic zones;
- (b) End-users;
- (c) Qualified DUs and franchised consortiums of qualified DUs controlling and operating Subtransmission Assets;
- (d) Retail Electricity Suppliers (“RES”);
- (e) The Transmission Provider;
- (f) The System Operator;
- (g) Generators;
- (h) The Captive Market;
- (i) The Contestable Market.
- (j) Supplier of Last Resort (SOLR);
- (k) Local Retail Electricity Supplier (Local RES); and
- (l) Redistributors.

(Together, the above-mentioned parties are collectively referred hereto as “the Participants”).

In interpreting and complying with the DSOAR, the participants shall take into account that:

- (a) the Distribution System conveys electricity through its contractual relations with the End-use customers, RESs, Generators, and the Supplier of Last Resort;
- (b) RES that have been licensed by the ERC and the Local RES operating within the DU’s franchise area will be free to market or broker their services to potential contestable customers, and at such time that the ERC declares open access and retail competition, licensed RES and local RES will be free to conduct business within the Contestable Market. Further, End-use customers will fall into one of two categories: the Captive Market and the Contestable Market; and

- (c) the physical characteristics of electricity necessitate a significant degree of coordination between the Participants to ensure quality and reliability.

1.4. ENERGY REGULATORY BOARD RESOLUTION NO. 95-21 SUPERSEDED

The Energy Regulatory Board's (ERB's) Standard Rules and Regulations Governing the Operation of Electrical Power Services, Resolution No. 95-21, as amended by ERB Order, Case No. 95-368, dated April 10, 2000, are hereby superseded in their entirety by the DSOAR.

1.5. NONDISCRIMINATION

All DUs shall make available upon reasonable request all regulated services at rates, terms and conditions that are duly approved by the ERC and shall not unjustly or unreasonably discriminate in the rates, terms, and conditions of service to similarly situated customers.

A DU shall provide regulated services to non-affiliated persons at rates, terms, and conditions that are in no way different from the provision of such services for its own purposes.

A DU shall comply with the rules on nondiscrimination under this Section and Section 2.5.3 hereof.

1.6. GENERAL DESCRIPTION OF SERVICES

With unbundling and open access, the distribution utilities face unprecedented change with respect to service and the customers they serve. The DSOAR is designed to cover the various service combinations in the new DU environment created by the EPIRA. The regulated DU shall be prepared to provide a variety of services to the Captive Market and the Contestable Market. DU service to the Captive Market will be similar to service provided before EPIRA but now with unbundled rates, removal of cross-subsidies, separate connections policy for End-users, and possible regulation under the Rules for Setting Distribution Wheeling Rate (RDWR). DU services in the Contestable Market shall include the possible provision of unbundled Distribution Wheeling Service ("DWS") to Contestable Customers, Retail Electricity Suppliers ("RES"), the Supplier of Last Resort ("SOLR"), other DUs, and Generators, as well as Distribution Connection Assets and Services ("DCAS") to customers and SOLR services to Contestable End-users..

Every DU under the supervision, control, and jurisdiction of the ERC shall operate, maintain, and provide safe, reliable, adequate, efficient and continuous electric service. Every DU shall, upon request, give its customers as identified above, copy furnished ERC, all information and assistance pertaining to its service in order to provide said customers reliable, efficient and economical service.

1.6.1. DISTRIBUTION CONNECTION ASSETS AND SERVICES

DCAS relates to those facilities and related services dedicated to completing the Connection Point of an End-user or Generator. DCAS is

the responsibility of the DU for End-users in both the Captive Market and the Contestable Market. Article II provides the rules pertaining to DCAS.

1.6.2. DU SERVICE TO THE CAPTIVE MARKET

The DU continues to provide all aspects of service to the Captive Market. Article III provides the rules pertaining to service to the Captive Market.

1.6.3. SUPPLIER OF LAST RESORT SERVICES

Unless otherwise determined by law or the ERC, all Distribution Utilities shall perform the duties and obligations as Suppliers of Last Resort ("SOLR") for the Contestable Market within their respective franchise area as more fully set forth in The Rules for the Supplier of Last Resort and other separate guidelines related to SOLR service to be adopted by the ERC. SOLR service is regulated by ERC as back-up supply to the Contestable Market for the contingency that an End-user in the Contestable Market does not have supply from a competitive RES. SOLR service is not service to the Captive Market and is not RES service by the DU.

The Contestable Customer shall be served by the SOLR in the event such customer:

- (a) Fails to exercise its option to choose its supplier of electricity upon the implementation of retail competition and open access; or
- (b) Fails to find a willing RES.

At least thirty (30) days prior to the commencement of open access and retail competition (OARC), contestable customers shall settle all obligations with the DU which provided service before OARC and enter into a contract with a RES, a Local RES, or SOLR. Otherwise, the DU shall have the right to physically disconnect such customer.

A Contestable Customer that has ceased to receive service from its RES or Local RES, arising from the occurrence of any last resort supply event, and who has not selected a new RES or Local RES yet shall be served by the SOLR upon compliance with the approved SOLR terms and conditions of service. A last resort supply event shall be triggered by any of the following conditions:

- a) The RES or Local RES has ceased to operate;
- b) The RES' license has been revoked by ERC;
- c) The arrangements for DWS between the RES and the DU have been terminated;
- d) The RES or Local RES is no longer permitted to trade electric energy through the WESM;
- e) The RES or Local RES has given notice to the ERC that it will no longer provide supply services; or
- f) Any other analogous event which the ERC may deem as a last resort supply event.

The Contestable Customer will immediately be served by SOLR after meeting certain requirements as established or approved by the ERC. SOLR customers shall not be served as if it were part of the Captive Market.

Because SOLR service is part of the Contestable Market but is not a RES function of the DU, the method of regulating energy prices for SOLR service shall not be based on approved purchased power agreement costs, but instead the SOLR shall charge the rates approved by the ERC based on the filing of its SOLR Rate application. The SOLR shall also bill SOLR customers the last approved unbundled monthly Supply charge for the relevant Customer Segment and pass through all approved Distribution Wheeling Service, system loss charges, and metering costs charged by the DU and transmission service costs charged by the transmission provider. System loss charges shall be computed using the same methodology used for the Captive Market and based on the energy costs of the SOLR customer. All costs of SOLR service shall be transparently disclosed in an unbundled fashion in the billing to End-users taking SOLR service in the same manner as billings to the Captive Market. The DU may file an application with ERC at any time for approval of reasonable unbundled Supply charges and system loss charges applicable to SOLR service.

In the event of a power shortage, the Participants shall follow WESM procedures for such a contingency. The Supplier of Last Resort is not intended to be a generator of last resort during such a contingency.

An End-user taking SOLR service shall make a deposit equivalent to two months total estimated billing based on the average of previous six (6) months' demand and energy usage. Said deposit may be applied to past due bills of the SOLR, except when such amounts are restrained under legal contest. Such deposit shall be fully refundable upon termination of SOLR service, with interest paid on the deposit equivalent to the Peso Savings Account Interest Rate of Land Bank of the Philippines on the first working day of the year, (or other government banks subject to the approval of the ERC) less any arrears that have accrued in the customer's account, except when such arrears are restrained under legal contest. (SOLR Art. IV, Sec. 1.5)

An end-user under contract with a competitive RES cannot receive SOLR service without first satisfying all terms and conditions related to their RES contract including any contract termination fees.

An end-user disconnected for non-payment of bills and/or pilferage cannot avail SOLR service unless such customer pays in full any and all amounts, including any applicable charges due to the RES/ Local RES or DU.

Any DU costs related to SOLR service shall be completely borne by the SOLR customers and shall not be borne by the Captive Market. Any costs related to generation capacity and energy not reasonably necessary to ensure continuous and reliable service to the Captive Market, shall not be borne by the Captive Market.

SOLR service is only designed to be a safety net for instances when End-users in the Contestable Market temporarily do not have a contract with a RES. The power costs paid by an End-user using SOLR service are expected to exceed those possible from a RES with a balanced purchased power strategy. With this in mind, Contestable Customers shall enter into a contract with a RES or Local RES at least thirty (30) days prior to the commencement of retail competition and open access (SOLR Art. II, Sec.1)

1.6.4. DISTRIBUTION WHEELING SERVICE (DWS)

DWS is the wheeling and conveyance of electricity over a DU's distribution system. Unbundled DWS shall be made available in a non-discriminatory fashion to licensed RESs, End-users in the Contestable Market, the SOLR, other DUs, and Generators. To be clear, the DU shall provide DWS to its SOLR function under the non-discriminatory terms and conditions of Article IV and subject to the Business Separation Guidelines. Article IV provides the rules pertaining to DWS.

1.7. DU EQUIPMENT AND ELECTRIC PLANT

1.7.1. AUTHORIZED EQUIPMENT

Every DU shall install in its plant only the generating or producing unit(s) and/or distribution equipment authorized in its Certificate of Public Convenience & Necessity (CPCN) or those that may be subsequently authorized by the ERC.

The DU may increase, substitute or withdraw from service its authorized equipment and machinery in accordance with the Rules for Approval of Regulated Entities' Capital Expenditure Projects, RDWR, and other ERC Rules. If such undertaking is not covered by the RDWR or other rules, authorization shall be secured from the ERC in accordance with the pertinent provision of the Rules for Approval of Regulated Entities' Capital Expenditure Projects.

1.7.2. FICTITIOUS REGISTRATION OF EQUIPMENT

It shall be unlawful for any DU to cause, allow or in any other manner help or consent to the registration in its name, fictitiously, surreptitiously or otherwise of any equipment belonging to another person and/or to cause, allow or in any other manner, help or consent to the operation of said equipment under its CPCN.

1.7.3. CONSTRUCTION, OPERATION AND MAINTENANCE OF ELECTRIC PLANT

The electric plant which includes:

- (a) Power Plant
- (b) Distribution Lines
- (c) Substations
- (d) Overhead system, poles, lines, transformers, etc.

- (e) Underground systems, including power and communication cable manholes, conduits, etc.
- (f) Street Lighting System
- (g) Service wires and attachments
- (h) Meters and instruments; and
- (i) Control and communication facilities (Supervisory Control and Data Acquisition or SCADA),

shall be constructed, installed, operated and maintained in accordance with the provisions of the Philippine Electrical Code and the rules and regulations that may be issued by the ERC in relation thereto. In the absence of applicable provisions in the Philippine Electrical Code, the provisions of other internationally-accepted standards shall apply.”

1.7.4. WATT-HOUR METER STANDARD

Every DU furnishing metered electric service shall maintain, to check customer's watt-hour meter, at least one watt-hour meter standard which shall be calibrated by the ERC at least once a year.

1.7.5. PORTABLE INDICATING AND RECORDING VOLTMETERS

Every DU shall provide itself with at least one portable indicating voltmeter. Utilities are further required to have at least one recording voltmeter which shall be placed in continuous service at its power plant or office.

1.7.6. NOMINAL SERVICE VOLTAGE

For monitoring purposes, every DU shall adopt 230 volts as its nominal service voltage which is usually measured across the meter socket or main service entrance switch installed for each customer or group of customers. The voltage variation shall be maintained in accordance with the Philippine Distribution Code. It is an under-voltage if the RMS value of the voltage is less than or equal to 90 percent of the nominal value (207 volts at 230v nominal). It is an overvoltage if the RMS value of the voltage is greater than or equal to 110 percent of the nominal value (253 volts at 230v nominal).

Standard voltage other than the abovementioned as nominal shall be reported with the ERC within 60 days from the effectivity of this amended DSOAR.

1.7.7. STANDARD FREQUENCY AND ALLOWABLE VARIATION

The nominal fundamental frequency shall be 60 Hz. The DU shall design and operate its system to assist the System Operator in maintaining the fundamental Frequency in accordance with the Philippine Distribution Code.

1.7.8. RECORDS

Every DU shall keep a log book or any recording system that would serve as basis in generating reports that the ERC may prescribe.

1.7.9. POLES, SAG OF WIRES

No pole located on or near a public place shall have a one-way sweep exceeding three percent (3%) of its total length and all horizontal wires attached to it shall be pulled up so that their sag shall not be greater than three percent (3%) of the distance between poles.

1.7.10. IDENTIFICATION OF POLES, TOWER, ETC.

Poles, towers, structures, and transformers shall be marked and numbered by the DU to facilitate identification by the public.

1.7.11. REGISTER OF ASSETS

Every DU shall keep a comprehensive register of assets, indicating installation date, condition and refurbishment.

1.8. LIMITS ON LIABILITY

1.8.1. LIABILITY BETWEEN THE DU AND END-USERS

These rules are not intended to limit the liability of a DU or Connection Customer for damages except as expressly provided in these rules.

The DU shall make reasonable provisions to provide steady and continuous DWS, but does not guarantee the DWS against fluctuations or interruptions. The DU will not be liable for any damages, whether direct or consequential, including, without limitation, loss of profits, loss of revenue, or loss of production capacity, occasioned by fluctuations or interruptions unless it be shown that the DU has not made reasonable provision to supply steady and continuous DWS, consistent with the Connection Customer's class of service. In the event of a failure to make such reasonable provisions, the DU's liability shall be limited to the cost of necessary repairs of physical damage proximately caused by the service failure to those electrical delivery facilities of the Connection Customer which were then equipped with the protective safeguards recommended or required by the Distribution Code.

The preceding notwithstanding, the DU or the Connection Customer may be held liable for failure to conform to the rules and standards set forth in the Distribution Code and other applicable electrical codes adopted in the Philippines. Furthermore, if damages result from fluctuations or interruptions in DWS that are caused by the DU's or Connection Customer's gross negligence or intentional misconduct, this section shall not preclude recovery of appropriate damages when legally due.

1.8.2. LIMITATION OF DUTY AND LIABILITY OF RES

A RES has no ownership, right of control, or duty to the DU, Connection Customer or other third party, regarding the design, construction or

operation of the DU's DCAS facilities and distribution system. A RES shall not be liable to any person or entity for any damages, direct, indirect or consequential, including, but without limitation, loss of business, loss of profits or revenue, or loss of production capacity, occasioned by any fluctuations or interruptions of DCAS or DWS caused, in whole or in part, by the design, construction or operation of the DU's distribution system. The foregoing notwithstanding, a RES may be held liable for non-technical system losses when found to condone, collude, conspire, or engage in the pilferage of electricity or tampering with any meters or DU facilities. Condonation, collusion, and conspiracy shall include, but not be limited to, the following instances:

- (a) When a RES has knowledge of pilferage of electricity committed or being committed by the End-User and refuses or fails to report such fact to the DU; and
- (b) When a RES or any of its employees or representatives assists or participates in the commission of pilferage of electricity by any End-User.

1.8.3. DUTY TO AVOID OR MITIGATE DAMAGES

The DU and Connection Customer shall use extraordinary diligence to avoid or mitigate its damages or losses suffered as a result of the other's culpable behavior under subsection 1.8.1.

1.8.4. LIMITATION OF LIABILITY DUE TO FORCE MAJEURE

Neither the DU nor the Connection Customer shall be liable for damages or losses resulting or arising from any Force Majeure Event.

1.8.5. EMERGENCIES AND NECESSARY INTERRUPTIONS

The DU may curtail or interrupt a Connection and/or DWS in the event of an emergency arising anywhere on the distribution system or the interconnected systems of which it is a part, which emergency poses a threat to the integrity of its system or the systems to which it is directly or indirectly connected if, in its judgment, such action may prevent or alleviate the emergency condition. The DU may interrupt service when necessary, in DU's prudent judgment, for inspection, test, repair, or changes in DU's Distribution System, or when such interruption will lessen or remove possible danger to life or property, or will aid in the restoration of DCAS and/or DWS.

The DU shall provide advance notice to the Connection Customer, if reasonably possible. Such notice shall be made at least two (2) days prior to said curtailment, reduction, or interruption and may be made by electronic notice (such as facsimile, text messages, or e-mail) to all affected Connection Customers or through radio broadcast, television broadcast, or local newspaper with specific identification of location, time and expected duration of outage. Such information shall also be posted on the Customer Bulletin Board. In cases where such notice is not reasonably possible, the DU shall submit a report to the ERC containing the information and an explanation why such advance notice was not

reasonably possible. It shall likewise take other necessary actions to minimize the effect of such curtailment, reduction, or interruption to the Connection Customer.

A notice shall also be provided to those End-users for whom a RES has provided notice to the DU that interruptions or suspensions of service will create a dangerous or life-threatening condition on the End-user's premises. The End-user should notify their RES or the DU if a condition exists on the End-user's premises such that a suspension or interruption of service will create a life-threatening or dangerous condition.

The DU shall comply with all reporting requirements of the Distribution Code, and in addition to those requirements, shall either issue a written public notice published in a newspaper of general circulation in the DU's service territory and file with ERC stating the precise reasons causing the curtailment or interruption within seven (7) days, or deliver a report through electronic media or any other means to all affected customers, any respective RES, and the ERC within seven (7) days. The public notice or report may cover more than one curtailment or interruption if there were multiple occurrences prior to the seven-day deadline for the first occurrence.

Nothing herein shall prevent the DU from being liable if found to be grossly negligent or to have committed intentional misconduct with respect to its exercise of its authority in this rule.

All the Participants shall cooperate with each other, the ERC and any other affected entities in the event of an emergency situation affecting the delivery of electric power and energy or the safety and security of persons and property. The Participants shall comply with the instructions of the DU and provide all necessary information prior to, during, and following an emergency declared by the DU in accordance with the Distribution Code.

1.9. DESIGNATION OF DISTRIBUTION UTILITY CONTACT PERSON

For the purpose of establishing immediate and direct contact with the DUs, the DU shall submit the name(s), contact number(s) and address(es) of responsible official/s. The said contact person/s must have the authority to decide on matters concerning all the activities mandated by the DSOAR. The DUs must notify the ERC in writing should there be any change in their submitted information.

1.10. DISPUTE RESOLUTION

Every consumer has the right to file a complaint before the ERC for violation of ERC laws, rules, regulations, guidelines and policies, including but not limited to RA 9136 and its Implementing Rules and Regulations, RA 7832 and its Implementing Rules and Regulations and ERB Resolution No. 95-21, as amended; Provided, that the complainant has previously discussed/consulted the issue with the Consumer Welfare Desk (CWD) Officer or representative of the concerned distribution utility and no settlement has been reached.

The disposition and resolution of consumer complaints filed herein shall be governed by the ERC Rules of Practice and Procedure, the Magna Carta for Residential Electricity Consumers, the Implementing Rules and Regulations of RA 7832 and all other relevant laws, rules, regulations, guidelines and policies of the Commission.

While these are pending with ERC, the status quo of cases involving violation of contract shall be maintained. The maintenance of the status quo shall only be applicable to the subject matter of the case and will not extend to any other right/s and obligation/s between the parties.

The provisions of the Rules of Court on Summary Procedure shall apply in an analogous and supplementary character, whenever practicable and convenient.

1.11. INVESTIGATION, INSPECTION, EXAMINATION AND TEST

The ERC or its authorized representative may at any time, conduct an inspection and investigation of the operation of any DU or an examination and test of any equipment operated for electric service. The refusal, obstruction or hindrance by the DU or any of its employees to the investigation or inspection of its service or examination or test of any of its equipment shall constitute a violation hereof.

1.12. ACCOUNTS

Every DU operator shall keep such accounts, books and other records as necessary to afford an intelligent understanding of its business. If a uniform system of accounting is prescribed by the ERC for the electric industry, the said system shall be observed. Every DU shall keep its books of accounts by the double entry method.

1.13. SUBMISSION OF STATISTICS AND ANNUAL REPORT

Every DU shall, as prescribed by the ERC, submit the statistics on electric power operations together with the supporting documents in accordance with the prescribed form. This is in addition to the annual report to be submitted on or before May 31st of every year containing detailed report of its finances and operations corresponding to the previous year, in accordance with the form as may be prescribed by the ERC.

1.14. COPY OF DSOAR

Every DU under the jurisdiction and control of the ERC must keep on file in its offices a copy of the DSOAR.

1.15. VIOLATION

Violation of any provision of the DSOAR shall be subject to the penalty which the ERC, after giving the concerned parties opportunity to be heard, may impose in accordance with law.

1.16. GOVERNING LAWS AND REGULATIONS

The DSOAR is governed by the laws and pertinent regulations of the Philippines and any dispute or proceeding arising out of the DSOAR shall fall under the original and exclusive jurisdiction of the ERC.

1.17. SEPARABILITY

If, for any reason, any provision or part of a provision of the DSOAR is declared unconstitutional or invalid, those provisions which are not thereby affected will continue to be in full force and effect.

1.18. AMENDMENTS TO THE DSOAR

Nothing in the DSOAR is to be construed as precluding the ERC from issuing other rules and/or guidelines pursuant to the EPIRA and the Implementing Rules and Regulations for the purpose of regulating the provision of services in respect of Distribution Systems.

1.19. EFFECTIVITY

The DSOAR as amended shall take effect 15 days following its publication in a newspaper of general circulation.

ARTICLE II

RULES PERTAINING TO DISTRIBUTION CONNECTION ASSETS AND SERVICES

2.1 GENERAL

This Article governs the terms of access and provision of Distribution Connection Assets and Services (collectively referred to hereafter as, "DCAS") by a DU to End-users, Generators, and other DUs, collectively "Connection Customers". This Article also applies to End-users receiving a Connection unlawfully or pursuant to unauthorized use. A DU shall provide DCAS pursuant to the terms and conditions herein to any potential Connection Customer within the DU's franchise service area requiring such service. A RES is not a Connection Customer but may assist its RES customers in matters pertaining to DCAS.

2.2 ENGINEERING STANDARDS FOR EQUIPMENT AND CONSTRUCTION

The standards for Distribution Connection Assets and the construction of connections shall be consistent with the Distribution Code. However, interested persons may petition the ERC for the approval of standards related to DCAS that may exceed those set forth in the Distribution Code. Standards exceeding those in the Distribution Code shall not be enforced by the DU on others unless specifically approved by ERC. In the event the DU believes it is necessary in a particular case to make investments that exceed minimum standards, the DU is allowed to do so but may only recover any additional costs after approval from ERC.

The minimum standard for distribution facilities shall be the over-head type, unless prescribed by law or ordinances.

2.3 STANDARD CONNECTION FACILITIES

Standard Connection Facilities (SCF) shall be the minimum facilities necessary to establish a connection for a typical customer within the Customer Segment. The DU shall include its Standard Connection Facilities as part of its application for approval of Standard Connection Charges.

The SCF for residential customers shall be the service drop. The SCF for non residential customers shall be the service drop, and distribution/power transformer (if any).

2.4 STANDARD CONNECTION CHARGES

2.4.1 TRANSITION TO UNBUNDLED CONNECTION CHARGES

The application for approval of unbundled Standard Connection Charges (SCCs) for each Customer Segment shall be included in the reset application of DUs under PBR and in the benchmarking for ECs. Any future general application to adjust rates made shall likewise include proposed unbundled Standard Connection Charges. A DU shall not implement or adjust SCCs without ERC approval to do so.

The unbundling of Standard Connection Charges is intended to be revenue neutral in the sense that the costs or revenues related to SCCs shall be removed from the unbundled distribution rates or revenue requirement.

2.4.2 STANDARD CONNECTION CHARGE FOR EACH CUSTOMER SEGMENT

Each Customer Segment shall have a Standard Connection Charge based on the Standard Connection Facilities for that Customer Segment. A Standard Connection Charge shall be uniform across all End-users within the Customer Segment of the same load and voltage level. The DU shall bill for the Standard Connection Charge to the same person or entity responsible for payment of unbundled distribution service or DWS.

Applications for the approval of Standard Connection Charges shall include all relevant studies and data necessary to support a Standard Connection Charge for each Customer Segment.

2.4.3 METHODOLOGY FOR COMPUTING STANDARD CONNECTION CHARGE

The methodology used to compute the Standard Connection Charge (SCC) for each Customer Segment of a private DU shall be in accordance with the RDWR and its amendments.

The methodology used to compute the Standard Connection Charge (SSC) for each Customer Segment of an EC shall use the following formula:

$$\text{SCC} = \frac{\text{OPEX} + \text{CAPEX} + R_i}{12}$$

Where:

$$\text{OPEX} = \text{Payroll} + \text{O\&M}$$

$$\text{CAPEX} = \text{Cost of the facilities}$$

$$\text{OPEX \& CAPEX} = \text{expenses associated with connections as attributed to that customer segment}$$

$$R_i = \text{is the shortfall, or surplus, in the Connection Charge collected for that Connection Asset in the previous year, increased by an amount to reflect the time value of money calculated using the CPI or WPI. If } R_i \text{ is a surplus, it shall be expressed as a negative.}$$

2.4.4 ALTERNATIVE METHODOLOGY FOR COMPUTING STANDARD CONNECTION CHARGES

Upon full implementation of a DU's Business Separation Plan (BSP) and accounting separation between DCAS costs and other Distribution System costs, the DU may modify the methodology specified in 2.4.3 as follows.

Step 1: Compute a total DCAS revenue requirement based on the separated DCAS accounting costs.

Step 2: Use the INVEST values for each Customer Segment calculated in Step 2 of the methodology specified in 2.4.3, weighted by the number of customers in each Customer Segment, to develop Customer Segment allocation factors (or ratios).

Step 3: Multiply the allocation factors from the previous step by the total DCAS revenue requirement to arrive at Customer Segment specific DCAS revenue requirements.

Step 4: Compute the SCC for each Customer Segment by dividing DCAS revenue requirement by the approved annual billing determinant for the Customer Segment.

2.5 NEW CONNECTION POINTS OR MODIFICATION TO EXISTING CONNECTION POINTS

2.5.1 GENERAL

Subject to securing the approval of the DU in the manner outlined in the DSOAR and in accordance with the process set out in the Distribution Code, a Connection Applicant may seek:

- (a) A new Connection Agreement for a first Connection Point; or
- (b) A modification to an existing Connection Agreement for a change in an existing Connection Point or addition of a Connection Point, in either case by submitting a Connection Application to the DU.

2.5.2 APPLICATION FOR CONNECTION

The Connection Applicant shall complete a Connection Application provided by the DU in accordance with the DSOAR and Distribution Code involving a new Connection Point or modification to an existing Connection Point, containing all necessary information for the provision of the required services.

2.5.3 COMPLIANCE WITH PROCESS AND NON-DISCRIMINATION

The DU and each Connection Applicant shall comply with the processes set out in the DSOAR, Distribution Code and other applicable laws, rules and regulations for processing of new or modified connection arrangements. The DU shall process all requests involving connections in a timely manner and shall not give preference or discriminate between different Connection Customers or Connection Applicants, subject to any reasonable or justifiable exceptions as may be approved by ERC. Likewise the DU shall not give preference or discriminate between Connection Customers or Connection Applicants based on a Contestable Market End-user's choice of supply.

A DU shall not refuse or discontinue service to an applicant or customer, who is not in arrears to the DU, even though there are unpaid bills or charges due from the premises occupied by the applicant, or customer, on account of an unpaid bill of a prior tenant, unless there is evidence of conspiracy to defraud the DU.

If the said consumer is not the owner of the premises sought to be energized, he shall be required to submit an undertaking from the owner of the premises that the said owner shall be jointly and severally liable with the applicant for any unpaid regular monthly bills incurred by the applicant, but not to exceed two (2) months. This is in the absence of or insufficiency of the bill deposit. This provision shall not apply however in case the owner of the premises sought to be energized is a mass housing developer and the subject housing unit is part of the inventory of the said developer whereby the consumer-buyer is still amortizing the same and covered by a pertinent contract to sell.

2.5.4 LOCATION AND MAINTENANCE OF DU'S EQUIPMENT

The DU shall have the right, if necessary to construct its poles, lines and circuits and to place its transformers and other apparatus on the property or within the buildings of the customer, at a point or points convenient for such purpose, and the customer shall further grant the right to the use of suitable space for the installation of necessary metering equipment in order that such equipment will be protected from damage by the elements, or through the negligence or deliberate acts of any person(s). When the delivery of energy for separate buildings or

premises is desired/necessary, a separate contract between customers and utility shall be required for each point of delivery.

In case the distribution utility, pursuant to this section, erects poles and lines on the property of a customer in order to be able to service him, it shall, upon payment of just compensation to the latter, also have the right to connect to said poles and lines any neighbour or neighbours of said customer, who may thereafter also apply for service connections and who cannot otherwise be connected or reached.

2.5.5 SERVICE DROP

An electric service drop is defined as the wires with the necessary supporting structure between the distribution lines of the DU and the service entrance.

All connections and disconnections of service shall be made by the DU.

Only one service drop shall be installed for each individual building, except as allowed in the Philippine Electrical Code, duly certified by a government authority.

Service conductors supplying a building or other structure shall not pass through the interior of another building or other structure.

Service Drops shall meet the requirements of the Philippine Electrical Code (PEC), local and national government ordinances.

For elevated metering centers (EMCs), it includes wires between the EMC installation and the customer's old metering point or to the point where the metering location would have been placed had the customer not been an EMC area.

2.5.6 SERVICE ENTRANCE

Service entrance is defined as that portion of the customer's wiring including all necessary conduits, cable and accessories which extends from the customer's main entrance switch and/or DU's metering equipment to and including the point of attachment to the DU's service drop on the outside of the building/property line visible and accessible to authorized personnel of the utility. The outside terminal of the customer's service entrance must be located so as to enable connection to the service drop at a point nearest to the DU's existing or proposed electric service facilities.

All conduits or pipes, including fittings, which contain wires in the service entrance in the portion before electric meter must be surface mounted and clearly visible and not embedded, or free from any holes or cracks, to prevent any bypass connection or other acts of electricity pilferage. In the event the conduits, pipes or fittings do not comply with this rule, the electric utility shall be entitled to require correction of said service entrance portion. All cost shall be borne by the utility if (1) the service connection was before the effectivity of this amended DSOAR and no improvement done on the customer's premises; while (2) all cost shall be borne by customer if the service connection was after the effectivity , or

non-compliance is a result of improvement done on the customer's premises , otherwise failure on the part of the customer shall entitle the electric utility to disconnect electric service connection after a thirty (30) day notice.

Service entrance shall meet the requirements of the Philippine Electrical Code (PEC).

2.5.7 UNDERGROUND SERVICE

Installation of any underground facilities shall be subject to the prior agreement between the customer and the DU in accordance with 2.2, 2.6.5 and 2.7.4; and shall be installed and maintained in accordance with the specification(s) prescribed by the PEC.

2.5.8 GROUNDING

The method of grounding at the User system shall comply with the Grounding Standards and specifications of the Philippine Electrical Code.

2.6 MODIFICATIONS AND NEW PHYSICAL CONNECTIONS: RESIDENTIAL

2.6.1 RIGHT TO EXTENSION OF LINES AND FACILITIES

In accordance with the Magna Carta, a residential End-user located within thirty (30) meters from the distribution utilities' existing secondary low voltage lines has the right to an extension of lines or installation of additional facilities, other than a standard connection facilities, at the expense of the utility. However, if a prospective customer is beyond the said distance and the said project is not included in the forecasted CAPEX of the DU, the customer or developer may advance the amounts necessary to cover the expenditures on the connection assets beyond the standard connection facilities.

2.6.2 REFUND

To recover the aforementioned advanced payment, the customer may either demand the issuance from the DU of any financial instruments mutually acceptable to the parties or a refund at the rate of seventy-five (75) percent of the gross distribution revenue derived from all customers connected to the line extension for the calendar year until such amounts are fully refunded or, if the DU is a private corporation, the purchase of preferred shares, if available, subject to the approval of Securities and Exchange Commission (SEC) on the issuance of such share or, other financial instruments mutually acceptable to the parties. The preferred shares shall be redeemable by the DU within a period of fifteen (15) years. Revenue derived from additional customers tapped directly to the poles and facilities so extended shall be considered in determining the revenues derived from the extension of facilities.

The parties may agree to accelerate the refund of the cash advance under mutually acceptable terms provided it will not result in any form of

cross-subsidies. Only refunded amount shall form part of the DU's Regulatory Asset Base or plant in service.

If replacement becomes necessary at any time for any Distribution Connection Assets paid for by residential End-users or developer, the DU shall be solely responsible for the cost of such replacement which shall become plant in service in the accounts of the DU, and shall not require another advanced payment from the connected residential End-users unless the replacement is due to End-user fault.

If the cost of the extension of lines or installation of additional facilities was funded by the developer for any project other than socialized housing, the said cost shall be subject to refund in accordance with the first paragraph, provided that said developer shall submit to the DU the following:

1. A sworn statement from the developer or a certification from the Housing and Land Use Regulatory Board (HLURB) that the cost thereof was not incorporated in the purchase price of the sold properties; and
2. An affidavit of publication executed by the editor-in-chief or other responsible officer of the newspaper of general circulation wherein an announcement that the cost thereof was not incorporated in the cost of the sold properties was published, together with a copy of the newspaper issue containing the published announcement. The affidavit of publication shall also contain information on the area or areas where the newspaper is being circulated.

For socialized housing projects, the developers must submit to the DU a certification issued by the Housing and Land Use Regulatory Board that the site of the said project has been identified for socialized housing in accordance with Republic Act No. 7279, otherwise known as the "Urban Development and Housing Act of 1992".

If the cost of the extension of lines or installation of additional facilities was funded gratuitously by other persons for the benefit of the customer, the said assets shall be treated as CIAC.

Starting from the effectivity of the foregoing amendment, all existing refunds for cost of extension of lines and facilities advanced by developers/consumers shall conform herewith.

2.6.3 DEDICATED TRANSFORMER

If it is necessary to dedicate a transformer to the service of a single residential End-user due to the non-standard, large load of that customer, the End-user shall purchase the transformer including replacements and shall not be subject to refund. If replacement becomes necessary the end-user shall be solely responsible for the cost of such replacement. This provision does not apply if a dedicated transformer is part of the Standard Connection Facilities for the End-user's Customer Segment or in the case of transformers which are dedicated to a single residential customer because of the customer is in a geographic location

where the transformer capacity cannot be shared with other customers. In cases where the transformer dedicated because of the isolated nature of the customer shall be subject to the refund process in section 2.6.2.

2.6.4 ENGINEERING AND DESIGN

The DU shall be responsible for the engineering, design, and inspection of all line extensions required to provide electric service to a residential End-user. The DU shall prepare the design and cost estimate attributable to a line extension within thirty (30) business days following the request of a residential End-user or prospective residential End-user and submission of all necessary load data by the End-user. In making the request, the End-user shall provide all information pertaining to load characteristics required to develop the design or cost estimate. This service shall be provided by the DU at no charge to the End-user but instead will become part of the DU's operation and maintenance expense accounts for DCAS.

2.6.5 MINIMUM FACILITIES

In designing a connection, the DU shall only require the minimum facilities that are commercially available and consistent with current ERC-approved standards, which are necessary to provide service to the End-user. This provision applies to both Standard Connection Facilities as described in section 2.3, and connections requiring facilities in excess of the Standard Connection Facilities. If the End-user, or another party requests facilities in excess of that which is necessary to meet the End-user's power requirements, then all costs attributable to such excess shall be at the requesting party's sole cost and expense which shall be treated as a CIAC. If the DU installs facilities in excess of that which is necessary to meet the End-user's power requirements and such installations are necessary to accommodate anticipated growth of additional customers, then all costs attributable to such excess shall be paid for by the DU and shall be subject to the RDWR for DUs under PBR or treated as Electric Plant Held for Future Use for ECs and other DUs.

In requesting for facilities in excess of what is necessary to meet power requirements, said request of the end-user should be subject to a Distribution Impact Study in accordance with the Philippine Distribution Code. The Distribution Impact Study of the DU should be the basis for the approval/disapproval of the customer's request for facilities in excess of what is required.

2.6.6 NEAREST SOURCE

The DU shall design the line extension from the nearest existing source of available capacity to the End-user's delivery point along the shortest practical route provided such source is the standard voltage system of the DU and the proposed scheme shall not result in the degradation of the DU's Distribution System as provided for in Chapter 5.3.3 of the Philippine Distribution Code (PDC).

The DU may, however, design the line extension along an alternative route in anticipation of additional customers; and in such situations, all additional costs attributed specifically to the alternative route shall be at the DU's sole cost and expense, and *shall be subject to the RDWR for DUs under PBR or treated as Electric Plant Held for Future Use for ECs and other DUs.*

2.6.7 ALTERNATIVE ROUTES

Subject to the agreement of the DU, the End-user may request that the line extension be constructed along a route different from the route designed by the DU, but the End-user shall be responsible for all costs attributed to such route. Such incremental amounts paid by the End-user shall not be subject to refund, and shall be treated as a Contribution in Aid of Construction.

2.6.8 EASEMENTS

The DU shall design line extensions along existing rights of way whenever such rights of way are available. With the exception of residential End-users located within thirty (30) meters of the existing Distribution System, the End-user shall provide to the DU at no cost any rights of way for a line extension across property owned or controlled by the End-user, or procure from other property owners, when such rights of way are necessary and dedicated to connect the End-user. In the event that the End-user cannot obtain the required rights of way, the DU may, by powers of eminent domain or otherwise, obtain rights of way. With the exception of residential End-users located within thirty (30) meters of the existing Distribution System, all cash amounts required to procure easements shall be advanced by the residential customer subject to the refund mechanism stated in section 2.6.2. The End-user shall submit to the DU all relevant invoices and proof of payment along with a sworn affidavit from the End-user that the documents are true and accurate. The DU shall immediately inform the ERC if it has reason to believe that any invoices or proof of payment have been falsified and the ERC shall investigate.

2.6.9 MODIFICATION TO EXISTING FACILITIES

If an End-user submits a request to have the DU modify, rearrange, relocate, or remove any of the DU's legally sited facilities for any purpose that does not result in a net increase in demand or electricity usage, the End-user shall be responsible for all costs attributed to such work. Such amounts shall be treated as a CIAC not subject to refund.

For modifications to existing facilities in response to a potential or impending capacity, reliability or safety concerns and are within the defined Standard Connection Facilities for the End-user's Customer Segment, the associated cost of such modification shall be that of the DU.

2.6.10 RIGHT TO PROCURE EQUIPMENT AND CONSTRUCTION

Connection Customers/Applicants shall have the right to select their own contractor and/or equipment vendor for the equipment, construction and installation of Distribution Connection Assets provided that the same adhere to all requirements of the Distribution Code, the DU's standards and any other standards approved by ERC. A Connection Customer/Applicant wanting to self-procure equipment and construction shall only select from contractors that have been accredited by the DU and government authorities. Residential End-users located farther than thirty (30) meters from the DU's existing secondary voltage lines who procure and pay for services and equipment to construct their own connection shall be eligible to receive a refund in accordance with 2.6.2. The End-user shall submit to the DU all relevant invoices and proof of payment along with a sworn affidavit from the End-user that the documents are true and accurate. The DU shall immediately inform the ERC if it has reason to believe that any invoices or proof of payment have been falsified and the ERC shall investigate. Said refund shall not exceed the DU's proposed estimate for constructing the Connection Assets or the actual cost incurred by the End-user, whichever amount is lower. Because the amounts paid for the construction of a connection for a residential End-user are subject to refund, a residential customer utilizing the option to construct their own connection shall pay the relevant Standard Connection Charge approved by ERC.

2.7 MODIFICATIONS AND NEW PHYSICAL CONNECTIONS: NON-RESIDENTIAL

2.7.1 RIGHT TO EXTENSION OF LINES AND FACILITIES

A non-residential End-user has the right to an extension of lines or installation of additional facilities at the expense of the utility insofar as the equipment and facilities to be installed are within the levels found in the Standard Connection Facilities definition used to compute the Standard Connection Charge for that End-user's Customer Segment.

2.7.2 NON-STANDARD CONNECTION

A non-residential End-user has the right to an extension of lines or installation of additional facilities that exceed the Standard Connection Facilities provided that the End-user pays for any facilities in excess of the Standard Connection Facilities used to compute the Standard Connection Charge for that End-user's Customer Segment. Specifically, the amount to be paid by the End-user shall equal the cost of the connection less the cost of the Standard Connection Facilities. Such payments for facilities in excess of the Standard Connection Facilities are not refundable and shall be treated as a CIAC. The End-user only paying CIAC on the amounts in excess of the Standard Connection Facilities shall still pay the ERC-approved Standard Connection Charges.

In the alternative, a DU may provide the connection facilities beyond the standard connection facilities but subject to connection charges mutually

acceptable to the parties. The said facilities shall not form part of the DU's Regulatory Asset Base or plant in service.

2.7.3 ENGINEERING AND DESIGN

The DU shall be responsible for the engineering, design, and inspection of all line extensions required to provide electric service to a non-residential End-user at the voltage level so desired by the End-user. The DU shall prepare the design and cost estimate attributable to a line extension within thirty (30) business days following the request of a non-residential End-user or prospective non-residential End-user and submission of all necessary load data by the End-user. In making the request, the End-user shall provide all information pertaining to load characteristics required to develop the design or cost estimate. This service shall be provided by the DU at no charge to the End-user but instead will become part of the DU's operation and maintenance expense accounts for DCAS.

2.7.4 MINIMUM FACILITIES

In designing a connection, the DU shall only require the minimum facilities that are commercially available and consistent with current ERC-approved standards, which are necessary to provide service to the End-user. This provision applies to both Standard Connection Facilities as described in section 2.3, and connections requiring facilities in excess of the Standard Connection Facilities. If the End-user or another party requests facilities in excess of that which is necessary to meet the End-user's power requirements, then all costs attributable to such excess shall be at the requesting party's sole cost and expense which shall be treated as a CIAC. If the DU requests facilities in excess of that which is necessary to meet the End-user's power requirements and such request is necessary to accommodate anticipated growth of additional customers, then all costs attributable to such excess *shall be subject to the RDWR for DUs under PBR or treated as Electric Plant Held for Future Use for ECs and other DUs.*

In requesting for facilities in excess of what is necessary to meet power requirements, said request of the end-user should be subject to a Distribution Impact Study in accordance with the Philippine Distribution Code. The study will establish if the excess facilities have no negative impact on the operation of the system.

2.7.5 NEAREST SOURCE

The DU shall design the line extension from the nearest existing source of available capacity to the End-user's delivery point along the shortest practical route provided such source is the standard voltage system of the DU and the proposed scheme shall not result in the degradation of the DU's Distribution System as provided for in Chapter 5.3.3 of the Philippine Distribution Code (PDC).

The DU may, however, design the line extension along an alternative route when such route best serves the interests of the DU; and in such

situations, all additional costs attributed specifically to the alternative route shall be at the DU's sole cost and expense, and *shall be subject to the RDWR for DUs under PBR or treated as Electric Plant Held for Future Use for ECs and other DUs.*

2.7.6 ALTERNATIVE ROUTES

Subject to the agreement of the DU, the End-user may request that the line extension be constructed along a route different from the route designed by the DU, but the End-user shall be responsible for all costs attributed to such route. Such incremental amounts paid by the End-user shall not be subject to refund, and shall be treated as a Contribution in Aid of Construction.

2.7.7 EASEMENTS

The DU shall design line extensions along existing rights of way whenever such rights of way are available. The End-user shall, without reimbursement, procure for the DU any rights of way for a line extension across property owned or controlled by the End-user or others when such rights of way are necessary to connect the End-user. In the event that the End-user cannot obtain the required rights of way, the DU may, by powers of eminent domain or otherwise, obtain rights of way at the sole expense of the End-user.

2.7.8 MODIFICATION TO EXISTING FACILITIES

If an End-user submits a request to have the DU modify, rearrange, relocate, or remove any of the DU's existing facilities for any purpose that does not result in a net increase in demand or electricity usage, the End-user shall be responsible for all costs attributed to such work. Such amounts shall be treated as a CIAC not subject to refund.

For modifications to existing facilities in response to a potential or impending capacity, reliability or safety concerns and are within the defined Standard Connection Facilities for the End-user's Customer Segment, the associated cost of such modification shall be that of the DU.

2.7.9 RIGHT TO PROCURE EQUIPMENT AND CONSTRUCTION

Connection Customers shall have the right to select their own contractor and/or equipment vendor for the equipment, construction and installation of Distribution Connection Assets provided that the same adhere to all requirements of the Distribution Code and any other standards approved by ERC and of the DU. A Connection Customer/Applicant wanting to self-procure equipment and construction shall only select from contractors that have been accredited by the DU and government authorities. If the facilities paid for and constructed by the non-residential End-user become the property of the DU, such facilities shall be treated as a Contribution in Aid of Construction and shall not form part of the DU's appraised value or rate base. The non-residential End-user opting to avail of the right under this section shall only pay the approved

operation and maintenance component of the relevant Standard Connection Charge of section 2.4.3.

2.7.10 PROPORTIONATE SHARING OF LINE EXTENSION COSTS

Any End-user shall be allowed to connect to facilities treated as CIAC paid by another End-user. An End-user connecting to facilities previously treated as CIAC paid by another End-user within fifteen (15) years shall pay the DU a CIAC equivalent to one-half of the depreciated cost of the asset/CIAC paid by the previous End-user times the proportionate ratio of the distance utilized by the newly connecting End-user plus any added facilities necessary to connect the End-user that are in excess of the Standard Connection Facilities. For new connections in which two or more End-users previously paid CIAC, the newly connecting End-user shall pay $(1/(n+1))$ of the depreciated CIAC paid by the previous End-users times the proportionate ratio of the distance utilized by the newly connecting End-user, where n equals the number of End-users making the previous CIAC.

The DU shall return the CIAC paid by the newly connecting End-user, less any added amounts for facilities necessary to connect the End-user that are in excess of the Standard Connection Facilities, to the End-user or End-users who originally made the CIAC in proportion to the relative amounts originally paid by each.

If the subject facility was provided by a DU subject to connection charges, the proportionate sharing of said charges shall be adjusted accordingly.

2.7.11 CONTRIBUTION IN AID OF CONSTRUCTION

Following inspection for compliance with the Distribution Code, any installed Connection Assets paid for by the End-user and treated as CIAC shall become the property and maintenance responsibility of the DU, except as provided for in the following section. Any facilities treated as CIAC shall not be subject to refund by the DU and shall not become part of the DU's rate base or appraised property value. If replacement of a connection paid for through a CIAC becomes necessary, the DU shall be responsible for the costs of such replacement which shall become part of rate base consideration. This provision will also apply to modifications of existing facilities paid for by the End-user and treated as CIAC.

2.7.12 OWNERSHIP OF CONNECTION ASSETS

Upon acceptance by the DU, all Connection Assets on the DU side of the agreed-upon Connection Point shall be and remain the sole property of the DU. Notwithstanding the foregoing, at the request of the End-user and if the End-user paid for the connection facilities, the DU and the End-user will identify those facilities, if any, that are not likely to be used to serve others and where ownership of such assets by the End-user will not compromise the DU's continuing obligation to serve customers. Upon identification of such assets, the DU and the End-user may, by

mutual agreement, designate an alternate Connection Point to accommodate the End-user's interest in owning the identified facilities. Consideration of End-user ownership of said Connection Assets hereunder will be given only if the End-user agrees to meet the following conditions:

- (a) The End-user shall, as promptly as possible, transfer ownership of said facilities to the DU in the event that any portion of these facilities become necessary to provide service to other Connection Customers. Such facilities, however, shall then be subject to the proportionate sharing provision of section 2.7.10;
- (b) Facilities owned by the End-user will be restricted solely for the use of that End-user;
- (c) The End-user agrees to procure and pay for all necessary maintenance services for the owned facilities; and
- (d) Only those facilities that pass through private property may be owned by the end-user.

2.8 CONNECTION OF A GENERATING FACILITY

2.8.1 INTERCONNECTION AND OPERATING AGREEMENT

A Generator shall execute an appropriate agreement with the DU governing the interconnection and operation of generating facilities.

- (a) Pro-forma agreements establishing the terms and conditions for interconnections and operation with the DU's facilities for each applicable class will be provided to the Generator by the DU. Such agreements may be modified by mutual agreement as necessary to address specific interconnection requirements existing at the time of the execution of the agreement.
- (b) Generators having agreements executed prior to the effective date of the DSOAR that govern interconnection and parallel operation with the DU's facilities shall be governed by the provisions of those existing agreements.
- (c) The agreement shall include any necessary requirements for communications and communications facilities between the DU and the Generator.
- (d) Where a Distribution Impact Study (DIS) and/or Distribution Assets Study (DAS) is required, the Generator shall be responsible for paying to the DU all reasonable costs incurred by the DU in performing such a study unless such operation has been requested by the DU.

2.8.2 GENERATOR COMPLIANCE

A Generator shall ascertain and comply with all applicable ERC issuances, ERC-approved requirements of the DU, and any local, national law, that applies to the design, siting, construction, installation, operation, or any other aspect of the Generating Facilities.

2.8.3 DESIGN REVIEWS AND INSPECTIONS

- (a) For the purpose of understanding the connection requirements of the Connection Applicant and to ensure that planned Connection Assets are adequate, DU shall have the right to review the design of a Generator's Generating Facility and Interconnection Facilities and to inspect a Generator's Generating and/or Interconnection Facilities prior to the commencement of parallel operation with DU's Distribution System. The DU may request a Generator to make modifications as necessary to comply with the requirements of the DSOAR and the Distribution Code. The DU's review and authorization for Parallel Operation shall not be construed as confirming or endorsing the Generator's design or as warranting the Generating and/or interconnection facilities' safety, durability or reliability. The DU shall not, by reason of such review or lack of review, be responsible for the strength, adequacy, or capacity of such equipment.
- (b) Generators shall not begin operation with the DU's facilities for the first time until their interconnection facilities have been inspected by the DU and written approval is provided by the DU to the Generator. Such approval may be withheld for noncompliance with the requirements of the DSOAR and the Distribution Code.
- (c) A Generator's generating facility and interconnection facilities shall be reasonably accessible to DU personnel as necessary for DU to perform its duties and exercise its rights under any agreement between DU and the Generator.
- (d) Any information pertaining to Generating and/or User Development provided to the DU by a Generator shall be treated by DU in a confidential manner.

2.8.4 PRUDENT OPERATION AND MAINTENANCE REQUIRED

A Generator shall operate and maintain its Generating Facility and its User Development in accordance with prudent electrical practices and shall maintain compliance with ERC adopted standards for the Generator. Said standards shall be those in effect at the time a Generator executes the Agreement with the DU.

The DU may limit the operation and/or disconnect or require the disconnection of a Generator's Generating Facility from the DU's Distribution System at any time, with or without notice, in the event of an emergency or to correct unsafe operating conditions. The DU may also limit the operation and/or disconnect or require the disconnection of a Generator's Generating facility from the DU's Distribution System upon the provision of reasonable notice: 1) to allow for routine maintenance, repairs or modifications to the DU's Distribution System, 2) upon the DU's determination that a Generator's Generating facility is not in compliance with the DSOAR and the Distribution Code, or 3) upon termination of the Agreement.

When operating in parallel, the Generator shall comply with all operational direction of the DU at the time given with such direction subject to any conditions that the Generator and the DU may mutually agree to incorporate in the connection and operating agreement.

2.9 REQUIREMENTS FOR A NEW CONNECTION OR CONNECTION MODIFICATION OF A GENERATING FACILITY

2.9.1 APPLICATION PROCESS FOR GENERATORS

- (a) Upon request, the DU will provide information and documents (such as the pro forma interconnection and operating agreement and the Application, technical requirements, specifications, listing of Certified Equipment, application fee information, applicable rate schedules and Metering requirements) in response to a Connection Applicant's inquiry. Unless otherwise agreed upon, all such information shall be sent to a Connection Applicant within five (5) business days following the initial request from the Connection Applicant. The DU will establish an individual representative as the single point of contact for the Connection Applicant, but may allocate responsibilities among its staff to best coordinate the Interconnection of a Connection Applicant's User Development. The application form shall include the following information:
1. A description of the proposed connection or modification to an existing connection to the Distribution System, which shall comprise the User Development at the Connection Point;
 2. The relevant Standard Planning Data as specified in Section 6.4 of the Distribution Code; and
 3. The Completion Date of the proposed User Development.
- (b) Connection Applicant Completes an Application. All Generators shall be required to complete and file an Application and any possible Detailed Planning Data as specified in Article 6.5 of the Distribution Code when the same is required ahead of the schedule specified in the Connection Agreement or Amended Connection Agreement. The filing must include the completed Application, a fee (if required) for processing the Application.
- (c) The Connection Applicant may propose, and DU may negotiate specific costs for processing non-standard installations such as multi-units, multi-sites, or otherwise as conditions warrant. Within ten (10) business days of receiving the Application, the DU shall acknowledge its receipt and state whether the Application has been completed adequately. If defects are noted, the DU and Connection Applicant shall cooperate in a timely manner to establish a satisfactory Application.

2.9.2 CONNECTION ASSETS AND FACILITIES

A generation company may develop and own or operate dedicated point-to-point limited facilities provided, that such facilities are required only for

the purpose of connecting to the distribution system, and are used solely by the generating facility, subject to prior authorization by the ERC.

The DU may likewise provide the connection facilities, provided that the generator pays the facilities and such payments are not refundable and shall be treated as a CIAC, unless otherwise provided for in the Renewable Energy Act and its Implementing Rules and Regulations.

In the alternative, a DU may provide the connection facilities subject to connection charges mutually acceptable to the parties. The said facilities shall not form part of the DU's Regulatory Asset Base or plant in service.

2.9.3 GENERATING FACILITY DESIGN AND OPERATING REQUIREMENTS

The Connection Applicant's Generating Facilities and User Development shall be designed and operated in accordance with the DSOAR and the Distribution Code.

2.9.4 EVALUATION OF CONNECTION APPLICATIONS AND DISTRIBUTION IMPACT STUDIES (DIS) FOR GENERATORS

2.9.4.1 DETERMINATION WHETHER NEW DIS IS NECESSARY

After receiving a Connection Application, the DU shall determine on a non-discriminatory basis whether a specific DIS is necessary to process the Generator's application, in addition to the information already available from existing DIS. Technical requirements used by a DU for a DIS shall be proposed by the DU for ERC approval.

2.9.4.2 COST OF DIS

The Connection Applicant shall be responsible for the cost of a DIS performed pursuant to these provisions on behalf of the Generator.

2.9.4.3 AGREEMENT ON CONNECTION APPLICATION OR OFFER OF SERVICE FOR DIS.

If the DU agrees with the Connection Application and considers no DIS is necessary, it shall so advise the Generator within thirty (30) days from receipt of the Connection Application. If the DU determines that a specific DIS is necessary in addition to that information already available, it shall so inform the Connection Applicant within thirty (30) days from receipt of the Connection Application by issuing an offer of service for DIS to the Connection Customer.

2.9.4.4 REQUIREMENTS OF AN OFFER OF SERVICE FOR DIS.

The DU shall specify clearly in the offer of service for DIS:

- (a) The scope of the study, including identification of whether any distribution constraints, re-dispatch options, additional dedicated Connection Assets, or Distribution System upgrades shall be required to provide the requested service.
- (b) The estimated time for completion of the DIS and acknowledgement of the DU's obligations.
- (c) The maximum charge, based on the DU's estimate of the actual cost, inclusive of VAT.

The Connection Applicant shall reply to the DU's offer of service outlining its decision within thirty (30) days from receipt of any such offer.

2.9.4.5 EFFECT ON APPLICATION.

If the Connection Applicant accepts the DU's offer of service, it shall agree to pay for the DU to conduct the required study. If the Connection Applicant rejects the offer of service, does not file a complaint with the ERC, or does not reply to the offer of service within thirty (30) days of receipt of the Offer, its application shall be deemed withdrawn.

2.9.4.6 PAYMENT FOR UNDERTAKING DIS AND DATA SUBMISSION

Should the Connection Applicant agree to the DU's offer of service for DIS, the Connection Applicant shall make full payment cost of the DIS prior to commencement of the study.

The Connection Applicant shall submit the required data needed for the DIS as specified in the Connection Application before the DIS is conducted.

2.9.4.7 TIME PERIOD FOR COMPLETION OF DIS

The DU shall exert best effort to complete the required DIS within a sixty (60) day period of the agreement to an offer of service for a DIS unless otherwise agreed between the parties.

In the event that the DU is unable to complete the DIS within the time period specified or agreed, it shall notify the Connection Applicant and provide an estimated completion date along with an explanation of the reasons why additional time is required to complete the required DIS.

2.9.4.8 RETENTION OF DIS

The DU shall develop and maintain a set of any Distribution Impact Studies ("DISs") conducted that may be used for evaluating future Connection Applications in accordance with the Distribution Code.

2.9.4.9 RELIANCE ON EXISTING DIS

In performing the DIS, the DU shall rely as much as possible on all existing DISs as applicable to the information supplied by the Connection Applicant.

2.9.4.10 PROVISION OF DIS ISSUES AND RESULTS

In undertaking or taking responsibility for the provision of the DIS, the DU shall inform the Connection Applicant of key issues arising from the DIS as they arise. Following the completion of the DIS, the DU shall provide the Connection Applicant with a copy of the completed DIS results and related work papers not later than five (5) business days after its completion.

2.9.4.11 NOTIFICATION OF ADEQUACY OF DISTRIBUTION

The DU shall notify the Connection Applicant not later than five (5) business days following the completion of the DIS if the Distribution System shall be adequate to accommodate all or part of the Connection Application.

2.9.5 DISTRIBUTION ASSETS STUDY FOR GENERATORS

2.9.5.1 OFFER OF SERVICE FOR DISTRIBUTION ASSETS STUDY

If the DU's DIS indicates that new Connection Assets or Distribution System upgrades are needed to provide the requested services, the DU shall tender to the Connection Applicant an offer of service for a Distribution Assets Study ("DAS") within thirty (30) days of completing the DIS.

The Connection Applicant has fifteen (15) days to respond from the date of its receipt of the offer of service.

2.9.5.2 OPTIONS FOR CONNECTION APPLICANT IN UNDERTAKING DAS

In responding to the offer of service provided by the DU within the timeframe provided herein, the Connection Applicant may decide to:

- (a) Undertake the DAS itself and advise the DU accordingly;
- (b) Contract with a third party, accredited pursuant to ERC guidelines, and advise the DU accordingly; or
- (c) Agree to the offer of service for DAS from the DU.

The DU shall be bound by the Connection Applicant Distribution Customer's decision in relation to (a), (b) or (c).

2.9.5.3 COMPLETION OF DAS

In the event that the Connection Applicant agrees to proceed with a DAS and:

- (a) The DAS is to be completed by the Connection Applicant, or by a third party contracted by the Connection Applicant, the Connection Applicant shall use its reasonable endeavours to ensure the DAS is completed within the period of time specified in the offer of service.
- (b) The DAS is to be completed by the DU, the DU shall use its reasonable endeavours to ensure the DAS is completed within the period of time specified in the offer of service.

2.9.5.4 COST OF DAS

The Connection Applicant shall be responsible for the cost of any DAS.

2.9.5.5 SUBMISSION OF DATA FOR DAS

Where the DU is undertaking the DAS, the Connection Applicant shall submit the data needed for the DAS including the Detailed Planning Data, as specified in the Connection Application and the Distribution Code, before the DAS is conducted.

2.9.5.6 NOTIFICATION OF ADDITIONAL TIME TO COMPLETE DAS

Where the DU is undertaking the DAS and requires additional time, the DU shall notify the Connection Applicant and provide an estimate of the time needed to reach a final determination along with an explanation of the reasons why additional time is required to complete the DAS.

2.9.5.7 RESULTS OF DAS

When completed, the DAS shall include a good faith estimate of:

- (a) The cost of the Connection Assets to be charged to the Connection Applicant;
- (b) The Connection Applicant's appropriate share of the cost of any required Distribution System upgrades; and
- (c) The time required to complete such construction and initiate the requested service.

2.9.5.8 PROVISION OF RESULTS FROM DAS

The party that undertook or commissioned the DAS shall provide the other party with a copy of the completed Study results and related work papers as soon as is practicable after the completion of the DAS and no later than 5 days after its completion.

The parties shall confirm acceptance of the DAS to each other within 10 business days, or shall specify any areas the party feels requires modification. If the parties are unable to reconcile

any differences, the dispute may be filed for ERC resolution pursuant to section 1.9 of the DSOAR.

2.10 ARRANGEMENTS FOLLOWING EXECUTION OF CONNECTION AGREEMENT

2.10.1 COMPLETION OF CONNECTION ARRANGEMENTS

The DU and Connection Customer, taking into consideration the agreed target completion date, shall use their reasonable endeavours, in coordination with each other, to complete their respective connection arrangements as agreed in the Connection Agreement.

2.10.2 SECURITY FOR NEW FACILITIES OR FACILITY UPGRADES

In the event that the DU is required to invest in new facilities or distribution upgrades to meet its obligations under the new or modified Connection Agreement, and the Connection Customer is to shoulder these costs, the Connection Customer shall provide the DU with a letter of credit in the form specified in the DSOAR, if requested to do so by the DU, before the DU commences the necessary work.

2.10.3 DESIGN AND SPECIFICATION REQUIREMENTS

The design and specifications of any additional Facilities required for Connection shall:

- (a) Conform to the Distribution Code;
- (b) Conform to reasonable engineering standards specified by the DU; and
- (c) Be approved by the DU.

2.10.4 INSTALLATION OF NECESSARY EQUIPMENT

Power DWS shall not commence until the DU and the Connection Customer have ensured that the Equipment has been installed consistent with the Distribution Code and good industry practice, and any additional reasonable requirements to ensure the reliable operation of the Distribution System, as recorded in the Connection Agreement, have been met.

2.10.5 PROVISION OF REQUIRED INFORMATION AND TESTS OF EQUIPMENT

The Connection Customer shall provide the required information set out in the Distribution Code to the DU prior to the Commissioning Date and shall test the Equipment required at the Connection Point to connect the Connection Customer's Facilities to the Distribution in accordance with the Distribution Code.

2.10.6 COSTS OF PROCESSING AND MODIFICATION

In the event the Connection Customer wishes to cancel or amend its Connection Application or its Connection Agreement, said Connection Customer shall be liable for any costs reasonably incurred by the DU in processing and, if agreed, implementing a modification in the Connection Agreement.

2.10.7 SAFETY, POWER QUALITY AND RELIABILITY

The DU and each Connected Connection Customer shall ensure that all Equipment that each Participant provides at a Connection Point shall comply with Good Industry Practices, the Distribution Code and the Philippine Electrical Code.

The DU and each Connected Connection Customer shall operate and maintain their Connection Assets and other Facilities in a safe and efficient manner and in accordance with Good Industry Practice and the Distribution Code (including but not limited to the voltage performance and harmonics standards).

2.10.8 DATA REQUIREMENTS

Each Connection Customer shall provide any data, reports, forecasts, and specific information regarding the electrical characteristics of their Facilities as specifically required under the DSOAR and the Distribution Code or as requested by the DU, acting reasonably, to enable it to meet its obligations under the DSOAR and the Distribution Code. The DU shall not be held liable for any loss or damage arising from the failure of the Connection Customer to provide the necessary data, reports, forecasts and other specific information necessary for the DU to perform its obligations under these rules.

2.10.9 CONFIDENTIAL TREATMENT OF DATA

All proprietary data exchanged between a Connection Customer or a Connection Applicant and a DU necessary for establishment and/or maintenance of a connection shall be treated as confidential and not disclosed to any third party without prior consent of the party to which the data is proprietary.

2.10.10 PROTECTION ARRANGEMENTS

2.10.10.1 RESPECTIVE RESPONSIBILITY FOR PROTECTIVE DEVICES

The DU and each Connection Customer shall be responsible for their respective assets and shall ensure that such assets are protected in accordance with the Distribution Code and that their Protective Devices meet the standards set out in the Distribution Code. If the DU must install protective devices that are in excess of the Standard Connection Facilities due to the nature of the Connection Customer's equipment and/or load, payment

for said protective devices shall be the sole responsibility of the Connection Customer and shall be treated as CIAC.

2.10.10.2 NEW PROTECTIVE DEVICES

The DU and Connection Customers may install, upgrade, operate and maintain protective devices to separate the Connection Customer's equipment from the Distribution System sufficiently to avoid injury or damage, and to comply with the Distribution Code at all times. The DU and the Connection Customer shall give prior written notice to the other of all such Protective Devices that it intends to install and/or upgrade, and of the settings of such devices. If the DU must install protective devices that are in excess of the Standard Connection Facilities due to the nature of the Connection Customer's equipment and/or load, payment for said protective devices shall be the sole responsibility of the Connection Customer and shall be treated as CIAC.

2.10.11 CONTINGENCY PROCEDURES

2.10.11.1 PROMPT NOTIFICATION OF CONTINGENCY.

The DU and each Connection Customer shall provide the other with prompt verbal notification by telephone of any contingency involving their equipment or Connection Assets that may reasonably be expected to affect the other's operation of its equipment or Connection Assets. This notification shall indicate the reasons for the contingency, the contingency's expected effect on the operation of the other party's Facilities and operations, the contingency's expected duration, and the corrective action to be taken. Telephone notification shall be followed by written notification by the close of business hours the next day and retain such written notification for three (3) years.

2.10.11.2 CONTINGENCY ACTIONS.

The DU and the Connection Customer shall agree to take the actions specified in the Connection Agreement in response to any contingency.

2.10.11.3 ACCESS TO EACH OTHER'S CONNECTION ASSETS.

Unless otherwise agreed, the DU and each Connection Customer may open and/or disconnect the Connection Assets of the other party in the event of, and for the duration of, any contingency, if such opening or disconnection would reasonably be expected to mitigate or remedy the contingency in accordance with good industry practice and the Distribution Code. A party exercising this right shall notify the other party of their actions prior to disconnection or as soon as possible following disconnection. The foregoing notwithstanding, a DU

may require an End-user to obtain prior approval before accessing and operating connection assets. A DU shall respond as quickly as possible to any connection concern of the End-user and the DU shall be responsible for any damage that otherwise could have been avoided if the customer would have been free to act immediately.

2.10.12 PROPERTY ACCESS

2.10.12.1 ACCESS RIGHTS.

Unless otherwise agreed, the DU and each Connection Customer shall grant the other and its agents and subcontractors such access to its own facilities and/or Connection Assets as is necessary and appropriate, both parties acting reasonably, for the construction, installation, testing, operation and maintenance of the other Participant's own facilities and/or Connection Assets (including any Protective Devices), in accordance with the terms and provisions of the Distribution Code and the DSOAR. No party may attempt to limit access by a Participant to the Participant's own facilities and/or Connection Assets regardless of the location of those facilities and/or Connection Assets.

2.10.12.2 PROCEDURE.

When exercising the access rights outlined in Section 2.10.12.1 above, the DU and the Connection Customer shall:

- (a) In cases of maintenance, provide the other party with as much advance notice as is appropriate under the circumstances. Pilferage inspections shall be in accordance with the procedures set forth pursuant to Republic Act 7832;
- (b) Not unreasonably disrupt or interfere with the normal operations of the business of the other party;
- (c) Adhere to the safety rules and procedures established by the other party;
- (d) The DU and the Connection Customer shall be responsible for the actions of their agents; and
- (e) Act consistent with good industry practice.

2.10.12.3 CONDITIONS PERTAINING TO THIS SERVICE

The DU shall not be held liable for a failure to deliver the services in this article where the following events have had a material effect on its ability to deliver the service and the DU has used its reasonable endeavours to mitigate their impact on the service:

- (a) The Connection Applicant failing to comply with its obligations under any of the following: the DSOAR, the Distribution Code and the WESM Rules.
- (b) The Connection Applicant providing the DU with incomplete or inaccurate information.
- (c) Any other Connection Applicant failing to comply with their obligations under any of the following: the DSOAR, the Distribution Code and, the WESM Rules.

2.10.12.4 CONNECTION CUSTOMER'S NON-COMPLIANCE

If the Connection Applicant or Connection Customer fails to comply, when so required, with any of its obligations in this Article, the DU shall have the right to require the Connection Applicant or Connection Customer to take any and all such measures, including but not limited to the installation of new or additional equipment, as necessary to comply with such requirements. In the event that the Connection Applicant or Connection Customer fails to take any or all of such measures within thirty (30) days after receipt of notice of non-compliance, the DU shall have the right itself to take (or cause to be taken) such measures without further notice. The Connection Applicant or Connection Customer shall be responsible for any and all costs and expenses incurred as a result of its non-compliance.

2.11 METERING EQUIPMENT

2.11.1 METER INSTALLATIONS

Billing meters shall be provided for each User at each Connection Point or at the primary side of a dedicated transformer and shall be accessible for inspection and reading. If the meter cannot be installed at the Connection Point or at the primary side of a dedicated transformer due to the Distribution System's design construction or for other reasons, the meter shall be installed as close as possible to the Connection Point. In this case, a procedure shall be established to account for the Energy loss between the Connection Point and point of metering.

All metering equipment shall be furnished and installed by the Metering Service Provider (MSP). Instrument transformers cabinets and gang mounting channels where required will be furnished by the MSP and installed by the applicant end user at a location specified by the DU. The applicant shall furnish and install meter boards, where required.

Under no condition should meters be located behind doors or where they can be easily broken or jarred by moving furniture or equipment. Meters shall be located on the outside wall of the building or private pole and shall not be more than three (3) meters nor less than 1.52 meters mounting height from the surface on which one would stand to repair or inspect the meter.

Generally, meters shall be installed on the ground floor in suitable space and on a suitable mounting for large commercial and apartment buildings. However, upon request by the customer, the DU/MSP may allow location of meter(s) other than the ground floor provided meter(s) are to be installed and located at a common place accessible to DU's/MSP's personnel for inspection, reading and maintenance purposes at anytime and a main check meter is to be installed at a location where the billing meters should have been installed to measure the total electric consumption of the building. Any excess in the consumption registered in the check meter over the total consumption of all the individual billing meters shall be for the account of the building administrator and shall be paid to the DU. All service entrance and other electrical facilities after the billing meters shall be owned and maintained by the customer. Space and mounting shall be adequate to accommodate all metering facilities. Individual cut-outs and/or switches shall be at least one (1) meter of clear space in front of the meter(s).

Meters may be located in other areas based on justifiable reasons, however, the proponent shall pay any additional cost except if provided for in a guidelines as may be promulgated by the ERC.

A customer shall bear the cost of relocation of his electric watt-hour meter under the following circumstances:

1. The customer requests for the relocation of his electric watt-hour meter; or
2. The meter installation fails to meet the conditions under the first paragraph resulting from improvements done on the customer's premises, or when the meter installation and other facilities has been found/proven tampered, thereby necessitating such relocation. In the event that the Customer fails to take any or all of such measures within thirty (30) days after receipt of notice of non-compliance, the DU shall have the right itself to take (or cause to be taken) such measures without further notice. The Customer shall be responsible for any and all costs and expenses incurred as a result of its non-compliance. Failure to pay the cost shall be considered grounds for disconnection after a thirty (30) day due notice.

All other relocations of the meter shall be borne by the electric utility,

2.11.2 GENERAL INFORMATION ON METERING

Every DU/MSP shall inform its customers of the manner in which meters are read, either by printing on its bills for each service, a description of the method used in reading meters, by distributing booklets describing such method or in any other suitable manner.

Each service meter shall indicate clearly the units of service for which charge is made to the customer. In case the dial reading of a meter must be multiplied by a constant to obtain the units of service, the constant to be applied shall be clearly marked on the face or dial of the meter. Where the quantity of service is determined by calculation from the reading of the meter, the MSP shall upon request supply the customer

with such information as will show clearly the method of determining the units of service rendered.

Every MSP shall instruct its meter reader when reading periodically the meter installed in the premises of a customer, to leave in such premises a record or any other means of information showing the date of the reading, the reading made, the previous reading and the total consumption expressed in units of service used, as read by the meter reader, and the signature over the printed name of the meter reader, if a customer demands for it, except when the statement of account for that billing period is issued within one (1) day from such reading date.

Except as otherwise permitted for the Contestable Market in Article IV of the DSOAR, the meter and the metering equipment are the sole property of the MSP and any changes in their location or arrangements shall be made by the MSP.

2.11.3 TESTING AND SEALING OF METER

No meter shall be placed in service unless it has been tested, certified and sealed by the ERC.

The seal attached to the meter by the ERC is a warranty (1) that the meter is an acceptable or accepted type and (2) that it operates within the allowable limits of tolerance.

The Rules and Procedures for the Test and Maintenance of Electric Meters of Distribution Utilities shall apply.

2.11.4 TEST OF CUSTOMER'S METER BY THE DU

A customer has the right to require the DU to test free of charge, the accuracy of the meter installed in his premises making use of a meter standard duly tested and sealed by the ERC.

If the customer requests for meter testing more than what is required in the Rules and Procedures for the Test and Maintenance of Electric Meters of Distribution Utilities and the meter being tested is found to be within the tolerable limit as provided for in 2.11.6, the utility may assess the customer a testing fee based on the testing fee charged by ERC. A written report showing the result of such test shall be furnished the customer.

The customer may also request the ERC to conduct a meter test, subject to the payment of a fee prescribed under the approved ERC Schedule of Fees and Charges.

In case the meter is found not compliant with the watt-hour meter accuracy requirements as specified in Article 2.11.5, the customer may demand the replacement of the said meter or have the said meter calibrated to restore its accuracy closest to the condition of zero (0) error. The provision on refund or billing adjustment due to inaccurate meters shall apply as appropriate.

2.11.5 WATTHOUR METER ACCURACY REQUIREMENTS

- (a) No mechanical watt-hour meter that has an incorrect register multiplier, watthour constant, gear ratio, register ratio or dial train, or that registers on no load ("creeps") shall be placed in service or be allowed to remain in service without adjustment and correction.
- (b) All watt-hour meters regardless of make and type before being placed in service, must be adjusted to within plus or minus five-tenths percent ($\pm 0.5\%$) error in accordance with the Rules and Procedures for the Test and Maintenance of Electric Meters of Distribution Utilities.
- (c) The average error of plus or minus two percent ($\pm 2\%$) is hereby fixed as the allowable tolerance for meters in service.

2.11.6 DETERMINATION OF AVERAGE ERROR

In tests made by the ERC or the DU, the average error of a meter shall be determined by the following method:

$$E_a = 0.3E_{LL} + 0.7E_{FL}$$

Where E_a is the average error, E_{LL} is the error at light load.

E_{FL} is the error at full load.

Provided, however, that at the request of the customer or in mediation cases, this method may be modified by admitting tests at a third load. If, and when in the opinion of the ERC, such load is more representative of the ordinary use of the meter, in which case, the average error shall be determined as follows:

Take one-fifth (1/5) of the algebraic sum of (1) error at light load, (2) three times the error at normal load, (3) the error of full load.

In both methods, light load shall be taken from five (5) to ten (10) percent of the rated test amperes of the meter, and full load, not less than sixty percent (60%) nor more than one hundred percent (100%) of the rated test amperes of the meter.

For normal load the following percentages of the several classes of full connected installations may be used:

| | <u>Percent</u> |
|--|----------------|
| Residence and apartment building | 25 |
| Elevator service..... | 40 |
| Factories (individual drive).theaters, club, hallways, entrance, and general store lighting | 60 |
| Restaurants, pumps, air compressors, ice machines, and moving picture theaters | 70 |
| Sign and window lighting, blowers and battery | 100 |

2.11.7 RECORD OF METER

Every DU shall keep an adequate record of each meter showing (1) make, type and identification marks and/or number of meter, (2) names and addresses of customers, dates when meter installed or removed, (3) adjustment or repair made, and (4) ERC certification dates. The said records shall be maintained for at least five (5) years.

2.12 INTERCONNECTION BETWEEN DISTRIBUTION UTILITIES

2.12.1 GENERAL

Consistent with Section 23 (paragraph 4) of the EPIRA, DUs may interconnect in instances where such interconnection helps achieve economies of scale in operations, reliability of service, reduction in costs, and other efficiencies. The terms and conditions of said interconnection shall be incorporated into an interconnection and operating agreement which is subject to approval by ERC.

2.12.2 INTERCONNECTION AND OPERATING AGREEMENT

Interconnecting DUs shall execute an appropriate agreement governing the interconnection and operation of their respective Distribution Systems. DUs having ERC-approved agreements executed prior to the effective date of the DSOAR that govern interconnection and operation shall be governed by the provisions of those existing agreements. The agreement shall include any necessary requirements for communications and communications facilities between the DUs. The interconnection/operating agreement shall be mutually beneficial. The interconnection and operating agreement is separate and distinct from any DWS arrangements.

ARTICLE III

RULES PERTAINING TO SERVICE TO THE CAPTIVE MARKET

3.1 GENERAL DESCRIPTION OF SERVICE

Service to the captive market shall include all unbundled services necessary to maintain a regular supply of alternating current of approximately 60 hertz. Supply to the Captive Market shall be provided by the DU throughout its franchise service area.

3.2 THE MAGNA CARTA FOR RESIDENTIAL CONSUMERS

The Captive Market includes both residential and non-residential End-users. Insofar as residential consumers are concerned, the DSOAR are intended to complement the Magna Carta for Residential Electricity Consumers, issued on June 17, 2004, and the Guidelines to Implement Articles 7, 8, 14, and 28 of the Magna Carta for Residential Electricity Consumers, issued October 27, 2004. The Magna Carta remains in full force.

3.3 APPLICATION FOR CAPTIVE MARKET SUPPLY

Any End-user in the Captive Market may apply for service from the DU within their franchise area. The DU has an obligation to serve that customer subject to all terms and conditions of service and ERC rules including the DSOAR. The customer shall execute a standard form of agreement prior to the furnishing of service by the DU. A copy of the rate schedule and the terms and conditions of service shall be furnished to the new consumers. The DU shall inform its customers of any changes in rates, rules and regulations approved by the ERC that specifically affect the Captive Market service which shall be, but not limited to, by information campaign, posting in the Customer Bulletin Board, e-mail, posting at the DU's website, tri-media campaign, or bill inserts. Furthermore any adjustment clause previously approved by the ERC shall be clearly indicated on the monthly bill.

3.4 ESTABLISHMENT AND REESTABLISHMENT OF CREDIT

3.4.1 RESIDENTIAL ELECTRICITY CUSTOMERS

For the establishment of credit, residential electricity customers and the DU shall follow the deposit and deposit refund requirements found in the Magna Carta. The amount of the bill deposit shall be equivalent to the estimated monthly billing. Provided that after one (1) year and every year thereafter, when the actual average monthly bill's increase/decrease is more than ten (10%) percent of the bill deposit, such deposit shall be correspondingly increased/decreased to approximate said billing. DUs are allowed to provide options other than cash deposits as a guarantee of customers' payment.

Distribution utilities shall pay interest on cash bill deposits equivalent to the Peso Savings Account Interest Rate of Land Bank of the Philippines on the first working day of the year, or other government banks subject to the approval of the ERC. The interests shall be credited yearly to the bills of the registered customer using the abovementioned rate.

A residential customer who previously established credit under the Magna Carta by receiving a refund of deposit from the DU shall not be subject to a new deposit requirement if the customer discontinues one service location and establishes a new service location within the DU's franchise area. This applies solely to the original account holder and is non-transferable. This provision does not apply to additional service locations established by the residential customer. In the event a customer establishes a new service location in addition to existing service(s), a bill deposit shall be required on that new service.

A bill deposit previously refunded to the customer may be reimposed if the customer defaults in the payment of his monthly bill on the due date. Once the bill deposit is reimposed, he loses the right to refund the same prior to the termination of his electric service. This provision also holds for a residential customer who was not required to pay a deposit on a new service contract.

Non-payment of the re-imposed or adjusted bill deposit shall be a ground for disconnection.

3.4.2 NON-RESIDENTIAL ELECTRICITY CUSTOMERS

For the establishment of credit, non-residential electricity customers shall submit a bill deposit to guarantee payment of bills. The amount of the bill deposit shall be equivalent to the estimated monthly billing. Provided that after one (1) year and every year thereafter, when the actual average monthly bill's increase/decrease is more than ten (10%) percent of the bill deposit, such deposit shall be correspondingly increased/decreased to approximate said billing. DUs are allowed to provide options other than cash deposits as a guarantee of customers' payment.

Distribution utilities shall pay interest on cash bill deposits equivalent to the Peso Savings Account Interest Rate of Land Bank of the Philippines on the first working day of the year, or other government banks subject to the approval of the ERC. The interests shall be credited yearly to the bills of the registered customer using the abovementioned rate.

The bill deposit shall be refunded within one month from the termination of service provided all bills have been paid and identification requirements have been complied with. A customer that has paid its electric bills on or before its due date for three (3) consecutive years may, however, demand for the full refund of the deposit prior to the termination of his service. An application for deposit refund shall be filed with the DU and the DU shall refund the deposit within one month from receipt of such application. A bill deposit previously refunded to the customer may be reimposed if the customer defaults in the payment of his monthly bill on the due date. Once the bill deposit is reimposed, he loses the right to refund the same prior to the termination of his electric service.

Non-payment of the re-imposed or adjusted bill deposit shall be a ground for disconnection

All customers shall be exempt from the payment of meter deposits. In cases of loss and/or damage to the electric meter due to the fault of the customer, the customer shall bear the full replacement cost of the meter.

3.4.3 RE-ESTABLISHMENT OF CREDIT FOR ALL CAPTIVE CUSTOMERS

An applicant, who previously has been a customer of the DU and had lost satisfactory credit, must first pay any unpaid billed amounts from previous service plus the relevant deposit requirement to re-establish credit.

A customer who is subject to disconnection/termination and who requests continuation of service shall be required to first pay the re-imposed bill deposit and any unpaid billed amounts. The customer's bill deposit shall be re-imposed and/or adjusted in accordance with his average monthly bill for the preceding year.

Customers without bill deposits and are seeking reconnection must first pay any unpaid billed amounts from previous service plus the relevant deposit requirement to be reconnected.

3.5 BILLING

3.5.1 MONTHLY BILLING

Bills for service shall be rendered to each customer in the captive market on a monthly basis, unless otherwise approved by the ERC.

3.5.2 METERED SERVICE

Except for unmetered streetlight or other flat rate service customers, each bill for service issued by the DU shall be based on the reading of the meter for each account of the customer and any applicable monthly charge(s).

3.5.3 CONTENTS OF BILL

Bills to service customers shall conform with the format approved by ERC. Each bill for service shall include the following:

- (a) Any previous balance.
- (b) The period covered by the current billing.
- (c) Meter serial and company number.
- (d) The date the bill was issued.
- (e) The amount due for service provided during the current billing period with the date upon which this amount is past due.
- (f) All unbundled rate elements including any adjustment clause listed in the specific sequence prescribed by ERC. Any additional rate elements or changes in the name of rate elements shall first be approved by ERC.
- (g) All relevant meter readings for the first and last day of the billing period.
- (h) The total quantities of applicable billing determinants.
- (i) The date the meter was read.
- (j) The telephone number and address of the DU office where a customer may obtain information concerning their bill or the service provided.
- (k) An emergency contact number.
- (l) A notice stating that all disputes that cannot be settled by the DU to the satisfaction of the customer can be elevated to the ERC. The ERC email address for the Consumer Affairs Service as provided by the ERC.
- (m) Any notices, advisories, announcements or any information that would be beneficial to the customer or as required by the ERC to be placed on the bill.

There shall be shown on the bill such additional factors other than those contained in the schedule of rates, as may be necessary in computing

the bill. It shall be indicated on each bill that copies of the schedules of rates applicable will be furnished by the DU upon request.

Bills to flat rate service customers shall be rendered at reasonably regular intervals and shall show the period for which the bills rendered, reference to the schedule of rates applicable and the amount of the bill. The number and kinds of units for which a flat rate bill is rendered shall also be shown on the bill.

Any future modification to the contents of the bill is subject to prior approval by ERC.

3.5.4 ESTIMATED BILLS

- (a) Except as otherwise provided, if (1) the DU is unable to obtain useable meter data from a customer or to read the meter of a customer on the date scheduled due to a Force Majeure event or any event beyond the control of the DU, (2) the meter fails to register the consumption of the customer for an entire billing period or a portion thereof, the DU may bill the customer based upon their estimated usage for the billing period.
- (b) Any of the following methods shall be used in calculating a bill based on estimated usage, whichever is applicable and equitable to all concerned parties.
 - 1. The average daily usage of the customer during the portion of the billing period registered by the new meter for at least seven (7) days shall be applied to the remaining portion in the billing period; or
 - 2. The average usage of the customer during the preceding three (3) months; or
 - 3. The usage of the customer during the same month of the preceding year where the monthly consumption level has persisted for the past three (3) years; or
 - 4. If time of use rates and metering are applicable, then the estimated bill shall rely on the relevant time of use load profile data during the previous month.
- (c) The DU shall print the word "Estimate" on each bill which is based on estimated usage, and shall not issue more than two consecutive bills to a customer based upon estimated usage. Following two consecutive bills based on estimated usage under 3.5.4(b) 2 to 4, the DU shall either read the meter during the next billing cycle and adjust the estimated bills accordingly or take an initial meter read following the next billing cycle as if service was starting anew and no charges, penalties, arrears, or reconnection fees will be levied on the customer for the skipped billing cycle.
- (d) The DU shall adjust the estimated usage upon the first reading of a meter after an estimated reading. Billing adjustment following estimated usage shall be spread out symmetrically by the number of months it was estimated without interest charges.

In case of disagreement with all of the above, the ERC shall resolve the same.

3.5.5 PRORATION OF BILLS

For bills rendered for periods less than 28 days and more than 31 days, any fixed monthly customer charges in the bill shall be prorated based on the ratio of number of days in the billing period to the number of days in an average billing period. The DU shall nevertheless provide the applicable subsidy for that consumption level due to the customer as if the meter had been read within the maximum allowable period

3.5.6 PAYMENT OF BILLS

Bills will be rendered by the DU to the customer monthly in accordance with the applicable rate schedule. Said bills are payable to collectors, collection office of the area where the customer resides or at its authorized banks and other bills payment systems, within nine (9) days after the customer's receipt of the said bills, unless a longer period is allowed. The word "month" as used herein and in the rate schedule is hereby defined to be the elapsed time between two succeeding meter readings but not to exceed thirty-one (31) days and not less than 28 days apart.

For disconnections due to non-payment of electric bills, a written notice must have been served to the customer forty eight (48)-hours before such disconnection. The DU may discontinue the service notwithstanding the existence of the customer's bill deposit with the DU which will serve as guarantee for the payment of future bill(s) after service is reconnected.

If at the time the disconnection is to be made, the customer tenders payment of the unpaid bill to the agent or employee of the DU who is to effect the disconnection, the said agent, or employee of the DU shall desist from disconnecting the service to allow the customer to pay his bills within twenty-four (24) hours; Provided however, That the customer can only invoke this provision once for the same unpaid bill.

Every DU operator and its collection agents shall issue to its customers receipts which shall be approved by respective regulating agencies. Receipts issued by third party collection agents, forms and systems generated confirmation receipts shall likewise be approved by respective regulating agencies.

It shall safely keep the duplicate or office stub of the receipts used and shall not destroy them within five (5) years without authority from the ERC.

3.5.7 ADJUSTMENT FOR BILLING

Billing errors resulting from a defective/stop meter without any evidence of tampering shall be governed by the provisions of these guidelines and the Magna Carta for Residential Electricity Consumers.

Billing errors resulting from pilferages committed by the customer shall be governed by the provisions of Republic Act 7832 or the Anti-Electricity Pilferage Act and its Implementing Rules and Regulations.

In the event that a meter in service is found to have an average error of more than the tolerance of minus two percent (2%) without any evidence of tampering by the customer, the utility may ask for payment of a billing adjustment from its customers of the unregistered consumption. If the said electric meter was merely found to be defective and has not completely stopped, and such defect could not be easily detected by the concerned customer, the DU may only be allowed to recover the unregistered consumption for a maximum period of six (6) months prior to the discovery of the defect. In cases where there is actual stoppage or any conspicuous defect of the said meter, the DU may only be allowed to recover the unregistered consumption for a maximum period of three (3) months prior to such discovery of the stoppage.

The DU must enter into an agreement with the customer for a staggered payment scheme within a period equivalent to the number of months covering the billing adjustment.

The refund or billing adjustment should be based on the rate prevailing during the period sought to be recovered, and the estimated consumption shall be based upon the result of the ERC test on the affected meter during the time of discovery. If there is no ERC test result, the estimated consumption shall be based on the average use of energy for the immediately preceding six-month period of like use, or the lowest monthly consumption within three (3) months after the time of discovery.

In cases of other billing errors, the following principles shall apply:

- (a) Refunds for overpayment shall be computed back to but not beyond the date on which the error or omission commenced and be immediately effected and ERC confirmation be secured immediately.
- (b) Payments for undercharge shall be computed back to the date on which the error commenced, however, in no case where the error or omission is due to the fault of the DU, shall a bill for undercharge be computed for a period exceeding three (3) months.

In case of disagreement, the ERC shall resolve the same.

3.6 BILLING DISPUTES

If a customer disputes any bill, charge or service, the DU shall record and promptly investigate the matter and provide a written report to the customer. Reporting to the concerned customer shall be made within fifteen (15) days from receipt of such complaint. The DU shall inform the customer of their right to file a complaint with the ERC.

In cases of regular electric bills with an increase of less than or equal to one-hundred percent (100%) energy consumption based on the customer's average 12-month consumption immediately preceding the billing month in question, the consumer shall have the right to pay the full amount of such electric bill under protest for purposes of continuous supply of electricity by

the utility without prejudice to a complaint to be filed by such customer against the imposition of the bill. To stay disconnection of service in cases of regular electric bills with an increase of more than one-hundred percent (100%) energy consumption based on the customer's average 12-month consumption immediately preceding the billing month in question, such customer shall pay the amount equivalent to said average 12-month consumption subject to adjustment upon resolution of the complaint.

3.7 REGULATED RATES FOR THE CAPTIVE MARKET

Every DU shall be strictly governed in its charges by the schedule of rates prescribed by the ERC and shall not change, alter, or in any manner modify the same without prior authority of the ERC and shall post a copy thereof in a conspicuous place at its office. A DU may only charge rates or service charges to the Captive Market that have been approved or otherwise authorized by the ERC. The DU shall maintain copies of all approved rate schedules at each of its office locations and provide access and copies to such rate schedules to any person making such request at no charge to the person.

ARTICLE IV

RULES PERTAINING TO DISTRIBUTION WHEELING SERVICE

4.1 GENERAL

This Article governs the terms and conditions of the provision of Distribution Wheeling Service ("DWS") by the DU to Retail Electricity Suppliers ("RES") and Generators. Unless otherwise noted, references to RES shall be read to include the SOLR. DWSs pertain to those services performed by the distribution utilities (DUs) for the conveyance of electricity through the regulated distribution system as well as the control and monitoring of electricity as it is conveyed throughout the DU system from the points of receipt to the points of delivery. DWS also includes discretionary services, which are customer-specific services for which costs are recovered through separately priced rate schedules, with the recoverable discretionary charges duly approved and authorized by the ERC.

The DUs shall provide DWS for delivery of electricity of the standard characteristics available in the franchise area. The DU shall provide DWS at its standard voltages. Applicants of DWS must obtain from the DU the phase and voltage of the service available before committing to the purchase of motors or other equipment, and the DU is not responsible if the requested phase and voltage of service are not available. The standard Distribution System service offered by the DU may be provided at the voltage level specified under the appropriate service agreement.

The provision of DWS by the DU is subject to the terms of any service agreements, terms and conditions of the tariffs and applicable legal authorities. All charges associated with a DWS provided by the DU must be authorized by the ERC and included as a tariff charge, as provided in the rate schedules.

4.2 ELIGIBILITY REQUIREMENTS FOR DWS

A RES is eligible for DWS when the following have been met:

- (a) the RES has been licensed by the ERC and/or otherwise has been designated and authorized by the ERC to provide service to End-users;
- (b) the RES has executed any applicable agreements required by TransCo;
- (c) the RES has executed any applicable agreements required by the WESM, if it is a market participant;
- (d) the RES has paid any application fee set as approved by the ERC;
- (e) the RES has demonstrated the ability to operate within the system approved by ERC for data exchange, interruption reporting, and service requests; and
- (f) the RES has executed a DWS Agreement with the DU; or
- (g) following all of the above, if the DU has failed to execute the DWS Agreement although the RES has signed such agreement, the RES shall be deemed eligible for DWS, and the DU shall commence DWS for the RES, during an interim period by filing the unexecuted agreement with the ERC for investigation into the reasons for non-execution by the DU.

4.3 GROUNDS FOR REJECTING DWS AGREEMENT

The DU may refuse to execute a DWS Agreement with a RES for only but any of the following reasons:

- (a) the RES has undisputed outstanding debts with the DU, the transmission provider, or the WESM, as attested in a sworn affidavit from an authorized agent of the entity to which the RES is indebted and such amounts are not currently part of a formal dispute;
- (b) the RES has failed to comply with credit requirements approved by the ERC; or
- (c) the RES has failed to meet any of the eligibility requirements set forth in 4.2.

4.3.1 REJECTION OF DWS AGREEMENT

Upon rejection of any DWS Agreement, the DU shall provide the affected RES with written notice of rejection and shall state the grounds for rejection.

For disputed outstanding debts by a RES, a bond representing ninety percent (90%) of the bill in dispute has to be posted with the DU; otherwise, the DU may refuse to execute a DWS agreement with a RES.

4.3.2 ACCEPTANCE OF DWS AGREEMENT

Upon its acceptance of a DWS Agreement, or pursuant to an order of the ERC approving a DWS Agreement, the DU shall execute the DWS Agreement and shall file an original copy with the ERC, shall provide one original copy to the RES, and shall maintain one original copy for its own records.

4.4 RELATIONSHIP WITH RES' END-USE CUSTOMERS

A RES is responsible for all contractual, service, and billing matters related to their End-use customers including those pertaining to DWS, and the DU shall not be responsible for monitoring, reviewing or enforcing such contracts or arrangements. This does not, however, prohibit End-users from contacting and contracting directly with the DU for Connection Assets and Services pursuant to Article II of the DSOAR.

Subject to the adoption by the ERC of the dual billing policy for contestable customers, a RES may opt to have one or more of their end-use contestable customers contract directly with the DU for DWS,

4.5 METERING

4.5.1 TIME OF USE METERING FACILITIES

All DWS customers in the initial phase of the Open Access Retail Competition shall have installed time of use metering facilities capable of measuring energy use and demand in a fashion consistent with WESM energy settlement intervals, and distribution and transmission demand charge intervals. Any exceptions to this rule require specific ERC approval.

4.5.2 OWNERSHIP OF METERS

The person procuring the meter for a customer in the Contestable Market shall have the first option of owning the meters subject to any applicable rules and regulations of ERC including but not limited to the Distribution Code. In the event a meter is not owned by the MSP, the End-user shall execute an Agreement for Meter Ownership and/or Access for Non-Company Owned Meters. The MSP remains responsible for testing, sealing, and maintenance of all meters, subject to ERC procedures, regardless of ownership. All billing meters shall be located at the exterior of the End-user's premises in a place that ensures easy access by the DU, MSP and RES. Immediate access by the DU, RES and MSP to any meter within its area of responsibility shall not be denied.

4.5.3 METER READING AND DATA DISSEMINATION SERVICE

The DU shall conduct meter reading and data dissemination as a regulated service until such time as competitive metering services may be approved by the ERC. Upon establishment of competitive metering services, an End-user may select any person authorized by the ERC to perform meter reading and data dissemination service.

4.5.4 REQUEST FOR ADVANCED METERING TECHNOLOGY

An End-user in the Contestable Market or a RES serving the End-user may request a new meter or meter upgrades with advanced technical capabilities to be provided by the MSP provided that all costs related to the new meter including upgrades are borne by the RES or End-user. Similarly, a RES or an End-user can request an upgrade to the meter.

Should there be a request for a new meter or a communication device be attached to the existing meter, the MSP shall provide, install, test, and maintain the requested metering or communication device in accordance with ERC approved Other Charges. All advanced metering technology shall comply with applicable ERC standards.

4.5.5 RIGHT TO PROCURE AND INSTALL ADVANCED METER EQUIPMENT

End-users in the contestable market and/or a RES contracted with the End-user shall have the right to own advanced metering equipment and select their own contractor and/or equipment vendor provided that all requirements herein are met. All advanced metering technology shall comply with applicable ERC approved DU standards.

4.5.6 ACCESS AND METER READING

The RES contracted with an End-user shall have read-only access for purposes of reading a meter of that End-user. If End-user takes DWS at primary distribution or transmission voltage, the MSP shall meter DWS at that voltage level. The MSP is responsible for reading the meter. If an actual meter reading is not obtained, the DU/MSP shall estimate the meter reading for invoicing purposes as prescribed in Article 3.5.4. In the case of meter malfunction, the historical load profile from the previous month shall be reported and noted as such. The MSP shall report measurement data for a point of delivery as required by the ERC.

4.5.7 METER DATA EXCHANGE

The Meter Service Provider shall regularly submit to the Central Registration Body (CRB) the meter reading data of each contestable customer within three (3) Business Days from meter reading date.

4.6 SUBTRANSMISSION

4.6.1 DELIVERY SERVICE PROVIDED BY OWNER OF SUBTRANSMISSION

A qualified DU or consortium of qualified DUs that own subtransmission facilities shall ensure nondiscriminatory provision of unbundled delivery service over subtransmission to any user, whether that user is connected or not connected to subtransmission, who wants to wheel power over subtransmission. Subtransmission wheeling service shall be in accordance with the terms and conditions of DWS covered by this Article IV in its entirety and Article II on connections. Customers connected to subtransmission may include DUs, Generators, End-users, or a RES providing retail service to a connected End-user.

4.6.2 NON-IMPAIRMENT OF GENERATION CONTRACTS WITH END-USERS

The obligation to provide DWS per 4.6.1 shall not in any way impair an existing purchase power agreement or generation contract legally executed between an End-user and a Generation Company, nor a future

purchase power agreement between an End-user and a RES in the contestable market.

4.6.3 SUBTRANSMISSION COSTS AND RATES

The rates charged for DWS over subtransmission facilities shall be in accordance with the rates approved by ERC.

4.6.4 END-USER IN THE CAPTIVE MARKET WITHOUT SUFFICIENT GENERATION

Any End-user connected to subtransmission without a legitimate purchased power contract sufficient to provide all energy requirements and that End-user is not part of the Contestable Market, the End-user shall be considered to be part of the Captive Market and shall be served as such by the relevant franchised entity. Similarly, in the case of a legitimate contract that has expired and that End-user is not part of the contestable market, the End-user shall be considered to be part of the Captive Market and shall be served as such by the relevant franchised entity.

4.7 TRANSMISSION

4.7.1 CONTRACTING FOR TRANSMISSION SERVICES

A RES shall obtain required transmission services in one of two ways as part of its service to a particular End-user connected to a distribution system or subtransmission. The RES may opt to have the DU contract with the Transmission Provider for the demand of the RES' customers, and the DU shall pass-through the related costs including any deposits to the RES. Alternatively, a RES may execute a contract for transmission services directly with the TransCo. If the latter option is selected, the RES shall properly inform the DU providing DWS of this selection. This provision does not pertain to transmission connection services.

4.7.2 APPLICABLE TRANSMISSION RATES

Regardless of which option is selected under 4.7.1, the amount paid for transmission service by a RES or a Contestable Market customer shall be based on approved TransCo rates and the billing determinants metered for the individual customer's Connection Point. In other words, the transmission costs borne by the Contestable Market customer should not be an allocation of the DU system-wide load.

4.7.3 ANCILLARY SERVICES

When the DU is connected to the transmission grid, a RES shall obtain all required ancillary services from TransCo/Concessionaire or through the WESM and shall not be required to take ancillary services from the DU except as may be selected as an option by the RES per 4.7.1. In the event a DU connected to the transmission grid provides ancillary services which benefit the Distribution System, compensation or credit to

the DU and the Captive Market for providing ancillary services shall be determined pursuant to the WESM Rules when applicable.

For a DU that is not connected to the transmission grid, the DU shall seek approval of unbundled ancillary service charges to ensure that both the Captive Market and the Contestable Market share in ancillary service costs in a nondiscriminatory manner. Such application for the approval of unbundled ancillary service charges shall be filed with the ERC.

4.7.4 WESM REQUIREMENTS

A RES is solely responsible for meeting any applicable WESM requirements. The DU shall not be responsible for any WESM requirements pertaining to a RES or a Contestable Market customer served by a RES.

4.8 BILLING AND RELATED CUSTOMER SERVICE

4.8.1 RES RIGHTS AND RESPONSIBILITIES

A RES is fully responsible for determining the billing methods for their customers and payment of all obligations to other market participants. As an option to the RES, the contestable customer of the RES may be billed directly by the DU for DWS, subject to the adoption by the ERC of the dual billing policy.

An End-user in the contestable market is responsible for paying their RES all amounts legitimately billed by the RES but shall not be held responsible for any amount not paid by the RES to other market participants.

4.8.2 DEPOSIT FOR DWS

Whoever contracted for DWS, be the RES or Contestable Customer, shall remit a deposit to the DU equivalent to one month estimated billing for DWS based on the historical demand and/or energy of such customer, or in the case of a newly connected Contestable Customer, based on projected demand and/or energy and subsequently adjusted after one year of historical usage. Such deposit may be used toward unpaid bills.

4.8.3 PAYMENTS

With the exception of payments that are the responsibility of the End-user, the RES shall pay all amounts due to the DU, TransCo, WESM, Generators, or other Participants within the timeframe specified in its respective agreements or requirements. Failure to do so may be grounds for license revocation pursuant to the RES licensing guidelines and possible disconnection of the RES's customers. Failure of the End-user in the Contestable Market to make payments to a RES or the DU, when such customer contracts directly with the DU, may be grounds for disconnection.

Upon failure of the RES or Local RES to pay the DU its proper share of Contestable Customer payments within the timeframe specified in its

billing agreement, the RES or Local RES shall pay interest on the unremitted amount. The RES or Local RES shall calculate the interest at the rate of 12% per annum from the date the payment was due to be received by DU or its bank. The payment of interest is in addition to, and not in lieu of, the rights and remedies otherwise available to the parties.

4.8.4 FAILURE TO PAY AND DISCONNECTION RIGHTS OF THE DU AND THE RES

4.8.4.1 RES FAILURE TO PAY DU

In the event a RES fails to pay for DWS by the due date prescribed for the service, the DU shall notify the CRB that service under the DWS agreement will be terminated in seven (7) days from the RES' receipt of the notice to such effect.

The CRB shall forward the notice to the RES within one (1) hour upon receipt of notice in accordance with Article IV of the Rules for Customer Switching. Thereafter, the CRB shall forward the duly received notice to the DU.

If the RES fails to pay within 48 hours following said notice, the DU shall send a copy of the notice of disconnection to the RES's affected Contestable customers.

Prior to termination of service under the DWS agreement, the contestable customer must either acquire supply from another licensed RES or temporarily acquire service as a SOLR customer to avoid disconnection.

If upon termination of service under the RES DWS agreement, the contestable customer has not acquired service from another RES or the SOLR, the DU shall have the right to physically disconnect such customer.

If at the time the disconnection is to be made, the RES tenders full payment of the unpaid bill to the agent or employee of the DU who is to effect the disconnection, the said agent or employee of the DU shall desist from disconnecting the service to allow the RES to pay his bills within twenty-four (24) hours and the CRB shall be informed of such developments. Provided however, that the RES can only invoke this provision once for the same unpaid bill.

4.8.4.2. RES CUSTOMER FAILURE TO PAY DU

Subject to the adoption by the ERC of the dual billing policy, in the event that a RES customer billed by the DU for DWS fails to pay by the due date, a 48-hour notice of disconnection shall be sent to the customer and the CRB shall be informed of such notice.

The CRB shall forward the notice to the RES as soon as practicable upon receipt from the DU. If the customer fails to

pay the amount within the 48-hour period, the DU shall have the right to physically disconnect such RES customer.

The DU shall inform the CRB if such customer has been disconnected and the CRB shall inform the RES of the disconnection as soon as practicable.

If at the time the disconnection is to be made, the RES customer tenders payment of the unpaid bill to the agent or employee of the DU who is to effect the disconnection, the said agent, or employee of the DU shall desist from disconnecting the service to allow the RES customer to pay his bills within twenty-four (24) hours and the CRB shall be informed of such developments. Provided however, that the RES customer can only invoke this provision once for the same unpaid bill.

4.8.4.3. RES CUSTOMER FAILURE TO PAY THE RES

In the event that the Contestable Customer fails to pay the RES or Local RES for service rendered by due date, the RES or Local RES may send a 48-hour written notice of disconnection to the Contestable Customer.

The RES and Local RES shall inform the CRB of such notice at the same time it sends the notice of disconnection to the Contestable Customer.

The CRB shall forward the notice of disconnection to the DU as soon as the practicable upon its receipt of said notice.

If the Contestable Customer fails to pay within the 48-hours period, the RES or Local RES may send a request for disconnection to the CRB. The latter shall then forward the request for disconnection to the DU as soon as practicable upon its receipt of said request.

The DU shall disconnect the Contestable Customer within 24 hours upon receipt of request for disconnection, and notify the CRB that the Contestable Customer has been disconnected. The DU shall not be responsible for verifying the validity of RES' request for disconnection.

The Contestable Customer may pay the RES or Local RES at the time of disconnection and the RES or Local RES shall advise the DU to desist from disconnecting service.

The RES or Local RES shall be held liable in case where the Contestable Customer is protesting the disconnection made by the DU.

Any disconnection performed pursuant to this section is without prejudice to any charges, interest, or penalties legally imposed.

4.8.5 CONTESTABLE END-USER COMPLAINTS AND DISPUTES

Any complaint by a contestable customer concerning the service or lack thereof by all power industry participants shall be governed by a

separate guideline on dispute resolution for the contestable market to be promulgated by the ERC.

4.9 GENERATOR WHEELING IN THE DISTRIBUTION SYSTEM

4.9.1 DU RESPONSIBILITIES

A DU shall make available at non-discriminatory terms and conditions unbundled DWS to generators that seek to wheel power into, out of, or through the distribution system.

4.9.2 GENERATOR RESPONSIBILITIES

A generator connected to the distribution system that seeks to wheel power out of the distribution system shall pay all applicable DWS charges. A generator wheeling power into or through the distribution system shall likewise pay the applicable DWS charges unless those charges are paid to the DU by load-serving entities such as a RES or another DU.

A generator seeking a connection from a DU in order to supply its station-use energy requirement shall complete an end-user connection application with the DU and shall be subject but not limited to the service connection, metering, billing and disconnection policies of the DU.

4.10 WHEELING FOR ANOTHER DISTRIBUTION UTILITY

4.10.1 THE RESPONSIBILITIES OF DU AS CUSTOMER

A DU shall make available at non-discriminatory terms and conditions unbundled DWS to other DUs that seek to wheel power out of or through the distribution system.

4.10.2 CUSTOMER RESPONSIBILITIES

A DU that seeks to wheel power out of or through the distribution system shall pay all applicable DWS charges unless those charges are paid to the DU by a generator or other load-serving entities such as a RES.

ARTICLE V

GUIDELINES FOR ESTABLISHING REGULATED SERVICE RATES

5.1 GENERAL

The Commission issued its Uniform Rate Filing Requirements (UFR) on October 31, 2001. Since that time, ERC policy regarding the setting of rates by DUs has evolved, most notably with the implementation of the removal of cross-subsidies and the adoption of the Rules for Setting the Distribution Wheeling Rate (RDWR) and the Rules for Setting Electric Cooperatives Wheeling Rate (RSEC-WR). An additional RDWR will be issued for each Entry Point, to reflect only the dates relevant to that particular Entry Point

To further promote nationwide consistency in rate design for distribution service, the Commission sets forth these guidelines herein. These guidelines are intended to complement, not substitute, the UFR. The UFR remains in full force until such time as the UFR itself may be revised by the Commission.

5.2 UNIFORM RATE FILING REQUIREMENTS

The ERC hereby incorporates the UFR as part of the DSOAR. All DUs shall adhere to the principles and methods set forth in the UFR, as may be revised by the ERC, as well as any principles set forth by the ERC in Decisions and Orders issued as part of UFR cases.

5.3 DISTRIBUTION UTILITIES OPERATING UNDER THE RDWR

5.3.1 GENERAL

The focus of these provisions is primarily rate design under the RDWR; that is, the allocation of revenue requirements to Customer Segments and the conversion of the revenue requirement for a particular Customer Segment into the various rate elements paid monthly by the customers within that customer segment.

The RDWR provides flexibility to expeditiously adjust rates between Regulatory Resets subject to a maximum average price ("MAP"). The MAP is a company-wide measure without much constraint on individual rate elements. The intent in granting such flexibility is to promote efficient DU operations; however, the Commission also intends to ensure that use of such flexibility adheres to the policies set forth in the EPIRA. Specifically, all DUs shall only charge rates that reflect the cost-based unbundled structure set forth in the UFR. At no time may costs or revenues that should be recovered from one unbundled function be shifted onto other unbundled functions. The rate design shall be free of inter-class subsidies. That is, costs or revenues that should be recovered from one customer segment shall not intentionally be shifted onto other customer segments. The Side Constraints set forth in Section 5.17 of the RDWR shall not be used to justify the shifting of revenues from one customer segment to other customer segments.

The RDWR applies only to privately owned Distribution Utilities that have commenced the Regulatory Reset Process and are therefore defined as Regulated Entities in terms of the RDWR. It determines the manner in which the maximum electricity distribution wheeling rates for providing Regulated Distribution Services may be charged by Regulated Entities and the Performance Incentive Scheme to be implemented under PBR.

The RDWR describes a form of Performance Based Regulation (PBR) for Regulated Distribution Services. Fundamentally, it sets a cap on the maximum average rates for providing distribution wheeling services. This price cap is set for each Regulated Entity to allow them to recover efficient expenditure only and provide an appropriate return to investors in the Regulated Distribution Systems. In addition, built-in incentives exist to further improve the efficiency of operating and capital expenditures, as well as network and service performance levels.

Regulation occurs in four-year periods and the annual average price-caps are set in accordance with the actual Philippines consumer price index (CPI) and Philippine Peso/US dollar exchange rate experienced over the Regulatory Period, modified by an efficiency factor (X-factor) that is determined in terms of the RDWR. This is a variant of the “CPI-X” form of regulation.

5.3.2 GENERAL METHODOLOGY FOR CONVERTING AN ANNUALLY ADJUSTED MAP INTO RATES

Adjustments made to a MAP during a Regulatory Period must be converted by the DU into new rate elements. This section sets forth a general methodology by which these calculations are to be made.

The general formula for a MAP is similar to that found in Article 4.5.5 of the RDWR: $MAP_{bs} = (CR_{bs} - RBR_{bs}) / CQ_{bs}$

Where:

CR_{bs} = The amount (expressed in PhP) billed to Customers of that Regulated Distribution System, or other persons, for the provision of either regulated services, or unregulated services which utilize assets that form part of the regulatory asset base for that Regulated Distribution System, by the Regulated Entity that operates that Regulated Distribution System, during the 12 month period ending on 31 December;

RBR_{bs} = Such portion (expressed in PhP) of the net income derived, during the 12 month period ending on 31 December, from each related business undertaking which is engaged in directly or indirectly by the Regulated Entity that operates the relevant Regulated Distribution System and which utilizes assets that form part of the regulatory asset base for that Regulated Distribution System (see Section 4.8.8), being a portion that is determined by the ERC pursuant to Section 26 of the EPIRA and that may vary as between such business undertakings but which, for each such business undertaking, does not exceed 50% of the net income that is so derived from that business undertaking; and

CQ_{bs} = The total amount of energy (expressed in kWh) delivered through the relevant Regulated Distribution System, during the 12 month period ending on 31 December, to Connection Points in respect of that Regulated Distribution System, such amount of energy:

- a.) being determined in a manner that is approved for this purpose by the ERC; and
- b.) as so determined being audited to the satisfaction of the ERC by a person that is approved for this purpose by the ERC.

The maximum average price cap is a company-wide measure and does not address individual rate elements. It is therefore necessary to convert this into rate elements. The general methodology for this conversion is consistent with the RDWR Position Paper dated December 8, 2008, the steps to calculate the rates for an Application Year are as follows:

- a) Calculate the historical revenue earned from each Customer Segment i for the historical year t ($CR_{i,t}$).
- b) Calculate the average historical rate for each customer segment over the previous 12 months ($CS_{i,t} = \frac{CR_{i,t}}{CQ_{i,t}}$), where $CQ_{i,t}$ is the energy consumed by each customer segment i (kWh), during historical year t .
- c) Compute the projected revenue for the next year per customer segment based on the historical rate and forecast consumption ($CR_{i,t+1} = CS_{i,t} \times FQ_{i,t}$).
- d) By adding the projected revenue for each Customer Segment, the total projected revenue for the Application Year, based on historical rates, is calculated. ($CR20YR = \sum CR_{i,t+1}$)
- e) Determine the proportion of revenue to be recovered for each customer segment based on the projected revenue. ($\frac{CR_{i,t+1}}{CR20YR}$)
- f) Compute the total revenue (TR) for the Application year by multiplying the maximum average price cap (MAP_t) with the forecast energy consumption for the Application Year. ($TR = MAP_t \times FQ_t$)
- g) Allocate the total revenue requirement (TR) for the Application Year to each Customer Segment ($TR_{i,t}$) based on the proportion of projected revenue from each Segment to the total revenue projected as computed under item (e) above.

$$(TR_{i,t} = TR \times \frac{CR_{i,t}}{CR20YR})$$

- h) The new rate element for a Customer Segment is then based on the revenue requirement allocation to that segment for the Application Year, using the same rate design as before for that Customer Segment, as approved at the time of the regulatory reset.

The historical period to be used for determining the proportional revenue allocation is 12-month period ending on December 31 before the Application Year.

Implicit to this methodology is the fact that a new rate structure or Customer Segment cannot be introduced during a Regulatory Period. Such changes or the introduction of a new rate structure can therefore only be made as part of the regulatory reset process.

Changes in the rates, to account for new required revenue allocations to a Customer Segment, can therefore only be introduced by changing the quantum of those rate elements that already exist for each particular rate structure.

5.3.3 REGULATORY RESET PROCESS – TIMELINES

Prior to the commencement of each regulatory period the ERC will undertake a regulatory reset process consistent with the provisions of the RDWR. This process will entail consultation in respect of the ERC's proposals for the price control arrangements that are to apply for that regulatory period.

The ERC shall publish a Regulatory Reset Issues Paper not less than 21 months prior to the end of each Regulatory Period. The Regulatory Reset Issues Paper shall:

- provide the ERC's initial views on the issues raised by the pending Regulatory Reset Process;
- specify the information to be provided by each Regulated Entity for the purposes of the Regulatory Reset Process and the time by which that information must be provided; and
- the time by which each Regulated Entity must file an application with the ERC to commence the Regulatory Reset Process consistent with the provisions of the RDWR.

The ERC shall call for written submissions on the issues raised in the Regulatory Reset Issues Paper and shall require that such submissions be delivered not later than two months after the publication of the Regulatory Reset Issues Paper. When all such written submissions have been received, the ERC shall, within two weeks of the closing date for written submissions, publish all such submissions on its web site or through such other electronic medium.

Where a written submission identifies information in it which is confidential, the ERC may only publish or otherwise disclose that information if the ERC has given written notification to the person who has made that submission of the ERC's intention to publish or otherwise disclose that information and either:

- that person has not made a written submission to the ERC objecting to the publication or disclosure of that information (including reasons as to why publication or disclosure of the information would cause substantial commercial damage or harm to it) within two weeks of receiving the written notification; or
- that person has made a written submission to the ERC objecting to the publication or disclosure of that information (including reasons as to why publication or disclosure of the information

would cause substantial commercial damage or harm to it) but the ERC, after considering that submission, nevertheless decides that publication or disclosure of the information will not cause substantial commercial damage or harm to that person (in which case the ERC must not publish or otherwise disclose that information unless it has first given the person not less than one week's notice of its decision).

Following the publication of the Regulatory Reset Issues Paper, the ERC could retain a Regulatory Reset Expert or Regulatory Reset Experts consistent with the provision of the RDWR for the purpose of undertaking and preparing a written report in respect of each of the following:

- the asset re-valuation in relation to each Regulated Distribution System that is operated by a Regulated Entity;
- for the purposes of the Regulatory Reset Process for the Second Regulatory Period, the condition of certain assets that are used to provide Regulated Distribution Services and the regulatory life which should be attributed to such assets;
- the determination of the weighted average cost of capital;
- the review of each Regulated Entity's proposed capital expenditure in relation to each Regulated Distribution System that is operated by it;
- the review of each Regulated Entity's proposed operating and maintenance expenditure in relation to each Regulated Distribution System that is operated by it; and
- the review of each Regulated Entity's energy delivery forecasts.

Alternatively the ERC could conduct one or more of these reviews internally, or in conjunction with Regulatory Reset Experts.

The reviews must commence at least 18 months prior to the start of the next relevant Regulatory Period, and be substantially concluded seven months prior to the start of that Regulatory Period.

Not later than six months prior to the commencement of the relevant Regulatory Period the ERC shall publish a draft determination on the price control arrangements that are to apply for the relevant Regulatory Period on the ERC's website or through such other electronic medium.

The ERC must invite submissions on the draft determination, such submissions to be provided in writing or at public hearings convened for that purpose.

All written submissions must be made within 30 days of the publication of the draft determination and only those persons who make written submissions may participate in the relevant public hearings. Participation will be in accordance with the ERC Rules of Practice and Procedure.

The relevant public hearings must be held during the period of five to four months prior to the commencement of the relevant Regulatory Period.

After considering all the submissions made, the ERC shall publish a final determination on the price control arrangements that are to apply for the relevant Regulatory Period. Such final determination must be published not later than three-and-a-half months prior to the commencement of the relevant Regulatory Period on the ERC's website or through such other electronic medium.

5.3.4 REGULATORY RESET PROCESS - RATE APPLICATION PRIOR TO START OF THE REGULATORY PERIOD

After the ERC had made its final determination on the price control arrangements that are to apply for the relevant Regulatory Period, the Regulated Entity has to convert the decision on the initial maximum average price into distribution tariffs that will reflect the tariff applicable to each Customer Segment for providing Regulated Distribution Services during the first Regulatory Year.

The Regulated Entity has to file a rate application with the ERC by not later than three months prior to the start of the relevant Regulatory Period in which it indicates how it proposes to convert the initial maximum average price determined by the ERC into distribution tariffs for each Customer Segment in its Regulated Distribution System. This application has to be filed in accordance with the ERC Rules of Practice and Procedure and will constitute a formal rate case which will be subject to public hearings. The rate application has to be published in a local newspaper of substantial general circulation.

As part of the rate application, the Regulated Entity has to provide full details of how the maximum average distribution wheeling rate will be translated into distribution tariffs for each Customer Segment for the provision of Regulated Distribution Services in respect of the relevant Regulated Distribution System during the first Regulatory Year. This proposal must clearly describe the basis on which the distribution tariffs were determined for each Customer Segment, the allocation of costs to each Customer Segment, the functionalization factors used and the calculations and supporting material for the proposal. A statement must be provided to confirm the absence of interclass cross-subsidies between Customer Segments (with the exception of customers on a lifeline rate, who may be subsidized). The rate application must also clearly indicate the data used in calculating the proposed distribution tariffs, the source of all data used, and must provide an explanation of each calculation and its outcome, so that there is no ambiguity for the

ERC in interpreting how the Regulated Entity calculated the proposed distribution tariffs.

Public hearings on the rate application will be held prior to the start of the relevant Regulatory Period. At these hearings the ERC will have the opportunity to question the Regulated Entity on its proposed distribution tariffs and parties of record to the rate case will have opportunity to cross-examine witnesses put forward by the Regulated Entity to defend its application.

Where the ERC requires such by notice in writing or by instruction issued during the public hearings, the Regulated Entity must file with the ERC, in accordance with the ERC Rules of Practice and Procedure, further information on the proposed distribution tariffs set out in its submission, and such further information must be also provided before the commencement of the first Regulatory Year.

The ERC must immediately precedes the commencement of the first Regulatory Year, determine whether or not the distribution tariffs proposed by the Regulated Entity in its submission (as such submission may be amended with the approval of the ERC) is consistent with the final determination on the price control arrangements for the relevant Regulatory Period. If:

- the ERC is satisfied that such tariffs are consistent and do comply, an order will be issued in this regard to the Regulated Entity and the Regulated Entity must, after advertising this intention four weeks in advance in a local newspaper of general circulation, implement those tariffs with effect from the first Regulatory Year;
- the ERC is not satisfied that tariffs are consistent and comply:
 - a) the Regulated Entity must amend its proposed distribution tariffs in accordance with such directions as the ERC (after consulting with the Regulated Entity) may give for the purposes of ensuring that these tariffs are consistent with the requirements of the RDWR; and
 - b) on receiving an order from the ERC approving the amended tariffs, the Regulated Entity must implement those amended tariffs, after advertising this intention four weeks in advance in a local newspaper of general circulation, but not earlier than the first Regulatory Year.

5.3.5 MONITORING BY ERC

Between Regulatory Resets and Annual Verification and Adjustment of Tariff Rates under the RDWR, the ERC shall review the rate design employed by the DU to ensure consistency with these guidelines.

5.4 DISTRIBUTION SYSTEM LOSSES

Connection Customers and the DU shall handle system losses in accordance with the ERC's rules and regulations. The DU is responsible for procuring all

energy related to distribution system losses and will be allowed to recover such costs through ERC approved System Loss Charges, subject to a System Loss Cap. A RES shall also pay any applicable distribution System Loss Charge to the DU for the procurement of energy related to distribution system losses.

5.5 PURCHASED POWER COSTS

Pass through of purchased power costs of the DU shall be done in accordance to ERC orders and rules.

5.6 TRANSMISSION COSTS

Pass through of transmission costs billed by the transmission provider to the DU shall be done in accordance to ERC orders and rules.

ARTICLE VI

REDISTRIBUTION OF ELECTRICITY

6.1. GUIDING PRINCIPLES

- a) As a general rule, occupants, whether, owners or tenants of units within buildings, single structures, or industrial/ commercial complexes must be connected / served directly by the DU which has an existing franchise over the concerned area, unless the DU finds it impractical to provide electric service and/or occupants are not able to satisfy the DU's standard requirements for electric service, or DU waives the right to serve those customers
- b) DUs must install separate meters to individual unit-users of buildings, subject to compliance with DU's standard requirements for electric service.
- c) All users, whether deriving electricity from DUs or redistributors, must have equal rights and obligations as embodied in the rules and regulations promulgated by the ERC to protect consumer interest, including but not limited to the Magna Carta for Residential Electricity Consumers, the instant Rules and Republic Act No. 7832 (Anti-Electricity Pilferage Law).
- d) In cases of sub-metering, the individual unit-users shall pay their electric bills to the building owners or administrators as if they are actually being billed by the RES/DU based on the same customer classification. Thus, the unit owners shall only pay for their actual consumption reflected in their respective sub-meters and the rate to be charged shall not be higher than those imposed by the DU on the redistributor. This is without prejudice to the recovery of reasonable expenses in sub-metering of electricity by the building owner or administrator from their respective unit-users as provided for in 6.3.1(j). However, no profit shall be derived from such recovery.
- e) Reasonable expenses, including redistribution loss, may be recovered by redistributors. Non-technical losses may be recovered pursuant to the

provisions of Republic Act No. 7832, the Revised Penal Code and other related laws, rules and regulations.

- f) Administrative expenses, connection or network assets investments and all other electrical equipment shall be recovered separately from the electricity bills.
- g) Redistributors are required to bill individually their unit-users in a transparent manner as if they are being billed directly by the DU.

6.2. COVERAGE

- a) An End-user building that is singly connected to the DU. The building may be connected to the DU through a few billing meters, in accordance with the Philippine Electrical Code; and
- b) An Industrial or commercial complex redistributing power within the complex;
- c) Barangay Power Association (BAPA)

6.3. POLICIES ON REDISTRIBUTION

6.3.1. GENERAL CONDITIONS FOR REDISTRIBUTION.

An end-user may be allowed to redistribute electric service subject to the following conditions:

- a) A redistributor shall provide and install individual sub-meters to the units of the individual unit-users to ascertain the latter's energy consumption.
- b) All electric watt-hour meters must be tested, certified and sealed by ERC prior to installation. The Rules and Procedures for the Test and Maintenance of Electric Meters of Distribution Utilities shall apply, insofar as it is practicable.
- c) All sub-meters' reading multiplier should both be attested and documented by the redistributor and the Lessee /Customer/unit owner and should be clearly indicated on the face of the meter.
- d) All sub-meters shall be installed in a clean place free of vibration and easily accessible for reading and testing by both the redistributors and the individual unit-users.
- e) Common areas shall be metered separately from the unit-users' premises. In cases when this would not be possible because of the design of the building, the consumption of the common areas may be estimated using a computation method agreed upon by the redistributors and the unit-users.
- f) Every redistributor shall instruct its meter reader when reading periodically the meter installed in the premises of a customer, to leave in such premises a record or any other means of information showing the date of the reading, the reading made, the previous reading and the total consumption expressed in units of service used, as read by the meter reader, and the printed name of the

meter reader. Meter reading shall be on the same day with the DUs meter reading.

- g) The energy consumption of premises which are leased for very short terms, or for temporary periods each not exceeding six (6) months and are not permanent divisions in a building shall be deemed included in the rentals for such premises.
- h) A redistributor shall bill its individual unit-users monthly. The billing statement, duly received by the unit-user, must contain the same detailed information, as shown in the ERC approved unbundled customer bill format. A copy of the DU's bill to the redistributor shall be displayed or posted in conspicuous places within the premises.
- i) Individual unit-users shall pay the redistributor their energy consumption based on the actual consumption reflected in their individual sub-meters.
- j) In accordance with the provisions of their contract or established policies of the homeowner's association or industrial or commercial complex, the redistributor shall be allowed to recover from the unit-users an amount for other expenses, through monthly dues/rental which should be proportionate to utility allocation namely:
 - i. Electrical consumption of the common areas(per kwhr);
 - ii. Redistribution loss arising from technical losses, and not from non-technical losses or pilferages (per kwhr);
 - iii. Billing and collection (per account);
 - iv. Cost of transformers/substations owned by the building if these were installed to provide electric service(per kva installed);
 - v. Cost of meters(per meter); and
 - vi. Other expenses reasonably incurred by the redistributor in redistributing electricity.

The said recoveries shall be billed separately from the electric bill.

- k) For the establishment of credit, unit owner and the redistributor shall follow the deposit and deposit refund requirements found in the Magna Carta and DSOAR. The amount of the bill deposit shall be equivalent to the estimated monthly billing. Provided that after one (1) year and every year thereafter, when the actual average monthly bills increased/decreased more than ten (10%) percent of the bill deposit, such deposit shall be correspondingly increased/decreased to approximate said billing. Redistributor shall pay interest on bill deposits equivalent to the Peso Savings Account Interest Rate of Land Bank of the Philippines on the first working day of the year, or other government banks subject to the approval of the ERC. The interests shall be credited yearly to the bills of the registered sub-meter user.

- l) Rebates and refunds that will come from the DU should be passed on to the unit owners/user. Allocation/computation for rebates to unit owners should be of same manner as that of the DUs.

6.3.2. ADDITIONAL CONDITIONS FOR REDISTRIBUTORS WITH SUBSTATIONS.

A redistributor with a substation allowed to redistribute electric service shall likewise comply with the following conditions:

- a) The redistributor must own the substation and the buildings connected thereto in order to validly redistribute electricity thereon.
- b) The substation and buildings must be located within a single industrial or commercial complex situated in a contiguous area fenced off from the surrounding properties. The requirement of the contiguous area being fenced off from the surrounding properties shall only apply to this Rules.
- c) In cases where other buildings owned by other persons/entities are located inside the industrial or commercial complex, the DU must give their consent prior to the connection thereof to the substation. Otherwise, these buildings must be served by the DU which has franchise rights over the area.
- d) The redistributor must have a valid contract with the DU wherein the maximum load capacity of the substation is determined. Unless otherwise provided for in its contract with the DU, future buildings owned and constructed by the redistributor may be connected to the substation as long as the allowable maximum load of the substation is not exceeded, after due notice to the DU and compliance with all technical rules and regulations provided for by law.
- e) The redistributor must install a billing meter in each building connected to the substation to determine the consumption of such building.
- f) In accordance with the provisions of their contract or established policies of the homeowner's association or industrial or commercial complex, the redistributors shall be allowed to recover from the unit-users a fixed amount for other expenses, through monthly dues/rental which should be proportionate to utilization namely:
 - i. Electrical consumption of the common areas limited to that of the building where the unit-users are occupying;
 - ii. Redistribution loss arising from technical losses and not from non-technical losses or pilferages;
 - iii. Billing and collection;
 - iv. Cost of transformers/substations owned by the building if these were installed to provide electric service;
 - v. Cost of meters; and

- vi. Other expenses reasonably incurred by the redistributor in redistributing electricity.

6.4. RIGHTS AND OBLIGATIONS OF UNIT-USERS

6.4.1. RIGHTS OF UNIT-USERS

Each unit-user shall be entitled to the rights provided to residential customers in the Magna Carta for Residential Electricity Consumers under Articles 7 (Right to a Refund of Bill Deposit), 10 (Right to a Refund of Overbillings), 12 (Right to a Meter Testing by ERC), 18 (Right to Due Process Prior to Disconnection of Electric Service), 19 (Right to a Notice Prior to Disconnection), 21 (Right to Tender Payment at the Point of Disconnection; Deposit Representing the Differential Billing), 22 (Right to Electric Service Despite Arrearages of Previous Tenant), 23 (Right to Reconnection of Electric Service), 24 (Right to Witness Apprehension), 25 (Right to ERC Testing of Apprehended Meter), 26 (Right to Payment Under Protest) and 27 (Right to File Complaints before ERC).

Further, Items 3.5.4 (*Estimated Bills*) and 3.5.7 (*Adjustment for Billing*) of this Rule shall apply.

Furthermore, the unit owners or lessees shall have a right to inspect the DU's billing to the redistributor at reasonable business hours.

References made to the DU in the Magna Carta and the DSOAR shall be construed as referring to redistributors identified in these Rules.

6.4.2. OBLIGATIONS OF UNIT-USERS

Unit-users shall have the following obligations

- a) Payment of bill deposits – A bill deposit from all unit-users to guarantee payment of bills may be imposed by redistributors in accordance with 6.3.1.
- b) Payment of bills within the period specified under their contract or the existing policies of the Homeowner's Association;
- c) Payment of late charges and penalties specified under their contract or the existing policies of the Homeowner's Association; and
- d) To allow the faithful and accurate recording of consumption to be reflected in his sub-meter.

6.5. COMPLIANCE WITH LAWS, RULES AND REGULATIONS

Redistributors and Unit-users must comply with all other laws, rules, regulations, guidelines, orders and resolutions promulgated by the ERC.

ARTICLE VII

PROFORMA AGREEMENTS AND FORMS

The agreements and forms provided herein only serve as guidance as to what the ERC may find acceptable. The parties to any agreement may as appropriate deviate from these pro forma agreements. Any deviations from the pro-forma agreements which amount to amendment of a DU's ERC-approved terms and conditions of service shall be filed with the ERC. Nothing herein shall prevent the parties from implementing the same immediately upon execution, subject to whatever modifications that may be subsequently approved by the ERC.


List of pro forma agreements and forms posted separately:

- 7.1 Connection Agreement
- 7.2 Application for interconnection and Parallel Operation of Generation with the Utility System
- 7.3 Agreement for interconnection and Parallel Operation of Generation
- 7.4 Easement and Right of Way Form
- 7.5 Agreement for Meter Ownership and/or Access for Non-Company Owned Meters
- 7.6 Distribution Wheeling Service Agreement

Pasig City, February 22, 2010


ZENAIDA G. CRUZ-DUCUT.
Chairperson *quatre*


RAUFIA. TAN
Commissioner


ALEJANDRO Z. BARIN
Commissioner


JOSE R. REYES
Commissioner


MARIA TERESA A. RAMIREZ-CASTAÑEDA
Commissioner

7.1 Connection Agreement

Project Number _____
WR Number _____
Region/District _____

This Agreement is made between _____, hereinafter called "Customer", with postal address at _____ and _____, a corporation duly registered under Philippine laws with office address at _____, hereinafter called "Company" for the extension of Company Distribution System facilities, as hereinafter described, to the following location:

The Company has received a request for the extension of: (check all that apply)

◆ **STANDARD DELIVERY SYSTEM FACILITIES TO NON-RESIDENTIAL DEVELOPMENT**

Company shall extend standard Distribution System facilities necessary to serve Customer's estimated maximum demand requirement of _____ kW ("Contract kW"). The Distribution System facilities installed hereunder will be of the character commonly described as _____ volt, _____ phase, at 60 hertz, with reasonable variation to be allowed.

◆ **STANDARD DELIVERY SYSTEM FACILITIES TO RESIDENTIAL DEVELOPMENT**

Company shall extend standard Distribution System facilities necessary to serve:

_____ Electric residential lot(s)/apartment units, or
(Number of lots/units)

The Distribution System facilities installed hereunder will be no more than 30 meters in length and of the character commonly described as _____ volt, _____ phase, at 60 hertz, with reasonable variation to be allowed.

◆ **NON-STANDARD DELIVERY SYSTEM FACILITIES**

Company shall extend/install the following non-standard facilities:

ARTICLE I - PAYMENT BY CUSTOMER

At the time of acceptance of this Agreement by Customer, Customer will pay to Company PESOS: _____ (P-_____) as payment for the Customer's portion of the cost of the extension of Company facilities, in accordance with the Distribution Service and Open Access Rules ("DSOAR"), such payment to be and remain the property of the Company.

ARTICLE II - TITLE AND OWNERSHIP

Company at all times shall have title to and complete ownership and control over the Distribution System facilities extended under this Agreement.

ARTICLE III - STANDARD CONNECTION CHARGE

Customer shall be responsible for paying the Standard Connection Charge approved by ERC for the relevant Customer Segment.

ARTICLE IV - GENERAL CONDITIONS

Distribution Wheeling Service is not provided under this Agreement. However, Customer understands that, as a result of the installation provided for in this Agreement, the Delivery of Electric Power and Energy by Company to the specified location will be provided in accordance with Rate Schedule _____, which may from time to time be amended or succeeded.

This Agreement supersedes all previous agreements or representations, either written or oral, between Company and Customer made with respect to the matters herein contained, and when duly executed constitutes the agreement between the parties hereto and is not binding upon Company unless and until signed by one of its duly authorized representatives.

ARTICLE V - OTHER SPECIAL CONDITIONS

ACCEPTED BY COMPANY:

ACCEPTED BY CUSTOMER:

Signature

Signature

Title

Title

Date Signed

Date Signed

7.2 Application for Interconnection and Parallel Operation of Generation with the Utility System

Return Completed Application to: [Distribution Utility]

Generator: _____

Address: _____

Contact Person: _____

Telephone Number: _____

Service Point Address: _____

Information Prepared and Submitted By: _____
(Name and Address) _____

Signature _____

The following information shall be supplied by the Generator. All applicable items must be accurately completed in order that the generating facilities may be effectively evaluated by Company for interconnection with the utility system.

GENERATOR

Number of Units: _____

Manufacturer: _____

Type (Synchronous, Induction, or Inverter): _____

Fuel Source Type (Solar, Natural Gas, Wind, etc.): _____

Kilowatt Rating (95 F at location): _____

Kilovolt-Ampere Rating (95 F at location): _____

Power Factor: _____

Voltage Rating: _____

Ampere Rating: _____

Number of Phases: _____

Frequency: _____

Do you plan to export power: _____ Yes _____ No

If Yes, maximum amount expected: _____

Pre-Certification Label or Type Number: _____

Expected Energizing and Start-up Date: _____

Normal Operation of Interconnection: (examples: provide power to meet base load, demand management, standby, back-up, other (please describe)) _____

One-line diagram attached: _____ Yes

Has the generator Manufacturer supplied its dynamic modeling values to the Host Utility? _____ Yes

[Note: Requires a Yes for complete application. For Pre-Certified Equipment answer is Yes.]

Layout sketch showing lockable, "visible" disconnect device: _____ Yes

[Company Name] _____ [CUSTOMER NAME]

BY: _____
TITLE: _____
DATE: _____

BY: _____
TITLE: _____
DATE: _____

7.3 Agreement for Interconnection and Parallel Operation of Generation

This Interconnection Agreement ("Agreement") is made and entered into this ____ day of _____, 20 __, by and between:

("Company"), a corporation duly registered under Philippine laws, with office address at _____;

and

("Generator"), a _____ [specify whether corporation, cooperative, or other], with postal address at _____;

each hereinafter sometimes referred to individually as "Party" or both referred to collectively as the "Parties". In consideration of the mutual covenants set forth herein, the Parties agree as follows:

1. Scope of Agreement -- This Agreement is applicable to conditions under which the Company and the Generator agree that one or more generating facility or facilities may be interconnected to the Company's utility system, as described in Exhibit A.

2. Establishment of Point(s) of Interconnection -- Company and Generator agree to interconnect their Facility or Facilities at the locations specified in this Agreement, in accordance with Energy Regulatory Commission's Distribution Service and Open Access Rules ("DSOAR") relating to Interconnection of Generation and _____ relating to Technical requirements for Interconnection and Parallel Operation of Generation, _____ (state reference for these rules) (the "Rules") or any successor rule addressing generation and as described in the attached Exhibit A (the "Point(s) of Interconnection").

3. Responsibilities of Company and Generator -- Each Party will, at its own cost and expense, operate, maintain, repair, and inspect, and shall be fully responsible for, Facility or Facilities which it now or hereafter may own unless otherwise specified on Exhibit

A. Generator shall conduct operations of its facility(s) in compliance with all aspects of the Rules, and Company shall conduct operations on its utility system in compliance with all aspects of the Rules, or as further described and mutually agreed to in the applicable Facility Schedule. Maintenance of Facilities or interconnection facilities shall be performed in accordance with the applicable manufacturer's recommended maintenance schedule. The Parties agree to cause their Facilities or systems to be constructed in accordance with specifications equal to or greater than those provided by the **Philippine Electrical Code**, in effect at the time of construction.

Each Party covenants and agrees to design, install, maintain, and operate, or cause the design, installation, maintenance, and operation of, its distribution system and related Facilities and Units so as to reasonably minimize the likelihood of a disturbance, originating in the system of one Party, affecting or impairing the system of the other Party, or other systems with which a Party is interconnected.

Company will notify Generator if there is evidence that the Facility operation causes disruption or deterioration of service to other Generators served from the same grid or if the Facility operation causes damage to Company's system.

Generator will notify Company of any emergency or hazardous condition or occurrence with the Generator's Unit(s) which could affect safe operation of the system.

4. Limitation of Liability and Indemnification

- a. **Notwithstanding any other provision in this Agreement, with respect to Company's provision of electric service to Generator, Company's liability to Generator shall be limited as set forth in the DSOAR and terms and conditions for distribution service, which is incorporated herein by reference.**
- b. **Neither Company nor Generator shall be liable to the other for damages for any act that is beyond such party's control, including any event that is a result of an act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, explosion, breakage or accident to machinery or equipment, a curtailment, order, or regulation or restriction imposed by governmental, military, or lawfully established civilian authorities, or by the making of necessary repairs upon the property or equipment of either party.**
- c. **Notwithstanding Paragraph 4.b of this Agreement, Company shall assume all liability for and shall indemnify Generator for any claims, losses, costs, and expenses of any kind or character to the extent that they result from Company's negligence in connection with the design, construction, or operation of its facilities as described on Exhibit A; provided, however, that Company shall have no obligation to indemnify Generator for claims brought by claimants who cannot recover directly from Company. Such indemnity shall include, but is not limited to, financial responsibility for: (a) Generator's monetary losses; (b) reasonable costs and expenses of defending an action or claim made by a third person; (c) damages related to the death or injury of a third person; (d) damages to the property of Generator; (e) damages to the property of a third person; (f) damages for the disruption of the business of a third person. In no event shall Company be liable for consequential, special, incidental or punitive damages, including, without limitation, loss of profits, loss of revenue, or loss of production. The Company does not assume liability for any costs for damages arising from the disruption of the business of the Generator or for the Generator's costs and expenses of prosecuting or defending an action or claim against the Company. This paragraph does not create a liability on the part of the Company to the Generator or a third person, but requires indemnification where such liability exists. The limitations of liability provided in this paragraph do not apply in cases of gross negligence or intentional wrongdoing.**

- d. **Notwithstanding Paragraph 4.b of this Agreement, Generator shall assume all liability for and shall indemnify Company for any claims, losses, costs, and expenses of any kind or character to the extent that they result from Generator's negligence in connection with the design, construction or operation of its facilities as described on Exhibit A; provided, however, that Generator shall have no obligation to indemnify Company for claims brought by claimants who cannot recover directly from Generator. Such indemnity shall include, but is not limited to, financial responsibility for: (a) Company's monetary losses; (b) reasonable costs and expenses of defending an action or claim made by a third person; (c) damages related to the death or injury of a third person; (d) damages to the property of Company; (e) damages to the property of a third person; (f) damages for the disruption of the business of a third person. In no event shall the Generator be liable for consequential, special, incidental or punitive damages, including, without limitation, loss of profits, loss of revenue, or loss of production. The Generator does not assume liability for any costs for damages arising from the disruption of the business of the Company or for the Company's costs and expenses of prosecuting or defending an action or claim against the Generator. This paragraph does not create a liability on the part of the Generator to the Company or a third person, but requires indemnification where such liability exists. The limitations of liability provided in this paragraph do not apply in cases of gross negligence or intentional wrongdoing.**
- e. **The Company and the Generator shall each be responsible for the safe installation, maintenance, repair and condition of their respective lines and appurtenances on their respective sides of the point of delivery. The Company does not assume any duty of inspecting the Generator's lines, wires, switches, or other equipment and will not be responsible thereof. The Generator assumes all responsibility for the electric service supplied hereunder and the facilities used in connection therewith at or beyond the point of delivery, the point of delivery being the point where the electric energy first leaves the wire or facilities provided and owned by the Company and enters the wire or facilities provided by the Generator.**
- f. **For the mutual protection of the Generator and the Company, only with the Company prior authorization are the connections between the Company's service wires and the Generator's service entrance conductors to be energized.**

5. Right of Access, Equipment Installation, Removal & Inspection– Upon reasonable notice, the Company may send a qualified person to the premises of the Generator at or immediately before the time the Facility first produces energy to inspect the interconnection, and observe the Facility's commissioning (including any testing), startup, and operation for a period of up to no more than three days after initial startup of the unit.

Following the initial inspection process described above, at reasonable hours, and upon reasonable notice, or at any time without notice in the event of an emergency or hazardous condition, Company shall have access to Generator's premises for any reasonable purpose in

connection with the performance of the obligations imposed on it by this Agreement or if necessary to meet its legal obligation to provide service to its Generators.

6. Disconnection of Unit – Generator retains the option to disconnect from Company’s utility system. The Generator will notify the Company of its intent to disconnect by giving the Company at least thirty days’ prior written notice. Such disconnection shall not be a termination of the agreement unless the Generator exercises rights under Section 7.

The Generator shall disconnect Facility from the Company’s system upon the effective date of any termination under Section 7.

Subject to Commission Rule, for routine maintenance and repairs on Company’s utility system, Company shall provide Generator with seven business days’ notice of service interruption.

Company shall have the right to suspend service in cases where continuance of service to Generator will endanger persons or property. During the forced outage of the Company’s utility system serving Generator, Company shall have the right to suspend service to effect immediate repairs on Company’s utility system, but the Company shall use its best efforts to provide the Generator with reasonable prior notice.

7. Effective Term and Termination Rights-- This Agreement becomes effective when executed by both parties and shall continue in effect until terminated. The agreement may be terminated for the following reasons: (a) the Generator may terminate this Agreement at any time, by giving the Company sixty days’ written notice; (b) the Company may terminate upon failure by the Generator to generate energy from the Facility in parallel with the Company’s system within twelve months after completion of the interconnection; (c) either party may terminate by giving the other party at least sixty days prior written notice that the other Party is in default of any of the material terms and conditions of the Agreement, so long as the notice specifies the basis for termination and there is reasonable opportunity to cure the default; or (d) Company may terminate by giving Generator at least sixty days notice in the event that there is a material change in an applicable rule or statute.

8. Governing Law and Regulatory Authority -- This Agreement is in all respects governed by, interpreted, construed, and enforced in accordance with the laws of the Republic of the Philippines. This Agreement is subject to, and the parties’ obligations hereunder include, operating in full compliance with all valid, applicable national and local laws or ordinances, and all applicable rules, regulations, orders of, and tariffs approved by the Energy Regulatory Commission.

9. Amendment --This Agreement may be amended only upon mutual agreement of the Parties, which amendment will not be effective until reduced to writing and executed by the Parties.

10. Entirety of Agreement and Prior Agreements Superseded -- This Agreement, including all attached Exhibits and Facility Schedules, which are expressly made a part hereof for all purposes, constitutes the entire agreement and understanding between the Parties with regard to the interconnection of the facilities of the Parties at the Points of Interconnection expressly provided for in this Agreement. The Parties are not bound by or liable for any statement, representation, promise, inducement, understanding, or undertaking of any kind or nature (whether written or oral) with regard to the subject matter hereof not set forth or provided for herein. This Agreement replaces all prior agreements and undertakings, oral or written, between the Parties with regard to the subject matter hereof, including without limitation _____ [specify any prior agreements being superseded], and all such agreements and undertakings are agreed by the Parties to no longer be of any force or effect. It is expressly acknowledged that the Parties may have other agreements covering other services not expressly provided for herein, which agreements are unaffected by this Agreement.

11. Notices --Notices given under this Agreement are deemed to have been duly delivered if hand delivered or sent by certified mail, return receipt requested, postage prepaid, to:

(a) If to Company:

(b) If to Generator:

The above-listed names, titles, and addresses of either Party may be changed by written notification to the other, notwithstanding Section 10.

12. Invoicing and Payment -- Invoicing and payment terms for services associated with this agreement shall be consistent with applicable **rules of the ERC**.

13. No Third-Party Beneficiaries -- This Agreement is not intended to and does not create rights, remedies, or benefits of any character whatsoever in favor of any persons, corporations, associations, or entities other than the Parties, and the obligations herein assumed are solely for the use and benefit of the Parties, their successors in interest and, where permitted, their assigns.

14. **No Waiver** -- The failure of a Party to this Agreement to insist, on any occasion, upon strict performance of any provision of this Agreement will not be considered to waive the obligations, rights, or duties imposed upon the Parties.

15. **Headings** -- The descriptive headings of the various articles and sections of this Agreement have been inserted for convenience of reference only and are to be afforded no significance in the interpretation or construction of this Agreement.

16. **Multiple Counterparts** -- This Agreement may be executed in two or more counterparts, each of which is deemed an original but all constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be signed by their respective duly authorized representatives.

[Company Name] _____ [GENERATOR NAME]

BY: _____
TITLE: _____
DATE: _____

BY: _____
TITLE: _____
DATE: _____

**EXHIBIT A LIST OF FACILITY SCHEDULES AND POINTS OF
INTERCONNECTION**

Facility Schedule No. Name of Point of Interconnection

[Insert Facility Schedule number and name for each Point of Interconnection]

FACILITY SCHEDULE NO.

[The following information is to be specified for each Point of Interconnection. if applicable.]

1. Name:

2. Facility location:

3. Delivery voltage:

4. Metering (voltage, location, losses adjustment due to metering location, and other):

5. Normal Operation of Interconnection:

6. One line diagram attached (check one): _____ Yes / _____ No

7. Facilities to be furnished by Company:

8. Facilities to be furnished by Generator:

9. Cost Responsibility:

10. Control area interchange point (check one): _____ Yes / _____ No

11. Supplemental terms and conditions attached (check one): _____ Yes / _____ No

[Company Name] _____ [GENERATOR NAME]

BY: _____ BY: _____
TITLE: _____ TITLE: _____
DATE: _____ DATE: _____

7.4 Easement and Right of Way Form

Region/District _____
WA/Project Number _____
Map Reference _____
Easement Number _____

REPUBLIC OF THE PHILIPPINES)
CITY/MUNICIPALITY OF)
KNOW ALL MEN BY THESE PRESENTS:

That _____, of legal age, Filipino and a resident of _____, hereinafter called "Grantor," whether one or more, for and in consideration of PESOS: _____ (P _____), Philippine currency, and other valuable consideration to Grantor in hand paid by _____ ("Company"), a corporation duly registered under Philippine laws, with office address at _____, hereinafter referred to as "Grantee", has granted, sold and conveyed and by these presents does grant, sell and convey unto said Grantee, its successors and assigns, an easement and right-of-way for overhead electric supply and communications lines, consisting of a variable number of wires and cables, supporting structures, and all necessary or desirable appurtenances over, across, and upon Grantor's land in the Survey, Abstract No. ____, (*insert name of city/municipality/province*) more particularly described in (*insert type of land ownership*) deed from _____, to _____, dated _____, recorded in Volume _____, Page _____, Registry of Deeds of said (*insert name of city/municipality/province*).

Said right-of-way granted being described as follows:

(insert technical description)

Grantee shall have the right to erect _____ poles, and single or multiple guy anchorages along the course of said line. Grantor recognizes that the general course of said lines, or the metes and bounds as above described, is based on preliminary surveys only, and Grantor hereby agrees that the easement and right-of-way and its general dimensions hereby granted shall apply to the actual location of said lines when constructed. Together with the right of ingress and egress along and upon said easement and right-of-way and over and across Grantor's adjoining properties for the purpose of and with the right to construct, maintain, operate, remove and reconstruct said lines; the right to relocate along the same general direction of said lines; the right to relocate said lines in the same relative position to any adjacent road if and as such road is widened in

the future; the right to lease wire space for the purpose of permitting others to string or lay wire or cable along said lines; the right to prevent excavation within the easement area or for a distance of ____ feet on each side of the actual center of said lines; the right to prevent construction of, within the easement area or for a distance of _____ feet on each side of the actual center of said lines, any and all buildings, structures or other obstructions which, in the sole judgment of Grantee, may endanger or interfere with the efficiency, safety, and/or convenient operation of said lines and their appurtenances and the right to trim or remove trees or shrubbery within, but not limited to, said ____ foot space, to the extent in the sole judgment of Grantee, as may be necessary to prevent possible interference with the operation of said lines or to remove possible hazard thereto. Grantor shall not make changes in grade, elevation or contour of the land within the easement area as described above without prior written consent of Grantee.

Grantor reserves the right to use the land within the above described easement area for purposes not inconsistent with Grantee's use of such property, provided such use shall not, in the sole judgment of Grantee, interfere with the exercise by Grantee of the rights hereby Granted.

TO HAVE AND TO HOLD the above described easement and rights unto the said Grantee, its successors and assigns, until all of said lines shall be abandoned, and in that event said easement and right-of-way shall cease and all rights herein granted shall terminate and revert to Grantor or Grantor's heirs, successors or assigns.

And I do hereby bind myself, my heirs and legal representatives, to warrant and forever defend all and singular the above described easement and rights unto the said Grantee, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof.

IN WITNESS WHEREOF, Parties have caused this contract to be signed by their respective duly authorized representatives _____ day of _____, 20__.

7.5 Agreement for Meter Ownership and/or Access for Non-Company Owned Meters

SERVICE ID: _____
(If this Agreement applies to multiple SERVICE IDs, the SERVICE IDs are listed on an Attachment that identifies the appropriate premise address for each SERVICE ID.)

_____ (“Company”) and _____ (“Retail Customer”) hereby agree that this Agreement for Meter Ownership and/or Access for Non-Company Owned Meters (“Agreement”), as well as the Distribution Services and Open Access Rules (“DSOAR”) Rules and Applicable Legal Authorities, will govern Retail Customer’s utilization of Non-Company Owned Meter(s), and Retail Customer’s physical access to Non-Company Owned Meter(s) to obtain Meter Data at the SERVICE ID(s) specified above. All defined terms used herein will have the meanings specified in the DSOAR, except as otherwise expressly provided in this Agreement.

This Agreement may be executed by a written authorized representative/agent (“Retail Customer’s Agent”), acting on behalf of the Retail Customer pursuant to an executed Letter of Agency (“LOA”) delivered to Company. Termination of the agency authority of Retail Customer’s Agent will become effective as to this Agreement upon Company’s receipt of written notice of such termination from the Retail Customer. A change in Retail Customer’s Agent will become effective as to this Agreement only upon the Company’s receipt of a new LOA designating a new Retail Customer’s Agent, in which event Retail Customer is also responsible for promptly providing Company with the contact information for the new Retail Customer’s Agent required under Section C of this Agreement. Retail Customer shall ensure that Retail Customer’s Agent complies with this Agreement, the other applicable provisions of the Tariff, and Applicable Legal Authorities.

If Retail Customer is not the owner of the premises where the Non-Company Owned Meter(s) will be installed, Retail Customer represents that Company is fully authorized to enter the premises and perform any reasonable effort necessary to install, maintain, repair, replace, or remove the Non-Company Owned Meter(s).

A. UTILIZATION OF NON-COMPANY OWNED METER

- Meter Owner.** Retail Customer has selected and authorized _____ to be the Meter Owner of the Non-Company Owned Meter(s) at the SERVICE ID(s) specified above. A change in Meter Owner will become effective only upon a written amendment of this Agreement.
- Non-Company Owned Meter.** The Non-Company Owned Meter(s) selected from the WESM-approved competitive meter list that will be installed pursuant to this Agreement is/are _____ (i.e., meter manufacturer and type). Any credit to the Metering Charges invoiced to the

Retail Customer's RES for the utilization of Non-Company Owned Meter(s) shall be as provided in the DSOAR and/or rate schedules of Company's Tariff.

3. **Metering Services.** Company shall provide Metering Services as defined in **the Distribution Services and Open Access Rules**, (as the same may be changed from time to time by the Commission), excluding Meter ownership, to Retail Customer utilizing Non-Company Owned Meter(s). Charges may apply to these Metering Services as provided in the Company's Tariff.
4. **Requests for Metering Services.** Requests for Metering Services, including installation or removal of Non-Company **Owned** Meter(s), shall be made in accordance with Company's Tariff and Applicable Legal Authorities.
5. **Testing and Sealing of Meters.** All Non-Company Owned Meter(s) shall be tested and sealed in full compliance with the ERC's procedures for testing and calibration. The Company shall be **responsible** for meeting these procedures. The Meter Owner and Retail Customer have the right to be present during any testing and sealing of Meters and shall not in any way prevent the Company or agents of the ERC from carrying out their responsibilities.
6. **Shipping of Non-Company Owned Meters to Company.** A Non-Company Owned Meter shipped by the Meter Owner to the Company for testing and installation shall be shipped to the Company's designated meter delivery address as provided herein, with shipping costs prepaid by the Meter Owner.
7. **Return of Non-Company Owned Meters to Meter Owner.** A Non-Company Owned Meter being returned to the Meter Owner for any reason (including removal from service) may be picked up by the Meter Owner at a Company designated location within ten business days after Company gives written notice that the Non-Company Owned Meter is being returned. If the Non-Company Owned Meter is not picked up by the Meter Owner within such ten business day period, Company will have the right to return the Non-Company Owned Meter to the Meter Owner using any of the following means: (a) shipping by Company to the Meter Owner, at the address specified herein, shipping to be paid by the Meter Owner, cash on delivery; (b) shipping to the Meter Owner using a shipper, Meter Owner account number and shipping instructions provided by the Meter Owner when the Meter Owner is notified that the Non-Company Owned Meter is being returned; or (c) other arrangements mutually agreed to by Company and Meter Owner. If a Non-Company Owned Meter that has been removed from service is not returned to the Meter Owner using one of the means specified above, Company will safeguard the Non-Company Owned Meter until the earlier of (i) the date the Meter Owner takes possession of it, or (ii) 60 calendar days from the date of removal.

B. ACCESS TO NON-COMPANY OWNED METER BY COMPANY TO OBTAIN METER DATA

1. **Billing and Settlement Meter Reading Capability.** Where remote meter reading is required, the method that Retail Customer will provide for the Company to remotely access the Non-Company Owned Meter(s) to obtain Meter Data necessary for the Company to fulfill its billing, settlement and reliability responsibilities pursuant to

Applicable Legal Authorities (“Billing and Settlement Meter Reading Capability”) is _____ (e.g., cell phone, land line, radio, etc.). The Billing and Settlement Meter Reading Capability must be compatible with a method the Company currently uses elsewhere on its system for remote access to Billing Meters providing similar billing, settlement and reliability Meter Data. The Billing and Settlement Meter Reading Capability must comply with **the Distribution Code**. Where remote meter reading is required, Retail Customer shall arrange for and be responsible for the costs, including any ongoing costs, of the remote communications for the Billing and Settlement Meter Reading Capability. Retail Customer shall have the Billing and Settlement Meter Reading Capability in effect beginning _____. Retail Customer shall provide Company with 45 calendar days advance written notice of termination of the Billing and Settlement Meter Reading Capability and agrees to work in good faith with Company to restore Company’s remote meter reading capability.

2. **Company’s Access to Billing and Settlement Meter Reading Capability.** Company will not use Meter Data from a Non-Company Owned Meter for purposes other than fulfilling the Company’s billing, settlement, and reliability responsibilities in accordance with Applicable Legal Authorities. Company shall have access to the Non-Company Owned Meter using the Billing and Settlement Meter Reading Capability, (a) on the scheduled meter reading day and the two calendar days on either side of the scheduled meter reading day, for _____ consecutive minutes beginning at _____ am/pm (circle one) (central prevailing time); and (b) on three additional consecutive calendar days designated by Company in writing for _____ consecutive minutes each day beginning at _____ am/pm (circle one) (central prevailing time). In addition, Company may access the Non-Company Owned Meter at other times if necessary to fulfill the Company’s billing and settlement responsibilities or if access is not available at the designated times. If Company does not have reasonable access through the Billing and Settlement Meter Reading Capability to the Non-Company Owned Meter for a period exceeding 10 calendar days, or for the two calendar days on either side of and on the scheduled meter read date, or in the event that Company’s access to billing and settlement data is blocked during the times listed herein, Retail Customer will be in breach of its obligations under this Agreement.

3. **Charges.** Company shall not charge Retail Customer for access to the Meter Data nor shall Retail Customer charge Company for access to the billing, settlement and reliability Meter Data.

C. CONTACT INFORMATION

All notifications and other contacts necessary in the administration and execution of this Agreement may be effectuated by contacting Company, Retail Customer, Meter Owner, or Retail Customer’s Agent at the addresses and telephone numbers set forth below:

FOR COMPANY:

Contact: _____

Address: _____

Email: _____

Phone Number: _____

Fax Number: _____

For Receipt of Non-Company Owned Meter:

Contact: _____

Address: _____

FOR RETAIL CUSTOMER:

Company Name: _____

Contact Person: _____

Premise Address: _____

Billing Address: _____

Email: _____

Phone Number: _____

Fax Number: _____

Retail Customer's Competitive Retailer, contact name and phone number:

FOR METER OWNER:

Company Name: _____

Contact Person: _____

Address: _____

Email:

Phone Number:

Fax Number:

Phone Number: _____ Fax

Number: _____

For Return of Non-Company Owned Meter:

Contact Person: _____

Address: _____

FOR RETAIL CUSTOMER'S AGENT:

Company Name: _____

Contact Person: _____

Address: _____

Email: _____

Phone Number: _____

Fax Number: _____

Company will promptly provide to the Retail Customer any changes to the Company's contact information. The Retail Customer will promptly provide to Company any changes to the Retail Customer's, Meter Owner's, Competitive Retailer's or Retail Customer's Agent's contact information.

D. OTHER TERMS AND CONDITIONS

1. The form of this Agreement may be amended, revised, or otherwise changed only by an appropriate order of Applicable Legal Authorities.
2. Except as expressly provided by this Agreement, no provisions of this Agreement shall revise, alter, modify, or amend other provisions of Company's Tariff for Retail Delivery Service.
3. This Agreement shall commence upon the date of execution by both Parties (the "Effective Date").
4. This Agreement shall terminate on the earlier of: (a) the date that none of the SERVICE IDs specified on the first page of this Agreement are associated with the Retail Customer; or (b) the date that all of the Non-Company Owned Meters provided for under this Agreement have been permanently removed, whether removed at the Retail Customer's request or pursuant to Applicable Legal Authorities; or (c) termination by the Retail Customer upon 45 calendar days advance written notice to the Company; or (d) termination by the Company upon Retail Customer's breach of any obligation under this Agreement that has remained uncured after Retail Customer and Retail Customer's Agent, if designated, have been given written notice of the breach and 30 calendar days to cure. Upon termination of the Agreement, Company shall have the right to remove the Non-Company Owned Meter(s) covered by this

Agreement; provided that removal of Non-Company Owned Meters shall comply with **any applicable ERC rules**. Termination of the Agreement may result in applicable charges approved by ERC. Termination of this Agreement, for any reason, shall not relieve the Parties of any obligation accrued or accruing prior to such termination.

5. Retail Customer is responsible for providing accurate information to Company as requested herein, as well as accurate information necessary to facilitate Company's access through the Billing and Settlement Meter Reading Capability to billing, settlement and reliability Meter Data (e.g., telephone numbers). Retail Customer is responsible for promptly informing Company of any changes to that information. Failure to maintain the accuracy of the information required under this Agreement will constitute a breach of this Agreement.

6. This Agreement is binding upon Company and Retail Customer and their successors and assigns, provided that Retail Customer may assign this Agreement only to another Retail Customer taking service at the specified SERVICE IDs, and only upon giving written notice to Company and providing all pertinent changes to information requested herein.

7. This Agreement may be executed in two or more counterparts, each of which is deemed an original but all constitute one and the same instrument. **Company** (insert name)

_____ (legal signature)

_____ (date)

Retail Customer (insert name) _____ (legal signature)

_____ (date)

ACKNOWLEDGED this ___ day of _____, by: **Meter Owner** (insert name) _____ (legal signature)

_____ (date)

ACKNOWLEDGED this ___ day of _____, by: **Retail Customer's Agent** (insert name) _____

(legal signature) _____ (date)

7.6 Distribution Wheeling Service Agreement

Company and Retail Electricity Supplier (“RES”) hereby agree that their relationship regarding the delivery of electric power and energy (“Distribution Wheeling Service”) will be governed by the terms and conditions set forth in the Distribution Services and Open Access Rules (“DSOAR”) and Company's Tariff approved by the Energy Regulatory Commission.

- I. Notices, bills, or payments required in Company's Tariff shall be delivered to the following addresses:

FOR COMPANY

Legal Name: _____

Mailing Address: _____

Phone Number: _____

Fax Number: _____

Email Address: _____

Payment Address (both electronic and postal): _____

Company may change such contact information through written notice to RES.

FOR RES:

Legal Name: _____

Mailing Address: _____

Phone Number: _____

Fax Number: _____

Email Address: _____

Billing Address (both electronic and postal): _____

ERC License Number: _____

RES may change contact information through written notice to Company.

- II. A. DESIGNATION OF CONTACT FOR REPORTING OF OUTAGES, INTERRUPTIONS, AND IRREGULARITIES

*Please place a check on the line beside the option selected.

___ RES will direct Retail Customers to call RES to report outages, interruptions, and irregularities and will then electronically forward such information to Company.

___ RES will direct Retail Customers to call RES to report outages, interruptions, and irregularities and will then forward such calls to Company at the following telephone number:

(insert number)

___ RES will direct Retail Customers to directly call or contact Company to report outages, interruptions, and irregularities. RES will provide Retail Customer with the following Company supplied telephone number for purposes of such reporting:

(insert number)

B. DESIGNATION OF CONTACT FOR MAKING SERVICE REQUESTS

*Please place a check on the line beside the option selected.

___ RES will direct Retail Customers to call RES to make service requests and will then electronically forward such information to Company.

___ RES will direct Retail Customers to call RES to make service requests and will then forward such calls to Company at the following telephone number:

(insert number)

___ RES will direct Retail Customers to directly call or contact Company to make service requests. RES will provide Retail Customer with the following Company supplied telephone number for purposes of making such requests.

(insert number)

III. TERM

This Agreement shall commence upon the date of execution by both Parties (the "Effective Date") and shall terminate upon mutual agreement of the Parties or upon the earlier of the date (a) RES informs the Company that it is no longer operating as a RES in Company's service territory; (b) a new Delivery Service Agreement between the Parties hereto becomes effective; or (c) RES is no longer certified by the Commission as a retail electric provider in Company's franchised service area.

Termination of this Agreement, for any reason, shall not relieve Company or RES of any obligation accrued or accruing prior to such termination.

IV. This Agreement may be executed in two or more counterparts, each of which is deemed an original but all constitute one and the same instrument.

V. SIGNATURES

Company

(legal signature)

(date)

RES (insert name)

(legal signature)

(date)
