

- 1) Using the classification/models proposed by Hunt and Shuttleworth, determine the level of competition that exists in the Philippines. Discuss any difference that you observe between the basic model and the electricity market implementation in the Philippines.

Answer:

The level of competition that exists is wholesale competition.

Explanation:

The level of competition that exists in the Philippines, courtesy of the *Electric Power Industry Reform Act (EPIRA) of 2001* is wholesale competition.

The difference observed between the basic model and the current level of electricity market implementation in the Philippines is that in a basic model there is a single utility that handles all generation, transmission and distribution; while for the implementation in the Philippines there are multiple utilities that conduct generation and transmission of electricity.

	Pre – EPIRA	EPIRA
Generation Mix	<ul style="list-style-type: none"> • State monopoly in generation and transmission (NAPOCOR) 	<ul style="list-style-type: none"> • Generation sector is open and competitive
	<ul style="list-style-type: none"> • Government plans for fuel diversity and energy autarky 	<ul style="list-style-type: none"> • Generation mix and what gets built are driven by the power market:
		<ul style="list-style-type: none"> • Bidding Merit order in the WESM
		<ul style="list-style-type: none"> • PSAs by DUs and Contestable Customers
	<ul style="list-style-type: none"> • Government has dirigiste oversight on what gets built and how plants are run 	<ul style="list-style-type: none"> • Renewable Energy Act imposes RE quota (RPS),
	<ul style="list-style-type: none"> • “least cost” development planning 	<ul style="list-style-type: none"> subsidies (FIT) and priority dispatch of VRES
	<ul style="list-style-type: none"> • dispatch based on economic merit order 	
Power Rates	<ul style="list-style-type: none"> • Bundled generation and transmission (NAPOCOR tariff) 	<ul style="list-style-type: none"> • Unbundled: generation, transmission, distribution, gov’t charges (taxes, UCME, FITALL)
	<ul style="list-style-type: none"> • Regulated by ERB using RoRB regulation 	<ul style="list-style-type: none"> • DU End-user generation rate is composite of PSA charges approved by ERC and WESM
	<ul style="list-style-type: none"> (recovery of actual costs; subject to efficiency standards) 	<ul style="list-style-type: none"> • Only the generation rates for captive customers and rates for wires services are regulated:
		<ul style="list-style-type: none"> • ERC requires DUs to conduct CSP for PSA for captive market
		<ul style="list-style-type: none"> • PSAs of contestable customers do not require ERC approval to be implemented
		<ul style="list-style-type: none"> • Regulation is based on full recovery of prudent and reasonable economic costs