
5.) The reasons invoked for implementing a competitive electricity market or a certain model of electricity market depend on local circumstances. Identify and discuss the reasons that were invoked in the Philippines.

The purpose of this assignment is to identify and discuss the reasons that were invoked in the Philippines for implementing a competitive electricity market.

Explanation:

Absence of consumer choice invoked the implementation of a competitive electricity market in the Philippines. Typically, citizens living in residential areas were captive markets of electric distribution utilities. This implies that the DUs were unevenly distributed in residential areas due to the effect of franchises over specific areas. The residents suffered a great deal from these effects with some paying more electricity bills which were far above the limit.

Relatively high electricity end-use rates were also key factors in the Philippines. The retail rates were very high and unaffordable. This had a negative on the lives of Filipinos and the economy in general. First, the citizens were not to afford the cost of electricity facing many homeowners to look for alternatives sources of energy. Additionally, it scared away investors and other forms of FDIs. Research shows that Philippine was second to Japan in terms of high retail electricity rates.

Finally, the distribution was highly fragmented giving a chance to only one player in the market. For instance, Meralco private company monopolized the market and controlled most of the franchise areas in Luzon. This implies that the prices were controlled by the private companies making it easy for it to manipulate prices. As the sole player in the market, Meralco maintained the sources of power in the market. In conclusion, the absence of consumer choice, relatively end-user rates, and monopoly invoked for the implementation of a competitive electricity market in the Philippines.

References.

http://mddb.apec.org/documents/2008/gos/conf1/08_gos_conf1_006.pdf