

Retail Market Assessment Report for 3rd Quarter of 2024

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This Report is prepared by the
Philippine Electricity Market Corporation –
Market Assessment Group
and approved by the
Market Surveillance Committee

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EXECUTIVE SUMMARY

RCOA

Contestable Customer (CC)

There were sixty-three (63) recorded initial switches¹, four (4) CC which was observed to have transferred from Green Energy Option Program (GEOP) to RCOA, and four (4) cessations yielding to an additional fifty-five (55) registered CCs for 3rd quarter of 2024, thereby raising the total tally of registered CCs in the market to 2,106, which is equivalent to 57% of the entire population of eligible end-users.

By region, 87% of the total registrants were from Luzon, while the remaining 12% and 1% were from Visayas and Mindanao, respectively. By industry type, 54% of the registrants were categorized as commercial customers while 46% were industrial customers.

Retail Electricity Suppliers (RES)

32 out of 44 registered RES and 2 out of 15 registered Local RES have active / subsisting contracts with CC/s.

Market Concentration (based on the number of CCs served and energy consumption)

In terms of per major participant grouping, calculations based on the Herfindahl-Hirschman Index (HHI) indicated that for 3rd quarter of 2024, the market saw a continuous decline in concentration from 3rd quarter of 2023. However, the market still remained to be moderately concentrated in both the no. of CCs engaged and the energy consumptions served.

The Four-Firm Index (C4) values have continuously decreased and are now below 80% for both the number of CCs engaged and the energy consumption they serve. This indicates that the market is still dominated by a few firms, resulting in limited options for the CCs and potentially significant influence over market conditions.

The MERALCO Group remained the top major seller grouping in terms of the no. of CCs served at 33%, the same level during the previous quarter.

In terms of CC consumption, the Aboitiz Group remained to be on top with the most no. of CCs, serving 28% of the total consumption of CCs.

¹ Commercial transfer of CC from the DU as its supplier under regulated service to a Supplier.

In terms of individual supplier, a continuous decline in HHI values has been observed from 3rd quarter of 2023. Using the new threshold for market concentration, it was noted that the market is no longer concentrated in terms of both the number of CCs engaged and the energy consumption they serve. This indicates healthy competition in the market.

C4 value remained high at 57% in terms of the no. of CCs engaged and at 59% in terms of energy consumption served, which indicates a high level of control by four (4) suppliers.

Retail Rate and Estimated Savings

The Weighted-Average Retail Generation Rates² is 24% lower compared to DU³ Average Generation Rates. This rate reduction was experienced by the participants engaged with a Supplier in the RCOA.

Estimated savings for 3rd quarter of 2024, CCs experienced an estimated total savings⁴ of Php 9.0 Billion.

GEOP

Green Energy Option Program End-Users (GEOP End-Users)

There were sixty-four (64) additional recorded initial switches⁵ to become registered GEOP End-Users, equivalent to a 18 % increase from the previous quarter, with a total tally of registered GEOP End-Users in the market at 423. 4.3% of the registered GEOP End-Users were within the RCOA threshold.

By region, majority (76%) of GEOP End-users were located in Luzon, while the remaining 24% were from Visayas. By industry type, 75% of the registrants were categorized as commercial customers while 25% were industrial customers.

Renewable Energy Supplier (RE Supplier)

There were 17 registered RE Suppliers, 1 Local RE Supplier, and 16 Suppliers of Last Resort (SoLRs), all of which were registered under GEOP. 59% of registered RE Suppliers are serving GEOP End-Users.

² Based on ERC's CREM report

³ MERALCO, VECO, and TEI

⁴ Calculated by determining the difference between the weighted-average retail rate and the DU average generation rate. The difference was then multiplied by the monthly consumption of Contestable Customers

⁵ Commercial transfer of a GEOP End-User from the DU as its supplier under captive service to an RE Supplier.

Market Concentration (based on the number of GEOP End-Users served and energy consumption)

Per major participant grouping, the calculations of the HHI indicated that the 3rd quarter of 2024 remained to be a highly concentrated market in both the no. of GEOP End-Users engaged and energy consumption served.

The C4 values stayed high at 95% throughout the period, showing that the market is dominated by only four firms. This indicates a monopoly with limited competition and consumer options, allowing these firms to significantly influence prices and market conditions.

The Ayala group continued to increase its market share in terms of no. of GEOP End-Users engaged at 56% and 53% in terms of energy consumptions served.

On a per RE Supplier basis, HHI values continue to increase resulting in the market being moderately concentrated in both the no. of GEOP End-Users engaged and energy consumptions served.

C4 values also increased and remained to be high at 79% in terms of no. of GEOP End-Users and in terms of energy consumption served by GEOP End-Users served by the top 4 suppliers.

Market Transactions⁶

On a monthly basis, a notable portion (less than 1%) of the energy served in the program includes purchases from the spot market. Although small in percentage share, there were portions of energy mix provided to end-users under the GEOP that may not be entirely from renewable sources.

⁶ In terms of bilateral contract quantity and spot quantity

1. RETAIL COMPETITION AND OPEN ACCESS

This portion provides the assessment on the implementation of the Retail Competition and Open Access (RCOA) for the 3rd quarter of 2024 (26 June to 25 September 2024), based on the monitoring indices set forth in the Catalogue of Retail Market Monitoring Data and Indices (CRMMDI) Issue 1.

1.1. MARKET STRUCTURE

The market structure indices were used to assess the number of participants, market share, and level of market concentration.

1.1.1. Number of Participants

1.1.1.1. Contestable Customers

Similar to the previous quarter, the retail electricity market experienced an increase in the number of Contestable Customers (CCs) with an additional fifty-five (55) net increase in the total customers during the billing quarter, indicating continued market participation. This represents sixty-three (63) recorded initial switches⁷ of new CCs joining the market, four (4) CC which was observed to have transferred from Green Energy Option Program (GEOP) to RCOA, and four (4) cessations.

By the end of the 3rd quarter of 2024, a total of 2,106 CCs, or approximately 57% of the eligible end-user⁸ population, had registered in the market.

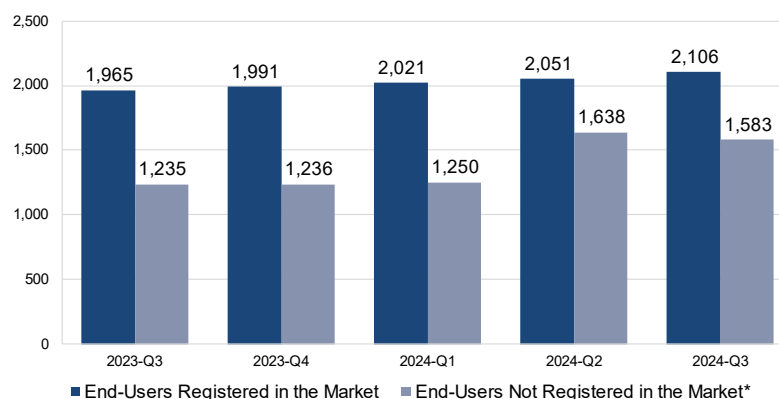


Figure 1. Cumulative Number of Eligible End-Users, 2023-Q3 to 2024-Q3

1.1.1.2. Per Threshold

⁷ Commercial transfer of Contestable Customer from the DU as its supplier under regulated service to a Supplier.

⁸ End-user that has met the eligibility threshold set by the Energy Regulatory Commission, based on a single revenue meter which are given a choice to switch to the Retail Electricity Market.

*Note: Number of eligible end-users not registered in the market is based on the available data as of March 2024

This section provides a breakdown of the total number of CCs by contestability threshold. Out of the 2,106 CCs registered in the market, majority of these have an average peak demand of 1 MW and above, accounting to 1,296 registrants or about 62%. This was followed by CCs under 750-999 kW threshold with 21% or 443 registered customers, and CCs under 500-749 kW threshold with 17% or 367 registered customers, suggesting that customers with large electricity demands prefer to participate in the market to have more flexibility on how they procure their energy supply, allowing them to tailor-fit their energy solutions for specific needs.

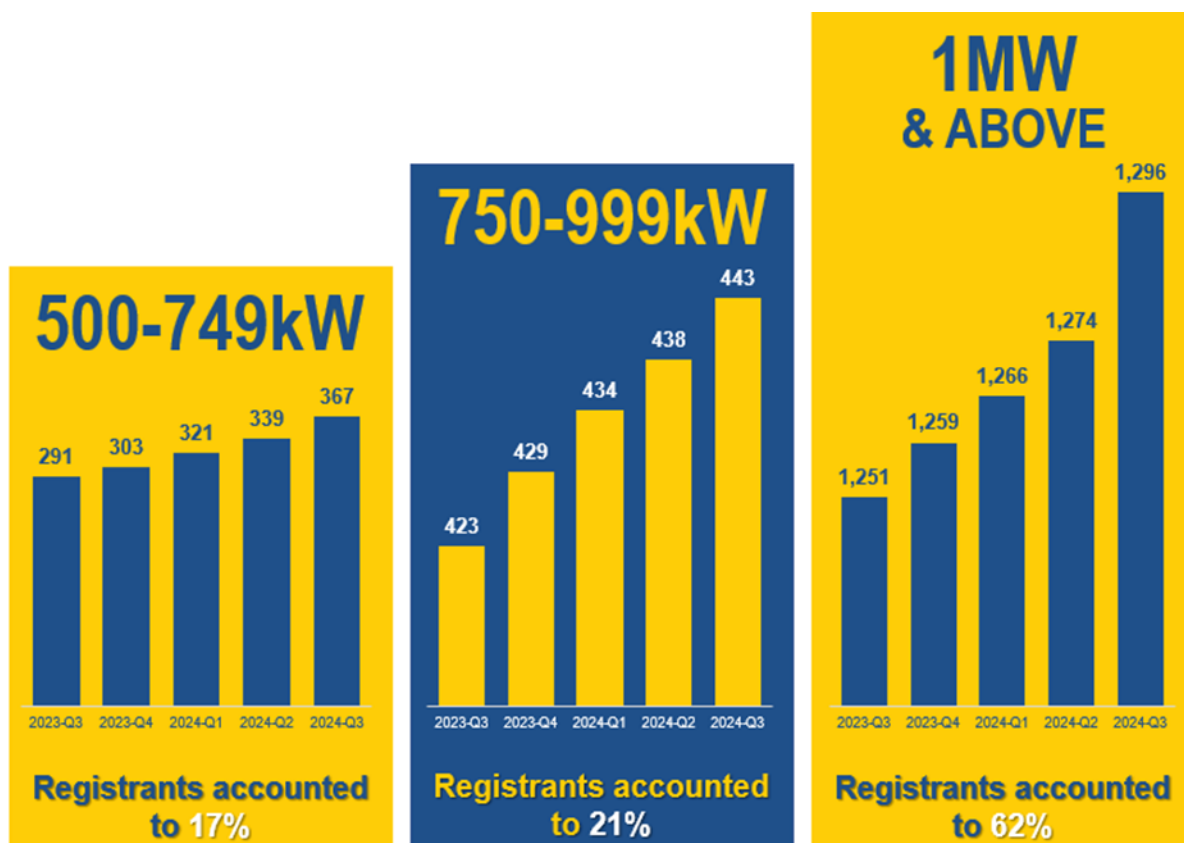


Figure 2. Cumulative Number of CCs per Threshold, 2023-Q3 to 2024-Q3

Figure 2 shows a steady increase of new registrants during the reviewed quarter as more CCs belonging to the 750 and 1MW threshold who became eligible are participating in the market.

1.1.1.3. Per Location

Luzon remains the region with the highest concentration of CCs. 87% (1,833 CCs) are located in Luzon, while the remaining 12% (257 CCs) are in Visayas. This distribution is consistent with observations from the previous quarters. Since the commercial operation of RCOA in Mindanao in March 2024, an increase to sixteen (16) CCs have been observed as of 3rd quarter of 2024.

LUZON	
Period	No. of CCs
As of Sep 2023	1,727
As of Dec 2023	1,742
As of Mar 2024	1,769
As of Jun 2024	1,794
As of Sep 2024	1,833

VISAYAS	
Period	No. of CCs
As of Sep 2023	238
As of Dec 2023	249
As of Mar 2024	252
As of Jun 2024	254
As of Sep 2024	257

MINDANAO	
Period	No. of CCs
As of Mar 2024	0
As of Jun 2024	3
As of Sep 2024	16

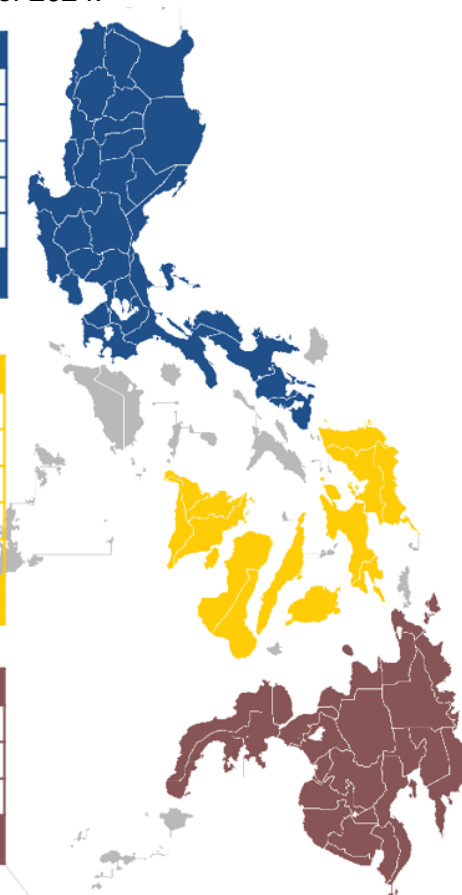


Figure 3. Cumulative Number of CCs Per Region, 2023-Q3 to 2024-Q3

1.1.1.4. Per Retail Activity⁹

In terms of the delineation between the industrial and commercial sectors, approximately 54% of the CCs were classified as commercial consumers, while the remaining 46% were industrial consumers. This distribution remains consistent with past observations.

⁹ Retail activity is based on the available information provided under the specific business type, i.e. manufacturing, real estate, etc., in the IEMOP-Registration Data. If information is unavailable in the Registration Data, retail activity of the participant will be tagged based on the business description available online.

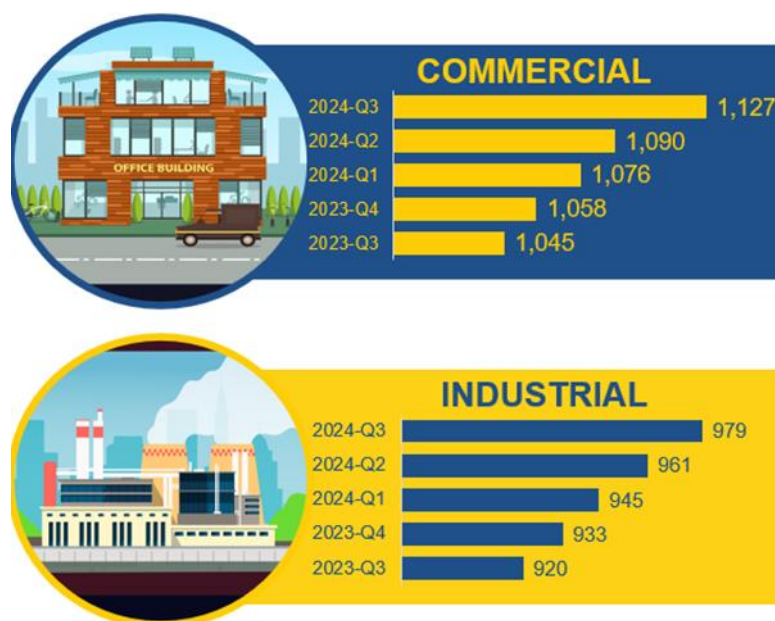


Figure 4. Cumulative Number of CCs Per Retail Activity, 2023-Q3 to 2024-Q3

1.1.1.5. Average Consumption

With respect to energy consumption for Contestable Customers, the breakdown on the level of consumption based on the averaged metered quantity (MQ) for the 3rd quarter of 2024, as shown in Table 1, noted that about 66.36% of the registered CCs had an average energy consumption of 1MWh and below. This is followed by customers that were in the 1MWh to 5MWh threshold taking about 28.83% of the total number, while 2.14% were in the 5MWh to 10MWh level. The rest of the CCs belonged to an average consumption of 10MWh to 50MWh.

The change from the previous quarter suggests that customers with consumption higher than 1 MWh are slightly increasing. Moreover, the maximum average consumption recorded during the period covered is around 34 MWh.

Table 1. Percentage Per Level of Average Energy Consumption, 2024-Q3

Region	1 MWh and below	Above 1 MWh to 5 MWh	Above 5 MWh to 10 MWh	Above 10 MWh to 15 MWh	Above 15 MWh to 20 MWh	Above 20 MWh to 50 MWh	Sub-Total Per Region
LUZON	57.80%	26.20%	1.99%	0.78%	0.53%	0.19%	87.51%
VISAYAS	8.56%	2.48%	0.15%	0.05%	0.05%	0.10%	12.35%
MINDANAO	0.00%	0.15%	0.00%	0.00%	0.00%	0.00%	0.15%
Sub-Total Per Level of Average Consumption	66.36%	28.83%	2.14%	0.83%	0.58%	0.29%	100.00%
Percent Change from the Previous Quarter	2.55% ▼	1.53% ▲	0.07% ▲	0.01% ▼	0.04% ▲	0.05% ▼	

1.1.1.6. Suppliers

Table 2 shows the cumulative number of Suppliers with License from ERC vis-à-vis registered Suppliers per category vis-à-vis the number of active Suppliers or those that are currently serving registered Contestable Customers. Majority of the registered Retail Electricity Suppliers (RES) were actively participating in the market, serving registered Contestable Customers.

Table 2. Cumulative Number of Supplier

	Licensed/Authorized	Registered	Serving CCs
RES	48	44	32
LRES	29	15	2
SoLR	48	28	0

The complete list of all registered Suppliers per category is provided in *Annex A. List of Suppliers Per Category, as of 31 September 2024*.

1.2. MARKET SHARE

1.2.1. Supplier Share

1.2.1.1. Share in terms of Number of Contestable Customer and Consumption

A quarter-on-quarter comparison shows that the MERALCO group continues to hold the largest share of CCs, among all participants. The other major groups, Ayala and EDC, have generally maintained their customers based on the previous quarter.

San Miguel group continued to experience growth in market share during the 3rd quarter of 2024, which is primarily driven by customer switching activities, with 20% of regular switching during the review period involving customers moving to the San Miguel group.

Another interesting trend was the steady growth of independent retailers (those unaffiliated with major groups). Their market share has risen by 1% each quarter, continuing the trend from the previous four (4) quarters. This increase was mainly attributed to the high number of CCs (16% of the total number of switches) switching to the aforementioned Suppliers. This, among other things, serves as an indicator of improved competition within the retail market.

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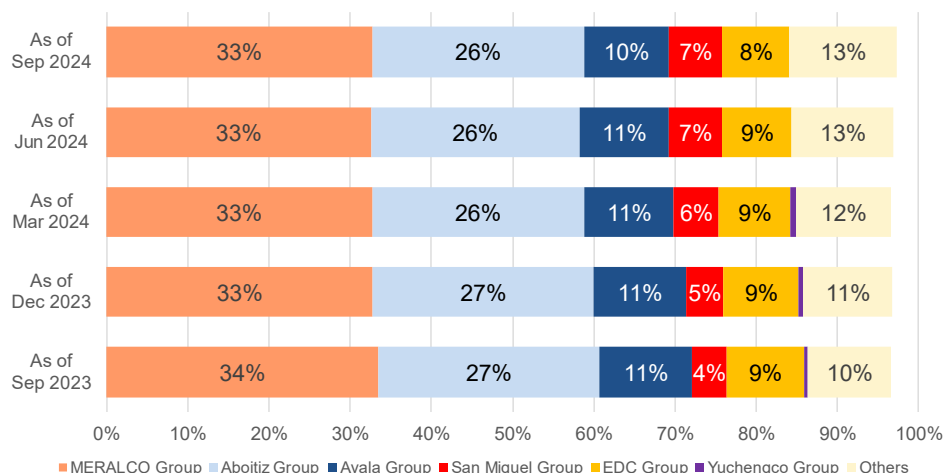


Figure 5. Share in Number of CCs Per Major Participant Grouping, 2023-Q3 to 2024-Q3

While the MERALCO group holds the most CCs by count as shown in figure 5, the share in total energy consumption between major participant groups reveals a different dynamic. In terms of consumption, the Aboitiz group takes the lead with a 28% share of total retail energy consumption served. This highlights a disparity in consumption scale between the customer bases of different suppliers.

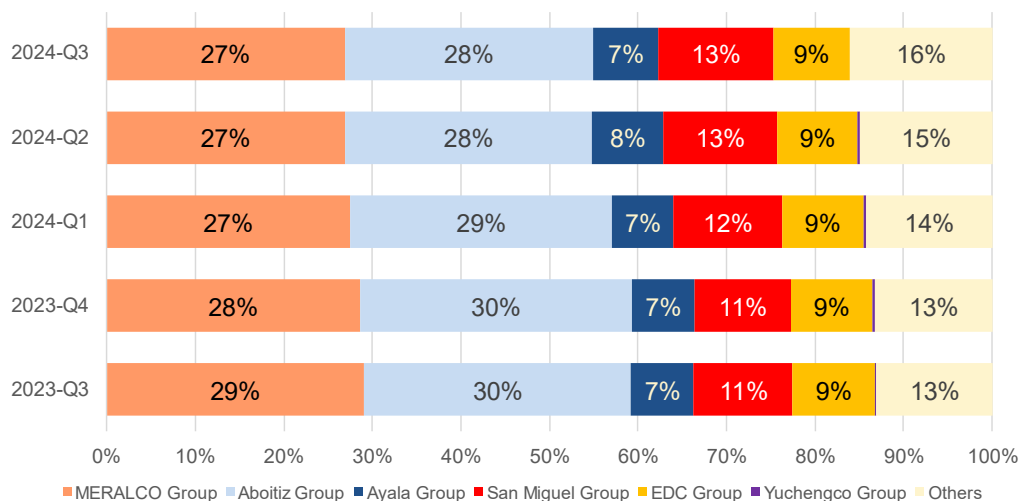


Figure 6. Share in CCs' Total Energy Consumption Per Major Participant Grouping, 2023-Q3 to 2024-Q3

On the other hand, the group of independent suppliers (Others) experienced a slight increase in total energy served. This suggests that customers served or switching to these groups tend to have high consumption thresholds, potentially due to the competitive rates offered for larger consumers.

1.2.1.2. Consumption Per Franchise Area Location

Geographically, registered CCs were dispersed throughout the various economic zones and distribution utility franchise areas indicated in Appendix B: List of Distribution Utility Franchise Areas and Economic Zones.

Keeping with the trend from previous quarters, about 70% of the registered CCs consumption, as shown in Figure 7(a), were within in MERALCO's franchise area, 8% were directly connected to the transmission grid, 6% were within VECO franchise area, while the remaining 16% were scattered throughout the other franchise areas and economic zones. Moreover, it should be highlighted that not every CC in the MERALCO franchise area was served by the MERALCO Group. As can be seen in Figure 7(b), some of the CCs were subscribed to other Suppliers to meet their energy needs and only 33% of the total consumption inside the MERALCO franchise area were supplied by the MERALCO group.

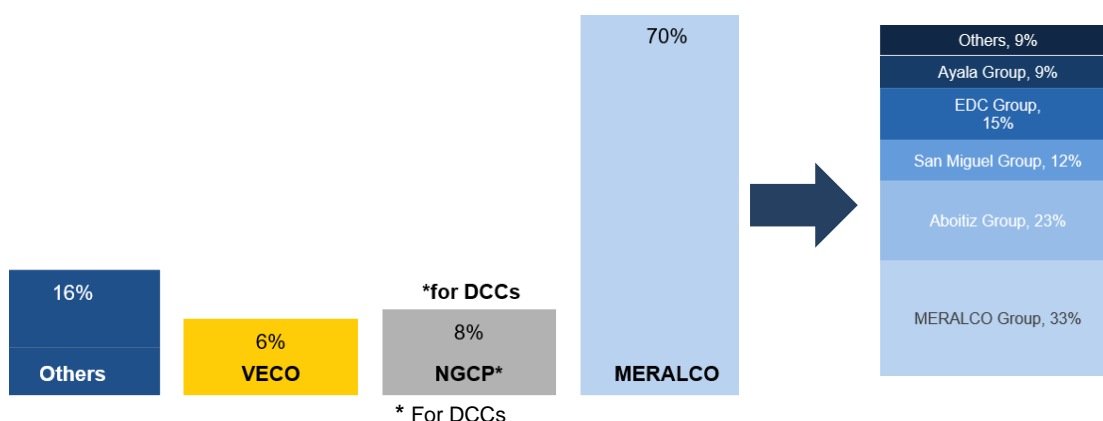


Figure 7. (a) Share in CCs' Energy Consumption by Franchise Area, 2024-Q3; (b) Share in CCs' Energy Consumption by Supplier within MERALCO Franchise Area, 2024-Q3

1.2.2. Market Concentration

1.2.2.1. Herfindahl–Hirschman Index (HHI)

This section discusses the market concentration by major participant grouping of the Suppliers, as determined by the Energy Regulatory Commission (ERC), based on the contracted number of CCs and the served energy consumption. Figure 8 shows the level of market concentration using the Herfindahl-Hirschman Index (HHI)¹⁰ using the shares determined in Section 1.2.1.1.

As time progressed and CCs gained experience in procuring their electricity supply, and as new customers entered the market, more activity and movement by customers resulted in a lesser concentration of the market, as shown in Figure 8. The continuous decline in HHI values suggests an improvement in competition within the retail electricity market. Lower HHI values generally indicate a more competitive

¹⁰ HHI measures the degree of market concentration. Defined as the sum of the Suppliers' market share, the HHI threshold are as follows:

HHI < 1,500 - not concentrated

Greater than 1,500 up to 2,500 - moderately concentrated

Greater than 2500 - highly concentrated

landscape with a wider range of participants.

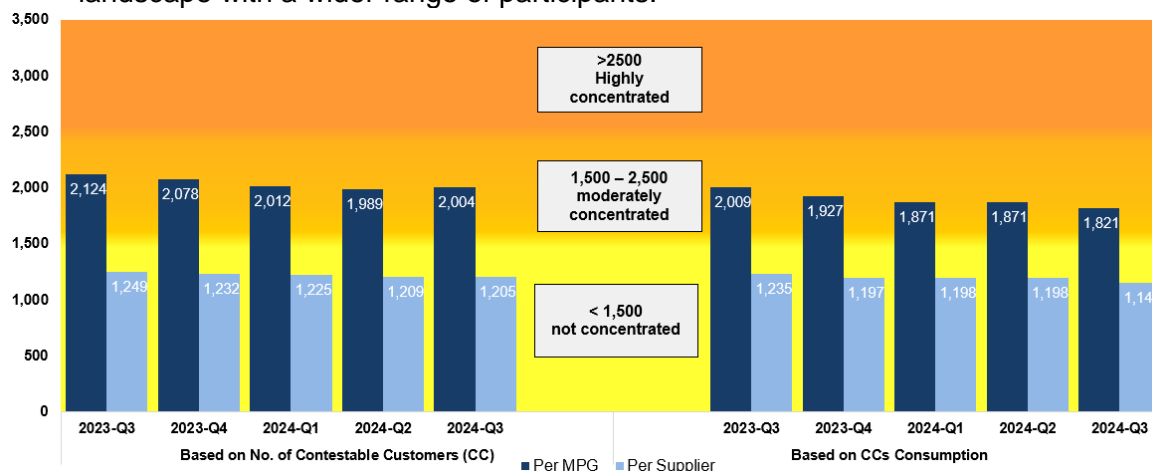


Figure 8. HHI Values, 2023-Q3 to 2024-Q3

1.2.2.2. Four-Firm Concentration Index (C4)¹¹

The four-firm index (C4) considers both the number of CCs served and their consumption levels, grouped by major participants. As shown in Figure 9, C4 values for the major participant groups continue to decrease below the 80% mark. This indicates a less concentrated market compared to the past, with the decline observed since Q3 2023.

However, on a per-supplier basis, the overall market can still be considered an oligopoly. This means that a small number of suppliers (the top 4) control more than 50% of the market share. Nonetheless, a slight decrease and dipping below 60% C4 can be seen as CCs become more knowledgeable about where and how to supply their electricity.

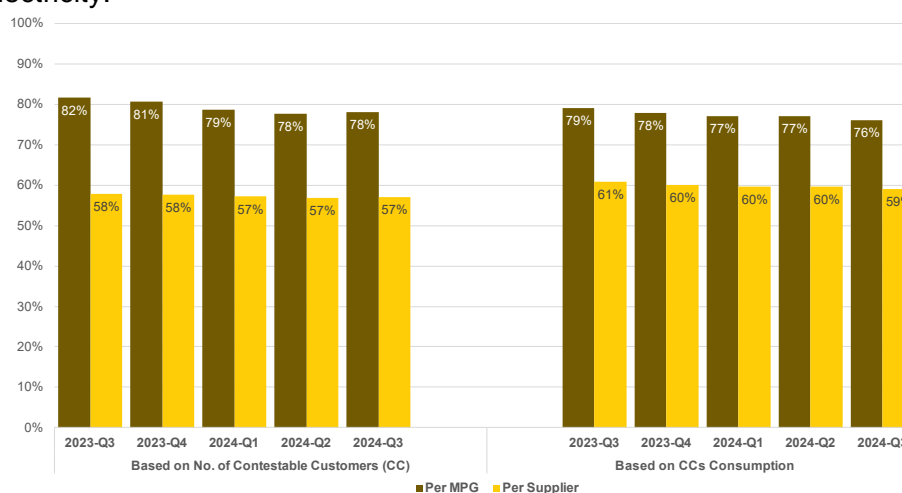


Figure 9. Four-Firm Index, 2023-Q3 to 2024-Q3

¹¹ C4 measures the percentage of market share of the four largest firms in the market. Concentration levels are as follows: High: 80% to 100%; Medium: 50% to 80%; and Low: 0% to 50%.

1.2.3. Supplier Structure

1.2.3.1. Supplier Affiliate

Figure 10 shows the degree of integration among the Suppliers, Generation Companies, and Distribution Utilities as of 31 June 2024¹². The Supplier structure shows that most of the RES are affiliated with Generation Companies. Additionally, some Suppliers had affiliations with other Suppliers, Distribution Utilities (DUs), or both.

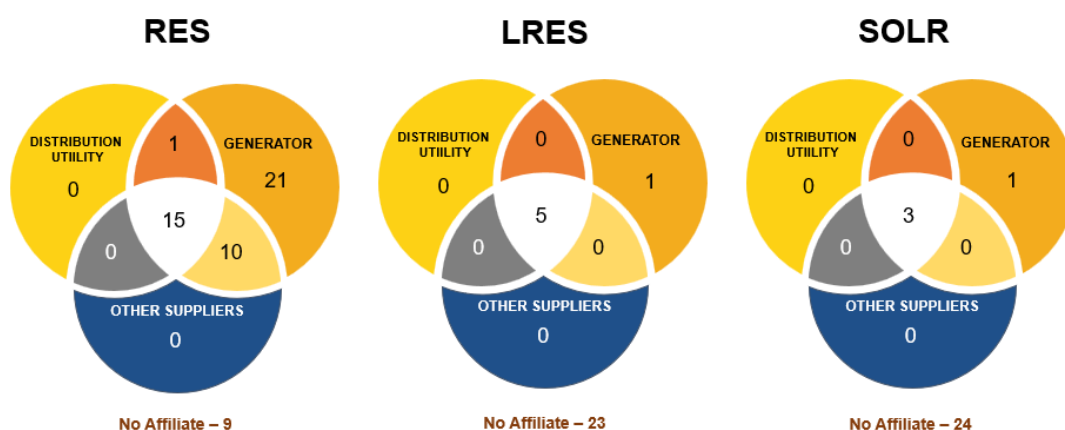


Figure 10. Summary of Suppliers with Affiliate Generation Companies, Suppliers and Distribution Utilities

Note that one Supplier may have multiple affiliate Generation Companies, Suppliers, and/or Distribution Utilities

These affiliations could be driven by a range of strategic factors, such as ensuring a more reliable electricity source, expanding business operations, or influencing the overall competitiveness in the market.

Also, there was only one (1) under SoLR with no affiliation to any major participant group.

Two (2) out of the four (4) independent RES suppliers actively serve CCs. It is noteworthy considering that only three (3) independent RESs are registered in the market. This suggests that the (3) unaffiliated entities are successfully competing and securing contracts with customers who have the freedom to choose their electricity supplier.

While all 23 unaffiliated local RES suppliers are registered, none are currently serving CCs. This suggests a gap in market penetration for these independent players. Possibly, their initial focus is on fulfilling their core mandate of electricity distribution, rather than acting as a supplier at this time.

1.2.3.2. Vertical Integration

¹² Based on latest available ERC data.

This measures the vertical integration of the generation companies and their affiliated Suppliers in the RCOA Market. With regard to the generation and supply in terms of major participant grouping, Figure 11 provides the comparison of the total generation per major participant grouping in the Wholesale Electricity Spot Market (WESM) as related to the total energy supplied by their affiliated Suppliers.

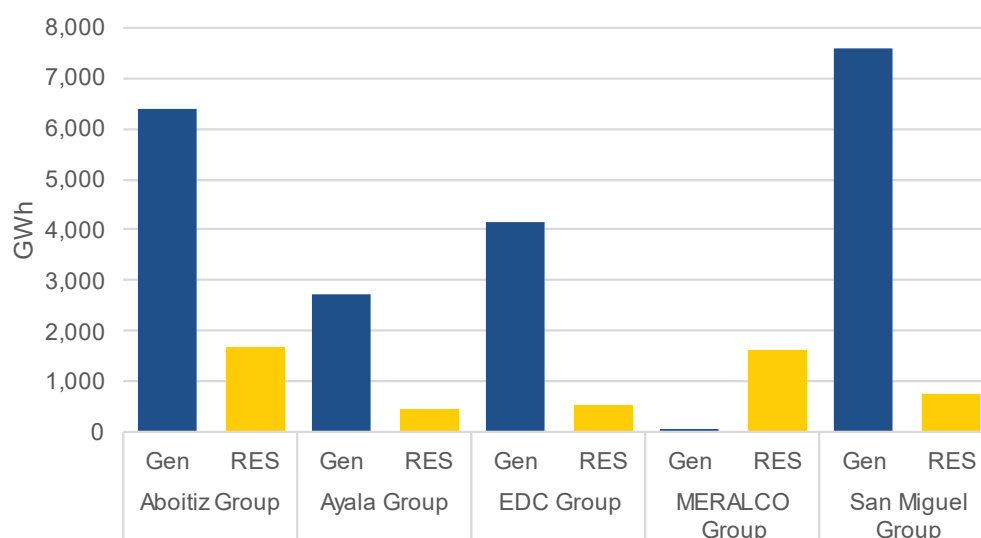


Figure 11. Generated Energy vs Supply Requirement, 2024-Q3

MERALCO, primarily established for the distribution of electricity to end-users, exhibited a substantial disparity in the ratio of generated energy from its generation subsidiary to its supply business. In contrast, the rest of the major participant groups, Aboitiz, Ayala, EDC, and San Miguel groups primarily engaged in energy generation, also displayed a notable difference, with their respective generated energy exponentially higher than the supplied energy to the retail market.

This analysis underscores distinctive patterns in energy dynamics among these entities in the sector. However, it should be noted that Figure 11 does not necessarily translate that energy supplied by the supplier counterparts were directly sourced from their affiliates' generation.

1.3. MARKET PERFORMANCE

1.3.1. Energy Consumption

1.3.1.1. Total Energy Consumption

Figure 12 shows the total energy consumption on a quarter-to-quarter basis for all End-users, including the Green Energy Option Program (GEOP) End-Users and registered CCs. The demand for electricity and the increase in the number of participants in the retail market are the two factors that affect these statistics.

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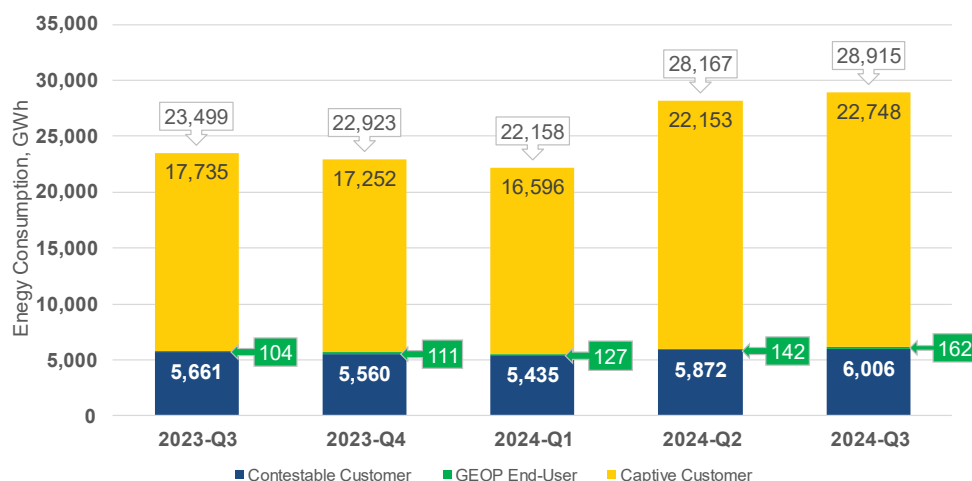


Figure 12. Total Energy Consumption (in GWh), 2023-Q3 to 2024-Q3

Looking at the movement on a quarter-on-quarter basis, an increase in the total system consumption was noted since the 2nd quarter of 2024. This may be due to the onset of summer season during the period which continued in the 3rd quarter of 2024. For the Retail Market, apart from the summer months, the increase may be related to the number of participants joining the program.

1.3.1.2. Monthly Energy Consumption

As to more details on the CC consumption per industry, Figure 13 shows the month-on-month consumption of consumers for the covered billing periods. It is evident that with the continuous hot dry season, there were observed increases in consumption for both monitored sectors. While the number of participants in the program is steadily increasing, consumption patterns remain heavily influenced by weather conditions and the number of days in the billing month.

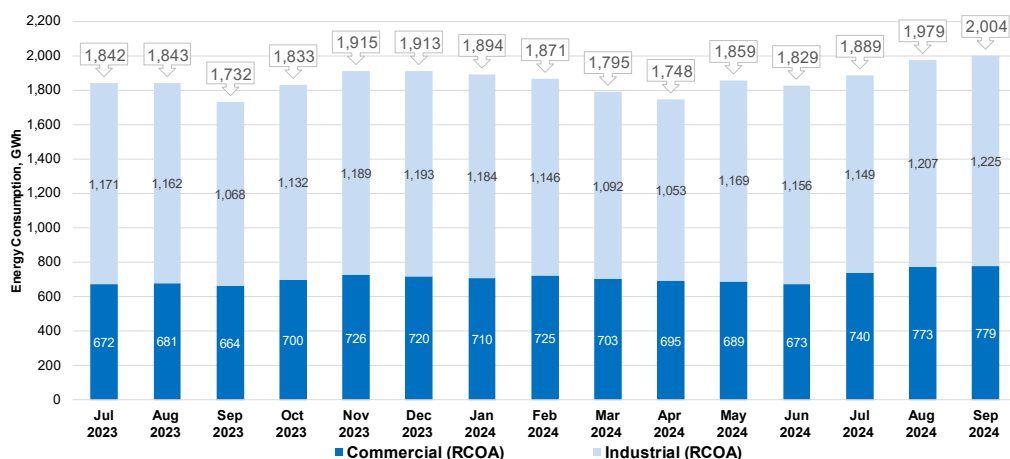


Figure 13. Total Energy Consumption by Industry Type (in GWh), July 2023 to Sep 2024

1.3.2. Load Profile

1.3.2.1. Hourly Energy Consumption Profile

As depicted in Figure 14, the electricity consumption patterns of industrial CCs revealed no significant fluctuations between peak and off-peak periods. However, it consistently exhibited troughs during specific intervals at 0600h, 1300h, and 1900h for each series. This observation strongly suggests that these industrial customers operate on a three-shift schedule and/or breaktime.

In terms of a month-on-month comparison, significant fluctuations can be observed as there is a drop in consumption from August to September 2024. However, a slight increase can be seen from July to August 2024 as the hot dry season continues to occur.

Furthermore, it is noteworthy that the consumption patterns of industrial customers present a valuable opportunity for cost savings. By strategically shifting some of their electricity usage to off-peak hours, they can take advantage of lower prices offered by WESM. This practice, known as load-shifting, aids in stabilizing their overall load factor, potentially leading to more favorable terms during price negotiations with electricity suppliers. Ultimately, this translates to significant cost savings for industrial consumers during periods with lower electricity prices.

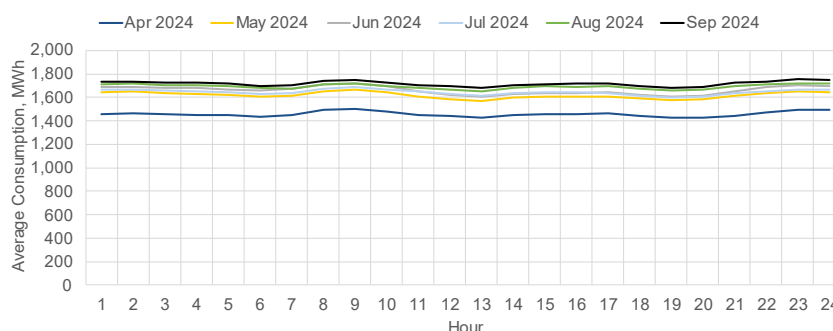


Figure 14. Hourly Average Energy Consumption (in MWh), Industrial, April to September 2024

Figure 15 illustrates the notable differences in consumption patterns between peak and off-peak periods among registered commercial CCs. For these customers, the hours between 1000h to 2000h were when peak consumptions were observed. Compared with the preceding quarter, there was no significant variation in the demand for commercial CCs throughout the billing periods covered in this report.

In terms of the monthly movement of consumption of the customers, similar with the industrial category, September 2024 had the lowest consumption in the reviewed billing quarter.

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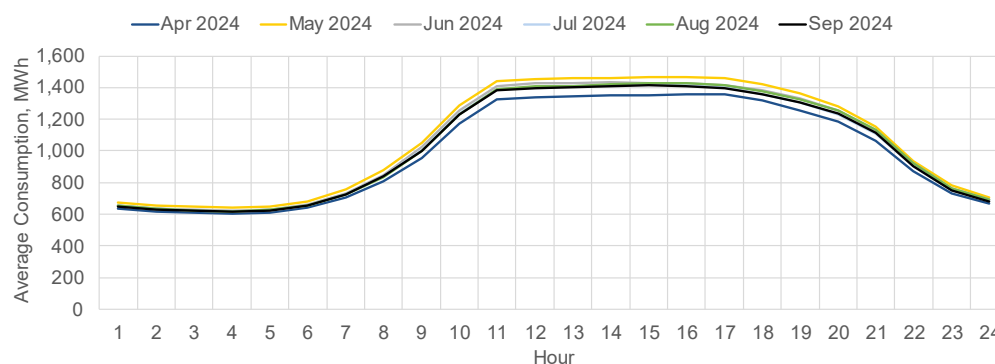


Figure 15. Hourly Average Energy Consumption (in MWh), Commercial, April to September 2024

1.3.2.2. Load Factor

Figure 16 shows the monthly load factor¹³ of registered CCs, which was calculated based on their actual electricity consumption (total consumption over the maximum consumption and the total number of hours for the billing period). Registered CCs maintained relatively same load factors throughout the 3rd quarter of 2024.

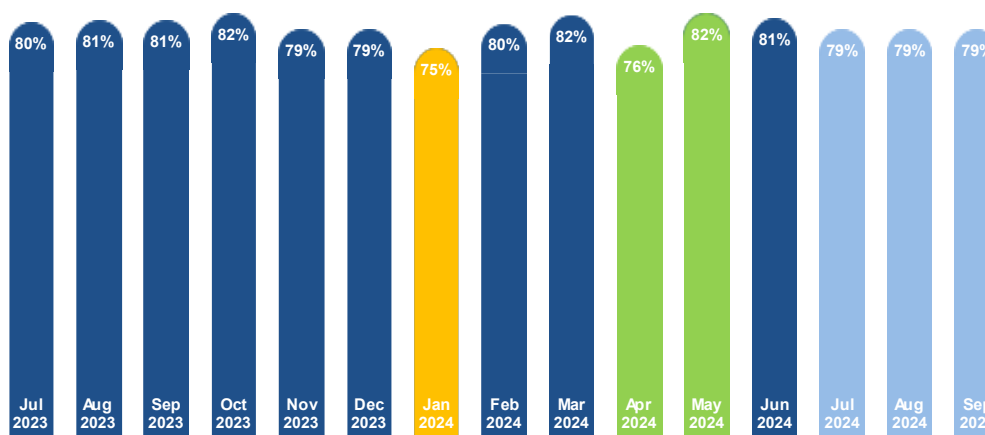


Figure 16. Load Factor, July 2023 to September 2024

1.4. RETAIL ACTIVITY

1.4.1. Market Transactions

¹³ Based on Metered Quantity (MQ)

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This section provides an analysis of the share of energy served within the RCOA. As illustrated in Figure 17, there was a slight decrease in trend in spot market purchases with the highest spot exposure occurring in July 2024 accounting to 7.04% of total energy coming from WESM. This indicates that RESs are increasingly hedging contracts with generators to avoid the volatility and price spikes in the WESM. This strategic move strengthens their position when contracting with CCs.

Moreover, some RESs directly purchased energy from the WESM, constituting about 1.73% of the total WESM purchases in the RCOA. This direct access highlights a small but significant portion of customers who prefer the flexibility of the spot market despite its risks.

In conclusion, the RCOA predominantly relies on energy served under bilateral contract agreements, which enables suppliers to negotiate lower and fixed retail prices, providing stability and predictability for both suppliers and customers.

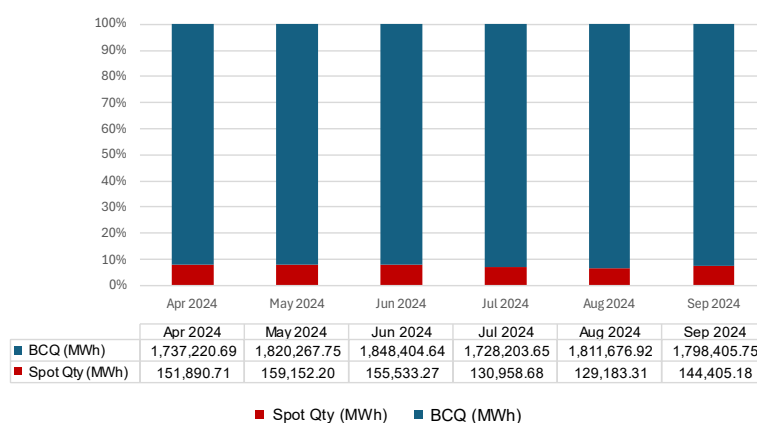


Figure 17. RCOA Market Transaction, April to September 2024

1.4.2. Customer Switching Rate

Based on the historical switching rate among registered CCs as shown in Figure 18, there were fifty-nine (59) instances of customers switching from one supplier to another during the billing months of July to September 2024. Of these, six (6) switches were made between a supplier's affiliates, indicating a strategic move within the same corporate group to optimize contract terms or service offerings.

A significant driver behind these switches was the expiry and non-renewal of contracts, accounting for fifty-eight (58) of the total switches. Significantly, forty-seven (47) of these switches resulted in a lower retail rate compared to their previous supplier which suggests that many customers are evaluating their options at the end of their contract periods and opting to switch suppliers for better rates or services.

Notably, the September billing month recorded the lowest switching rate for the period under review. This is in contrast with the same quarter of the previous year, which may be a result of long contract terms, especially for Visayas CC, as no switch was observed since June 2024.

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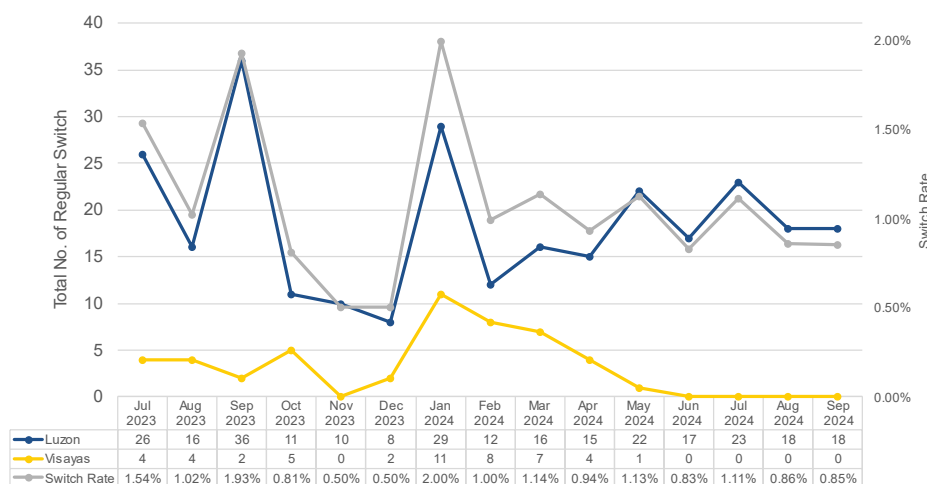


Figure 18. Switching Rate, July 2023 to September 2024

1.4.3. Retail Rate

Figure 19 shows that DU¹⁴ generation rates experienced an increase for the 2024-Q3, especially in July and September 2024. With the significant increase of rates from June to July 2024, CCs under the RCOA was protected in the volatility of the GU generation rates with their Weighted-Average Retail Generation Rates¹⁵ (WARGR) consistently under PhP 6.00/kWh.

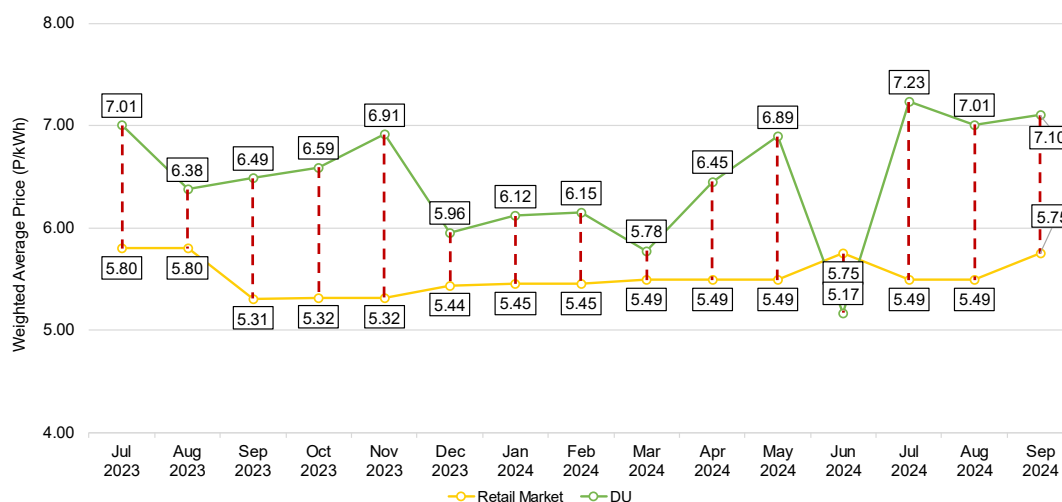


Figure 19. DU Average Generation Rate vs Retail Weighted Average Rate, July 2023 to September 2024

1.4.4. Estimated Savings

In continuation of the analysis provided in the preceding section, the assessment of

¹⁴ MERALCO, VECO and TEI

¹⁵ Based on ERC's CREM report. Due to lack of data, the last rate computed in Junex 2024 was retained for purposes of comparison

estimated savings incurred by the Retail Market participants may likewise be undertaken. For the purpose of this report, monthly savings were calculated by determining the difference between the WARGR and the DU average generation rates multiplied by the monthly consumption of CCs and were lumped in a quarterly manner. It is important to note that these calculations were based on the available data and are considered as estimates.

Throughout the period under review, CCs in the market experienced an estimated total savings of 9 billion Philippine Pesos. This figure represents a 119% increase from the savings recorded in the previous quarter due to the increase of the DU average generation rate during the 3rd quarter of 2024. This confirms that CCs in the market were protected by the volatility of rates from the DUs, earning them significant savings as a result of them not tied in the rates from DUs.

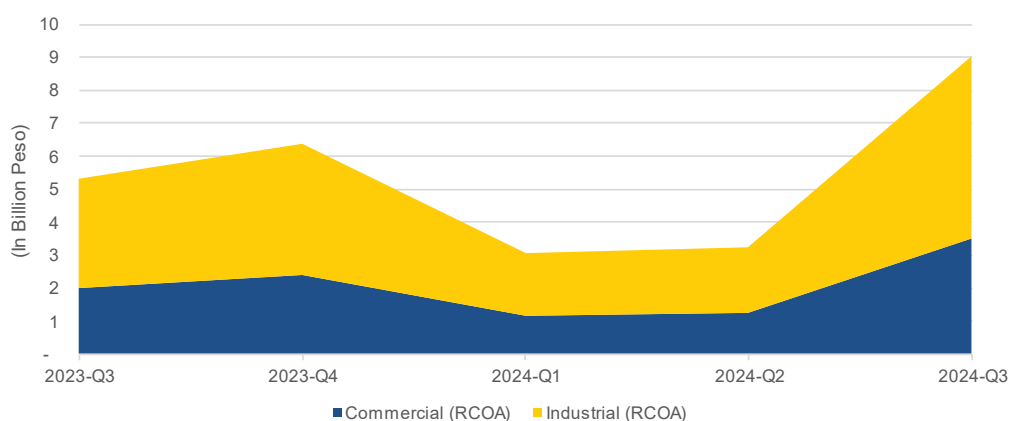


Figure 20. CC's Monthly Estimated Savings, 2023-Q3 to 2024-Q3

1.4.4.1. Estimated Savings within MERALCO Franchise Area

In continuation of the analysis provided in the preceding section, MERALCO's actual monthly generation rates was used and compared to the WARGR for each Supplier. The difference between the two (2) rates were then calculated and multiplied to the metered quantities for each supplier operating within MERALCO's franchise.

Figure 21 illustrates the estimated monthly savings accrued by the CCs within MERALCO's franchise area. During the 3rd quarter of 2024, these CCs participating in the RCOA program saved about 5.95 billion pesos.

They were able to achieve these savings by purchasing electricity at lower prices through the program compared to MERALCO's direct rates, as clearly seen in the August 2024 billing month. This analysis demonstrates how retail competition can benefit consumers by lowering electricity costs in MERALCO's area.

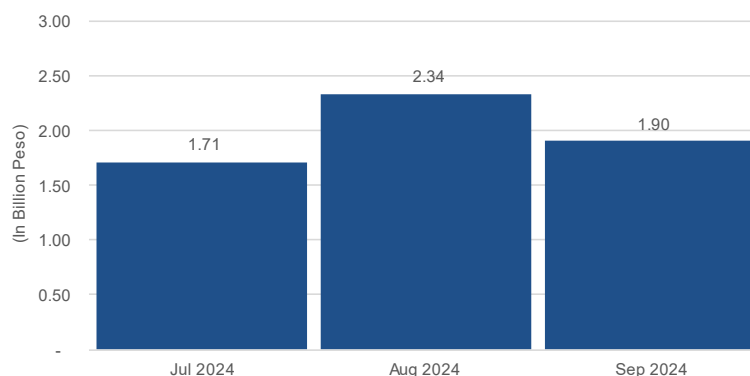


Figure 21. CC's Monthly Estimated Savings, July to September 2024

2. GREEN ENERGY OPTION PROGRAM

This portion provides an assessment on the implementation of the Green Energy Option Program (GEOP) for the covered period, utilizing the RCOA indices as reference for the review of activities under this program.

2.1. MARKET STRUCTURE

2.1.1. Number of Participants

2.1.1.1. GEOP End-Users

The total number of GEOP End-Users continues to grow, reaching 423 by the end of the 3rd quarter of 2024. This represents a 17.83% increase from the previous quarter, demonstrating a steady increase in participation in the program.

Figure 22 illustrates the number of eligible end-users within the 100-499kW threshold, which is currently offered under the GEOP. When compared to Figure 1, which shows the eligible end-users under the 500kW and above category, it is evident that there are significantly more eligible end-users in the 100-499kW range. This disparity highlights the substantial market potential for the RCOA market.

The substantial number of eligible end-users in the lower threshold suggests that smaller businesses and consumers are now allowed and capable of choosing renewable energy options offered by the GEOP. This trend not only highlights the program's success in attracting a broader consumer base but also points to a vast market potential for the RCOA. Furthermore, the data indicates that as more consumers within the 100-499kW range become aware of and participate in the GEOP, the overall demand and support for renewable energy sources will likely continue to rise, thereby enhancing market dynamics and sustainability efforts within the energy sector.

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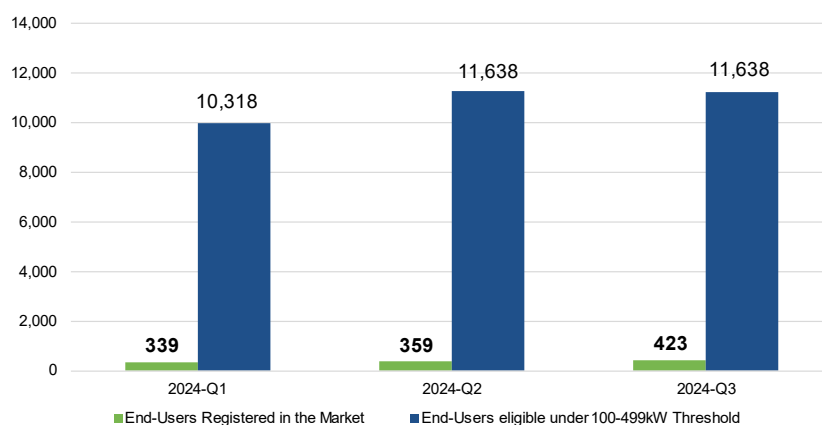


Figure 22. GEOP End-User vs Eligible End-Users under 100-499kW Threshold¹⁶, 2024-Q1 to 2024-Q3

2.1.1.2. Per Threshold

This billing quarter saw a significant surge in market participation, with 64 newly registered GEOP End-users, which successfully went through initial switching activities. The 18% increase from the previous quarter brings the total number of participants to 423.

4.3% of registered GEOP End-users who fall under the RCOA market thresholds still opted to participate under the GEOP program, which may be related to clean energy advocacies of these entities.

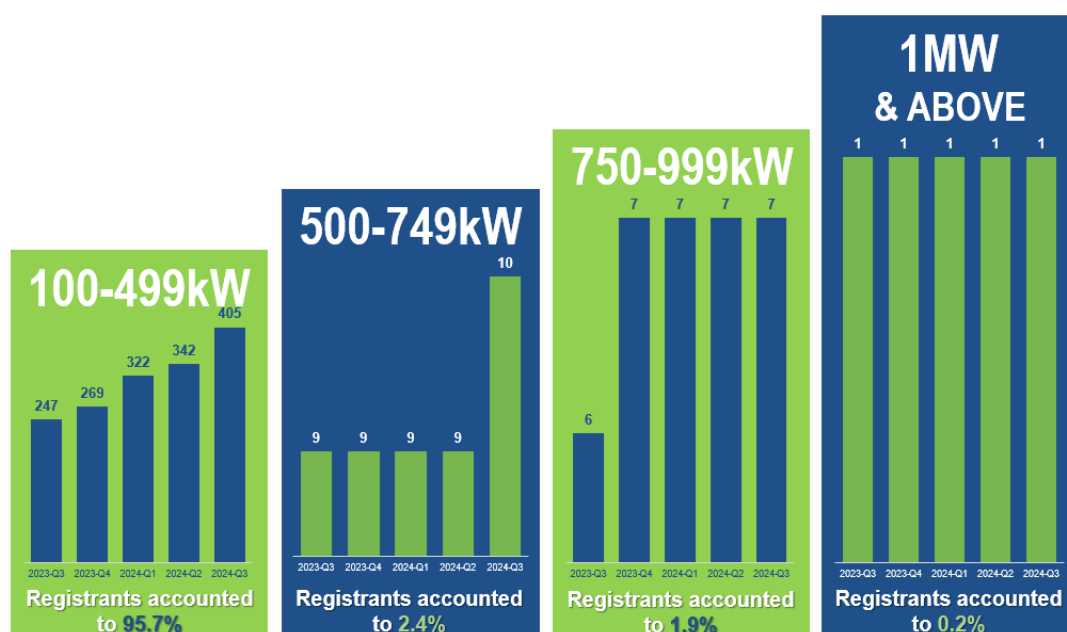


Figure 23. Cumulative Number of GEOP End-users per Threshold, 2023-Q3 to 2024-Q3

¹⁶ Based on the available data from ERC's Monthly CREM Report

2.1.1.3. Per Location

Looking at the geographical distribution of GEOP End-users, as of this billing quarter, majority (79%, or 333 participants) were located in the Luzon grid, while the remaining 21% (90 participants) were situated in the Visayas grid, as illustrated in Figure 24. This geographical distribution aligns with observations from both the previous quarter and the RCOA program, noting that Luzon serves as the primary region for both GEOP End-user and CC concentration.

However, despite RCOA seeing new customers in Mindanao, there has yet to be a GEOP end-user in the region.

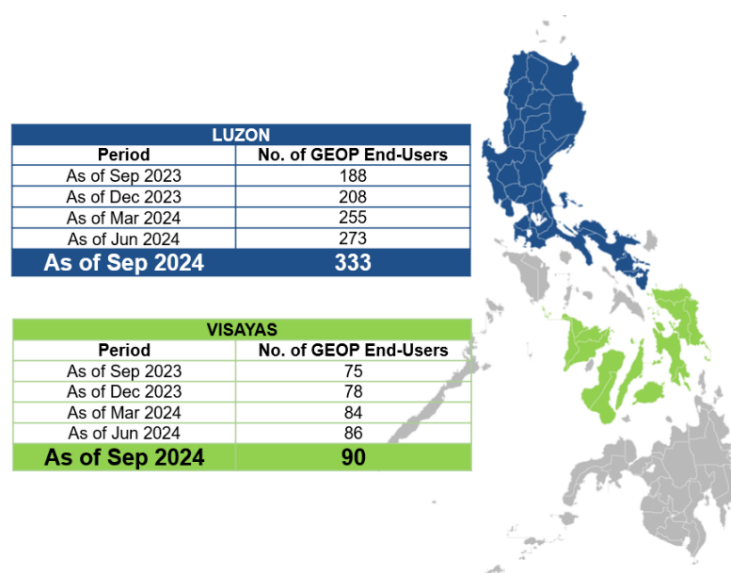


Figure 24. Cumulative Number of GEOP End-users Per Region, 2023-Q3 to 2024-Q3

Note: Retail market is fully operational to the three major grid (Luzon, Visayas, and Mindanao) where WESM is operating¹⁷.

2.1.1.4. Per Retail Activity

Similar to previous quarters, the distribution of GEOP End-users by industry sector remains consistent. This quarter, however, shows a continued increasing trend in the share of commercial participants. Currently, commercial industries account for approximately 75% of all registered GEOP End-users, while the industrial sector comprises the remaining 25%.

¹⁷ Department of Energy (DOE) Department Circular No. DC2024-03-0009 and Energy Regulatory Commission (ERC) Resolution No. 06, Series of 2024

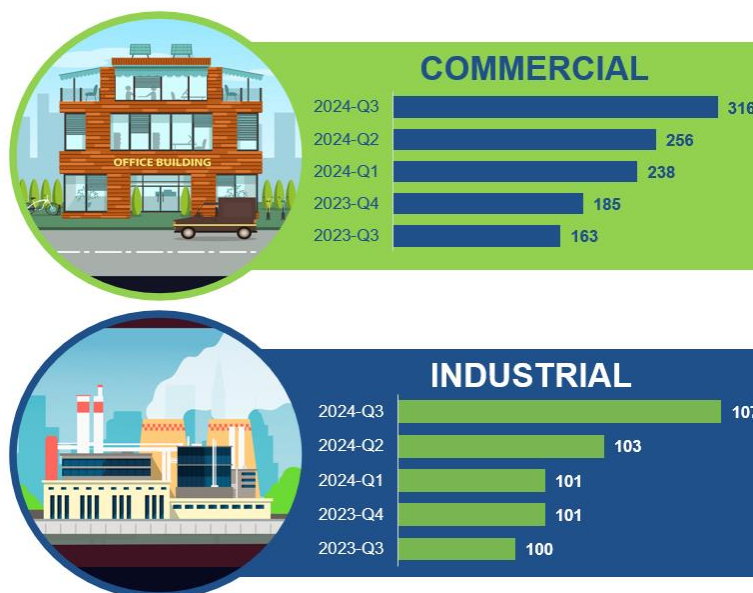


Figure 25. Cumulative Number GEOP End-users Per Retail Activity, 2023-Q3 to 2024-Q3

2.1.1.5. Average Consumption

Table 5 details the average energy consumption of GEOP End-users for the 3rd quarter of 2024. The data revealed that 99% of participants fall within the category of consuming 1MWh or less, on average. Notably, only one (1) GEOP End-user with registered consumption exceeding 1MWh was noted for all three months of the quarter. This sole high-consuming entity represents 0.28% of the total average energy consumption during the review period.

Table 3. Percentage Per Level of Average Energy Consumption, 2024-Q3

Region	500 kWh and below	500 kWh to 1 MWh	Above 1 MWh to 5 MWh	Above 10 MWh to 15 MWh	Above 15 MWh to 20 MWh	Above 20 MWh to 50 MWh	Sub-Total Per Region
LUZON	74.44%	1.67%	0.00%				76.11%
VISAYAS	23.06%	0.56%	0.28%				23.89%
Sub-Total Per Level of Average Consumption	97.50%	2.22%	0.28%				100.00%
Percent Change from the Previous Quarter	0.45% ▲	0.43% ▼	0.02% ▼				

2.1.1.6. Suppliers

Within the GEOP framework, authorized RESs are allowed to supply energy, contingent with the possession of an operational permit from the Department of Energy (DOE) and proper authorization or licensing from the ERC, which will then allow them to become a Renewable Energy (RE) Supplier.

As of June 2024, there were a total of seventeen (17) registered RE Suppliers¹⁸ in the market which remained unchanged since March 2023. When comparing to the total number of licensed/authorized by the ERC, there are two (2) remaining RE Supplier which are yet to register in the market, namely, FDC Retail Electricity Sales Corp. and the Manila Electric Company – Local RES (MPower).

For SoLRs, there were sixteen (16) registered suppliers under the program. This represents an increase of two (2) additional supplier from the previous quarter (2024-Q1), with the entry of Negros Oriental II Electric Cooperative (NORECO II) and Isabela I Electric Cooperative, Inc. (ISELCO I).

Table 4. Cumulative Number of Supplier

	Licensed/ Authorized	Registered	Serving GEU
RE Supplier	18	18	10
LRES	1	1	-
SoLR	48	16	-

2.2. MARKET SHARE

2.2.1. Supplier Share

2.2.1.1. Share in terms of Number of GEOP End-users and Consumption

In terms of the share per major participant grouping of the RE Suppliers, by the number of GEOP End-users registered in the market as of September 2024 billing period, Figure 26 shows that Ayala Group still holds the highest market share accounting for 56% of the total numbers of GEOP end-users. This may warrant a rise of concern about market dominance in the number of GEOP end-users served. However, the presence of other players remains significant, with EDC Group holding a substantial share as the second-largest participant group within GEOP. This trend highlights the enduring dominance of Ayala Group alongside the continued presence of other key players in the GEOP landscape as they have the largest portfolio of

¹⁸ Complete list of all registered Suppliers per category is provided in Annex A. List of Suppliers Per Category, as of 25 March 2023

renewable energy plants.

Another matter worth noting is that MERALCO group starts to participate as an RE supplier quickly gaining 3% of the total share in terms of number of GEOP end-users served, same as previous quarter.

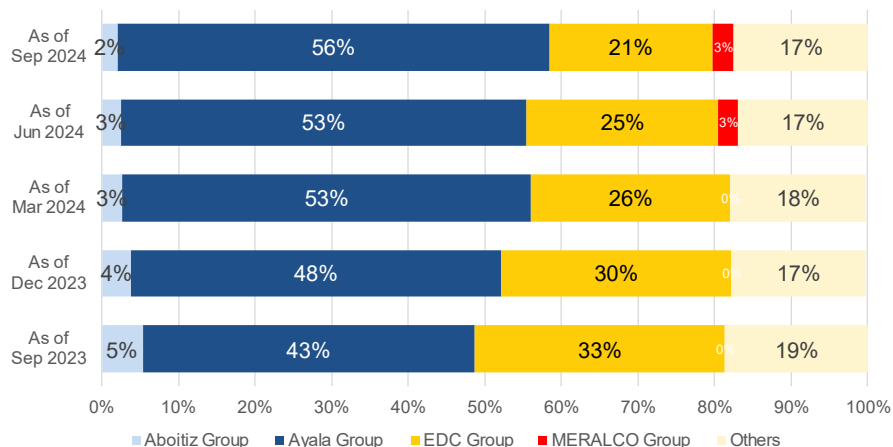


Figure 26. Share in Number of GEOP End-Users Per Major Participant Grouping, 2023-Q3 to 2024-Q3

Figure 27 underscores Ayala Group's sustained control in the GEOP market, holding a dominant share of 53% in terms of energy consumption as of 3rd Quarter of 2024. This further solidifies the group's position as the top provider, not just in terms of the number of GEOP end-users, but also in the total energy delivered.

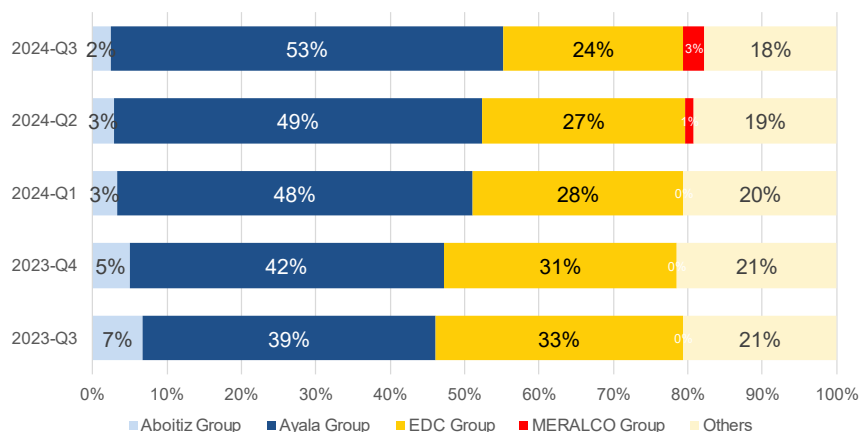


Figure 27. Share in Total Energy Consumption of GEOP End-users Per Major Participant Grouping, 2023-Q3 to 2024-Q3

2.2.1.2. Consumption Per Franchise Area Location

Geographically, registered GEOP End-users were spread throughout the various economic zones and DU franchise areas as indicated in *Appendix B: List of Distribution Utility and Economic Zones*.

About 68% of the registered GEOP End-users' consumption, as shown in Figure 27(a), were located in MERALCO's franchise area, 15% were within the VECO franchise, and 16% were scattered throughout the other franchise areas and economic zones. Figure 28(b) illustrates that inside the MERALCO franchise area, majority of the GEOP End-Users were supplied by the Ayala group bagging 53% of the total consumed energy within the area followed by the EDC group which is the second top major participant grouping within the GEOP.

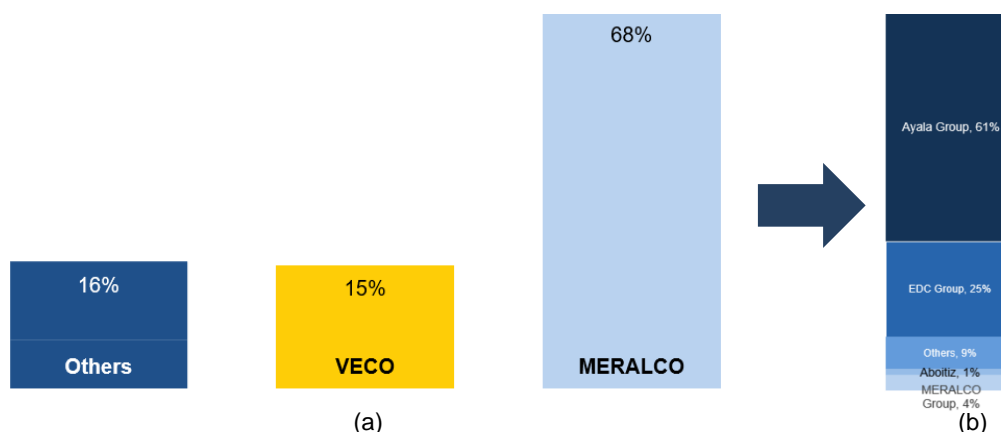


Figure 28. (a) GEOP End-Users Energy Consumption by Franchise Area, 2024-Q3; (b) GEOP End-Users Energy Consumption by Supplier within MERALCO Franchise Area, 2024-Q3

2.2.2. Market Concentration

2.2.2.1. Herfindahl–Hirschman Index (HHI)

This section discusses the market concentration in the GEOP, by major participant grouping determined by the ERC. The calculation of HHI was based on the number of contracted GEOP End-users and the corresponding energy consumption.

Figure 29 shows the level of market concentration using HHI¹⁹ when measured in terms of the number of served GEOP End-users and their consumption.

As previously mentioned, Ayala Group's share of both GEOP end-users and energy consumption remained consistently high, resulting in its domination of the GEOP market as they highly concentrated on the competition.

Consequently, looking at a per RE Supplier basis, the market share likewise reveals a concentrated market. Figure 29 illustrates a continuous increase in the market share of a single RE Supplier, further contributing to the overall resulting market concentration.

¹⁹ HHI measures the degree of market concentration. Defined as the sum of the Suppliers' market share, the HHI threshold are as follows:

HHI < 1,500 - not concentrated

Greater than 1,500 up to 2,500 - moderately concentrated

Greater than 2500 - highly concentrated

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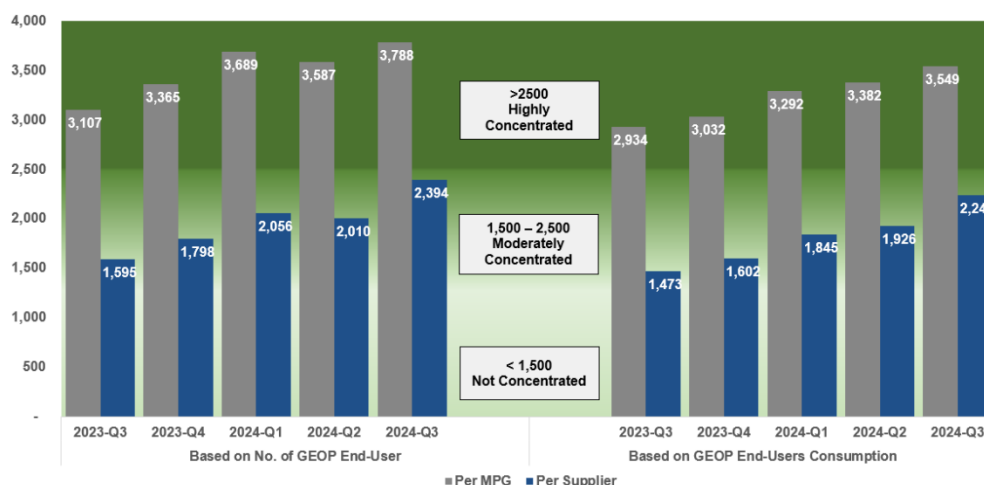


Figure 29. HHI Values, 2023-Q3 to 2024-Q3

2.2.2.2. Four-Firm Concentration Index (C4)

Figure 30 illustrates the level of market concentration in the GEOP market, based on the C4 index, which considers both the number of GEOP end-users served and their energy consumption per participant group. Throughout the review period, the C4 values remained high for both measures, hovering at 95%.

This analysis aligns with the findings based on market share per RE supplier. The market exhibits characteristics of a monopoly, with the top four suppliers collectively controlling a significant share of 79% of the market, in terms of the number of GEOP end-users, and 78% in terms of total energy delivered. The concentration may be attributed to the program's early implementation stage and the unique characteristics of the energy sources involved in the GEOP.

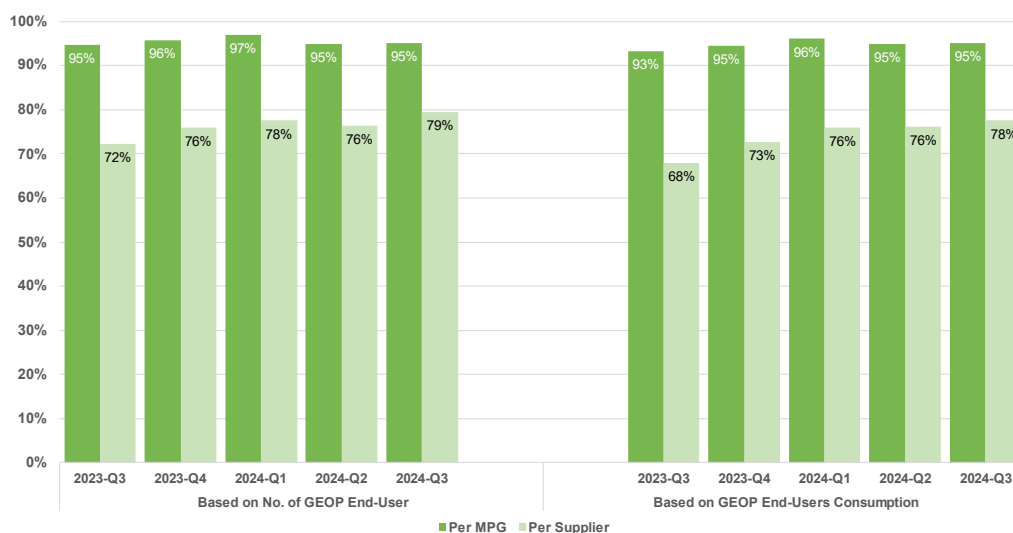


Figure 30. Four-Firm Index, 2023-Q3 to 2024-Q3

2.3. MARKET PERFORMANCE

2.3.1. Energy Consumption

2.3.1.1. Monthly Energy Consumption

Figure 31 depicts the month-on-month consumption of consumers over the past fifteen (15) months. As economic activities remain to steadily increase since the pandemic and the early implementation of the program, it is apparent that even during the rainy and cool/hot dry season, there persists a continuous and consistent increase in the consumption of both the industrial and commercial sectors. This may be a result of continuous participation of existing and new end-users in GEOP.

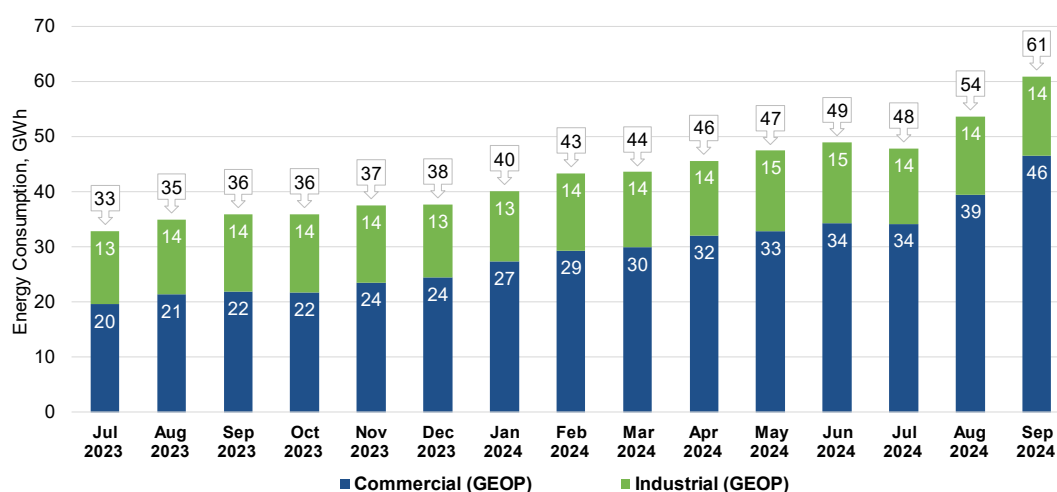


Figure 31. Total Energy Consumption Industry Type (in GWh), July 2023 to September 2024

2.3.2. Load Profile

2.3.2.1. Hourly Energy Consumption Profile

Figures 32 and 33 show the hourly average consumption of registered industrial and commercial GEOP End-users, respectively, for the billing periods of April to September 2024. The consumption profile demonstrated how their electricity consumption varied over the course of a 24-hour period.

There was an observed minimal variation in electricity consumption between peak and off-peak periods for industrial participants, as shown in Figure 32, especially from 0600h to 1700h. While a notable dip during the 1200h peak hour suggests that these industrial customers possibly implement break schedules during this time.

Observing the dynamic movement in a month-on-month comparison, same effect was noted to consumers in the RCOA with September 2024 having the lowest consumption in the reviewed billing quarter and August 2024 consistently recorded the highest level of energy consumed during the 3rd quarter of 2024.

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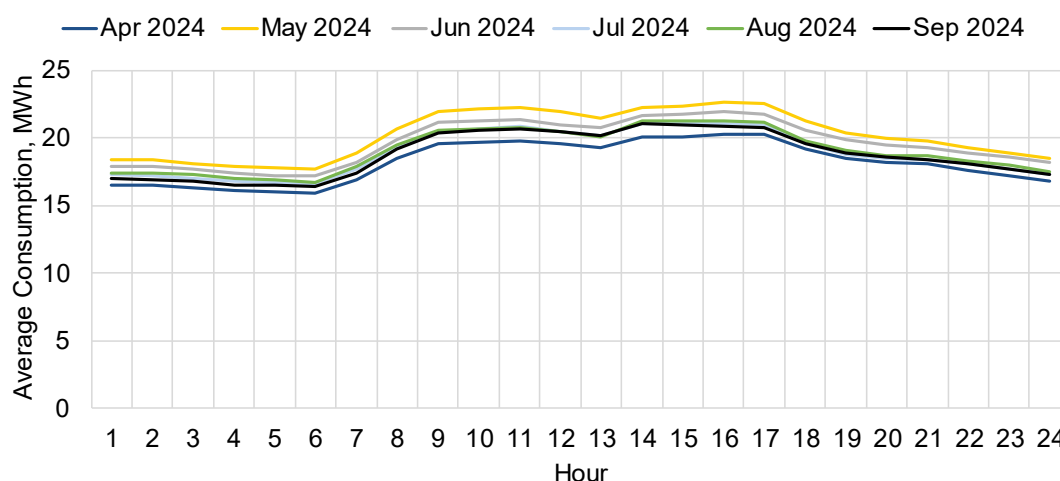


Figure 32. Hourly Average Energy Consumption (in MWh), Industrial, April to September 2024

Figure 33 highlights the difference in consumption patterns between peak and off-peak periods for commercial GEOP users. Peak consumption occurs between 0900h to 1800h. Compared to previous months, there was a noticeable rise in the recorded consumption, likely driven by the increasing number of participants in the program.

The trend is further supported by the correlation between the number of participants and overall consumption patterns. When load profiles are compared, the data suggests a strong link between the total number of registered GEOP End-users and the resulting electricity demand profile of these consumers.

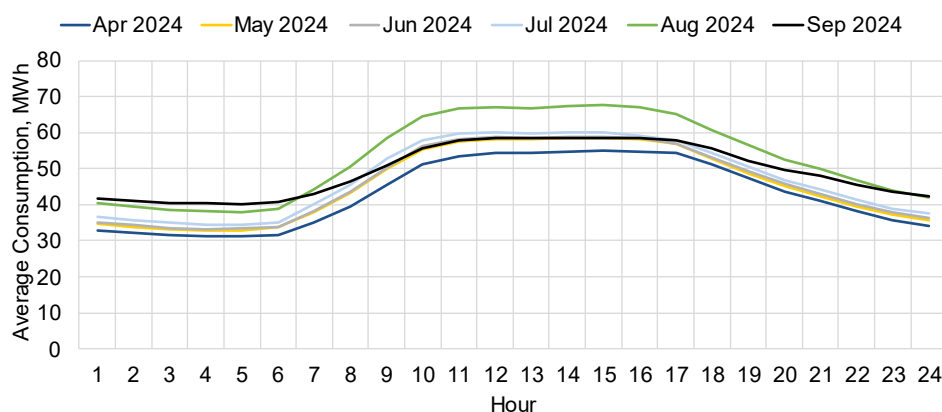


Figure 33. Hourly Average Energy Consumption (in MWh), Commercial, April to September 2024

2.3.2.2. Load Factor

Figure 34 illustrates the monthly load factor (ratio of average to peak electricity

consumption)²⁰ of GEOP participants for the 3rd quarter of 2024, calculated using actual consumption data (total divided by maximum and total billing hours). Notably, the load factors remained consistently high throughout this period.

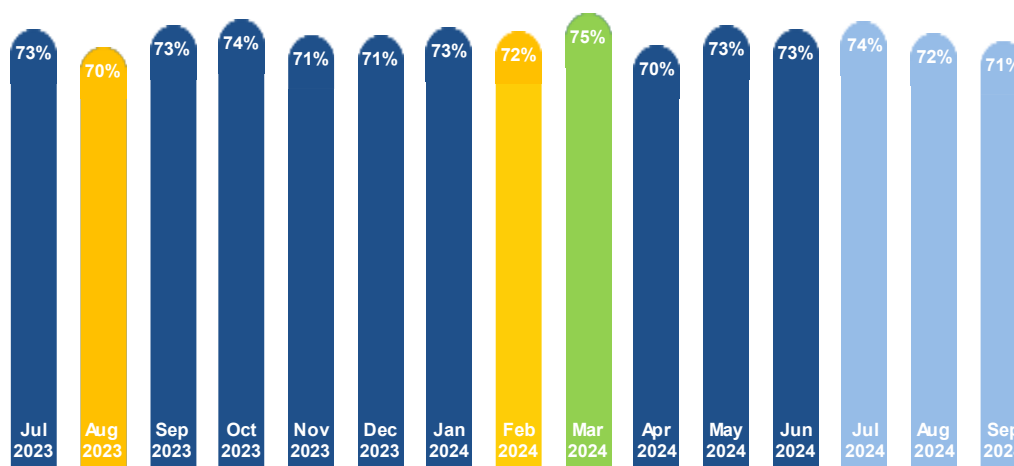


Figure 34. Load Factor, July 2023 to September 2024

2.3.2.3. Market Transactions

This section provides a detailed analysis of the share of energy served within the GEOP. As illustrated in Figure 35, a notable portion of the energy served in the program includes purchases from the spot market. This indicates that the energy mix provided to end-users under the GEOP may not be entirely composed of renewable sources. Specifically, it suggests that while the program aims to promote renewable energy, there may still be a reliance on non-renewable energy sources obtained through spot market transactions to meet the overall energy demand. This mixed sourcing approach highlights the challenges and complexities in achieving a 100% renewable energy supply within the GEOP framework.

With this in mind, the GEOP strives to provide participants with renewable energy, but the use of spot market purchases means the energy mix is not guaranteed to be exclusively coming from renewable resources. Further investigation into the program's design and the factors influencing spot market purchases would be necessary to understand the program's overall contribution to renewable energy adoption.

²⁰ Based on Metered Quantity (MQ)

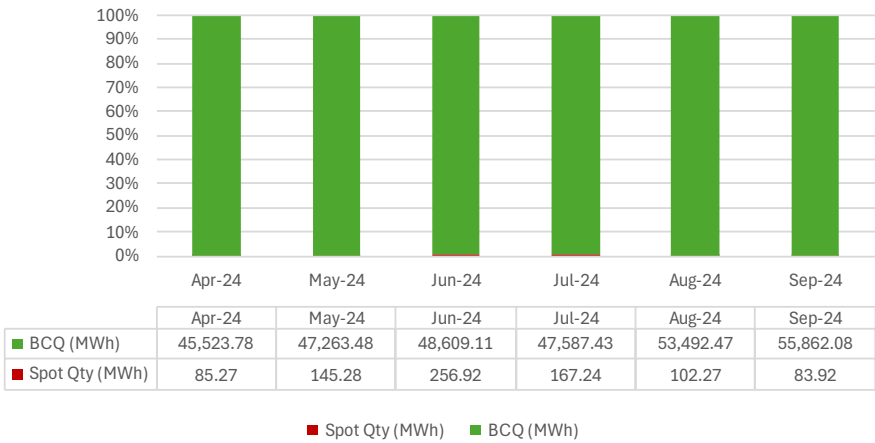


Figure 35. GEOP Market Transaction, April to September 2024

2.4. RETAIL ACTIVITY

2.4.1. Customer Switching Rate

Figure 36 shows the switching activity of GEOP participants from July 2023 to September 2024. This reveals three (3) instances of customers switching to a different supplier during the reviewed billing period (July to September 2024).

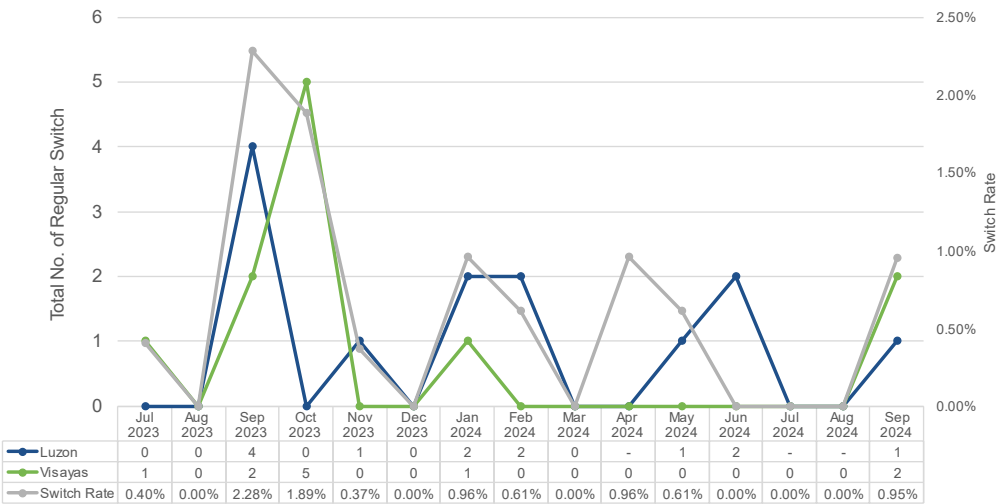


Figure 36. Switching Rate, July 2023 to September 2024

APPENDIX A - LIST OF REGISTERED SUPPLIERS

Category	No.	Market Participant Name	RCOA	GEOP
Retail Electricity Supplier (RES) and Renewable Electricity Supplier (RE Supplier)	1	Aboitiz Energy Solutions, Inc.	✓	✓
	2	AC Energy and Infrastructure Corporation	✓	
	3	ACEN Corporation (Formerly known as AC Energy Corporation)	✓	✓
	4	ACX3 Capital Holdings Inc.	✓	
	5	Advent Energy, Inc.	✓	✓
	6	Anda Power Corporation RES	✓	
	7	AP Renewables Inc.	✓	✓
	8	Asiapac Green Renewable Energy Corp.	✓	
	9	Bac-Man Geothermal, Inc.	✓	✓
	10	Citicore Energy Solutions, Inc.	✓	✓
	11	Corenergy, Inc.	✓	
	12	DirectPower Services, Inc.	✓	✓
	13	Ecozone Power Management, Inc.	✓	
	14	EEI Energy Solutions Corporation	✓	✓
	15	FDC Retail Electricity Sales Corporation	✓	
	16	First Gen Energy Solutions, Inc.	✓	✓
	17	Global Energy Supply Corporation	✓	
	18	GNPower Ltd. Co.	✓	
	19	Green Core Geothermal, Inc.	✓	✓
	20	Jin Navitas Electric Corporation	✓	
	21	KEPCO SPC Power Corporation	✓	
	22	Kratos RES, Inc.	✓	✓
	23	Mabuhay Energy Corporation	✓	
	24	Masinloc Power Partners Company Limited	✓	
	25	Mazzaraty Energy Corporation	✓	
	26	MegawattSolutions Inc.	✓	
	27	MeridianX Inc.	✓	
	28	PetroGreen Energy Corporation	✓	
	29	Premier Energy Resources Corporation	✓	
	30	Prism Energy, Inc.	✓	✓
	31	Rockport Power Inc.	✓	
	32	SEM-Calaca RES Corporation	✓	
	33	Shell Energy Philippines, Inc. - RES	✓	✓
	34	Limay Power Inc. (formerly SMC Consolidated Power Corporation)	✓	
	35	SN Aboitiz Power- Magat, Inc.	✓	✓
	36	SN Aboitiz Power-RES, Inc.	✓	✓
	37	Solar Philippines Retail Electricity, Inc.	✓	✓
	38	TeaM (Philippines) Energy Corporation	✓	
	39	Therma Luzon, Inc.	✓	✓
	40	Vantage Energy Solutions and Management, Inc.	✓	

Category	No.	Market Participant Name	ROA	GEOP
Local Retail Electricity Supplier	1	Batangas II Electric Cooperative, Inc.	✓	
	2	Camarines Sur II Electric Cooperative, Inc.	✓	
	3	Cebu I Electric Cooperative, Inc.	✓	
	4	Cebu II Electric Cooperative, Inc.	✓	
	5	Central Negros Electric Cooperative, Inc.	✓	
	6	Clark Electric Distribution Corporation LRES	✓	
	7	Dagupan Electric Corporation	✓	
	8	Ilocos Norte Electric Cooperative, Inc.	✓	
	9	Mactan Enerzone Corporation LRES	✓	
	10	Manila Electric Company	✓	
	11	Nueva Ecija I Electric Cooperative, Inc.	✓	
	12	San Fernando Electric Light & Power Co., Inc.	✓	
	13	Subic Enerzone Corporation	✓	
	14	Tarlac Electric, Inc.	✓	
	15	Visayan Electric Company, Inc.	✓	
Supplier of Last Resort	1	Angeles Electric Corporation	✓	✓
	2	Balamban Enerzone Corporation	✓	
	3	Batangas II Electric Cooperative, Inc.	✓	✓
	4	Benguet Electric Cooperative, Inc.	✓	
	5	Bohol I Electric Cooperative, Inc.	✓	
	6	Bohol Light Company, Inc.	✓	
	7	Cabanatuan Electric Corporation	✓	
	8	Camarines Sur II Electric Cooperative, Inc.	✓	
	9	Cebu I Electric Cooperative, Inc.	✓	✓
	10	Cebu II Electric Cooperative, Inc.	✓	
	11	Clark Electric Distribution Corporation	✓	
	12	Dagupan Electric Corporation	✓	✓
	13	Ilocos Norte Electric Cooperative, Inc.	✓	
	14	Ilocos Sur Electric Cooperative, Inc.	✓	
	15	Iloilo I Electric Cooperative, Inc.		✓
	16	Isabela I Electric Cooperative, Inc.	✓	
	17	La Union Electric Cooperative, Inc.	✓	✓
	18	Mactan Electric Company, Inc.	✓	✓
	19	Mactan Enerzone Corporation	✓	✓
	20	Manila Electric Company	✓	✓
	21	Negros Oriental II Electric Cooperative, Inc.	✓	
	22	Subic Enerzone Corporation	✓	
	23	Tarlac Electric, Inc.	✓	✓
	24	Tarlac I Electric Cooperative, Inc.	✓	✓
	25	Tarlac II Electric Cooperative, Inc.	✓	✓
	26	Visayan Electric Company, Inc.	✓	✓

APPENDIX B - LIST OF DISTRIBUTION UTILITIES / ECONOMIC ZONES WITH CONTESTABLE CUSTOMERS AND GEOP END-USERS

No.	Distribution Utility/ Economic Zone	RCOA	GEOP	No.	Distribution Utility/ Economic Zone	RCOA	GEOP
1	Angeles Electric Corporation	✓	✓	32	Leyte II Electric Cooperative, Inc.	✓	
2	Authority of the Freeport Area of Bataan	✓		33	Leyte V Electric Cooperative, Inc.	✓	
3	Aklan Electric Cooperative, Inc.	✓		34	LIMA Enerzone Corporation	✓	
4	Albay Electric Cooperative, Inc.	✓	✓	35	La Union Electric Company, Inc.	✓	
5	Antique Electric Cooperative, Inc.	✓		36	La Union Electric Cooperative, Inc.	✓	
6	Batangas I Electric Cooperative, Inc.	✓	✓	37	Mactan Electric Company	✓	
7	Batangas II Electric Cooperative	✓	✓	38	Mactan Enerzone Corporation	✓	✓
8	Benguet Electric Cooperative	✓	✓	39	Malvar Enerzone Corporation	✓	
9	Balamban Enerzone Corporation	✓		40	Manila Electric Company	✓	✓
10	Bohol Light Company, Inc.	✓		41	MORE Electric and Power Corporation	✓	✓
11	Bohol I Electric Cooperative, Inc.	✓	✓	42	Nueva Ecija I Electric Cooperative, Inc.	✓	
12	Bohol II Electric Cooperative, Inc.	✓		43	Nueva Ecija II Electric Area 1 Cooperative, Inc.	✓	
13	Cagayan I Electric Cooperative, Inc.	✓		44	Negros Occidental Electric Cooperative	✓	✓
14	Cagayan II Electric Cooperative, Inc.	✓		45	Northern Negros Electric Cooperative, Inc.	✓	
15	Capiz Electric Cooperative, Inc.	✓	✓	46	Negros Oriental II Electric Cooperative, Inc.	✓	
16	Camarines Sur II Electric Cooperative, Inc.	✓		47	Olongapo Electricity Distribution Company	✓	
17	Cebu I Electric Cooperative, Inc.	✓	✓	48	Pangasinan III Electric Cooperative, Inc.	✓	✓
18	Cebu II Electric Cooperative, Inc.	✓	✓	49	Pampanga I Electric Cooperative, Inc.	✓	
19	Cebu III Electric Cooperative, Inc.	✓	✓	50	Pampanga II Electric Cooperative, Inc.	✓	✓
20	Clark Electric Distribution Corporation	✓		51	Peninsula Electric Cooperative, Inc.	✓	
21	Cabanatuan Electric Corporation	✓		52	Quezon I Electric Cooperative, Inc.	✓	
22	Central Negros Electric Cooperative, Inc.	✓	✓	53	Samar I Electric Cooperative, Inc.	✓	✓
23	Central Pangasinan Electric Cooperative, Inc.	✓		54	San Fernando Electric Light and Power Company, Inc.	✓	
24	Dagupan Electric Corporation	✓	✓	55	Sorsogon II Electric Cooperative, Inc.	✓	
25	Don Orestes Electric Cooperative, Inc.	✓		56	Subic EnerZone Corporation	✓	
26	Iloilo I Electric Cooperative, Inc.	✓	✓	57	Tarlac I Electric Cooperative, Inc.	✓	✓
27	Iloilo II Electric Cooperative, Inc.	✓		58	Tarlac II Electric Cooperative, Inc.	✓	✓
28	Iloilo III Electric Cooperative, Inc.		✓	59	Tarlac Electric, Inc.	✓	✓
29	Ilocos Norte Electric Cooperative, Inc.	✓		60	Visayan Electric Company, Inc.	✓	✓
30	Isabela I Electric Cooperative, Inc.	✓		61	National Grid Corporation of the Philippines ²¹	✓	
31	Isabela II Electric Cooperative, Inc.	✓					

²¹ For Directly Connected Customers