

Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF THE LEVEL
OF MARKET FEES FOR THE
CALENDAR YEARS 2016-
2017 FOR THE PHILIPPINE
WHOLESALE
ELECTRICITY SPOT
MARKET (WESM)

ERC CASE NO. 2015-160 RC

PHILIPPINE ELECTRICITY
MARKET CORPORATION,
Applicant.
X_____X

Promulgated:

July 2020

DECISION

Before the Commission for resolution is the Application dated 1 September 2015 (Application) filed on 4 September 2015 by the Philippine Electricity Market Corporation (PEMC) for the approval of the level of Market Fees (MF) for Calendar Years 2016 and CY 2017 intended for the Philippine Wholesale Electricity Spot Market (WESM).

FACTUAL ANTECEDENTS

The pertinent provisions of the said Application are hereunder quoted as follows:

1. PEMC is a non-stock, non-profit corporation duly organized and existing in accordance with Philippine laws, with principal office at the 18th Floor Robinsons-Equitable Tower, ADB Avenue corner Poveda Street, Ortigas Center, Pasig City.

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Applicant is represented herein by its President, Melinda L. Ocampo, who is duly authorized by PEMC's Board of Directors, as evidenced by the Secretary's Certificate attached hereto as Annex "A" and made an integral part of this Application,

2. This Application is filed pursuant to Section 30 of Republic Act No. 9136, also known as the "Electric Power Industry Reform Act of 2001" or "EPIRA" which reads:

"The market operator shall recover the cost of administering and operating the wholesale electricity spot market through a charge imposed on all members: Provided that such charge shall be filed with and approved by the ERC."

3. In a Decision dated 30 January 2008 in PEMC's CY 2007 Market Fees (MF) Application, the Honorable Commission directed the filing of the market fee application "not later than the first working day of July of the current year.xxx"
4. On 29 June 2015, PEMC filed a Motion for Extension seeking an extension of 45 days from 1 July 2015 or until 15 August 2015 to file its market fees for the succeeding years. On 14 August 2015, PEMC filed another Motion for Extension praying for another 20 days from 15 August 2015 until 4 September 2015 within which to file its Application.
5. This Application is thus filed within the reglementary period requested.
6. The Applicant first filed its Application for approval of the structure and level of the market fees in WESM in 2005.
7. In its Application, the Applicant proposed a dual structure market fees comprised of the following categories-
 - a. Market Registration Fee to cover the expenses for registering WESM members; and
 - b. Market Transaction Fees to cover the budgetary requirements of PEMC in operating and governing the market.
8. Acting on the Application, the Honorable Commission approved the level and structure of the market fees in its Decision dated 22 June 2006 (hereafter the "2006 Decision") as follows:
 - a. The Market Registration Fees to be imposed upon all the WESM participants, equivalent to a Fixed Fee Rate of Php 50,000.00 and variable

costs representing the additional registration expenses of the market participants; and

- b. The Market Transaction Fees, to be levied upon the generators registered with the WESM in the total amount of Php433, 624,276.00 to cover the budgetary requirements for CY 2006.
9. In the same case, the Honorable Commission ruled that the total amount of Market Transaction Fees shall be apportioned among the generators according to the volume traded by each using the following formula:

$$\begin{aligned} \text{Market Transaction Fee Rate} &= \frac{\text{rotat Annual Market Transaction Fee(Php)/12}}{\text{Total Generated Metered Quantity (kWh)}} \\ &= \text{PhP/kWh} \end{aligned}$$

10. For the subsequent calendar year, CY 2007, the Applicant adopted the level of the previously approved Market Registration Fee (MRF) and sought approval¹⁵ of the new level of Market Transaction Fee (MTF) in view of the increase in its budgetary requirement.
 11. In a Decision dated 30 January 2008 and docketed on 20 February 2008 (hereafter the 2008 Decision), the Honorable Commission:
 - a. suspended the yearly collection of the MRF;
 - b. extended the approved 2006 budgetary requirements for the MTF for the year 2007 since there was no approval made for the year 2007;
 - c. applied the approved budget for CY 2007 for the 2008 budgetary requirements of the Applicant.
 12. Thereafter, the Applicant filed its application for approval of the level of the MTF for the Calendar Years (CY) 2009-2011, CY 2010-2011, 2012, 2013, 2014 and 2015.

FIRST APPLICATION SINGLE MARKET FEE STRUCTURE

13. All the factual allegations set forth above are re-pleaded in support of the Application to restructure the market fees at the WESM.
 14. Section 9 Rule 9 (c) of the Implementing Rules and Regulations of the EPIRA provides that the market operator

shall publish the structure of the market fees upon approval of the Energy Regulatory Commission. To quote:

"Section 9. Market Fees

(b) Upon the approval of the ERC, the Market Operator shall publish the structure of the Market Fees, the methods used in determining the structure and an assessment of the extent to which the structure complies with the principles specified above, at least three (3) months prior

to the implementation of WESM."

- 15• From 2006 to the present, PEMC has published and used the structure of the market fees approved by the Honorable Commission in its 2006 Decision, i.e. two-level structure of MRF and MTF. However, it has not filed any application for the MRF after 2007 and has only filed a yearly application for the MTF in light of the 2008 Decision of the Honorable Commission
16. With the suspension of the annual collection of the MRF as provided in the 2008 Decision of the ERC, the yearly requirement for the registration of the WESM members have been incorporated in the yearly MTF applications. The components of the MTF have been transparently discussed with the Honorable Commission in all of the MTF hearings.
17. Thus, in order to simplify the market fee filing of herein Applicant and to allow for more transparency in the disclosure and monitoring of the market fees collected, it is hereby proposed that a single market fee structure be adopted.
18. The single market fee structure meets the requirements of transparency and non-discriminatory nature as mandated by the WESM Rules. Not only would a single fee facilitate crossreferencing to ensure transparency, it would also safeguard against WESM participants being discriminate against with the imposition of different categories of market fees.
19. The single market fee structure would also address the concern of the Honorable Commission in its 2008 Decision that some components of the MRF are already incorporated in the MTF. To quote,

"The Commission has reservations on PEMC's proposal to adopt the same level of MRF for CY2006. The fact that the said MRF level was approved for CY2006 does not necessarily mean that such level should subsequently be

maintained. After scrutinizing the above breakdown, the Commission has observed that:

- The Training Materials and Service Cost for two-day site installation should have been accomplished during the initial registration in 2006 and should only be included as part of the variable cost if requested by the participant; and
- The Help Desk Facility, WESM Brochure, Quarterly and Annual Reports are already part of the Maintenance and Other Operating

Expenses.

20. It is also important to underscore that in 2010, a single fee structure was already recommended by PEMC through its application for Market Fee Setting Rules. This study was made by a PEMC Technical Working Group (TWG) ordered by the Honorable Commission to be organized for the "further study and development of the performance or output-based methodology for detailed rules and guidelines for the next years' budgeting."
21. In the Discussion Paper submitted to this Honorable Commission on 3 February 2010, the TWG proposed "to return to a single fee structure for the first Revenue Control Period, using only the Market Transaction Fee to recover costs. (Emphasis supplied)
22. The Honorable Commission has essentially approved the Market Fee Setting Rules proposed by the Applicant on the condition that it will be applied upon the appointment of the Independent Market Operator (IMO).
23. The PEMC Board of Directors resolved on 24 July 2015 to approve the single market fee structure for application with the Honorable Commission consistent with Section 30 of the EPIRA. (Please see attached Annex "B", a copy of the Secretary's Certificate on the adoption of the resolution.)
24. From the foregoing, there is nothing that prevents this Honorable Commission to now approve a single market fee structure for the collection of MF.

SECOND APPLICATION
APPROVAL FOR THE ALLOCATION OF
COLLECTED MARKET REGISTRATION
FEES

25. The factual allegations set forth above are re-pleaded in support of this second application.
26. In a pleading filed in ERC Case No. 2014-092 RC, the Applicant manifested that it has in its custody the amount of Php8,976,239.59 representing the balance of the MRF collected for 2008- 2013. As of end of CY 2014, the MRF has increased to Php10,000,890.77.
27. Following the restructuring of the market fees charged at the WESM, the Applicant now seeks approval of the Honorable Commission to deduct the total amount of collected MRF from the MTF for the years 2016-2017.

THIRD APPLICATION

PROPOSED MARKET FEE FOR THE YEARS 2016-2017
FOR LUZON, VISAYAS, AND MINDANAO

28. The factual allegations set forth above are re-pleaded in support of this second application.
29. The Department of Energy instructed PEMC to prepare for the operation of WESM in Mindanao in light of the projected overcapacity that Mindanao will experience in the first quarter of the year 2016.
30. As a result, PEMC incorporated in its budget the cost of operating the WESM in Mindanao for the years 2016 and 2017. Attached and made an integral part hereof is the resolution of the PEM Board approving the budget for 2016-2017 with the WESM Mindanao in operation.
31. The MF applied for equals the funding requirements of PEMC for CY 2016-2017 in the amount of ONE BILLION SIXTY-SIX MILLION EIGHT HUNDRED THIRTY-SEVEN THOUSAND PESOS (PhP1,066,837,000.00) for 2016 and ONE BILLION TEN MILLION NINE HUNDRED FORTY-TWO THOUSAND PESOS (PhP1,010,942,000.00) broken down as follows:

Budget Component (in PhP,M)	2016	2017
PS	453.272	494.066
MOOE	415.733	444.984
APEX	176.913	52.070
DOE ERC		
or	20.919	19.22
Tot	1,066.837	1,010.942
Projected Volume in G	67,866	70,977

32. In light of the application of the collected MRF stated above, 2016 MF shall be in the amount of ONE BILLION FIFTY-SIX MILLION EIGHT HUNDRED THIRTY-SIX THOUSAND PESOS (PhP1,056,836,000). Thus,

Budget Component	2016	2017
PS	453.272	494.066
		444.984
CAPEX	176.913	52.070
Provision for DOE ERC	20.919	19.22
TOTAL	1,066.837	1,010.942
Less MRF collected	10.001	

Tot Requir•ement	1,056.836	1,010.942
Projecte Vo ume m G	67,866	70,977

33. Personnel Services (PS) pertain to the salaries and benefits of 160 employees in Luzon and Visayas.
34. Maintenance and Other Operating Expenses (MOOE) include, among others, honorarium, rent, utilities, repairs and maintenance, contracted services, insurance, training, travel and transportation, participant development costs, and the costs of the market audit required under the WESM Rules.
35. Capital Expenditures (CAPEX) consist of enhancements and upgrades to the Market Management System (MMS) and corporate infrastructure, and the cost of lease improvements.
36. Provision for DOE/ERC Monitoring Facilities equals 2% of the proposed PS, MOOE and CAPEX budget of PEMC for CY 2016 and CY 2017, to support the monitoring functions of the Department of Energy (DOE) and the Honorable Commission pursuant to the Decisions of the Honorable Commission in PEMC's previous MF Applications.
37. In preparing its budgetary requirements, PEMC adjusted its proposed PS budget for CY 2016 and CY 2017 by 9% to account for the projected CPI in CY 2016 and in CY 2017 (4%) and the rate approved by PEMC's Board of Directors to cover reasonable annual performance increases of PEMC employees. For MOOE, the proposed amounts are based on the actual expenses incurred in CY 2014 and some are based on the budget proposed by PEMC in CY 2015²¹ adjusted by the projected CPI of 4% for CY 2016 and CY 2017. Other MOOE covered by contracts, such as those for Rent and Market Audits, were escalated by ten percent (10%). Proposed CAPEX costs are based on estimates and quotations from suppliers.
38. A discussion of the specific budgetary allocations falling within the foregoing cost components and their justifications is attached as Annex "C" and is made an integral part of this Application.
39. The amounts proposed by PEMC are net of applicable taxes, such as corporate income and value added taxes. These also do not cover possible changes in expenses due to changes in law, rules or regulations, compliance with other regulatory requirements and other external factors.
40. This Application does not include the following:

a) Provision for the repayment of the MMS Loan. PEMC filed on 14 August 2012, a separate application for the approval of additional MF for the repayment of the MMS Loan, pursuant to the terms of the Memorandum of Agreement among the National Power Corporation (NPC), National Transmission Corporation (TransCo), Power Sector Assets and Liabilities Management Corporation (PSALM) and PEMC. The MMS Loan Repayment Application is pending resolution by the Honorable Commission; and

b) New MMS (NMMS) Project. On 1 July 2013, the Honorable Commission authorized collection of additional MFs to fund the cost of

the NMMS. These MFs are collected over a period of three (3) years in addition to the prevailing MF rate.

41. Similar to the approved computation for the MTF, the single MF shall be apportioned among generators where the WESM operates, according to the volume traded by each in the WESM pursuant to the approvals of the Honorable Commission as follows:

$$\text{Market Fee Rate (PhP/kWh)} = \frac{\text{Total Annual Market Fee/12}}{\text{Total Generation Metered Quantity}}$$

42. Should the Honorable Commission approve PEMC's Application for the approval of the Pricing and Cost Recovery Mechanism for Reserves to be traded in the WESM, the MF shall be apportioned among generators as follows:

$$\text{Market Fee Rate (PhP/kWh)} = \frac{\text{Total Annual Market Fee/12}}{\text{Total Generation Metered Quantity} + \text{Total Scheduled Reserves}}$$

43. Based on initial indicative figures, the estimated Market Fee Rate is PhPo.0156/kWh for CY 2016 and PhPo.0142/kWh for CY 2017.
44. The indicative MF rate is based on the Luzon and Visayas energy forecast of 67,866 GWh for CY 2016 and 70,977 GWh for CY 2017. The energy forecast is attached as Annex "D" and is made an integral part of this Application.

PRAYER

WHEREFORE, premises considered, it is most respectfully prayed of this Honorable Commission to give due course to the Application and accordingly render judgment:

1. APPROVING the restructuring of the Market Fees into a single fee;
2. APPROVING the deduction of the previously collected Market Registration Fees from the 2016 MF applied for; and
3. APPROVING the proposed Market Fees for CY 2016 and 2017 in the amount of PhP1,066,837,000.00, and PhP1,010,942,000.00 respectively without prejudice to the resolution of PEMC's MMS Loan Repayment Application.

PEMC prays for such other reliefs just and equitable under the premises.

The Commission, having found the said Application to be sufficient in form and in substance, with the required fees having been paid, issued an Order and Notice of Public Hearing, both dated 12 October 2015, setting the case for hearing for the determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on the following dates and venues:

DATE and TIME	VENUE	PARTICULARS
25 November 2015 (Wednesday), Nine o'clock in the morning (:00 A.M.)	ERC Main Office 15 th Floor, Pacific Center Building, San Miguel Avenue, Pasi	Jurisdictional and Expository Presentation
13 January 2016 (Wednesday), Nine o'clock in the morning (:00 A.M.)	ERC Visayas Office St. Mary's Drive, Banilad, Cebu City 6000	Expository Presentation
20 January 2016 (Wednesday), Nine o'clock in the morning (@:00 A.M.)	ERC Mindanao Office Mintrade Building, Montecerde Ave., cor. Sales St., Davao Ci	Expository Presentation
25 January 2016 (Monday), Two o'clock in the afternoon (2:00 P.M.)	ERC Main Office 15 th Floor, Pacific Center Building, San Miguel Avenue, Pasi	Pre-trial Conference and presentation of evidence

On various dates, the following filed their Petitions for Intervention, to wit:

1. Visayan Electric Company (VECO) (filed on 10 November 2015);
2. Subic Enerzone Corp. (SEZ) (filed on 10 November 2015);
3. Manila Electric Company (MERALCO) (filed on 16 November 2015); and
4. Engr. Robert F. Mallillin (Engr. Mallillin) (filed on 6 January 2016).

On 24 November 2015, Applicant PEMC filed its Pre-trial Brief.

During the initial hearing held on 25 November 2015, the following entered their appearances: a) Applicant PEMC; b) MERALCO; c) VECO; and d) SEZ.

At the start of the proceedings, in compliance with the Commission's directives contained in the Order dated 12 October 2015, PEMC presented proofs of its compliance with the Commission's jurisdictional requirements, to wit:

1. Affidavit of Publication¹ executed by Ms. Perlita de Lara, Accountant of The Philippine Star dated 12 November 2015, attesting to the publication of the Notice of Public Hearing on the said newspaper;
2. Complete issue of The Philippine Star dated 28 October 2015² wherein the Notice of Public Hearing was published on page 193 thereof;
3. Affidavit of Publication⁴ executed by Perlita de Lara, Accountant of The Philippine Star dated 12 November 2015, attesting to the publication of the Notice of Public Hearing on the said newspaper;
4. Complete issue of The Philippine Star dated 4 November 2015⁵ wherein the Notice of Public Hearing was published on page 11⁶ thereof;
5. Affidavit of Publication⁷ executed by Ms. Evelyn S. Arevalo, Accounting Supervisor of The Manila Times dated 28 October 2015, attesting to the publication of the Notice of Public Hearing on the said newspaper;
6. Complete issue of The Manila Times dated 28 October 2015⁸ wherein the Notice of Public Hearing was published on page A39 thereof;
7. affidavit of Publication¹⁰ executed by Ms. Evelyn S. Arevalo, Accounting Supervisor of The Manila Times dated 4 November 2015 attesting to the publication of the Notice of Public Hearing on the said newspaper;

¹ Annex "C";

² Annex "C-1";

³ Annex "C-l-a",

⁴ Annex "D".

⁵ Annex "D-1",

⁶ Annex "D-l-a",

⁷ Annex "E",

⁸ Annex "E-1";

⁹ Annex "E 1 a".

¹⁰ Annex "F";

8. Complete issue of The Manila Times dated 4 November 2015¹¹ wherein the Notice of Public Hearing was published on page A5¹² thereof;
9. Certificate of Posting¹³ issued by Atty. Reynaldo P. Dionisio, City Administrator of Pasig City dated 4 November 2015; and
10. Receiving Copy¹⁴ of the Order with stamped received or signed by the authorized officials of the following government agencies: a) Office of the Solicitor General (OSG) ¹⁵; b) Commission on Audit (COA) ¹⁶; c) Senate Committee on Energy¹⁷; and d) House Committee on Energy¹⁸.

The Clerk of the Commission verified Applicant's compliance with the Commission's publication and posting of notice requirements in accordance with the Order dated 12 October 2015, and found that it has fully complied with the jurisdictional requirements. Thus, the Commission declared that it acquired jurisdiction over the instant Application.

Thereafter, PEMC conducted its expository presentation discussing in detail the instant Application. The said presentation was conducted under oath and made part of the testimony of the presentors. The presentation was divided into two (2) parts, to wit:

- 1) Presentation of Atty. Criselda S. Martin-Funelas (Atty. Funelas), legal counsel of PEMC, who discussed the following: a) legal basis of the Application; b) background of the Market Fees (MF); and c) the material allegations found in the Application; and

- 2) Presentation of Ms. Marissa P. Gandia (Ms. Gandia), Treasurer and Vice-President for Corporate Services of PEMC, who explained other material allegations found in the Application.

¹¹ Annex "F-1".

¹² Annex "F-1-a";

¹³ Annex "H";

¹⁴ Annex "I";

¹⁵ Annex "1-1";

¹⁶ Annex "1-2";

¹⁷ Annex "1-3";

¹⁸ Annex "1-4";

In the course of the presentation, the Commission propounded clarificatory questions relative thereto. PEMC was likewise directed to submit the following:

- 1) Detailed Market Registration Fees (MRF) collected from year 2005, including any earnings from the interest and from whom it has collected the MRF; and
- 2) The projected and historical Consumer Price Index (CPI) from year 2011 up to the present.

At the end of the presentation, PEMC moved for a declaration of general default in light of the absence of any intervenor or oppositor from Luzon during the said hearing.

Applicant PEMC likewise moved that the hearing for the Mindanao stakeholders scheduled on 20 January 2016 be cancelled considering that the Market Fees (MF) for Mindanao customers have not yet been implemented. Acting upon the motions of the Applicant, the Commission granted the same.

On 10 December 2015, Applicant filed its Compliance and Manifestation, of even date, in compliance with the directives of the Commission during the 25 November 2015 hearing, attaching the following documents, to wit:

- 1) Annual projected CPI rate for the years 2011 to 2017 from the appropriate government agency; and

- 2) MRF collected from years 2005 to 2014 including the earnings from the interest and from whom it has collected the said MRF.

During the 13 January 2016 hearing for the Visayas stakeholders, the same expository presentation was conducted. At the end of the said presentation, PEMC moved for a declaration of general default in light of the absence of any intervenor or oppositor from Visayas during the said hearing. The Commission granted the said motion.

On 20 January 2016, PEMC filed a Compliance of even date, with the attached Judicial Affidavits of Mr. Isidro E. Cacho Jr. and Mr. Salvador D. Subaran.

During the continuation of the proceedings on 25 January 2016, the Pre-Trial Conference was conducted. The Commission noted that on various dates, Applicant PEMC and the intervenors filed their respective Pre-Trial Briefs, as follows:

1. Applicant PEMC (on 24 November 2015);
2. Engr. Mallillin (on 7 January 2016);
3. SEZ (on 19 January 2016);
4. VECO (on 19 January 2016); and
5. MERALCO (on 20 January 2016).

During the said Pre-trial Conference, the issues, proposed facts and pieces of evidence were tackled and threshed out by the Commission as contained in their respective Pre-trial Briefs. Thereafter, the Pre-Trial Conference was terminated.

The hearing then proceeded with the presentation of evidence. Applicant presented Ms. Gandia as its first witness. Ms. Gandia testified on the following matters: a) her participation in the preparation of the budget for calendar years 2016 and 2017; b) the justifications and details of the budget applied for; c) the assumptions used by PEMC in the preparation of the budget; d) the impact of the budget on the estimated MF rate for calendar years 2016 and 2017; and e) other material allegations in support of the Application.

The foregoing testimony is contained in Ms. Gandia's Judicial Affidavit together with her signature thereon, and duly marked as Exhibits "W" and "W-1", respectively.

Thereafter, Applicant PEMC moved for continuance due to lack of time. The next hearing was scheduled on 4 March 2016 for the continuation of the presentation of witnesses.

On 27 January 2016, PEMC filed an Ex Parte Motion for Issuance of Provisional Authority, of even date, wherein it prayed that it be granted a provisional authority to collect the Market Fee rate of PhP 0.0137/kWh from participants in the Luzon and Visayas grids for CY 2016, pending the issuance of the decision in ERC Case No. 2014092 RC.

On 1 February 2016, Intervenor MERALCO filed a Manifestation, of even date.

As response to MERALCO's Manifestation dated 1 February 2016, PEMC filed a Counter Manifestation (re: Manifestation dated 1 February 2016 of Manila Electric Company) of even date.

During the hearing on 4 March 2016, Applicant PEMC presented its second witness, Mr. Salvador D. Subaran (Mr. Subaran), its Officer-in-Charge Vice President for Information Systems and Technology, who testified on the following matters: a) his participation in the preparation of the budget for calendar years 2016 and 2017; b) the description of the Capital Expenditures (CAPEX) covered by the instant Application; c) the justifications and details of the budget applied for CAPEX; and d) other matters in relation to the instant Application.

The foregoing testimony is contained in Mr. Subaran's Judicial affidavit together with his signature thereon and duly marked as Exhibits "V" and "V-1", respectively.

Applicant PEMC then presented its third witness, Mr. Isidro E. Cacho, Jr. (Mr. Cacho), its Corporate Planning Manager, who testified on the following matters: a) his participation in the preparation of the budget for calendar years 2016 and 2017; b) the inclusion of the Total Scheduled Reserves (TSR) in the computation of MF should the Pricing and Cost Recovery Mechanism Reserves in ERC Case No. 2007-004

be approved by the Commission; and c) other matters in relation to the instant Application.

The foregoing testimony is contained in Mr. Cacho's Judicial Affidavit together with his signature thereon, and duly marked as Exhibits "U" and "U-1", respectively.

The direct examinations having been terminated, the Commission propounded clarificatory questions to the witnesses, which they addressed. Following the end of the presentation of evidence, the Commission directed PEMC to submit the following additional documents within twenty (20) days from the hearing, to aid the Commission in the evaluation of the instant Application:

- 1) PEMC's guidelines or merit system in the provision of the five percent (5%) annual salary increase; and
- 2) Percentage of the MF that represents the MRF.

The intervenors were given fifteen (15) days upon receipt of the submissions of PEMC within which to file their respective comments, if necessary. Likewise, the Commission directed PEMC and the intervenors to submit their respective Formal Offer of Evidence (FOE) within fifteen (15) days from the said hearing.

On 28 March 2016, PEMC filed its Compliance with Motion for Confidential Treatment of Information dated 23 March 2016, submitting the following documents in compliance with the directives of the Commission during the 4 March 2016 hearing, to wit:

- 1) PEMC's guidelines or merit system in the provision of the five percent (5%) annual salary increase; and
- 2) Percentage of the MF that represents the MRF.

On 12 April 2016, PEMC filed its Formal Offer of Evidence with Motion for Marking of Additional Documents (FOE) of even date, submitting the following documentary exhibits to aid the Commission in the evaluation of the instant Application, to wit:

Exhibit Markin	Document	Purpose
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	Acknowledgment dated 1 September 2015 by Ms. Loida U. Villanueva, Acting City Council Secretary, Sangguniang Panlungsod of Pasig City	To prove that a complete copy of the Application, with all its annexes and accompanying documents, was received by the Sangguniang Panlungsod of Pasig City, where Applicant principally operates, in compliance with Rule 6, Sec. 2(a) of the ERC Rules of Practice and Procedure (the "ERC Rules")
	Affidavit of Service dated 4 September 2015 executed by Mr. Albert P. Simangan, PEMC	
A-I-a	First page of the Application bearing the stamp "received" by the Sangguniang Panlungsod of Pasi Ci	
B	Affidavit of Publication dated 2 September 2015 executed by Mr. Edwin L. Monforte, The Philippine Star	To prove that the Application was published on 2 September 2015 in the Philippine Star, a newspaper of general circulation, in compliance with Rule 6, Sec.2(b) of the ERC Rules
	Complete copy of The Philippine Star issue dated 2 September 2015	

Exhibit Markin	Document	Purpose
B-I-a	Page 13 of The Philippine Star issue dated 2 September 2015	
c	Affidavit of Publication dated 28 October 2015 executed by Ms. Perlita de Lara, The Philippine Star	To prove that the Notice of Public Hearing was published on 28 October 2015 in The Philippine Star, a newspaper of general circulation, in compliance with the 12 October 2015 Order of the Honorable Commission (the "Order")
c-1	Complete copy of The Philippine Star issue dated 28 October 2015	
C-I-a	Page 19 of The Philippine Star issue dated 28 October 2015	
D	Affidavit of Publication dated 4 November 2015 executed by Ms. Perlita de Lara, The Philippine Star	To prove that the Notice of Public Hearing was published on 4 November 2015 in The Philippine Star, a newspaper of general circulation, in compliance with the Order
	Complete copy of The Philippine Star issue dated 4 November 2015	

D-l-a	Page 11 of The Philippine Star issue dated 4 November 2015	
	Affidavit of Publication dated 4 November 2015 executed by Evelyn S. Arevalo, The Manila Times	To prove that the Notice of Public Hearing was published on 28 October 2015 in The Manila Times, a newspaper of general circulation, in compliance with the Order
	Complete copy of The Manila Times issue dated 28 October 2015	
E-l-a	Page A3 of The Manila Times issue dated 28 October 2015	
	Affidavit of Publication dated 4 November 2015 executed by Evelyn S. Arevalo, The Manila Times	To prove that the Notice of Public Hearing was published on 4 November 2015 in The Manila Times, a newspaper of general circulation, in compliance with the Order
	Complete copy of The Manila Times	
F-l-a	Page A5 of The Manila Times issue dated 4 November 2015	
G	Receiving Copy of the Application, bearing the stamp "received" / of the following recipients -	To prove that a copy of the Application was duly served upon the government offices specified in the Order
	Office of the Solicitor General - stamp "received"	To prove that a copy of the Application was duly served upon the Office of the Solicitor General

Exhibit Markin	Document	Purpose
	Commission on Audit - stamp "received"	To prove that a copy of the Application was duly served upon the Commission on Audit
	Committee on Energy of the Senate - stamp "received"	To prove that a copy of the Application was duly served upon the Committee on Energy of the Senate
	Committee on Energy of the House of Representatives stamp "received"	To prove that a copy of the Application was duly served upon the Committee on Energy of the House of Representatives

	Certificate of Posting dated 4 November 2015 issued by Atty. Reynaldo P. Dionisio, City Administrator, Pasig City	To prove that a copy of the Order and a copy of the Notice of Public Hearing were posted on the bulletin board of the Office of the Mayor of Pasig City in compliance with the Order
1	Receiving Copy of the Order, bearing the stamp "received" of the following recipients -	To prove that a copy of the Order was duly served upon the government offices specified in the Order
1-1	Office of the Solicitor General - stamp "received"	To prove that a copy of the Order was duly served on the Office of the Solicitor General
1-2	Commission on Audit stamp "received"	To prove that a copy of the Order was duly served on the Commission on Audit
1-3	Committee on Energy of the Senate - stamp "received"	To prove that a copy of the Order was duly served on the Committee on Energy of the Senate
1-4	Committee on Energy of the House of Representatives stamp "received"	To prove that a copy of the Order was duly served on the Committee on Energy of the House of Representatives
	Receiving Copy of the Notice of Public Hearing, bearing the stamp "received" of the following recipient	To prove that a copy of the Notice of Public Hearing was duly served upon the government offices specified in the Order
	Office of the Solicitor General - stamp "received"	To prove that a copy of the Notice of Public Hearing was duly served on the Office of the Solicitor General
	Commission on Audit stamp "received"	To prove that a copy of the Notice of Public Hearing was duly served on the Commission on Audit
J-3	Committee on Energy of the Senate - stamp "received"	To prove that a copy of the Notice of Public Hearing was duly served on the Committee on Energy of the Senate

Exhibit Markin	Document	Purpose
	Committee on Energy of the House of Representatives stamp "received"	To prove that a copy of the Notice of Public Hearing was duly served on the Committee on Energy of the House of Representatives

K	Judicial Affidavit of Ms. Marissa P. Gandia dated 17 November 2015	To prove - a. Personal participation of Ms. Gandia in the preparation of the Application; b. Approval secured from PEMC's Board of Directors (PEM Board) in connection with the filing of the Application; c. Justifications and details of the budget applied for; d. Assumptions used by PEMC in the preparation of the budget; e. Costs not included in the Application; f. Impact of the MF level prayed for on the estimated MF rate for CY2016 and CY 2017; g. Such other matters as may be pertinent to the Application.
	Signature of Ms. Gandia	To prove that the document was duly signed by Ms. Gandia
L	Secretary's Certificate dated 1 September 2015 covering PEM Board Resolution No. 201 - 1	To prove that the PEM Board approved the budget for CY 2016 and CY 2017 and the filing of the Application
	Signature of Ms. Claudette U. Dema	To prove that the document was duly signed by Ms. Dema
M	Secretary's Certificate dated 24 July 2015 covering PEM Board Resolution No. 2015-30	To prove that the PEM Board approved the proposal to adopt a single fee structure in the application for market fees for CY 2016 and CY 2017 and the filing of the Application for modification of the market fee structure
	Signature of Ms. Claudette U. Dema	To prove that the document was duly signed by Ms. Claudette U. Dema
N	Letter dated 24 August 2015 of Secretary Zenaida Monsada of the Department of Energy addressed to PEMC President Melinda L. Ocampo	To prove that the Department of Energy instructed PEMC to prepare for the operation of the WE-SM in Mindanao in light of the expected supply margin in Mindanao starting on the first half of 2016
O	Discussion Paper	To prove the specific budgetary allocations covered by the major cost components of the budget and their justifications

Exhibit Markin	Document	Purpose
	2016-2018 Forecast Summary	To prove the impact of the proposed level of MF on the estimated MF rate for CY 2016 and CY 2017
	Signature of Ms. April Jo B. de la Vifia	To prove that the document was re aredb Ms. de la Vifia
	Signature of Mr. Marcial Brummel J. Jimenez	To prove that the document was duly si nedb Mr. Jimenez
P-3	Signature of Mr. Arthur P. Pintado	To prove that the document was duly si nedb Mr. Pintado
	Signature of Mr. Carlito C. Claudio	To prove that the document was duly si nedb Mr. Claudio
	Expository Presentation of Ms. Marissa P. Gandia	To prove the following matters relative to the Application - a. Overview of PEMC's applications and rationale; b. Methodology; c. Basis of the proposed budget; d. Proposed level of MF; e. Indicative MF rate for CY 2016 and CY 2017
	Judicial Affidavit of Mr. Isidro E. Cacho dated 20 January 2016 (marking done in ERC records)	To prove: a. Personal participation of the witness in the preparation of the budget for CY 2016 and CY 2017; b. The inclusion of Total Scheduled Reserves in the computation of market fees should the Pricing and Cost Recovery Mechanism for Reserves in ERC Case No. 2007-004 be approved by the ERC and the rationale therefor; c. Such other matters as may be ertinent to the A lication.
	Signature of Mr. Cacho	To prove that the document was duly si nedb Mr. Cacho
	Judicial Affidavit of Mr. Salvador D. Subaran dated 20 January 2016 (marking done in ERC records)	To prove: a. Personal participation of the witness in the preparation of budget for CY 2016-2017; b. Description of the Capital Expenditures covered by the Application; c. Justifications and details of the budget applied for Capital Expenditures;

		d. Such other matters as may be ertinent to the A lication.
v-l	Signature of Mr. Subaran	To prove that the document was duly si nedb Mr. Subaran
w	Supplemental Judicial Affidavit of Ms. Marissa P. Gandia dated 5 February 2016	To prove: a. Personal participation of the witness in the preparation of the bud et for CY 2016 and CY 2017;

Exhibit Markin	Document	Purpose
		b. Justifications and details of the budget applied for; c. The non-profit nature of the Applicant as a corporation registered with the Securities and Exchange Commission; d. The basis for the collection and calculation of the Market Registration Fees beginning 2008 and the deduction of the collected amounts from the Calendar Year 2016 Market Fees applied for; e. Such other matters as may be pertinent to the Application.
w-l to W7	Signature of Ms. Gandia and succeeding pages	To prove that the document was duly signed by Ms. Gandia
X	Certificate of Incorporation dated 18 November 2003	To prove the non-profit nature of the Applicant as a corporation registered with the Securities and Exchange Commission.
Y and Y-1 to Y-7 Y-l-a Y-l-b	Articles of Incorporation dated 13 November 2003 and succeeding pages 1 st paragraph Paragraph entitled "Primary Purpose"	To prove the non-profit nature of the Applicant as a corporation registered with the Securities and Exchange Commission.

On 29 April 2016, PEMC filed a Manifestation dated 28 April 2016.

On 2 May 2016, Intervenor SEZ filed a Manifestation dated 29 April 2016, wherein it informed the Commission that it would not be presenting any witness or evidence.

On 12 July 2016, PEMC filed a Memorandum: Statement of Antecedent Facts and Proceedings wherein it submitted a revised proposed budget for CY 2016 and CY 2017, as shown below:

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Budget Component	2016 (In Million PhP)		2017 (In Million PhP)	
	Proposed		Proposed	
Personnel Services (PS)	453.27	7%	494.07	54%
Maintenance and Other Operating Expenses (MOOE)	352.14	36%	387.08	42%
Capital Expenditures (CAPEX)	141.91	15%	17.07	2%
Provision for DOE/ERC Monitoring Facilities	18.94	2%	17-96	2%
Total	966.27	100%	916.18	100%

On 22 July 2016, MERALCO filed a Manifestation and Motion for Time to File Memorandum.

Consequently, on 12 August 2016, MERALCO filed its Memorandum of even date.

On 7 September 2016, Applicant PEMC filed an Urgent Motion to Resolve of even date wherein it requested the Commission to resolve the instant Application.

In an Order dated 7 February 2017, the Commission directed PEMC to submit the following documents within fifteen (15) days upon receipt of the Order, to wit:

1. A detailed breakdown and actual schedule of expenditures incurred for calendar years 2015 to 2016 for the following:
 - 1.1 Actual contracts entered and the summary of the newly negotiated contracts or quotations for rentals, repairs and maintenance, market audit, contracted services, and software licenses; and
 - 1.2 Comprehensive breakdown of actual costs and proof of expenses on conferences, insurance, participant development fund, repairs and maintenance, subscriptions, and research and development.

2. A detailed breakdown of the actual costs components of Personnel Services identifying the amount allotted for basic salary, SSS, Philhealth, Uniform Allowance, Sick and Vacation Leave, retirement benefits for both current and unfunded portion, 13th month pay and performance bonuses, and other related expenses;
3. PEM Board Resolution approving employees' benefits and the Board approved merit system showing the performance indicators and parameters in the evaluation of performance rating of its employees;
4. Updated list of the PEM Board, its committees, and subcommittees;
5. Adjusted schedule and components of the actual utilization of the Capital Expenditure (CAPEX) per project basis for calendar year 2016; and
6. Actual utilization of Committed Expenses identified in the Variance Report for calendar year 2015 including proof of expenditures such as disbursement vouchers, Official Receipts, etc.

On 9 February 2017, PEMC filed a Second Urgent Motion to Resolve of even date, wherein it reiterated its prayer for the urgent resolution of the instant Application.

On 8 March 2017, PEMC filed its Compliance with Request for Confidential Treatment of Information, wherein it submitted various documents in compliance with the Order of the Commission dated 7 February 2017. P EMC likewise requested that the following documents be treated as confidential documents, to wit:

1. Actual contracts for contracted services;
2. The breakdown of the actual costs components for Personnel Services; and
3. The PEM Board Resolution approving employees' benefits and the Board approved merit system.

On 18 July 2017, another Order dated 13 July 2017 was issued by the Commission requiring Applicant P EMC to engage a third party provider to conduct a study for the benchmarking of the reasonableness of the current salaries of its employees, which shall consequently serve as basis for updating its salary scale. PEMC was given a period of ninety (90) days upon receipt of the Order to comply.

In response to the said Order, PEMC filed a Manifestation and Motion dated 2 August 2017, wherein it prayed for the Commission's guidance as to where the funding for the engagement of the third party provider may be sourced, and the period as to when the third party provider may be engaged.

On 22 September 2017, the Commission issued an Order dated 11 July 2017 partially approving the instant Application insofar as it pertains to the pre-operating budget for WESM Mindanao, the dispositive portion of which provides, to wit:

WHEREFORE, premises considered, the Commission hereby partially approves the instant application insofar as it covers the preoperating budget for WESM Mindanao in the total amount of PhP30,601,019 for CY2017 as shown hereunder:

Budget Com onent	Proposed (in PhP)	Approved (in PhP)
MOOE		
Contractual Personnel	5,158,120	
Rental	2,006,400	1,824,000
Contracted Services	1,643,174	1,579,975
Utilities		2,262,000
Travel and trans ortation	4,399,152	4,028,528
Conference cost	3,036,800	2,920,000
Materials, office supplies ande ui ment	124,800	120,000
CAPEX		
IT S stems Hardware	7,410,000	7, 10,000
Leasehold lm rovement	6,098,158	6,098,158
Total	32 229 084	30,601,019

On 9 October 2017, PEMC filed a Motion for Reconsideration to the Order of the Commission dated 11 July 2017. In the said Motionfor Reconsideration, PEMC prayed that the said Order be partially reconsidered with respect to the directives of the Commission that the pre-operating budget for WESM Mindanao be sourced from PEMC's collected fines and penalties.

On 7 November 2017, PEMC filed a Manifestation and Motion, of even date, wherein it informed the Commission that its Board of Directors decided to use its other income and unutilized budget as of CY 2016 to partially pay Power Assets Management and Liabilities Inc. (PSALM) for its advances with respect to the Market Management System (MMS) project. In the same Manifestation and Motion, P EMC reiterated the allegations contained in its Motion for Reconsideration dated 9 October 2017.

On 17 November 2017, MERALCO filed a Comment (on PEMC's Manifestation and Motion dated 7 November 2017).

As response, PEMC, on 17 January 2018, filed a Reply dated 16 January 2018 to MERALCO's Comment (on PEMC's Manifestation and Motion dated 7 November 2017).

On 06 March 2020, the Commission issued an Order dated 04 March 2020 wherein it directed Applicant PEMC to submit a detailed breakdown of its actual utilization for the expenses incurred for CY 2015, CY 2016, and CY 2017.

Consequently, on 16 March 2020, PEMC filed its Compliance wherein it submitted a detailed breakdown of its actual utilization for the expenses incurred for CY 2015 to CY 2017, pursuant to the Commission's Order dated 04 March 2020.

The Commission, having found the exhibits contained in the Applicant's FOE and all its submissions relevant and material in the final resolution of this case, admitted the same and declared the instant Application submitted for resolution.

ISSUE

The sole issue to be resolved in the instant case is whether or not the Commission should approve PEMC's adjusted proposed level of MTF in the amount of Nine Hundred Sixty-Six Million Two Hundred Seventy-Five Thousand Pesos (PhP966,275,000.00) for Calendar Year (CY) 2016, and Nine Hundred Sixteen Million One Hundred EightyFour Thousand Pesos (PhP916,184,000.00) for CY 2017.

RULING OF THE COMMISSION

After due deliberations and thorough evaluation of all evidence submitted and all information gathered by the Commission pursuant to its regulatory powers, the Commission APPROVES, WITH MODIFICATIONS, PEMC's proposed level of MTF for Calendar Years 2016 and 2017.

DISCUSSION

In determining the merits of the instant Application, the Commission considered the following: (1) the nature of PEMC as a Government-Owned and Controlled Corporation (GOCC), as

comprehensively discussed in its Decision¹⁹ dated 20 May 2020; (2) the relevance and reasonableness of the actual utilization of each cost component as reflected in the 2016 and 2017 Variance Reports submitted by Applicant PEMC; (3) the use of actual proof of expenditures submitted by PEMC to verify its utilization; and (4) comparison of the expenditures of each cost item with industry standards, as well as existing rules and regulations provided for GOCCs.

I. Components of PEMC's Budgetary requirements for CY 2016 and CY 2017

Section 9 of the EPIRA-IRR requires that the structure of market fees should be transparent and should not discriminate against a category or categories of WESM members.

Relative thereto, Section 2.10.3 of the WESM Rules lays down the guiding principles for the structure of market fees, to wit:

- 1) The structure of market fees should be transparent;
- 2) Market fees shall consider the budgeted revenue requirements for the MO and PEM Board; and
- 3) The structure and level of market fees should not favor or discriminate against a category or categories of WESM member.

In the instant Application, PEMC sought for the approval of its MTF for CY 2016 and CY 2017 based on, initially, the proposed budget, as shown in Table 1:

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¹⁹ ERC Case No. 2014-092 RC;

Table 1. PEMC's Proposed Budget for CY 2016 and CY 2017

Budget Components	2016 (In Million PhP)	2017 (In Million PhP)
Personnel Services (PS)	453.27	494.07
Maintenance and Other Operating Expenses (MOOE)	415-73	444-98
Capital Expenditures (CAPEX)	176.91	52.07
Provision for DOE/ERC Monitorin Facilities	20.92	19.82
TOTAL	1,066.84	1,010.94

However, on 12 July 2016, PEMC filed a Memorandum, submitting a revised proposed budget for CY 2016 and CY 2017, as shown in Table 2:

Table 2. Revised Proposed Budget for CY 2016 and CY 2017

Budget Component	2016 (in Million PhP)		2017 (In Million PhP)	
	Proposed	%	Proposed	
Personnel Services (PS)	453 • 27	47%	494.07	54%
Maintenance and Other Operating Expenses (MOOE)	352.14	36%	387.08	42%
Capital Expenditures (CAPEX)	141.91	15%	17.07	2%
Provision for DOE/ERC Monitoring Facilities	18.94	2%	17-96	2%
TOTAL	966.27	100%	916.18	100%

In determining the level of PEMC's budgetary requirements for CY 2016 and CY 2017, the Commission utilized the actual expenditures of PEMC for each component for CY 2016 and CY 2017, as reflected in the submitted 2016 and 2017 Variance Reports.

The detailed evaluation and resolution of each component of PEMC's proposed budget are discussed below:

A. Personnel Services (PS)

The PS budget of PEMC comprises the salaries of its employees, 13th-month pay and bonus, de minimis benefits, employee's uniform allowance, life insurance, other allowances, retirement and severance pay, overtime pay, SSS, Home Development Mutual Fund or Pag-IBIG, Philhealth contributions, and Vacation Leave (VL) and Sick Leave (SL).

Based on its Application, PEMC's proposed PS budget amounts to Four Hundred Fifty-three Million Two Hundred Seventy-Two Thousand Pesos (PhP453,272,000.00) for CY 2016, and Four Hundred Ninety-four Million Sixty-Six Thousand Pesos (PhP494,066,000.00) for CY 2017. These amounts are equivalent to forty-seven percent (47%), and fifty-four percent (54%) of the total proposed budget for CY 2016 and CY 2017, respectively.

PEMC's actual utilization for PS amounted to Three Hundred Thirty-Seven Million Ninety-One Thousand Seven Hundred Ninety-Four Pesos and 54/100 (PhP337,091,794.54) for CY 2016, and Two Hundred Ninety-Four Million Six Hundred Thirty-Seven Thousand Four Hundred Eighty-Four Pesos and 33/100 (PhP294,637,484.33) for CY 2017. The CY 2016 and CY 2017 amounts are 49% and 30% higher than the approved CY 2015¹ PS budget of Two Hundred Twenty-Six Million One Hundred Thirty-Nine Thousand Three Hundred Sixty-Four Pesos and 83/100 (PhP226,139,364.83), respectively.

The actual PS utilization for CY 2016 and CY 2017 is shown in Table 3 below:

Table 3. Breakdown of Actual PS Utilization for
CY 2016 and CY 2017

Particulars	Actual 2016 (PhP)	Actual 2017 (PhP)
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¹ ERC Case No. 2014-092RC entitled "In the Matter of the Application for the Approval of the Level of Market Transaction Fees for Calendar Year 2014 for the Philippine Wholesale Electricity Spot Market (WESM)"

Basic Pa	171,001,852.81	172,983,877.61
13 th Month Pay and Bonus	50,030,885.87	
De Minimis Benefits	2,850,250.00	2,890,875.00
Em 10 ees Uniform	2,251,000.00	2,358,000.00

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Particulars	Actual 2016 (PhP)	Actual 2017 (PhP)
Life Insurance	311,361.50	403,023.60
Other Allowances	34,039,467-43	19,714,559-37
Overtime	6,928,782.99	8,092,286.83
Retirement and Severance Pa	54,663,797.00	15,986,430.00
SSS/Philhealth/Pag-IBIG contribution	3,061,929.10	3,101,726.00
VL and SL	11,952,467.84	11,19,190.69
Total	337,091 794-54	294,637 484-33

Each of the PS budget components is discussed below:

A.1. Basic Pay

The basic pay covers the salaries of PEMC's one hundred sixty (160) personnel holding approved plantilla positions. The actual basic pay amounted to One Hundred Seventy-One Million One Thousand Eight Hundred Fifty-Two Pesos and 81/100 (PhP171,001,852.81) for CY 2016, and One Hundred Seventy-Two Million Nine Hundred Eighty-Three Thousand Eight Hundred Seventy-Seven Pesos and 61/100 (PhP172,983,877.61) for CY 2017.

As an overview, the approved initial salary structure of P EMC was based on the Watson Wyatt Study of 2006 using the midpoint level scale²¹. Since 2008, the salaries of PEMC have been subjected to an annual across-the-board increase based on the Consumer Price Index (CPI), and an additional five percent (5%) increase for employees'

performance bonuses in accordance with PEM Board Circular No. 2007-003 issued on 01 February 2007.

On 5 May 2015, PEMC submitted a schedule of salary range and compensation package which it claimed was the result of a study conducted by a third party consultant to review its salary structure and benchmark with salaries of other private organizations. PEMC averred that based on the study, the salary range and compensation package

²¹ ERC Case No. 2005-048 RC Decision dated 22 June 2006, page 41 which provides: "Xx x The Commission however finds said parameter unreasonable as the PEMC is considered to be a relatively new entity. In its nascent stage, it is reasonable to assume that the salaries of these employees are being paid at, or close to midpoint levels as indicated under the Watson Wyatt study. Hence, the said cost component should be correspondingly reduced to reflect salary scales at midpoint level. xxx;

are within the mid- salary range as compared to other private organizations.

The subject amounts have already been disbursed for the employees' salaries; however, the Commission notes that PEMC failed to submit a detailed list of its employees' positions and their corresponding salaries. Nonetheless, as previously discussed, the Commission has approved the salary structure of PEMC based on the Watson Wyatt Study of 2006. In view thereof, the Commission determined that the basic salaries of PEMC's employees are based on industry standards.

Therefore, the Commission approves PEMC's actual expense for its employees' salaries in the amount of One Hundred Seventy-One Million One Thousand Eight Hundred Fifty-Two Pesos and 81/100 (PhP171,001,852.81) for CY 2016, and One Hundred Seventy-Two Million Nine Hundred Eighty-Three Thousand Eight Hundred Seventy-Seven Pesos and 61/100 (**PhP172,983,877. 61**) for CY 2017.

A.2. 13th Month Pay and Year-End Performance Bonus

This component of PEMC's PS budget includes the expenses for the employees' 13th-month pay, mid-year bonus equivalent to one (1) month salary, and the year-end performance bonus equivalent to one (1) month salary, as approved by the PEM Board per Resolution Nos.

2016-14 and 2016-44 dated 26 April 2016 and 09 December 2016, respectively.

For CY 2016, the actual 13th-month pay and other bonuses paid to PEMC's employees amounted to Fifty Million Thirty Thousand Eight Hundred Eighty-Five Pesos and 87/100 (PhP50,030,885.87). This covers the 13th month pay, a one-month mid-year bonus, and a onemonth year-end performance bonus approved by the PEM Board², for a total of three (3) month salary to cover the 13th month pay and bonuses.

For CY 2017, the actual expense paid by PEMC for its employees amounted to Fifty-Seven Million Nine Hundred Twelve Thousand Five Hundred Fifteen Pesos and 23/100 (PhP57,912,515.23) which includes the 13th month pay, a one-month mid-year bonus, and a maximum of two months year-end performance bonus approved by the PEM Board

² PEMC Board Resolution No. 2015-040 dated 3 November 2015 (2015 Year End Performance Incentives).

through Resolution No. 2017-39 issued via Referendum on 13 December 2017. Thus, in 2017, the PEMC paid out the equivalent of four (4) month salaries to cover the 13th month pay and bonuses.

The Commission finds that the reasonable amount of bonuses should be equivalent to two (2) months of basic salary only, that is, one-month for mid-year bonus or 13th-month pay, and another onemonth for a year-end performance bonus. Hence, the Commission, utilizing the annual gross basic pay as basis, calculated or derived the allowable amount for bonus, equivalent to two months.

In view thereof, the Commission approves only the amount of Twenty-Eight Million Five Hundred Thousand Three Hundred Eight Pesos and 80/100 (PhP28,500,308.80) for CY 2016, and Twenty-Eight Million Eight Hundred Thirty Thousand Six Hundred Forty-Six Pesos and 27/100 (PhP28,830,646.27) for CY 2017, for payment of the 13th-month pay and year-end performance bonus.

A.3. De Minimis Benefits

PEMC's de minimis benefits comprise of its provision of rice allowance for all its employees amounting to One Thousand Six Hundred Seventy-Five Pesos (PhP1,675.00) per month.

For CY 2016 and CY 2017, the actual de minimis benefits amounted to Two Million Eight Hundred Fifty Thousand Two Hundred Fifty Pesos (PhP2,850,250.00) and Two Million Eight Hundred Ninety Thousand Eight Hundred Seventy-Five Pesos (PhP2,890,875.00), respectively.

Considering that the entitlement to rice subsidy allowance is also given by other GOCCs, the Commission approves the amount of Two Million Eight Hundred Fifty Thousand Two Hundred Fifty Pesos (PhP2,850,250.00) for CY 2016 and Two Million Eight Hundred Ninety Thousand Eight Hundred SeventyFive Pesos (PhP2,890,875.00) for CY 2017, representing the actual amount utilized by PEMC for this purpose.

A.4. Employees Uniform Allowance

PEMC incurred an actual expense for the Uniform Allowance of its employees in the amount of Two Million Two Hundred Fifty-One

Thousand Pesos (PhP2,251,000.00) for CY 2016, and Two Million Three Hundred Fifty-Eight Thousand (PhP2,358,000.00) for CY 2017.

Using the PEMC Board's approved Uniform Allowance based on positions and the total number of personnel, the Commission calculated the budget for this, assuming that all 160 employees were granted such, to wit:

Table 4. Calculated Employees' Uniform Allowance

Position	No. of Personnel	Uniform Allowance	Total (PhP)
President	1	20,000.00	20,000.00
Vice President	8	20,000.00	160,000.00
Manager	13	17,000.00	221,000.00
Assistant Manager	26	15,000.00	390,000.00
Rank and File	112	15,000.00	1,680,000.00
Total			2,471,000.00

Table 4 shows that the calculated uniform allowance amounted to Two Million Four Hundred Seventy-One Thousand Pesos (PhP2,471,000.00).

The actual expenses of PEMC for uniform allowances in 2016 was Two Million Two Hundred Fifty-One Thousand Pesos (PhP2,251,000.00), or Two Hundred Twenty Thousand Pesos (PhP220,000.00) lower than the uniform allowance calculated by the Commission. For CY 2017, actual expenses for this purpose amounted to Two Million Three Hundred Fifty-Eight Thousand (PhP2,358,000.00), which was One Hundred Thirteen Thousand Pesos (PhP113,000.00) lower than the amount calculated by the Commission.

The variance is explained by the following reasons: (1) resignation of employees; (2) the vacancy in the plantilla positions; and

(3) the pro-rating of the uniform allowance based on the employees' actual assumption of duty.

The provision of uniform allowance for employees is a standard benefit granted to all employees, whether in the government or the private sector. Thus, the Commission, finding the expenses reasonable, approves Two Million Two Hundred Fifty-One Pesos (PhP2,251,000.00) for CY 2016 and Two Million Three Hundred Fifty-Eight Pesos (PhP2,358.000.00) for CY 2017,

representing the actual expenses incurred by PEMC for its uniform allowance.

A.5. Life Insurance

PEMC incurred Three Hundred Eleven Thousand Three Hundred Sixty-One Pesos and 50/100 (PhP311,361.50) for CY 2016, and Four Hundred Three Thousand Twenty-Three Pesos and 60/100 (PhP403,023.60) for CY 2017 as actual expenses for the life insurance coverage of its rank and file employees.

The Commission disapproves the said amount for life insurance for its rank and file employees.

It bears stressing that the salaries of PEMC's rank and file personnel are already competitive enough for them to avail, at their own expense, life insurance policies. Moreover, the Commission is mindful of the fact that such expense, if allowed, will ultimately be shouldered by the consumers, thus further increasing the burden they have to shoulder.

A.6. Other Allowances

PEMC's Other Allowances include expenses for transportation allowance for its rank and file employees as well as car and representation allowances for its managerial and executive level positions.

The actual expenses for CY 2016 amounted to Thirty-Four Million Thirty-Nine Thousand Four Hundred Sixty-Seven Pesos and 43/100 (PhP34,039,467.43). On the other hand, actual utilization for CY 2017 amounted to Nineteen Million Seven Hundred Fourteen Thousand Five Hundred Fifty-Nine Pesos and 37/100 (PhP19,714,559.37).

The Commission verified PEMC's actual utilization of these "Other Allowances" based on the number of employees, as shown in the tables below:

Table 5. Calculated Transportation, Car and Representation Allowances

Transportation Allowance				
Position	No. of Personnel	Monthly Allowance	No. of Months	Total (PhP)
Rank and File	112	4,000.00	12	5,376,000.00
Car Allowance				
President	1	58,333.33	12	700,000.00
Vice President	8	33,333.33	12	3,200,000.00
Manager	1	20 8	12	,2 0,000.00
Total	22			7,150,000.00
Representation Allowances				
President	1	50,000.00	12	600,000.00
Vice President	8	25,000.00	12	2,400,000.00
Manager	13	15,000.00	12	2,340,000.00
Asst. Manager	26	10,000.00	12	3,120,000.00
Total	48			8,460,000.00

Table 6. Summary of Calculated Other Allowances

Description of Other Allowance	Amount (PhP)	Recipients
Car Allowance	1 0000.00	Managers and Up (22)

Transportation Allow.	5,376,000.00	Rank and File (122)
Representation Allow.	8,460,000.00	Asst. Managers and Up (48)
Total	20,986,000.00	

Based on Tables 5 and 6, the calculated "Other Allowances" of PEMC is Twenty Million Nine Hundred Eighty-Six Thousand Pesos (Php20,986,000.00).

Actual budget utilized by PEMC for CY 2016 and CY 2017, amounted to PhP34,039,467.43 and PhP19,714,559.37, respectively. Notably, the actual utilization in 2016 was higher than the calculated amount by Thirteen Million Fifty-Three Thousand Four Hundred Sixty-Seven Pesos and 43/100 (PhP13,053,467.43). On the other hand, the actual utilization in CY 2017 was lower than the calculated amount by One Million Two Hundred Seventy-One Thousand Four Hundred Forty Pesos and 63/100 (PhP1,271,440.63).

The Commission notes that similar to the Uniform Allowance granted by PEMC to its employees, the variance resulted from the following reasons: (1) the resignation of the employees; (2) the vacancy in the plantilla position; and (3) the pro-rating of the "Other Allowances" granted on based on the employees' actual assumption of duty.

The Commission, however, disapproves the car allowance provided to PEMC's Managers and other top level officials, and the transportation allowance for its rank and file employees considering that the salaries of PEMC's employees are already competitive. Likewise, the Commission is mindful that if these amounts are approved, these costs shall be passed on to all electricity consumers.

Of the three components of "Other Allowances," the Commission approves only the budget for the representation allowance amounting to Eight Million Four Hundred Sixty Thousand Pesos (PhP8,460,000.00) for CY 2016, and Seven Million Eight Hundred Eighty-Five Thousand Eight Hundred TwentyThree Pesos and 75/100 (PhP7,885,823.75) for CY 2017, since the same is an allowable expense for managerial plantilla positions. The amount was derived by getting the percentage share of the representation allowance from the indicative budget and applied vis-à-vis the actual utilization for "Other Allowance".

A.7. Retirement and Severance Pay

PEMC incurred an actual expense for this item in the amount of Fifty-Four Million Six Hundred Sixty-Three Thousand Seven Hundred Ninety-Seven Pesos (PhP54,663,797.00) for CY 2016, and Fifteen Million Nine Hundred Eighty-Six Thousand Four Hundred Thirty Pesos (PhP15,986,430.00) for CY 2017.

Upon evaluation, the Commission observed a huge decrease in the actual utilization of this budget component in CY 2017 from its CY 2016 level. Notable in the CY 2016 expenditure is the classification of PhP33.62 Million under the Committed Expense. There is no amount classified as such in CY 2017.

Table 7 shows the comparative actual retirement benefit expenses for CY 2016 and CY 2017:

Table 7. Actual Retirement and Benefits Expense

Year	Actual (PhP, M)	Committed Expense	Amount (PhP, M)
CY 2016	21.04	33.62	54.66
CY 2017	15-99	0.00	15-99

The Commission reviewed the submitted Actuarial Valuation Report of E.M. Zalamea Actuarial Services, Inc. and observed that as of 31 December 2017, PEMC's Employees' Retirement Plan was already overfunded by One Hundred Nine Million Seven Hundred Nineteen Thousand One Hundred Fifty-Four Pesos (PhP109,719,154.00).

The Commission notes that PEMC first introduced the inclusion of the Retirement and Benefits Expense (RBE) in its CY 2007 MTF Application under ERC Case No. 2007-124RC²³. In the said Application, PEMC included under its PS budget the establishment of a retirement and severance pay. Consequently, in its Decision dated 30 January 2008, the Commission observed that the retirement and severance pay provided by PEMC were excessive in comparison to what is provided under the retirement law, to wit:

Based on its observations, the Commission found the following items as excessive and disallowed the same:

The retirement and severance pay should be limited to that mandated by Republic Act No. 7641 otherwise known as "An Act Amending Article 287 of Presidential Decree No. 442, As Amended, otherwise known as the Labor Code of the Philippines, by Providing for Retirement Pay to Qualified Private Sector Employees in the
Absence of Any Retirement Plan in the Establishment; xxx

(Emphasis supplied)

The Commission also notes that P EMC maintains a funded, taxqualified, non-contributory post-employment benefit plan covering all regular full-time employees. This is being administered by a trustee. Likewise, PEMC's annual retirement requirement consists of a current and unfunded portion which had accumulated from the time PEMC

²³ In the Matter of the Application for the Approval of the level of Market Transaction Fees for the Year 2007 for the
Philippine WESM;

was organized in CY 2003 until CY 2008 when the retirement fund was put in place.

Further, under the Retirement Benefit Plan of PEMC, the postemployment benefit is an amount equivalent to one and a half month ($1\frac{1}{2}$) compensation for every year of credited service. The Commission finds that this is more than what is provided under R.A. No. 7641²⁴, which provides that an employee who retires pursuant to the Act shall be entitled to retirement pay equivalent to at least one-half ($\frac{1}{2}$) month salary for every year of service, and a fraction of at least six (6) months being considered as one (1) whole year.

The Commission, therefore, finds the budget allocated for the Retirement Benefit Plan excessive, consistent with the 30 January 2008 Decision of the Commission.

In view of the foregoing, the Commission disallows PEMC's total RBE amounting to Fifty-Four Million Six Hundred Sixty-Three Thousand Seven Hundred Ninety-Seven Pesos (PhP54,663,797.00) for CY 2016, and Fifteen Million Nine Hundred Eighty-Six Thousand Four Hundred Thirty Pesos (PhP15,986,430.00) for CY 2017.

**A.8. Overtime Pay, SSS/Philhealth/Pag-IBIG
Contribution and Vacation Leave (VL)
and Sick Leave (SL)**

Table 8 shows the actual expenses incurred by PEMC in CY 2016 and CY 2017 for the payment of the following mandatory contributions and benefits, to wit:

Table 8. Overtime Pay/ Mandatory Contributions, VL and SL

Particulars	2016	2017
Overtime	6,928,782.99	8,092,286.83
SSS/Philhealth/Pag-IBIG Contribution	3,061,929.10	3,101,726.00
VL and SL	11,952,467.84	11,194,190.69
Total	21,943 1 9-93	22,388 203-52

²⁴ Entitled, An Act Amending Article 287 of Presidential Decree NO. 442, as amended, otherwise known as the Labor Code of the Philippines, by providing for retirement pay to qualified private sector employees in the absence of any retirement plan in the establishment;

The Commission finds that contributions for SSS, Philhealth and Pag-IBIG are mandatory contributions, while overtime pay and monetization of unused VL and SL are mandatory payments provided under the law. Therefore, the Commission approves the actual expense of PEMC for CY 2016 and CY 2017 for the overtime pay of its employees, mandatory contributions for SSS, Philhealth and Pag-IBIG, and VL and SL monetization in the amount of Twenty-One Million Nine Hundred Forty-Three Thousand One Hundred Seventy-Nine Pesos and 93/100 (**PhP21,943,179.93**) and Twenty-Two Million Three Hundred Eighty-Eight Thousand Two Hundred Three Pesos and 52/100 (PhP22,388,203-52), respectively.

B. Maintenance and
Other Operating
Expense (MOOE)

The MOOE budget of PEMC covers the following expenses, namely: (1) Honorarium; (2) Rental; (3) Utilities; (4) Repairs and Maintenance; (5) Contracted Services; (6) Conference; (7) Insurance; (8) Participants Development Fund; (9) Advertising and Promotions; (10) Taxes and Dues; (11) Travel and Transportation; (12) Trainings; (13) Materials and Supplies; (14) Subscriptions; (15) Research and Development; and (16) Market Audit.

PEMC's proposed MOOE budget for CY 2016 amounts to Three Hundred Fifty-Two Million One Hundred Forty-Four Thousand FortySix Pesos (PhP352,144,046.00); and for CY 2017, it is Three Hundred Eighty-Seven Million Eighty-Four Thousand Pesos (PhP387,084.000.00). The respective amounts account for thirty-six percent (36%) of the CY 2016 total proposed budget of PEMC; and forty-two percent (42%) of the total proposed for CY 2017.

The components of the MOOE are shown in Table 9, to wit:

Table 9. Proposed MOOE for CY 2016 and CY 2017

Budget Components	2016 (PhP)	2017 (PhP)
Honoraria	3,908,000.00	33,908,000.00
Rentals	44,866,000.00	51,596,000.00
Utilities	52,517,000.00	56,973,000.00
Repairs and Maintenance	4,211,000.00	48,189,000.00

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Budget Components	2016 (PhP)	2017 (PhP)
Contracted Services	45,600,000.00	49,792,000.00
Conference	10,501,000.00	13,962,000.00
Insurance	10,526,000.00	10,947,000.00
Participants Development Fund	,000,000.00	,000 000.00
Advertisement and Promotion	7,322,000.00	7,610,000.00
Taxes and Dues	,071,000.00	,350,000.00
Travel and Transportation	15,617,046.00	20,645,000.00
Trainings	10,511,000.00	10,990,000.00
Materials and Supplies	,88,000.00	10,405,000.00
Subscriptions	1,185,000.00	1,232,000.00
Research and Development	7,806,000.00	8,365,000.00
Market Audit	45,560,000.00	50,120,000.00
Total MOOE	352,144,046.00	38,084,000.00

PEMC's proposed MOOE budget for CY 2016 and CY 2017 were based on the proposed budgetary requirements for CY 2015, adjusted by the projected CPI of four percent (4%) for CY 2016 and CY 2017, and annual escalation of ten percent (10%) increase as per the provisions in its contracts.

The details of each component of the MOOE budget are discussed hereunder:

B.1. Honorarium

The budget for honorarium covers the allowances of the PEM Board and its five (5) committees created pursuant to the WESM Rules, namely: (1) PEM Audit Committee (PAC); (2) Market Surveillance Committee (MSC); (3) Rules Change Committee (RCC); (4) Technical Committee (TC); and (5) Dispute Resolution Administrator (DRA).

In its Application, PEMC proposed a fixed amount of ThirtyThree Million Nine Hundred Eight Thousand Pesos (Php33,908,000.00) for CY 2016 and CY 2017.

The amount of honorarium granted to each member of the aforementioned committees was initially set pursuant to PEM Board Resolution No. 2005-22 entitled, "Grant of Honoraria for Committee

Members" dated 27 September 2005. Subsequent increases in the honoraria were done through PEM Board approval.

Shown in Table 10 is the Commission's calculation of PEMC's annual indicative expense for the honoraria granted to the PEM Board and its committees.

Table 10. PEMC's Calculated Annual Indicative Expense for the
Pa ent of Honoraria

Particulars	Per Meeting	No. of Members	No. of Meetings	Commission's Calculated Amount PhP
PEM Board Chairman	100,000.00	1	12	1,200,000.00
PEM Board Member	65,000.00	14	12	10,920,000.00
PEM Board Adviser	20,000.00	3	12	20,000.00
PEM Board Review	20,000.00	3	12	20,000.00
Dispute Resolution Group (DRG)	0,000.00		12	1,800,000.00

Market Surveillance Committee (MSC)	50,000.00	5	12	3,000,000.00
PEMC Audit Committee (PAC)	50,000.00	3	12	1,800,000.00
Rules Change Committee (RCC)				
Inde endent	50,000.00	4	12	2,400,000.00
Sectoral	20,000.00	11	12	2,640,000.00
Observer	10,000.00	2	12	2 0,000.00
Technical Committee	50,000.00	5	12	3,000,000.00
Total				28,440,000.00

Based on Table 10, the calculated annual budget requirement for the payment of honoraria to PEM Board and its committees is TwentyEight Million Four Hundred Forty Thousand Pesos (PhP28,440,000.00).

In contrast, Table 11 shows PEMC's actual utilization of its budget for honoraria in CY 2016 and CY 2017, to wit:

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Table 11. Details of the Actual Utilization of Honoraria per Year

Particulars	2016	2017
PEM Board	11,545,000.00	5,450,000.00
Dispute Resolution Administrator (DRA)	600,000.00	600,000.00
Market Surveillance Committee (MSC)	3,000,000.00	2,800,000.00
PEMC Audit Committee (PAC)	1,800,000.00	1,800,000.00
Rules Change Committee (RCC)	4,280,000.00	4,180,000.00
Technical Committee (TC)	2,150,000.00	1,800,000.00
Corporate Giveaways to PEM Board	1,500,000.00	0.00
Total	24,875,000.00	16,630,000.00

PEMC's actual utilization of its budget for honoraria in CY 2016 and CY 2017 amounted to Twenty-Four Million Eight Hundred Seventy-Five Thousand Pesos (PhP24,875,000.00), and Sixteen Million Six Hundred Thirty Thousand Pesos (PhP16,630,000.00), respectively. The actual budget utilization was twenty-seven percent (27%) and fifty-one (51%) lower than the proposed budget for CY 2016 and 2017, respectively.

The Commission notes that in CY 2016, PEMC granted additional "Corporate Giveaways" to the PEM Board amounting to One Million Five Hundred Thousand Pesos (PhP1,500,000.00) in the form of gift certificates, charged against the budget for honoraria. This grant of corporate giveaways does not conform with existing rules or laws.

Likewise, the Commission finds a huge disparity between the honoraria granted by PEMC to the members of the PEM Board and its committees, vis-a-vis the allowable maximum per diem rates applicable to GOCCs when referenced against the GCG Memorandum Circular No. 2016-01²⁵ dated 10 May 2016, to wit:

Table 12. Schedule of Maximum Per Diem Rates for GOCCs

Overall Size	Per Diem per Board Meeting	Per Diem per Committee Meeting	Annual Cap for Board and Committee Meetings
Small	10 000.00	6,000.00	8 ,000.00
Medium	20,000.00	12,000.00	768,000.00
Large	40,000.00	24,000.00	1,536,000.00

²⁵ Entitled, "Compensation Framework for Members of the GOCC Governing Board";

While the Commission takes cognizance of the responsibilities of the PEM Board and its committees, and the very technical nature of the functions of PEMC, the Commission cannot just dismiss the prescribed levels of honoraria and per diem accorded to GOCCs under existing executive issuances and rules.

It is the Commission's view that the honoraria granted by PEMC to the members of the PEM Board and its committees are beyond the allowable rates for GOCCs.

Accordingly, the Commission, finding the amount of honoraria given to the members of the PEM Board and its Committees to be beyond the allowable rates for GOCCs, deems it reasonable to approve only the annual amount of Nine Million Two Hundred Sixteen Thousand Pesos (PhP9,216,000.00) for CY 2016 and CY 2017 as PEMC's expenses for the payment of honoraria. The cost of the corporate giveaways for CY 2016 in the amount of One Million Five Hundred Thousand Pesos (PhP1,500,000.00) is disapproved.

B.2. Rentals

The budget component for rental covers the payment for the rented space for PEMC's Luzon and Visayas offices, back-up site, storage warehouse, vehicle parking, and lease of office equipment and related services.

Based on its Application, PEMC's proposed budget for CY 2016 and CY 2017 amounted to Forty-Four Million Eight Hundred Sixty-Six Pesos (PhP44,866,000.00), and Fifty-One Million Five Hundred Ninety-Six Thousand Pesos (PhP51,596,000.00), respectively.

In contrast, PEMC's actual expenses amounted only to ThirtyNine Million Five Hundred Twenty-One Thousand Six Hundred SixtyFive Pesos (PhP39,521,665.00) for CY 2016, and Thirty-Eight Million Four Hundred Seventy-Five Thousand Pesos (PhP38,475,000.00) for CY 2017. The actual utilization was twelve percent (12%) and twentyfive percent (25%) lower than the proposed budget for CY 2016 and CY 2017, respectively.

Tables 13 and 14 show the breakdown of PEMC's actual expenses for rental of office space and parking lots, and actual expenses for the rental of office equipment and other services, respectively, to wit:

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Table 13. Actual Rental of Office Space and Parking Slots for
CY 2016 and CY 2017

Vendor	Particulars	2016	2017
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ALCCO Realty Corporation	Office Space and 1 Parking Slot	1,188,475.08	1,188,262.51
A-Port Corporation.	10 - Parking Slots	396,000.00	434,520.72
Atlas Resources Inc.	Office Space with dedicated parking slot	4,131,000.00	4,294,270.53
BDO Unibank, Inc.	Office Space and 29 Parking Slots	14,580,014.27	13,979,291.89
GBW Holding Corporation	Office Space and 2 Parking Slot	7,260,182.78	7,116,950.84
Globe Asiatique Realty Holdings co	Temporary Relocation Site	130,928.57	
Hyatt Industrial Manufacturing co	Office Space	1,209,060.60	1,196,996.76
Robinsons Land Corporation	Office Space	2,627,871.36	2,445,011.84
Skyrise Realty and Dev. Corporation	Office Space	3,332,386.40	3,345,790.00
Squizens, Inc.	Office Space	240,000.00	
Sr. Sto. Nino De Cebu Resources & Dev. Co	Office Space	972,854.40	1,003,320.00
National Grid Corporation of the Philippines	offsite support operations of IMEM/utilities - tapping to UPS & Power Consumption	921,642.23	909,580.00
TOTAL		36,990,415.69	35,913,995.09

Table 13 shows that PEMC's actual rental for its office space and parking lots for CY 2016 and CY 2017 amounted to Thirty-Six Million Nine Hundred Ninety Thousand Four Hundred Fifteen Pesos and 69/100 (PhP36,990,415.69), and Thirty-Five Million Nine Hundred Thirteen Thousand Nine Hundred Ninety-Five Pesos and 09/100 (PhP35,913,995.09), respectively.

Table 14: Actual Rental of Office Equipment and Other Services

Vendor	Description	2016	2017
Lane Archive Technologies Corporation	Preservation, Safekeeping and Security of Various Records	124,894.32	124,730.00
N.P. Libalib Landscape Contractor, Inc.	Supply and Maintenance of Indoor Plants	228,000.00	
Miura Hydroculture Products (Plant Rental) (New)	Supply and Maintenance of Indoor Plants		107,140.00

Pure Clean Hygiene Solutions, Inc	Service and Maintenance for	75,900.00	86,400.00
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	Hygienic Equipment and Supply of Consumables (all Comfort Room at 18th, 11th and 9th floor)		
UBIX Corporation	Rental of Photocopying Machine for Ortigas and Cebu Office and Key Operator	2,102,454-99	2,242,734-91
TOTAL		2,531,249-31	2,561,004-91

Meanwhile, Table 14 shows that PEMC's actual rental for its office equipment and other services for CY 2016 and CY 2017 amounted to Two Million Five Hundred Thirty-One Thousand Two Hundred Forty-Nine Pesos and 31/100 (PhP2,531,249-31) and Two Million Five Hundred Sixty-One Thousand Four Pesos and 91/100 (PhP2,561,004-91), respectively.

The Commission notes that the rental expenses for PEMC's office space and parking lots, its office equipment, and for other services contained in Tables 13 and 14, respectively, were fully substantiated by submitted documentations.

In view thereof, the Commission approves PEMC's actual utilization for its rental expenses in the amount of Thirty-Nine Million Five Hundred Twenty-One Thousand Six Hundred Sixty-Five Pesos (PhP39,521,665.00) for CY 2016 and ThirtyEight Million Four Hundred Seventy-Five Thousand Pesos (PhP38,475,000.00) for CY 2017.

B.3. Utilities

The budget for utilities covers the costs for electricity and water at PEMC's offices, as well as communication costs, including leased lines, telephone networks and cellphone charges.

Based on its Application, PEMC's proposed budget for utilities is Fifty-Two Million Five Hundred Seventeen Thousand Pesos (PhP52,517,000.00) for CY 2016, and Fifty-Six Million Nine Hundred Seventy-Three Thousand Pesos (PhP56,973,000.00) for CY 2017.

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Shown in Table 15 is the breakdown of actual expenses incurred by PEMC for the payment of its utilities for CY 2016 and CY 2017, to wit:

Table 15. Actual Utilization for Utilities for CY 2016 and CY 2017

Particulars	2016	201
Light and Water	686 80 .	811 16.10
Communication	20,241,405-94	30,098,355.81
Leased line	12,396,120.80	22,637,298.85
Direct Line	667,124.88	671,706.56
Courier Mailin Char es	18.0	,682.82
Cell hones for communication	6,830,742.17	6,193,667-58
TOTAL	29,928,209-53	39,910 271.91

Based on Table 15, PEMC's actual utility expenses for CY 2016 and CY 2017 amounted to Twenty-Nine Million Nine Hundred TwentyEight Thousand Two Hundred Nine Pesos and 53/100 (PhP29,928,209-53), and Thirty-Nine Million Nine Hundred Ten Thousand Two Hundred Seventy-One Pesos and 91/100 (PhP39,910,271.91), respectively. The actual utilization was forty-three percent (43%), and thirty percent (30%) lower than the proposed budget for CY 2016 and CY 2017, respectively.

The Commission observes an increase in PEMC's communication expenses in CY 2017 by forty-nine percent (49%) from the actual expense for CY 2016. One of the reasons for the increase is the additional cost for leased lines to support the development of the New Market Management System (NMMS).

The Commission likewise notes that a total of Six Million Eight Hundred Thirty Thousand Seven Hundred Forty-Two Pesos and 17/100 (PhP6,830,742.17) for CY 2016, and Six Million One Hundred

Ninety-Three Thousand Six Hundred Sixty-Seven Pesos and 58/100 (PhP6,193,667-58) for CY 2017, accounted for the cost of PEMC's charges for mobile communication services.

Upon evaluation, the Commission finds that the PEM Board approved, in favor of PEMC's employees, a communication allowance with Globe Telecom, Inc. (Globe, Inc.), and an additional plan with Smart Telecommunications (Smart).

Shown in Tables 16 and 17 are the breakdown of the Globe and Smart postpaid subscription plans availed by PEMC for its employees based on their positions, to wit:

Table 16. Globe Subscription Plan of PEMC

Globe plan allocation -Board approved benefit	
Rank and File	Plan 1800
Asst. Manager	Plan 2500
Manager and up	Plan 3500

Table 17. Smart Subscription Plan of PEMC

Smart plan allocation	
Rank and File	Plan 900
Asst. Manager & up	Plan 1500

The Commission notes that the communication allowance (Globe plan) for its rank and file employees is beyond what is deemed reasonable; hence, it should not be passed on to the end-consumers through the market fees. Moreover, the Smart postpaid plan given to its employees are likewise unnecessary and redundant considering that they are already receiving a communication allowance in the form of Globe postpaid plans. As such, the Commission disapproves the same.

To further evaluate the said subscription plans, the Commission made an annual calculation based on what is deemed reasonable rate per position for PEMC's employees for cellphone plan, as shown in Table 18:

Table 18. Calculated Allowable Communication Expense

	Plan	No. of employees	No. of months	Amount
Rank and file	900	112	12	1,209,600.00
Assistant Managers	2500	26	12	780,000.00
Managers and u	oo	22	12	2,000.00
Recommended Amount for Cellphone charges				2,913,600.00

Accordingly, the Commission approves only the amount of Twenty-Six Million Eleven Thousand Sixty-Seven Pesos and 36/100 (PhP26,011,067-36) for CY 2016, and Thirty-Six Million Six Hundred Thirty Thousand Two Hundred Four

Pesos and 33/100 (**PhP36,630,204.33**) for CY 2017, for PEMC's utility expenditures.

B.4. Repairs and Maintenance (R&M)

R&M is classified into two (2) types, namely; the Market Management System (MMS) R&M, and non-MMS R&M.

MMS R&M pertains to the cost of the annual contracts with various vendors for the maintenance of the MMS and its components. On the other hand, non-MMS R&M cover repairs and maintenance of office equipment, vehicles, and office space improvement, as well as carpet cleaning, pest control, and air-conditioning maintenance.

Based on its Application, PEMC proposed the amounts of Forty-Four Million Two Hundred Eleven Thousand Pesos (PhP44,211,000.00) for CY 2016, and Forty-Eight Million One Hundred Eighty-Nine Thousand Pesos (PhP48,189,000.00) for CY 2017.

Based on the Variance Reports for CY 2016 and CY 2017, the total actual utilization incurred by PEMC for its R&M amounted to Thirty-Four Million One Hundred Thousand Four Hundred Seventy-One Pesos (PhP34,100,471.00) for CY 2016, and Twenty-Seven Million Nine Hundred Twenty-Two Thousand Pesos (PhP27,922,000.00) for CY 2017. The actual utilization was twenty-three percent (23%) and forty-two percent (42%) lower than the proposed budget for CY 2016 and CY 2017, respectively.

However, PEMC failed to submit proof to justify some cost items amounting to Three Million One Hundred Thirty-Four Thousand Four Hundred Forty-Four Pesos and 86/100 (PhP3,134,444.86) for CY 2016, and Seven Million Five Hundred Eighteen Thousand Pesos (PhP7,518,000.00) for CY 2017.

Further, for CY 2017, the Commission observed the inclusion a committed expense amounting to Eight Hundred Twenty-One Thousand Pesos (PhP821,000.00) intended for Power System Simulator Maintenance, and cost item for the rental of Generation Set in CY 2018. Considering that the amount was intended for CY 2018 and was not actually spent in CY 2017, the Commission disapproves the same.

Shown in Tables 19 and 20 are the breakdown of the actual expenses incurred by PEMC for the R&M services which were fully substantiated with contracts in CY 2016 and CY 2017, thus approved by the Commission:

Table 19. List of the MMS/Non-MMS Hardware Support, Supplies, Repairs and Maintenance Services for CY 2016

Service Provider	Particulars	Amount
MMS hardware support		24,431,854.46
ABB Inc.	WESM-MMS-MI & MA/ORACLE	
IBM	Server Maintenance	
Itraverse Solutions Inc	FORTINE NETAS	
Micro enesis Business S stems	Netvault	
Lenovo Services	Jboss Ente rise Portal Platform	
Hewlett Packard Enterprise	Hardware Support Services Agreement for HP Servers Maintenance	
Oracle	Software U date License & Su ort	
Powercraft Solutions & Data Infrastructure, Inc.	Preventive maintenance of ACU & UPS	
Thinkserver	Maintenance & Service (MA) for Servers and Stora e	
TRT Global Solutions Philippines Inc.	MSA1000 & SAN Switch and Server Maintenance	
NonMMS Services		6,534,171.68
Info Profile Builders/ W Office System Manufacturing Corporation	R&M-Leasehold (Bulletin Board/CCTV/Roll up blinds/Door Access System/Emergency fire Door Libr Cabinets)	
Active Safety Interface and Systems Inc	Fire Suppression	
Alvi Cleanin / Su ermax Inc	C et Cleanin	
Bio-Tech Environmental Services Phil Inc. Termicon	Pest Control Service	
Eraysida Refrigeration and Air Conditioning Services/ Laniba Refrigeration, Airconditioning & Food Service E ui ment — Cebu	Aircon Maintenance	
TELECOMMUNICATIONS And COMPUTER TECHNOLOGIES	Hardware Maintenance	

Itraverse Solutions Inc	Splunk Enterprise Perpetual License and Juniper Firewall	
Ic Bestlink Telecom Corp	System Maintenance (PABX, AutoCad, Vlan Lo er S stem Acunetrix)	
Next Generation Technologies Global Inc	Vulnerability Assessment & Penetration Testin	
Itraverse Solutions Inc	Dell Sonicwall 6500 comprehensive atewa subscri tion	
Web Outsourcin Gatewa , Inc.	Website Ticketin Enhancement	
KU Office stem Mf Co	Renovation — th Flr office rela out	
Info Profile Builders TOTAL	Rehab of th &18th Flr CR	

**Table 20. List of the MMS/Non-MMS Hardware Support,
Supplies, Repairs and Maintenance Services for CY 2017**

Service Provider	Particulars	Amount
MMS hardware su ort		
ABB Inc.	WESM-MMS-MI & MA ORACLE	12,624,000.00
IBM	Server Maintenance	
Itraverse Solutions Inc	FORTINE NETASQ	
Micro enesis Business S tems	Netvault	
Lenovo Services	Jboss Ente rise Portal Platform	
Powercraft Solutions & Data Infrastructure, Inc.	Preventive maintenance of ACU & UPS	
TRT Global Solutions Philippines Inc.	MSA1000 & SAN Switch and Server Maintenance	
Non-MMS Services		6,959,000.00
Info Profile Builders/Ku Office System Manufacturing Co oration	R&M-Leasehold (Bulletin Board/CCTV/R011 up blinds/Door Access System/Emergency fire Door Libra Cabinets)	
Survivor Ente rises	Fire Su ession	
Alvi Cleanin Su ermax Inc	Ca et Cleanin	
Bio-Tech Environmental Services Phil Inc. Termicon	Pest Control Service	

Eraysida Refrigeration and Air Conditioning Services/ Laniba Refrigeration, Airconditioning & Food Service Equipment — Cebu	Aircon Maintenance	
Itraverse Solutions Inc	Splunk Enterprise Perpetual License and Juniper Firewall	
IC Bestlink Telecom Cor	System Maintenance (PABX, AutoCad, Vlan Logger System, Acunetrix)	
Micro enesis Business System	Kbox 1000 Series and Lbox 1100 Systems	
Itraverse Solutions Inc	Dell Sonicwall 6500 comprehensive gateway subscription	
Productivity Technologies Services Inc.	ESET Endpoint Protection and Firewall updates	
Integrated Bigdata Technologies co	Tableau Maintenance	
Smartbox Solutions, Inc	Email Archiver Security	
Total		19,583,000.00

In view of the foregoing, the Commission hereby approves only the amount of Thirty Million Nine Hundred Sixty-Six Thousand Twenty-Six Pesos and 14/100 (PhP30,966,026.14) for CY 2016, and Nineteen Million Five Hundred Eighty-Three Thousand Pesos (**PhP19,583,000.00**) for CY 2017, for PEMC's R&M services.

B.5. Contracted Services

The proposed budget for contracted services covers PEMC's payment for the following outsourced services: (1) legal representation; (2) financial, net settlement surplus and variance audits; (3) actuarial valuation and retirement plan; (4) ISO certification; (5) consultancy on the WESM design; (6) transition to independent MO and PEMC's enforcement and compliance processes; and (7) security and janitorial services.

Based on its Application, PEMC proposed the amounts of FortyFive Million Six Hundred Thousand Pesos (PhP45,600,000.00) for CY

2016, and Forty-Nine Million Seven Hundred Ninety-Two Thousand Pesos (PhP49,792,000.00) for CY 2017.

PEMC's actual expenses for its contracted services, however, amounted to Twenty-One Million Seven Hundred Thousand Pesos (PhP21,700,000.00) for CY 2016, and Fifty-Seven Million One Hundred Forty-Nine Thousand Pesos (PhP57,149,000.00) for CY 2017. The actual utilization for CY 2016 was fifty-two percent (52%) lower than the proposed budget for the subject year. The CY 2017 actual utilization, on the other hand, was fifteen percent (15%) higher than the proposed budget for the said year.

Shown in Tables 21 and 22 are the actual expenses for its contracted services for CY 2016 and CY 2017, respectively, to wit:

Table 21. Actual Utilization for Contracted Services for CY 2016

Particulars	Amount (PhP)
Professional Fees	
Legal Services on dispute resolution Labor	68 21 .00
Legal Services — IMO	0 ,882.
Insurance System-Legal Opinion	1, 0.00
Legal Audit Sub-total	2 1 6 061.82
Management and Consultant Fees	
External Financial Audit	0 , 06.00
Manpower Rationalization	6 , 08. 0
Actuarial Service	42,750.00
Stenographer	15 ,504.00
PEMC Knowledge Center	90,000.00
ISMS	143,361.25
Participant Satisfaction Survey	500,000.00
Strategic Planning Facilitator	35,294.12
MS Consultancy-Pre-Cert Audit	83,200.00
ISO Stage 1 Upgrade Audit-Oct6	22 ,610.00
Contractual staff	4,741,437-95

Securi Services	
Janitorial Services	622 1.02
Sub-total	19,52 , 8.18
Total	21,700,000.00

Table 22. Actual Utilization for Contracted Services for CY 2017

Particulars	Amount (PhP)
Professional Fees	
Deficien Tax Assessment	185,750.00
Le al Audit 2010-2016	695,8 6.29
Particulars	Amount (PhP)
Le al Services - Financial Derivatives	1,176,470.59
Trademark IPO A	14,853-92
Co Name Cancellation	8,562.00
Sub-total	2,081,512.80
M and Consultan Fees	
External Financial Audit	1,619,012.26
Actuarial Service (Retirement Plan Valuation)	45,000.00
Steno a her	2 0,012. 1
Transition Committee	,11 .66
Market Audit	,80 ,o
ISMS	6 ,2 0.00
EDM Develo ment Stud	1, 10, 6.20
Review of IT Emer enc Res onse Procedure	1,136,000.00
Organization Assessment & Compensation & Benefit	ooo,ooo.oo
IMO O eratin reement	10,000,000.00
ECO Contractual Em 10 ees	,200,ooo.oo
Contractual staff	(761,639.80)
Securi Services	7,006,608.62
Janitorial Services	5,203,674.26
Sub-total	55,067,487.20
Total	57,149,000.00

The Commission observed that most of the professional fees including legal service, technical assistance and consultancy on specific areas of specialization are usually done on a fixed term, with the contracted amount fixed per project; thus suggesting that such terms do not warrant an annual adjustment in the terms of contract. Further, based on the contracts with manpower agencies, the receptionist, administrative clerks, security and janitorial/messenger services were contracted between two to three (2 to 3) years with fixed amounts.

On the other hand, the financial audit, WESM Participant Satisfaction Survey, Actuarial Valuation and similar services that are necessary and required annually are being renewed with adjustments in the fees dependent on the terms agreed upon by the parties.

The Commission recognizes the importance of the aforementioned contracted services in PEMC's operations; however, for CY 2016, the Commission disallows the amount of Nine Hundred Thousand Six Hundred Ninety-Three Pesos and 60/100 (PhP900,693.60) for PEMC's failure to provide supporting documents to substantiate its actual expenses under this budget item.

Meanwhile, for CY 2017, the Commission observed that part of the actual utilization was Committed Expense amounting to ThirtyFive Million One Hundred Forty-Three Thousand Fifty-Five Pesos and 49/100 (PhP35,143,055.49). The said amount was incurred for the Review of IT Emergency Response Procedure, Organization Assessment and Compensation and Benefits, IMO Operating Agreement, ECO Contractual Employees, and Market Operations Audit — MAG. The Commission disallows the said amount as these expenses were not utilized in CY 2017. Likewise, the Commission disallows the amount of One Million Three Hundred Eighty-Five Thousand Six Hundred Thirty-Seven Pesos (PhP1,385,637.00) for PEMC's failure to provide supporting documents to substantiate its expenses under this budget item for CY 2017.

Henceforth, PEMC is hereby directed to discontinue the practice of recording unutilized budget as a Committed Expense intended for future expenditures.

Accordingly, the Commission approves only the amount of Twenty Million Seven Hundred Ninety-Nine Thousand Three Hundred Six Pesos and 40/100 (PhP20,799,306.40) for CY 2016, and Twenty Million Six Hundred Twenty Thousand Three Hundred Seven Pesos and 51/100 (PhP20,620,307-51) for CY 2017 for PEMC's contracted services.

B.6. Conference

The budget for conferences is intended to support the conduct of meetings and conferences of the PEM Board, its committees and subcommittees, as well as meetings of PEMC personnel with stakeholders and other third-party participants. Likewise, this budget covers the cost for media conferences and strategic planning of the PEM Board and PEMC employees.

In its Application, PEMC proposed the amounts of Ten Million Five Hundred One Thousand Pesos (PhP10,501,000.00) for CY 2016, and Thirteen Million Nine Hundred Sixty-Two Thousand Pesos (PhP13,962,000.00) for CY 2017.

Based on its submitted documents, PEMC's actual expenses for Conferences in CY 2016 and CY 2017 amounted to Eleven Million Three Hundred Fifty-Eight Thousand Pesos (PhP11,358,000.00), and Eight Million Five Hundred Eight Thousand Pesos (PhP8,508,000.00), respectively. The actual utilization for CY 2016 was eight percent (8%) higher than the proposed budget for the subject year; while for CY 2017, it was thirty-nine percent (39%) lower than budget proposed for the said year.

Table 23 below provides the breakdown of PEMC's actual expenses for Conferences for CY 2016 and CY 2017, to wit:

Table 23. CY 2016 and CY 2017 PEMC's Actual Utilization for Conference

Particulars	Amount (PhP)	
	CY2016	CY2017
PEM Board Meetings	1,135,592.20	2,104.10
Committee Meetings (MSC, RCC, DRG, TC, PAC)	396,171.02	598,391.26
Various Meetings (Internal and External Meetings)	3,829,110.86	3,226,895.95
CSR Projects	6,602.00	
Media Activities	144,199.17	63,425.18
Strategic Planning Development	512,404.47	48,267.75
ISMS	100.00	100.00
WESM Works MPU	20,556.70	1,260,406.85
WESM Anniversaries	3,022,103.96	
DOE Christmas Party	1,218.00	

WESM Lecture Series	552,142.90	
PES Chorale Uniform	49,602.52	
PEM Board Christmas Pa	89,286.16	
PES	393,454.44	
WESM Sportsfest	300,241.84	152,055.31
CRSS Hands on Trainin		2 2 8 .6
Social Media Management		336,000.00
PDMA lication Hearin		7,303.22
Transition Team Strat Plan		1 , 68.8
Registration Cost		513,323.39
Trainin Cost		81,600.00
Annual Report		
Conferences		94,227.17
Total	11,358,000.00	8,508,000.00

The Commission allows all the expenses listed in Table 23 as allowable expenses, except for the expenses for CSR Projects amounting to Four Hundred Forty-Six Thousand Four Hundred SixtyFour Pesos and 02/100 (PhP446,464.02), which it finds without basis.

The Commission finds that PEMC has fully substantiated, with documentation, the actual expenses for the said Conferences, except for the CSR expenses.

Accordingly, the Commission approves PEMC's actual expenses for conferences in the amount of Ten Million Nine Hundred Eleven Thousand Five Hundred Thirty-Five Pesos and 98/100 (PhP10,911,535.98) for CY 2016, and Eight Million Five Hundred Eight Thousand Pesos (PhP8,508,000.00) for CY 2017.

B.7. Insurance

PEMC's proposed budget for insurance covers the annual premium of PEMC's property and car insurance, as well Corporate Liability Insurance, Professional Indemnity Policy Insurance, Commercial Property Insurance, Engineering Electronic Equipment Insurance Policy, and Private Car Insurance Policy. This budgetary item also covers payments for premium for travel insurance coverage of PEMC's directors and officers.

In its Application, PEMC proposed the amounts of Ten Million Five Hundred Twenty-Six Thousand Pesos (PhP10,526,000.00) for CY 2016, and Ten Million Nine Hundred Forty-Seven Thousand Pesos (PhP10,947,000.00) for CY 2017.

PEMC's actual expenses for insurance amounted to Eleven Million Five Hundred Fourteen Thousand Five Hundred Thirty-Seven Pesos and 02/100 (PhP11,514,537.02) for CY 2016, and Eleven Million Nine Hundred Forty-Eight Thousand Pesos (PhP11,948,000.00) for CY 2017. The actual utilization was nine percent (9%) higher than the proposed budgets for CY 2016 and CY 2017.

The breakdown for the actual utilization is shown in Table 24, to wit:

Table 24. Actual Utilization for Insurance for CY 2016 and CY 2017

Particulars	Amount (PhP)	
	CY 2016	CY 2017
Car Insurance	81,717.38	275,020.00
Health Insurance	7,026,291.66	6,008,730.00
Liability Insurance	2,158,831.90	2,125,000.00
Life insurance (Keyman Insurance)	1,625,373.44	2,655,080.00
Property Insurance	622,322.64	639,100.00
Travel Insurance		245,070.00
I Total	11,514,537.02	11,948,000.00

The Commission finds that the costs for the car insurance, health insurance, liability indemnity insurance of its directors and officers, property insurance, and travel insurance for both CY 2016 and CY 2017 are reasonable expenses.

On the other hand, the Keyman Insurance from Sun Life of Canada (Philippines), Inc. (Sun Life), and Philippine American Life and General Insurance Company, Inc. (PhilAm Life) are considered unnecessary and unreasonable.

The Commission reiterates that the salaries of PEMC's key officers are already competitive with industry standards. As such, these Officers should be able to procure their life insurance policies on their own account, without charging the same against the funds of PEMC.

In view thereof, the Commission disallows the expenses incurred by PEMC for the payment of premiums of Keyman Insurance with Sunlife and PhilAm amounting to One Million Six Hundred TwentyFive Thousand Three Hundred Seventy-Three Pesos and 44/100 (PhP1,625,373-44) for CY 2016, and Two Million Six Hundred FiftyFive Thousand and Eighty Pesos (PhP2,655,080.00) for CY 2017.

Accordingly, the Commission approves only the amount of Nine Million Eight Hundred Eighty-Nine Thousand One Hundred Sixty-Three Pesos and 58/100 (PhP9,889,163-58) for CY 2016, and Nine Million Two Hundred Ninety-Two Thousand Nine Hundred Twenty Pesos (PhP9,292,920.00) for CY 2017, for PEMC's Insurance expense.

B.8. Participants Development Fund (PDF)

PEMC's proposed budget for its Participant Development Fund (PDF) is allocated for educating electricity consumers and other stakeholders about the WESM and other market development. It covers activities such as the WESM lecture series, media training, WESM study consultation meeting, WESM governance, and information education campaign on the reserve market. This likewise includes information drive, workshops, trainings, and other activities in relation with the target launching and commercial operations of the New Market Management System (NMMS) and WESM Mindanao. This is in addition to the other usual programs and updates being provided to the consumers, participants or other stakeholders of WESM.

Based on its Application, PEMC proposed an annual budget of Five Million Pesos (PhP5,000,000.00) for both CY 2016 and CY 2017.

Notably, the Commission, in the CY 2015 MTF Decision³, was constrained to deny the budget for this expense item in the amount of Five Million Pesos (PhP5,000,000.00) as it observed that the budget for the PDF was not utilized in CY 2015 and was classified as a committed expense.

For CY 2016 and CY 2017, PEMC submitted documents as proof for its actual expenses for PDF amounting to Two Million Six Hundred Sixty-Five Thousand Nine Hundred Fifty Pesos (PhP2,665,950.00) for CY 2016, and Two Million Nine Hundred Sixty-Four Thousand Four Hundred Sixty-Six Pesos and 59/100 (PhP2,964,466.59) for CY 2017. The amounts utilized for CY 2016 were forty-seven percent (47%) lower than what was proposed; while for CY 2017, it was forty-one (41%) lower than the proposed budget for the said year.

The details of the actual utilization are shown in Table 25 and 26, to wit:

Table 25. Actual Utilization for PDF for CY 2016

Particulars	Amount
10th Annivers & AVP	370, 00.00
10th WESM Annual Publication	1 1 0.00
3rd Retail Market Partici ant Forum	329,000.00
Mobile A Develo ment	80, 60.00
PENIC Journals	212,500.00
RCOA & Media Trainin	0.00
Su liers & Retail Meterin	2,2 0.00
WESM Desi n Enhancement	259,970.00
WESM Info Drive	16 0.00
WESM O en House	465,050.00
WESM Year End Media	29 480.00
Total	2,665,950.00

Table 26. Actual Utilization for PDF for CY 2017

Particulars	Amount
CRSS Meetin with Gencos	65,978.57
EDM Worksho	.1
Mobile A Develo ment	2 2.
MOU Si nin	10, 6 .11
MPI Nomination Submission	4,553-57

³ ERC Case No. 2014-092 RC;

NMMS Kick-Off Meetin	919,768.67
NMMS Live Parallel O s	20,630.34
Pre Activities Retail Com	63,600.00
PSHSS Internshi	10,34 .25
Retail Market Partici ant Meetin	,800.00
WESM Desi n Enhancement	08,130.19
Generator Com liance Worksho	232,756. 6
Retail Market Partici ant Meetin	282,000.00
Mobile A Develo ment	115,65 .6
Total	2 6 66.

Although it might appear that the nature of this expense is similar to the nature of the activities funded under the budget for Conference, a closer review of the individual activities under PDF will show that activities under the PDF are more specialized in that these are focused on WESM lectures, WESM information and education programs, and PEMC's development and information drives.

In view of the foregoing, the Commission approves PEMC's actual expenses for the PDF in the amount of Two Million Six Hundred Sixty-Five Thousand Nine Hundred Fifty Pesos (Php2,665,950.00) for CY 2016, and Two Million Nine Hundred Sixty-Four Thousand Four Hundred Sixty-Six Pesos and 59/100 (**PhP2,964,466.59**) for CY 2017.

B.9. Advertising and Promotions

The Advertising and Promotions budget is intended to fund advertisements being published by PEMC for job opening announcements, advertisements, the publication of the annual WESM Report, and professional fees for public relations consultants. Likewise, the Advertising and Promotion budget covers expenses for tri-media monitoring of industry-related news, using on-line platforms.

Based on its Application, PEMC proposed the amounts of Seven Million Three Hundred Twenty-Two Thousand Pesos (PhP7,322,000.00) for CY 2016, and Seven Million Six Hundred Ten Thousand Pesos (PhP7,610,000.00) for CY 2017.

Meanwhile, PEMC's actual expenses incurred for Advertising and Promotions budget amounted to One Million Two Hundred

Twelve Thousand Eight Hundred Eighty-Nine Pesos (PhP1,212,889.00) for CY 2016, and Six Hundred Forty-Nine Thousand Pesos (PhP649,000.00) for CY 2017. The actual utilization was eighty-three percent (83%), and ninety-one percent (91%) lower than the proposed budget for CY 2016 and CY 2017, respectively.

The breakdown for the actual utilization is shown in Table 27, to wit:

Table 27. CY 2016 and CY 2017 Actual Utilization for Advertising and Promotion

Particulars	Amount (PhP)	
	CY 2016	CY 2017
Audio visual resentation	500,000.00	
News a er Ads	60.00	
Job Ads	220, 00.00	209,100.00
Tri Media Monitorin	396,429.00	396,400.00
APEX Annual Membershi Fee		43,500.00
Total	1 212 88 .00	649,000.00

The Commission found the subject expenses substantiated with documentations. Furthermore, the Commission recognizes the importance of promoting public awareness and understanding on WESM among electric power industry participants and the general public.

Accordingly, the Commission approves the actual expenses incurred by PEMC for its Advertising and Promotions amounting to One Million Two Hundred Twelve Thousand Eight Hundred Eighty-Nine Pesos (PhP1,212,889.00) for CY 2016, and Six Hundred Forty-Nine Thousand Pesos (PhP649,000.00) for CY 2017.

B. 10. Taxes and Dues

PEMC's proposed budget for Taxes and Dues are allocated for the payment of the taxes and business licenses, association dues for the leased office space, and registration/membership fees.

In its Application, PEMC proposed the amounts of Seven Million Seventy-One Thousand Pesos (PhP7,071,000.00) for CY 2016, and Seven Million Three Hundred Fifty Thousand Pesos (PhP7,350,000.00) for CY 2017.

PEMC's actual expenses for the payment of taxes and dues amounted to Seven Million Two Hundred Eighty Thousand Pesos (PhP7,280,000.00) for CY 2016, and Nine Million Ninety-Four Thousand Pesos (PhP9,094,000.00) for CY 2017. The actual utilization was three percent (3%), and twenty-four percent (24%) higher than the proposed budget for CY 2016 and CY 2017, respectively. The breakdown of the actual utilization is shown below:

Table 28. CY 2016 and CY 2017 Actual Utilization for Taxes and Dues

Particulars	Amount	
	CY 2016	CY 2017
Association Dues	3,480,000.00	4,386,000.00
Business Tax	422,000.00	311,000.00
Fringe Benefit Tax	3,290,000.00	3,272,000.00
Membership Fees	29,000.00	44,000.00
Vehicle Registration	43,000.00	42,000.00
Tax Deficiency BIR	16,000.00	
Excess of 7% Standard Input Tax vs Actual		37,000.00
Provision for income tax		1,002,000.00
Total	7,280,000.00	9,094,000.00

The Commission finds the actual expenses incurred by PEMC for its taxes and dues in order, considering that the same are statutory and mandatory in nature. Further, the Commission notes that PEMC included, as part of the expenses for its taxes and dues, the membership fees covering the renewal of the Professional Regulatory Commission (PRC) licenses of its engineers and certified public accountants.

Accordingly, the Commission approves the actual expenses by PEMC amounting to Seven Million Two Hundred Eighty Thousand Pesos (PhP7,280,000.00) for CY 2016, and Nine Million Ninety-Four Thousand Pesos (PhP9,094,000.00) for CY 2017.

B.II. Travel and Transportation

PEMC's travel and transportation budget covers expenses for local and foreign travels. These travels include attendance to meetings and conferences of the Energy Intermarket Surveillance Group (EISG), the Association of Power Exchanges (APEX) Global, ASEAN Energy Business Forum and official meetings with other energy markets. The budget also covers the cost of airfare, per diem, accommodation, and meal allowances. Other travel-related expenses, such as those for gasoline and oil for PEMC's service vehicles, are also covered under this budget item.

In its Application, PEMC proposed the amounts of Fifteen Million Six Hundred Seventeen Thousand Forty-Six Pesos (PhP15,617,046.00) for CY 2016, and Twenty Million Six Hundred Forty-Five Thousand Pesos (PhP20,645,000.00) for CY 2017.

PEMC's actual expenses for travel and transportation amounted to Ten Million Nine Hundred Ninety-Seven Thousand Pesos (PhP10,997,000.00) for CY 2016, and Nine Million Eight Hundred Thirty-Six Thousand Pesos (PhP9,836,000.00) for CY 2017. The actual utilization was thirty percent (30%), and fifty-two percent (52%) lower than the proposed budget for CY 2016 and CY 2017, respectively.

The breakdown of the actual utilization is shown in Table 29:

Table 29. CY 2016 and CY 2017 Actual Utilization for Travel and Transportation

Particulars	Amount (PhP)	
	CY 2016	CY 201
Foreign		
APEX Global	1,628,210.00	
EISG / Coordination Meeting	867,920.00	58,528.00
CCSA Training		104,901.00
Coordination Meeting	130,000.00	
Training-Variable Renewable Energy to the Grid	260,600.00	
Asian Utility Week	88,700.00	
18th ASEAN Power Grid (APGCC) LAO	177,900.00	

Dell Sonic Wall Network Training	128,840.00	
11th Asia Solar Exhibit	49,300.00	
Exclaimer Email Training	90,100.00	
Conduct Overview-PEM-China	132,530.00	
Sub-total		163,429.00
Local		
IMEM	20,500.00	
Particulars	Amount (PhP)	
	CY 2016	CY 2017
PEM Board Meetings (Board Members)	17,600.00	
Staff travel	3,480,000.00	2,914,238.00
Local Conferences	151,000.00	160,894.00
ERC Hearing	113,400.00	512,038.00
Investigation/ Plant visit	3550.00	74,000.00
Gasoline	3,656,850.00	3,968,830.00
ISMS		257,520.00
Metering Audit/Review		690,288.00
Plant Visit/ Committees & staff		92,600.00
WESM MPU		774,000.00
Allowance - OJT/Executive Assistant		178,163.00
RFID Load		50,000.00
Sub-total	7,442,900.00	9,672,571.00
Total	10,997,000.00	9,836,000.00

The Commission recognizes the need for PEMC to attend foreign meetings and gatherings to keep its workforce abreast of the developments and innovations in the energy industry, particularly on electricity markets. Moreover, being the sole energy market operator in the Philippines, PEMC is expected to perform at par with its counterparts in other jurisdictions.

In view thereof, the Commission approves PEMC's actual expenses for travel and transportation in the amount of Ten Million Nine Hundred Ninety-Seven Thousand Pesos (PhP10,997,000.00) for CY 2016, and Nine Million Eight Hundred Thirty-Six Thousand Pesos (PhP9,836,000.00) for CY 2017.

B.12. Trainings

The budget for training covers local and foreign training programs of PEMC employees for the enhancement of their technical skills and know-how, as well as for boosting staff development. The training programs are categorized into function-specific programs, general and intermediate trainings, orientation programs and integrated management system programs.

In its Application, PEMC proposed the amounts of Ten Million Five Hundred Seventy-One Thousand Pesos (PhP10,571,000.00) for CY 2016, and Ten Million Nine Hundred Ninety Thousand Pesos (PhP10,990,000.00) for CY 2017.

PEMC's actual expenses for training amounted to Four Million Ninety-Nine Thousand Five Hundred Nine Pesos (PhP4,099,509.00) for CY 2016, and Three Million Two Hundred Six Thousand Pesos (PhP3,206,000.00) for CY 2017. The actual utilization was sixty-one percent (61%), and seventy-one percent (71%) lower than the proposed budget for CY 2016 and CY 2017, respectively.

The breakdown of the actual utilization is shown in Tables 30 and 31:

Table 30. CY 2016 Actual Utilization for Trainings

Particulars	Amount (PhP)
Employees Training — Foreign	
Workshop on Advancing the Use of Wind and Solar Forecasting to Facilitate the Integration of Variable Renewable Energy	87,460.00
Sub total	87,460.00
Employees Training — Local	
MCLE	63,971.00
EPDP Conference	12,000.00
65th IECEP Memberships	3,600.00
Competency Based Interview Training	8,500.00
Effective Root Cause Analysis Training	87,625.00
PAMI Memberships	10,000.00
Seminar Workshop -IBM	15,000.00
BCMS Simulation Drill	12,250.00
Lecture on Latest Trends	8,241.00

PMAP Summit Clean Air Trainin	3,500.00
Panel Int. & Leadershi Trainin Overview	14,082.00
BCMS	98,291.00
Lecture: Intellectual Pro e	11,735.00
Com eten Based Trainin	465,500.00
Assertive Communication Goal Settin	30,966.00
Goal Set Mt -Lead Chan e	12,943.00
FUNe os o Pro ram	19,356.00
PSME 64th National Convention	5,700.00
WESM Desi n Enhancement	21,281.00
Effective Root Cause Anal sis	4,000.00
PMAP Desi Pa Structure	23,000.00
Pro Active Relations	18,000.00
PICPA Membershi and Trainin	22,616.00
Pro•ect Mana ement Team	19,653.00
Coachin and Mentorin	15,625.00
Sub total	1,007,435.00
Em 10 ees En a ement and Co orate Events	
Christmas P co . Social Res onsibili	812,900.00
Teambuildin	965,403.00
Basketball Clinic	49,600.00
S ortsfest owlin	567,796.00
Annivers	162,8 2.00
Wellness Pro ram	32 ,710.oo
Kids' P	69,272.00
Health Wellness	33,684.00
ISMS	15,407.00
Sub total	3,004,614.00

Total	4,099 509.00
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Table 31. CY 2017 Actual Utilization for Trainings

Particulars	Amount
Em 10 ees Training — Local	
PAMI Membershi	10,000.00
Enhance WESM Desi n Trainin	16,38 .00
Stress Mana ement Seminar	15,585.00
Drivin Lesson	11,607.00
Basic of Leadershi & Management	19,600.00
Assertive Communication	17,500.00
Service Excellence	17,195.00
Com etenc Based Trainin	399,000.00
Panel Interview Smart Meterin	2,720.00
Coachin & Mentorin	13,890.00
Social En •neerin Trainin	162,080.00
L&D Desi ner Trainin	15,178.00
Basic Car Maintenance Course	,000.00
Pro •ect Mana ement Trainin	14,980.00
PSME 65th National Convention Re istration Fee	6,300.00
Business Presentation	1 , 00.00
IIEE 42nd Convention	74,600.00
Interviewin Worksho	8,240.00
Em 10 eesEn a ement and Cor orate Events	
Christmas P Cor orate Social Res onsibili	419,000.00
Teambuildin	1,10 0.00
Basketball Clinic	52,6 0.00
PEMC S ortsfest	343,400.00
Anniversa	146,200.00
Wellness Pro am	286,070.00
Kids' Pa	28,850.00
Total	3,206,000.00

The Commission recognizes that the expenses related to training were necessary for staff development, as well as capacity building.

Accordingly, the Commission approves PEMC's actual expenses for trainings in the amount of Four

Million Ninety-Nine Thousand Five Hundred Nine Pesos (PhP4,099,509.00) for CY 2016, and Three Million Two Hundred Six Thousand Pesos (PhP3,206,000.00) for CY 2017.

B.13. Materials and Supplies

PEMC's proposed budget for materials and supplies covers the procurement of office materials, small office equipment, and pantry and washroom supplies.

In its Application, PEMC's proposed budget for materials and supplies are Nine Million Eight Hundred Eighty-Three Thousand Pesos (PhP9,883,000.00) for CY 2016, and Ten Million Four Hundred Five Thousand Pesos t(PhP10,405,000.00) for CY 2017.

The actual expenses by PEMC for its materials and supplies amounted to Eight Million Eight Hundred Eighty-Five Thousand Pesos (PhP8,885,000.00) for CY 2016, and Six Million Three Hundred Thirty-Four Thousand Pesos (PhP6,334,000.00) for CY 2017. The actual utilization, as shown in Table 32, was ten percent (10%), and thirty-nine percent (39%) lower than the proposed budget for CY 2016 and CY 2017, respectively

Table 32. CY 2016 and 2017 Actual Utilization for Materials and Supplies

Particulars	Amount	
	CY 2016	CY 2017
Materials and Supplies Expense —Total	8,885,000.00	6,334,000.00

The Commission notes that PEMC failed to submit documents to support and justify its expenses for CY 2016 and CY 2017 for this budget item. Likewise, the Commission notes that PEMC did not submit an inventory of its materials and supplies.

PEMC, in justifying the amounts, informed the Commission that consistent with the previous year's utilization, it procured the materials and supplies in bulk, and that the actual utilization by each department is consolidated to register the total expenses of PEMC for this budget item.

The materials and supplies are deemed indispensable to the day-to-day operations of PEMC, and while documentations in support of the proposed budget are wanting, it can be presumed that these materials, on the basis of historical records, have been utilized.

The Commission, therefore, approves the actual expenses for the procurement of PEMC's materials and supplies in the amount of Eight Million Eight Hundred Eighty-Five Thousand Pesos and 92/100 (PhP8,885,000.00) for CY 2016, and Six Million Three Hundred Thirty-Four Thousand Pesos (PhP6,334,000.00) for CY 2017.

B.14. Subscriptions

PEMC's subscription budget covers expenses for publications required by the Commission and the DOE, in relation to applications for the approval of market fees and revisions in the WESM Rules, among others. This item also covers the filing, notarial and TSN fees, checkbooks and bank charges, cable subscription, and weather subscriptions of PEMC.

In its Application, PEMC's proposed budget for its subscriptions amounted to One Million One Hundred Eighty-Five Thousand Pesos (PhP1,185,000.00) for CY 2016, and One Million Two Hundred Thirty-Two Thousand Pesos (PhP1,232,000.00) for CY 2017.

On the other hand, the actual utilization incurred by PEMC for its subscriptions amounted to Eight Hundred Ninety-Two Thousand Pesos (PhP892,000.00) for CY 2016, and Two Million Five Hundred Thirteen Thousand (PhP2,513,000.00) for CY 2017. The actual utilization in CY 2016 was lower by twenty-five percent (25%) than the proposed budget for that year; although expenses in CY 2017 was higher by one hundred four percent (104%) than the proposed budget for the said period.

Shown in Table 33 is the breakdown of the actual utilization, to wit:

Table 33. CY 2016 and CY 2017 Actual Utilization for Subscription

Particulars	Amount (PhP)	
	CY 2016	CY 2017
Legal Filings	67,000.00	45,000.00
Newspaper Publication	579,600.00	2,128,000.00

TSN, ERC & MRU Filing	10,700.00	
Subscription		
Newspapers & Magazines	68,600.00	69,000.00
Skycable	54,000.00	54,000.00
Weather Data	89,400.00	203,500.00
Bank charges/Others	22,700.00	13,500.00
Total	892,000.00	2,513,000.00

The Commission finds that the expenses of PEMC for its subscriptions are necessary and have been fully substantiated.

In view thereof, the Commission approves PEMC's actual utilization of its budget for Subscriptions in the amount of Eight Hundred Ninety-Two Thousand Pesos (PhP892,000.00) for CY 2016, and Two Million Five Hundred Thirteen Thousand Pesos (PhP2,513,000.00) for CY 2017.

B. 15. Research and Development (R & D)

This proposed budgetary item covers the costs for redevelopment programs on the Market Dispatch Optimization Model (MDOM) to include the reserve markets, improvements in forecasting, development of the Financial Transmission Rights Regime, and shortening of dispatch interval. This likewise covers the need of PEMC to address the recommendation by the external auditors of WESM in previous years' market operation audit to fund research and development undertakings that will support the on-going development of the market.

In its Application, PEMC proposed the amounts of Seven Million Eight Hundred Six Thousand Pesos (PhP7,806,000.00) for CY 2016, and Eight Million Three Hundred Sixty-Five Thousand Pesos (PhP8,365,000.00) for CY 2017.

The Commission, in its evaluation, finds that this item was not fully justified and supported by documentation. While the Commission acknowledges the ever-changing landscape and dynamics in the energy market and recognizes the importance of R&D in the work of PEMC, it is constrained from approving the subject proposed budget in the absence of the necessary supporting documents to justify the requested budget.

In view thereof, the Commission hereby disallows the inclusion of the budget on research and development in PEMC's CY 2016 and CY 2017 MTF.

B. 16. Market Audit

Under the WESM Rules, the PEM Board is mandated to establish the PEM Audit Committee to conduct, coordinate and supervise, on its own or through engagement of external auditors, effective and independent audits on the operations of the spot market and the market operator to reinforce trading participants' confidence in the transparency and adequacy of the operation of the WESM.

Additionally, Section 7.2.2 of the PEM Audit Market Manual provides the general objectives of the annual audit of the spot market which include the assessment of the procedures, working processes and the appropriateness of the WESM settlement system, data management, and other systems used by PEMC to administer the WESM.

PEMC's proposed budget for its market audit is Forty-Five Million Five Hundred Sixty Thousand Pesos (PhP45,560,000.00) for CY 2016, and Fifty Million One Hundred Twenty Thousand (PhP50,120,000.00) for CY 2017.

On the other hand, the actual utilization incurred by PEMC amounted to Thirty-Seven Million Six Hundred Fifty-Three Thousand Pesos (PhP37,653,000.00) for CY 2016, and Thirty-Eight Million Seven Hundred Seventy-One Thousand Nine Hundred Forty-Two and 14/100 (PhP38,771,942.14) for CY 2017. The actual utilization was seventeen percent (17%), and twenty-three percent (23%) lower than the proposed budget for CY 2016 and CY 2017, respectively.

Based on the 2016 Variance Report, the Market Audit budget amounting to Thirty-Seven Million Six Hundred Fifty-Three Thousand Pesos (PhP37,653,000.00) was committed for the 6th Independent Operational Audit of the Systems and Procedures on Market Operations (6th MO Audit) and the 3rd Review of Metering Installations and Arrangements which covers the period from 26 December 2014 to 25 June 2016. The 6th MO Audit and the 3rd Metering Audit was awarded to IES on 02 December 2016.

PEMC informed the Commission that the 6th MO Audit and 3rd Metering Review amounting to Twenty-Six Million Seven Hundred Ninety-Nine Thousand Nine Hundred Forty-Two Pesos and 14/100 (Php26,799,942.14) was paid in full in CY 2017.

Notwithstanding the overlapping of the project timelines for the conduct of the Market Audit, the Commission observed that the entire budget for CY 2016 amounting to Thirty-Seven Million Six Hundred Fifty-Three Thousand Pesos (Php37,653,000.00) was included in its unutilized budget that was used to pay for the MMS Loan from Power Sector Assets and Liabilities Management (PSALM).

In the Order dated 30 October 2018 concerning ERC Case No. 2012-097 RC²⁷, the Commission approved and authorized P EMC to use its "Other Income and Unutilized Budget," which includes its unutilized budget from the MO Audit to be applied for the payment of the MMS Loan. The dispositive portion of the said Order is hereunder quoted as follows:

WHEREFORE, the foregoing premises considered, the Motion for Partial Reconsideration filed on 21 March 2018 by Philippine Electricity Market corp. (PEMC) is **PARTIALLY GRANTED**. Accordingly, the Decision dated 31 August 2017, is hereby **MODIFIED**, as follows:

2. PEMC is authorized to use the "Other Income" and "Unutilized Budget" in the amount of Php510,138,981.00, to partially pay PSALM for its advances on the MMS Project. The balance thereof shall be collected from Luzon and Visayas participants for a period of one (1) year, broken down as follows:

PARTICULARS	
A proved MMS Loan Amount	816,858,077-95
Other Income & Unutilized Budget	(510,138,981.00)
Remainin Balance	306,719,096.95
At 5.6323% interest to be recovered in one (1) ear	17,275,339-70
Total Balance for Additional Market Fees	

(Emphasis supplied)

²⁷ In the Matter of the Application for the Approval of the Level of Market Transaction Fees for the Repayment of the Market Management System (MMS) Loan for The Philippine Electricity Spot Market (WESM);

In view of the foregoing, the Commission approves the budget for Market Audit in the amount of Thirty-Seven Million Six Hundred Fifty-Three Thousand Pesos (PhP37,653,000.00) for CY 2016 considering that the amount was used to partially pay the MMS Loan to PSALM. For CY 2017, the Commission approves the actual utilization for the 6th Operational Audit and 3rd Metering Review in the amount of Twenty-Six Million Seven Hundred Ninety-Nine Thousand Nine Hundred Forty-Two Pesos and 14/100 **(PhP26,799,942.14).**

C. Capital Expenditures (CAPEX)

PEMC's proposed CAPEX budget covers the following components, namely: (1) Leasehold improvement; (2) MMS upgrades; (3) Corporate infrastructure; and (4) Business Continuity Plan.

In its Application, PEMC proposed a CAPEX budget of One Hundred Forty-One Million Nine Hundred Twelve Thousand Four Hundred Fifty-Six Pesos (PhP141,912,456.00) for CY 2016, and Seventeen Million Seventy Thousand Four Hundred Sixteen Pesos (PhP17,070,416.00) for CY 2017, as shown in Table 34:

Table 34. Proposed CAPEX Budget for CY 2016 and CY 2017

Budget Component	Particulars	2016	2017
Leasehold Improvement	Cover replacement of cubicles and partitions and refurbishment of additional office space in Luzon of the PEMC office	49,733,000.00	4,781,000.00

MMS Upgrades	Includes the purchase of hardware and software to address market operational audit findings, improvements and replacements of defective and deteriorating equipment of the existing MMS. The budget allows PEMC to undertake the necessary activities needed for the enhancement and upgrade of the MMS, which included among others, revision of some of the MMS functionality and acquisition of IT service management software.	49,364,905.00	7,075,200.00
Corporate Infrastructure	This item includes the acquisition of equipment for the improvement and automation of business processes. This budgetary item also includes the purchase of licenses for power system simulation and analysis, electronic mail security, network logs, and Microsoft office. The upgrades of conference phones, PABX, and purchase of time display, heavy-duty warehouse rack, corporate desktops, and laptops are also included under this budget item.	35,814,551.00	5,214,216.00

Business Continuity Plan	The BCP provides a program of preparedness and a guide for emergency management that shall ensure the operational continuity of PEMC. This was adopted to mitigate risks that may seriously disrupt or fully disable PEMC operations due to natural or man-made emergencies. The BCP contains risk assessment, communication protocols, activation, and deactivation of BCP and recovery and restoration activities. The amount covers the renovation of the back-up site, subscription to a network service provider, and acquisition of various site equipment such as IP radio, racks, room partition, uninterruptible power supply, and airconditionin units.	7,000,000.00	0.00
Total		141,912,456.00	17,070,416.00

PEMC submitted documents to justify its actual CAPEX utilization amounting to Thirty Million Two Hundred Forty-One Thousand Seven Hundred Sixty-Three Pesos and 71/100 (PhP30,241,763-71) for CY 2016, and Forty-Five Million Three Hundred Eighty-Two Thousand Three Hundred Thirty-Six Pesos and 13/100 (PhP45,382,336.13) for CY 2017. The actual CAPEX utilization in CY 2016 was lower by seventy-nine percent (79%) than the proposed budget for the said year; while for CY 2017, it was one hundred sixtyfive percent (165%) higher than the CY 2017 proposed budget.

Shown in Table 35 is the breakdown of the actual utilization, to wit:

Table 35. Breakdown of CAPEX Expenses Based on Documents Submitted by PEMC

Budget Component	CY 2016 Amount (PhP)	CY 2017 Amount (PhP)
Leasehold Improvement	637,674.64	5,505,627.45
MMS Upgrades	5,921,318.28	16,482,571.03
Corporate Infrastructure	21,459,315-42	23,394,137.65
Business Continuity Plan	2,223,455-3	
Total	30,241,763-71	45,382,336.13

In view of the foregoing, the Commission approves the actual expenses for PEMC's CAPEX amounting to Thirty Million Two Hundred Forty-One Thousand Seven Hundred Sixty-Three

Pesos and 71/100 (**PhP30,241,763.71**) for CY 2016, and FortyFive Million Three Hundred Eighty-Two Thousand Three

Hundred Thirty-Six Pesos and 13/100 (**PhP45,382,336.13**) for CY 2017, considering that the same were fully supported with documentation.

D. Provision for Department of Energy (DOE)/Energy Regulatory Commission (ERC) Monitoring Facilities

Section 5.2.2.7 of the WESM Rules requires the MO to provide the Commission and the DOE all the necessary facilities to effectively monitor the operation of the WESM, in real time and for review purposes.

In its Decision dated 30 January 2008 in ERC Case No. 2007124RC⁴, the Commission approved PEMC's CY 2007 MTF, which included the provision of two percent (2%) of the total approved MTF for DOE/ERC monitoring facilities and functions. The pertinent portion of the said Decision is hereunder quoted as follows:

Recognizing the need to continually support the monitoring functions of the Commission and the Department of Energy (DOE), PEMC is hereby directed to set aside two percent

⁴ ERC Case No. 2005-048 RC Decision dated 22 June 2006, page 41;

(2%) of its total annual MTF for the Commission's and DOE's monitoring facilities. Xxx

(Emphasis supplied)

PEMC's proposed budget for the provision of DOE/ERC monitoring facilities amounts to Eighteen Million Nine Hundred Forty-Six Thousand Five Hundred Seventy Pesos (PhP18,946,570.00) for CY 2016, and Seventeen Million Nine Hundred Sixty-Four Thousand Four Hundred Eight Pesos (PhP17,964,408.00) for CY 2017.

However, the actual expenses in support of the DOE/ERC monitoring facilities amounted to Two Million Nine Hundred Eighteen Thousand Nine Hundred Six Pesos and 98/100 (PhP2,918,906.98) for CY 2016, and Two Million Six Hundred Sixty-Six Thousand Eight Hundred Ninety-Four Pesos and 95/100 (PhP2,666,894-95) for CY 2017.

Table 36 shows the breakdown of actual expenses incurred by PEMC for CY 2016 and 2017 for this budget item:

Table 36. Breakdown of Actual expenses for the Provisions for
DOE/ERC Monitoring Facilities

Particulars	ERC		DOE		TOTAL	
	2016	2017	2016	2017	2016	2017
Utilities	424,963-34	422,645.86	850,726.53	1,871,909.80	1,275,689.87	2,294,555.66
Contracted Services	684,310.00		804,182.67	52,446.43	1,488,492.67	52,446.43
Travel and Transportation	1,352.13				1,352.13	
Training			105,582.59	253,392.86	105,582.59	253,392.86
Materials and Supplies			47,489-72	66,500.00	47,489-72	66,500.00
TOTAL	1,110,625-47	422,645.86	1,807,981.51	2,244,249.09	2,918,606.98	2,666,894-95

The Commission disallows PEMC's allocations and expenses in this regard, as it is the standing policy of the Commission that the cost of regulation shall be borne by the government and not by the regulated entities. Moreover, the Commission takes cognizance of the previous audit query of the Commission on Audit (COA) about the earmarking of two percent (2%) of the MTF for the DOE and Commission's monitoring functions.

E. Market Registration Fees (MRF)

The MRF is a fee being charged to the WESM members to cover the cost of the registration and training in the WESM. The collection of the MRF is in accordance with the Decision of the Commission dated 22 June 2006 in ERC Case No. 2005-048. In the said Decision, the Commission fixed the collection rate to Fifty Thousand Pesos (PhP50,000.00) plus the variable costs for the services to be rendered subsequent to the installation of the digital access.

Moreover, under the 2007 MTF Application²⁹, PEMC proposed the collection of an annual MRF, and likewise proposed to adopt the same level of the approved MRF.

In a Decision dated 30 January 2008, the Commission found the proposed annual MRF excessive and resolved to suspend the annual collection of MRF until further notice. The dispositive portion of the said Decision is hereby reproduced as follows:

"In the meantime, the Commission deems it appropriate to defer the resolution on this account pending verification of the documents to be submitted by PEMC to justify the proposed annual MRF. Pending such submission and resolution by the Commission, the collection of MRF is hereby suspended until further notice. Any payment made to PEMC for the second registration year shall be refunded to the participants. PEMC can only collect the MRF for the second year upon the direction of the Commission."

In the Manifestation, Compliance and Reiterative Request for Confidential Treatment of Information filed on 4 February 2015 under ERC Case No. 2014-092 RC, PEMC informed the Commission that it has in its custody the amount of Eight Million Nine Hundred SeventySix Thousand Two Hundred Thirty-Nine Pesos and 59/100 (PhP8,976,239-59) representing the balance of the MRF collected from 2008 to 2013.

²⁹ ERC Case No. 2007-124 RC;

PEMC submitted an updated schedule representing the total MRF collected including the interest income earned from 2005 to 2016, as shown in Table 37, to wit:

Table 37. Schedule of Total MRF Collected

Year	Amount	Interest ³⁰	Total
2005	2,309,204.00	869,526.39	3,178,730.39
2006	2,752,470.89	909,914.28	3,662,385.17
2007	634,332.15	184,649.89	818,982.04
2008	485,729.28	92,524.76	578,254.04
2009	603,310.72	100,966.78	704,277.50
2010	948,550.00	117,657.12	1,066,207.12
2011	00.00		1,09 . 6
2012	18,155.78	47,8 . 3	766,033-51
2013	884,300.00	2,936.89	927,236.89
2014	1,076,700.00	41,755.62	1,118,455.62
2015	1,422,800.00	29,656.04	1,452,456.04
2016	2,184,350.00	24,382.69	2,208,732.69
Total Utilization	14,467,302.82		16,972,848.37 1,665,244.24
Net MRF			15,307,604.13

As shown in Table 37, PEMC collected a total amount of Sixteen Million Nine Hundred Seventy-Two Thousand Eight Hundred FortyEight Pesos and 37/100 (PhP16,972,848.37) MRF including the interest earned for the period of 2005 to 2016.

A total of One Million Six Hundred Sixty-Five Thousand Two Hundred Forty-Four Pesos and 24/100 (PhP1,665,244.24) of the total collection have been utilized by P EMC in the delivery of services, such as on-site installation of digital access and conduct of trainings, which are included in the registration package for membership to the WESM.

In view thereof, PEMC proposed that the remaining balance of Fifteen Million Three Hundred Seven Thousand Six Hundred Four Pesos and 13/100 (PhP15,307,604.13) from the previously collected MRF be "deducted from the CY 2016 market fees applied for."

The Commission notes that the Interest Income from Bank Deposits of the MRF, as of 2016 December, in the amount of Two Million Five Hundred Five Thousand Five Hundred Forty-Five Pesos

³⁰ Interest earned from short term bank deposits

and 55/100 (PhP2,505,545-55) has already been utilized by PEMC as part of its partial payment to PSALM for its advances on the MMS Loan.

The Commission is conducting a study on the nature of the MRF, and if the said revenue can be used by PEMC to fund its operations. Given the pendency of this study, the Commission is constrained to defer the resolution of PEMC's prayer in this regard.

Further, with regard to the prayer of PEMC seeking approval of the restructuring of the market fees into a single fee, the Commission would require additional clarification from the Applicant on the details of the proposed restructuring, as inputs to its on-going study, particularly as they relate to the possible impact of the subject proposal on the market fees. Hence, the Commission is likewise constrained to defer the resolution of Applicant's prayer on this matter.

F. Petitions for Intervention

In their Petition 'sfor Intervention, MERALCO, VECO, SEZ, and Engr. Mallillin raised the same issue with regard to the reasonableness and justness of PEMC's proposed MTF for CY 2016 and CY 2017. The Intervenors likewise raised the issue of whether the proposed MTF budget is in accordance with applicable laws, rules and regulations.

The Commission finds that the Intervenors' concerns have been fully addressed in the foregoing discussions on the resolution of each of the components of PEMC's proposed budget for CY 2016 and CY 2017.

G. MTF Refund and Adjustment

After ascertaining the reasonableness of the actual expenditures of PEMC for CY 2016 and CY 2017, the Commission hereby approves the amounts of Four Hundred Eighty-Six Million Two Hundred FortyEight Thousand Four Hundred Sixty-Seven Pesos and 71/100 (PhP486,248,467-71) for CY 2016, and Four Hundred Eighty-Six Million Four Hundred Forty-One Thousand Six Hundred Two Pesos and 85/100 (PhP486,441,602.85)for CY 2017.

Shown in Tables 38 and 39 are the MTF refund and adjustment that resulted from the difference between the MTF collected by PEMC in CY 2016 and CY 2017, and the MTF level approved by the Commission for the subject years in the instant Application, to wit: Table 38. CY 2016 Approved Level and MTF Refund and Adjustment

Component	CY 2016 Proposed Budget	MTF Collected in CY 2016 ^{1/}	Approved CY 2016 MTF Level	CY 2016 MTF Adjustment and Refund
PS	453,272,000.00	380,450,736.00	235,006,591.54	145,444,144.46
M.O.O.E.	352,144,046.00	249,017,530.00	221,000,112.46	28,017,417.54
CAPEX	141,912,456.00	59,639,310.00	30,241,763- 71	29,397,546.29
2%Provision for DOE and ERC	18,946,570.00	13,877,152.00	0.00	13,877,152.00
Total	966,275,072.00	702,984,728.00	486,248,467- 71	216,736,260.29

Table 39. CY 2017 Approved Level and MTF Refund and Adjustment

Component	CY 2017 Proposed Budget	MTF Collected in cy 2016 ^{1/}	Approved CY 2017 MTF Level	CY 2017 MTF Adjustment and Refund
ps	494,066,000.00	380,450,736.00	237,337,426.15	
M.O.O.E.	387,084,000.00	249,017,530.00	203,721,840.57	45,295,689.43
CAPEX	17,070,416.00			1,256, 73.8
2%Provision for DOE and ERC	17,964,408.00	13,877,152.00	0.00	13,877,152.00
Total	916,184,824.00	702,984,728.00	486,441,602.85	216,543,125.15

^{1/} ERC-Approved CY 2014 MTF Level

Based on the Tables 38 and 39, the total MTF collected by PEMC for CY 2016 and CY 2017 amounted to Seven Hundred Two Million Nine Hundred Eighty-Four Thousand Seven Hundred Twenty-Eight Pesos (Php702,984,728.00) for each of the subject years.

As such, for CY 2016, PEMC has an excess collection amounting to Two Hundred Sixteen Million Seven Hundred Thirty-Six Thousand Two Hundred Sixty Pesos and 29/100 (PhP216,736,260.29). For CY 2017, the excess collection amounted to Two Hundred Sixteen Million Five Hundred Forty-Three Thousand One Hundred Twenty-Five Pesos and 15/100(PhP216,543,125.15).

In consideration of the CY 2016 and the CY 2017 budgets approved herein, PEMC is accordingly directed to implement a refund of its over collection in the MTF for CY 2016 and CY 2017 to be apportioned among all the Luzon and Visayas participants. The said refund shall be implemented over twelve (12) months beginning on the

next billing month, upon receipt of this Decision. Moreover, the amount to be refunded shall be reflected as a separate line item in the WESM monthly billing statement based on the following formula:

For CY 2016:

$$\text{PhP}216,736,260.29/12$$

MTF Refund (PhP/kWh) = Total Actual Generated Metered Quantity for 2016

For CY 2017:

$$\text{PhP}216,543,125.15/12$$

MTF Refund (PhP/kWh) = Total Actual Generated Metered Quantity for 2017

On the basis of the abovementioned formula, and the actual generated metered quantities in CY 2016 and CY 2017, the MTF over collection to be refunded has an indicative rate of PhPo.0030/kWh for CY 2016, and PhPo.0028/kWh for CY 2017, as shown in Table 40:

Table 40. CY 2016 and CY 2017 MTF Indicative Rate

Budget Component	CY 2016	CY 201
MTF Collections ^{1/}	702,984,728.00	702,984,728.00
Approved Recommended Level	86,248,467.71	86,441,602.85
Variance	216,36,260.29	216,543,125.15
Actual Volume, kWh	71,713,463,852.35	74,842,959,728.31
Indicative Ave. MTF Rate, PhP kWh	0.0030	0.0028

^{1/} Approved CY 2014 MTF Level

In view thereof, PEMC is directed to submit its Plan of Action for the implementation of the refund scheme, and the adjustments to the MTF, within ten (10) days from receipt of this Decision.

WHEREFORE, the foregoing premises considered, the Application filed by the Philippine Electricity Market Corporation (PEMC) for the approval of the level of Market Transaction Fees (MTFs) for Calendar Year (CY) 2016 and CY 2017 for the Philippine Wholesale Electricity spot Market (WESM) is hereby APPROVED WITH MODIFICATION, subject to the following conditions:

1. PEMC is authorized to impose the following Market Transaction Fees (MTF) on WESM participants in

the Luzon and Visayas Grids for the Calendar Year (CY) and amounts as follows:

a. For CY 2016: Four Hundred Eighty-Six Million Two Hundred Forty-Eight Thousand Four Hundred Sixty-Seven Pesos and 71/100(**PhP486,248,467.71**);

b. For CY 2017: Four Hundred Eighty-Six Million Four Hundred Forty-One Thousand Six Hundred Two Pesos and 85/100(**PhP486,441,602.85**);

2. The following components of PEMC's CY 2016 and CY 2017 MTF are hereby APPROVED with MODIFICATIONS:

Table 41. Approved MTF for CY 2016 and CY 2017

Particulars	Approved CY 2016 MTF Level (PhP)	Approved CY 2017 MTF Level (PhP)
Personnel Services (PS)	2 006 1.	2 26.1
Basic Pa	1 1,001,8 2.81	1 2, 8 .61
13th Month Pa and Bonus	28,500,308.80	28,830,646.27
De Minimis Benefits (Rice Allowance)	2,850,250.00	2,890,875.00
Em 10 ees Uniform	2,251,000.00	2,358,000.00
Life Insurance		
Other Allowances (Re resentation Allowance)	8,460,000.00	7,885,823-75
Overtime	6,928,782.99	8,092,286.83
Retirement and Severance Pa		
SSS Philhealth Pa -IBIG Contribution	3,061,929.10	3,101,726.00
VL and SL	11,952,467.84	11,194,190.69
Maintenance and Other Operating E enses (MOOE)	221,000,112.46	203,721,840.57
Honorarium	9,216,000.00	9,216,000.00
Rental	39,521,665.00	38,475,000.00
Utilities	26,011,067-36	36,630,204-33
Re airs and Maintenance	30,966,026.14	19,583,000.00
Contracted Services	20,799,306.40	20,620,307-51
Conference	10,911,535-98	8,508,000.00
Insurance	9,889,163-58	9,292,920.00

Participants Development Cost	2,665,950.00	2,964,66.59
Advertising and Promotions	1,212,889.00	649,000.00
Taxes and Dues	7,280,000.00	9,094,000.00
Travel and Transportation	10,997,000.00	9,836,000.00
Trainings		3,206,000.00
Materials and Supplies	8,885,000.00	6,334,000.00
Subscriptions	892,000.00	2,513,000.00
Research and Development		
Market Audit	37,653,000.00	26,799,942.14
Capital Expenditures (CAPEX)	0,21,6.	5,82,336.1
Leasehold Improvement MMS	637,674.64	
Utilities	5,921,318.28	16,482,571.03
Corporate Infrastructure	21,459,315.42	
Business Continuity Plan	2,223,455.37	
Particulars	Approved CY 2016 MTF Level (PhP)	Approved CY 2017 MTF Level (PhP)
Provision for DOE/ERC Monitoring Facilities		
Grand Total	86,248,467.	486,441 602.85

3. The following components of PEMC's CY 2016 and CY 2017 MTF are hereby DISALLOWED:

Table 42. Disallowed MTF Components for CY 2016 and CY 2017

Particulars	REMARKS	
	2016	2017
Personnel Services		
Bonus	Partial disallowance	Partial disallowance
Life Insurance	Full disallowance	Full disallowance
Other Allowances	Partial disallowance	Partial disallowance
Retirement and Severance Pay	Full disallowance	Full disallowance
MOOE		
Honoraria	Partial disallowance	Partial disallowance
Utilities	Partial disallowance	Partial disallowance
Repairs and Maintenance	Partial disallowance	Partial disallowance
Contracted Service	Partial disallowance	Partial disallowance
Conference	Partial disallowance	
Participants Development Fund	Partial disallowance	Partial disallowance
Insurance	Partial disallowance	Partial disallowance

Research and Development	Full disallowance	Full disallowance
Market Audit		Partial disallowance
CAPEX	Partial disallowance	Partial disallowance
Provision for DOE/ERC Monitoring Facilities	Full disallowance	Full disallowance

4. PEMC is hereby DIRECTED to implement a refund of its over collection in the MTF for CY 2016 and CY 2017, to be apportioned among all the Luzon and Visayas participants. The said adjustments shall be implemented over twelve (12) months beginning on the next billing month upon receipt of this Decision;

5. PEMC is hereby DIRECTED to reflect the CY 2016 and CY 2017 MTF refund as a separate line item in the WESM monthly billing statement, and to correspondingly implement the adjusted MTF which should be net of the amount to be refunded; and

6. PEMC is hereby DIRECTED to submit its Plan of Action for the implementation of the refund scheme, and the corresponding adjustment to the MTF, within ten (10) days upon receipt hereof.

ACCORDINGLY, PEMC is hereby DIRECTED to observe the following guidelines for its future MTF applications with the Commission, to wit:

A. General Guidelines

1. Mandatory expenditure items affected by changes in the prices of commodities shall be adjusted based on the Bangko Sentral ng Pilipinas (BSP) price index. Non-indexed items are not subject to inflation, which include, but are not limited to, rents, contracted services, subscription expenses, taxes and dues, labor and wages, claims and other expenses based contract/rate or with fixed amount; and
2. The foreign exchange rate based on the BSP forecast shall be used for the computation of the peso equivalent of dollar-denominated requirements.

B. Personnel Services

1. PEMC shall submit a detailed list of filled-up positions with the corresponding salary as of June 30 of the year of filing;
2. Any additional request for positions to be filledup (due to implementation of a new program or activity, abolition/expansion, a major change in organizational structure and transfer of functions) shall be justified and the corresponding timeline shall be provided.
3. Proposed upward adjustment of PEMC's salaries shall be justified with a market and industry study.

4. Allowances given to PEMC employees and its officers shall be at a reasonable level, and supported by market/industry study. Below are the allowable benefits and other allowances:
 - i. Mid-year bonus equivalent to one (1) month basic salary;
 - ii. Year-end performance bonus equivalent to one (1) month basic salary;
 - iii. Representation Allowance and Transportation Allowance for officials;
 - iv. Uniform/Clothing Allowance;
 - v. Rice Allowance; vi. Communication Allowance; and
 - vii. Other Allowances as maybe approved by the Commission.
5. Overtime shall be paid on a Compensatory Time Off (CTO) arrangements. PEMC may submit an Overtime Policy should it propose to pay in cash, subject to review and approval by the Commission; and
6. All other benefits of PEMC shall be endorsed by the PEM Board for approval by the Commission before implementation.

C. Maintenance and Other Operating Expenses

1. Honoraria rates shall be reviewed by PEMC. PEMC shall ensure that no honoraria shall be paid to PEMC employees;
2. Rental expenses for the lease of office spaces and the like shall be inclusive of condominium dues and payment of common areas;

3. PEMC shall attach the latest contract for the rental and contracted services as the basis of the proposed rental budget, and market study for any new rental/contracted services;
4. PEMC shall submit details of the proposed amount for the hiring of contractual employees, including the justification;
5. Mobile phone allocation of concerned officers shall not form part of the budgetary item under utilities, instead, it shall be covered under the communication allowance under the Personnel Services, and shall be at a reasonable level;
6. Taxes and dues shall cover the regular taxes and fees paid to the government for the continuous operations of PEMC. It shall not include association dues, which must be under the budgetary item for rental expenses, and membership dues of its personnel;
7. Corporate Social Responsibility (CSR) activities shall not form part of the budget of PEMC;
8. In support of its budget proposal for materials and supplies, PEMC shall submit its inventory and annual historical usage for the past three (3) years;
9. For any proposed budget item under MOOE, PEMC shall ensure that these are fully justified, all details are provided, and market studies are attached; and
10. Mandatory yearly submission of expenses, copies of the contract/s and board resolutions shall be promptly filed on or before 30th day of May every year.

D. Capital Expenditure

1. Upward adjustment to the CAPEX shall be based on the estimated project cost, market studies and suppliers' quotations;
2. All CAPEX projects that cost from One Million Pesos (PhP1,000,000.00) and above shall be

subjected to bidding. PEMC shall develop its Procurement Guidelines;

3. The inventory and aging of equipment should be submitted in support of PEMC's application;
4. Mandatory yearly submission of expenses, copies of contract and board resolutions shall be promptly filed; and
5. Infrastructure projects and improvements shall adopt the most recent standard cost from the Department of Public Works and Highway (DPWH) for infrastructure.

SO ORDERED.

Pasig City, 22 June 2020.


VST DEV

AGNES DEVANADERA
Chairperson and CEO

ENC
Office of the Chairperson



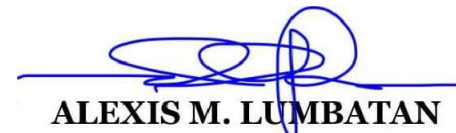
(on leave)

JOSEFINA PATRICIA A. MAGPALE-
ASIRIT

Commissioner



Commissioner


ALEXIS M. LUMBATAN

Commissioner

CATHERINE P. MACEDA



PAUL CHRISTIAN M. CERVANTES
Commissioner


LS: BJG/MCCG

MOS:VOAf%v -jb/sgo;

Copy Furnished:

1. Philippine Electricity Market Corp. (PEMC)
Applicant
18th Floor Robinsons-Equitable Tower,
ADB Avenue corner Poveda Street,
Ortigas Center, Pasig City
2. Atty. Marian Venussa S. dela Fuente
Counselfor Applicant PEMC
18th Floor, Robinsons- Equitable Tower
ADB Avenue corner Poveda Street
Ortigas Center, Pasig City
3. Manila Electric Company (MERALCO)
Intervenor
Lopez Building, Ortigas Avenue,
Brgy. Ugong, Pasig City
4. Atty. Francis Dino S. Antonio et.al.
Counselfor MERALCO
7th Floor, Lopez Building, MERALCO Compound Ortigas
Center, Pasig City
5. Visayan Electric Company Inc. (VECO)
Intervenor
J. Panis Street, Banilad Cebu
City
6. Subic Enerzone Corp. (SEZ) Intervenor
Canal Road cor. Labitan St.,
Subic Bay Freeport Zone,
Olongapo City
7. Atty. Katrina M. Platon
Counselfor Intervenor VECO and
SEZ
16th Floor NAC Tower, 32nd Street
Bonifacio Global, Taguig City
8. Engr. Robert F. Mallilin Intervenor
151 EDSA, Brgy. Wack wack,
Mandaluyong City
9. Market Operations Service (MOS)
Energy Regulatory Commission
12th floor, Pacific Center Building, San Miguel Avenue,
Ortigas Center Pasig City