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Proceedings of the Stakeholders Engagement on Philippine Energy Sector

4 November 2024
Board of Regents Room

upcids Political Economy

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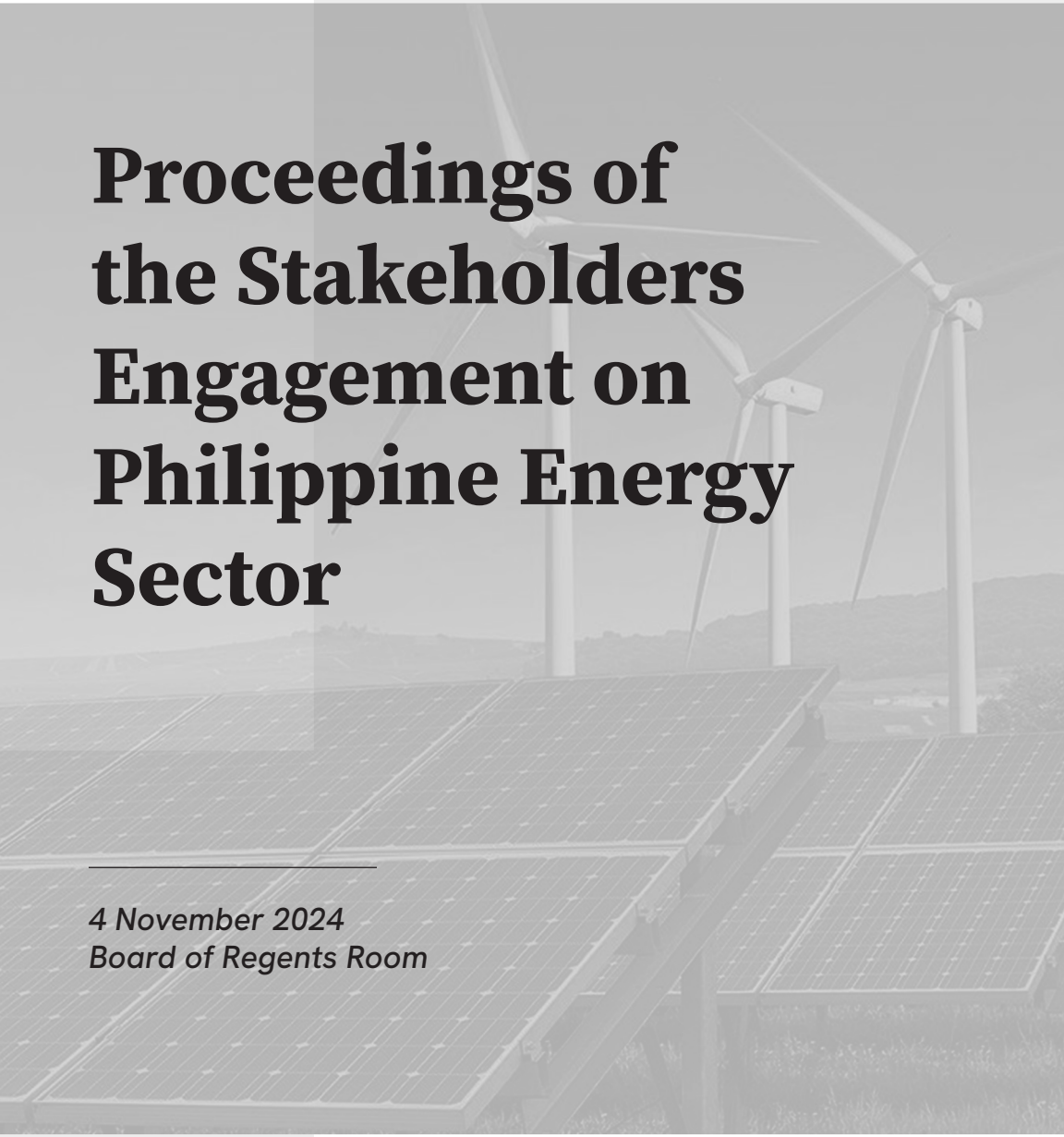

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"PHL needs to add 20 gigawatts of renewable energy capacity to hit 2030 target."

From PHILSTAR file photo, September 21, 2021

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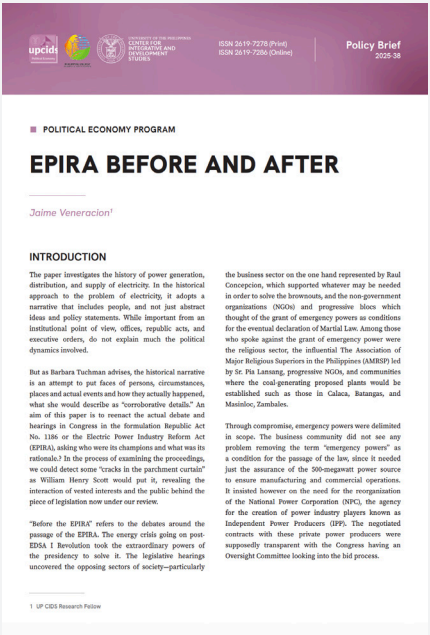

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Policy Brief
2025-38

POLITICAL ECONOMY PROGRAM

EPIRA BEFORE AND AFTER

Jaime Veneracion[1]

INTRODUCTION

The paper investigates the history of power generation, distribution, and supply of electricity. In the historical approach to the problem of electricity, it adopts a narrative that includes people, and not just abstract ideas and policy statements. While important from an institutional point of view, offices, republic acts, and executive orders, do not explain much the political dynamics involved.

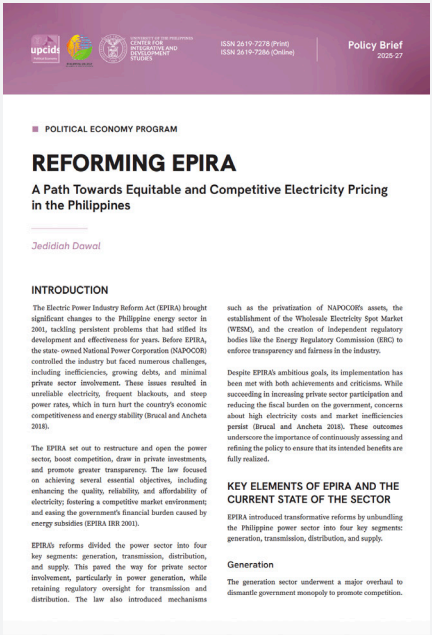
But as Barbara Tuchman advises, the historical narrative is an attempt to put faces of persons, circumstances, places and actual events and how they actually happened, what she would describe as "corroborative details." An aim of this paper is to reenact the actual debate and hearings in Congress in the formulation Republic Act No. 1186 or the Electric Power Industry Reform Act (EPIRA), asking who were its champions and what was its rationale.? In the process of examining the proceedings, we could detect some "cracks in the parchment curtain" as William Henry Scott would put it, revealing the interaction of vested interests and the public behind the piece of legislation now under our review.

"Before the EPIRA" refers to the debates around the passage of the EPIRA. The energy crisis going on post-EDSA I Revolution took the extraordinary powers of the presidency to solve it. The legislative hearings uncovered the opposing sectors of society—particularly the business sector on the one hand represented by Raul Concepcion, which supported whatever may be needed in order to solve the brownouts, and the non-government organizations (NGOs) and progressive blocs which thought of the grant of emergency powers as conditions for the eventual declaration of Martial Law. Among those who spoke against the grant of emergency power were the religious sector, the influential The Association of Major Religious Superiors in the Philippines (AMRSP) led by Sr. Pia Lansang, progressive NGOs, and communities where the coal-generating proposed plants would be established such as those in Calaca, Batangas, and Masinloc, Zambales.

Through compromise, emergency powers were delimited in scope. The business community did not see any problem removing the term "emergency powers" as a condition for the passage of the law, since it needed just the assurance of the 500-megawatt power source to ensure manufacturing and commercial operations. It insisted however on the need for the reorganization of the National Power Corporation (NPC), the agency for the creation of power industry players known as Independent Power Producers (IPP). The negotiated contracts with these private power producers were supposedly transparent with the Congress having an Oversight Committee looking into the bid process.

1 UP CIDS Research Fellow

EPIRA Before and After



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Policy Brief
2025-27

POLITICAL ECONOMY PROGRAM

REFORMING EPIRA

A Path Towards Equitable and Competitive Electricity Pricing in the Philippines

Jedidiah Dawal

INTRODUCTION

The Electric Power Industry Reform Act (EPIRA) brought significant changes to the Philippine energy sector in 2001, tackling persistent problems that had stifled its development and effectiveness for years. Before EPIRA, the state- owned National Power Corporation (NAPOCOR) controlled the industry but faced numerous challenges, including inefficiencies, growing debts, and minimal private sector involvement. These issues resulted in unreliable electricity, frequent blackouts, and steep power rates, which in turn hurt the country's economic competitiveness and energy stability (Brucal and Ancheta 2018).

The EPIRA set out to restructure and open the power sector, boost competition, draw in private investments, and promote greater transparency. The law focused on achieving several essential objectives, including enhancing the quality, reliability, and affordability of electricity; fostering a competitive market environment; and easing the government's financial burden caused by energy subsidies (EPIRA IRR 2001).

EPIRA's reforms divided the power sector into four key segments: generation, transmission, distribution, and supply. This paved the way for private sector involvement, particularly in power generation, while retaining regulatory oversight for transmission and distribution. The law also introduced mechanisms such as the privatization of NAPOCOR's assets, the establishment of the Wholesale Electricity Spot Market (WESM), and the creation of independent regulatory bodies like the Energy Regulatory Commission (ERC) to enforce transparency and fairness in the industry.

Despite EPIRA's ambitious goals, its implementation has been met with both achievements and criticisms. While succeeding in increasing private sector participation and reducing the fiscal burden on the government, concerns about high electricity costs and market inefficiencies persist (Brucal and Ancheta 2018). These outcomes underscore the importance of continuously assessing and refining the policy to ensure that its intended benefits are fully realized.

KEY ELEMENTS OF EPIRA AND THE CURRENT STATE OF THE SECTOR

EPIRA introduced transformative reforms by unbundling the Philippine power sector into four key segments: generation, transmission, distribution, and supply.

Generation

The generation sector underwent a major overhaul to dismantle government monopoly to promote competition.

Reforming EPIRA: A Path Towards Equitable and Competitive Electricity Pricing in the Philippines

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About the Stakeholder Engagement

The stakeholder engagement meeting was a vital forum that brought together diverse representatives from the Philippine energy sector to discuss pressing issues and collaborative solutions in the industry. The event aimed to facilitate a meaningful exchange of perspectives, insights, and strategies to address systemic challenges, particularly those related to regulatory capture, industry structure, and the integration of renewable energy.

The discussions were informed by key points derived from previous roundtable discussions (RTDs) and an extensive review of related literature (RRL). These preparatory activities provided a robust foundation for identifying critical issues and exploring actionable solutions, ensuring that the forum's agenda was well-grounded in research and stakeholder experiences.

Key participants included representatives from various sectors:

1. **Generation Sector**
   - Aboitiz Power Corporation: Cherry Javier, Seleni Quinto, and Brian
   - San Miguel Global: Julie Ostamo, Atty. Len, and Atty. Essa
   - Ayala ACEN: Atty. Paul and Atty. Deo Custodio

2. **Transmission Sector**
   - National Transmission Corporation (TransCo): Atty. Gal Miasco, Engr. Jomel Cristobal, and Atty. Anna Francesca Reyes

3. **Supply Sector**
   - Retail Electricity Supply Association (RESA): Raymond Roseus

4. **Distribution Sector**
   - Central Pangasinan Electric Cooperative (CENPELCO): Rodrigo Corpuz

5. **Solar Energy Sector**
   - Wendell Tamayo of General Energy Solutions and Canadian Solar

6. **Consumer Advocacy**
    - Mr. Javellana, representing consumer interests

7. **University of the Philippines Representatives**
    - UP Executive Vice President Jose "Pepe" Alcantara
    - Dr. Rosalie Arcala Hall, Executive Director of the UP Center for Integrative and Development Studies (UP CIDS)
    - Dr. Antoinette Raquiza, Convenor of the UP CIDS Political Economy Program (PEP)

8. **Strategic Advisory Group**
    - Prof. Jose Tabbada
    - Prof. Rene Ofreneo
    - Prof. Jimmy Veneracion
    - Prof. Gigi Alfonso

9. **Media Coverage**
    - The event was covered by TVUP, represented onsite by Ana Desamparado, Anya Dela Peña, and Nina Liu

The discussions during the engagement were structured to address the regulatory, structural, and technological challenges in the energy sector. Topics ranged from enhancing regulatory oversight and reducing barriers to competition to modernizing infrastructure and fostering renewable energy integration. This inclusive forum was instrumental in laying the groundwork for actionable reforms, with an emphasis on aligning industry practices with consumer welfare and sustainability goals.

The meeting adhered to Chatham House Rules to ensure a candid and productive exchange of ideas. The collective insights from this engagement, supported by inputs from the RTDs and RRL, are intended to inform evidence-based policymaking and guide legislative initiatives for a more resilient and inclusive Philippine energy landscape.

Opening Remarks

Two esteemed individuals delivered the welcoming remarks. UP Executive Vice President (EVP) Jose "Pepe" Alcantara and Atty. Jose "Jay" Layug Jr. set the tone for the forum with their insightful and heartfelt introductions.

EVP Pepe Alcantara

EVP Pepe Alcantara commenced the forum with reflective and evocative remarks, blending solemnity and purpose as he set the stage for the day's discussions. Acknowledging the challenge of reconvening after a holiday break, he underscored the depth and urgency of the forum's agenda, situating it within both the national and institutional context.

He began by addressing the audience with heartfelt reflections on a recent calamity affecting 14 coastal towns around Taal Lake, particularly Agoncillo and Laurel in the province of Batangas. Drawing from his personal visit to the area, he vividly described the environmental degradation caused by unchecked development along the Tagaytay Ridge and Mount Maculot, which has led to significant erosion and instability. EVP Alcantara emphasized the critical need for immediate action from local government units and stakeholders to address these vulnerabilities, particularly given the region's proximity to an active volcano.

To honor the affected families and individuals, he invited the participants to observe a brief moment of silence. This gesture served as a poignant reminder of the broader purpose of the forum—to generate solutions in service of the nation and its people.

Turning to the venue, EVP Alcantara welcomed the attendees to the historic Board of Regents (BOR) Room at the University of the Philippines. He highlighted the significance of the space, where the 11 members of the BOR convene monthly to deliberate on matters impacting the UP System's eight constituent universities, Philippine General Hospital (PGH), and 14 campuses. He noted the weight of the decisions made in this room and likened the

forum's objectives to the spirited and impactful discussions that take place within these walls.

Transitioning to the forum's focus, EVP Alcantara contextualized the urgency of reviewing the Electric Power Industry Reform Act (EPIRA), a law pivotal to the Philippine energy sector. He recounted the groundwork laid by UP CIDS and PERPI, including brainstorming sessions with research fellows and roundtable discussions with energy experts, which have helped identify the critical issues to be addressed. He emphasized the multifaceted objectives of the review, which include:

- Assessing the economic and security impacts of EPIRA's implementation.
- Evaluating unbundling practices and their influence on electricity prices over the past two decades.
- Examining the liberalization of the generation sector and the competitiveness among generation companies.
- Reviewing power supply contracting practices and comparing electricity prices across urban and rural areas in the Philippines with those in other ASEAN countries.
- Benchmarking regulatory practices against comparable frameworks in other nations with robust industrial bases and lower power costs.

He underscored the importance of stakeholder contributions, acknowledging the presence of representatives from various energy sectors. Their insights, he noted, are vital in shaping meaningful amendments to EPIRA and addressing systemic challenges within the energy landscape.

Before concluding, EVP Alcantara highlighted the collaborative and policy-oriented mission of UP CIDS. Beyond conducting and publishing research, the institute actively connects with stakeholders to address pressing national issues, including electricity. He also noted that the outcomes of this forum would contribute to several publications, including the official proceedings of the stakeholders' consultations, which will be published and made accessible through the UP CIDS website.

In closing, he expressed optimism for the discussions ahead and gratitude for the participants' presence, reiterating the forum's goal of generating actionable and impactful outcomes. With this, he formally opened the day's proceedings, setting a tone of collaboration and purpose.

Atty. Jay Layug

Representing the Philippine Energy Research and Policy Institute (PERPI), Atty. Layug extended his gratitude to the participants, emphasizing the significance of their presence in the ongoing discourse on energy policy. Speaking on behalf of UP President Jijil Jimenez, who chairs PERPI, Atty. Layug underscored the institute's commitment to addressing the critical challenges within the energy sector.

He began by acknowledging the context of the forum—the ongoing congressional discussions to amend the Electric Power Industry Reform Act (EPIRA). He noted the pervasive concern regarding high electricity prices in the Philippines, describing it as an issue that is easily acknowledged but requires deeper analysis to resolve. "It is very easy to say that electricity prices are expensive," he remarked, but he stressed the importance of PERPI's role in fostering evidence-based solutions.

Atty. Layug highlighted the collective expertise within the University of the Philippines (UP), which he described as a vital institution of knowledge and learning. He pointed to PERPI and UP CIDS as examples of academic bodies dedicated to generating meaningful insights. He emphasized that the forum's primary objective was to gather inputs from energy stakeholders to develop a comprehensive report. This report, he explained, would guide discussions on meaningful amendments to EPIRA that aim to address systemic challenges in the sector, particularly concerning electricity pricing.

He also reflected on the evolution of electricity prices over the years, noting that EPIRA, while groundbreaking in its intent, does not explicitly promise low electricity rates. This, he argued, necessitates a careful examination of the law's implementation and its impact on the sector. He welcomed the presence of stakeholders who have witnessed and understood these developments, emphasizing their critical role in the forum.

While expressing gratitude for the participation of various electric cooperatives, including the Pangasinan Electric Cooperative, Atty. Layug lamented the absence of the Manila Electric Company (MERALCO), noting its importance to the discussion. Acknowledging that MERALCO had sent their regrets, he expressed hope for their involvement in future engagements, given their pivotal role in the industry.

Before concluding, Atty. Layug addressed the logistical realities of the forum. He explained the need to utilize available funds effectively before the fiscal year's end to ensure that the research initiative continues uninterrupted. He reassured attendees that funding was not a constraint but rather a reason to maximize opportunities for stakeholder engagement.

He closed with optimism, stating, "Your inputs are critical to shaping the meaningful reforms we envision. This is just the beginning of our discussions, and we hope to continue this dialogue." With these remarks, he welcomed the participants to a productive session, reiterating the importance of their contributions to the ongoing energy reform efforts.

Overview

Dr. Rosalie Hall
Executive Director, UP CIDS

Dr. Rosalie Hall, the Executive Director of the University of the Philippines Center for Integrative and Development Studies (UP CIDS), provided a comprehensive overview of the forum, setting the stage for the discussions and activities of the day. With clarity and purpose, she outlined the significance of the event within the broader framework of policy research and reform.

She began by briefly contextualizing the forum's focus: the review of the Electric Power Industry Reform Act (EPIRA). Enacted in 2001, EPIRA was designed to improve the efficiency and competitiveness of the power sector, increase private sector participation, and ultimately lower electricity costs. While significant progress has been made in fostering private sector involvement—particularly in the generation sector—electricity costs in the Philippines remain among the highest in Asia, surpassed only by Japan and Singapore. This persistent issue has far-reaching implications, not only for households but also for industries, as electricity is a critical input for production and a key determinant for foreign investment.

Dr. Hall highlighted the economic ripple effects of high electricity costs, particularly in inhibiting industrialization and deterring investments in essential sectors. Drawing from her own research in fisheries, she noted how expensive and unreliable the power supply is. This stifles the development of cold chain and cold storage facilities, which are vital for adding value to fishery products. This challenge extends to small and medium enterprises and households, underscoring the urgency of addressing electricity costs as a national concern.

The forum, she explained, is part of a larger series of activities aimed at unpacking the complexities surrounding EPIRA. Earlier efforts included brainstorming sessions with UP CIDS research fellows and PERPI colleagues to examine existing literature and identify key factors influencing electricity prices. These activities culminated in a roundtable discussion held on 25 September 2024, where experts further refined these issues. The research project employs a comparative approach, analyzing privatization practices, regulatory frameworks, industry structures, and fuel mixes across Southeast Asia to provide a grounded perspective on potential reforms.

Dr. Hall emphasized the forum's inclusive approach, which integrates perspectives from diverse stakeholders, including representatives from the Central Pangasinan Electric Cooperative. By focusing on localized insights, the discussions aim to produce actionable recommendations that reflect the realities on the ground.

As a multidisciplinary policy research unit, UP CIDS is committed to fostering dialogue on issues of national significance. Dr. Hall underscored the institute's role as a neutral space for discussions, especially on sensitive topics like EPIRA amendments. She highlighted the importance of today's meeting in eliciting candid inputs from representatives of the generation, transmission, distribution, and supply sectors.

To ensure an open and secure exchange of ideas, Dr. Hall reminded participants that the meeting would adhere to Chatham House Rules, guaranteeing anonymity for all contributions. The insights gathered will inform proceedings and discussion papers, contributing to the broader PERPI–UP CIDS project while preserving the confidentiality of participants' identities.

In closing, she expressed her gratitude to the attendees for their presence and participation. "We look forward to your active engagement," she said, emphasizing the importance of their perspectives in shaping meaningful reforms. She then introduced the next segment of the program, inviting Professor Raquiza to present the key discussion points that would guide the day's deliberations.

Discussion of Key Points

Dr. Antoinette Raquiza
Convenor, UP CIDS Political Economy Program

Dr. Raquiza provided a detailed discussion of the key points underpinning the forum's exploration of electricity pricing in the Philippines. She framed her discussion within the context of the forum's central research question, "What are the factors accounting for the high power rates in the country?" Dr. Raquiza underscored the urgency of identifying actionable solutions to address these persistently high costs. He emphasized that lowering electricity rates is critical not only for improving social welfare but also for enhancing industrial competitiveness and driving economic growth.

To guide the discussion, six major points were outlined, each addressing fundamental issues within the energy sector:

1. REGULATORY CAPTURE

Dr. Raquiza began by addressing regulatory capture, describing it as a situation where regulatory agencies are dominated by the interests they oversee, rather than serving the public good. He noted that limited policy audits and insufficient monitoring of EPIRA's implementation contribute to oversight challenges. The highly deregulated nature of the Philippine energy sector raises concerns about the government's capacity to manage competition, optimize the energy mix, and curtail market power. Furthermore, he pointed out that EPIRA's power bureau, responsible for performance monitoring, often faces operational inefficiencies due to inadequate asset management practices.

2. INDUSTRY STRUCTURE: OLIGARCHY AND MONOPOLY

The second point highlighted the structural issues within the industry. Dr. Raquiza explained that local capital in the Philippines often demands higher returns, encouraging investments in projects with inherent market power. This reduces competition and stifles innovation. He also discussed the allowance for cross-ownership under EPIRA, which can lead to contract structuring that inflates electricity prices, further entrenching monopolistic tendencies.

3. PRIVATIZATION AND STATE OWNERSHIP

Privatization in the Philippines, Dr. Raquiza noted, follows a "highest bidder" approach, contrasting with methods used in other countries that prioritize depreciated replacement value. He pointed out inconsistencies in enforcing the 12 percent rate-of-return safeguard, leading to mixed outcomes in privatization efforts. Recurring power supply issues, such as simultaneous plant shutdowns, also highlight the lack of government involvement in ensuring adequate generation capacity and reliability.

4. MIXED ENERGY PRICING

Addressing energy mix and pricing, Dr. Raquiza emphasized that while nuclear energy offers a potential path to cost reduction, structural challenges remain. Electricity rates in the Philippines are still approximately 30 percent higher than in neighboring countries with similar energy profiles. Unlike other ASEAN countries, the Philippines does not adhere to a single-buyer model, which impacts rate structures. Even with renewable resources like hydropower, structural and tax-related factors keep electricity prices elevated.

5. COMPARATIVE STUDY ON ELECTRICITY PRICES IN ASEAN

A comparative lens revealed that higher taxation plays a significant role in the Philippines' elevated electricity costs. Dr. Raquiza pointed to calls for counterfactual analysis to explore how rates might have evolved

without EPIRA. He emphasized that while the energy mix has improved, the country's electricity rates remain well above the regional average, underscoring the need for comprehensive reform.

6. PRICING STRUCTURES AND SOCIAL COSTS

Finally, Dr. Raquiza proposed a shift in focus from questioning why electricity prices are high to examining how they are structured. He called for an emphasis on aligning rates with the true social cost of energy. He noted that inconsistent enforcement of rate-of-return pathways and elevated power rates are significant drivers of inflation. Structural adjustments, rather than subsidies, are necessary to achieve meaningful reductions in electricity costs.

Dr. Raquiza concluded by reiterating that these six key points are intended to spark understanding and agreement among stakeholders. This foundational alignment, he explained, is essential for formulating actionable resolutions to reform electricity pricing in the Philippines. With these points laid out, he handed the floor back to Dr. Rosalie Hall to facilitate the subsequent discussion.

Feedback and Reactions from Participants

Participants were encouraged to share their feedback and reactions to the six key discussion points. Due to time constraints, feedback was gathered only on the first three points.

Reactions to the First Point: Regulatory Capture and Oversight

The discussion on regulatory capture and oversight delved into its nuanced impacts on the energy sector's structure, governance, and operations. Participants offered a range of perspectives, analyzing the phenomenon's systemic roots and practical implications. The discussion also explored actionable reforms to mitigate its effects, aiming to create a more competitive and consumer-centered energy landscape.

Framing Regulatory Capture and Its Implications

Dr. Rosalie Hall opened the discussion by emphasizing the importance of addressing regulatory capture as a foundational issue in the Philippine energy sector. She described regulatory capture as a phenomenon where regulatory agencies, rather than serving public interests, become influenced or dominated by the industries they oversee. This, she noted, creates systemic challenges that affect competition, pricing, and the overall effectiveness of the energy market. The discussion aimed to dissect these dynamics and gather multisectoral perspectives to better understand how regulatory frameworks shape electricity pricing and sectoral behavior.

Understanding the Roots of Regulatory Capture

A participant from the retail sector observed that the energy sector's technical complexity often necessitates appointing regulators with prior industry experience. While such appointments bring expertise to the table, they also raise concerns about potential conflicts of interest. The participant emphasized that regulatory agencies must strike a delicate balance between leveraging technical knowledge and maintaining impartiality to serve the public interest effectively.

Another participant highlighted how the structure of EPIRA itself creates opportunities for regulatory capture. They argued that the centralized nature of the law, combined with the monopolistic tendencies in certain sectors, makes it challenging to ensure fair competition. They further noted that regulatory capture is not always intentional or overt; it can manifest subtly through decisions or policies that disproportionately favor certain players.

Perceptions of Bias and Public Trust

Participants acknowledged that perceptions of bias within regulatory bodies, such as the Energy Regulatory Commission (ERC), erode public trust. A participant explained that the credibility of regulatory institutions depends on their ability to demonstrate independence and transparency in decision-making. They proposed measures to rebuild trust, including the publication of detailed performance reports and the establishment of mechanisms to ensure that appointments to regulatory agencies are based on merit rather than political or industry affiliations.

A participant from the generation sector added that while regulatory capture is often associated with individuals, it is equally important to examine institutional processes. They noted that even well-meaning regulators might inadvertently contribute to capture if the systems and frameworks they operate within are flawed or outdated. This underscores the need for regular audits and reviews of regulatory practices to identify and address systemic vulnerabilities.

Shifting the Focus to Structural Issues

Dr. Hall encouraged participants to move beyond focusing solely on individual instances of regulatory capture and instead examine the structural factors that perpetuate it. She highlighted that while allegations of favoritism or undue influence often dominate public discourse, addressing regulatory capture requires a deeper understanding of the energy market's institutional design and policy environment.

Participants responded by identifying specific areas where regulatory capture intersects with broader structural issues. For example, a participant from the solar energy sector argued that the monopolistic structure of certain subsectors, such as transmission and distribution, inherently creates opportunities for capture. They suggested that decentralizing market structures and empowering consumers with more choices could mitigate these risks.

Balancing Expertise and Independence

The discussion also explored the tension between expertise and independence in regulatory appointments. A participant from the retail sector likened the ERC's role to that of a central bank, which requires both technical expertise and operational independence to function effectively. They proposed that the ERC adopt a similar model, where its leadership and staff are selected based on stringent criteria that prioritize both qualifications and impartiality.

Another participant highlighted the importance of creating institutional safeguards to ensure that regulatory agencies operate independently. These could include clearer guidelines on the scope of regulatory authority, stronger mechanisms for public accountability, and periodic performance reviews to assess whether agencies are meeting their mandates.

A Multifaceted Issue

Participants agreed that regulatory capture is a multifaceted issue that cannot be addressed with one-size-fits-all solutions. A participant from the distribution sector emphasized that capture can occur in different forms, from overt favoritism in decision-making to more subtle biases embedded in policy frameworks. They suggested that addressing these challenges requires a holistic approach that combines structural reforms, capacity-building initiatives, and enhanced transparency measures.

Dr. Hall noted that regulatory capture is both a symptom and a cause of inefficiencies in the energy sector. She stressed the importance of identifying and addressing the underlying structural issues that enable capture, while also fostering a culture of transparency and accountability within regulatory agencies. The insights from this session, she added, would serve as a foundation for exploring actionable reforms in subsequent discussions.

Overregulation in a Supposedly Deregulated Market

One of the central themes of the discussion was the apparent contradiction between EPIRA's intent to deregulate the energy market and the persistence of regulatory practices that hinder competition.

A participant from a generation company highlighted that power supply agreements (PSAs) and wholesale electricity spot market (WESM) price caps are significant examples of regulatory overreach. These measures, while intended to protect consumers, often stifle competition and innovation by discouraging new entrants and limiting the flexibility of existing players. This perspective was supported by another participant, who identified the high risks and costs associated with entering the generation sector, exacerbated by regulatory uncertainties and extensive compliance requirements.

Participants from the distribution sector shared similar concerns, focusing on the delays in regulatory approvals for capital expenditures. They explained that such delays hinder the ability of distribution utilities to modernize infrastructure, expand services, and meet technical standards. These inefficiencies, they argued, not only impact service delivery but also contribute to higher costs for end-users.

One participant summarized the situation succinctly: "We are stuck in a cycle where regulations intended to protect consumers inadvertently deter investment, perpetuate inefficiencies, and keep electricity prices high."

Policy Audits and Utilization of Reports

Participants recognized that while reporting mechanisms exist, their impact is often limited by underutilization, insufficient dissemination, and a lack of follow-through on insights and recommendations.

The Role of Annual Reports in Monitoring EPIRA Implementation

A participant from the generation sector clarified that under EPIRA, the Department of Energy (DOE) is mandated to submit annual reports on the law's implementation to the Joint Congressional Energy Commission (JCEC). These reports are designed to provide a comprehensive overview of the energy sector's performance, including key metrics such as electricity pricing, sectoral competition, and regulatory effectiveness.

Despite the availability of these reports, the participant argued that they are not being maximized to guide decision-making or inform policy reforms. They noted that while the reports contain valuable insights, they often fail to translate into actionable strategies or drive meaningful changes in regulatory practices.

Transparency and Accessibility Challenges

Several participants highlighted issues related to the accessibility and transparency of these reports. A participant from the distribution sector observed that while the DOE and JCEC reports are technically available, they are not widely disseminated or easily accessible to stakeholders outside of government circles. This limits the ability of industry players, consumer groups, and researchers to engage with the data and contribute to policy discussions.

From the retail sector, a participant suggested that the reports often lack sufficient granularity to address specific challenges faced by different sectors of the energy market. They proposed that future reports include more detailed analyses of sectoral performance, focusing on key areas such as pricing dynamics, investment trends, and compliance with regulatory frameworks.

Disconnect Between Reports and Policy Implementation

A recurring theme in the discussion was the disconnect between the insights provided in EPIRA reports and their application in policymaking. A participant from the solar energy sector pointed out that while reports often identify systemic issues, such as inefficiencies in regulatory processes or barriers to competition, there is little evidence of these findings being acted upon. They

attributed this gap to a lack of accountability and follow-through within the regulatory and legislative systems.

Another participant highlighted the need for a more structured approach to incorporating report findings into policy reforms. They suggested establishing a dedicated task force within the DOE or JCEC to review annual reports and develop actionable recommendations. This task force could work closely with stakeholders to ensure that proposed reforms address the sector's most pressing challenges.

Strengthening the Audit Framework

Participants emphasized the importance of strengthening the audit framework to enhance the credibility and impact of EPIRA-related reports. Specific recommendations included:

1. Independent Audits: Introducing third-party audits to supplement government-led reporting processes. This would provide an unbiased assessment of EPIRA's implementation and help identify gaps or inconsistencies in regulatory practices.

2. Regular Review Mechanisms: Establishing regular review cycles to evaluate the effectiveness of EPIRA's provisions and their alignment with current market conditions. These reviews could include input from industry experts, consumer representatives, and academic researchers.

3. Benchmarking Against Global Standards: Incorporating benchmarking exercises into the audit process to compare the Philippines' energy sector performance with that of other countries. This would provide valuable context and help identify best practices that could be adapted locally.

Enhancing Stakeholder Engagement

Participants called for greater stakeholder engagement in the reporting and audit processes to ensure that diverse perspectives are considered. A participant from the generation sector proposed the creation of an advisory council comprising representatives from the private sector, consumer groups,

and civil society organizations. This council could provide feedback on draft reports and contribute to the development of policy recommendations.

A participant from the distribution sector added that public consultations should be an integral part of the reporting process. They argued that soliciting input from a broad range of stakeholders would not only improve the quality of the reports but also increase their legitimacy and acceptance among industry players.

Utilizing Reports for Evidence-Based Policymaking

Participants stressed the importance of leveraging EPIRA reports to promote evidence-based policymaking. A participant from the retail sector noted that reports should serve as a foundation for developing targeted reforms aimed at addressing specific challenges, such as reducing electricity prices, fostering competition, and streamlining regulatory processes.

Another participant suggested that the insights from EPIRA reports could be integrated into broader energy sector strategies, such as the National Renewable Energy Program or the Philippine Energy Plan. This would ensure that regulatory decisions are informed by a comprehensive understanding of the sector's dynamics and aligned with long-term goals.

Barriers to Competition and Innovation

Participants identified multiple barriers to competition and innovation, particularly in the generation and supply sectors. A participant from the solar energy sector argued that EPIRA's centralized design perpetuates monopolistic practices, limiting consumer choice and stifling technological advancements. They suggested that the law needs to evolve to support decentralized energy systems, enabling consumers to access diverse energy sources and suppliers.

A participant from the retail sector highlighted the importance of contract flexibility as a driver of competition. They argued that regulations should focus on promoting transparency and fair practices rather than imposing rigid restrictions on how suppliers negotiate and manage contracts. This perspective was supported by another participant, who pointed out that regulatory frameworks often fail to account for emerging technologies and market trends, leaving the sector ill-equipped to adapt to changing consumer demands.

Balancing Consumer and Industry Interests

The dual mandate of the ERC to protect consumer interests while ensuring the viability of the energy industry emerged as a central theme. Participants debated whether the ERC's focus should be on regulating processes or outcomes.

A participant from a generation company criticized the ERC's practice of revisiting prices determined through competitive selection processes (CSPs). They argued that this undermines investor confidence and questions the credibility of the bidding system, which is designed to ensure competitive pricing. They suggested that the ERC should limit its role to verifying compliance with established processes rather than re-evaluating outcomes that have already undergone scrutiny.

Conversely, a participant from the retail sector advocated for greater regulatory flexibility, emphasizing the need to support innovation and market-driven solutions. They argued that regulations should focus on fostering competition and ensuring fair practices rather than dictating specific contractual terms or business models.

Addressing National Security and Systemic Issues

A participant from the transmission sector raised concerns about national security and foreign influence in the energy sector. They highlighted the strategic importance of system operations and advocated for reforms that would ensure government control over this critical infrastructure. They cited examples from other countries, where governments have reclaimed control over system operations to safeguard national interests and enhance energy security.

A participant from the solar energy sector argued that regulatory capture in the Philippines extends beyond individual agencies or entities, reflecting systemic issues embedded in EPIRA's design. They suggested that the law inherently favors certain interests, limiting the scope for meaningful reform. This viewpoint was supported by participants who emphasized the need for comprehensive amendments to EPIRA to address these structural flaws and align the law with contemporary energy trends.

Future Directions and Recommendations

Participants proposed a range of actionable recommendations aimed at addressing regulatory capture and improving the energy sector's efficiency, competitiveness, and inclusivity. The recommendations were organized into key focus areas, with an emphasis on practical reforms that align with industry realities and stakeholder needs.

Empowering Independent Oversight

Strengthening the institutional capacity and independence of the Energy Regulatory Commission (ERC) was identified as a critical priority. Participants proposed the following:

- Structural Reforms for the ERC: The ERC should be restructured to operate as an autonomous and empowered regulatory body, similar to the central bank's role in the financial sector. This would include establishing safeguards to insulate the ERC from political and industry pressures.

- Transparent Appointment Processes: To build public trust, appointments to the ERC should follow clear and transparent criteria, prioritizing merit and expertise. A participant suggested that external oversight, possibly from a neutral academic or civic body, could help ensure the integrity of appointments.

- Enhanced Monitoring and Accountability: The ERC should publish detailed performance reports, allowing stakeholders to assess its regulatory decisions and their impact on the market. This transparency would reinforce public confidence in its role as an impartial regulator.

Streamlining Regulatory Processes

Participants consistently emphasized the need to reduce bureaucratic hurdles and inefficiencies that delay investments and increase operational costs. The following recommendations were proposed:

- Simplified Permitting and Compliance: Streamlining the permitting process for energy projects, including the reduction of redundant requirements, was identified as a high-priority reform. Participants suggested consolidating certain approvals into a "one-stop shop" framework to improve efficiency.

- Leveraging Technology for Efficiency: Digital platforms could be introduced to manage submissions, compliance tracking, and data sharing between regulators and stakeholders. This would not only enhance transparency but also reduce processing times.

- Performance Benchmarks for Regulators: Agencies responsible for approvals, such as the ERC and DOE, should adopt performance benchmarks to ensure timely decision-making. Participants suggested introducing penalties or incentives tied to the speed and quality of regulatory actions.

Decentralizing Market Structures

To foster competition and innovation, participants proposed reforms aimed at decentralizing the energy market and enabling greater consumer choice:

- Promoting Distributed Energy Systems: Encourage the adoption of decentralized energy systems, such as microgrids and rooftop solar installations, which allow consumers to generate and manage their own energy. This would reduce reliance on monopolistic market structures.

- Enabling Consumer Choice: The retail sector should be allowed greater flexibility in negotiating contracts directly with consumers. Participants highlighted the need to relax restrictions on retail electricity suppliers to promote competition and innovation.

- Facilitating Market Entry for New Players: Reducing barriers to entry for new players, particularly in the generation and supply sectors, would increase competition and diversify market offerings. Specific measures could include reducing upfront costs, streamlining approval processes, and offering incentives for green energy investments.

Enhancing Policy Utilization

Participants stressed the importance of leveraging existing data and insights to drive evidence-based policy reforms. Specific recommendations included:

- Maximizing Use of EPIRA Reports: DOE and JCEC reports on EPIRA should be systematically analyzed to identify gaps, inefficiencies, and areas for improvement. A task force could be established to translate these findings into actionable reforms.

- Creating a Centralized Policy Repository: Establishing an accessible database of regulatory decisions, audits, and research findings would enhance transparency and provide stakeholders with valuable insights.

- Encouraging Academic and Expert Collaboration: The involvement of academic institutions and independent experts in evaluating regulatory policies would provide an objective perspective and help build a consensus around necessary reforms.

Prioritizing National Security and Energy Independence

National security concerns were a recurring theme, particularly regarding foreign influence in critical infrastructure. Recommendations in this area included:

- Reclaiming Control of System Operations: Participants from the transmission sector emphasized the need for the government to regain control of system operations, aligning with global best practices. This reform would involve amending EPIRA to transfer system operations back to the government while allowing private entities to focus on maintenance and operations.

- Reviewing Foreign Ownership Rules: The concession agreements with foreign-owned entities should be reviewed to ensure alignment with national security interests. Participants suggested imposing stricter oversight on foreign investments in critical sectors such as transmission and generation.

- Building Domestic Capabilities: To reduce reliance on foreign expertise and resources, participants proposed developing local capabilities in energy infrastructure and technology. This could be achieved through government-led capacity-building programs and partnerships with academic institutions.

Aligning Regulatory Goals with Technological Advancements

Participants recognized the need to align regulatory frameworks with the rapid evolution of energy technologies and global market trends. Recommendations included:

- Incorporating Renewable Energy Incentives: EPIRA amendments should prioritize incentives for renewable energy adoption, such as tax breaks and expedited approval processes for green projects.

- Encouraging Technological Integration: Regulations should facilitate the integration of advanced technologies, such as energy storage systems, smart grids, and blockchain for energy transactions.

- Fostering Innovation Ecosystems: Establishing innovation hubs or incubators focused on energy technologies could attract investments and promote the development of sustainable solutions.

Redefining Regulatory Objectives and Social Costs

Finally, participants called for a paradigm shift in regulatory objectives, moving beyond price control to consider broader social and economic impacts:

- Aligning Rates with Social Costs: Regulatory frameworks should consider the true social cost of energy, balancing affordability with sustainability and equity.

- Reforming Subsidy Policies: Participants debated the effectiveness of subsidies in reducing electricity costs, with some advocating for their elimination in favor of structural reforms that address root causes.

- Strengthening Consumer Protections: Enhanced protections for consumers, particularly vulnerable populations, should be integrated into regulatory policies to ensure equitable access to energy.

Dr. Hall concluded the feedback for the first point by reiterating the importance of aligning regulatory frameworks with evolving industry realities and consumer needs. She emphasized that the insights gathered from this discussion would serve as a foundation for refining policy recommendations and guiding future amendments to EPIRA. Participants were encouraged to continue collaborating on actionable solutions that balance consumer protection, industry viability, and national interests.

Reaction to the Second Point: Industry Structure

The second key discussion point revolved around the structure of the Philippine energy industry, highlighting its inherent complexities and contradictions. Participants explored issues related to barriers to entry, cross-ownership restrictions, and the evolving role of key industry stakeholders in promoting competition and innovation while ensuring affordability and reliability.

Barriers to Entry in a High-Risk Industry

Dr. Rosalie Hall opened the discussion by acknowledging the challenges posed by the industry's high-risk nature, which discourages new entrants, particularly in the generation and retail supply sectors. A participant from the retail electricity supply sector (RESA) noted that many smaller players face difficulties in navigating the regulatory landscape, citing the significant cost and time required to obtain permits and comply with regulatory requirements. These barriers not only deter investment but also stifle innovation and competition.

A participant from the solar energy sector reinforced this point, emphasizing that smaller players often struggle to compete with established firms that have better access to resources and capital. They argued that this dynamic limits the sector's potential for growth and diversification, particularly in renewable energy development.

The Role of Cross-Ownership Restrictions

One of the most contentious aspects of the industry structure discussed was the provision in EPIRA that limits cross-ownership between generation companies and distribution utilities to 50 percent of their total demand. A participant from a generation company clarified that while cross-ownership is allowed, the restriction aims to prevent anti-competitive practices and ensure that independent players have opportunities to supply power to distribution utilities.

Another participant from a generation company argued that cross-ownership restrictions, while well-intentioned, might be less relevant in the current market environment. They pointed out that with mechanisms like competitive selection processes (CSPs) and retail competition and open access (RCOA) becoming more prevalent, the risk of abuse is significantly reduced. CSPs, in particular, ensure that contracts are awarded to the lowest-cost and most responsive bidders, effectively addressing concerns about favoritism in procurement.

Participants debated whether the 50 percent cross-ownership limit should be retained, lowered, or even removed altogether. Proponents of lifting the restriction argued that it artificially limits competition and discourages vertical integration, which can lead to efficiencies and cost savings. Conversely, others cautioned that removing the limit entirely could result in monopolistic behavior, undermining consumer protection.

Natural Monopolies and Distributed Energy

The discussion also delved into the unique characteristics of natural monopolies in the distribution and transmission sectors. A participant from a generation company explained that distribution and transmission are inherently monopolistic due to the impracticality of having multiple sets of infrastructure serving the same area. They emphasized that the focus should

be on ensuring that these monopolies operate efficiently and transparently rather than attempting to create artificial competition in these sectors.

From the perspective of solar energy providers, participants highlighted the need for a clearer framework to accommodate distributed energy resources (DERs) within the industry structure. They argued that DERs have the potential to empower consumers and reduce dependence on centralized systems. However, they noted that the absence of a well-defined policy creates uncertainty and hampers their deployment. Suggestions included developing local energy markets within distribution utility franchise areas and enabling DUs to optimize DERs in their networks.

The Evolving Role of Distribution Utilities

Participants acknowledged that distribution utilities (DUs) are at the forefront of consumer interaction and are pivotal in ensuring reliable service. However, as the energy sector transitions toward greater reliance on renewable energy and distributed systems, the role of DUs must evolve. A participant from the solar energy sector suggested that DUs should transition from traditional operators to facilitators of a more decentralized and consumer-focused energy market.

One proposal was to integrate smart metering and other advanced technologies into DU operations to enhance their capacity to manage variable renewable energy and DERs. However, as a participant from a generation company noted, DUs require regulatory clarity and sufficient incentives to justify the investments needed for modernization.

Distribution Service Open Access and Its Implications

The concept of distribution service open access (DSOA) emerged as a potential solution to address concerns about DU dominance. Under DSOA, generators and suppliers would be able to use existing DU infrastructure to deliver power directly to consumers within a DU's franchise area. A participant from a generation company argued that this approach could enhance competition without requiring duplicate infrastructure investments.

However, other participants noted that DSOA raises questions about the future role of DUs. A participant from the solar energy sector emphasized that

DUs must adapt to a scenario where consumers become producers through technologies like rooftop solar and net metering. They suggested that future discussions should focus on creating a seamless relationship between DUs and consumer-producers to ensure a just transition.

Balancing Renewable Energy Growth and Grid Reliability

Participants discussed the interplay between renewable energy development and the need for a reliable grid. A participant from a supply group noted that while the growth of renewable energy is assured through mechanisms like Renewable Portfolio Standards (RPS), the grid's current infrastructure is insufficient to support large-scale renewable integration. They called for stronger planning and investment in transmission and distribution networks to accommodate the evolving energy mix.

A participant from a distribution company highlighted the challenges posed by the intermittency of renewable energy. They explained that DUs must secure backup capacity to meet consumer demand during periods of low renewable generation, which increases costs. This underscores the importance of balancing renewable energy goals with the need to maintain affordability and reliability.

Policy Recommendations and Strategic Considerations

1. Revisiting Cross-Ownership Restrictions: Policymakers should consider whether the 50% limit remains necessary in light of CSPs and RCOA. A phased approach to relaxing the restriction could be explored, with safeguards to prevent anti-competitive behavior.

2. Developing a Framework for DERs: Establish policies to support the integration of distributed energy resources, including local energy markets and DU optimization mechanisms. This could include incentives for DER deployment and clear guidelines on DU responsibilities.

3. Modernizing Distribution Utilities: Provide regulatory and financial support for DUs to invest in smart grid technologies and advanced metering infrastructure. This would enable them to manage variable renewable energy more effectively and enhance service reliability.

4. Strengthening Grid Infrastructure: Prioritize investments in transmission and distribution networks to support renewable energy integration and ensure that infrastructure development keeps pace with generation growth.

5. Promoting a Just Energy Transition: Ensure that policy reforms align with long-term goals of sustainability, affordability, and equity. This includes addressing the concerns of small players and marginalized consumers who may be disproportionately affected by structural changes.

The discussion on industry structure highlighted the complexities of balancing competition, innovation, and consumer protection in a high-risk and evolving energy market. While EPIRA has introduced significant reforms, participants emphasized the need for continuous refinement to address emerging challenges and opportunities. By fostering a more dynamic and inclusive industry structure, the Philippine energy sector can better meet the demands of a sustainable and consumer-focused future.

Reaction to the Third Point: Fuel-Energy Mix and Pricing

The third discussion point delved into the complexities of the Philippine energy sector's fuel-energy mix, emphasizing renewable energy integration, grid modernization, and the role of distribution utilities (DUs). The dialogue also highlighted the broader implications for energy policy, infrastructure, and consumer affordability, with inputs from various stakeholders.

Renewable Energy Integration: Opportunities and Challenges

The integration of renewable energy (RE) into the Philippine energy mix was identified as a critical pathway for sustainable development. A participant from a generation company stressed that the DOE's Green Energy Option Program (GEOP) encourages investments in renewable projects like hydroelectric power, including pump storage systems. However, they noted that these projects often result in additional green energy tariffs, which are passed on to consumers. The participant questioned whether these tariffs would ultimately reduce electricity rates.

Another participant pointed out the necessity of addressing energy storage, framing it as a linchpin in the renewable energy transition. They argued that without provisions for energy storage in the current EPIRA framework, integrating intermittent renewables like solar and wind energy becomes impractical. They recommended exploring storage technologies and policies, noting that storage would be more important in the future than merely expanding the energy mix.

From a technical standpoint, a participant observed that grid classification issues hinder the broader adoption of energy storage systems. They explained that storage technologies are currently treated as both load and generation, leading to double charges for power delivery services. Resolving this ambiguity, possibly through targeted legislation or regulatory adjustments, could make energy storage more viable and accelerate renewable energy integration.

Transmission Infrastructure: The Bottleneck for Renewables

Participants identified transmission infrastructure as a significant obstacle to renewable energy deployment. A representative from the transmission sector explained that while they support RE projects, the current grid infrastructure cannot handle large-scale integration of new renewable resources. They emphasized the need for robust transmission planning and development to fully utilize the energy generated by RE projects.

The decentralization of energy systems was proposed as a potential solution to alleviate pressure on the centralized grid. A participant highlighted the importance of modernizing DUs to manage localized systems, allowing for greater flexibility and reducing reliance on centralized infrastructure. However, they acknowledged that decentralized systems would require significant investments in technology and operational changes for DUs.

Distribution Utilities and the Transition to Renewable Energy

The role of DUs in enabling a just energy transition was discussed extensively. A participant from a DU highlighted operational challenges, particularly the need to secure full backup capacity for intermittent renewables. They explained that exposure to volatile market prices during periods of low renewable generation could significantly impact generation rates, ultimately burdening consumers.

Another participant pointed out that net metering, while beneficial in theory, creates practical challenges in balancing supply and demand. They suggested revising net metering policies to align with the realities of DUs and ensure equitable distribution of costs and benefits among stakeholders.

A participant from the solar energy sector emphasized the evolving role of DUs in a technology-driven energy sector. They argued that DUs must transition from traditional distribution roles to becoming active participants in a decentralized energy ecosystem. This shift would involve adopting advanced technologies like smart metering and establishing frameworks for distributed energy resources (DERs).

Consumer Perspectives: Affordability and Equity

The consumer perspective was passionately articulated by a representative from a consumer advocacy group. They criticized the high cost of electricity, which disproportionately affects ordinary Filipinos. They argued that current policies prioritize market mechanisms over consumer welfare, leaving households to shoulder the financial burden of a fragmented and inefficient energy sector.

The representative called for:

1. Stronger Government Intervention: They highlighted the lack of a long-term, government-led energy plan, emphasizing the need for a 15- to 25-year roadmap to guide the sector toward affordability and equity.

2. Revisiting Pricing Models: They suggested adopting a floating price system with return-on-equity limits as a safety net against overpricing.

3. Establishing a Consumer Protection Office: This office would provide legal and regulatory support to consumers, addressing grievances without imposing additional costs.

Policy Recommendations and Strategic Directions

Participants outlined several recommendations to address the challenges in the fuel-energy mix and renewable energy integration:

1. Energy Storage Policies
    - Develop a comprehensive policy framework for energy storage, including its classification within the grid.
    - Waive power delivery service charges for either the absorption or discharge phases of storage to reduce costs.
2. Grid Modernization
    - Invest in transmission infrastructure to accommodate renewable energy projects and decentralized systems.
    - Include decentralized systems in long-term planning to reduce dependence on centralized grids.
3. Modernizing DUs
    - Provide clear guidelines and incentives for DUs to adopt smart metering and optimize distributed energy resources.
    - Establish mechanisms to align DU operations with the needs of a decentralized energy market.
4. Consumer Protection
    - Create a Consumer Protection Office to advocate for consumer interests and ensure affordability.
    - Revisit performance-based regulation models to align pricing mechanisms with actual performance and consumer needs.
5. Legislative Reforms
    - Introduce targeted amendments to EPIRA to incorporate emerging technologies like energy storage and decentralized systems.

- Consider standalone legislation for energy storage to avoid reopening EPIRA to comprehensive amendments.

6. Long-Term Energy Planning

- Develop a comprehensive energy roadmap that integrates renewable energy targets, transmission development, and affordability objectives.
- Ensure the roadmap aligns with consumer welfare and national energy security goals.

The discussion highlighted the interconnectedness of renewable energy integration, grid modernization, and consumer welfare. While there is a shared vision for a sustainable and equitable energy future, achieving this requires coordinated action among policymakers, industry players, and consumer advocates. By addressing structural barriers and fostering collaboration, the Philippine energy sector can transition toward a more inclusive and resilient framework.

Closing Remarks

Dr. Rosalie Hall concluded the stakeholder meeting with a comprehensive wrap-up and closing remarks, synthesizing key discussions and setting the stage for future steps. The session addressed pressing issues in the Philippine energy sector, providing valuable insights and potential pathways for reform.

KEY POINTS HIGHLIGHTED

Regulatory Capture

Clarifications and Challenges

- Regulatory capture was extensively discussed, with participants emphasizing the need for clarity in defining its scope and impact.
- Challenges highlighted included:
  - Overreach by the ERC: The commission's involvement in contracting and transactions in deregulated sectors like generation and supply raised concerns about efficiency and fairness.
  - Red Tape: Participants cited delays and procedural inefficiencies as significant obstacles, particularly in contracting between distribution utilities (DUs) and generation companies (GenCos).
- A participant from the renewable energy sector underscored the importance of shifting regulatory frameworks to be more consumer-focused while considering national interests.

System Operations

- A strong consensus emerged regarding the necessity of returning system operations under the NGCP to government control due to concerns about national security and the risks posed by foreign private management.

Industry Structure

Barriers to Entry and Competition

- The discussion acknowledged the persistent barriers to entry that prevent the full realization of competition in sectors like generation and retail supply.
- Later entrants face compounded disadvantages, further entrenching existing players and limiting innovation.

Transmission Infrastructure Deficiencies

- The underdevelopment of transmission infrastructure emerged as a bottleneck, with the grid unable to accommodate the growing demands of renewable energy.
- Participants stressed the need for a modernized grid and enhanced planning to ensure the efficient integration of future energy sources.

Role of Distribution Utilities (DUs)

- DUs were identified as pivotal in implementing new technologies and managing distributed energy resources. However, their modernization efforts are constrained by unclear policies and limited incentives.

Amendments to EPIRA

Debate on Legislative Pathways

- A key question revolved around whether to pursue amendments to EPIRA or draft a new law altogether to address emerging challenges like renewable integration and consumer protection.
- Concerns were raised that opening EPIRA for amendments might lead to legislative gridlock, given the history of failed attempts over the past decade.

Strategic Legislative Action

- Dr. Hall emphasized the importance of developing a coordinated strategy with the help of PERPI and other stakeholders to push meaningful reforms through Congress.

- The focus must extend beyond crafting technically sound proposals to ensuring their political viability.

Consumer-Centric Reforms

Electricity Cost Burden

- Participants reiterated the heavy financial burden of high electricity costs on ordinary consumers, often constituting 20–30 percent of household income.
- A consumer representative stressed the need for transparent and equitable performance-based regulation and adherence to the Supreme Court–mandated 12 percent return-on-rate-base (RORB) limit.

Consumer Protection

- Establishing a dedicated consumer protection office was proposed to empower consumers and address grievances effectively.
- Advocacy for a floating price system with return-on-equity limits was also suggested to ensure fair pricing while safeguarding industry sustainability.

Renewable Energy and Grid Modernization

Integration Challenges

- The meeting highlighted the potential of renewable energy to transform the energy sector but acknowledged existing challenges, including intermittency and the lack of sufficient energy storage.
- The importance of robust planning for grid modernization was underscored, particularly to accommodate decentralized systems and new technologies.

Energy Storage as a Priority

- Participants called for a legislative framework to address energy storage, recognizing its critical role in ensuring energy security and stability.

- The meeting highlighted the potential of renewable energy to transform the energy sector but acknowledged existing challenges, including intermittency and the lack of sufficient energy storage.
- The importance of robust planning for grid modernization was underscored, particularly to accommodate decentralized systems and new technologies.

ACTIONABLE RECOMMENDATIONS

1. Refining Regulatory Frameworks
   - Balance regulation between industry growth and consumer welfare.
   - Streamline approval processes and reduce red tape to encourage investment and innovation.
2. Infrastructure Development
   - Prioritize grid modernization to support renewable integration and decentralized energy systems.
   - Enhance transmission planning and resource allocation to meet future demands.
3. Legislative Strategy
   - Explore targeted amendments to EPIRA or complementary legislation to address critical gaps.
   - Collaborate with legislative allies to advocate for reforms that are both comprehensive and achievable.
4. Consumer Empowerment
   - Establish a consumer protection office to address grievances and ensure equitable pricing.
   - Revisit regulatory models to balance affordability and industry sustainability.

5. Stakeholder Engagement

   - Foster continued dialogue among stakeholders to build consensus and drive actionable reforms.
   - Ensure inclusive representation of consumer voices in policy development and decision-making.

CLOSING REMARKS

Dr. Hall concluded by expressing gratitude to all participants for their active engagement and invaluable contributions. She emphasized that the insights gathered from the meeting would serve as a foundation for ongoing efforts to reform the energy sector. On behalf of UP CIDS and PERPI, Dr. Hall reiterated their commitment to supporting legislative and policy initiatives that promote a sustainable, equitable, and consumer-focused energy future.

The meeting adjourned with a collective commitment to driving meaningful change through collaboration and strategic action.

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