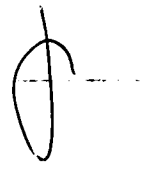


**SENATE**

P. S. Res. No. 1238



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Introduced by **Senator FRANCIS G. ESCUDERO**

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**RESOLUTION**

**DIRECTING THE SENATE COMMITTEE ON ENERGY TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, INTO THE ENERGY REGULATORY COMMISSION'S PERFORMANCE-BASED REGULATION APPROACH, SPECIFICALLY THE ADOPTION OF THE "AS COMMISSIONED" METHOD AS OPPOSED TO THE "AS SPENT" METHOD FOR POWER TRANSMISSION AND DISTRIBUTION**

WHEREAS, Performance-Based Regulation (PBR) is a regulatory framework set to establish a quantifiable performance metrics that reflect not only the desired outcomes from but also to signal the clear regulatory policy to regulated entities;

WHEREAS, the rationale behind PBR is for regulated entities to achieve and sustain alignment of business strategies with the regulatory agency;

WHEREAS, the Energy Regulatory Commission (ERC) uses the PBR to set rates for the electricity transmission and distribution sectors, applying among others the "As Commissioned" and "As Spent" Methods to the treatment of investments or capital expenditures;

WHEREAS, "As Commissioned" Method states that capital expenditure is added to the Regulatory Asset Base (RAB) when the project is forecast to be commissioned, while "As Spent" Method, on the other hand, speaks of such added investment to the RAB when it is incurred;

WHEREAS, the adoption of "As Commissioned" Method will entail significant adverse consequences on investment risk, return on capital, regulatory compliance and electricity cost given its uncertainty and the need to cover financial cost<sup>1</sup>;

WHEREAS, the "As Spent" Method promotes a balanced and sustainable cost recovery framework by allowing regulated entities in the distribution and transmission sectors to recover investments progressively as they are made, thereby avoiding the financial strain of deferred cost recovery and mitigating the risk of abrupt rate increases for consumers;

WHEREAS, the "As Spent" Method also ensures continuous funding for ongoing projects, stabilizes electricity rates over time, and enhances regulatory transparency, ultimately providing a more predictable and equitable system for the regulated entities and consumers;

WHEREAS, an institutionalized policy that will best serve the industry and all stakeholders, especially the consumers, needs to be set if only to establish and ensure the efficiency and viability of the "As Spent" Method as opposed to the "As Commissioned" Method pursuant to the ERC's mandate under Republic Act No. 9136, as amended, or the Electric Power Industry Reform Act of 2001, which is to encourage energy sector development, and promote and protect consumers interests in terms of quality, reliability and reasonable pricing of sustainable supply of electricity;

WHEREAS, since there is a need for policy determination, and to ensure such policy's effectiveness, as an Act of Congress, the ERC as a statutorily created government agency is likewise urged to hold in abeyance the adoption of the "As Commissioned" Method in the interim: NOW, THEREFORE, BE IT

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<sup>1</sup> A project which is forecast to be commissioned, no return is earned on money spent during construction. Thus, a construction work in progress factor is applied to recover financing cost.

RESOLVED BY THE SENATE, as it is hereby resolved, To direct the Senate Committee on Energy to conduct an inquiry, in aid of legislation, into the Energy Regulatory Commission's Performance-Based Regulation Approach, specifically the adoption of the "As Commissioned" Method as opposed to the "As Spent" Method for power transmission and distribution.

Adopted,

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the left.