



ZG LAW

ZAMBRANO GRUBA CAGANDA & ADVINCULA

FREQUENTLY ASKED QUESTIONS ON ENERGY RELATED MATTERS

**Implementing Rules and Regulations of
Republic Act No. 11371 otherwise known as
the “Murang Kuryente Act”**

WPG

/ a regional law network

Q: What is the coverage Murang Kuryente Special Account in the General Fund ("MK-SAGF")?

A: According to Section 5 of the Department of Energy ("**DOE**") and Department of Finance ("**DOF**") Joint Circular No. 01, series of 2020 ("**JC No. 1**"), the MK-SAGF shall cover annually the stranded contract costs stranded debts and anticipated shortfalls not recovered by the Power Sector Assets and Liabilities Management Corporation ("**PSALM**") through the Universal Charge ("**UC**") up to the end of its corporate life, as verified by its Board.

The UC for stranded costs and stranded debts currently being collected and remitted to the PSALM may be covered by the allocated amount from the MK-SAGF subject to the fiscal program of the government.

Q: What is the procedure in the utilization of the MK-SAGF?

A: In the first year of implementation of the Murang Kuryente Act, a projected cash flow statement of the stranded costs, stranded debts, including anticipated shortfalls for fiscal years 2020 to 2026, the complete list of all currently effective loan agreements and IPP contracts as of 31 December 2019 and all pending petitions on UC stranded contract costs and stranded debts filed before the Energy Regulatory Commission ("**ERC**") shall be submitted by the PSALM to the DOF within 15 days from the effectivity of the Implementing Rules and Regulations ("**IRR**"). For the succeeding years, the required documentation shall be submitted by the PSALM on or before 31 January of each year.

The PSALM shall take into account the following in its evaluation:

- a. Performance of the Independent Power Producer ("**IPP**") Administrators in optimizing the value of the privatized IPP contracts with the end view of minimizing the effective stranded contract costs and stranded debts;
- b. Whether or not the PSALM has exercised best efforts in minimizing the effective stranded debts and shall verify the reasonableness and prudence of operating and investment costs;
- c. Actual proceeds from the PSALM's privatization of the National Power Corporation ("**NPC**") generating assets, IPP contracts and other disposable assets;
- d. Actual cash flows generated from the operation of remaining assets including collection of outstanding receivables; and
- e. Any stranded debt and stranded contract cost (and its associated borrowing cost) that cannot be recovered from any ERC approved and pending petition of the PSALM.

The Board shall conduct an annual verification and confirmation of the actual amounts incurred by the PSALM for the payment of stranded costs and stranded debts with results to be submitted to the DOF, DOE, Department of Budget and Management ("**DBM**") and Bureau of Treasury ("**BTr**") copy furnished the PSALM, within 90 calendar days following the budget year.

Q: What reports should the PSALM submit to the ERC and Joint Congressional Energy Commission ("JCEC")

A: The PSALM shall regularly submit to the ERC and JCEC the following reports:

- a. The appropriated amount from the MK-SAGF for the budget year, as approved by the Development Budget Coordination Committee ("DBCC"), within 30 days from the receipt of notification from the DBM; and
- b. The total amount utilized during the said budget year no later than 90 days from the end of each budget year.

Q: Shall there be new UCs for stranded contract costs and stranded debts?

A: No. Under Section 9 of JC No. 1, no new UCs for stranded contract costs and stranded debts shall be collected upon the effectivity of JC No. 1.

The PSALM shall not file with the ERC any new petition for UC stranded contract costs and stranded debts until the Php208 Billion allocated amount under the Murang Kuryente Act is exhausted and no other allocations are made by Congress.

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