



IMPLEMENTATION OF THE REVISED POWER FACTOR ADJUSTMENT (PFA) MECHANISM

In its July 4, 2011 Decision on ERC Case No. 2009-056MC "*In the Matter of the Petition for Dispute Resolution with Prayer for Issuance of Cease and Desist Order by the Private Electric Power Operators Association, Inc (PEPOA) versus the National Grid Corporation of the Philippines (NGCP)*", the Energy Regulatory Commission (ERC) directed the National Grid Corporation of the Philippines to adopt the following revised Power Factor Adjustment mechanism:

For the Distribution Utilities (DUs)

For the DUs, the revised PFA formula below shall be adopted starting January 2012 Billing Period until the December 2013 Billing Period:

$$\text{PFA} = y \times \text{PDS} \times \left\{ \frac{\text{SPF}}{\text{APF}} - 1 \right\} \times \frac{M_i}{\sum M_i}$$

Where:

- **PFA** is the Power Factor Adjustment for a particular metering point for a particular billing period;
- **y** is 0.75 for year 2012 and 0.45 for year 2013
- **PDS** is the Power Delivery Service Charge applicable to the DU during such billing period;
- **APF** is the Actual Power Factor for such metering point for such billing period, determined as follows:

$$\text{APF} = \frac{\text{kWh}}{\sqrt{\text{kWh}^2 + \text{kVARh}^2}}$$

kWh and **kVARh** are the meter readings for such metering point for such billing period

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- **SPF** is the Standard Power Factor, wherein:

SPF = 85%, if the APF is below 85%,

SPF = 90%, if the APF is above 90%;

- Provided, that, if $90\% \geq \text{APF} \geq 85\%$, there shall be no PFA ($\text{PFA} = 0$) and if $\text{APF} < 85\%$, the corresponding PFA penalty shall be applied;
 - Provided further, that, the PFA discount shall be granted only if $\text{APF} > 90\%$, and if $\text{APF} \geq 95\%$, the $\frac{\text{SPF}}{\text{APF}}$ value to be used in the above formula shall be pegged at 95%
- M_i is the Non-Coincident Peak Demand (NCPD) or Coincident Peak Demand (CPD), whichever is applicable, at a particular metering point of the DU concerned for such billing month;
 - $\sum M_i$ is the aggregate NCPD or CPD of the DU, whichever is applicable, at all metering points of such transmission customer for such billing month.

For the Transmission Customers other than the Distribution Utilities

For the Transmission Customers other than the DUs, the existing PFA program (granted by the National Transmission Corporation prior to the promulgation of this July 4, 2011 ERC Decision) shall be extended until the expiration of their Transmission Service Agreements (TSAs) or until 2013, whichever is later.

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