



National Association of Electricity Consumers for Reforms
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MR. JOSE C. IBAZETA

President & CEO, Power Sector Assets & Liabilities Management Corp.
7th Floor Bankmer Building
Ayala Avenue, Makati City

Dear President Ibazeta:

Greetings!

We write in connection with the privatization scheme of PSALM as we reiterate our request to be furnished with copies of its purported written policies, rules and regulations, which you mentioned in your 25 April 2007 letter in reply to our letters dated 03 April 2007 and 27 February 2007.

Briefly, we have repeatedly expressed our concern that the current privatization scheme by PSALM – where power generation assets of NPC in Luzon and Visayas are being singly or individually auctioned off – runs counter to the crucial criteria prescribed under Section 47 (c) of the EPIRA. There is wisdom in this legislative mandate requiring the privatization of the NPC Generation Assets to be implemented in groups of different power generation mixes as this prescription would significantly ensure that all the plants would be eventually bought hence fostering the desired ends of privatization – economic efficiency and reasonable electricity rates.

If it were done otherwise, NPC would be left with nothing but those undesirable power generation plants that run on expensive fossil fuel, which as a matter of course would increase its electricity rates. PSALM probably thought it wiser to do what is contrary to its mandate, because the exact opposite of what the law intended to accomplish happened. All of NPC's hydro-electric plants were sold out. For this reason, NPC is now left managing its 'expensive to operate' fossil fuel generation plants.

As expected, PSALM-NPC just filed joint application seeking for an increase in the rate of NPC under ERC Case No. 2009-04RC. Unfortunately, the Energy Regulatory Commission (ERC), issued an Order last 16 February 2009, granting the applicants a provisional approval (PA) which resulted to a provisional increase on NPC's basic rates by an average of PhP0.4682/kWh for Luzon; PhP1.1460/kWh for Visayas; and PhP0.7147/kWh for Mindanao and this different provisional increases per grid will be shouldered by the hapless electricity consumers.

This application is obviously the result of PSALM's mismanagement of the privatization of the NPC assets. Accordingly, we beg for the withdrawal of PSALM-NPC's request for rate increase the soonest time possible. Otherwise, we will be constrained to seek the redress of our above-mentioned grievances before the regular courts.

Lastly, we also reiterate our request in our 03 April 2007 letter for a copy of PSALM's plan on the total privatization of NPC generation assets, real estate, other disposable assets as well as existing IPP contracts of NPC as mandated by EPIRA.

Thank you and God bless.

Very truly yours,

PETE L. ILAGAN

President

CC: *Hon. Gregorio B. Honasan II, JCPC Co-Chair*
Hon. Mikey Macapagal-Arroyo, JCPC Co Chair
Atty. Caroline Lansang, JCPC Executive Director
Hon. Angelo T. Reyes, DOE Secretary