

# Meralco told to explain rate hike due to TRAIN

By DANESSA RIVERA

Energy Secretary Alfonso Cusi has ordered Manila Electric Co. (Meralco) to explain how it came up with the eight centavos per kilowatt-hour (kwh) increase in electricity bills as a result of the Tax Reform for Acceleration and Inclusion (TRAIN) law.

Cusi said he has written Meralco to explain the projected increase in electricity bills. He has also has directed Energy Undersecretary Jesus Posadas to scrutinize the impact of the TRAIN law as estimated by country's largest distributor.

"They are saying the increase is eight centavos (for the tax in transmission and coal tax)...we are discussing that now and I told them to scrutinize it because I will not just accept it as a matter of fact," he said. "It is my responsibility so that I can tell the public."

Cusi said this is to protect the interests of consumers, particularly Meralco customers.

"That is the role of DOE, we set the policy, we make sure that everybody will follow the policy," he said.

Earlier this week, Meralco said its customers can expect an increase of at least eight centavos per kwh in their electricity bills, taking into consideration the impact of TRAIN.

Meralco head of utility economics Lawrence Fernandez said electricity rates will be pushed up by implementation of the coal excise tax and the removal of the value added tax (VAT) exemption of the National Grid Corp of the Philippines (NGCP) under TRAIN.

Under Republic Act 9511, NGCP was exempted from paying income tax and VAT. This was repealed in Section 86 of the TRAIN Act, subjecting NGCP to the VAT provision under the National Internal Revenue Code (NIRC).

Based on Meralco's computation, the VAT on transmission charge will translate

to an additional seven-centavo per kwh in its rates which can take effect in February bills, Fernandez said.

For the impact of the coal excise tax, Meralco is awaiting the response of suppliers to compute the increase in electricity rates.

Under the TRAIN law, what was approved was a lower coal excise tax of P50 per metric ton in 2018, P100 in 2019, and P150 in 2020 compared with the original Senate proposal of a "100-200-300" hike scheme.

At P50 per metric ton, Fernandez said the excise tax of coal and oil will translate to an increase of around one centavo per kwh.

However, DOE Undersecretary Felix William Fuentebella said the impact of coal excise tax on electricity rates are expected to reflect on consumers' electricity bills by March or April because coal plant generators maintain coal reserves good for at least 30 days.

\* MERALCO

\* DOE

\* TAX REFORM FOR ACCELERATION AND INCLUSION (TRAIN)