

Thursday, January 11, 2018

TRAIN to hike power transmission charges

The re-imposition of 12-percent value-added tax (VAT) on the wheeling charge of the National Grid Corporation of the Philippines (NGCP) under the Tax Reform Acceleration and Inclusion (TRAIN) Act will hike transmission rates by P0.072 per kilowatt-hour.

Prior to the TRAIN Law, the transmission charge of NGCP was exempted from VAT charges – courtesy of its franchise when it assumed the concession deal for the country's transmission assets in 2009. But that was removed by a specific provision under the TRAIN Act.

"At the earliest, we expect that to be implemented this February billing if NGCP will already be billing its load customers in the January billing cycle," Meralco Vice President Lawrence S. Fernandez said.

As prescribed under Section 9 of Republic Act 9511, or the franchise of NGCP, it was stated that "the payment by grantee (in this case NGCP) of the concession fees due to PSALM (Power Sector Assets and Liabilities Management Corporation) under the Concession Agreement

shall not be subject to income tax and value added tax."

With that provision reversed, it will hike power rates further. In the November 2017 billing of consumers, government charges in electric bills already hover at P1.18 per kWh (inclusive of VAT charges for other rate components) so with the calculated increases, that will go up to more than P1.26 per kWh.

Fernandez said the higher transmission charge will be on top of the P0.01 per kWh estimated cost impact that the coal excise taxes as well as those on diesel taxes will have on the electricity rates.

He qualified that such rate pass-on will be done on staggered basis in the electric bills of Meralco customers.

"For the generators, that will depend on their stock of coal – if they bought it new or if they still have stocks prior to the TRAIN Law's implementation," he said.

Fernandez added "our expectation will be staggered effect of the coal excise tax...on our own, we are coordinating with our suppliers." (MMV)

* Tax REFORM for ACCELERATION and INCLUSION (TRAIN)

* National Grid Corporation of the Philippines (NGCP)

* Meralco