

Reduced Peak/Off-Peak Rates met with resounding approval from SEIPI

Average rate is lower by Php 0.08/kWh against defunct Eco-zone rate



The Semiconductor and Electronics Industries in the Philippines Inc. (SEIPI) was pleasantly surprised after Meralco's recent announcement that the utility's Peak/Off-Peak (POP) Rates Program would be reflecting lower costs.

SEIPI is the representative body of companies and affiliates supporting the growth of the Philippine electronics industry, the country's largest export sector. Meralco's big ticket clients, of whom perfect examples would be companies from SEIPI, are expected to experience generous savings for the billing month of February as a result of a Php 0.55/kWh reduction in generation charges.

Many of the SEIPI members were previously relying on the government-subsidized Eco-zone Rate Program (ERP), and closer to the expiration of the NPC Time-of-Use (TOU) and ERP in December 2012, anxiety was felt from the manufacturing sector because of the impression that the POP rates would not be as competitive as the ERP or the lowest NPC TOU hourly rate. The Meralco POP this month is Php 0.08/kWh lower than the last registered Eco-zone rate.

"It was really a welcome development for our industry to have substantial savings as a result of this Meralco rate program. We thought that the expiration of the Eco-zone Rate would result in higher electricity prices. However, the opposite happened and we were pleasantly surprised.

The ultimate question is how we can sustain this lower rate," said Dan Lachica, President of SEIPI.

To negotiate the lower rates, Meralco leveraged its large customer base in the new Power Supply Agreements (PSAs) it signed with its suppliers. The power utility also assured that the POP can push electricity costs even lower, provided customers do their part by shifting majority of their load or usage to off-peak consumption. Power utilized during off-peak hours also helps the industry as a whole as it lowers demand at peak periods resulting in more competitive prices.

Among the energy suppliers who agreed to the new rates were Sem-Calaca Power Corporation (SCPC); South Premiere Power Corporation (SPPC); San Miguel Energy Corporation (SMEC); Masinloc Power Partners Co., Ltd. (MPPCL); and Therma Luzon, Inc. (TLI).

Meralco also leveraged these new contracts to offer its Peak/Off-Peak rate program for customers with substantial operations during off-peak hours.

As of January, Meralco has tracked 48 semiconductor accounts previously using ERP who are now enrolled in the POP program. Provided that 50 percent of their operations are during Meralco's off-peak hours, they can save between Php 21,000 to Php 1.1-million in their February bill, depending on their kWh consumption for the month.

The recent announcement from Meralco cannot be understated as the manufacturing sector is a developing industry in the Philippines.

In the same way that it has done so in the development of Malaysia, Singapore and China, this sector can play a vital role in sustaining the Philippines, in revitalizing its economy because it generates inclusive growth. However, it needs appropriate stimuli to develop a mature chain base, better transport, far-reaching road infrastructure, and incentives to attract investments. And quite obviously, competitively priced power costs.

It was with this in mind that Meralco, via its energy sourcing strategy, used its customer base and negotiated for the best possible deal for its PSAs resulting into more appealing POP rates.

"This is one way of keeping our manufacturing sector competitive and prevent an exodus of MNCs to set up shop in our neighboring countries," said Lachica.

This is key, because the local electronics industry currently accounts for nearly half of the country's exports and provides livelihood to over 1.8 million Filipinos. For the past two years, however, this major source of Philippine exports and provider of employment experienced a flat growth.

Notwithstanding, SEIPI said it expects the electronics industry to grow by five to six percent this year from an expected flat growth in 2012. Competitively priced power costs may just be the boost it needs.

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-Dan Lachica, SEIPI President

"For 2013, SEIPI is anticipating a turnaround as worldwide demand recovers and factories resume brisk overseas sales for their products that include mobile phone chips and microprocessors for tablets, laptops and desktop computers. The sector's anticipated growth, however, largely hinges on the quality and cost of electricity in the country," Lachica said.

The growth for this year is expected to be supported by the start of operations of new plants involved in the production of electronic products and parts in the country.

As part of its role in nation-building, Meralco is committed to being a key business enabler in developing a more robust manufacturing industry.

As the country continues its drive to attain Investment Grade Status, it is noteworthy that utilities such as Meralco will be there to provide support and assistance to industries that fuel economic growth.

With the Philippine economy on the verge of being recognized as the newest "Tiger" in Asia, efforts that clear away hindrances towards economic prosperity need to be lauded.



The growth of the country's manufacturing sector hinges on power quality and affordability.