

FORUM BRIEFER 01-25

Power Sector Restructuring Program in Philippines

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In December 1998, ADB approved \$300-million adjustment loan to the Philippines Power Sector Restructuring Program. As co-financing partner, the Japan Bank for International Cooperation (JBIC) provided an additional \$400 million as part of New Miyazawa Initiative.

The power sector restructuring program aims to: create a competitive market in electricity generation, restructure and privatize National Power Corporation (NAPOCOR), support private sector generation expansion, reinforce and expand the transmission grid, consolidate distribution utilities, utilize renewable resources for rural electrification and support demand-side management and energy conservation.

The program will transfer ownership of power generation to the private sector and create a separate transmission company that will eventually be offered to a strategic investor. It will also consolidate rural electric cooperatives (RECs) to achieve economies of scale.

Two TA studies accompany the loan: (a) Electricity pricing and regulatory policy; and (b) Consumer impact assessment to determine electricity prices in a competitive set-up. In August 2000, the ADB also approved \$1.5 million-Technical Assistance to Competition Policy & Strategies for the Philippine Energy Sector, which includes the preparation of the NPC Privatization Master Plan.

The Freedom from Debt Coalition (FDC) raises the following major concerns on the Omnibus Power Bill.

- First, the bill paves the way for a private sector monopoly in the power industry by allowing cross-ownership between generation and distribution/supply.
- Second, the bill implicitly honors the onerous contracts of the NAPOCOR with the independent power producers. These contracts have been responsible for NPC's bloated debts and contain provisions that are grossly disadvantageous to the government.
- Third, the bill does not give sufficient guarantee that electricity prices will go down; the bill contains provisions that reinforce monopolistic practice and control to the detriment of consumers.

Many claim that privatization of the electric utility will lead to an increase in power rates which will jeopardize the poor's access to electricity. Civil society groups therefore advocate, among others, for a full-options approach in resolving the country's power problems and introducing power reforms, including the option of opening up ownership of the power sector to the workers in the industry and the consumers themselves.

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* The NGO FORUM ON ADB (FORUM) is a network of diverse non-governmental organizations (NGOs), peoples' organizations (POs), community-based organizations and other public interest groups with advocacy and campaigns relating to the Asian Development Bank (ADB). The Manila-based Secretariat can be reached at: Room 402, 107-A Kalayaan Avenue, Diliman, 1101 Quezon City, Philippines; Telefax: +632 9297987; E-mail: forum@pacific.net.ph. Visit our homepage: www15.brinkster.com/ngoforum.