



PHILIPPINE INDEPENDENT POWER PRODUCERS ASSOCIATION, INC.

Unit 2408, 24th Floor, Prestige Tower, F. Ortigas Jr. Road (formerly Emerald Avenue),
Ortigas Center, Pasig City 1605
Telefax: (632) 633-3844

PIPPA 2015-020

July 22, 2015

DEPARTMENT OF TRADE AND INDUSTRY

3F DTI International Bldg.
375 Sen. Gil J. Puyat Ave., Makati City

Attention: Mr. Adrian S. Cristobal, Jr.

Re: General Policies and Specific Guidelines to Implement the Investment
Priorities Plan 2014-2016 ("2014-2016 IPP Guidelines")

Dear Mr. Cristobal,

The Philippine Independent Power Producers Association (PIPPA) is an organization of independent power producers ("IPPs") organized on November 15, 1995. PIPPA provides an avenue for our member-IPPs to exchange information on policies affecting the power industry.

We write regarding the 2014-2016 IPP Guidelines published by the Board of Investments on April 6, 2015. We note the new provision in item 3 of Part B(VII)(A) of the 2014-2016 IPP Guidelines, which reads:

VII. ITH AVAILMENT

A. General Rules

xxx xxx xxx

ITH shall only be applicable to revenues on sales generated/services rendered to other enterprises. For projects involving services inherent to a project's operation (e.g. air cooling and similar activities), entitlement to ITH shall be subject to the condition that 70% of the revenues are generated from non-related entities and service fees are within normal/ regular rates.

The above provision imposes two (2) new conditions that sellers of services must satisfy in order to qualify for income tax holiday: (i) that 70% of revenues are generated from non-related entities, and (ii) that service fees are within the normal/regular rates.

Under Republic Act No. 9136, or the Electric Power Industry Reform Act of 2001 ("EPIRA"), a generation company can sell to a related distribution utility up to 50% of the total demand of such utility. It can also supply electricity to the Contestable Market through a retail electricity supplier. Moreover, small and embedded power plants often have no control over its customer base and may have only one customer.

Electricity, being a basic commodity, has impact that goes beyond the energy sector. Power addresses a basic societal need. A strong power sector will stimulate the energy industry, attract additional investments and, ultimately, improve the quality of life. On other hand, a weak power sector can contribute to a country's economic ruin, paralyzing it with crippling power rates that stifle purchasing power and drive away investors.

In view of the EPIRA and the power industry structure, we respectfully seek your confirmation that item 3 of Part B(VII)(A) of the 2014-2016 IPP Guidelines ***shall not apply to sale of power to distribution utilities, retail electricity suppliers and other generating plants.***

Thank you for your attention on this matter. We look forward to receiving your confirmation soonest.

Very truly yours,

Philippine Independent Power Producers Association, Inc.

By:

A handwritten signature in blue ink, appearing to read 'Anne Estorco Macias', with a stylized flourish at the end.

ANNE ESTORCO MACIAS

Managing Director