



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
Third Regular Session

HOUSE BILL NO. 10006



Introduced by Representative Juan Miguel Macapagal Arroyo

EXPLANATORY NOTE

Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act (EPIRA), provides that one of the policies of the State is to have an orderly and transparent privatization of the assets and liabilities of the National Power Corporation (NPC). Towards this end, EPIRA created the Power Sector Assets and Liabilities Management (PSALM) Corporation in 2001, a government-owned and -controlled corporation, with a corporate life of twenty-five (25) years which is due to expire on June 26, 2026.

PSALM has the principal mandate of managing the orderly sale, disposition, and privatization of the NPC generation assets, real estate and other disposable assets, and Independent Power Producer (IPP) contracts to optimally liquidate all NPC financial obligations, including stranded debts (SD) and stranded contract costs (SCC), which were transferred to and assumed by PSALM pursuant to the EPIRA. At the end of PSALM's life, all its assets and outstanding debts and IPP contract costs will revert to and be assumed by the National Government (NG).

One of the generation assets for privatization is the Agus-Pulangi Hydropower Plant Complex. This Complex is planned to be rehabilitated prior to privatization to further contribute to energy security and ensure better value for the government. Considering that completion of the rehabilitation will necessarily extend beyond the original corporate life of PSALM, it is imperative that PSALM be legally subsisting and operational during the said rehabilitation, including the duration of any loan related to such rehabilitation.

By extending the corporate life of PSALM, it will also be able to manage its remaining contractual obligations, particularly those whose terms shall end beyond June 2026. The NG will not have to immediately absorb PSALM's outstanding financial obligations by June 2026. The turnover to the NG of the financial obligations left unpaid would be delayed and would allow PSALM to create a privatization plan that is complete, accurate and well organized. Furthermore, the NG would have substantially recovered from the pandemic so that the economy will have a bigger absorptive capacity once PSALM's corporate life ends.

A longer corporate life will enable PSALM secure better terms for its borrowings for the next several years. PSALM will have more flexibility negotiating for better and longer-term financing for better management of liquidity risks.

PSALM will be able to maximize and fully utilize the PHP208 Billion Murang Kuryente Act (MKA) fund allocation and fully collect the current Universal Charge-Stranded Debts (UC-SD) currently being charged to end-users. Extending the life of PSALM will provide adequate time until the fiscal space of NG will be able to accommodate a bigger budget under the MKA to cover the SCC and SD.

Aside from the reduction, if not elimination, of NPC's financial obligations, the successful privatization of NPC's assets will help PSALM in avoiding operational losses from expensive power plants and IPP contracts. Also, once the assets are sold, the government will be able to use the proceeds to settle the debts of NPC, thus helping reduce the country's consolidated public sector deficit.

This bill extends the corporate life of PSALM whose corporate existence is due to expire on June 26, 2026 in order for the corporation to fully and successfully accomplish its mandate.

Given the foregoing, the immediate passage of this measure is urgently sought.



JUAN MIGUEL MACAPAGAL ARROYO



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AN ACT
EXTENDING THE CORPORATE LIFE OF AND STRENGTHENING THE
POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION,
AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 9136, AND FOR OTHER
PURPOSES

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

1 SECTION 1. Section 50, Chapter VI of Republic Act No. 9136, otherwise known as the
2 "*Electric Power Industry Reform Act of 2001*" or EPIRA, is hereby amended to read as
3 follows:

4 "SEC. 50. Purpose and Objective, Domicile and Term of Existence. - The
5 principal purpose of the PSALM Corp. is to manage the orderly sale, disposition,
6 and privatization of NPC generation assets, real estate, and other disposable
7 assets, and IPP contracts with the objective of liquidating all NPC financial
8 obligations and stranded contract costs in an optimal manner.

9

10 The PSALM Corp. shall have its principal office and place of business within
11 Metro Manila.

12 The PSALM Corp. shall exist [~~for a period of twenty five (25) years from the~~
13 ~~effectivity of this Act~~] until **June 26, 2076**, unless otherwise provided by law, and
14 all assets held by it, all moneys and properties belonging to it, and all its liabilities
15 outstanding upon the expiration of its term of existence shall revert to and be
16 assumed by the National Government. "

1 SEC. 2. **Separability Clause.** - If any part or section of this Act is declared
2 unconstitutional, such declaration shall not affect in any manner other parts or sections of this
3 Act.

4 SEC. 3. **Repealing Clause.** - The provisions of Republic Act No, 9136, otherwise known
5 as the "Electric Power Industry Reform Act of 2001" shall continue to have full force and
6 effect, except insofar as they are inconsistent with this Act.

7 SEC. 4. **Effectivity Clause.** - This Act shall take effect on the fifteenth day following its
8 publication in at least two (2) national papers of general circulation and in the Official
9 Gazette.

10 Approved,