

# Power outages wrack southern Philippine island

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April marks the fourth consecutive month of electricity rationing in Mindanao, the poorest and the second largest island group in the Philippines. Daily power outages have ranged from one hour to as long as four hours since the start of the year. A total of 33 distribution utilities have been affected. These utilities are responsible for the supply of power to an estimated ten million residential consumers; food processing and canning industries; milling; cement, paper, and chemical manufacturing; agricultural plantations; and fishing operations dependent on cold storage.

The administration of President Benigno Aquino III imposed stop gap measures last month that reduced the power supply deficit from 360 MW to 100-160 MW per day. Daily power outages were reduced to 30 minutes in most areas. By the end of this month, however, the power outages will again worsen as key government-owned and operated hydro-electric power plants, supplying a total of 255 MW, undergo scheduled maintenance shutdowns.

Electricity is one of the most basic necessities of modern social life. However, in the Philippines, as elsewhere internationally, its production, transmission and distribution are dictated by the profit interests of a tiny capitalist minority and not by the social needs of millions.

Beginning in 1986 with the downfall of the Marcos regime, each successive administration has engaged in a round of privatization: running down, breaking up, and selling off piece by piece the National Power Corporation (NPC), retrenching thousands of workers in the process. The electric power industry is now dominated by consortiums of the local business elite

and foreign corporations.

According to data from the Department of Energy, 72 percent of the national total installed capacity of 16,359 MW is privately owned, 19 percent are independent power producers with contracts with the NPC and a mere 10 percent is owned by the NPC. The Cojuangco family, of which President Aquino is part, controls 17 percent of the installed capacity through its San Miguel Global Power corporation; the Lopez family, 17 percent, through First Philippine Holdings; and the Aboitiz family 10 percent through Aboitiz Power Corporation.

The nationwide transmission grid is now operated by the National Grid Corporation of the Philippines (NGCP)—a consortium of the State Grid Corporation of China and OneTaipan Holdings of Henry Sy, Jr. of the powerful Philippine Sy dynasty.

In the distribution sector, the San Miguel Group, the Aboitiz and Lopez families again dominate. The largest distribution utility, MERALCO is jointly owned by the San Miguel Group, the Lopez family and the group of infrastructure tycoon Manuel Pangilinan. MERALCO owns the franchise for the national capital and supplies power to 25 million Filipinos in 29 cities and 82 towns on the island of Luzon. The Aboitiz family owns numerous distribution utilities in the Visayas and Mindanao Islands, including franchises for the three key cities of Cebu, Cotabato and Davao.

The power outages in Mindanao are the end result of this process of privatization and profiteering. They are not the consequence of technical problems but of the efforts to maximise profits by rival elite factions.

Under the present privatized regime, each distribution utility services its demand by taking out supply contracts from either government or privately-owned power plants. In Mindanao, the cheapest source of power for the distributors is the government's hydro-electric power plants which comprise 74.4 percent of the installed capacity or 982 MW. The dependable capacity of these plants is estimated to be 53 percent of this figure. In 2011, the available supply from government plants was reduced by a further 31 percent due to the privatization of NPC assets.

The resulting power deficit was contracted out to private power suppliers, who charge at least twice as much as the state owned supply. In order for these contracts to be activated, however, the distribution utilities need to "nominate" their supply source to the National Grid that would in turn coordinate dispatching from the nominated power plants.

This has not apparently happened. The Department of Energy claims that the distribution utilities have refused to nominate their contracts with the more expensive private producers and have refused to maintain their mandated electric load. In other words, the power is available, but the private distribution utilities have decided not to purchase at the price demanded by private generators. The NGCP has in turn imposed power rationing, and Mindanao is thus suffering power outages.

In a bid to ease the outages and stem public anger, the government has adopted a number of stopgap measures. The energy department last month ordered the private distribution utilities to nominate their contracts with private power suppliers or face disconnection from the grid. In addition, the power supply held in reserve by the hydro-electric power plants for system stability or emergencies was reduced, according to the *Business Mirror*, from 250 MW to an average of 50 MW. That freed up around 200 MW of cheap power, but at the risk of a wider breakdown.

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In addition, according to the *Manila Standard*, the

energy department reportedly assured the distribution utilities that purchases from the Aboitiz-owned power barges were to be subsidized up to "64 percent of its cost." Power barges are moveable generating plants designed to provide emergency power—at high cost. The same newspaper report indicated that the subsidies would be passed onto consumers by lifting electricity rates in Mindanao from 0.50 to 0.80 peso per kilowatt.

At the same time, longer term "solutions" are under discussion—all involving privatisation, particularly of the hydro-electric power plants.

The Aquino government is determined to shift the base load in Mindanao from hydro-electric power to diesel and coal. Key allies will benefit. By 2014, the Aboitiz and the Lopez families are set to operate a 300 MW coal-fuelled thermal plant and a 50MW geothermal power plant respectively.

Another proposal by one of the president's relatives, Mark Cojuangco, is to establish a nuclear power plant in Mindanao, even though the area is near two major fault zones, the Sulu Trench and the Cotabato Trench.

In other words, the "solution" is to further entrench the domination of the power industry by the same rapacious private operators who created the Mindanao power crisis in the first place. The result will be higher charges for ordinary consumers, further restructuring and jobs losses and, inevitably, more outages.

Last Saturday President Aquino gave a speech on the power crisis. In response to the complaints about power outages, he contemptuously declared: "The simple truth is: you will have to pay more ... There are only two choices pay a little more for energy, or live with the rotating brownouts."



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