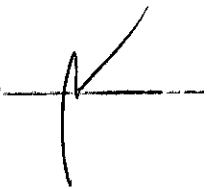




Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Ortigas Center
Pasig City

RECEIVED BY: 

IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE ANCILLARY SERVICES PROCUREMENT AGREEMENT BETWEEN THE NATIONAL GRID CORPORATION OF THE PHILIPPINES AND SN ABOITIZ POWER-BENGUET, INC., WITH PRAYER FOR THE ISSUANCE OF PROVISIONAL AUTHORITY.

ERC CASE NO. 2017-016RC

NATIONAL GRID CORPORATION OF THE PHILIPPINES AND SN ABOITIZ POWER-BENGUET, INC.,
Applicants.

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APPLICATION

(With Prayer for the Immediate Issuance of a Provisional Authority)

Applicants **NATIONAL GRID CORPORATION OF THE PHILIPPINES (NGCP)** and **SN ABOITIZ POWER-BENGUET, INC. (SNAP-BI)**, by counsel, respectfully state:

NATURE OF THE CASE

1. This Application is for the approval of the Ancillary Services Procurement Agreement (ASPA) between the NGCP and SNAP-BI, pursuant to the Decision dated 3 October 2007 in ERC Case No. 2006-049RC, entitled: *"In the Matter of the Application for the Approval of Ancillary Services – Cost Recovery Mechanism (AS-CRM) of the Ancillary Services Procurement Plan, with Prayer for Provisional Authority."*

PARTIES

2. Applicant NGCP is a corporation created and existing under the laws of the Philippines, with office address at NGCP Building, Quezon Avenue corner BIR Road, Diliman, Quezon City. It is the concessionaire which assumed the power transmission functions of the National Transmission Corporation (TRANSCO) pursuant to Republic Act No. 9136¹ (EPIRA). It holds a franchise under Republic Act No. 9511² to engage in the business of conveying or transmitting electricity through high-voltage back-bone systems of interconnected transmission lines, substations and related facilities, and for other purposes. The franchise also includes the conduct of activities necessary to support the safe and reliable operation of the transmission system.

3. Applicant SNAP-BI is a corporation organized and existing under and by virtue of the Philippine laws with principal office address at Binga Hydroelectric Power Plant, Brgy. Tinongdan, Itogon, Benguet. It may be served with orders, notices, and other legal processes through its undersigned counsel. It is the owner and operator of the Binga Hydro-Electric Power Plant (Binga HEPP) located at Itogon, Benguet which was certified and accredited by NGCP to be capable of providing Regulating Reserve (RR), Contingency Reserve (CR), Dispatchable Reserve (DR) and Black Start Capability.

ANTECEDENT FACTS

4. Republic Act No. 9136 provides that it is the responsibility of NGCP to ensure and maintain the reliability, adequacy, security, stability and integrity of the nationwide electrical grid in accordance with the performance standards for its operations and maintenance, as set forth in the Philippine Grid Code (PGC), adopted and promulgated by the Honorable Commission, and to adequately serve generation companies,

¹ Republic Act No. 9136 entitled, "An Act Ordaining Reforms in the Electric Power Industry, Amending for the Purpose Certain Laws and for other Purposes";

²An Act Granting the National Grid Corporation of the Philippines a Franchise To Engage in the Business of Conveying or Transmitting Electricity Through High Voltage Back-Bone System of Interconnected Transmission Lines, Substations and Related Facilities, and for other Purposes;

distribution utilities and suppliers requiring transmission service and/or ancillary services through the transmission system³.

5. Similarly, the PGC provides that NGCP is responsible for determining, acquiring, and dispatching the capacity needed to supply the required Grid Ancillary Services and for developing and proposing Wheeling Charges and Ancillary Service tariffs to the ERC⁴.

6. Ancillary services (AS) as defined in Section 4b of the EPIRA “refer to those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the transmission system in accordance with good utility practice and the Grid Code to be adopted in accordance with this Act.” These services are essential in ensuring reliability in the operation of the transmission system and consequently, in the reliability of the electricity supply in the Luzon, Visayas and Mindanao grids.

7. In order to implement and regulate the procurement of AS, the Honorable Commission approved the Ancillary Services Procurement Plan (ASPP) through its Order dated 9 March 2006 in ERC Case No. 2002-253 and the Ancillary Services-Cost Recovery Mechanism (AS-CRM) through its Decision dated 3 October 2007 in ERC Case No. 2006-049RC.

8. Pursuant to its mandate, NGCP invited and negotiated with all prospective generation companies capable of providing ancillary services, one of which is SNAP-BI.

9. It may be recalled that NGCP and SNAP-BI entered into an ASPA in 2010. On 5 April 2010, NGCP and SNAP-BI filed an Application docketed as ERC Case No. 2010-026RC before the Honorable Commission for the approval of the 2010 ASPA, which was approved in the Decision dated 4 July 2011. The Honorable Commission on page 26 of the Decision stated that: “Upon final evaluation of the instant application, the Commission finds that the approval of the ASPA would redound to the benefit of all the consumers of NGCP in terms of continuous, reliable and efficient power supply as mandated by Republic Act No. 9136 [Section 2. Declaration of Policy – “to

³Section 9 (c) and (d);

⁴Section 6.3.1.2;

ensure quality, reliability, security and affordability of the supply of electric power”].”

10. On 11 October 2013, NGCP and the SNAP-BI entered into another ASPA (2013 ASPA) for a period of 3 years. On 20 November 2013, the parties filed an Application docketed as ERC Case No. 2013-214RC before the Honorable Commission for the approval of the 2013 ASPA, which was provisionally approved through an Order dated 3 February 2014. The Honorable Commission in page 8 of the Order stated that: *“The Commission believes that the contracted Ancillary Services capacity is needed to augment the deficiency of Ancillary Services reserve capacity. This will ensure reliability in the operation of the transmission system and electricity supply in the Luzon Grid”.*

11. Due to the necessity of extending the services of providing the same ancillary services, the Applicants again entered into a new ASPA under the same rates, terms and conditions. In the latest accreditation tests conducted in 2016 on the Binga HEPP, the plant demonstrated capability of providing RR, CR and DR. The copies of the Accreditation Certificate Nos. 2016-L0005 dated 9 May 2016 and 2016-L00006 dated 10 June 2016 are attached as **Annexes “A” and “A-1.”**

12. Similar to the existing ASPA, NGCP agreed to procure and SNAP-BI agreed to continuously provide, under the new ASPA, the following AS for a period of a period five (5) years:

Capacity	Type of Ancillary Services
Non-firm	Regulating Reserve
	Contingency Reserve
	Dispatchable reserve
	Black Start Capability

A copy of the ASPA is attached as **Annex “B.”**

CONTRACTED CAPACITY RATES AND IMPACT SIMULATION

13. Also, the Applicants used the following rates for the capacity fees as provided in the previous ASPA:

Non-Firm:

Ancillary Service	Applicable Rates (Maximum Hourly Rate)
Regulating Reserve	Php3.00/kW/Hr
Contingency Reserve	Php2.25/kW/Hr
Dispatchable Reserve	Php1.25/kW/Hr
Black Start Capability	Php2.14/kW/Hr

14. SNAP-BI respectfully submits that the proposed rates represent a reasonable recovery of the opportunity cost in making available generation capacity to provide the procured AS.

15. The rates under ASPA were subjected to a simulation with the following results:

Ancillary Services	Indicative Rate Impact	
	P/kW	P/kWh
Regulating Reserve	5.9050	0.0119
Contingency Reserve	4.5991	0.0093
Dispatchable Reserve	2.9809	0.0060
Black Start Service	0.3511	0.0007

A copy of the rate impact simulation is attached as **Annex "C"**.

16. Consistent with the AS-CRM, all the related and incidental expenses which NGCP will incur as a result of the procurement and operation of the ancillary services shall be recovered from all the load customers in the Luzon Grid.

ALLEGATIONS IN SUPPORT OF THE PRAYER FOR PROVISIONAL AUTHORITY

17. It is a declared policy of the State to ensure the quality, reliability, security and affordability of the supply of electric power (*Section 2b, EPIRA*). With this end in view, there is a need to comply with the system requirements for AS to ensure grid system reliability. As mentioned above, NGCP has the mandate to procure the required AS. However, the Honorable Commission must first approve the contract before the same could be implemented.

18. As mentioned above, the Honorable Commission has already declared that there is a necessity for NGCP to procure the contracted ancillary services capacity of SNAP-BI to maintain the reliability of the operation of the transmission system and electricity supply in the Luzon Grid.

19. SNAP-BI must continue to provide the current contracted ancillary services beyond the 2013 ASPA to maintain the reliability of the power grid. Based on the current levels of available contracted AS in the Luzon Grid, the contracted AS have not yet met the required levels of the ASPP. The copies of the relevant actual data and its corresponding graphical presentations showing the required and available levels of AS in the Luzon Grid are attached as **Annex "D."**

20. Thus, NGCP and SNAP-BI agreed to execute the new ASPA for a period of another five years. With this ASPA, the Luzon Grid is assured of AS until 2022.

21. Also, as the demand for power in the Luzon increases, the requirements of the system to ensure stability, reliability and security likewise increases. Ensuring the integrity of the system is essential to protect the interests of the public. The absence of system reliability and stability will certainly discourage investments and growth.

22. Applicants respectfully submit that the immediate approval of the ASPA by this Honorable Commission is a necessity to maintain the present reliability and security of the Grid. In support of these allegations, NGCP submits a copy of

the Judicial Affidavit of Engr. Lisaflor Bacani-Kater which is attached as **Annex "E."**

PRAYER

WHEREFORE, premises considered, Applicants respectfully pray that the Honorable Commission to:

- a) Immediately **ISSUE** a provisional authority to implement the subject ASPA;
- b) **APPROVE**, after notice and hearing, the subject ASPA.

Applicants pray for other just and equitable relief under the premises.

Quezon City and Taguig City for Pasig City, 16 February 2017.

**OFFICE OF THE GENERAL COUNSEL
NATIONAL GRID CORPORATION OF THE PHILIPPINES**
NGCP Building, Quezon Avenue corner
BIR Road, Diliman, Quezon City
Tel. No. 981-2100 (Trunk Line)

By:



LUIS MANUEL U. BUGAYONG

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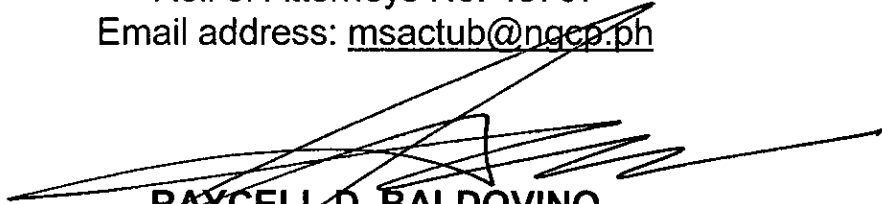
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-and-

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MANAGEMENT**

c/o Office of the President
7th Floor, Bankmer Building, 6756 Ayala Avenue
1226 Makati City

Republic of the Philippines)
Taguig City) S.S.

VERIFICATION AND CERTIFICATION

I, **Joseph S. Yu**, of legal age, married, with office address at Binga Hydro Electric Power Plant, Brgy. Tinongdan, Itogon, Benguet and/or 10th Flr., NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, after having been duly sworn to in accordance with law, do hereby depose and state for myself and for **SN ABOITIZ POWER-BENGUET, INC.**, that:

1. I am the President and Chief Executive Officer of **SN ABOITIZ POWER-BENGUET, INC.** with authority to commence, initiate and file the foregoing Application as embodied in the Secretary's Certificate, a copy of which is hereto attached;
2. I have read the Application and the allegations therein are true and correct based on my personal knowledge or the authentic records available;
3. I or **SN ABOITIZ POWER-BENGUET, INC.** have not commenced any other action or proceedings involving the same issues in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency and, to the best of my knowledge, no such other action or claim is pending therein; and
4. If I or **SN ABOITIZ POWER-BENGUET, INC.** should hereinafter learn that the same or a similar action or claim has been filed or is pending in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency, I shall report said fact within five (5) days from discovery thereof to the Honorable Commission and/or Court.

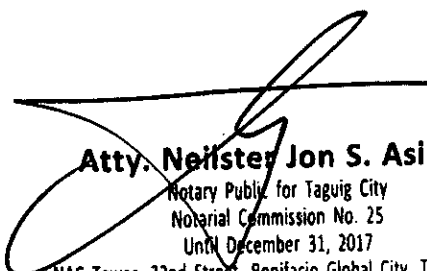
IN WITNESS WHEREOF, I have hereunto affixed my signature this 16 February 2017, Taguig City, Philippines.


JOSEPH S. YU
Affiant

SUBSCRIBED AND SWORN to before me this 16th February 2017, with affiant **Joseph S. Yu** presenting to me his Passport No. EC 5039291 issued on 15 August 2015 at DFA, Manila, and Community Tax Certificate 3514917 issued on 05 January 2017 in Manila, known to me and to me known to be the same person who executed the foregoing Verification and Certification.

Doc No. 25 ;
Page No. 6 ;
Book no. IV ;
Series of 2017




Atty. Neilster Jon S. Asinas
Notary Public for Taguig City
Notarial Commission No. 25
Until December 31, 2017
NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
PTR No. A-3162296; Taguig City; January 05, 2017
IBP Lifetime Membership No. 09307
Roll No. 55253
MCLE No. V-0015211

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S.S.

**VERIFICATION AND
CERTIFICATION OF NON-FORUM SHOPPING**

I, **MA. CYNTHIA Y. MANRIQUE**, Filipino, of legal age, single, after having been duly sworn to in accordance with law, hereby depose and say that:

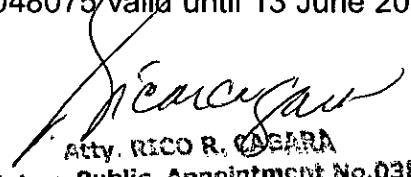
1. I am presently the Head of the Revenue Regulatory Affairs Group of the National Grid Corporation of the Philippines (NGCP);
2. I am duly authorized to sign the Verification and Certification of Non-Forum Shopping in this case for and in behalf of NGCP as evidenced by the Secretary's Certificate hereto attached as **Annex "A-Verification;"**
3. I have caused the preparation of the foregoing joint Application and I have read it. I attest that the allegations therein are true and correct of my personal knowledge and based on authentic records;
4. I further attest that NGCP has not filed any similar case or action before any court, tribunal or quasi-judicial agency involving the properties subject of this case and, to the best of my knowledge, no such other case or action is pending therein; and
5. If I should thereafter learn that a similar case, action or claim other than those mentioned above, is filed or pending before any court, tribunal or quasi-judicial agency, I shall report that fact to this Honorable Office within five (5) days therefrom;

IN WITNESS WHEREOF, I have hereunto affixed my signature this 16 February 2017, in Quezon City, Philippines.


MA. CYNTHIA Y. MANRIQUE
Affiant

SUBSCRIBED AND SWORN to before me this 16 February 2017, affiant exhibited to me her Driver's License No. D09-94-048075 valid until 13 June 2018 issued at Quezon City.

Doc. No. 87 ;
Page No. 19 ;
Book No. 27 ;
Series of 2017.


Atty. RICO R. OSARA
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Commission until 31 December 2017
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