

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

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[Signature]

**IN THE MATTER OF THE
APPLICATION FOR APPROVAL
OF THE ANCILLARY SERVICES
PROCUREMENT AGREEMENT
BETWEEN THE NATIONAL
GRID CORPORATION OF THE
PHILIPPINES AND 1590
ENERGY CORPORATION, WITH
PRAYER FOR THE ISSUANCE
OF PROVISIONAL AUTHORITY.**

ERC COPY

**2017-017
ERC CASE NO. 2017-0__RC**

**NATIONAL GRID
CORPORATION OF THE
PHILIPPINES AND 1590
ENERGY CORPORATION,
Applicants.**

X-----X

JOINT APPLICATION

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

Applicants **NATIONAL GRID CORPORATION OF THE
PHILIPPINES (NGCP)** and **1590 ENERGY CORP. (1590 EC)**,
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 1590 EC, 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."*

THE 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 1590 EC is a corporation organized and existing under and by virtue of the Philippine laws with principal office address at Unit 907-908 Ayala Life FGU-Center, Cebu Business Park, Barangay Luz, Cebu City. It may be served with orders, notices, and other legal processes through its undersigned counsel. It is the operator of the Bauang Diesel Power Plant (BDPP) in Bauang, La Union, which was certified and accredited by NGCP as capable of providing Dispatchable Reserve (DR).

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

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;

³Section 9 (c) and (d);

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 1590 EC. Upon conducting several tests on the 1590 power plant, NGCP determined that its units are capable of providing DR. The copy of the Accreditation Certificate No. 2016-L004 dated 15 April 2016 is attached as **Annex “A”**.

9. Consequently, the Applicants executed the ASPA for the supply of DR for a period of five (5) years under a non-firm arrangement. A copy of the ASPA dated 5 January 2017 is attached as **Annex “B”**.

CONTRACTED CAPACITY RATES AND IMPACT SIMULATION

10. Also, the Applicants used the following rate for the capacity fee as provided in the ASPA:

⁴Section 6.3.1.2;

Non-Firm:

Ancillary Service	Applicable Rates (Maximum Hourly Rate)
Dispatchable Reserve	Php1.25/kW/Hr

11. 1590 EC respectfully submits that the proposed rates represent a reasonable recovery of the opportunity cost in making available generation capacity to provide the procured AS.

12. The rate under the ASPA were subjected to a simulation with the following results:

AS Type	SIMULATION	
	P/kW-mo	P/kWh equivalent
DR	9.0205	0.0182
Total Luzon	9.0205	0.0182

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

13. 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

14. 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.

15. As mentioned above, the Honorable Commission has already declared that there is a necessity for NGCP to

procure the contracted ancillary services capacity of 1590 EC to maintain the reliability of the operation of the transmission system and electricity supply in the Luzon Grid.

16. 1590 EC must provide DR 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."**

17. NGCP must be guaranteed that there are available AS on a daily basis to assure reliability of the grid. There is no assurance that the non-firm capacities would be available when needed. NGCP cannot gamble on this chance. As the grid operator, the contracted capacity of 1590 EC, especially its firm capacities, are greatly needed.

18. 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.

19. 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.

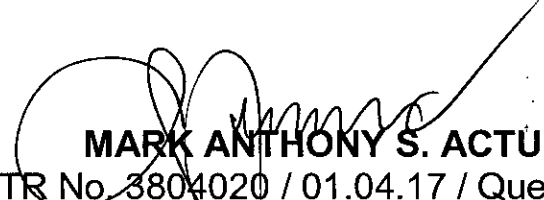
Quezon City and Cebu City for Pasig City, 31 January 2017.

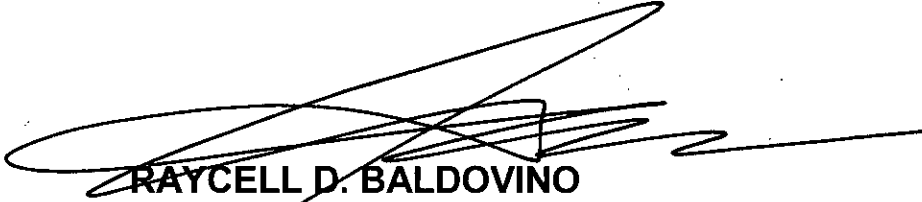
**OFFICE OF THE GENERAL COUNSEL
NATIONAL GRID CORPORATION OF THE PHILIPPINES**
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-and-

J.P. GARCIA AND ASSOCIATES

Counsel for Applicant 1590 Energy Corp.

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By:


JOAN A. GIDUQUIO-BARON

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PTR O.R. No.: 1174594; 01/05/2017; Cebu City

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Courtesy Copy:

NATIONAL TRANSMISSION CORPORATION

c/o Office of the President
Quezon Avenue corner BIR Road
Diliman, Quezon City

NATIONAL TRANSMISSION CORPORATION

c/o Office of the General Counsel
Quezon Avenue corner BIR Road
Diliman, Quezon City

**POWER SECTOR ASSETS AND LIABILITIES
MANAGEMENT CORPORATION**

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

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:

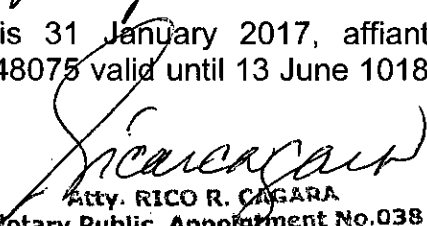
1. I am presently the Head of the Revenue Regulatory Affairs Group of the National Grid Corporation of the Philippines (NGCP);
2. I am duly authorized to sign the Verification and Certification of Non-Forum Shopping in this case for and in behalf of NGCP as evidenced by the Secretary's Certificate hereto 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 31 January 2017, in Quezon City, Philippines.


MA. CYNTHIA Y. MANRIQUE
Affiant

SUBSCRIBED AND SWORN to before me this 31 January 2017, affiant exhibited to me her Driver's License No. D09-94-048075 valid until 13 June 1018 issued at Quezon City.

Doc. No. 21 ;
Page No. 06 ;
Book No. 27 ;
Series of 2017.


Atty. RICO R. CAGARA
Notary Public, Appointment No.038
Commission until 31 December 2017
PTR No.388227, 01-03-17; Quezon City
IBP Lifetime No 08600; Sulacan
Roll of Attorney's No.53664
ICLE Compliance No.V-0005735, until 4-14-19
Unit 305, J. Rosa Condominium
44 Matimtiman St., Teacher's Village East
Diliman, Quezon City

VERIFICATION AND CERTIFICATION
OF NON-FORUM SHOPPING

I, **THEO C. SUNICO**, of legal age, Filipino and with office address at 107 First Midland Condo Building, Gamboa Street, Legaspi Village, Makati City, Philippines after having been duly sworn to in accordance with law, depose and say:

1. I am the Assistant Vice President for Trading and Marketing of Vivant Corporation, which is the parent of the subsidiary of Application 1590 Energy Corp.;

2. Jointly with Applicant National Grid Corporation of the Philippines, I caused the preparation and filing of the instant Application;

3. I read the same and that all the allegations contained therein are true and correct of my own personal knowledge;

4. I certify that 1590 Energy Corp. has not commenced any action and/or proceeding involving the same issue/s before the Supreme Court, the Court of Appeals or any other tribunal or agency;

5. To the best of my knowledge no such action and/or proceeding involving the same issue/s is pending before the Supreme Court, the Court of Appeals or any other tribunal or agency;

6. Should I thereafter learn that such action and/or proceeding is pending before the Supreme Court, the Court of Appeals or any other tribunal or agency, I herein undertake to report such fact before this Honorable Commission within five (5) days from knowledge.

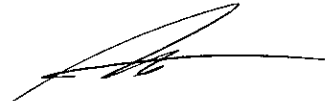
FURTHER AFFIANT SAYETH NONE.

Cebu City, (for Pasig City), January 31, 2017.


THEO C. SUNICO
Affiant

SUBSCRIBED AND SWORN TO before me this JAN 31 2017 at Cebu City, affiant exhibited to me his Philippine Passport No. EC0849943 issued at DFA NCR, which will expire on April 13, 2019.

Doc. No. 271 ;
Page No. 55 ;
Book No. VA ;
Series of 2017.


LEARSON O. TABOTABO
Notary Public within the Jurisdiction
of the RTC of Cebu until 12-31-17
Suite 601, Ayala-Life FGU Bldg., Cebu City
Notarial Comm. No. 189-06 / Roll No. 51760
PTR 13261966 Ceb. 1-03-17/ IBP 1059037 Ceb. 1-04-17
MCLE V-0013520 12-16-15