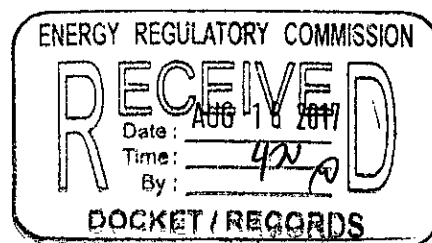


Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, Ortigas Center  
Pasig City

**IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL OF THE ANCILLARY SERVICES PROCUREMENT AGREEMENT BETWEEN THE NATIONAL GRID CORPORATION OF THE PHILIPPINES AND THERMA MARINE, INC. (FOR MOBILE 1), AND APPROVAL OF THE INCIDENTAL ENERGY SUPPLY AGREEMENT TEMPLATE, WITH PRAYER FOR ISSUANCE OF PROVISIONAL AUTHORITY**

**ERC COPY**

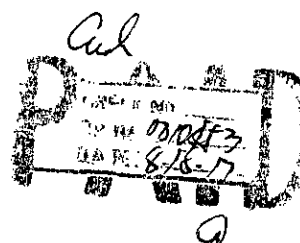


ERC CASE NO. 2017-0<sup>75</sup> RC

**NATIONAL GRID CORPORATION OF THE PHILIPPINES AND THERMA MARINE, INC.,**

**Applicants.**

X-----X



**APPLICATION**

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

Applicants **NATIONAL GRID CORPORATION OF THE PHILIPPINES (NGCP)** and **THERMA MARINE, INC., (TMI)**, 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 TMI, 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” and approval of the accompanying “Incidental Energy Supply Agreement” template.*

## **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 holds a franchise under Republic Act No. 9511<sup>1</sup> 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 TMI is a generation company duly organized and existing under the laws of the Republic of Philippine with office address in Barangay Nasipit, Agusan del Norte. It owns and operates a 100MW Power Barge (Mobile 1) in Barangay San Roque, Maco, Compostela Valley, which has been certified and accredited by NGCP to be capable of providing Contingency Reserve (“CR”) and Dispatchable Reserve (“DR”). The copies of the Securities and Exchange Commission Certificate of Filing of the Amended Articles of Incorporation, Amended Articles of Incorporation, General Information Sheet, and the Honorable Commission’s issued Certificate of Compliance for Mobile 1, are attached hereto as **Annexes “A”, “B”, “C” and “D”**, respectively.

## **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

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<sup>1</sup> An 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;

Commission, and to adequately serve generation companies, distribution utilities and suppliers requiring transmission service and/or ancillary services through the transmission system<sup>2</sup>.

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 ERC<sup>3</sup>.

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 TMI.

9. On 16 November 2016, NGCP issued *Accreditation Certificate No. 2016-M011 for TMI-Mobile 1*, certifying that the power plant has met and complied with the Standard Ancillary Services Technical Requirements of the ASPP. The copy of the Accreditation Certificate No. 2016-M011 for TMI-Mobile 1, dated 16 November 2016 is attached as **Annex "E"**.

10. Consequently, on 31 July 2017, NGCP and TMI entered into an Ancillary Services Procurement Agreement

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<sup>2</sup>Section 9 (c) and (d);

<sup>3</sup>Section 6.3.1.2 of 2007 Philippine Grid Code;

(“ASPA”) for TMI to provide the Mindanao Grid, on a non-firm basis for:

- a. Contingency Reserve
  - i. 48MW, less Pmin for Mobile 1 Unit 1; and
  - ii. 48MW, less Pmin for Mobile 1 Unit 2.
- b. Dispatchable Reserve
  - i. Up to 48MW for Mobile 1 Unit 1; and
  - ii. Up to 48MW for Mobile 1 Unit 2.

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

### **CONTRACTED CAPACITY RATES AND IMPACT SIMULATION**

11. Schedule 4 of the ASPA provides for the agreed upon formula for the computation of the ancillary fees as well as the applicable maximum hourly rate for the ancillary services covered by the ASPA:

Non-Firm:

<b>Ancillary Service</b>	<b>Applicable Rates (Maximum Hourly Rate)</b>
Contingency Reserve (Primary Reserve)	Php2.25/kW/Hr
Dispatchable Reserve (Tertiary Reserve)	Php1.25/kW/Hr

12. It is respectfully submitted that the rates represent reasonable recovery of opportunity cost in making available generation capacity to provide the procured AS.

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

<b>Ancillary Services</b>	<b>Indicative Rate Impact</b>	
	<b>P/kW-mo</b>	<b>P/kWh</b>
Contingency Reserve (Primary Reserve)	16.2556	0.0345
Dispatchable Reserve (Tertiary Reserve)	24.0824	0.0511

A copy of the rate impact simulation is attached as **Annex “G.”**

14. Until such time when the Wholesale Electricity Spot Market (WESM), or any similar market, is in commercial operation in Mindanao, TMI's load customers shall pay for the Incidental Energy Fee.

15. Under the accompanying IESA template, TMI shall supply Incidental Energy to TMI's customers when it has been dispatched for ancillary services. TMI's customers shall pay the corresponding Incidental Energy Fee relative to Contingency or Dispatchable Reserves computed as follows:

**Incidental Energy Fee**

Incidental Energy Fee (IEF) = (G x (Fuel + VOM))

$$G = \sum_{j=1}^n \sum_{i=1}^{\text{intervals}} \text{Energy}_{ij}$$

Fuel = HFR + LOR + related actual fuel cost, in Php/kWh

HFR = HFCR x Actual HF cost per liter, in Php/kWh

LOR = LOCR x Actual LO cost per liter, in Php/kWh

$$\text{VOM} = 0.15245 \frac{\text{Php}}{\text{kWh}} \times \text{IF}_v + \text{SSC}$$

IF<sub>v</sub> = Inflation factor for VOM

$$= 0.06897 + 0.10982 \times \left(\frac{\text{PCPI}_m}{\text{PCPI}_b}\right) + 0.13370 \times \left(\frac{\text{PUX}_m}{\text{PUX}_b}\right) \times \left(\frac{\text{UCPI}_m}{\text{UCPI}_b}\right) + 0.22917 \times \left(\frac{\text{PEX}_m}{\text{PEX}_b}\right) \times \left(\frac{\text{ECPI}_m}{\text{ECPI}_b}\right) + 0.45834 \times \left(\frac{\text{PYX}_m}{\text{PYX}_b}\right) \times \left(\frac{\text{JCPI}_m}{\text{JCPI}_b}\right)$$

SSC = start-up fees applicable to DR, in Php/ kWh, for the current billing period

$$= \frac{s \times [(V_{\text{HFO}} \times \text{Actual HF cost per liter}) + (V_{\text{lube}} \times \text{Actual LO cost per liter})]}{\text{Total Energy}}$$

Where:

G = Summation of Energy generated or dispatched in a particular interval hour due to Non-Firm Contracted Capacity, in kWh.

n = the number of days in the billing month.

Fuel = fuel oil, lube oil and related fuel rates, in Php/kWh.

= The monthly actual cost per liter of fuel oil, lube oil and related fuel shall be calculated based on the "first in, first out" procedure using the data of actual monthly invoices of deliveries, inventories and consumption.

HFR = Heavy fuel oil rate in Php/kWh

LOR = Lube oil rate in Php/kWh

HFCR = Heavy fuel oil consumption rate of 0.23580 liters/kWh or actual, whichever is lower.

LOCR = Lube oil consumption rate of 0.00240 liters/kWh or actual, whichever is lower.

PCPI<sub>m</sub> = Philippine CPI of the current billing month

PCPI<sub>b</sub> = Philippine CPI of 126.4 as of June 2011

UCPI<sub>m</sub> = US CPI of the current billing month  
 UCPI<sub>b</sub> = US CPI of 225.722 as of June 2011  
 ECPI<sub>m</sub> = EURO CPI of the current billing month  
 ECPI<sub>b</sub> = EURO CPI of 96.050 as of June 2011 [2015=100]  
 JCPI<sub>m</sub> = Japan CPI of the current billing month  
 JCPI<sub>b</sub> = Japan CPI of 96.4 as of June 2011 [2015=100]  
 PUX<sub>m</sub> = Peso to US Dollar exchange rate at the end of the current billing month  
 PUX<sub>b</sub> = Peso to US Dollar exchange rate of 44.8210 PHP/USD as of 17 May 2010  
 PEX<sub>m</sub> = Peso to EURO exchange rate at the end of the current billing month  
 PEX<sub>b</sub> = Peso to EURO exchange rate of 55.4032 PHP/EURO as of 17 May 2010  
 PYX<sub>m</sub> = Peso to Yen exchange rate at the end of the current billing month  
 PYX<sub>b</sub> = Peso to Yen exchange rate of 0.4851 PHP/JPY as of 17 May 2010  
 s = total number of start-ups for the current billing month based on customers' dispatch instructions.  
 VHFO = 200 liters per engine per start-up/shutdown cycle.  
 VLube = 10 liters per engine per start-up/shutdown cycle.  
 Total Energy = total energy delivered to all customers of Supplier for the current Billing Period.

Notes:

- a. If the CPI of current billing month is not published and available within two days from the end of the billing period, the most recent available published index shall be used.
- b. If the source of any of the foregoing indices is no longer available or is not been published or available for a prolonged period, the replacement index shall be selected by Service Provider.
- c. If any of the foregoing indices are re-based during the duration of this Agreement, Service Provider has the option to apply a corresponding adjustment to the inflation formula to conform with the rebasing of the subject indices.

A copy of the IESA template is attached herein as **Annex "H"**.

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 Mindanao 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. As the demand for power in

the Mindanao 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.

18. Based on the current levels of available contracted AS in the Mindanao Grid, the CR and DR have not yet met the required levels. The copies of the Mindanao CR Availability and Mindanao DR Availability showing the required and available levels of CR and DR are attached as **Annexes "I" and "I-1"**, respectively.

19. Applicants respectfully submit that the immediate approval of the ASPA and IESA template by this Honorable Commission is a necessity to ensure the 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 "J"** and TMI submits a copy of the Judicial Affidavit of Mr. Benedick Salvador as **Annex "K"**.

### **PRAYER**

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

a) Immediately **ISSUE** a provisional authority to implement the subject ASPA and immediately **ISSUE** a provisional authority to implement the subject IESA template

b) **APPROVE**, after notice and hearing, the subject ASPA and the IESA template.

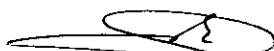
Applicants pray for other just and equitable relief under the premises.

Quezon City and Taguig City for Pasig City, 11 August 2017.

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


NGCP Building, Quezon Avenue corner  
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Tel. No. 981-2100 (Trunk Line)

By:



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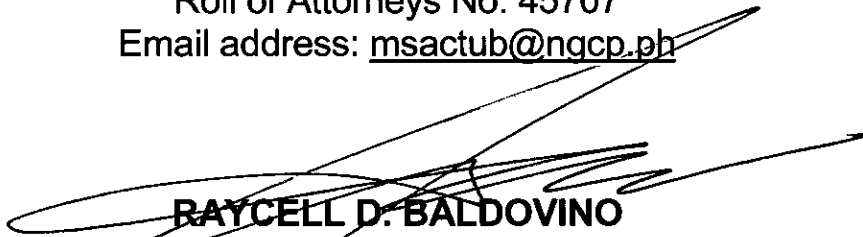
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-and-

**For THERMA MARINE, INC.**

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**PAUL B. SORIÑO**

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MCLE Compliance No. V-0002586 / June 9, 2014  
Roll No. 55895

**LEW CARLO C. LOPEZ**

PTR No. 3245087 / January 12, 2017 / Taguig City  
IBP No. 1063739 / January 12, 2017 / RSM  
MCLE Compliance No. V-0014960 / March 4, 2016  
Roll No. 59128

**MA. MARGARITA S. LIM**

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IBP No. 1063740 / January 12, 2017 / PPLM  
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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**

c/o Office of the President  
7<sup>th</sup> 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:

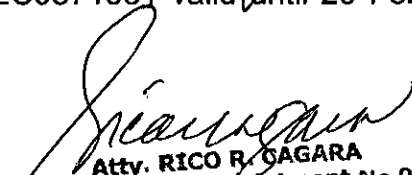
1. I am presently the Head of the Revenue Regulatory Affairs Group of the National Grid Corporation of the Philippines (NGCP);
2. I am duly authorized to sign the Verification and Certification of Non-Forum Shopping in this case for and in behalf of NGCP as evidenced by the Secretary's Certificate hereto 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 11 August 2017, in Quezon City, Philippines.

  
MA. CYNTHIA Y. MANRIQUE  
Affiant

SUBSCRIBED AND SWORN to before me this 11 August 2017, affiant exhibited to me her Philippine Passport No. EC0371531 valid until 20 February 2019 issued by the DFA NCR North East.

Doc. No. 150 ;  
Page No. 31 ;  
Book No. 28 ;  
Series of 2017.

  
Atty. RICO R. GAGARA  
Rotary Public, Appointment No.038  
Commission until 31 December 2017  
PTR No.3803217; 01-03-17; Quezon City;  
IBP Lifetime No.08600; Bulacan  
Roll of Attorney's No.52664  
MCLE Compliance No.V-0005728, 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, **ROLAND U. GAERLAN** of legal age, Filipino and with office address at NAC Tower 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Philippines, after having been duly sworn in accordance with law, hereby depose and state that:

1. I am the duly authorized representative of Therma Marine, Inc., ("TMI") in the above-entitled case and have caused the preparation and filing of this joint Application on the part of TMI. A copy of the Secretary's Certificate authorizing me to sign this Verification and Certification is attached hereto as Annex "A";

2. I have read this joint Application, and, based on my own personal knowledge and on authentic records of TMI, all the allegations contained therein are true and correct;


3. TMI has not commenced any other action or proceeding involving the same issue/s with the Supreme Court, the Court of Appeals or any other tribunal or agency; To the best of my knowledge, no such action or proceeding involving the same issue/s is pending with the Supreme Court, the Court of Appeals or any other tribunal or agency; and, if I should hereafter learn that a similar action or proceeding has been filed or is pending with the Supreme Court, the Court of Appeals or any other tribunal or agency, I undertake to report such fact within five (5) days to this Honorable Commission.

**IN WITNESS WHEREOF**, I have hereunto affixed my signature this AUG 11 2017 August 2017, in Taguig City, Philippines.

  
\_\_\_\_\_  
**ROLAND U. GAERLAN**  
Affiant

**SUBSCRIBED AND SWORN** to before me this AUG 11 2017 day of August 2017 in Taguig City. Affiant exhibited to me his Philippine Passport – EB7388177 valid until 13 February 2018.

Doc. No. 230 ;  
Page No. 07 ;  
Book No. LXV ;  
Series of 2017.

  
**ATTY. MELBANI JEROME E. LARAÑO**  
Notary Public for Taguig, Roll No. 59294  
Commission no. 34, until 31 Dec. 2017  
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IBP No. 1055113 / 01.03.17 / Cavite  
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