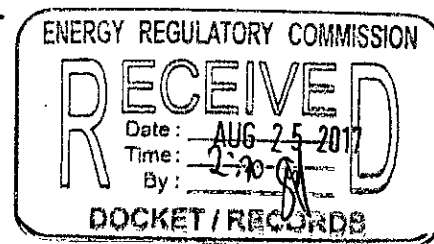


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Ortigas Center
Pasig City



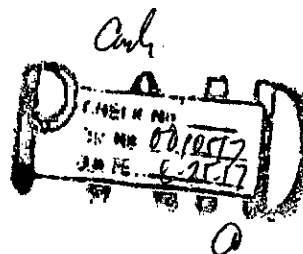
IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE ANCILLARY SERVICES PROCUREMENT AGREEMENT BETWEEN THE NATIONAL GRID CORPORATION OF THE PHILIPPINES AND FIRST GEN HYDRO POWER CORPORATION, WITH PRAYER FOR THE ISSUANCE OF PROVISIONAL AUTHORITY.

ERC COPY

ERC Case No. 2017-077 RC

NATIONAL GRID CORPORATION OF THE PHILIPPINES AND FIRST GEN HYDRO POWER CORPORATION,
Applicants.

X-----X



APPLICATION

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

Applicants **NATIONAL GRID CORPORATION OF THE PHILIPPINES (NGCP)** and **FIRST GEN HYDRO POWER CORPORATION (FGHPC)**, 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 FGHPC, 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 holds a franchise under Republic Act No. 9511¹ 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 FGHPC is a corporation organized and existing under and by virtue of the Philippine laws with principal office address at 6th Floor, Rockwell Business Center Tower 3, Ortigas Avenue, Pasig City, Metro Manila. It may be served with orders, notices, and other legal processes through its undersigned counsel. It is the owner and operator of the Pantabangan Hydroelectric Power Plant (Pantabangan), which was certified and accredited by NGCP as capable of providing Ancillary Services (AS) in the form of: a) Regulating Reserve (RR); b) Contingency Reserve (CR); c) Dispatchable Reserve (DR); d) Reactive Power Service (RPS), and e) Black Start Service (BSS).

3.1. FGHPC, as a generation company, falls within the ambit of Sections 6 of Republic Act No. 9136 or the Electric Power Industry Reform Act of 2001(the “EPIRA”).

3.2 While FGHPC is a co-applicant, it manifests that this joint application shall neither modify, diminish or constitute a waiver of FGHPC’s rights nor expand its obligations and responsibilities as a generation company under the EPIRA.

¹An 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;

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 system².

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 ERC³.

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 FGHPC.

9. Upon receipt of FGHPC's intention to provide ancillary services, NGCP conducted several tests on the

²Section 9 (c) and (d);

³Section 6.3.1.2;

Pantabangan hydro plant and certified that the power plant has met and complied with the Standard Ancillary Services Technical Requirements of the ASPP as capable of providing RR, CR, DR, RPS and BSS. Thus, NGCP issued the following accreditation certificates and attached as:

Accreditation Certificate		Annex
1.	AC No. 2017-L0008 issued on 1 July 2017 for 22MW per unit of RR	A
2.	AC No. 2016-L016 issued on 19 December 2016 for 30MW of CR	A-1
3.	AC No. 2016-L014 issued on 1 December 2016 for 30MW of CR, 60MW/ unit of DR and RPS	A-2
4.	AC No. 2017-L006 issued on 1 December 2016 for BSS	A-3

10. After a series of negotiations, the Applicants executed the ASPA wherein NGCP agreed to procure and FGHPC agreed to supply Ancillary Services in the form of: RR, CR, DR; RPS, and BSS for a period of five (5) years under a non-firm arrangement. A copy of the ASPA dated 10 April 2017, is attached as **Annex "B"**; and a duly executed Letter of Agreement dated August 16, 2017 as an addendum to the ASPA, is attached as **Annex "B-1"** (collective, the **"ASPA"**).

NON-FIRM CONTRACTED CAPACITY RATES AND IMPACTSIMULATION

11. Schedule 4 of the ASPA provides for the formula in the computation of the Ancillary Services Fees as well as the applicable maximum hourly rate for the capacity covered by the ASPA:

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*
Reactive Power Service	Php4.00/kVar-h*
Black Start Service	Php60,000.00 per month*

*(plus Cost of Incidental Energy for dispatched AS on a per occurrence basis, as calculated in Schedule 4 of the ASPA)

12. Applicants submit that the rates represent a reasonable recovery of its opportunity cost in making available generation capacity to provide the procured AS. The rate under the ASPA was subjected to a simulation by NGCP, as follows:

AS Type	Indicative Rate Impact	
	P/kW-month	P/kWh
RR	2.0041	0.0040
CR	13.5280	0.0271
DR	10.0207	0.0201
RPS	0.6101	0.0012
BSS	0.0159	0.000032

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

13. Also, FGHPC agreed to supply Ancillary Services in the following capacities:

Facility and Unit	Type	Capacity
Pantabangan Units 1 and 2	RR	Up to 45MW per unit* (2 units x 45MW)
	CR	Up to 45MW per unit* (2 units x 45MW)
	DR	Up to 60MW per unit* (2 units x 60MW)
	RPS	Based on the Generator Capability Curve
	BSS	Two units as available

*Based on the maximum capacity of 60MW per unit and minimum stable load of 15MW per unit.

The capacities listed above are the maximum for each generating unit, and are subject to the standard testing requirements for Ancillary Services of the System Operator. The basis for Service Provider's nomination and scheduling shall be such capacities confirmed in the relevant Ancillary Services Accreditation Certificate(s).

14. 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

15. 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.

16. The current level of RR, CR, DR, RPS, and BSS in the Luzon Grid have not yet reached the desired levels necessary for system reliability. Thus, Applicants executed this ASPA. A copy of the relevant actual data showing available levels of RR, CR, DR, RPS, and BSS and the capacity contribution of FGHPC in the Luzon Grid is attached as **Annexes "D" to "D-2"**.

17. 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.

18. The importance of RR, CR, DR, RPS and BSS to be provided by FGHPC to ensure and maintain the reliability, adequacy, security, stability and integrity of the Luzon Grid cannot be overemphasized.

19. Applicants submit that the immediate approval of the ASPA by this Honorable Commission is necessary to maintain the reliability, adequacy, security, stability and integrity of the Luzon 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) **ALLOW** NGCP the full recovery of ancillary services cost for the provision of Ancillary Services effective upon execution of the ASPA:

- i) Regulating Reserve (RR);
- ii) Contingency Reserve (CR);
- iii) Dispatchable Reserve (DR);
- iv) Reactive Power Services (RPS), and
- v) Black Start Service (BSS)

c) **APPROVE**, after notice and hearing, the subject ASPA.

Applicants pray for other just and equitable relief.

Quezon City and Pasig City for Pasig City, 18 August 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

PTR No. 3804021 / 01.04.17 / Quezon City
IBP Lifetime No. 010191/RSM
MCLE Compliance No. V-0006616 / 02.24.15
Roll of Attorneys No. 38002
Email address: lubugayong@ngcp.ph


RONALD DYLAN P. CONCEPCION

PTR No. 3804024 / 01.04.17 / Quezon City
IBP Lifetime No. 04995/ RSM
MCLE Compliance No. V-0006639 / 02.24.15
Roll of Attorneys No. 40065
Email address: rpconcepcion@ngcp.ph


MARK ANTHONY S. ACTUB

PTR No. 3804020 / 01.04.17 / Quezon City
MCLE Compliance No. V-0006614 / 02.24.15
IBP Lifetime No. 04514/ Misamis Oriental
Roll of Attorneys No. 45707
Email address: msactub@ngcp.ph


RAYCELL D. BALDOVINO

PTR No. 3803221 / 01.03.17 / Quezon City
MCLE Compliance No. V-0008304 / 06.03.15
IBP Lifetime No. 010195/ RSM
Roll of Attorneys No. 50672
Email address: rdbaldovino@ngcp.ph

**QUIASON MAKALINTAL BAROT
TORRES IBARRA SISON & DAMASO**

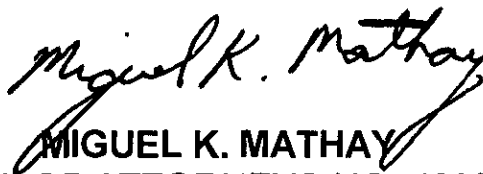
Counsel for the Applicant FGHPC
21st Floor, Robinsons-Equitable Tower
4 ADB Avenue corner Poveda Street
1605 Ortigas Center, Pasig City
Tel. No.: (632) 631-0981

By:



MANUEL L.M. TORRES

ROLL OF ATTORNEYS NO. 25410
MCLE COMPLIANCE NO. V-0013987; 4/14/2019
PTR NO. 2516358; 1/5/2017, PASIG CITY
IBP NO. 1055297; 1/3/2017,
QUEZON CITY



MIGUEL K. MATHAY

ROLL OF ATTORNEYS NO. 43982
MCLE COMPLIANCE NO. V-0016470; 4/14/2019
PTR NO. 2514727; 1/4/2017, PASIG CITY
IBP NO. 1055298; 1/3/2017,
RSM



GIANNA MARIA C. COMSTI

ROLL OF ATTORNEYS NO. 63071
MCLE COMPLIANCE NO. V-0011903; 4/14/2019
PTR NO. 2542648; 1/9/2017, PASIG CITY
IBP NO. 1057006; 1/3/2017,
RSM

6295 17 AUG 24 P4:13

Courtesy Copy:

RECEIVED BY: Joy J...

NATIONAL TRANSMISSION CORPORATION

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

OUP-LEGAL-TRANSCO
AUG 24, 2017 04:14PM

**POWER SECTOR ASSETS AND LIABILITIES
MANAGEMENT CORPORATION**

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

RECEIVED MICHELLE F. PINEDA
Records Officer TransCo-Legal

POWER SECTOR ASSETS AND LIABILITIES
MANAGEMENT CORPORATION
OFFICE OF THE PRESIDENT AND CEO
AUG 24 2017
BY: CAK TIME: 4:18

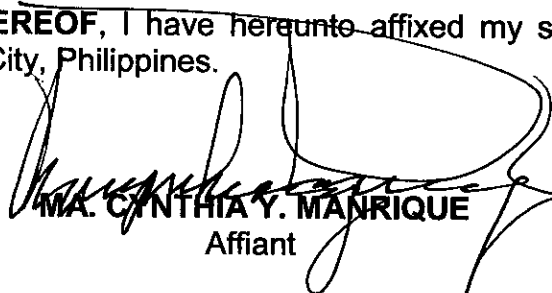
REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S.S.

**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:

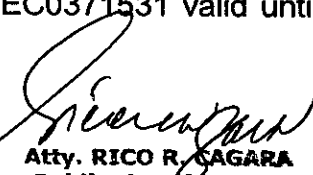
1. I am presently the Head of the Revenue Regulatory Affairs Group of the National Grid Corporation of the Philippines (NGCP);
2. I am duly authorized to sign the Verification and Certification of Non-Forum Shopping in this case for and in behalf of NGCP as evidenced by the Secretary's Certificate hereto 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 18 August 2017, in Quezon City, Philippines.


MA. CYNTHIA Y. MANRIQUE
Affiant

SUBSCRIBED AND SWORN to before me this 18 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. 172 ;
Page No. 36 ;
Book No. 28 ;
Series of 2017.


Atty. RICO R. CAGARA
Notary 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. 53664
MCLE Compliance No. V-0005735, until 4-14-19;
Unit 305, J. Rosa Condominium
44 Matimman St., Teacher's Village East
Bilimán, Quezon City

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


I, **DENNIS P. GONZALES**, of legal age, Filipino, under oath, hereby depose and state: That -

1. I am the Vice President of First Gen Hydro Power Corporation, one of the Applicants in the above-captioned case;
2. I have been duly authorized by First Gen Hydro Power Corporation to cause the preparation of the foregoing Application;
3. I have read the same and all the allegations contained therein are true, correct and of my own knowledge and/or based on authentic records of First Gen Hydro Power Corporation;
4. First Gen Hydro Power Corporation has not commenced any action or proceeding involving the same issues before this Honorable Court, the Court of Appeals or any of its divisions, the Supreme Court or any of its divisions, or any other tribunal or agency, and to the best of my knowledge, no similar action or proceeding involving the same issue/s has been filed or is pending before any other court, tribunal or agency; and should First Gen Hydro Power Corporation thereafter learn that a similar action or proceeding has been filed or is pending before the Supreme Court or any of its divisions, the Court of Appeals or different divisions thereof, or any other tribunal or agency, I undertake to promptly inform this Honorable Commission, as well as such other courts, tribunals or agency, of such fact within five (5) days therefrom.


DENNIS P. GONZALES

SUBSCRIBED AND SWORN to before me this AUG 18 day of 2017 at PASIG CITY , affiant who is personally known to me, exhibiting to me his Passport No. EB9889969, issued December 27, 2013 at DFA NCR South, and valid until December 26, 2018, and his Community Tax Certificate No. 16698321, issued on January 30, 2017, at Pasig City, as competent evidence of his identity.

Doc. No. 25 ;
Page No. 2 ;
Book No. 111 ;
Series of 2017


EARL C. TAGRA
NOTARY PUBLIC
FOR AND IN THE CITY OF PASIG, TAGUIG AND
SAN JUAN AND IN THE MUNICIPALITY OF PATEROS
UNTIL DECEMBER 31, 2017
PTR NO. 2542650; 1/9/2017; PASIG CITY
IBP NO. 1057005; 1/3/2017; RSM
MCLE COMPLIANCE NO. V-0011974; 4/14/19
ROLL NO. 62906 / APPOINTMENT NO. 27 (2016-2017)
21/F Robinsons-Equitable Tower, 4 ADB Ave. CCK, Poveda St.
1701 Pasig, Central Pasig, PH