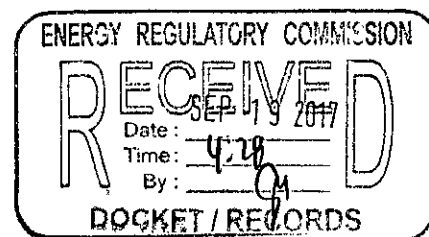


Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, Ortigas Center  
Pasig City



**ERC COPY**

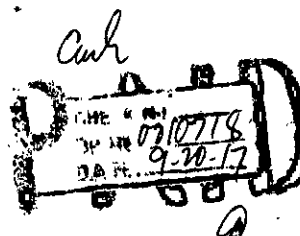
**IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE ANCILLARY SERVICES PROCUREMENT AGREEMENT BETWEEN THE NATIONAL GRID CORPORATION OF THE PHILIPPINES AND PANASIA ENERGY, INC., WITH PRAYER FOR THE ISSUANCE OF PROVISIONAL AUTHORITY.**

**ERC Case No. 2017-013 RC**

**NATIONAL GRID CORPORATION OF THE PHILIPPINES AND PANASIA ENERGY, INC.,**

**Applicants.**

X-----X



## **APPLICATION**

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

Applicants **NATIONAL GRID CORPORATION OF THE PHILIPPINES (NGCP)** and **PANASIA ENERGY, INC., (PANASIA)**, 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 PANASIA, 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. 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 PANASIA is a corporation organized and existing under and by virtue of the Philippine laws with principal office address at 3204B East Tower PSE Centre, Exchange Road Ortigas Center, Pasig City. It may be served with orders, notices, and other legal processes through its undersigned counsel. It is the owner and operator of the 540MW Bataan Combined Cycle Power Plant (BCCPP) in Barangay Luz, Limay, Bataan, which was certified and accredited by NGCP as capable of providing Regulating Reserve (RR), Contingency Reserve (CR), Dispatchable Reserve (DR) and Reactive Power Support (RPS).

## **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 system<sup>2</sup>.

5. Similarly, the PGC provides that NGCP is responsible for determining, acquiring, and dispatching the

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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;

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

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 on different dates published in newspapers of general circulation a Notice of Invitation for Prospective Ancillary Services Providers, inviting all grid-connected merchant plants and independent power producers to participate in the provision of ancillary services. NGCP received several positive responses from generation companies. Upon receipt of the intention from PANASIA to provide ancillary services, NGCP commenced negotiation for the execution of a new ASPA.

9. In view of the need for PANASIA to continue providing ancillary services, the Applicants on 25 August 2017, executed a new ASPA (ASPA 2017). NGCP agreed to procure and PANASIA agreed to supply Ancillary Services in the form of: RR, CR, DR and RPS for a period of five (5) years under firm and non-firm arrangements. A copy of the *Ancillary Services Procurement Agreement between NGCP and PANASIA* dated 25 August 2017 is attached as **Annex “A”**.

10. During the period of negotiation, NGCP conducted several tests on Units GT1, GT2, GT3, GT5, GT6 and GT7 of

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<sup>3</sup> 2007 PGC, Section 6.3.1.2;

Ancillary Service	Applicable Rates (Maximum Hourly Rate)
Regulating Reserve	Php2.25/kW/Hr (Firm)
	Php3.00/kW/Hr (Non-firm)
Contingency Reserve	Php2.00 /kW/Hr (Non-firm)
Dispatchable Reserve	Php1.12 /kW/Hr (Non-firm)
Reactive Power Service	Php4.00/kVar/Hr (Non-firm)

and formula in the computation of the Ancillary Services Fees as well as the Incidental Energy Cost.

13. Applicants submit that the rates represent a reasonable recovery of its opportunity cost in making available generation capacity to provide the procured AS.

AS Type	Indicative Rate Impact	
	P/kW-month	P/kWh
RR	36.4327	0.0735
CR	6.3117	0.0127
DR	5.8167	0.0117
RPS	3.4893	0.0070

A copy of the *Rate Impact Simulation for PANASIA* with a brief discussion on how NGCP derived the proposed ancillary services rates is attached as **Annex "C."**

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.

15. PANASIA submits the copies of the following documents:

Document	Annex
<i>Certificate of Compliance</i>	"D"
<i>Certificate of No Existing Power Supply Agreement</i>	"E"
<i>Articles of Incorporation</i>	"F"
<i>Latest Security Exchange Commission – General Information Sheet</i>	"G"
<i>Latest Audited Financial Statement</i>	"H"
<i>WESM Registration</i>	"I"

## **ALLEGATIONS IN SUPPORT OF THE PRAYER FOR PROVISIONAL AUTHORITY**

16. 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.

17. On 13 December 2012, NGCP and PANASIA filed an application for the approval of its Ancillary Services Procurement Agreement (ASPA 2012) docketed as ERC Case No. 2012-134RC. In the Order dated 18 February 2013, the Honorable Commission issued an Order provisionally approving the Application. Page 8 of the Order provides: *“An initial evaluation of the instant application discloses that the ASPA entered into by and between NGCP and PANASIA will redound to the benefit of the customers in terms of continuous, reliable, efficient and affordable power supply as mandated by the EPIRA [Section 2. Declaration of Policy – (b) “to ensure the quality, reliability, security and affordability of the supply of electric power].”* (Emphasis supplied) The parties implemented the 2012 ASPA on the March 2013 Billing Period.

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 PANASIA to maintain the reliability of the operation of the transmission system and electricity supply in the Luzon Grid.

19. PANASIA must continue to provide ancillary services beyond the 2012 ASPA to maintain the reliability of the power grid. Based on the current levels of available contracted AS in the Luzon Grid, the firm contracted AS have not yet met the required levels. The copy of the *Luzon AS Availability* showing the required and available levels of RR, CR, and DR in the Luzon Grid is attached as **Annex “J”**.

20. 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.

21. The importance of RR, CR, DR, and RPS from PANASIA to ensure and maintain the reliability, adequacy, security, stability and integrity of the Luzon Grid cannot be overemphasized.

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 "K"**.

23. Applicants further submit that if and when the 2017 ASPA is approved by this Honorable Commission, it is hereby understood that it will only take effect, immediately upon expiration of the 2012 ASPA or on the April 2018 Billing Period.

### **PRAYER**

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

a) Immediately **ISSUE** a provisional authority to implement the 2017 ASPA, to take effect upon expiration of the 2012 ASPA or on the April 2018 Billing Period;

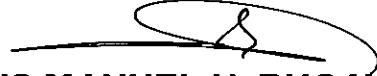
b) **APPROVE**, after notice and hearing, the 2017 ASPA.

Applicants pray for other just and equitable relief.

Quezon City and Pasig City for Pasig City, 6 September 2017.

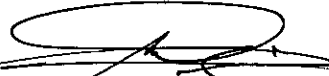
OFFICE OF THE GENERAL COUNSEL  
**NATIONAL GRID CORPORATION OF THE PHILIPPINES**  
NGCP Building, Quezon Avenue corner  
BIR Road, Diliman, Quezon City  
Tel. No. 981-2100 (Trunk Line)

By:



**LUIS MANUEL U. BUGAYONG**

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IBP Lifetime No. 010191/RSM  
MCLE Compliance No. V-0006616 / 02.24.15  
Roll of Attorneys No. 38002  
Email address: [lubugayong@ngcp.ph](mailto:lubugayong@ngcp.ph)



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**MARK ANTHONY S. ACTUB**

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**RAYCELL D. BALDOVINO**

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Email address: [rdbaldovino@ngcp.ph](mailto:rdbaldovino@ngcp.ph)


-AND-

**PANASIA ENERGY, INC.**

**Co-Applicant**

3204-B East Tower, Philippine Stock Exchange Centre,  
Exchange Road, Ortigas Center, Pasig City 1605  
Telephone Numbers 661-6282; 310-5738

By:



**ETHEL U. ODRUNIA**

**Counsel for Panasia Energy, Inc.**

PTR No. 2783805 / 2-17-2017 / Pasig City  
MCLE Compliance No. V-0018749 / 03-22-2016  
IBP Lifetime No. 04272 / 1-8-03 / PPLM  
Roll of Attorneys No. 37816  
Email Address: eodrunia@mei.com.ph

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  
Quezon Avenue corner BIR Road  
Diliman, Quezon City

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OVP-LEGAL, TRANSCO  
*Michelle R. Pineda*  
MICHELLE R. PINEDA  
Records Officer TransCo-Legal

POWER SECTOR ASSETS AND LIABILITIES  
MANAGEMENT CORPORATION  
OFFICE OF THE PRESIDENT AND CEO  
**RECEIVED**  
SEP 19 2017  
BY: *CK* TIME: *10:30*



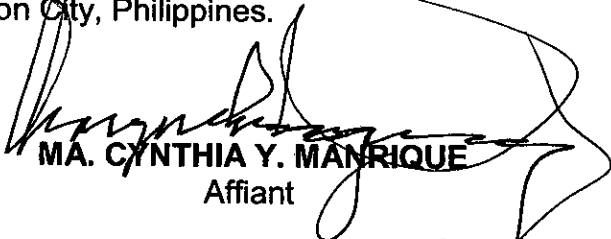
REPUBLIC OF THE PHILIPPINES)  
QUEZON CITY ) S.S.

**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;

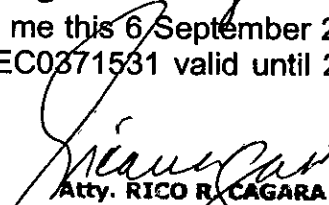
**IN WITNESS WHEREOF**, I have hereunto affixed my signature this 6 September 2017, in Quezon City, Philippines.



**MA. CYNTHIA Y. MANRIQUE**  
Affiant

SUBSCRIBED AND SWORN to before me this 6 September 2017, affiant exhibited to me her Philippine Passport No. EC0371531 valid until 20 February 2019 issued by the DFA NCR North East.

Doc. No. 201 ;  
 Page No. 42 ;  
 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 Matimtiman St., Teacher's Village East  
 Diliman, Quezon City

Republic of the Philippines )  
Pasig City ) S.S.  
MANDALUYONG CITY

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

I, **NOEMI T. MORENO**, Filipino, of legal age, and with office address at 3204-B, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, after having been duly sworn to in accordance with law, hereby depose and say:


1. I am the Officer in Charge and Chief Finance Officer (OIC-CFO) and authorized representative of Panasia Energy Inc. (PANASIA), co-Applicant in the instant Application.
2. Upon the Authority of, and on behalf of PANASIA ENERGY, INC., I have caused and have been authorized to cause, the preparation and filing of the foregoing Application.
3. I have read the contents of the foregoing Application and find the same to be true and correct based on my own personal knowledge and/or based on authentic records made available to me in the ordinary course of business of the Applicant. I likewise attest to the authenticity of the annexes attached thereto.
4. I have been authorized by the Board of Directors of PANASIA to certify that the same Applicant PANASIA ENERGY INC. has not filed any complaint, petition or any other action before any court, tribunal or quasi-judicial body involving the same parties, subject matter or cause of action and to the best of my knowledge, no other action or proceeding is pending in the Supreme Court, the Court of Appeals, or any other court, forum, tribunal, or quasi-judicial body. A copy of the Secretary's Certificate authorizing me to sign this Verification and Certificate of Non-Forum Shopping is attached as Annex 1 and made an integral part hereof.
5. If I ever discover that there is already a pending case or action before any court, tribunal or quasi-judicial body involving the same parties, cause of action, or subject matter, I shall immediately inform this Honorable Commission within five (5) days thereof.

IN WITNESS WHEREOF, I have hereunto set my hand this 6th day of September 2017 in Pasig City.

  
**NOEMI T. MORENO**  
Affiant

SUBSCRIBED AND SWORN to before me this 6th day of September 2017, Affiant exhibiting to me her SSS ID No. 33-4571900-8 bearing her picture to prove her identity.

Doc. No. 237;  
Page No. 48;  
Book No. 187;  
Series of 2017.

  
**ATTY. JOSE B. DULNUAN**  
NOTARY PUBLIC  
FOR THE CITY OF MANDALUYONG  
Until December 31, 2017  
COMMISSION NO. 0458-16  
IBP Lifetime No. 0016085 /Pasig City, 4-27-2017  
PTR NO. 69252527, 1-3-17, Cainta, Rizal  
ROLL NO. 26304  
MCLE COMP. NO. V-0022171, 6-15-16  
VALID UNTIL 04-14-2019  
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Email Add: jbdulnua@gmail.com