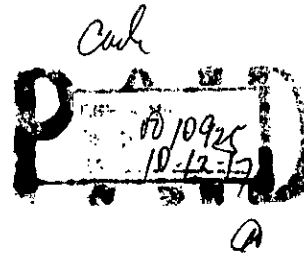
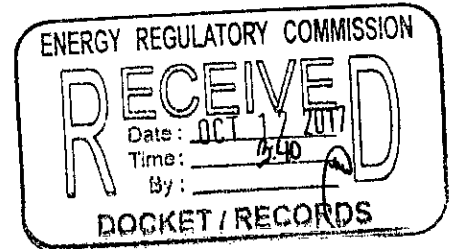


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Ortigas Center
Pasig City

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



ERC Case No. 2017-089 RC

NATIONAL GRID CORPORATION OF THE PHILIPPINES AND CEBU ENERGY DEVELOPMENT CORPORATION,

Applicants.

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ERC COPY

APPLICATION

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

Applicants **NATIONAL GRID CORPORATION OF THE PHILIPPINES (NGCP)** and **CEBU ENERGY DEVELOPMENT CORPORATION, (CEDC)**, 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 CEDC, 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 CEDC is a corporation organized and existing under and by virtue of the Philippine laws with principal office address at Barangay Daanlungsod, Toledo City, Cebu. It may be served with orders, notices, and other legal processes through its undersigned counsel. It is the owner and operator of the 3x82MW CFB Coal-Fired Power Plant (Power Plant) in Barangay Daanlungsod, Toledo City, Cebu which was certified and accredited by NGCP as capable of providing Contingency Reserve (CR).

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.

¹ 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;

² Section 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 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 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 CEDC to provide ancillary services, NGCP commenced negotiation for the execution of an ASPA.

9. NGCP agreed to procure and CEDC agreed to provide Ancillary Services in the form of CR for a period of five (5) years under firm and non-firm arrangements. A copy of the *Ancillary Services Procurement Agreement between NGCP and CEDC* dated 14 September 2017 is attached as **Annex “A”**.

10. During the period of negotiation, NGCP conducted several tests on Units 1, 2 and 3 of CEDC Power Plant, and certified that the units have met and complied with the Standard

³ 2007 PGC, Section 6.3.1.2;

Ancillary Services Technical Requirements of the ASPP as capable of providing Contingency Reserve Service (Manual Mode:U1 = 10.0MW; U2 =10.0MW; U3 = 10.0MW)

Thus, NGCP issued the *Ancillary Services Certification with Accreditation No. 2016-V0011*, attached as **Annex "B"**.

CONTRACTED CAPACITY RATES AND IMPACT SIMULATION

11. Schedule 1 of the ASPA provides for the AS to be provided under the ASPA:

A. Firm Contracted Capacity:

Contingency Reserve (Primary Reserve) at 30MW (0800H – 2400H)

B. Non-Firm Contracted Capacity:

Contingency Reserve (Primary Reserve) up to 10MW per unit (0100-0700H)

The capacities listed above are the maximum that can be offered. However, for clarity, the basis for AS Provider's nomination and scheduling shall be the capacities listed in its valid AS Certificates.

12. Schedule 4 of the ASPA provides for the applicable maximum hourly rate for the capacity covered by the ASPA, as follows:

Firm Contracted Rate:

Contingency Reserve: PhP1.50/kW/Hr

Non-Firm Contracted Rate:

Contingency Reserve: PhP2.25/kW/Hr

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
CR	18.0004	0.0378

A copy of the *Rate Impact Simulation for CEDC* 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 Visayas Grid.

15. CEDC submits the copies of the following documents:

Document	Annex
<i>Certificate of Compliance</i>	"D"
<i>Summary of 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. Based on the current levels of available contracted AS in the Visayas Grid, the contracted AS have not yet met the required levels of the ASPP. A copy of the relevant actual data and its corresponding graphical presentations showing the available CR and the contribution of CEDC in the Visayas Grid, entitled: *Visayas CR Availability* is attached as **Annex "J"**

18. 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 CEDC, especially its firm capacities, are greatly needed.

19. Also, as the demand for power in the Visayas 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.

20. 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. Lizaflor Bacani-Kater*, which is attached 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;

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

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

Quezon City and Makati City for Pasig City, 27 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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RAYCELL D. BALDOVINO

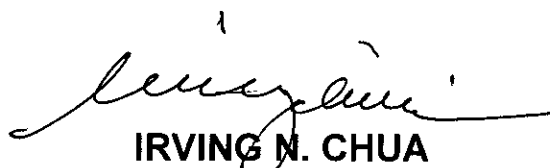
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-and-

COUNSEL FOR APPLICANT
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22/F, GT Tower International
6813 Ayala Avenue corner H.V. de la Costa Street
Makati City
Tel. No. 464 1600; Fax No. 464 1600 Loc. 1147

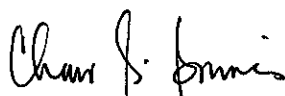
By:

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Courtesy Copy:

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NATIONAL TRANSMISSION CORPORATION

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

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OVP-LEGAL,TRANSCO

NATIONAL TRANSMISSION CORPORATION

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

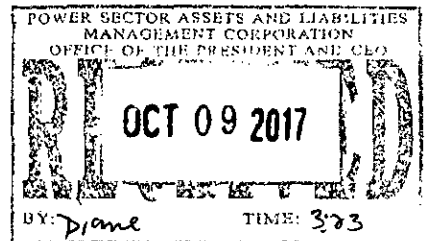
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**POWER SECTOR ASSETS AND LIABILITIES
MANAGEMENT CORPORATION**

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

Michelle F. Pineda
MICHELLE F. PINEDA
Records Officer TransCo-Legal



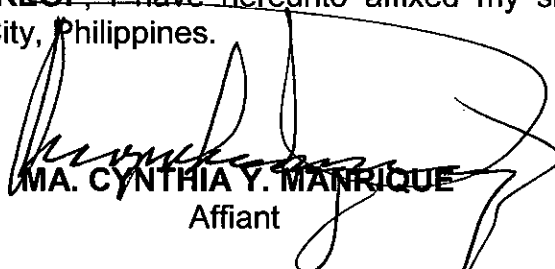
REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S.S.

**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:

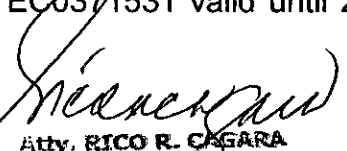
1. I am presently the Head of the Revenue Regulatory Affairs Group of the National Grid Corporation of the Philippines (NGCP);
2. I am duly authorized to sign the Verification and Certification of Non-Forum Shopping in this case for and in behalf of NGCP as evidenced by the Secretary's Certificate hereto 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 3 October 2017, in Quezon City, Philippines.


MA. CYNTHIA Y. MANRIQUE
Affiant

SUBSCRIBED AND SWORN to before me this 3 October 2017, affiant exhibited to me her Philippine Passport No. EC0371531 valid until 20 February 2019 issued by the DFA NCR North East.

Doc. No. 295;
Page No. 60;
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

VERIFICATION AND CERTIFICATION

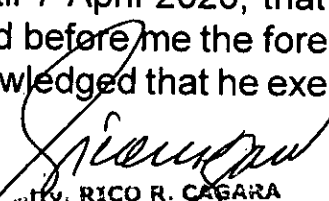
I, **JAIME T. AZURIN**, of legal age, Filipino, and with office address at the 22/F, GT Tower International, 6813 Ayala Avenue corner H.V. de la Costa Street, Makati City, after having been duly sworn to in accordance with law, depose and state that:

1. I am the President of Cebu Energy Development Corporation (CEDC), a co-applicant in the above-captioned case;
2. I caused the preparation and filing of the instant Application;
3. I read the same and all the allegations contained therein are true and correct of my own personal knowledge and belief;
4. I certify that CEDC 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.


JAIME T. AZURIN

SUBSCRIBED AND SWORN to before me this
QUEZON CITY, by JAIME T. AZURIN, with
Community Tax Certificate No.
OCT 03 2017 issued on _____ in
Manila, who has satisfactorily proven to me his identity through
his Passport No. EC3880797 valid until 7 April 2020, that he is
the same person who personally signed before me the foregoing
Verification and Certification and acknowledged that he executed
the same.


Notary Public, Appointment No. 038
Commission until 31 December 2017
PTR No. 3803217; 01-03-17; Quezon City
IBP Lifetime No. 02500; Bulacan
Roll of Attorney's No. 53664
MCLE Compliance No. V-0005735, until 4-14-19
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Dillman, Quezon City

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Book No. 78
Series of 2017