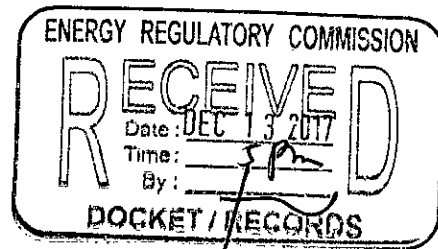


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Ortigas Center
Pasig City

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

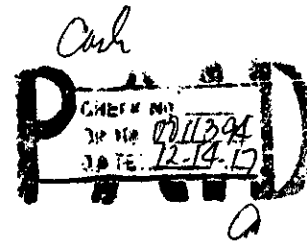
ERC COPY



ERC Case No. 2017-113 RC

NATIONAL GRID
CORPORATION OF THE
PHILIPPINES AND SAN ROQUE
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 **SAN ROQUE POWER
CORPORATION (SRPC)**, 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 SRPC, 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 SRPC is a corporation organized and existing under and by virtue of the laws of the Philippines with principal office address at Barangay San Roque, San Manuel, Pangasinan. It may be served with orders, notices, and other legal processes through its undersigned counsel. It is the owner and operator of the 3x145 MW San Roque Hydro-electric Power Plant in Pangasinan which was certified and accredited by NGCP as capable of providing Contingency Reserve (CR), Regulating Reserve (RR) and Dispatchable Reserve (DR) under Accreditation Certificate No. 2017-L012.

3.1 SRPC is a generation company authorized by the Honorable Commission to operate the San Roque Power Plant under a Certificate of Compliance dated 11 August 2014.

3.2 SRPC had been certified by NGCP as a qualified Ancillary Services provider after undergoing the accreditation process and is a qualified generation company that the System Operator may enter into an ASPA with pursuant to the Ancillary Services Procurement Plan (ASPP) approved by the Honorable Commission through its Order dated 9 March 2006 in ERC Case No. 2002-253.

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;

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.

7.1 Under Section 4.3 of the ASPP, NGCP, in its capacity as the System Operator, may use reasonable endeavors to procure and enter into “Ancillary Services Procurement Agreement” with qualified generation companies to provide sufficient ancillary services to the Grid.

² Section 9 (c) and (d);

³ 2007 PGC, Section 6.3.1.2;

8. Pursuant to its mandate, NGCP invited and negotiated with generation companies capable of providing ancillary services, including SRPC.

9. In December 2012, NGCP and SRPC had entered into an ASPA (the 2012 ASPA) with a term of five years and in January 2013, NGCP and SRPC filed an application docketed as ERC Case No. 2013-009RC before the Honorable Commission for the approval of the 2012 ASPA, which was provisionally approved through an Order dated 4 March 2013.

10. In view of the need for SRPC to continue providing ancillary services from the San Roque Power Plant, the Applicants have executed a new ASPA (the 2017 ASPA) with a term of five years and with the same ASPA rates as the 2012 ASPA. Similar to the 2012 ASPA, NGCP agreed to procure and SRPC agreed to provide, Ancillary Services in the form of CR, RR and DR under firm and non-firm arrangements. A copy of the 2017 ASPA is attached as **Annex "A"**.

11. NGCP had conducted several tests on Units 1, 2 and 3 of the San Roque Power Plant, and certified that the Units met and complied with the Standard Ancillary Services Technical Requirements of the System Operations and are capable of providing Contingency Reserve Service (100 MW/unit under Governor Control Mode), Regulating Reserve Service (100 MW/unit under Governor Control Mode) and Dispatchable Reserve Service (145 MW/unit). A copy of the Ancillary Services Accreditation Certificate with Accreditation No. 2017-L012 issued by NGCP is attached as **Annex "B"**.

CONTRACTED CAPACITY RATES AND IMPACT SIMULATION

12. Under Schedule 1 of the ASPA, the following AS shall be provided to NGCP:

AS Type	Firm Contracted Capacity	Non-firm Contracted Capacity
Contingency Reserve	One unit, 100MW, Peak hours referred to in schedule 2	All available capacity not scheduled under firm arrangement, not more than 100 MW/unit
Regulating Reserve or Contingency	One unit, 75 MW, Peak hours referred to in schedule 2	All available capacity not scheduled under firm arrangement, not more than 100 MW/unit

Reserve		
Dispatchable reserve	N/A	All available capacity not scheduled under firm arrangement, up to 145MW/unit

The capacities contracted under Non-Firm arrangement are the maximum that can be offered by SRPC. However, for clarity, the basis for the AS Provider's nomination and scheduling shall be the capacities listed in its valid AS Certificates.

13. Schedule 4 of the ASPA provides for the formula for the computation of the Ancillary Services Fees and the applicable hourly rates (ASPA Rates) for the firm and non-firm contracted capacity covered by the ASPA, as follows:

Firm Contracted Capacity:

Fixed Fee Hourly Rate

Regulating Reserve: PhP2.25/kW/hr
Contingency Reserve: PhP1.50/kW/hr

Non-Firm Contracted Capacity:

Maximum Hourly Rate

Regulating Reserve: PhP3.00/kW/hr
Contingency Reserve: PhP2.25/kW/hr
Dispatchable Reserve: PhP1.50/kW/hr

14. Applicants submit that the ASPA Rates represent a reasonable recovery of the opportunity cost in making available generation capacity to provide the procured AS.

15. The ASPA Rates were subjected to a simulation by NGCP with the following results:

AS Type	Indicative Rate Impact	
	P/kW-month	P/kWh
CR	18.7568	0.0381
RR	14.6395	0.0297
DR	15.9204	0.0323

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

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 Luzon Grid.

17. SRPC respectfully submits copies of the following documents:

Document	Annex
<i>ERC Certificate of Compliance and Certification on technical specifications</i>	"D" and D-1
<i>Summary of Existing Power Supply Agreement</i>	"E"
<i>Articles of Incorporation of SRPC</i>	"F"
<i>Latest General Information Sheet filed by SRPC with the Securities and Exchange Commission</i>	"G"
<i>Latest Audited Financial Statements of SRPC</i>	"H"
<i>Letters regarding WESM Registration</i>	"I"

ALLEGATIONS IN SUPPORT OF THE PRAYER FOR PROVISIONAL AUTHORITY

18. 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 ASPA before the same could be implemented.

19. SRPC must continue to provide the current contracted ancillary services beyond the term of 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 under the ASPP. A copy of the relevant actual data and its

corresponding graphical presentations showing the required and available levels of AS in the Luzon Grid and the impact of the AS contribution of SRPC to the Luzon Grid entitled: Luzon AS Availability with SRPC Contribution is attached as **Annex “J”**.

20. NGCP must be guaranteed of available AS on a daily basis to ensure reliability of the grid. Thus, it is necessary for the Honorable Commission to approve the procurement by NGCP from SRPC firm capacities to provide AS under the 2017 ASPA.

21. Also, as the demand for power in 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.

22. Applicants respectfully submit that the immediate approval of the ASPA by the 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:

a) Immediately **ISSUE** a provisional authority to implement the 2017 ASPA, to take effect upon expiration of the 2012 ASPA;

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

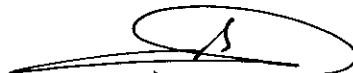
Applicants pray for other just and equitable relief under the premises.

Quezon City and Makati City for Pasig City, 5 December 2017.

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

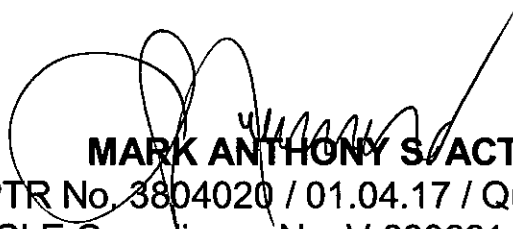
NGCP Building, Quezon Avenue corner
BIR Road, Diliman, Quezon City
Tel. No. 981-2100 (Trunk Line)

By:



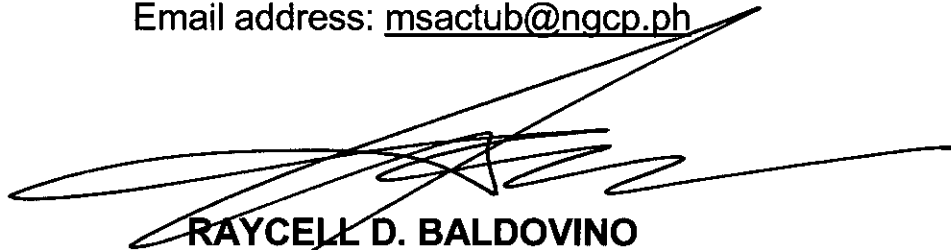
LUIS MANUEL U. BUGAYONG

PTR No. 3804021 / 01.04.17 / Quezon City
IBP Lifetime No. 010191/RSM
MCLE Compliance No. V-0006616 / 02.24.15
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RAYCELL D. BALDOVINO

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Barangay San Roque, San Manuel, Pangasinan
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6766 Ayala Avenue, Makati City
Tel. No. 886-5300; Fax No. 886-5310

By:

Minerva Chua

MINERVA Y. CHUA

IBP Lifetime Membership No. 03539 / Makati City
PTR No. 5966663 / 09 February 2017 / Makati City
Roll of Attorneys No. 36619
MCLE Compliance No. V - 0019938/ 06 April 2016
Email address: mychua@myclawoffice.com

Courtesy Copy:

NATIONAL TRANSMISSION CORPORATION
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Power Center
Quezon Avenue corner BIR Road
Diliman, Quezon City

NATIONAL TRANSMISSION CORPORATION
Office of the General Counsel
Power Center
Quezon Avenue corner BIR Road
Diliman, Quezon City

POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION
Office of the President
3rd Floor Power Center
Quezon Avenue corner BIR Road
Diliman, Quezon City

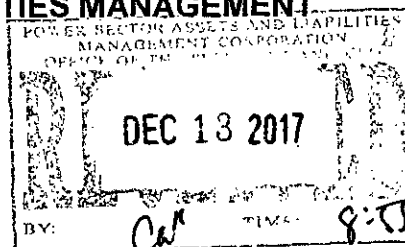
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*Joy
Ortiz*

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DEC 13, 2017 08:45AM



RECEIVED
Michelle E. Pineda
Michelle E. 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 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 5 December 2017, in Quezon City, Philippines.


MA. CYNTHIA Y. MANRIQUE
Affiant

SUBSCRIBED AND SWORN to before me this 5 December 2017, in Quezon City, affiant exhibited to me her Philippine Passport No. EC0371531 valid until 20 February 2019 issued by the DFA NCR North East.

Doc. No. 21 :
Page No. 06 :
Book No. 29 :
Series of 2017.


Atty. RICO R. BAGARA
Notary Public, Appointment No. 038
Commission until 23 December 2017
PTR No. 3803217; 01-03-17; Quezon City
IBP Lifetime No. 00360; Bulacan
Roll of Attorney's No. 53564
MCLE Compliance No. V-0005735, until 4-14-19
Unit 305, J. Rosa Condominium
44 Matimtiman St., Teacher's Village East
Diliman, Quezon City

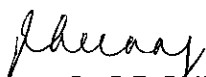
**VERIFICATION AND
CERTIFICATION AGAINST FORUM SHOPPING**

I, Rheena Liza D. De Guzman, of legal age, Filipino, and with office address at the 36/F Tower 1, The Enterprise Centre, Ayala Avenue corner Paseo de Roxas Street, Makati City, after being duly sworn in accordance with law, hereby depose and state:

1. I am San Roque Power Corporation's ("SRPC's") Vice President, with full power and authority to cause the preparation and filing of the foregoing Application with the Energy Regulatory Commission, and to execute this Verification and Certification against Forum Shopping, as evidenced by the Secretary's Certificate attached hereto.
2. Pursuant to the authority granted to me, I caused the preparation and filing of the foregoing Application with the Energy Regulatory Commission. I have read the Application and the allegations therein are true and correct based on my personal knowledge and/or based on authentic documents.
3. I certify that neither SRPC nor I have commenced any action and/or proceeding or filed any claim involving the same issues raised in the Application before the Supreme Court, the Court of Appeals or in any other court, tribunal or quasi-judicial agency, and to the best of my knowledge, no such other action, proceeding or claim is pending therein.

If SRPC or I should hereafter learn that the same or a similar action, proceeding or claim has been filed or is pending before any other court, tribunal, or quasi-judicial agency, I shall report such fact to the Energy Regulatory Commission within five (5) days therefrom.

December 5, 2017, in Makati, Metro Manila.


RHEENA LIZA D. DE GUZMAN

REPUBLIC OF THE PHILIPPINES)
MAKATI) S.S.

Before me, a notary public in and for the city named above, personally appeared:

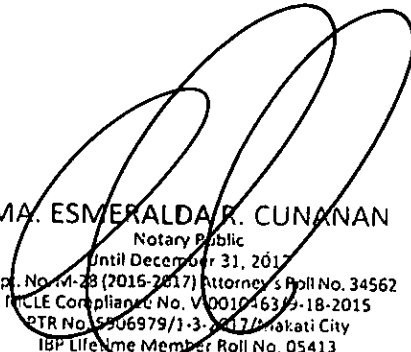
Name	Passport No.	Date and Place of Issue
RHEENA LIZA D. DE GUZMAN	EC5058128	August 18, 2015; DFA NCR Northeast (valid until August 17, 2020)

who was identified by me through competent evidence of identity to be the same person who presented the foregoing instrument, signed it before me, and who took an oath before me as to such instrument.

DEC 05 2017

Witness my hand and seal this December _____, 2017.

Doc. No. 316 ;
Page No. 65 ;
Book No. 214 ;
Series of 2017.


MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2017
App. No. M-28 (2015-2017) Attorney's Roll No. 34562
MCLE Compliance No. V001046315-18-2015
PTR No. 5906979/1-3-2017/Makati City
IBP Lifetime Member Roll No. 05413
Ground Level, Dela Rosa Carpark I
Dela Rosa St. Legaspi Village,
Makati City