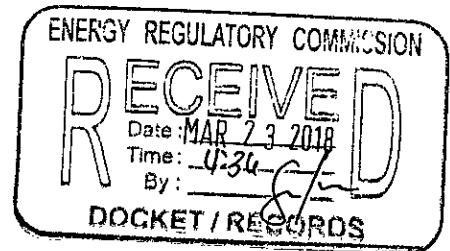


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Ortigas Center
Pasig City

IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE ANCILLARY SERVICES PROCUREMENT AGREEMENT BETWEEN THE NATIONAL GRID CORPORATION OF THE PHILIPPINES AND PHINMA POWER GENERATION CORPORATION (BULACAN PLANT) WITH PRAYER FOR THE ISSUANCE OF PROVISIONAL AUTHORITY.

ERC COPY

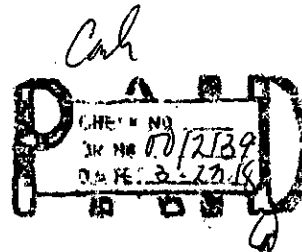


ERC Case No. 2018-0/7RC

NATIONAL GRID CORPORATION OF THE PHILIPPINES AND PHINMA POWER GENERATION CORPORATION,

Applicants.

X-----X



APPLICATION

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

Applicants **NATIONAL GRID CORPORATION OF THE PHILIPPINES** (NGCP) and **PHINMA POWER GENERATION CORPORATION** (PHINMA Power), 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 PHINMA Power, pursuant to the Decision dated 3 October

ERC

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 PHINMA Power is a corporation organized and existing under and by virtue of the Philippine laws with principal office address at Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City. It may be served with orders, notices, and other legal processes through its undersigned counsels. It is the owner of the 52-MW diesel power generating facility in Matictic, Norzagaray, Bulacan (the "Bulacan Plant") which was certified by NGCP as capable of providing Dispatchable Reserve (DR).

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.

9. On 21 December 2012, NGCP and PHINMA Power (formerly known as Trans-Asia Power Generation Corporation (“TA-Power”)) filed an application for the approval of its Ancillary Services Procurement Agreement (ASPA 2012) docketed as ERC Case No. 2012-135RC. Upon receipt of the intention from PHINMA Power to continue providing ancillary services, NGCP commenced negotiation for the execution of a new ASPA.

10. In view of the need for PHINMA Power (Trans Asia Power Generation Corporation) to continue providing ancillary services, the Applicants on 23 December 2017, executed a new ASPA (ASPA 2017). NGCP agreed to procure and PHINMA

³ 2007 PGC, Section 6.3.1.2;

Power agreed to supply Ancillary Services in the form of: Dispatchable Reserve (DR) for five (5) years under a non-firm arrangement for up to 52MW. A copy of the *Ancillary Services Procurement Agreement between NGCP and PHINMA* dated 23 December 2017 is attached as **Annex “A”**.

11. During the period of negotiation, NGCP conducted several tests, and certified that the power plant has met and complied with the Standard Ancillary Services Technical Requirements of the ASPP as capable of providing the Dispatchable Reserve Service.

Thus, NGCP issued the *Accreditation Certificate No. 2017-L002*, attached as **Annex “B”**, and its renewal, *Accreditation Certificate No. L2018-L005* attached as **Annex “B-1”**.

12. At present, the Bulacan Plant does not have any power supply agreement with any customer.

CONTRACTED CAPACITY RATES AND IMPACT SIMULATION

13. Schedule 1 of the ASPA provides for the types of AS that can be nominated by PHINMA Power, as follows:

Non-Firm Contracted Capacity

Dispatchable Reserve (Tertiary Reserve)

Up to 52MW

The capacity listed above is the maximum offer. However, for clarity, the basis for AS Provider’s nomination and scheduling shall be the capacity listed in its valid AS Certificate.

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

Ancillary Service	Applicable Rates (Maximum Hourly Rate)
Dispatchable Reserve	Php1.25/kW/Hr (Non-firm)

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

15. 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
DR	1.9795	0.0039

A copy of the *Rate Impact Simulation for PHINMA Power* 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. PHINMA Energy submits the copies of the following documents:

Document	Annex
<i>Certificate of Compliance</i>	"D"
<i>Certification 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

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 contract before the same could be implemented.

19. On 21 December 2012, NGCP and PHINMA Power (formerly known as Trans-Asia Power Generation Corporation ("TA-Power")) filed an application for the approval of its Ancillary Services Procurement Agreement (ASPA 2012) docketed as ERC Case No. 2012-135RC. In the Order dated 25 February 2013, the Honorable Commission issued an Order provisionally approving the Application. Page 9 of the Order provides: "*An initial evaluation of the instant application discloses that the ASPA entered into by and between NGCP and TA-POWER 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 July 2013 Billing Period.

20. As mentioned above, the Honorable Commission has already declared that there is a necessity for NGCP to procure the contracted ancillary services capacity of PHINMA Power to maintain the reliability of the operation of the transmission system and electricity supply in the Luzon Grid.

21. PHINMA Power 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 ancillary services in the Luzon Grid is attached as **Annex "J"**.

22. 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.

23. The importance of DR, from PHINMA Power to ensure and maintain the reliability, adequacy, security, stability and integrity of the Luzon Grid cannot be overemphasized.

24. 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"**.

25. 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 July 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 July 2018 Billing Period;

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

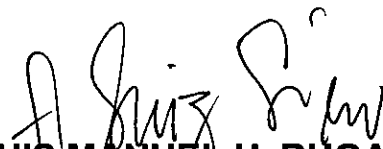
Applicants pray for other just and equitable relief.

Quezon City and Makati City for Pasig City, 15 March, 2018.

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. 5521013 / 01.03.18 / 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

MARK ANTHONY S. ACTUB

PTR No. 5521006 / 01.03.18 / 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. 5521008 / 01.03.18 / 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

-AND-

PHINMA POWER GENERATION CORPORATION

Co-Applicant

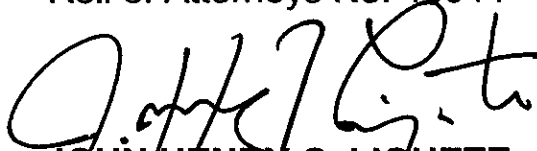
Level 3, PHINMA Plaza, 39 Plaza Drive,
Rockwell Center, Makati City
Telephone Numbers 870-0100

By:



ALAN T. ASCALON

PTR No. 6619937 / 01-09-2018 / Makati City
MCLE Compliance No.V-0024676 / 01-10-2017
IBP No. 023398 / 01-09-18 / Iloilo City
Roll of Attorneys No. 46044



JOHN HENRY C. LIQUETE

PTR No. 6619938 / 01-09-2018 / Makati City
MCLE Compliance No.V-0012606 / 12-03-2015
IBP No. 023399 / 01-09-18 / RSM
Roll of Attorneys No. 58040

Courtesy Copy:

NATIONAL TRANSMISSION CORPORATION

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

MARY JOY D. GOMEZ
CORP STAFF ANALYST

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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MAR 22, 2018 02:48PM

POWER SECTOR ASSETS AND LIABILITIES
MANAGEMENT CORPORATION
OFFICE OF THE PRESIDENT
MICHELLE E. PINEDA
RECORDS OFFICER, OVP-LRLMSG
MAR 22 2018
BY: *cat* 7:57

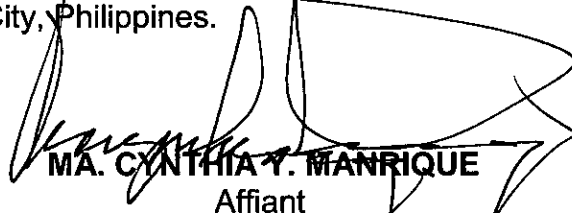
REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S.S.

**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:

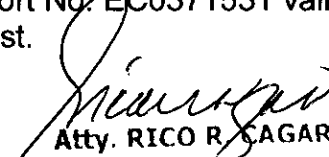
1. I am presently the Head of the Revenue Regulatory Affairs Group of the National Grid Corporation of the Philippines (NGCP);
2. I am duly authorized to sign the Verification and Certification of Non-Forum Shopping in this case for and in behalf of NGCP as evidenced by the Secretary's Certificate hereto 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 15 March 2018, in Quezon City, Philippines.


MA. CYNTHIA Y. MANRIQUE
Affiant

SUBSCRIBED AND SWORN to before me this 15 March 2018, 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. 262;
Page No. 54;
Book No. 29;
Series of 2018.


Atty. RICO R. SAGARA
Notary Public, Appointment No. 077
Commission until 31 December 2019
PTR No. 5521004; 01-03-18; Quezon City
IBP License No. 08600; Bulacan
Roll of Attorney's No. 53664
MCLE Compliance No. V-0005735, until 4-14-19
Unit 305, J. Icosa Condominium
44 Matimtiman St., Teacher's Village East
Diliman, Quezon City

SECRETARY’S CERTIFICATE

I, **ALAN T. ASCALON**, of legal age, Filipino citizen, with office address at Level 3 PHINMA Plaza, 39 Plaza Drive Rockwell Center, Makati City, being the duly elected and incumbent Corporate Secretary of PHINMA Power Generation Corporation (the “Corporation”), a corporation duly organized and existing under the laws of the Philippines, hereby certify under oath that at its meeting held on **November 14, 2017**, at which meeting a quorum was present and voting throughout, the Board of Directors of the Corporation approved and adopted the following resolutions:

“**RESOLVED**, that the Corporation be and is hereby authorized to enter into an Ancillary Services Procurement Agreement (ASPA) with the National Grid Corporation of the Philippines (NGCP), under such terms and conditions as the President and Chief Executive Officer, Francisco L. Viray, the Executive Vice-President and Chief Operating Officer, Mr. Rizalino G. Santos, or the Vice-President for Legal and Corporate Secretary, Atty. Alan T. Ascalon, may deem to be in the best interest of the Corporation.

RESOLVED, that the as the President and Chief Executive Officer, Francisco L. Viray, the Executive Vice-President and Chief Operating Officer, Mr. Rizalino G. Santos, the Vice-President for Legal and Corporate Secretary, Atty. Alan T. Ascalon, or any of them be and are hereby authorized to negotiate, sign, execute and deliver the aforementioned Agreement, and such other documents that may be necessary to give effect to the foregoing authority.

RESOLVED, that the Corporation be and is hereby authorized to file the necessary Application for the approval of the ASPA with the Energy Regulatory Commission (ERC);

RESOLVED, that the President and Chief Executive Officer, Francisco L. Viray, the Executive Vice-President and Chief Operating Officer, Mr. Rizalino G. Santos, the Vice-President for Legal and Corporate Secretary, Atty. Alan T. Ascalon, or either of them be authorized to file the said Application in behalf of the Corporation, to sign the Verification and Certificate of Non-Forum Shopping, and any and all documents and papers in relation to the foregoing, and to do all acts in relation to the foregoing.

RESOLVED FURTHER, that the Corporation hereby authorizes Attys. Alan T. Ascalon, John Henry C. Liqueste, Jordan Mae T. Chua or any of the Corporation’s true and lawful attorneys-in-fact, to personally appear for it and in its name, place and stead, be authorized to represent the Corporation, sign and execute such pleadings, attend or appear on all hearings, conference and proceedings and perform such other acts in furtherance of the foregoing authority until final resolution of the matter.”


FEB 22 2018

IN WITNESS WHEREOF, this certification has been made this _____ day of February 2018 in Makati City.


ALAN T. ASCALON
Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____ day of **FEB 22 2018** City of Makati, affiant exhibited to me his Drivers’ License No. F03-97-107980 valid until November 6, 2022.

Doc. No. 485 ;
Page No. 98 ;
Book No. 15 ;
Series of 2018.


JOEL S. ILANILLO
COMMISSION NO. M-149
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2018
12/F THE PHINMA PLAZA, 39 PLAZA DRIVE
ROCKWELL CENTER, MAKATI CITY
ROLL NO. 53693
PTR NO. 6618385 ; 1/10/2018; MAKATI CITY
IBP NO. 974819; 9/15/14 LIFETIME; BULA CAN CHAPT-P
MCLE Compliance No. V-0912019; 12/9/19