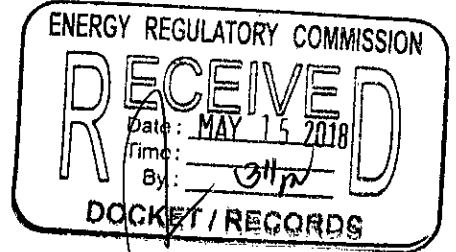


ERC COPY

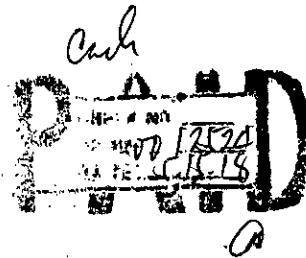
Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Ortigas Center
Pasig City

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



ERC Case No. 2018-043RC

NATIONAL GRID CORPORATION OF THE PHILIPPINES AND PALM CONCEPCION 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 **PALM CONCEPCION POWER CORPORATION, (PCPC)**, 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 PCPC, 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

ERC,

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 PCPC is a corporation organized and existing under and by virtue of the Philippine laws with principal office address at 3rd Floor Joy Nostalg Center, ADB Ave., 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 135MW Concepcion Coal Fired Power Plant in Barangay Nipa, Concepcion, Iloilo (the 'PCPC Power Plant') 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. Upon receipt of PCPC’s intention to provide ancillary services, NGCP commenced negotiation for the execution of an ASPA.

9. In view of the need for NGCP to procure ancillary services from PCPC, the Applicants on 23 December 2017, executed the ASPA. NGCP agreed to procure and PCPC agreed to supply Ancillary Services in the form of CR for a period of two (2) years under firm and non-firm arrangements. A copy of the ASPA between NGCP and PCPC dated 23 December 2017 is attached as **Annex “A”** and Addendum to the ASPA dated 07 February 2018, a copy of which is attached hereto as **Annex “A-1”**.

³ 2007 PGC, Section 6.3.1.2;

10. During the period of negotiation, NGCP conducted several tests on Unit 1 of the PCPC Power 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 15MW of CR under Manual Mode. Thus, NGCP issued the *Accreditation Certificate with Accreditation No. 2018-V0033 issued 15 January 2018*, attached as Annex "B".

CONTRACTED CAPACITY RATES AND IMPACT SIMULATION

11. Schedule 1 of the ASPA provides for the types of AS that can be nominated by PCPC, as follows:

Schedule 1: Ancillary Services to be provided under this Agreement

a. Firm Contracted Capacity

1. Contingency Reserve – 15 MW, 8 hours 1600H to 2300H, while transmission line limitation/congestion exists along the 138kV Cebu-Negros-Panay; or upon the determination of System Operations, on a day-ahead basis, on the need for Firm Capacity to ensure grid security and stability

b. Non-Firm Contracted Capacity: All available capacity not scheduled under firm arrangement

1. Contingency Reserve - up to 15 MW

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

12. This Schedule 1 of the ASPA was clarified in the Addendum as follows:

In Schedule 1 of the ASPA, it is stated that the Firm Contracted Capacity for Contingency Reserve is 15MW, for eight (8) hours – from 1600H to 2300H, while transmission line limitation/congestion exists along the 138 kV Cebu-Negros-Panay; or upon the determination of System Operations, on a day-ahead basis, on the need for Firm Capacity to ensure grid security and stability.

This is to clarify that the Non-firm Contracted Capacity for Contingency Reserve shall be the available capacity, up to 15MW, for the hours that the Firm Capacity is not scheduled.

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

Schedule 4: Applicable Rates

Firm Contracted Capacity:

Contingency Reserve: Php1.50/kW/Hr

Non-Firm Contracted Capacity:

Contingency Reserve: Php2.25/kW/Hr

Incidental Energy Cost

Cost of Incidental Energy ("IE") shall be computed using the formula below:

$$IE = G \times (AR + VOM + \text{Fuel Costs}) - REV_{WESM}$$

Note that IE shall be paid if it is greater than zero, and REV_{WESM} is positive. If REV_{WESM} is negative due to negative bids in the market, then REV_{WESM} shall be considered ZERO in the computation of IE.

Where:

G = Summation of energy generated or dispatched due to Firm and Non-Firm Contracted Capacity, in kWh

AR = Applicable Rate per AS type

VOM = Variable O&M

$$= (\text{O\&M Fees}) \times (0.1426/0.75) \quad (\text{see Total O\&M details in Schedule 4.a})$$

Fuel Costs = Actual Fuel Cost for the Billing Month (see details in Schedule 4.a)

REV_{WESM} = Summation of WESM revenue based on Final Ex-post market clearing price of the AS Provider's trading Node arising from G above.

Schedule 4.a:

$$\text{O\&M Fees} = \left(PhPO\&M \times \frac{PhCPI_t}{PhCPI_b} \right) + \left(USDO\&M \times \frac{USCPI_t}{USCPI_b} \times \text{Forex} \right)$$

PhPO&M = Peso-based O&M Fee = Php 0.375/kWh

PhCPI_t = Philippine CPI for the current month for all items as published by the NSO

PhCPI_b = Base Philippine CPI = 131.5 (August 2012)

USDO&M = U.S. Dollar-based O&M Fee = USD 0.0090/kWh

USCPI_t = U.S. CPI for the current month for all items as published by the U.S. Bureau of Labor Statistics (USBLS)

USCPI_b = Base U.S. CPI = 230.379 (August 2012)

Forex = Reference exchange rate (in PhP per US\$) on the meter reading date, as published by the Bangko Sentral ng Pilipinas (BSP), www.bsp.gov.ph

$$\text{Fuel Cost} = \left[\frac{\text{Current Fuel Cost} + \text{Transport Cost}}{1,000} + \text{Import Duties, Fees \& Taxes} \right] \left[\text{Consumption Rate} \right]$$

$$\text{Current Fuel Cost} = \text{New C Price Index} \times \left[\frac{5400 \text{ kcal/kg GAD}}{6700 \text{ kcal/kg GAD}} \right] \times (100\% - 17\% \text{ discount rate})$$

Where:

Forex = Reference exchange rate (in PhP per US\$) on the meter reading date, as published by the Bangko Sentral ng Pilipinas (BSP), www.bsp.gov.ph

New C Price = Running average of the preceding three-month weekly reference price for thermal coals delivered on an FOB basis at Newcastle port for 6700kcal/kg ADB as per the Global Coal New Castle Physical Trading as published in www.globalcoal.com provided that if the said index becomes irrelevant in accordance with Article 4 of the Coal Supply Agreement of PROVIDER, PROVIDER may agree on a new index with its coal supplier or source coal from the spot market in order to secure the continued supply of coal for the supply of electricity to NGCP from the Power Plant under this Agreement. PROVIDER shall be allowed to use such new index or spot price as the basis of the coal costs under this Agreement. Should such occur, PROVIDER shall inform NGCP of such changes in the basis of the Coal Costs.

Transport Cost = Actual Transport Price per MT unit

Consumption Rate = Actual consumption rate or the ceiling of 0.647kg/kWh whichever is lower escalated at a rate of 1.5% per year

Service Provider shall submit the necessary documents detailing the actual fuel costs (e.g. invoice and official receipts) along with the bill.

Failure to submit the necessary documents within the next billing period after the relevant billing period will forfeit the payment to Service Provider for IE. (e.g. For fuel costs in January, documents must be submitted by March, at the latest. Otherwise, IE for January will no longer be paid.) As such, NGCP will no longer pay for the IE as it is assumed that the Service Provider has recovered all its IE Costs from the WESM revenue. NGCP shall only pay for the Applicable Rate for the undispached scheduled capacities, and shall not be obligated to pay for the IE.

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

14. Applicants submit that the rates represent a reasonable recovery of PCPC's opportunity cost in making available generation capacity to provide the procured AS.

AS type	Indicative Rate Impact	
	P/kWh-month	P/kWh
CR	11.8310	0.0232

A copy of the *Rate Impact Simulation for PCPC* dated 10 January 2018, with a brief discussion on how NGCP derived the proposed ancillary services rates is attached as **Annex "C."**

15. 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.

16. PCPC submits the copies of the following documents relevant in the evaluation of this Application:

Document	Annex
<i>Certificate of Compliance</i>	"D"
<i>Certification of Existing Power Supply Agreements</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

17. 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.

18. PCPC must be authorized to provide ancillary services at the soonest time to support in the reliability of the power grid. Based on the current levels of available contracted AS in the Visayas Grid, the firm contracted AS have not yet met the required levels. The copy of the *Visayas CR Requirement* showing the required and available level of CR in the Visayas Grid is attached as **Annex "J"**.

19. 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. The importance of procuring CR from PCPC to ensure and maintain the reliability, adequacy, security, stability and integrity of the Visayas Grid cannot be overemphasized.

21. 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"**.

22. Applicants further submit that the ASPA will only become effective and the term agreed therein commence once it is approved by this Honorable Commission.

PRAYER

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

a) Immediately **ISSUE** a provisional authority to implement the ASPA between NGCP and PCPC;

b) **APPROVE**, after notice and hearing, the ASPA between NGCP and PCPC.

Applicants pray for other just and equitable relief.

Quezon City and Pasig City for Pasig City, 18 April 2018.

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

By:



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-AND-

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MCLE Compliance No. V-0008471
ferdi97a@yahoo.com

Courtesy Copy:

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c/o Office of the President
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Diliman, Quezon City

Mary Joy D. Gomez
MARY JOY D. GOMEZ
LAMP STAFF ANALYST

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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

9462 18 MAY 10 10:01 AM
RECEIVED BY... Belle

OVP-LEGAL-TRANSCO
MAY 10, 2018 10:01AM
RECEIVED BY... Belle

POWER SECTOR ASSETS AND LIABILITIES
MANAGEMENT CORPORATION
OFFICE OF THE PRESIDENT
QUEZON AVENUE CORNER BIR ROAD
DILIMAN, QUEZON CITY
MAY 10 2018
BY: *Carla* TIME: 10:07

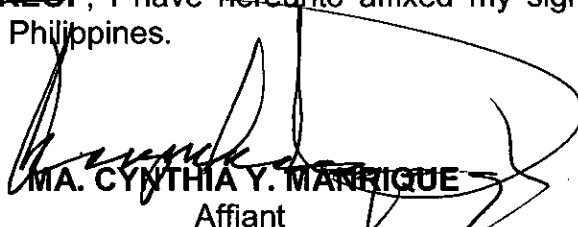
REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S.S.

**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:

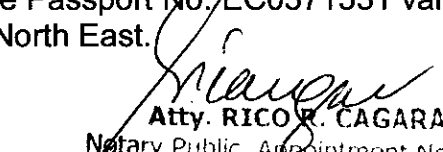
1. I am presently the Head of the Revenue Regulatory Affairs Group of the National Grid Corporation of the Philippines (NGCP);
2. I am duly authorized to sign the Verification and Certification of Non-Forum Shopping in this case for and in behalf of NGCP as evidenced by the Secretary's Certificate hereto 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 18 April 2018, in Quezon City, Philippines.


MA. CYNTHIA Y. MANRIQUE
Affiant

SUBSCRIBED AND SWORN to before me this 18 April 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. 343 :
Page No. 30 :
Book No. 29 :
Series of 2018.


Atty. RICO R. CAGARA
Notary Public, Appointment No. 077
Commission until 31 December 2019
PTR No. 5521004; 01-03-18, Quezon City
IBP Lifetime No. 08560; P.I. J. J. J.
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

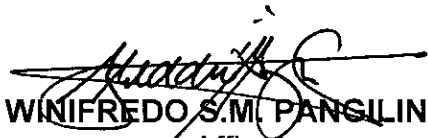
REPUBLIC OF THE PHILIPPINES)
PASIG CITY)S.S.

VERIFICATION AND CERTIFICATION OF NON-FORUM SHOPPING

I, **WINIFREDO S.M. PANGILINAN**, Filipino, of legal age, with office address at 3rd Floor, Joy-Nostalg Center, ADB Ave., Ortigas Center, Pasig City, after having been duly sworn to in accordance with law, hereby depose and say that:

1. I am currently the Chief Operating Officer of Palm Concepcion Power Corporation (PCPC) and I am in charge of the 135MW PCPC Coal Fired Power Plant in Concepcion, Iloilo;
2. I have caused the preparation of the foregoing **"APPLICATION FOR APPROVAL OF THE ANCILLARY SERVICES PROCUREMENT AGREEMENT BETWEEN THE NATIONAL GRID CORPORATION OF THE PHILIPPINES AND PALM CONCEPCION POWER CORP., WITH PRAYER FOR THE ISSUANCE OF PROVISIONAL AUTHORITY"** and I have read it. I attest that the allegations therein are true and correct of my personal knowledge and based on authentic records;
3. I further attest that PCPC 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
4. 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;
5. I am duly authorized to sign the Verification and Certification of Non-Forum Shopping in this case for and in behalf of PCPC as evidenced by the Secretary's Certificate hereto attached as **Annex "A-Verification"**,

IN WITNESS WHEREOF, I have hereunto affixed my signature this **APR 18 2018**, in Pasig City, Philippines.


WINIFREDO S.M. PANGILINAN
Affiant

SUBSCRIBED AND SWORN TO BEFORE ME this **APR 18 2018**, affiant exhibited to me his Philippine Passport with No. EC2160384 valid until 21 Sept. 2019.

Doc. No. 66 :
Page No. 14 :
Book No. 09 :
Series of 2018.

GAUDENCIO D. BARBOZA, JR.
NOTARY PUBLIC
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In the Municipality of Pateros, Metro Manila
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ROLL No. 41889
MCLE Certificate No. 14021481 / May 02, 2016
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Appointment No. 26