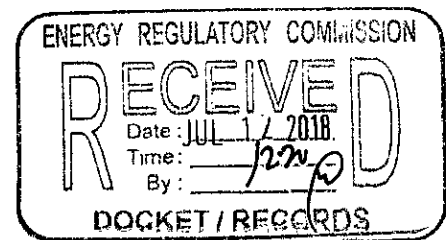


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Ortigas Center
Pasig City

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

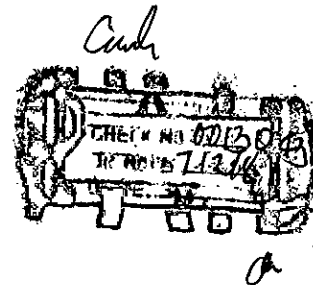


ERC CASE NO. 2018-⁰⁷⁴ RC

NATIONAL GRID
CORPORATION OF THE
PHILIPPINES AND SOUTHWEST
LUZON 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 **SOUTHWEST LUZON POWER GENERATION CORPORATION** ("SLPGC"), by their respective 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 SLPGC dated 29 May 2018, 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 SLPGC is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines with principal place of business at Barangay San Rafael, Calaca, Batangas. It may be served with orders, notices, and other legal processes through its undersigned counsel. It is the owner and operator of the 2x25MW Modular Gas Turbine Power Plant (“Generation Facility”) located at Barangay San Rafael, Calaca, Batangas, which was certified and accredited by NGCP to be capable of providing Ancillary Services (“AS”) in the form of Regulating Reserve (“RR”), Contingency Reserve (“CR”) and 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 system.²

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

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 (d).

the required Grid AS and for developing and proposing Wheeling Charges and AS tariffs to the ERC.³

6. AS as defined in Section 4(b) 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 the intention from SLPGC to provide ancillary services, NGCP commenced negotiations with SLPGC for the execution of an ASPA.

9. NGCP agreed to procure and SLPGC agreed to supply AS in the form of: (a) RR under a firm and non-firm arrangement; and (b) CR, and DR under a non-firm arrangement. A copy of the *Ancillary Services Procurement Agreement between NGCP and SLPGC* dated 29 May 2018 is attached as **Annex “A”** with Addendum to the ASPA dated 29 June 2018, a copy of which is attached hereto as **Annex “A-1”**.

10. During the period of negotiation, NGCP conducted several tests on the Generation Facility, and certified that the generating units have met and complied with the Standard Ancillary Services Technical Requirements of the ASPP as capable of providing RR, CR and DR. A copy of NGCP Accreditation Certificate No. 2017-L011 dated 1 October 2017 is attached as **Annex “B.”**

³ Section 6.3.1.2.

FIRM AND NON-FIRM CONTRACTED CAPACITY RATE AND IMPACT SIMULATION

11. Under Clause 3 of the ASPA, SLPGC shall provide NGCP with the following AS as specified in Schedule 1 of the ASPA:

A. Firm Contracted Capacity:

Regulating Reserve – up to 23 MW per unit from 0801H to 2100H for the entire Contract Term.

B. Non-Firm Contracted Capacity:

From 0001H to 0800H and from 2101H to 2400H for the entire Contract Term, the type of Ancillary Services that can be nominated:

Regulating Reserve – up to 23 MW per unit
Contingency Reserve – up to 23 MW per unit
Dispatchable Reserve – up to 25 MW per unit

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

12. The Applicable Rates for the capacity covered by the ASPA as provided in Schedule 4 are as follows:

Ancillary Service	Applicable Hourly Rate
Firm Regulating Reserve	PhP2.25/kW/hr
Non-firm Regulating Reserve	The nominated price in PhP/kW/hr or PhP3.00/kW/hr, whichever is lower
Non-firm Contingency Reserve	The nominated price in PhP/kW/Hr or PhP2.25/kW/Hr, whichever is lower
Non-firm Dispatchable Reserve	The nominated price in PhP/kW/hr or PhP1.25/kW/Hr, whichever is lower

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

14. The rates under ASPA was subjected to a simulation by NGCP, the results of which are as follows:

	Indicative Rate Impact	
	P/kW-mo	P/kWh Equivalent
RR (with Pmin)	6.6178	0.0127
CR	4.0371	0.0078
DR	2.7132	0.0052

A copy of the Rate Impact Simulation 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 Luzon Grid.

16. The ASPA shall be effective for a period of five (5) years, to commence immediately upon the effectivity of the provisional approval ("PA"), or in the absence thereof, the final approval ("FA") of the instant Application. In the event that the PA or FA, as the case may be, does not state a particular date of effectivity, the Agreement shall be effective on the date agreed upon by the Parties.

17. Other than the ASPA, there are no other existing power supply agreements executed by SLPGC covering the capacity of the Generation Facility. Attached as **Annex "D"** is the Certification dated 27 June 2018 issued by Charlie V. Robles, Plant Manager of SLPGC, attesting to such fact.

18. SLPGC, as a generation company, falls within the ambit of Sections 6 of the EPIRA. Attached are copies of relevant documents proving SLPGC's due registration as a generation company, relevant permits to operate the Generation Facility and audited financial statements, as follows:

Document	Annex
Articles of Incorporation	"E"
Latest General Information Sheet filed with the Securities and Exchange Commission	"F"
Latest Audited Financial Statement	"G"
Certificates of Compliance covering the Generation Facility	"H series"
SLPGC's WESM Registration in respect of the Generation Facility	"I"

While SLPGC is a co-applicant, it manifests that the instant Application shall neither modify, diminish or constitute a waiver of SLPGC's rights nor expand its obligations and responsibilities as a generation company under EPIRA.

ALLEGATIONS IN SUPPORT OF THE PRAYER FOR PROVISIONAL AUTHORITY

19. It is a declared policy of the State to ensure the quality, reliability, security and affordability of the supply of electric power (*Section 2(b), EPIRA*). To this end, there is a need to comply with the system requirements for AS to ensure grid system security and reliability. As mentioned above, NGCP has the mandate to procure the required AS.

20. The current levels of available contracted AS in the Luzon Grid have not yet reached the desired levels necessary for the system security and reliability. Thus, Applicants executed the ASPA. A copy of the relevant actual data showing the required and available levels of AS in the Luzon Grid, entitled as "Luzon Regulating Reserve Availability", Luzon Contingency Reserve Availability, and Luzon Dispatchable Reserve Availability are attached as **Annexes "J" to "J-2"**, respectively.

21. 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. The importance of AS, from SLPGC 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 reliability, adequacy, security, stability and integrity of the Luzon Grid. In support of these allegations, NGCP submits a copy of the Judicial Affidavit of Engr. Lisaflor Bacani-Kater of the Revenue and Regulatory Affairs Department of NGCP, 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 subject ASPA executed on 29 May 2018; and

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

Applicants pray for other just and equitable relief.

Quezon City and Makati City for Pasig City, 2 July 2018.

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

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

By:



LUIS MANUEL U. BUGAYONG

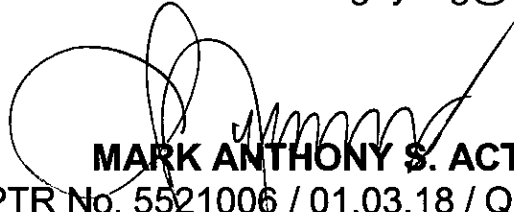
PTR No. 5521013 / 01.03.18 / Quezon City

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MCLE Compliance No. V-0006616 / 02.24.15

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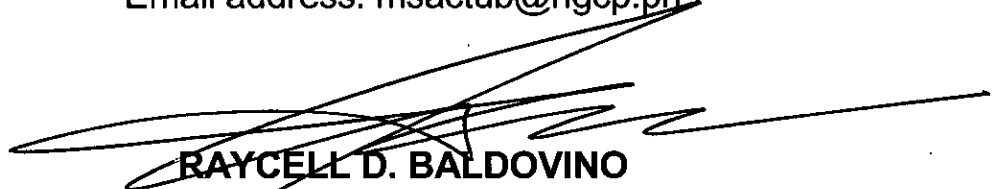
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Courtesy Copy:

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Diliman, Quezon City

NATIONAL TRANSMISSION CORPORATION

Office of the General Counsel
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POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION

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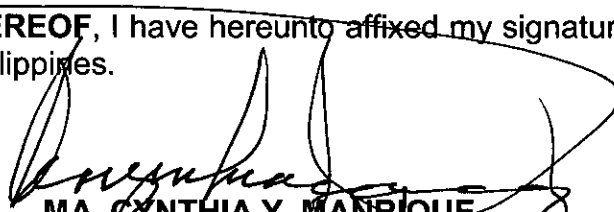
REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S.S.

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

I, **MA. CYNTHIA Y. MANRIQUE**, Filipino, of legal age, single, with office address at 2nd Floor, NGCP Building Quezon Avenue, cor. BIR Road Diliman, Quezon City, after having been duly sworn to in accordance with law, hereby depose and say that:

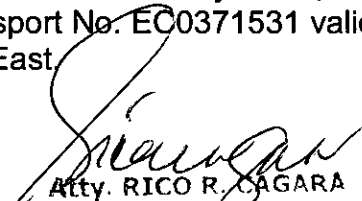
1. I am presently the Head of the Revenue Regulatory Affairs Group of the National Grid Corporation of the Philippines (NGCP);
2. I am duly authorized to sign the Verification and Certification of Non-Forum Shopping in this case for and in behalf of NGCP as evidenced by the Secretary's Certificate hereto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


MA. CYNTHIA Y. MANRIQUE
Affiant

SUBSCRIBED AND SWORN to before me this 2 July 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. 503 :
Page No. 102 :
Book No. 29 :
Series of 2018.


Atty. RICO R. CAGARA
Notary Public, Appointment No. 077
Commission until 31 December 2019
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