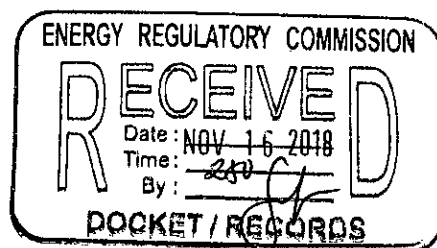


ERC COPY

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 TOLEDO POWER CO., WITH PRAYER FOR THE ISSUANCE OF PROVISIONAL AUTHORITY.



2018-109

ERC Case No. 2018-0__RC

NATIONAL GRID CORPORATION OF THE PHILIPPINES AND TOLEDO POWER CO.,

Applicants.

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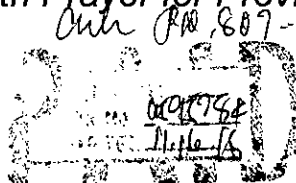
APPLICATION

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

Applicants **NATIONAL GRID CORPORATION OF THE PHILIPPINES** (NGCP) and **TOLEDO POWER CO.,** (TPC), 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 TPC dated 20 July 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.*"



ERC,

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 TPC is a partnership 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 4x11.45 MW Diesel Power Plant ("Generation Facility") in Bgy. Cambang-og, Toledo City, Cebu which was certified and accredited by NGCP as capable of providing providing Ancillary Services ("AS") in the forms of Dispatchable Reserve ("DR"), Reactive Power Support ("RPS") and Black Start Support ("BSS").

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

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).

5. Similarly, the PGC provides that NGCP is responsible for determining, acquiring, and dispatching the capacity needed to supply 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 TPC to provide ancillary services, NGCP commenced negotiations with TPC for the execution of an ASPA.

9. NGCP agreed to procure and TPC agreed to provide Ancillary Services in the form of DR, RPS and BSS for a period of five (5) years under firm and non-firm arrangements. A copy of the *Ancillary Services Procurement Agreement between NGCP and TPC* dated 20 July 2018 is attached as **Annex “A”**.

10. During the period of negotiation, NGCP conducted several tests on the Generation Facility, and certified that the generation units have met and complied with the Standard Ancillary Services Technical Requirements of the ASPP as

³ Section 6.3.1.2.

capable of providing: Dispatchable Reserve Service (Manual Mode: U1:10MW, U2:10MW, U3:10MW, U4:10MW); Reactive Power Support Service (U1:7.58MVAR @ 10.09MW +0.80PF & -6.28MVAR @ 10.17MW -0.85PF; U2:7.39MVAR @ 10.10MW +0.80PF & -5.94MVAR @ 10.11MW -0.86PF; U3: 7.52MVAR @ 10.31MW +0.80PF & 6.66MVAR @ 10.44MW -0.84PF; U4: 6.93MVAR @ 9.75MW +0.80PF & -4.81MVAR @ 7.85MW -0.86PF); and Black Start Support Service (U1:9.0 minutes synchronized to the Grid with 10MW capacity; U2:8.0 minutes synchronized to the Grid with 10MW capacity; U3:9.0 minutes synchronized to the Grid with 10MW capacity). A copy of the **Accreditation Certification with Accreditation No. 2018-V0035** is 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:

Firm Contracted Capacity:

1. Dispatchable Reserve (Tertiary Reserve) up to 40MW, 24 Hours

Non-Firm Contracted Capacity:

1. Reactive Power Support (RPS)

Available Capacity of Reactive Power outside the range of 85% lagging and 90% leading power factor and within the generating unit's capability curve or based with the actual results of RPS test.

2. Black Start Support (BSS)

Available capacity, up to 40MW

Note that the capacities listed above are the maximum ancillary service capacity that can be provided for each unit. However, nomination and schedule shall be based on the latest AS Certificates.

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

Firm Contracted Capacity Applicable Rate:

1. Dispatchable Reserve (DR): PhP0.85/kW/hr

Non-Firm Contracted Capacity Applicable Rates:

1. Reactive Power Support (RPS): PhP4.00/kVAR/hr
2. Black Start Service (BSS): Php 35,000.00 per month

and formula in the computation of 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.

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

| AS Type | Indicative Rate Impact | |
|---------|------------------------|--------|
| | P/kW-month | P/kWh |
| DR | 18.9547 | 0.0384 |
| RPS | 1.2201 | 0.0025 |
| BSS | 0.0302 | 0.0001 |

A copy of the *Rate Impact Simulation for TPC* 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. TPC, as a generation company, falls within the ambit of Sections 6 of the EPIRA. Attached are copies of relevant documents proving TPC's due registration as a generation company, relevant permits to operate the Generation Facility and audited financial statements, as follows:

| Document | Annex |
|----------------------------------------------------|-------|
| <i>Certificate of Compliance</i> | "D" |
| <i>Write Up on Existing Power Supply Agreement</i> | "E" |

| | |
|-------------------------------------------|-----|
| <i>Articles of Partnership</i> | "F" |
| <i>Latest Audited Financial Statement</i> | "G" |
| <i>WESM Registration</i> | "H" |

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

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.

18. The current levels of available contracted AS in the Visayas 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: *Visayas Dispatchable Reserve Availability (Average MW)* is attached as **Annex "I"**.

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. The importance of AS, from TPC to ensure and maintain the reliability, adequacy, security, stability and integrity of the Visayas Grid cannot be overemphasized.

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. Riza C. Ereño*, of the Revenue and Regulatory Affairs Department of NGCP which is attached as **Annex "J"**

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, 16 August 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

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IBP Lifetime No. 010191/RSM
MCLE Compliance No. V-0006616 / 02.24.15
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RAYCELL D. BALDOVINO

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Email address: rdbaldovino@ngcp.ph

-and-

**COUNSELS FOR APPLICANT
TOLEDO POWER CO.**

c/o Global Business Power Corporation
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:




IRVING N. CHUA

IBP Lifetime Membership No. 06662/ Makati City
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Roll of Attorneys No. 50731
MCLE Compliance No. V-0010026 / 26 August 2015
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Courtesy Copy:

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

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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MARY JOY D. GOMEZ
LSA-A

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Postmaster/Teller

TPC

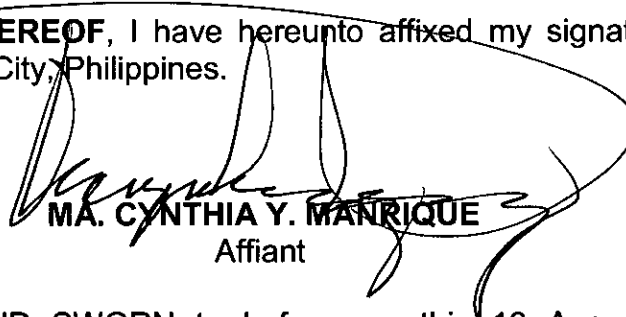
REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S.S.

**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;

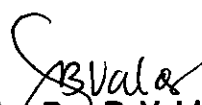
IN WITNESS WHEREOF, I have hereunto affixed my signature this 16 August 2018, in Quezon City, Philippines.



MA. CYNTHIA Y. MANRIQUE
Affiant

SUBSCRIBED AND SWORN to before me this 16 August 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. 158 ;
Page No. 33 ;
Book No. III ;
Series of 2018.



Atty. Jules Boy R. Valdez, CPA
Notarial Commission No. 063 / 31 December 2019
PTR No. 5521005 / 01-03-2018 / Quezon City
Roll of Attorneys No. 63350
IBP Life Member Roll No. 012616 / Quezon City
MCLE Compliance No. V-0006628 / 02-24-2015
3rd floor, NGCP Bldg., Quezon Ave. cor. BIR road, QC

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 Toledo Power Co. (TPC), 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 TPC 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
AUG 16 2018, by JAIME T. AZURIN, with
Community Tax Certificate No.
_____ 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.

Doc No. 111;
Page No. 24;
Book No. 8;
Series of 2018.


JOSEP O. CALIDA
Notary Public
Until December 31, 2019
Appointment No. 04-161
Unit 1510 Citivance Alifanera St. 155 H.V. Dela Costa
Street, Naiboro Village, Makati City, Philippines
Roll of Notaries No. 45037
JEP No. 024503 (04-15-2018)/Makati City
PTR No. 0595721/01-04-2018/Makati City