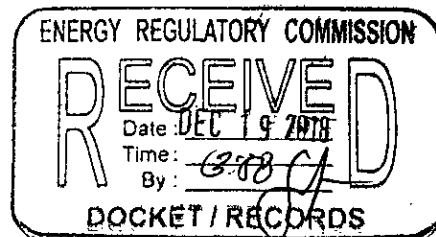


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Ortigas Center
Pasig City

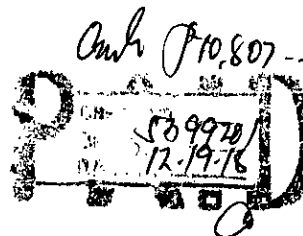
IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE ANCILLARY SERVICES PROCUREMENT AGREEMENT BETWEEN THE NATIONAL GRID CORPORATION OF THE PHILIPPINES AND SPC ISLAND POWER CORPORATION, WITH PRAYER FOR THE ISSUANCE OF PROVISIONAL AUTHORITY



ERC CASE NO. 2018- 20 RC

NATIONAL GRID CORPORATION OF THE PHILIPPINES AND SPC ISLAND 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 **SPC ISLAND POWER CORPORATION** ("SIPC"), 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 SIPC dated 20 November 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 SIPC 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 7th Floor Citibank Center, 8741 Paseo de Roxas, Makati City. It may be served with orders, notices, and other legal processes through its undersigned counsel. It is the owner and operator of the Bohol Diesel Power Plant ("Generation Facility") located at Barangay Dampas Tagbilaran City, Bohol which was certified and accredited by NGCP to be capable of providing Ancillary Services ("AS") in the forms of Dispatchable Reserve ("DR") and Black Start Service ("BSS").

ANTECEDENT FACTS

4. Republic Act No. 9136 ("EPIRA") 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")², 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.³

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.⁴

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)

³ Section 9 (d)

⁴ Section 6.3.1.2

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.

9. On 4 September 2013, the Applicants filed an application for the approval of its ASPA dated 18 April 2013 docketed as ERC Case No. 2013-181RC. Through the Order dated 11 November 2013, the Honorable Commission provisionally approved the application, viz:.

“The Commission believes that the contracted Ancillary Services capacity is needed to augment the deficiency in the Ancillary Services reserve capacity. This will ensure reliability in the operation of the transmission system and the electricity supply in the Visayas Grid.

An initial evaluation of the instant application discloses that the ASPA entered into by and between NGCP and SIPC will redound to the benefit of the consumers 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].

WHEREFORE, the foregoing premises considered, the Commission hereby PROVISIONALLY APPROVES the application filed by the National Grid Corporation of the

Philippines (NGCP) and SPC Island Power Corporation (SIPC) for the approval of their Ancillary Services Procurement Agreement (ASPA), subject to the following conditions: xxx”

10. Due to the necessity of extending the services of providing the same ancillary services, the Applicants again entered into a new ASPA under the same rates, terms and conditions. NGCP agreed to procure and SIPC agreed to supply AS in the forms of: (a) DR under a firm arrangement; and (b) BSS under a non-firm arrangement. A copy of the *Ancillary Services Procurement Agreement between NGCP and SIPC* dated 20 November 2018 is attached as **Annex “A”**.

11. 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: (i) DR (Unit 1 = 4.0MW, Unit 2 = 4.0MW, Unit 3 = 4.2MW and Unit 4 = 4.0MW) and (ii) BSS (16.2 MW with 200kW EDG). A copy of NGCP Accreditation Certificate No. 2018-V0007 dated 20 August 2018 is attached as **Annex “B.”**

FIRM AND NON-FIRM CONTRACTED CAPACITY RATE AND IMPACT SIMULATION

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

A. Firm Contracted Capacity:

Dispatchable Reserve (Tertiary Reserve) – up to 16.2MW

Unit 1 – 4.0MW	Unit 3 – 4.2MW
Unit 2 – 4.0MW	Unit 4 – 4.0MW

B. Non-Firm Contracted Capacity:

Black Start Contracted Capacities
(16.2MW with 200kW EDG)

(The capacities listed above are the maximum ancillary services capacity that can be provided for each generating unit. However, nomination and schedule shall be based on the latest AS Certificate.)

13. The Applicable Rates for the capacity covered by the ASPA as provided in Schedule 3 are as follows:

A. Firm Contracted Capacity Applicable Rate:

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

B. Non-Firm Contracted Capacity Applicable Rate:

1. Black Start Service (BSS)

Payment of service provided is based on hourly rate per occurrence:

BDPP = PhP1.7570/kWh + VOM + Actual Fuel Cost

C. Incidental Energy Cost

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

$$IE = \{[G * (AR + Fuel + VOM)] - REV_{WESM-G}\}$$

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

15. 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
DR	8.8006	0.0187
BSS	0.0871	0.0002

A copy of the Rate Impact Simulation 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 Visayas.

17. The ASPA shall be effective for a period of five (5) years, to commence immediately upon the effectivity of the provisional approval, or in the absence thereof, the final approval of the instant Application. In the event that the provisional or final approval, 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.

18. SIPC, as a generation company, falls within the ambit of Sections 6 of the EPIRA. Attached are copies of relevant documents proving SIPC'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>Summary of 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”

While SIPC is a co-applicant, it manifests that the instant Application shall neither modify, diminish or constitute a waiver of SIPC’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. As mentioned above, the Honorable Commission has already declared that there is a necessity for NGCP to procure the contracted ancillary services capacity of SIPC to maintain the reliability of the operation of the transmission system and electricity supply in the Visayas Grid.

21. SIPC must continue to provide the current contracted ancillary services beyond the 2013 ASPA to maintain 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 of the ASPP. The copies of the relevant actual data and its corresponding graphical presentations showing the required and available levels of AS in the Visayas Grid, entitled: Visayas Dispatchable Reserve Availability is attached hereto as **Annex “J.”**

22. NGCP must be guaranteed that there are available AS on a daily basis to assure reliability of the grid. There is no assurance that the non-firm capacities would be available when needed. NGCP cannot gamble on this chance. As the grid operator, the contracted capacity of SIPC, especially its firm capacities, are greatly needed.

23. Thus, NGCP and SIPC agreed to execute another ASPA for a period of another five years. With this ASPA, the Visayas Grid is assured of AS until 2023.

24. Also, 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.

25. 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 Visayas 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 20 November 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, 13 December 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:



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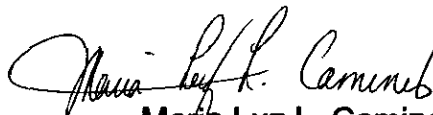
RAYCELL D. BALDOVINO

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and

Legal and Regulatory Affairs
SPC Island Power Corporation
7th Floor Citibank Center, 8741 Paseo de Roxas, Makati City

By:



Maria Luz L. Caminero
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Courtesy Copy:

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Office of the President
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Diliman, Quezon City

NATIONAL TRANSMISSION CORPORATION
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
7th Floor, Bankmer Building, 6756 Ayala Avenue
1226 Makati City

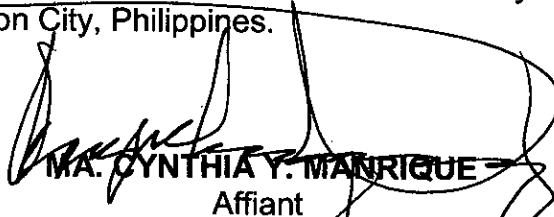
REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S.S.

**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:

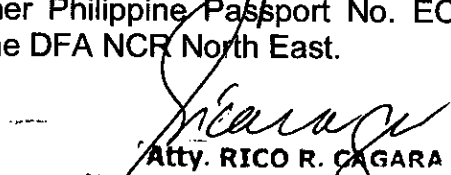
1. I am presently the Head of the Revenue Regulatory Affairs Group of the National Grid Corporation of the Philippines (NGCP);
2. I am duly authorized to sign the Verification and Certification of Non-Forum Shopping in this case for and in behalf of NGCP as evidenced by the Secretary's Certificate hereto 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 13 December 2018, in Quezon City, Philippines.


MA. CYNTHIA Y. MANRIQUE
Affiant

SUBSCRIBED AND SWORN to before me this 13 December 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. 238 :
Page No. 09 :
Book No. 30 :
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. 08600; Bulacan
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

**VERIFICATION AND CERTIFICATION
OF NON – F O R U M SHOPPING**

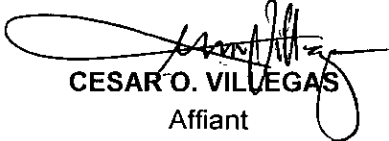
I, **CESAR O. VILLEGAS** of legal age, and with office address at the 7th floor, Citibank Center, 8741 Paseo de Roxas, Makati City, after having been duly sworn in accordance with law, hereby depose and state that:

1. I am the Senior Vice President for Operations and Business Development of applicant SPC Island Power Corporation;

2. I caused the preparation and have read the foregoing pleading, the factual allegations of which are true and correct and are of my own personal knowledge and based on authentic records;

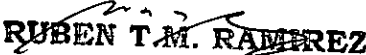
3. I hereby certify that SPC Island Power Corporation has not commenced any other action or proceeding involving the same issue before this Honorable Commission, or any other tribunal or agency of the government; to the best of my knowledge, there is no such action or proceeding pending in this Honorable Commission, or any other tribunal or agency, including any Regional Trial Court, the Court of Appeals and the Supreme Court; that if I will hereafter learn that a similar action or proceeding has been filed or is pending before this Honorable Commission, or any other tribunal or agency, I undertake to inform this Honorable Commission of such fact within five (5) days therefrom.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 13th day of December 2018, in Makati City


CESAR O. VILLEGAS
Affiant

SUBSCRIBED AND SWORN to before me, in the City of Makati ^{DEC 13 2018} this 12th of December affiant exhibiting to me his Passport No. PO 413185A issued on 27th of September 2016 at DFA Manila and expiring on September 26, 2021.

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RUBEN T.M. RAMIREZ
Notary Public
Until December 31, 2019
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