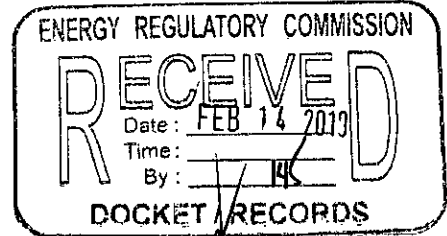


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Ortigas Center
Pasig City

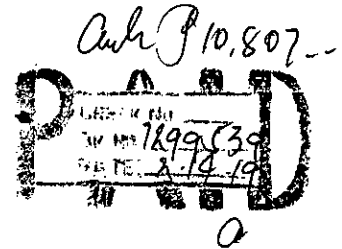
IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE ANCILLARY SERVICES PROCUREMENT AGREEMENT BETWEEN THE NATIONAL GRID CORPORATION OF THE PHILIPPINES AND SPC POWER CORPORATION, WITH PRAYER FOR THE ISSUANCE OF PROVISIONAL AUTHORITY



ERC CASE NO. 2019-011 RC

NATIONAL GRID CORPORATION OF THE PHILIPPINES AND SPC 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 POWER CORPORATION** ("SPC"), 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 SPC dated 18 December 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 SPC 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 the 7th floor, Cebu Holdings Center, Archbishop Reyes Ave., Cebu Business Park, Cebu City. It may be served with orders, notices, and other legal processes through its undersigned counsel. It is the owner and operator of the Power Barge 104 (“Generation Facility”) located at Tapal Wharf, Ubay 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 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 the required Grid AS and for developing and proposing Wheeling Charges and AS tariffs to the ERC.³

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).

³ 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. Upon receipt of the intention from SPC to provide ancillary services, NGCP commenced negotiations with SPC for the execution of an ASPA.

9. NGCP agreed to procure and SPC agreed to supply AS in the forms of: (a) DR under a firm and non-firm arrangement; and (b) BSS under a non-firm arrangement. A copy of the *Ancillary Services Procurement Agreement between NGCP and SPC* dated 18 December 2018 is attached as **Annex “A”**.

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 DR and BSS. A copy of NGCP Accreditation Certificate Nos. 2018-V0037 dated August 20, 2018 (for DR) and 2018-V0037 (for BSS) are attached as **Annexes “B”** and **“B-1”**, respectively.

FIRM AND NON-FIRM CONTRACTED CAPACITY RATE AND IMPACT SIMULATION

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

A. Firm Contracted Capacity:

1. Dispatchable Reserve (Tertiary Reserve) – up to 21MW for 24 hours.

B. Non-Firm Contracted Capacity:

1. Dispatchable Reserve (Tertiary Reserve) – up to 7MW

If Non-Firm DR is not scheduled, the unscheduled unit may serve as a standby replacement unit in case a scheduled unit for Firm DR becomes unavailable.

2. Black Start Service (BSS) – up to 28MW with 200kW EDG

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

12. 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. Dispatchable Reserve (DR): PhP1.25/kW/hr

2. Black Start Service (BSS):

Payment for the service provided is based on hourly rate per occurrence:

$$PB104 = PhP1.7570/kWh + VOM + Actual Fuel Cost$$

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

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

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
DR	13.5851	0.0289
BSS	1.0337	0.0022

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 Visayas 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. SPC, as a generation company, falls within the ambit of Sections 6 of the EPIRA. Attached are copies of relevant documents proving SPC'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>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"

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

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 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.

19. 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 Visayas Grid, entitled as “Visayas Dispatchable Reserve Availability” are attached as **Annex “J”**.

20. 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 to be provided by SPC, which is 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 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 18 December 2018; and

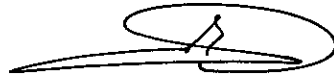
b) **APPROVE**, after notice and hearing, the subject ASPA.

Applicants pray for other just and equitable relief.

Quezon City and Makati City for Pasig City, 29 January 2019.

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. 7324882 / 01.04.19 / Quezon City

IBP Lifetime No. 010191/RSM

MCLE Compliance No. VI-0012003 / 09.07.18

Roll of Attorneys No. 38002

Email address: lubugayong@ngcp.ph



MARK ANTHONY S. ACTUB

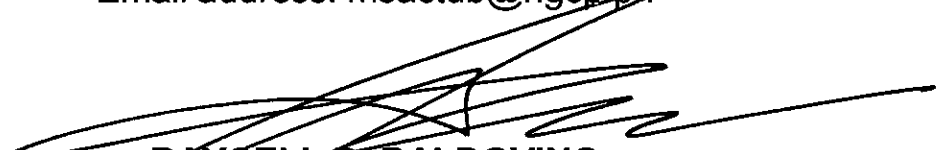
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RAYCELL D. BALDOVINO

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IBP Lifetime No. 010195 / RSM

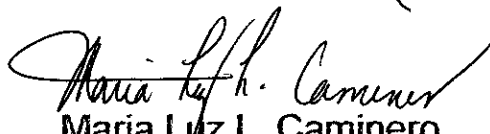
Roll of Attorneys No. 50672

Email address: rdbaldovino@ngcp.ph

and

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

By:



Maria Luz L. Caminero
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IBP No. 053999 / QC
MCLE Compliance No. 0020863
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Courtesy copy:

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Office of the President
Power Center Building, Quezon Avenue corner
BIR Road, Diliman, Quezon City

NATIONAL TRANSMISSION CORPORATION
Office of the General Counsel
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BIR Road, Diliman, Quezon City

POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION
24th Floor Vertis North Corporate Center 1
Astra corner Lux Drives, Vertis North
Mindanao Avenue, 1105 Quezon 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 Vice President and Head of the Revenue Regulatory Affairs 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 29 January 2019, in Quezon City, Philippines.


MA. CYNTHIA Y. MANRIQUE
Affiant

SUBSCRIBED AND SWORN to before me this 29 January 2019, 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. 59 ;
Page No. 13 ;
Book No. IV ;
Series of 2019.

Atty. Jules Boy R. Valdez, CPA
Notarial Commission No. 065 / 31 December 2019
PTR No. 7324896 / 01-04-2019 / Quezon City
Roll of Attorneys No. 63350
IBP Life Member Roll No. 012616 / Quezon City
MCLE Compliance No. VI-0012045 / 07-09-2018
3rd floor, NGCP Bldg. Quezon Ave cor BIR road, QC

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

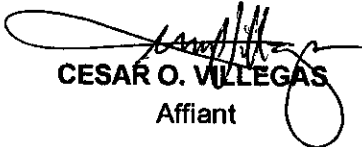
I, **CESAR O. VILLEGAS** of legal age, and with office address at the 7th floor, Citibank Center, 8741 Paseo de Roxas, Makati City, after having been duly sworn in accordance with law, hereby depose and state that:

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

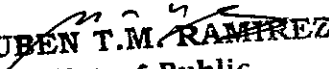
IN WITNESS WHEREOF, I have hereunto affixed my signature this 29th day of January 2019, in Makati City


CESAR O. VILLEGAS
Affiant

JAN 30 2019

SUBSCRIBED AND SWORN to before me, in the City of Makati this _____ of January, 2019, 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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Page No. 31
Book No. 870
Series of 2019


RUBEN T.M. RAMIREZ
Notary Public
Until December 31, 2019
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PTR NO. MKT. 7333572 / 1-3-18 APPT. NO. M-127
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