

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, 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 SN  
ABOITIZ POWER-  
BENGUET, INC., WITH  
PRAYER FOR THE  
ISSUANCE OF  
PROVISIONAL AUTHORITY,**

**ERC CASE NO. 2017-016 RC**

**NATIONAL GRID  
CORPORATION OF THE  
PHILIPPINES (NGCP) AND  
SN ABOITIZ POWER-  
BENGUET, INC. (SNAP-BI),  
Applicants.**

**D O C K E T E D**  
Date: AUG 31 2017  
By: [Signature]

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**ORDER**

For the Commission's consideration is the prayer for issuance of provisional authority included in the Application dated 16 February 2017 filed by National Grid Corporation of the Philippines (NGCP) and SN Aboitiz Power-Benguet, Inc. (SNAP-BI) on 3 March 2017.

**THE FACTS**

Relative to their prayer for issuance of provisional authority, Applicants alleged the following:

**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. As mentioned above, the Honorable Commission has already declared that there is a necessity for NGCP to procure the contracted ancillary services capacity of SNAP-BI to maintain the reliability of the operation of the transmission system and electricity supply in the Luzon Grid.

19. SNAP-BI 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 Luzon Grid, the 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 Luzon Grid are attached as Annex "D."

20. Thus, NGCP and SNAP-BI agreed to execute the new ASPA for a period of another five years. With this ASPA, the Luzon Grid is assured of AS until 2022.

21. Also, 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.

22. 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. Lisaflor Bacani-Kater which is attached as Annex "E."

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### **THE ISSUE**

The issue for the Commission's resolution is whether NGCP and SNAP-BI have satisfied the requirements provided by law for the grant of provisional authority.

### **THE COMMISSION'S RULING**

The Commission grants provisional authority to Applicants.

**I. THE LAW EMPOWERS  
THE COMMISSION TO  
GRANT PROVISIONAL  
AUTHORITY IN THE  
INSTANT CASE.**

Section 4(e), Rule 3 of the Implementing Rules and Regulations of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA IRR) empowers the Commission to issue provisional authority, to wit:

SECTION 4. Responsibilities of the ERC. —

(e) Any application or petition for rate adjustment or for any relief affecting the consumers must be verified, and accompanied with an acknowledgment of receipt of a copy thereof by the LGU Legislative Body of the locality where the applicant or petitioner principally operates together with the certification of the notice of publication thereof in a newspaper of general circulation in the same locality.

The ERC may grant provisionally or deny the relief prayed for not later than seventy-five (75) calendar days from the filing of the application or petition, based on the same and the supporting documents attached thereto and such comments or pleadings the consumers or the LGU concerned may have filed within thirty (30) calendar days from receipt of a copy of the application or petition or from the publication thereof as the case may be.

Thereafter, the ERC shall conduct a formal hearing on the application or petition, giving proper notices to all parties concerned, with at least one public hearing in the affected locality, and shall decide the matter on the merits not later than twelve (12) months from the issuance of the aforementioned provisional order.

This Section 4(e) shall not apply to those applications or petitions already filed as of 26 December 2001 in compliance with Section 36 of the Act.

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The above provision was upheld by the Supreme Court in the landmark case of *Freedom from Debt Coalition (FDC) vs. Energy Regulatory Commission (ERC)*<sup>1</sup> (FDC Case). The Court, speaking through Justice Tinga, traced the origin and development of the Commission's authority to grant provisional rates, to wit:

Historically, therefore, in this jurisdiction, at least beginning with the Public Service Act in 1936, the regulatory bodies concerned

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<sup>1</sup> G.R. No. 161113, 15 June 2004.

have exercised the power to grant provisional rate adjustments only because there was a statutory grant of such power.

The foregoing recital establishes the following salient points: (1) Section 16(c) of the Public Service Act authorizing the approval of provisional rate increases has never been repealed and as such continues to be in full force and effect up to the present; (2) The BOPW had the power to grant provisional rate increases on the basis of the provision of the Integrated Reorganization Plan that the pertinent powers of the PSC were transferred to it; (3) The applicability clause found in Section 44 of the EPIRA is the same as or similar to the applicability clauses contained in Sections 11 and 21 of P.D. No. 1206 and Section 14 of E.O. No. 172; and, (4) The applicability clause or transfer of power provision is sufficient to effect the transfer of powers from a regulatory agency to its successor.

**All told, the provisions of the Public Service Act and E.O. No. 172 which relate to the power of the regulatory body to approve provisional rates continue to have full force and effect, and the power was transferred to the ERC by virtue of Section 80 in relation to Section 44 of the EPIRA.** Said provisions are not inconsistent with the EPIRA except the directives therein dispensing with the need for prior hearing. They are deemed modified to the extent that the EPIRA imposes a publication requirement and, through the IRR, assures the customers affected the opportunity to oppose or comment on the application for provisional rate adjustment before it is acted upon by the ERC.

**Indeed, both the letter and spirit of the law require that the authority of the ERC to grant provisional power rate adjustments should be upheld. The law is so clear that it cannot be misread.**

[Emphasis supplied.]

The Supreme Court expounded further on the Commission's power to grant provisional authority in the case of *National Association of Electricity Consumers for Reforms vs. ERC*<sup>2</sup> (NASECORE Case). The Court emphasized therein that Section 4(e), Rule 3 of the EPIRA IRR does not make a distinction as to which applications or petitions are subject of the Commission's power to grant provisional authority.

The instant Application seeks the Commission's approval of the Ancillary Services Procurement Agreement (ASPA) entered into between NGCP and SNAP-BI. The costs associated with Applicants' ASPA will ultimately be charged to the consuming public. As such, the Commission is empowered to grant provisional approval in the instant Application.

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<sup>2</sup> G.R. No. 163935, 02 February 2006.

**II. THE APPLICANTS  
HAVE SATISFIED THE  
DUE PROCESS  
REQUIREMENTS FOR  
THE GRANT OF  
PROVISIONAL  
AUTHORITY.**

In the same NASECORE Case, the Supreme Court reiterated the procedural requisites before the Commission may grant provisional authority under Section 4(e), Rule 3, EPIRA IRR, to wit:

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- (1) The applicant must file with the ERC a verified application/petition for rate adjustment. It must indicate that a copy thereof was received by the legislative body of the LGU concerned. It must also include a certification of the notice of publication thereof in a newspaper of general circulation in the same locality.
- (2) Within 30 days from receipt of the application/petition or the publication thereof, any consumer affected by the proposed rate adjustment or the LGU concerned may file its comment on the application/petition, as well as on the motion for provisional rate adjustment.
- (3) If such comment is filed, the ERC must consider it in its action on the motion for provisional rate adjustment, together with the documents submitted by the applicant in support of its application/petition. If no such comment is filed within the 30-day period, then and only then may the ERC resolve the provisional rate adjustment on the basis of the documents submitted by the applicant.
- (4) However, the ERC need not conduct a hearing on the motion for provisional rate adjustment. It is sufficient that it consider the written comment, if there is any.
- (5) The ERC must resolve the motion for provisional rate adjustment within 75 days from the filing of the application/petition.
- (6) Thereafter, the ERC must conduct a full-blown hearing on the application/petition not later than 30 days from the date of issuance of the provisional order. Effectively, this provision limits the lifetime of the provisional order to only 12 months.

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NGCP and SNAP-BI attached the following documents to their Application:

- a) Verification and Certification of Non-Forum Shopping dated 16 February 2017 executed by Joseph S. Yu of SNAP-BI;
- b) Verification and Certification of Non-Forum Shopping dated 16 February 2017 executed by Ma. Cynthia Y. Manrique of NGCP;
- c) Affidavit of Service dated 2 March 2017 executed by Alberto I. Mapa attesting to his service of a copy of the Application to the Office of *Sangguniang Panlungsod* of Quezon City on 2 March 2017;
- d) Affidavit of Service dated 28 February 2017 executed by Jennifer G. Pardiñez attesting to her service of a copy of the Application to the Office of *Sangguniang Panlungsod* of San Fernando City, La Union on 28 February 2017;
- e) Affidavit of Service dated 2 March 2017 executed by Gliceria E. Empleo attesting to her service of a copy of the Application to the Office of *Sangguniang Panlungsod* of Biñan City, and Office of the *Sangguniang Panlalawigan* of Laguna on 2 March 2017;
- f) Certifications acknowledging receipt of the Application and its annexes to the legislative bodies of the following Local Government Units:
  - i. Office of the *Sangguniang Bayan* of Itogon, Benguet; and
  - ii. Office of the *Sangguniang Panlalawigan* of Benguet.
- g) Affidavit of Publication dated 1 March 2017 executed by Evelyn S. Arevalo of The Manila Times attesting to the publication of the Application on the 1 March 2017 issue of the newspaper.

No Comment was received by the Commission within the thirty (30) day period within which the same may be filed, or until 2 April 2017. Thus, the prayer for provisional authority is being resolved on

the basis of the documents submitted by Applicants. Likewise, the instant Order granting provisional authority is being issued within the seventy-five (75) day reglementary period which is set to end on 17 May 2017.

In light of these circumstances, the Commission has determined that the procedural requirements for the issuance of a provisional authority as outlined by the Supreme Court in the NASECORE Case have been complied with.

**III. THE APPLICANTS  
HAVE SATISFIED THE  
SUBSTANTIAL  
REQUIREMENTS FOR  
THE GRANT OF  
PROVISIONAL  
AUTHORITY.**

NGCP and SNAP-BI anchored their prayer for issuance of a provisional authority on the ground that the current levels of available Ancillary Services in the Luzon Grid are significantly insufficient to meet the levels required to ensure reliability of the grid system.

Applicants further alleged that as the demand for power in the Luzon Grid increases, the requirements of the system to ensure stability, reliability, and security likewise increases. Thus, ensuring the integrity of the system is essential as a matter of public interest.

Applicants likewise stressed that absence of system reliability and stability will discourage investments and growth. In support of their allegations, NGCP provided an illustration of the available level for the three different Ancillary Services in Luzon Grid for the period January 2016 to December 2016, to wit:

MONTH	REGULATING RESERVE			
	SCHEDULED (MW)	REQUIRED (MW)	AVAILABILITY (%)	DEFICIENCY (%)
January	242	250	97.06	2.94
February	275	276	99.37	0.63
March	248	253	98.02	1.98
April	293	304	96.12	3.88
May	294	301	97.49	2.51
June	308	315	97.98	2.02
July	282	286	98.33	1.67

August	285	293	97.05	2.95
September	290	300	96.73	3.27
October	271	275	98.47	1.53
November	280	288	97.43	2.57
December	257	266	96.72	3.28

MONTH	CONTINGENCY RESERVE			
	SCHEDULED (MW)	REQUIRED (MW)	AVAILABILITY (%)	DEFICIENCY (%)
January	315	532	59.24	40.76
February	348	625	55.68	44.32
March	238	548	43.49	56.51
April	142	618	23.01	76.99
May	160	579	27.58	72.42
June	258	636	40.59	59.41
July	218	582	37.51	62.49
August	130	620	20.92	79.08
September	139	600	23.22	76.78
October	189	540	35.09	64.91
November	347	591	58.70	41.30
December	335	544	61.61	38.39

MONTH	DISPATCHABLE RESERVE			
	SCHEDULED (MW)	REQUIRED (MW)	AVAILABILITY (%)	DEFICIENCY (%)
January	415	436	95.26	4.74
February	509	546	93.25	6.75
March	486	512	94.98	5.02
April	508	556	91.35	8.65
May	482	526	91.71	8.29
June	453	577	78.52	21.48
July	242	525	46.21	53.79
August	242	559	43.25	56.75
September	437	478	91.26	8.74
October	328	427	76.80	23.20
November	335	441	76.05	23.95
December	379	413	91.77	8.23

As can be seen from the tables above, significant deficiencies remain in the available levels of Regulating Reserve, Contingency Reserve, and Dispatchable Reserve in the country's main grid for the period January 2016 to December 2016.

Thus, the Commission finds merit in Applicants' allegations. The factual milieu surrounding the Application satisfies the substantial requirements for the grant of provisional authority.



**IV. THE PROVISIONAL  
AUTHORITY FOR THE  
IMPLEMENTATION OF  
APPLICANTS' ASPA,  
PENDING FINAL  
EVALUATION OF THE  
APPLICATION, WILL  
REDOUND TO THE  
BENEFIT OF  
CONSUMERS.**

Under Republic Act No. 9136, otherwise known as the *Electric Power Industry Reform Act of 2001* (2001 EPIRA), Applicant NGCP, as TransCo's winning concessionaire, is mandated to ensure and maintain the reliability, adequacy, security, stability, and integrity of the nationwide electrical grid. NGCP is likewise tasked to adequately serve generation companies, distribution utilities, and suppliers requiring transmission services and Ancillary Services through the transmission system.

Section 4 (b) of the 2001 EPIRA defines Ancillary Services as services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the transmission system. Such services are essential in ensuring not only the reliability in the operation of the transmission system as a whole, but also in the supply of electricity throughout the Luzon, Visayas, and Mindanao Grids.

On 9 March 2006, the Commission issued an Order in ERC Case No. 2002-253<sup>3</sup>, approving TransCo's proposed Ancillary Services Procurement Plan (ASPP). In the same Order, the Commission directed TransCo to file a separate application for the approval of the Ancillary Services-Cost Recovery Mechanism (AS-CRM).

In consonance with this directive, on 11 September 2006, Transco filed an Application under ERC Case No. 2006-049 RC<sup>4</sup> seeking the Commission's approval of its proposed mechanism to recover costs accruing from procurement of Ancillary Services. On 3

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<sup>3</sup> Entitled "*Application for the Approval of the Proposed Rules, Terms and Conditions for Open Access Transmission Service (OATS) and Proposed Rates, Terms and Conditions of Ancillary Services.*"

<sup>4</sup> Entitled "*In The Matter Of The Application For The Approval Of The Ancillary Services-Cost Recovery Mechanism (AS-CRM) Of The Ancillary Services Procurement Plan (Aspp) With Prayer For Provisional Authority.*"

October 2007, the Commission issued a Decision in the said case approving the AS-CRM to be used by TransCo to recover the cost of its Ancillary Services. In the same Decision, the Commission provided the following conditions for TransCo's recovery of Ancillary Services charges:

- a) The cost of procuring the ancillary services under the ASPP shall be recovered 100% from load customers but only until such time that such ancillary services are already traded in the Wholesale Electricity Spot Market; and
- b) All contracts for the procurement of ancillary services shall be submitted to the Commission for approval.

On 11 October 2013, NGCP, as TransCo's winning concessionaire, executed its first ASPA (2013 ASPA) with SNAP-BI for a period of three years. NGCP and SNAP-BI sought approval of the said ASPA under ERC Case No. 2013-214 RC<sup>5</sup>. On 3 February 2014, the Commission granted NGCP and SNAP-BI provisional authority to implement their 2013 ASPA. The said grant was extended by the Commission on 2 February 2015, until revoked or made permanent.

In view of the necessity to acquire the same Ancillary Services, and the expiration of the 2013 ASPA, NGCP executed another ASPA with SNAP-BI last 31 January 2017 (2017 ASPA), under the same rates, terms, and conditions with that of the 2013 ASPA.

In their ASPA, SNAP-BI agreed to provide NGCP with Ancillary Services, in particular, SNAP-BI committed to make available power from its Binga Hydroelectric Power Plant (HEPP) located in Itogon, Benguet, for NGCP to meet its Regulating Reserve, Contingency Reserve, and Dispatchable Reserve requirements. SNAP-BI likewise committed its plant to provide NGCP with Black Start Capability.

Regulating Reserve (RR), also called load following and frequency regulating reserve, refers to the generating capacity that is allocated exclusively to cover inter and intra-hour variations in demand, also known as load behaviors. RR is likewise used to address variations from generation schedules and hourly forecasts.

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<sup>5</sup> Entitled, "*In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and SN Aboitiz Power - Benguet, Inc., with Prayer for the Issuance of Provisional Authority.*"

During normal system conditions, loads and generator outputs vary from time to time. This behavior results in imbalance between supply and demand which is characterized by small deviations in system frequency. The Philippine Grid Code (PGC) requires that under normal conditions the frequency should remain within +/- 0.6 Hz of the standard 60.0 Hz in order to ensure quality of supply and security of the Grid. RR ensures that this standard is observed.

On the other hand, Contingency Reserve (CR) refers to the synchronized generation capacity from Qualified Generating Units and Qualified Interruptible Loads allocated to cover the loss or failure of either of the following: a synchronized generating unit, a transmission line, or a power import from a single circuit interconnection. CR ensures that the crucial balance between generation and load is maintained on a real time basis.

Dispatchable Reserve (DR), meanwhile, refers to the generating capacity that is not scheduled for Regular Energy Supply, Regulating Reserve or Contingency Reserve. It also refers to interruptible loads not scheduled for Contingency Reserve, and that are readily available for dispatch in order to replenish the Contingency Reserve. DR is called into service whenever a generating unit trips or a loss of a single transmission interconnection occurs. This type of Ancillary Service can be provided by Qualified Generators that are not connected to the Grid but have fast start capabilities and can ramp up their output to meet the required DR levels within thirty minutes.

Finally, Black Start Capability (BSC) refers to the ability of a generating unit, without assistance from the Grid or other external power supply, to recover from a total shutdown condition to an operating condition in order to energize the Grid and assist other generating units to start. A plant that has Black Start Capability plays a crucial role in jumpstarting the Grid in the event that the entire transmission system suffers from a total power blackout.

The term of the 2017ASPA entered into by Applicants is for a period of five (5) years, under a non-firm agreement. Further, NGCP and SNAP-BI agreed to the following rates for each of the Ancillary Service to be provided under their ASPA:

ANCILLARY SERVICE	APPLICABLE RATE (MAXIMUM HOURLY RATE)
	NON-FIRM
Regulating Reserve	PhP3.00/kW/Hr
Contingency Reserve	PhP2.25/kW/Hr

Dispatchable Reserve	PhP1.25/kW/Hr
Black Start Capability	PhP2.14/ kWh

In justifying their agreed rate, Applicants provided the following derivation:

**Applicable Rates for Non-firm Contracted Capacity:**

ANCILLARY SERVICE	APPLICABLE RATE
Regulating Reserve	PhP3.00/kW/Hr
Contingency Reserve	PhP2.25/kW/Hr
Dispatchable Reserve	PhP1.25/kW/Hr
Black Start Capability	PhP2.14/kWh

**Incidental Energy Cost:**

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

$$IE = G \times (AR + 1.5) - REV_{WESM}$$

Where, IE shall be paid if it is greater than zero;

- G = Summation of energy generated or dispatched due to Non-Firm Contracted Capacity, in kWh
- AR = Applicable Rate per AS type
- REV<sub>WESM</sub> = Summation of WESM revenue based on Final Ex-post market clearing price of the AS Provider's trading Node arising from G above

NGCP alleged that its end goal in deriving the ASPA Rate is to lower cost to its consumers. Ancillary Services are pass-through costs and are revenue neutral for NGCP. However, NGCP alleged that it felt it was proper for it to procure the Ancillary Services at the lowest possible cost for the benefit of its consumer.

NGCP further alleged that in deriving the appropriate ASPA Rate, it considered a number of methodologies such as the New Build Methodology, the Opportunity Cost Methodology, and the Comparative Revenue Methodology. Ultimately, NGCP needed to entice generators to sign and commit their capacity.

NGCP emphasized that under its 2013 Application<sup>6</sup> for approval of the ASPA it entered into with San Roque Power Corporation (SRPC), its proposed rates were based on the New Build Methodology. The said Methodology takes into consideration the cost to NGCP of building of a new hydroelectric plant dam type that could provide all Ancillary Services.

A hydroelectric plant was chosen because of its capability to provide all three types of Ancillary Services: Regulating Reserve, Contingency Reserve, and Dispatchable Reserve. It is also the desirable type of technology in view of its minimal fuel costs. Under its 2013 Application, NGCP further used the cost of San Roque Power Plant as benchmark based on the following assumptions: a) it was built fairly recently (2003) compared to Magat (1983) or CBK (1950-1982); b) it has a large capacity at 411 MW; and c) the plant is certified for all three Ancillary Services.

The following assumptions were thus used by NGCP to project the cost of building a similar power plant, pursuant to the New Build Methodology:

San Roque Build Cost: US\$ 1.17 bn<sup>7</sup>  
Installed Capacity: 411 MW  
Actual Build Cost: US\$2.89/MW  
Range: +/- 15%  
New Build Cost Range: US\$ 2.17-3.33mn per MW  
WACC: 15%  
Plant Life: 25 years  
Estimated Capital Cost: PhP 1.57 – PhP 2.41/kWh

Based on the actual build cost to construct a hydroelectric power plant, and applying a range of plus or minus 15%, a return on capital of 15%, and with a projected plant life of 25 years, Applicant NGCP thus arrived at its estimated cost range of PhP 1.57/kWh to PhP 2.41/kWh.

The initial evaluation of the Commission revealed that the rate agreed upon by NGCP and SNAP-BI is much lower than the current structure. The table below indicates that, taking into account the costs for procuring the rest of NGCP's reserve requirements, the overall

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<sup>6</sup> Filed under ERC Case No. 2013-009 RC, entitled "*In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and San Roque Power Corporation, with Prayer for the Issuance of Provisional Authority.*"

<sup>7</sup> [http://www.eca-watch.org/problems/asia\\_pacific/philippines/sanroqueproject.html](http://www.eca-watch.org/problems/asia_pacific/philippines/sanroqueproject.html).

rates can be 30% to 40% less for the same amount of reserve procured.

RESERVE	OLD RATE (2011 ACTUAL)		NEW RATE		
	QUANTITY (GWH)	COST (PHP MN)	QUANTITY (GWH)	NEW RATE	COST (PHP MN)
Regulating Reserve	1,459	2,428	1,459	2.50	3,647
Contingency Reserve	1,396	5,734	1,396	2.25	3,141
Dispatchable Reserve	1,502	6,046	1,502	1.25	1,877
Total Cost		14,208			8,666
Billing Determinant	49,121 GWh		49,121 GWh		
Cost to Consumer	0.29 / kWh		0.18 / kWh		

The Commission likewise compared the rates in the instant ASPA with the previously approved ASPA Rates of NGCP. The table below shows the different ASPA Rates entered into by NGCP with various generation companies:

ANCILLARY SERVICE	SNAP-BI, INC. BINGA HYDROELECTRIC POWER PLANT	SRPC, INC. SAN ROQUE HYDROELECTRIC POWER PLANT	SNAP-BI, INC. AMBUKLAO HYDROELECTRIC POWER PLANT	SNAP-MI, INC. HYDROELECTRIC POWER PLANT
	ERC CASE NO. 2017-016 RC	ERC CASE NO. 2013-009 RC	ERC CASE NO. 2016-165 RC	ERC CASE NO. 2016-164 RC
RR		PhP2.25/kW/Hr (Firm)	PhP2.25/kW/Hr (Firm)	PhP2.25/kW/Hr (Firm)
	PhP3.00/kW/Hr (Non-Firm)	PhP3.00/kW/Hr (Non-Firm)	PhP3.00/kW/Hr (Non-firm)	PhP3.00/kW/Hr (Non-firm)
CR		PhP1.50/ kW/Hr (Firm)	PhP1.50/kW/Hr (Firm)	PhP1.50/kW/Hr (Firm)
	PhP2.25/kW/Hr (Non-Firm)	PhP2.25/kW/Hr (Non-Firm)	PhP2.25/kW/Hr (Non-Firm)	PhP2.25/kW/Hr (Non-Firm)
DR	PhP1.25/ kW/Hr (Non-Firm)	PhP1.50/kW/Hr (Non-Firm)	PhP1.25/kW/Hr (Non-Firm)	PhP1.25/kW/Hr (Non-Firm)
BSC	PhP2.14/kWh (Non-Firm)		PhP2.14/ kWh (Non-Firm)	PhP2.14/ kWh (Non-Firm)

The above table shows that the proposed ASPA Rates of SNAP-BI approximates the provisionally approved Non-Firm ASPA Rates of San Roque Power Corporation (SRPC). However, the DR Rate currently proposed by Applicants in their 2017 ASPA is lower than the PhP1.50/kW/Hr. rate provisionally approved by the Commission for SRPC. The Commission likewise notes that the proposed AS Rates in the 2017 ASPA approximates the provisionally approved Non-Firm AS Rates of the Ambuklao Hydroelectric Power Plant (HEPP) and Magat (HEPP).

Further examination of the ASPA subject of the instant Application reveals that SNAP-BI is under obligation to deliver NGCP's procured Ancillary Services on a non-firm basis. This means that SNAP-BI has the right to decide whether or not it would nominate any capacity to be made available to NGCP for Ancillary Service. On the other hand, NGCP has the option to schedule or not

schedule the capacity nominated without any corresponding penalty or payment.

Thus, only in the instance where SNAP-BI nominates a certain capacity from its power plant, and NGCP schedules the said capacity nominated, can that capacity be relied upon and tapped by NGCP as either RR, CR, DR, or BSC to address the needs of the grid.

The Commission further takes note that the 2017 ASPA between NGCP and SNAP-BI is identical with that of their 2013 ASPA, except that the 2017 ASPA is for a term of 5 years, whereas the 2013 ASPA is only for 3 years.

The Commission also looked into the capability of SNAP-BI's Binga HEPP to provide NGCP's required Ancillary Service. According to Applicants, the Binga HEPP of SNAP-BI has 4 generating units with a maximum capacity (Pmax) of 35 MW/unit for a total plant capacity of 140 MW.

The Binga HEPP is likewise equipped with a standby 320 kW Diesel Blackstart Unit with Certificate of Compliance (COC) No. 17-03-M-00309L issued by the Commission on 9 March 2017 and valid until 11 March 2022. The 320 kW Diesel Blackstart Unit can be used to jumpstart the Binga HEPP in the event that it would suffer from a total black-out.

Further, Applicants' submissions reveal that SNAP-BI has Power Supply Agreements with various entities. The table below shows the capacities contracted by SNAP-BI to different entities attributable to either Binga HEPP or Ambuklao HEPP:

POWER SUPPLY AGREEMENT ATTRIBUTABLE TO SNAP-BI					
CUSTOMERS	AVERAGE DEMAND (MW)	AVERAGE DEMAND BINGA HEPP (MW)	AVERAGE DEMAND AMBUKLAO HEPP (MW)	CONTRACT PERIOD	
DECORP	10	6	4	Oct. 26, 2012	Oct. 25, 2022
CELCOR	31	17	13	Feb. 26, 2014	Dec. 25, 2023
Customer 1	8	5	3	Dec. 26, 2013	Dec. 25, 2018
Customer 2	0.03	0.02	0.01	Feb. 26, 2017	Feb. 25, 2020
Customer 3	14	8	6	Dec. 26, 2014	De. 26, 2019
Total	63	36	27		

Applicants likewise submitted Binga HEPP's Ancillary Services Certification Accreditation Nos. 2016-L0005 and 2016-L0006 issued by NGCP n 09 May 2016 to SNAP-BI. The said document certifies that Binga HEPP has successfully proven its capability to provide the following Ancillary Services:

- 1) Regulating Reserve Service of 34 MW/unit under the Automatic Generation Control Mode (AGCM);
- 2) Contingency Reserve Service of 34 MW/unit under the AGCM and Free Governor Mode;
- 3) Dispatchable Reserve (DR) Service of 35 MW/unit; and
- 4) Black Start Service.

The said plant was further certified to have met and complied with the Standard Ancillary Services Technical Requirements of System Operations during the actual testing of the said plant. Further, NGCP alleged that the performance of the Binga HEPP shall be subjected to annual evaluation by NGCP in order to determine its capability to provide the contracted AS, based on the standards set in Schedule 6 of NGCP and SNAP-BI's 2017 ASPA.

The latest NGCP's Accreditation Certificate No. 2017-L005 shows that SNAP-BI's Binga HEPP continues to be capable of providing the same services, with a condition stating "subject to re-certification test as maybe required in compliance with the approved 2016 Philippine Grid Code and corresponding ERC issuances".

The table below shows the importance of the contribution of the Binga HEPP to the Ancillary reserve capacity in maintaining the existing security and reliability of the grid and significantly lower the Ancillary Services cost to the benefit of the consumers:

BILLING PERIOD	2016 AS % SHARE OF BINGA HEPP					
	RR	BINGA HEPP SHARE	CR	BINGA HEPP SHARE	DR	BINGA HEPP SHARE
Jan	97.06%	12.01%	59.24%	5.64%	95.261%	8.03%
Feb	99.37%	10.48%	55.68%	4.64%	93.25%	6.19%
Mar	98.02%	11.84%	43.49%	5.48%	94.98%	6.84%
Apr	96.12%	9.86%	23.01%	4.86%	91.35%	6.29%
May	97.49%	9.96%	27.58%	5.18%	91.71%	6.65%



Jun	97.98%	9.53%	40.59%	4.72%	78.52%	6.06%
Jul	98.33%	10.48%	37.51%	5.15%	46.21%	6.67%
Aug	97.05%	10.23%	20.92%	4.84%	43.25%	6.26%
Sept	96.73%	10.01%	23.22%	5.00%	91.26%	7.32%
Oct	98.47%	10.90%	35.09%	5.56%	76.80%	8.20%
Nov	97.43%	10.43%	58.70%	5.08%	76.05%	7.94%
Dec	96.72%	11.29%	61.61%	5.51%	91.77%	8.48%

The EPIRA mandates the Commission to exercise regulatory oversight in NGCP's performance of its responsibility to construct, install, finance, improve, expand, rehabilitate, and repair the nationwide transmission system and the grid. The Commission's initial evaluation of the instant Application disclosed that the contracted Ancillary Services subject of the 2017 ASPA between NGCP and SNAP-BI is essential to augment the deficiency of Ancillary Reserve capacity that is crucial in maintaining the reliability not only in the operation of the transmission system, but also in the reliability of the supply of electricity in the Luzon Grid.

**IN VIEW OF THE FOREGOING**, Applicants NGCP and SNAP-BI are **GRANTED PROVISIONAL AUTHORITY** to implement their Ancillary Services Procurement Agreement (ASPA), subject to the following conditions:

1. Applicants are **DIRECTED** to observe the following procedures and the corresponding rates applicable:

SNAP-BI shall nominate the corresponding price, in per kW capacity per hour, for the Ancillary Service capacity to NGCP. In the event that the said nominated capacity is scheduled for Ancillary Service (AS), the pricing shall be as follows:

- a. Scheduled capacity without energy dispatched:

NGCP shall pay SNAP-BI the corresponding nominated price of the scheduled capacity. Provided, however, that the nominated price shall in no case exceed the following Fixed Fee Rate, without any minimum cost:

ANCILLARY SERVICE	APPLICABLE RATE (MAXIMUM HOURLY RATE)
	NON-FIRM
Regulating Reserve	PhP 3.00/ kW/Hr
Contingency Reserve	PhP 2.25/ kW/Hr
Dispatchable Reserve	PhP1.25/kW/Hr
Black Start Capability	PhP 2.14/kWh

b. Scheduled capacity with energy dispatched

The ASPA Rate shall be recovered through settlement on the Wholesale Electricity Spot Market (WESM). Thus, in this case, the Ancillary capacity is free of charges as the cost is recovered through the WESM.

SNAP-BI shall be entitled to a Monthly Minimum Incidental Energy Cost based on actual dispatch and the cost of generation computed using the formula provided under Schedule 4 of the ASPA.

Further, in the event that revenue from WESM exceeds the calculated Monthly Minimum Incidental Energy Cost, the excess shall be used to off-set any positive amount determined within the relevant period or to the immediately succeeding billing month.


2. NGCP is DIRECTED to optimize the economic and technical dispatch of the available Ancillary Service capacity wherein it shall schedule a mix of hourly Ancillary Service capacity at least cost for a reserve needed to maintain power quality, security, reliability, and integrity of the grid;
3. NGCP is DIRECTED to strictly observe the approved Ancillary Services-Cost Recovery Mechanism (AS-CRM) in passing on to its customers the costs related to the Ancillary Services to be provided by SNAP-BI.
4. NGCP is DIRECTED to submit the monthly computation of Ancillary Service rates that it passed on to its customers, with supporting documents on or before the 5<sup>th</sup> day of every month;

5. Applicants are DIRECTED to cease the implementation of their 2013 ASPA, in view of the instant grant of provisional authority for the implementation of Applicants' 2017 ASPA; and
  
6. The above recommended interim rates shall be effective on the next billing cycle of NGCP from receipt of the Order. In the event that the final rates are higher than the amount granted herein, the resulting additional charges shall be collected by SNAP-BI from NGCP and the latter shall pass it on to its customers. On the other hand, if the final rates are lower than the amount granted herein, the amount corresponding to the reduction shall be refunded by SNAP-BI to NGCP and the latter shall pass it on to its customers.

**SO ORDERED.**


Pasig City, 16 May 2017.

**JOSE VICENTE B. SALAZAR\***  
*Chairman and CEO*

  
**ALFREDO J. NON\*\***  
*Officer-in-Charge of the ERC*

  
**GLORIA VICTORIA C. YAP-TARUC**  
*Commissioner*

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
*Commissioner*

  
**GERONIMO D. STA. ANA**  
*Commissioner*

LS: ICS/RFM/ APV

ROS: WVP/ AJMO/ FBI

\* On preventive suspension as per Order of the Office of the President (OP-DC Case No. 17-D-094) dated 2 May 2017 and received 4 May 2017.

\*\* Designated as Officer-in-Charge of ERC as per Memorandum from the Executive Secretary dated 4 May 2017 and received 4 May 2017.

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