

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



**IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF THE
IMPLEMENTATION OF
CAPITAL EXPENDITURE
PROGRAM FOR CALENDAR
YEARS 2017-2020, WITH
PRAYER FOR THE
ISSUANCE OF
PROVISIONAL AUTHORITY,**

ERC CASE NO. 2016-197 RC

**NATIONAL GRID
CORPORATION OF THE
PHILIPPINES,**

Applicant.

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D O C K E T E D

Date: SEP 04 2017

By: M

ORDER

THE CASE

For the Commission's consideration is the prayer for issuance of provisional authority included in the Application dated 6 December 2016 filed by National Grid Corporation of the Philippines (NGCP) on 12 December 2016.

THE FACTUAL ANTECEDENTS

Relative to its prayer for issuance of provisional authority, NGCP alleged the following:

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Justifications for the Issuance of Provisional Approval

12. To reiterate, NGCP is required under paragraph d, Section 9 of the EPIRA to seek prior approval from the Honorable Commission of any plan for expansion or improvement of its facilities in relation to its authority and responsibility to construct, install, finance, improve, expand, rehabilitate and repair the nationwide transmission system and the grid.

13. Along with its responsibility for the planning, construction and centralized operation and maintenance of its high voltage

transmission facilities, it is indispensable for NGCP to ensure a reliable and high-performance operation of the transmission system.

14. Thus, to avoid disruption of operation and non-compliance with its mandate under the EPIRA as the transmission operator, it is imperative that the implementation of the proposed CAPEX projects be immediately approved.

15. In support thereof, NGCP submits the judicial affidavit of Engr. Darryl Lon A. Ortiz, Head of the Business Strategic Development and Regulatory Management Division of NGCP attached as Annex "F."

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On 24 February 2017, the Commission deliberated and resolved the said prayer. However, due to supervening events¹, the Order could no longer be promulgated without undergoing reconfirmation by the Commission En Banc. Thus, the Commission resolved to reconfirm the Order on 20 June 2017.

THE ISSUE

The issue for the Commission's resolution is whether Applicant NGCP has satisfied the requirements provided by law for the grant of provisional authority to implement its proposed capital expenditure (CAPEX) projects for the years 2017 to 2020.

THE COMMISSION'S RULING

The Commission partially grants Applicant's prayer.

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.

¹ The Chairman was placed 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 on 04 May 2017.

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)*² (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 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.

² G.R. No. 161113, 15 June 2004.

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.

(Emphases 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*³ (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 proposed capital expenditure programs of NGCP spread over four (4) years, from 2017 to 2020. As such, the Commission has the power to grant provisional approval in the instant Application.

II. APPLICANT NGCP HAS 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

³ G.R. No. 163935, 02 February 2006.

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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Applicant NGCP attached the following documents to its Application:

- a) Verification and Certification of Non-Forum Shopping dated 6 December 2016 and notarized on even date, executed by Ma. Cynthia Y. Manrique, the Head of Revenue Regulatory Affairs Group of NGCP;
- b) Affidavit of Service dated 7 December 2016 and notarized on even date, executed by Alberto I. Mapa stating that he has personally served a copy of the Application on the *Sangguniang Panlungsod* of Quezon City on 7 December 2016; and
- c) Affidavit of Publication dated 7 December 2016 and notarized on even date, executed by Evelyn S. Arevalo, the Vice President for Finance of The Manila Times, stating that the Application has been published in the said newspaper on its 7 December 2016 issue.

No Comment was received by the Commission within the thirty (30) day period within which the same may be filed, or until 6 January 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 25 February 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. APPLICANT NGCP HAS SATISFACTORILY PROVEN THE NEED FOR THE GRANT OF PROVISIONAL AUTHORITY.

Applicant NGCP alleged that it is necessary for the Commission to issue a provisional approval of the Application in order for NGCP to be able to ensure the reliability and efficiency of the country's transmission system.⁴

In his Judicial Affidavit attached to the Application, Engr. Darryl Lon A. Ortiz, NGCP's Head of Business Strategic Development and Regulatory Management Division, further underscored both the necessity and urgency of the projects proposed by Applicant in the instant Application:

8. Q: Why is there an urgency to implement the CAPEX projects?

A: To reiterate, NGCP is required under paragraph d, Section 9 of the EPIRA to seek prior approval from the Honorable Commission of any plan for expansion or improvement of its facilities in relation to its authority and responsibility to construct, install, finance, improve, expand, rehabilitate and repair the nationwide transmission system and the grid. Along with its authority and responsibility for the planning, construction and centralized operation and maintenance of its high voltage transmission facilities, it is indispensable for NGCP to ensure a reliable and high-performance operation of the transmission system. Most of the 2017-2020 projects are necessary infrastructures for the sustainable economic development. Thus, to avoid disruption of operation and non-compliance with its mandate under the EPIRA as the transmission operator, NGCP seeks for the immediate approval and implementation of the proposed CAPEX projects.

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

IV. THE GRANT OF PROVISIONAL AUTHORITY IS

⁴ Paragraphs 13 to 14 of the Application.

**LIMITED ONLY TO 58
OUT OF THE 65
PROPOSED CAPITAL
EXPENDITURE
PROJECTS.**

In its *Application*, NGCP sought the Commission’s approval for the implementation of its sixty-five (65) capital expenditure programs spread over three years, from 2017 to 2020. Applicant alleged that these projects aim to address the transmission system’s technical deficiencies. NGCP further alleged that these projects are essential to provide continuous supply, efficient, reliable and best possible quality of service to its customers.

Of the 65 proposed capital expenditure projects proposed, 20 are classified towards grid expansion and grid reliability projects. In support of these projects, NGCP alleged the following in its *Application*:

A. Grid Expansion and Reliability Projects

7. One of the core mandates of NGCP is to improve and expand its transmission facilities⁵, and to ensure and maintain the reliability, adequacy, security, stability and integrity of the nationwide electrical grid⁶ to guarantee that grid meets: forecast demand, system reliability, demand market requirements, and capacity of new generators. Thus, NGCP is seeking approval for the following new projects:

The following table shows a summary of the proposed projects classified as Grid Expansion and Reliability Projects:

NO	PROJECT TITLE	RATIONALE	PROJECT COST (PHP IN MILLION)	
			2017-2020	BEYOND 2020
1	Relocation of Steel Poles along Hermosa - Duhat 230kV T/L	To avoid accident caused by the steel poles left at the center of the road. Safety of the motorists and commuters passing through Jose Abad Santos Avenue especially during dark hours and bad weather conditions.	221.55	
2	Mariveles - Hermosa 500kV Transmission Line Project	To accommodate the connection of incoming generations in Bataan Peninsula with a total capacity of 2,536 MW and develop a common collector switching station for power generation in Mariveles and a new 500 kV transmission backbone from Mariveles going to Hermosa.	5,982.42	75.01

⁵ Section 9 d, EPIRA;

⁶ Section 9, c, EPIRA;

3	North Luzon Substation Upgrading Project	To cater the load growth and provide N-1 contingency to various substations in NGCP's North Luzon Region.	3,947.11	1,830.44
4	South Luzon Substation Upgrading Project	To cater load growth, provide N-1 contingency and ensure reliability and flexibility to various substations in NGCP's South Luzon Region. This includes Las Piñas, Lumban, San Juan, Naga, Gumaca, Daraga and Labo Substations.	223.17	1,952.29
5	Luzon Voltage Improvement Project - 3	To address the anticipated undervoltage problem during peak load conditions and overvoltage problem during off peak load conditions at various substations in the Luzon Grid.	1,887.39	1,495.72
6	Luzon Voltage Improvement Project - 4	To address the anticipated undervoltage problem during peak condition at various substations in the Luzon Grid.	627.05	2,495.22
7	Cebu-Negros-Panay (CNP) 230kV Backbone Project Stage 3	To establish a more reliable and effective transmission of power between the major islands in the Visayas, increase the transfer capacity of the existing transmission corridor between Cebu, Negros and Panay Islands, accommodate the transmission of excess power from Panay and Negros Islands towards the rest of the Visayas Grid and possibly Luzon Grid and establish a 230 kV Backbone consistent with the future transmission projects which aims to establish a 230 kV loop backbone in Metro Cebu.	41,239.33	2,173.45
8	Panitan - Nabas 138kV Line 2 Project	To provide N-1 contingency along the Panitan - Nabas 138 kV Transmission Line, thus, will improve the reliability of power transmission towards the northwestern part of Panay in line with the increasing load growth in the area, which includes the Boracay Island.	463.24	
9	Tagbilaran 69kV Substation Project	To directly connect Bohol Electric Inc (BEI) and Sta. Clara Power Corp (SCPC) to NGCP grid, avoid overloading of Bohol Diesel Power Plant (BDPP) 10 MVA transformer upon SCPC's expansion, address the asset boundary issue between BDPP and NGCP and accommodate the BDPP's full utilization of 10 MVA transformer upon rehabilitation of their 4x5.5 MW generating units.	487.45	
10	Visayas Voltage Improvement Project	To improve the voltage in Northern Samar, eastern part of Leyte and Southern Leyte	734.95	
11	Baloi-Kauswagan-Aurora 230kV Transmission Line Project (Phase 2)	To provide reliable transmission of power for the stakeholders and customers in Zamboanga Peninsula considering that most of the power requirement in the area is being drawn from Balo-i Substation in	151.18	5,347.59

		Lanao del Norte.		
12	Mindanao Substation Rehabilitation Project	To improve system reliability, prevent/reduce unserved energy, and reduce maintenance expenses. Also, equipment and personnel safety is improved due to the expected decrease in incidents of breaker failures.	0.49	3,451.32
13	Mindanao Substation Upgrading Project	To maintain the system voltage within the acceptable range of 95%-105% of the nominal value during normal conditions.	4.52	5,060.65
14	Grid Replacement of Primary Equipment Project	To significantly reduce the outages directly attributed to the failure of primary equipment or High Voltage Equipment (HVE).	4,509.43	
15	Grid Replacement of Secondary Equipment Project	To make sure that the protection and secondary devices of these transmission assets are enough and efficient in order for a safe, secure and reliable operation of the transmission system.	2,617.32	
16	Line Tools & Equipment Acquisition Project	Needed in the repair and maintenance of transmission lines and restoration of power in case of emergencies and natural calamities corporate-wide.	1,086.08	
17	Line Equipment & Structure Installation Project	To maintain the reliability of the system.	432.73	
18	Line Structure Replacement Project	To ensure the reliability and availability of transmission line and also extending the asset life	1,472.64	
19	Spares Acquisition Project	To provide reliable and continuous transmission of electricity throughout the country	4,606.29	
20	Acquisition of Test and Measuring Equipment Project	To ensure the reliable conditions of substations and its equipment, appropriate test and measuring equipment should be readily available for its Maintenance and Testing Divisions (MTD) personnel	1,174.74	
TOTAL			71,869.08	23,881.70

NGCP likewise proposed 23 projects that are geared towards supporting Applicants' operations as well as the Wholesale Electricity Spot Market (WESM):

B. Operations and WESM Support Projects

8. NGCP as the Transmission Service Provider, System Operator and Metering Service Provider (MSP) is required to operate the power system in accordance with the Philippine Grid Code (PGC) and the Wholesale Electricity Market (WESM) Rules. As such, it must fully comply with the requirements of the provisions of the PGC, the WESM Rules, and the WESM Metering Manual and Guidelines. Thus, NGCP proposes the implementation of the following operation and compliance programs:

The following table shows a summary of the proposed projects classified under the said category:

NO.	PROJECT TITLE	RATIONALE	PROJECT COST (PHP IN MILLION)	
			2017-2020	Beyond 2020
21	Fiber Optic and Microwave Radio Equipment Replacement	To optimize the serviceability of its existing facilities, that is maximizing service lives up to the extent that the costs of ownership vis-à-vis strategic benefits justify continued maintenance.	267.38	
22	Teleprotection Equipment Replacement	To sustain system reliability by replacing end-of-life components of protection systems meant to isolate line faults.	189.08	
23	Telecom Access and Remote Management Component Replacement	To replace network components towards the end of their respective service lives and the need for a constant assessment of the significance of such assets to System Operator's (SO) functional objectives.	377.14	
24	Power Supply and Auxiliary Equipment Replacement	To sustain continuity of operations and maintain a reliable and secure transmission system.	838.14	
25	Infra and IT Support Facilities Replacement	To optimize the serviceability of its existing facilities, that is maximizing service lives up to the extent that the costs of ownership vis-à-vis strategic benefits justify continued maintenance.	473.72	
26	Supervisory Control and Data Acquisition/ Energy Management System (SCADA/EMS) Facilities Replacement	To address the problems related to hardware limitation, scaling/sizing, as well as software capabilities of Supervisory Control and Data Acquisition/ Energy Management System (SCADA/EMS) system for Luzon, Visayas and Mindanao.	386.95	
27	SCADA Expansion-Added Interfaces/ Remote Terminal Units (RTU) and Monitoring Points	To ensure that technical and regulatory requirements are satisfactorily complied with.	785.67	
28	Telecom Access for Added Locations, Subscribers & Application Points	To increase the capacity to address requirements by the end of the 4 th REG period, especially in Mindanao.	113.08	
29	Fiber Optic and Microwave Radio Expansion	To ensure adequacy of telecom network reach and bandwidth by expanding the telecom backbone through OPGW (Optical Power Ground Wire) retrofitting on existing transmission lines and installation of new optical and radio terminals.	1,118.59	
30	Cyber Security	To protect the network elements from unauthorized access and threats.	234.15	
31	Network	To require a common reference	163.21	

	Synchronization System	clock for an overall synchronized operations.		
32	Network and Facilities Management System and information Technology (IT) Support Facilities	To centrally monitor and manage EMS of various network elements of the transport, access and data networks.	313.64	
33	Energy Management System (EMS) Enhancements	To ensure the power quality and mitigate the issues relating to voltage fluctuations/ variations by employing advanced applications.	230.22	
34	Network Disturbance Monitoring Equipment & Power Quality Analyzer	To address the power quality problems that can be resolved and mitigated by the installation of adequate PQA equipment, particularly in substations where there are identified power quality issues	642.79	
35	Real-Time Monitoring and Control Equipment for Distribution Utilities and Monitoring Equipment for Generators	To comply with the DOE's Department Circular No. DC2016-05-0007, entitled, "Providing Policies for Further Improvements of the Operations and Metering Installations of the Metering Services Providers (MSPs) in the Wholesale Electricity Spot Market (WESM) and Retail Market".	7,983.10	
36	Expansion-Installation of New Metering Facilities	To provide reliable and WESM compliant revenue metering facilities for Transmission Customers consistent with its function as Metering Services Provider.	203.41	
37	NGCP Station Service - Installation of Metering Facilities	To provide more reliable and accurate billing data as required by the Market Operator Philippine Electricity Market Corporation (PEMC), the energy supplier of NGCP Substations.	131.00	
38	Rehabilitation and Upgrade of Metering Assets	To ensure the continuous, reliable and safe operations metering facilities.	105.97	
39	Relocation of Metering Facility to the Prescribed Connection Points	To transfer NGCP metering facilities or equipment which are not properly located to the prescribed connection points.	107.09	
40	Programmed Replacement of Ageing Metering Assets	To implement NGCP's proactive asset management system, consistent with the policies of the ERC, which continuously monitors age and conditions of metering equipment and programs their replacements.	152.89	
41	Procurement of Testing Equipment	To continuously perform its mandate of providing calibration traceability to NGCP metering facilities and this will support PGC/WESM/ERC compliant Metering Operation.	104.11	
42	Procurement of Spares	To ensure availability of replacement assets in case of failures of installed equipment and accessories.	87.81	
43	Automated Meter data Retrieval's	To ensure continuous compliance of NGCP to the requirements of its	47.51	

	(AMR) System Upgrade	customers and also to guarantee Automated Meter data Retrieval's (AMR) system reliability and error-free operation.		
TOTAL			15,056.66	

Applicant NGCP further proposed to undertake 21 projects identified as Non-Network Projects, with the following justification:

C. Non-Network Projects

To support in fulfilling of its mandate discussed above, NGCP seeks the approval of following similarly significant and indispensable projects:

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The following table shows a summary of NGCP's non-network projects:

NO.	PROJECT TITLE	RATIONALE	PROJECT COST (PHP IN MILLION)	
			2017-2020	BEYOND 2020
44	Refurbishment of Overall Disaster Command Center (ODCmC), Establishment of District Disaster Command Center (DDCmC) and Acquisition of Geospatial Precision Data-Capture Equipment	To sustain the operation of existing Overall Disaster Command Center (ODCmC) and expand the coverage of the command center system of NGCP through the establishment of permanent District Disaster Command Center (DDCmC) including the acquisition of necessary equipment/instrument to complement the vital data gathering of spatially-based transmission assets and environmental parameters needed in various applications and in compliance to what is required by law.	197.48	
45	Construction/Expansion of Control Building and other Facilities	To comply with the Integrated Management System (IMS) Certification and also to cope up with the fast technological advancements in the field which require additional facilities or extension of existing buildings for proper storage and also to provide the personnel with good working environment.	319.59	
46	Compliance to Environmental Requirements	To comply with the Presidential Decree (PD) 1152, "the Philippine Environmental Code" and Republic Act (RA) 6969 "Toxic Substances, Hazardous and Nuclear Wastes Control Act".	26.10	
47	Fire Protection System Project	To implement anti-fire systems in order to avert such destruction if not mitigate the damaged caused and/or prevent similar occurrences in the future.	75.20	

48	Acquisition of One (1) Airborne LIDAR Equipment	To improve the accuracy of the data for the plan and profile, topographic maps and earth surface condition of the area of interest.	40.30	
49	Construction of NGCP's Hangar at Mindanao	To accommodate all deployed company helicopter in Mindanao.	28.21	
50	Procurement of Gimbal Camera for Airbus AS 350 B3 Helicopter	To address the special needs of NGCP for better aerial inspection of transmission lines and projects.	30.23	
51	Procurement of Sling Cables for Helicopters	To improve the safety factor and lower risk during sling operation, NGCP needs to use branded sling cables and cargo net.	1.69	
52	Tower Perimeter Fences	To provide additional security to the towers, essential in the delivery of power.	56.41	
53	Electronic Security Access Door System	To serve as a protection, and a system of monitoring of access to the rooms.	46.59	
54	Installation of Security Surveillance System	To augment the security and monitoring in facilities critical in the delivery of power.	198.60	
55	Installation of Security Radio Communication System	To ensure a secured link of communications that is independent from the frequency of other network providers.	7.00	
56	Construction of a Multi-Level Parking Structure	To comply with the city requirement for parking provision to cater the proposed construction of ERC Building at the Power Complex.	136.21	
57	Replacement of Fire Protection System at NGCP Main Building	To replace the fire protection system at the NGCP Main Building in compliance to the Occupational Safety and Health Standards.	27.79	
58	Replacement of Centralized Air-Conditioning System at NGCP Main Building	To ensure the continuous normal operation and controlled room temperature of the offices in compliance with DENR Administrative Order No. 2004-08 or Revised Chemical Control Order for Ozone Depleting Substances and with the Montreal Protocol (Ozone Depleting Substance Phase-out).	74.77	
59	Construction of Generator Set Building and Purchase of 1.5MVA Standby Generator Set	To protect the equipment from the elements by putting the two (2) generator sets in one area for easy access and control.	27.26	
60	Replacement and Acquisition of Tools, Furniture, and Equipment	To contribute to a conducive, safe and well-maintained working environment will help employees and customers to collaborate efficiently and effectively. .	53.00	
61	Physical Security Enhancement Project	To strengthen the security in the substations and to promote well-being in the workplace.	6.90	
62	Information Technology Department (ITD) Infrastructure and Equipment	To ensure a functional network infrastructure and to sustain business continuity by maintaining fully serviceable IT facilities.	698.32	

63	Procurement of Information and Communications Technology (ICT) Project	To promote a productive office environment with the use of updated technology and guaranteed warranty of equipment from the suppliers will provide a type of insurance from defective equipment.	176.38	
64	Enterprise Resource Planning (ERP)- Phase 3 Project	To optimize the functionality and features of an enterprise solution to leverage NGCP's decision-making process in further assessing financial resources and customer demands.	200.86	
TOTAL			2,428.88	

Finally, NGCP proposed a replacement program for its woodpoles and associated assets with the following cost breakdown:

NO.	PROJECT TITLE	RATIONALE	PROJECT COST (PHP IN MILLION)	
			2017-2020	BEYOND 2020
65	Woodpole and Associated Asset Replacement Program	To ensure the reliability, availability of transmission lines and also extending its asset life.	192.10	

Upon initial evaluation of Applicant's proposed projects, the Commission has resolved to limit the grant of provisional authority to only fifty eight (58) out of NGCP's sixty-five (65) proposed projects.

The 58 projects that are given provisional authority are listed below:

A. GRID EXPANSION AND RELIABILITY PROJECTS	AMOUNT OF DISBURSEMENT FOR 2017 (IN PHP MILLION)
Relocation of Steel Poles along Hermosa -Duhat 230kV T/L	122.79
Mariveles - Hermosa 500kV Transmission Line Project	5.816
North Luzon Substation Upgrading Project	563.79
South Luzon Substation Upgrading Project	
Luzon Voltage Improvement Project - 3	5.79
Luzon Voltage Improvement Project - 4	1.35
Cebu-Negros-Panay (CNP) 230kV Backbone Project Stage 3	176.75
Panitan - Nabas 138kV Line 2 Project	350.71
Tagbilaran 69kV Substation Project	487.45
Visayas Voltage Improvement Project	254.96
Baloi-Kauswagan-Aurora 230kV Transmission Line Project (Phase 2)	
Mindanao Substation Rehabilitation Project	
Mindanao Substation Upgrading Project	
Grid Replacement of Primary Equipment Project	208.47

Grid Replacement of Secondary Equipment Project	193.09
Line Tools & Equipment Acquisition Project	88.33
Line Equipment & Structure Installation Project	39.29
Line Structure Replacement Project	368.75
Spares Acquisition Project	163.86
TOTAL FOR GRID EXPANSION AND RELIABILITY PROJECTS	3,031.20
B. OPERATIONS AND WESM SUPPORT PROJECTS	AMOUNT OF DISBURSEMENT FOR 2017 (IN PHP MILLION)
Fiber Optic and Microwave Radio Equipment Replacement	42.85
Teleprotection Equipment Replacement	38.56
Telecom Access and Remote Management Component Replacement	70.27
Power Supply and Auxiliary Equipment Replacement	215.80
Infra and IT Support Facilities Replacement	120.81
SCADA/EMS Facilities Replacement	96.84
SCADA Expansion-Added Interfaces/RTU's and Monitoring Points	223.29
Telecom Access for Added Locations, Subscribers & Application Points	10.87
Fiber Optic and Microwave Radio Expansion	337.33
Cyber Security	183.07
Network Synchronization System	39.64
Network and Facilities Management System and IT Support Facilities	76.55
EMS Enhancements	49.50
Network Disturbance Monitoring Equipment & Power Quality Analyzer	91.91
Real-Time Monitoring and Control Equipment for Distribution Utilities and Monitoring Equipment for Generators	
Expansion- Installation of New Metering Facilities	34.14
NGCP Station Service - Installation of Metering Facilities	8.79
Rehabilitation and Upgrade of Metering Assets	49.53
Relocation of Metering Facility to the Prescribed Connection Points	33.31
Programmed Replacement of Ageing Metering Assets	82.77
Procurement of Testing Equipment	21.89
Procurement of Spares	25.71
AMR System Upgrade	2.16
TOTAL FOR OPERATIONS AND WESM SUPPORT PROJECTS	1,855.59

C. NON-NETWORK PROJECTS	
C. NON-NETWORK PROJECTS	AMOUNT OF DISBURSEMENT FOR 2017 (IN PHP MILLION)
Refurbishment of ODCmC, Establishment of DDCmCs and Acquisition of Geospatial Precision Data-Capture Equipment	72.40
Construction/Expansion of Control Building and other Facilities	109.40
Compliance to Environmental Requirements	18.30
Fire Protection System Project	18.64
Acquisition of One (1) Airborne LIDAR Equipment	40.30
Procurement of Gimbal Camera for Airbus AS 350 B3 Helicopter	
Procurement of Sling Cables for Helicopters	
Tower Perimeter Fences	22.57
Electronic Security Access Door System	13.00
Installation of Security Surveillance System	49.65
Installation of Security Radio Communication System	7.00
Replacement of Fire Protection System at NGCP Main Building	
Replacement of Centralized Air-Conditioning System at NGCP Main Building	
Construction of Generator Set Building and Purchase of 1.5MVA Standby Generator Set	27.26
Enterprise Resource Planning (ERP)- Phase 3 Project	200.86
TOTAL FOR NON-NETWORK PROJECTS	579.38
D. OTHER PROJECT	
D. OTHER PROJECT	AMOUNT OF DISBURSEMENT FOR 2017 (IN PHP MILLION)
Woodpole and Associated Asset Replacement Program	39.93
TOTAL FOR OTHER PROJECTS	39.93

The total amount of disbursements scheduled for 2017 for the above projects is as follows:

	AMOUNT OF DISBURSEMENT FOR 2017
GRAND TOTAL (IN PHP MILLION)	5,506.10

Applicant should award the contract for the supply of materials for the proposed projects only to qualified suppliers and contractors following a competitive bidding and selection process. The funding should be sourced through NGCP's Internally Generated Cash (IGC) fund.

In its Application, NGCP alleged that the cost estimates were based on cost per kilometer for the Transmission Line, which was in turn derived from previous contracts. Included in the estimated costs of NGCP are the technical services such as cost of route, topological survey, geologic investigation, Right-Of-Way (ROW) negotiations and acquisitions, relocation cost, RVAT for local purchases, and site management.

Further, the proposed projects should be subjected by NGCP to optimization following the principles indicated in the Rules in Setting the Transmission Wheeling Rates (RTWR).

On the other hand, the following seven (7) projects have been deemed by the Commission to have failed the necessity and urgency standard required for the grant of provisional authority.

NO.	PROJECT TITLE	RATIONALE	TOTAL PROJECT COST (PHP IN MILLION)
1	Acquisition of Test and Measuring Equipment Project	To ensure the reliable conditions of substations and its equipment. Appropriate test and measuring equipment should be readily available for its Maintenance and Testing Divisions (MTD) personnel	1,174.74
2	Construction of NGCP's Hangar at Mindanao	To accommodate all deployed company helicopter in Mindanao.	28.21
3	Construction of a Multi-Level Parking Structure	To comply with the city requirement for parking provision to cater the proposed construction of ERC Building at the Power Complex.	136.21
4	Replacement and Acquisition of Tools, Furniture, and Equipment	To contribute to a conducive, safe and well-maintained working environment. It will help employees and customers to collaborate efficiently and effectively. .	53.00
5	Physical Security Enhancement Project	To strengthen the security in the substations and to promote well-being in the workplace.	6.90
6	ITD Infrastructure and Equipment	To ensure a functional network infrastructure and to sustain business continuity by maintaining fully serviceable IT facilities.	698.32
7	Procurement of ICT Project	To promote a productive office environment with the use of updated technology and guaranteed warranty of equipment from the suppliers. It will provide a type of insurance from defective equipment.	176.38
TOTAL			2,273.76

Consequently, NGCP should await the final approval and resolution of the instant Application before it could implement the above projects.

V. THE REQUIRED PERMIT FEES FOR THE PROPOSED PROJECT MUST BE PAID BY APPLICANT.

Commonwealth Act No. 146, entitled "*The Public Service Law*", otherwise known as the 1936 Public Service Act prescribes the payment of Permit Fee for Applications seeking authority to construct projects. The 1936 Public Service Act further provides that the Fee shall be based on the total project cost and shall serve as reimbursement for the expenses of the Commission in evaluating the proposed project.

For purposes of computing the required Permit Fee relative to the instant grant of provisional authority, the Commission limited the total project cost to the amount of disbursements scheduled by NGCP for the year 2017. The computation below shows the required Permit Fee in view of the provisional authority granted to NGCP's 58 projects:

$$\begin{aligned} \text{Permit Fee} &= \frac{\text{Total Project Cost} \times 0.75}{100} \\ &= \frac{5,506,096,000.00 \times 0.75}{100} \\ &= \text{PhP } 41,295,720.00 \end{aligned}$$

It must be stressed that the above-quoted amount of Permit Fee is only provisional and may increase further depending on the final list of projects to be approved by the Commission in its final resolution and Decision in the instant Application.

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 58 projects granted provisional authority, would ensure the quality, reliability, and security of the country's transmission system.

IN VIEW OF THE FOREGOING, Applicant NGCP is GRANTED PROVISIONAL AUTHORITY to implement the above listed fifty-eight (58) capital expenditure projects with their corresponding 2017 disbursements with a total project cost of PhP 5,506,096,000.00, subject to the following conditions:

1. NGCP is DIRECTED to subject the proposed projects to optimization based on their actual use and/or implementation during the reset process for the next Regulatory Period following the procedures stated in the RTWR and other relevant issuances of the Commission;
2. NGCP is DIRECTED to undertake competitive selection process in the bidding, awarding, and purchase of major materials in the implementation of the proposed projects; and
3. NGCP is DIRECTED to pay the Permit Fee amounting to PhP 41,295,720.00 computed based on Section 40(g) of Commonwealth Act (C.A.) No. 146 and the Revised Schedule of ERC Fees and Charges.

SO ORDERED.

Pasig City, 20 June 2017.

JOSE VICENTE B. SALAZAR*
Chairman and CEO



(On Leave)

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: /REM/ APV
ROS: /LLG/ FB

* Placed 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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