

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



IN THE MATTER OF THE APPLICATION FOR AUTHORITY TO DEVELOP, OWN, AND OPERATE DEDICATED POINT-TO-POINT LIMITED TRANSMISSION FACILITIES TO CONNECT THE SAN MIGUEL CONSOLIDATED POWER CORPORATION (SMCPC) POWER PLANT IN MALITA, DAVAO DEL SUR TO THE 230 KV MALITA-MATANAO TRANSMISSION LINE OF THE NATIONAL GRID CORPORATION OF THE PHILIPPINES (NGCP), WITH PRAYER FOR PROVISIONAL AUTHORITY,

ERC CASE NO. 2016-014 MC

**SAN MIGUEL
CONSOLIDATED POWER
CORPORATION (SMCPC),
Applicant.**

X-----X

D O C K E T E D
Date: SEP 22 2017
By: [Signature]

DECISION

Before this Commission for resolution is the Application dated 12 May 2016 (Application) filed on 25 May 2016 by San Miguel Consolidated Power Corporation (SMCPC) for authority to develop, own, and operate dedicated point-to-point limited transmission facilities to connect the SMCPC Power Plant in Malita, Davao Del Sur to the 230kV Malita-Matanao Transmission Line of the National Grid Corporation of the Philippines (NGCP), with prayer for the issuance of provisional authority.

FACTS

In support of the Application, SMCPC alleged the following:

The Applicant

1. SMCPC is a corporation duly created and existing by and under the laws of the Republic of the Philippines, with business address at No. 40 San Miguel Avenue, Mandaluyong City 1550;
2. SMCPC may be served with the orders, notices and other processes of the Honorable Commission through its undersigned counsel at the address indicated herein;

Nature of the Application

3. The Application for authority to develop, own, and operate dedicated point-to-point limited transmission facilities to connect SMCPC's Power Plant in Malita, Davao del Sur to the 230 kV Transmission Line of the National Grid Corporation of the Philippines (NGCP) is being submitted to the Honorable Commission for its review and approval pursuant to Section 9(f) of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 or the EPIRA¹ and other pertinent rules and regulations;

Statement of Facts

4. SMCPC has constructed a 2 x 150 MW Circulating Fluidized Bed Coal-Fired Thermal Power Plant (the Power Plant) located in Barangay Culaman, Malita, Davao del Sur, which is expected to be commercially operational by the 2nd quarter of calendar year 2016;
5. SMCPC is now in the process of conducting the testing and commissioning of Unit 1 of the Power Plant and is expected to be synchronized to the Mindanao Grid on 19 May 2016 at an initial load of twenty-five percent (25%). The load will gradually increase to fifty percent (50%), seventy-five percent (75%) and one hundred percent (100%) on 22, 24, and 27 May 2016, respectively;
6. To dispatch the power to be generated by the Power Plant, SMCPC recently developed a dedicated point-to-point limited transmission facilities to connect said Power Plant to the 230 kV Transmission Line of the NGCP;

¹ "Section 9. Functions and Responsibilities. x x x.
(f) x x x.

A generation company may develop and own or operate dedicated point-to-point limited transmission facilities that are consistent with the TDP: Provided, That such facilities are required only for the purpose of connecting to the transmission system, and are used solely by the generating facility, subject to prior authorization by the ERC: x x x."

7. SMCPCC is awaiting for the Department of Energy's (DOE) confirmation of its Declaration of Commerciality and subsequent issuance of a Certificate of Endorsement (COE) in order to apply for a Certificate of Compliance (COC) with the Honorable Commission;
8. The Power Plant Project is consistent with NGCP's Transmission Development Plan (TDP);
9. A System Impact Study (SIS) was prepared by CEMA Consultancy Services, Incorporated on the technical feasibility of connecting the Power Plant Project to the NGCP's 230 kV Malita-Matanao Transmission Line;
 - 9.1 Based on said SIS, it is possible to integrate the Power Plant Project to the Mindanao Grid without significantly degrading the system's performance;
10. **Description of the Connection Facilities.** The Malita 230 kV Substation/Switchyard was installed to connect the Power Plant Project. This Substation caters the connection requirements of Davao del Sur Electric Cooperative, Incorporated (DASURECO) 10 MVA transformer. The transfer of DASURECO 10 MVA from the Matanao 69 kV Feeder to the Malita Substation improves the voltage regulation for the loads being served by this transformer;
 - 10.1 The connecting 230 kV transmission line is approximately 62.5 kilometers. It is designed at 230 kV but will be energized at 138 kV to minimize transmission-related costs. With the 138/230 kV transformers, there is no need to construct the 230 kV switchyard in the Matanao Substation during the interim period; and
 - 10.2 At the Matanao Substation, the only needed modification is the extension of the existing 138 kV buses. Two (2) bays each consisting of two (2) circuit breakers provide for the termination requirements of the double circuit line as well as two (2) spare termination points for future expansions at the Matanao Substation;
11. **Project Cost.** The cost of the dedicated point-to-point limited transmission facilities is PhP108,744,130.01, broken down as follows:

Item	Amount, PhP
EPC of Interconnection Facility and Teleprotection Interface Between SMCPCC AIS One Bay Breaker Substation and NGCP Switchyard/Substation in Barangay Culaman, Malita, Davao del Sur	46,783,416.58

Supply, Construction, Installation, and Commissioning of 20 MVA, 69/13.2 kV, 3 PH, 60 Hz Outdoor Substation	58,928,571.43
Installation of Protection Panel for 40 MVA Transformer (Vacuum Circuit Breaker)	3,032,142.00
Total	108,744,130.01

12. In support of the Application, the following documents and/or information are attached hereto as annexes and made integral parts hereof:

Annex	Documents/Information
A	Description of the Project
B	Proof that the Project is Consistent with the Transmission Development Plan (TDP)
C	System Impact Study (SIS)
D	Facility Study
E	Conceptual Engineering Designs and Drawings
F	Project Cost Estimates
G	Gantt Chart Schedule
H	Connection Agreement
I	Secretary's Certificate Approving the Project
J	Environmental Certificate Compliance (ECC) issued by the Department of Environment and Natural Resources (DENR)
K	Articles of Incorporation
L	Certificate of Registration issued by the Securities and Exchange Commission (SEC)
M	Latest General Information Sheet (GIS)
N	Certificate of Registration with the Board of Investments (BOI)
O	Latest Audited Financial Statements (AFS)
P	Judicial Affidavit in support of the motion for provisional authority

Allegations in Support of the Motion for Provisional Authority

13. SMCPD pleads the foregoing allegations in support of its prayer for the immediate issuance of provisional authority, anchored on the following grounds:

13.1 SMCPD has filed before the Honorable Commission eleven (11) Joint Applications for approval of Power Supply Contracts (PSCs) it executed with the following Distribution Utilities (DUs): Agusan del Sur Electric Cooperative, Incorporated (ASELCO), Cotabato Electric Cooperative, Incorporated (COTELCO), Cotabato Electric Cooperative,

Incorporated-PPALMA (COTELCO-PPALMA), Davao del Norte Electric Cooperative, Incorporated (DANECO), Davao del Sur Electric Cooperative, Incorporated (DASURECO), Lanao del Norte Electric Cooperative, Incorporated (LANECO), Misamis Oriental I Rural Electric Service Cooperative, Incorporated (MORESCO I), Siargao Electric Cooperative, Incorporated (SIARELCO), Surigao del Sur II Electric Cooperative, Incorporated (SURSECO II), Zamboanga City Electric Cooperative, Incorporated (ZAMCELCO), and Zamboanga del Sur I Electric Cooperative, Incorporated (ZAMSURECO I);

- 13.2 At present, there is an existing power supply deficiency in the Mindanao Region resulting in frequent and/or rotational brownouts and intermittent power interruptions. Likewise, the DUs in said Region are heavily dependent on hydroelectric power plants which, during the summer season coupled with the occurrence of the *El Niño* phenomenon, the supply of power is significantly reduced and/or irregular. Thus, there is a need for these DUs to draw power from generation companies for the continuous supply of electricity to their member-consumers;
- 13.3 As previously stated, SMCPC is now in the process of conducting the testing and commissioning of Unit 1 of the Power Plant and is expected to be synchronized to the Mindanao Grid on 19 May 2016;
- 13.4 Article 5 (Pre-Commercial Operations) of SMCPC's PSCs with the foregoing DUs provide that the DUs (as the Buyers) agree to purchase the Net Electrical Output of the Power Plant delivered by SMCPC (as the Seller) and billed to the DUs during the period of testing and commissioning, on a non-firm basis, subject to payment of Energy Fees and other charges under Article 9.3 thereof;
- 13.5 In order for SMCPC to comply with its contractual obligations with said DUs, it is imperative that the Power Plant should be immediately connected to the 230 kV Malita-Matanao Transmission Line of NGCP. Thus, the development of dedicated point-to-point limited transmission facilities is a pre-requisite for the testing and commissioning, and eventually, the commercial operations of the Power Plant;
- 13.6 Further, said Power Plant is considered as a committed project, and is in the process of securing a certification from the DOE that the same is consistent with the Power Development Plan (PDP); and
- 13.7 It bears stressing that pursuant to Rule 14, Section 3 of the Honorable Commission's Rules of Practice and

Procedure, the Honorable Commission may issue a provisional authority pending approval of the Application, to wit:

“Section 3. Action on the Motion. – Motions for provisional authority or interim relief may be acted upon with or without hearing. The Commission shall act on the motion on the basis of the allegations of the application or petition and supporting documents and other evidences that applicant or petitioner has submitted and the comments or opposition filed by any interested person, if there be any.” (Emphasis provided)

14. To emphasize the necessity of the foregoing allegations, a judicial affidavit in support of the motion for provisional authority is attached to the Application as Annex “P” and made an integral part hereof.

Prayer

WHEREFORE, the foregoing premises considered, Applicant San Miguel Consolidated Power Corporation (SMCPC) most respectfully prays that the Honorable Commission:

1. Pending hearing, **ISSUE** an Order provisional approving the development, ownership, and operation of dedicated point-to-point limited transmission facilities to connect the SMCPC Power Plant in Malita, Davao del Sur to the 230 kV Malita-Matanao Transmission Line of the National Grid Corporation of the Philippines (NGCP); and
2. After due notice and hearing, **ISSUE** a Decision approving the Application and permanently authorize the development, ownership, and operation of said dedicated point-to-point limited transmission facilities.

Having found the said Application sufficient in form and substance, the Commission issued an *Order* and a *Notice of Public Hearing*, both dated 9 September 2016, setting the case for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on 5 October 2016.

In the same Order, SMCPC was directed to cause the publication of the Notice of Public Hearing, at its own expense, once (1x) in a newspaper of general circulation in the Philippines at least ten (10) days before the date of the scheduled initial hearing. It was also directed to inform the consumers, by any other means available

and appropriate, of the filing of the Application, its reasons therefor, and of the scheduled hearing thereon.

The Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress were furnished with copies of the Order and Notice of Public Hearing and were requested to have their respective duly authorized representatives present at the initial hearing.

Likewise, the Offices of the Governor of the Province of Davao del Sur and the Mayors of the municipalities of Malita and Matanao, Davao del Sur, and their respective Local Government Unit (LGU) Legislative Bodies, were furnished with copies of the Order and Notice of Public Hearing for the appropriate posting thereof on their respective bulletin boards.

During the 5 October 2016 initial hearing, SMCPG presented proofs of its compliance with the Commission's posting and publication of notice requirements, which were duly marked as Exhibits "A" to "C-3". No intervenor or oppositor appeared nor was there any intervention or opposition registered. Engr. Michael Valer G. Mariano, an Electrical Engineer of the Power Expansion Group of SMC Global Power Holdings Corp. (SMC Global), the parent company of SMCPG, delivered the Applicant's expository presentation of its application under oath. The Commission propounded clarificatory questions after the exposition.

Engr. Mariano was presented as SMCPG's witness. During the direct examination, Engr. Mariano identified and affirmed the Judicial Affidavit which he executed on 30 September 2016, as well as several documents adduced as evidence in support of the Application. After addressing the clarificatory questions of the Commission, SMCPG was directed to submit the following documents:

1. Affidavit stating that the service to the LGUs of Davao del Sur was made by the Applicant, but was subsequently refused and was directed to Davao Occidental;
2. Original Certificate of Posting with dry seal of the following offices:
 - a. Governor of Davao Occidental
 - b. LGU Legislative Body of Davao Occidental
 - c. Mayor of Malita, Davao Occidental

- d. LGU Legislative Body of Malita, Davao Occidental
 - e. Mayor of Matanao, Davao del Sur
 - f. LGU Legislative Body of Matanao, Davao del Sur
3. Two (2) copies of valid Verification and Certification of Non-forum shopping;
 4. Breakdown of project cost of point-to-point transmission facility;
 5. Final review report of NGCP of the System Impact Study and Facility Study; and
 6. Written manifestation regarding the amendment in project cost in the application based on Applicant's answer to question 11 of Exhibit "T".

On 4 November 2016, SMCPD filed its Compliance dated 3 November 2016, attaching therewith several documents in compliance to the Commission's Order.

On 18 November 2016, Applicant SMCPD filed its Formal Offer of Documentary Exhibits (FOE) with even date.

On 22 February 2017, SMCPD filed a Manifestation with even date, stating that the initial 2-unit power plant project includes the construction of interconnection facilities amounting to Forty – Six Million Seven Hundred Eighty – Three Thousand Four Hundred Sixteen Pesos and 58/100 (Php 46,783,416.58) and an estimated amount of an additional Forty – Six Million Seven Hundred Eighty – Three Thousand Four Hundred Sixteen Pesos and 58/100 (Php 46,783,416.58). The said amounts were foreseen to be incurred for the construction of the dedicated point-to-point facility for the last two (2) units of the power plant project. SMCPD prayed that the manifestation be noted and considered in the evaluation of the instant application.

On 28 February 2017, finding the documents adduced into evidence by SMCPD to be material and relevant in the resolution of the instant Application, the Commission issued an Order admitting SMCPD's FOE.

ISSUE

The issue to be resolved is whether the Commission should approve SMCP's application for authority to develop, own, and operate dedicated point-to-point limited transmission facilities to connect SMCP's Power Plant in Malita, Davao del Sur to the 230 MVA Malita – Matanao Transmission Line of the NGCP.

COMMISSION'S RULING

On 21 March 2017, the Commission deliberated and decided the instant Application. However, due to supervening events², the Decision could no longer be promulgated without undergoing reconfirmation by the Commission *En Banc*. Thus, the Commission resolved to reconfirm the Decision on 06 July 2017.

The Commission approves, subject to conditions, the Application filed by SMCP for authority to develop, own, and operate dedicated point-to-point transmission facilities to connect its Power Plant in Malita, Davao del Sur to the 230 MVA Malita – Matanao Transmission Line of the NGCP.

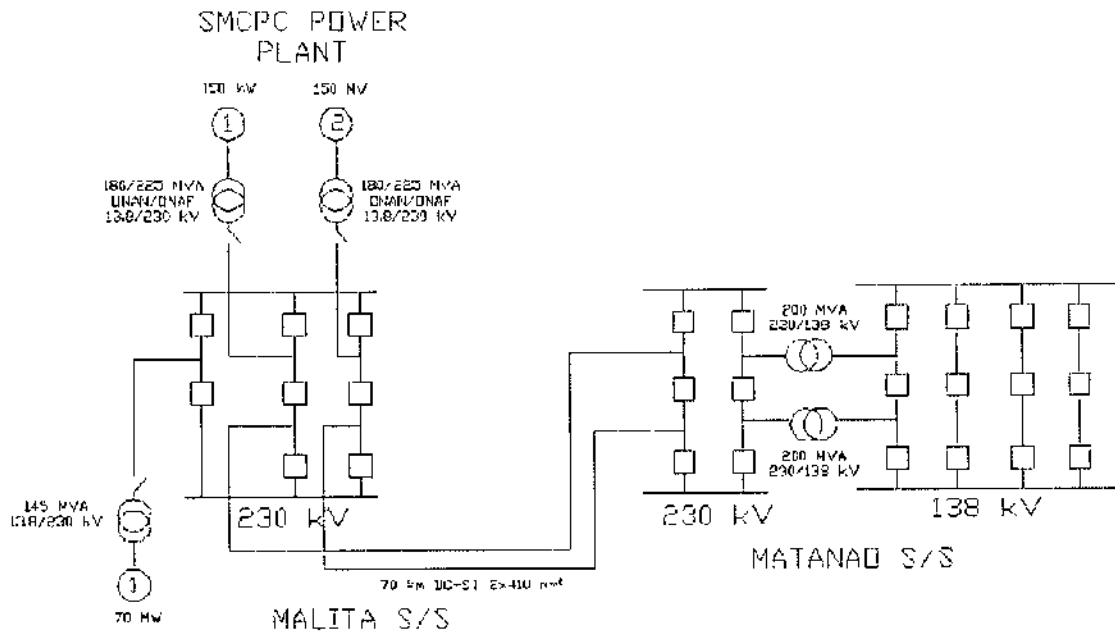
DISCUSSION

Pursuant to Section 9(f) of Republic Act No. 9136 (R.A. No. 9136), otherwise known as the Electric Power Industry Reform Act of 2001, and other pertinent rules and regulations, SMCP sought the Commission's approval of its authority to develop, own, and operate dedicated point-to-point facilities to connect the SMCP Power Plant in Malita, Davao del Sur to the 230 MVA Malita – Matanao Transmission Line of the NGCP.

However, supporting documents show that the application is to connect two (2) units to the Mindanao Grid via the Matanao-Toril and Toril Davao 138kV transmission line. This was confirmed through conferences with the Applicant and in a Manifestation submitted on 22 February 2017.

² 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.

Shown below is SMCP's connection scheme to the Mindanao Grid:



The table below provides the components of the dedicated point-to-point project:

Item No.	DESCRIPTION	QUANTITY	UNIT	TOTAL COST (OFFSHORE)	TOTAL COST (ONSHORE)
1	Design and Engineering	1	lot		2,196,297.60
2	Electrical Works			185,719.96	15,914,513.85
2.1	Optic Fiber Groundwire - 36 fibers (Minimum Order Required)	1	lot	4,723.60	417,944.68
2.2	Tension assembly for OPGW	4	set/s	1,767.03	29,386.18
2.3	Junction Box for OPGW (36 fibers), tower bracket attachments and other accessories (including splicing of optical fiber)	1	set/s	1,063.12	170,758.30
2.4	795 MCM ACSR Malita Substation to SMC Power Plant Gantry (Minimum Order Required)	1	lot	7,832.16	181,574.40
2.5	Tension assembly for ACSR	24	set/s	31,039.11	343,056.68
2.6	Suspension assembly	6	set/s	3,185.10	51,613.51
2.7	System integration	1	lot		8,471,217.60
2.8	Control Cable	1	lot		838,494.56
2.9	Steel Tower Grounding Assembly Type "G1"	1	lot		35,832.52
2.10	Overhead Groundwire (Minimum Order Required)	1	lot	1,628.76	4,406,054.52
2.11	Tension assembly for OHGW	4	set/s	1,044.06	28,773.00
2.12	SCADA System	1	lot	16,277.24	560,791.84
2.13	Multiflexer	1	lot	117,159.77	379,016.07
3	Civil Works			87,661.91	13,442,024.42
3.1	Cable Trench with cable tray	1	lot		5,944,488.04
3.2	Tower Foundation	1	lot		6,399,327.49
3.3	Steel Tower DT2 De	3	lot	87,661.91	1,098,208.89
4	Testing and Commissioning	1	lot		2,928,396.80
GRAND TOTAL				273,381.87	34,481,232.67
Total Equivalent Peso Amount				at PHP45/USD	46,783,416.58

In the Commission's review and evaluation of the Application, the Commission considered the System Impact Study (SIS) reviewed by the NGCP, the technical configuration, technical and financial capability of SMCP, and the project cost. The results are hereunder discussed in seriatim.

I. Result of the System Impact Study (SIS) reviewed by NGCP

In the review and evaluation of the Application, the Commission considered the System Impact Study (SIS) prepared by CEMA Consultancy Services, Incorporated on the technical feasibility of connecting the Power Plant Project to NGCP's 230 kV Malita-Matanao Transmission Line.

The SIS showed that it is possible to integrate the Power Plant Project to the Mindanao Grid without significantly degrading the system's performance. Excerpts from the submitted SIS are as follows:

The SIS assessed the effect of the proposed 4 x 150 MW SMCP coal power plant on the reliability, stability and operating characteristics of the Mindanao Grid. Steady state, stability and short circuit conditions were analyzed. Considering the staggered implementation of the project, the assessments were also performed on the several base case scenarios which reflect the status of the implementation of the project. For the Steady state assessment, three scenarios were considered as follows:

- a. 2018 base case – the final phase of the project implementation is planned to be 2018 where the total 4 x 150 MW will have been installed. During this period, the 230 kV Matanao-Bunawan should be in place to deliver the entire generation of the 4 x 150 MW from Malita to Matanao to Bunawan 230 kV S/S. This scheme will provide N-1 reliability to the existing branch elements in particular the Toril-Davao 138 kV segment.
- b. 2020 base case – as a conventional planning practice, a look ahead projection of the state of the grid with the proposed project is also simulated to ensure that the project will have no detrimental impact to the system in the subsequent years. With Matanao-Bunawan 230 kV line installed, the system will be compliant with the requirements of the grid code by 2020.

- c. 2016 base case – this scenario simulates the state of the grid with SMCPD having a total capacity of 2 x 150 MW. Anticipating the delayed implementation of the Matanao-Bunawan 230 kV lines, the 2016 base case is proposed to inject power through the Matanao-Toril-Davao 138 kV corridor.

For all the scenarios assessed in the steady state analysis, grid thermal loading and voltages will remain within the range prescribed by the Philippines Grid Code.

Additionally, for the steady state analysis, short circuit current levels in all of the monitored substations in the grid remained below 31 kA for the 138 kV systems and 40 kA for the 230 kV systems. These indicated that there will be no need to upgrade the existing facility in the grid.

Transient stability assessment simulated a set of three phase bus and branch faults in the vicinity of the proposed project on the three (3) base cases, that is, 2020 base case, 2018 base case, and 2016 base case. While 2016 base case or the injection of power through 138 kV corridors showed better stability response, the 2020 base case and 2018 base case could achieve stability through the implementation of special protection scheme on some faults in the system.

In general, the SIS revealed that it is possible to integrate the proposed 4 x 150 MW SMCPD to the Mindanao grid without significantly degrading the system's performance.

II. Technical Configuration

The long term connection for the 4 x 150 MW of SMCPD will connect to the proposed Matanao-Toril and Toril-Bunawan 230kV transmission line while initially, the first two (2) units (2 x 150 MW) will connect and inject power to the existing Matanao-Toril and Toril-Davao 138 kV transmission line. The initial set-up is the subject of the application.

After a series of coordination meeting with NGCP and as a result of the aforementioned SIS, it was confirmed that the entry of 4 x 150 MW at 138 kV line will result to overloading in some areas in the Mindanao Grid; hence, the need to connect at 230 kV.

Simulation of the initial set up in the SIS showed that upon the entry of Units 1 and 2, there will be an increase in thermal loading in the Matanao-Toril-Davao 138 kV corridor. With this, NGCP implemented System Integrity Protection Scheme (SIPS) on Units 1 and 2 of SMCPD as a temporary solution to the expected overloading of the said line.

With the current status of the Mindanao Grid, SMCPC decided to put on hold the construction of Units 3 and 4 until the completion of NGCP's Mindanao Grid Reinforcement Project (230kV backbone) in order to avert the overloading of the aforementioned transmission line and the consequent curtailment of the dispatch of all the units.

Based on the presentation made by the applicant as well as in the documents submitted, the line will be composed of 4-795 MCM ACSR double circuit, which is capable of accommodating the generation of 2 x 150 MW Coal-fired Power Plant (300MW net capacity) of SMCPC. The 1-795 MCM ACSR has an ampacity of 890 amps or a total of 3560 amps for double circuit (bundle of four) with a total equivalent of 818 MVA.

The single line diagram submitted by the applicant shows that the proposed project is to be used solely by the applicant and no other user is connected. This is in compliance with Rule 5, Section 5(a)(i) of the Implementing Rules and Regulations of the Electric Power Industry Act of 2001, to wit:

Such dedicated point-to-point limited transmission facility are required only for the purpose of connecting to the Grid which will be used solely by the Generation Facility, and are not used to serve End-users or Suppliers directly.

It is worthy to note that under ERC Case No. 2014-060 RC entitled *In the Matter of the Application for the Approval of the Malita – Matanao 230kV Transmission Project, with Prayer for Provisional Authority* filed by NGCP, the Malita – Matanao 230kV Transmission NGCP Project was likewise classified as a Connection Asset or dedicated point-to-point transmission facility (for SMCPC) until such time that the asset functions as a transmission asset.

III. Technical and Financial Capability of SMCPC

San Miguel Global Power Holdings Inc. owns 100% equity interest in SMCPC. San Miguel Global Power Holdings Inc. is the publicly-listed holding company of all San Miguel's assets and interests in the energy industry.

Based on the submissions of SMCPC, the operation and maintenance of the point-to-point transmission facility will be handled by Safetech Power Services Corp, a subsidiary of San Miguel

Global Power Holdings, Inc. The group will be directed by the plant Manager, Engr. Mathias Mancira, who has more than thirty (30) years of experience in the power industry, both in private and government service. The different functional groups such as maintenance, operations, engineering, and dispatch will be handled by different managers with more than twenty (20) years of experience in power industry. The group is composed of approximately one hundred fifty (150) personnel comprising of engineers of different disciplines and skills.

SMCPC ensured that it will have the capability to fully operate the said point-to-point transmission facility. The chosen operations strategy will also ensure that the point-to-point transmission facility will be run in compliance with all Philippine Grid Code (PGC) and NGCP requirements, as well as all other applicable standards. This notwithstanding, SMCPC has not submitted any evidence on how the same will implement the said strategies.

However, in the absence of a definite assurance that the subject facility will be operated without any adverse effect to the reliability of the grid, the Commission finds that the said facilities should be operated and maintained by NGCP, which was granted the exclusive franchise to operate and maintain the transmission system. The National Transmission Corporation (TransCo), now NGCP, is mandated in Section 9 of R.A. No. 9136 to:

c) Ensure and maintain the reliability, adequacy, security, stability and integrity of the nationwide electrical grid xxx

Section 8 of R.A. No. 9136 also provides that “*no person, company or entity other than TransCo (now NGCP) shall own any transmission facilities.*” The only exception is when it recognizes that a generation company may construct, own, and operate a dedicated point-to-point limited transmission facilities. This exemption, however, is bound by numerous strict limitations.

The Commission’s ruling is akin to the dedicated point-to-point limited transmission facility of GNPowder Mariveles Coal Plant Ltd. Co (GMCP) under ERC Case No. 2010-009 RC, wherein GMCP was to finance the project while the operation of the subject asset was transferred to NGCP. This is also consistent with the general policy in the Open-Access Transmission Service (OATS) rules for end-users.

Although a generator is not an end-user and there is no such provision for generators in the OATS rules, the Commission believes that the same principles shall apply.

IV. Project Cost

The total estimated cost of the proposed connection point and pertinent transmission line to be implemented is Forty – Six Million Seven Hundred Eighty – Three Thousand Four Hundred Sixteen Pesos and 58/100 (PhP46,783,416.58).

SMCPC shall enter into an engineering, procurement, and construction (EPC) contract with MERALCO Industrial Engineering Services Corporation (MIESCOR), which is known for its technical capability and track record. Its range of services shall include the preparation of procurement and supply of materials and construction of Transmission Lines, Substations, Distribution Systems, Industrial Plants, and Infrastructure Projects.

The dedicated point-to-point transmission facility shall be funded internally by SMCPC through its mother company, San Miguel Global Power Holdings Inc., a wholly-owned holding company which owns all of San Miguel Corporation's power generation assets.

It is worthy to note that the estimated project cost is only for the purpose of computing the permit fee and not for rate making, considering that the same is not yet the actual cost or the Optimized Depreciated Replacement Cost (ODRC). It should also be emphasized that the aforementioned amounts are not necessarily the fair market value that should be used when the subject assets are actually transferred to TransCo/NGCP in the event that such assets are required for competitive purposes.

V. Prescribed Fees

Permit fees for the construction of SMCPC's dedicated point-to-point transmission facility are prescribed under Commonwealth Act No. 146, as amended, and computed based on the existing ERC Schedule of Fees and Charges, as follows:

$$\begin{aligned} \text{Permit Fee} &= \frac{\text{Total Project Cost} \times 0.75}{100} \\ &= \frac{46,783,416.58 \times 0.75}{100} \\ \text{Permit Fee} &= \text{PhP } 350,875.62 \end{aligned}$$

From the foregoing, the permit fee to be imposed on SMCP's dedicated point-to-point transmission facility is Three Hundred Fifty Thousand Eight Hundred Seventy – Five Pesos and 62/100 (PhP 350,875.62).

WHEREFORE, the foregoing premises considered, Applicant San Miguel Consolidated Power Corporation (SMCP) is hereby **AUTHORIZED** to develop and own Dedicated Point-to-Point Limited Transmission Facility to connect the two (2) units of SMCP Power Plant to the Matanao-Toril and Toril-Davao 138 kV transmission line of the National Grid Corporation of the Philippines (NGCP), subject to the following conditions:

1. The NGCP shall operate and maintain the subject dedicated point-to-point limited transmission facility subject to applicable charges;
2. The subject facility should be developed and constructed in accordance with the System Impact Study (SIS) and Facility Study (FS) requirements, so as not to result in the degradation of NGCP's transmission system;
3. The dedicated point-to-point limited transmission facility shall be used solely by the generating facility; and
4. If any portion thereof is required for competitive purposes or to connect any other user, ownership of the same shall be transferred to TransCo/NGCP at a fair market value.

Relative to the foregoing, SMCPD is hereby required to pay, within fifteen (15) days from receipt hereof, the permit fee of **Three Hundred Fifty Thousand Eight Hundred Seventy – Five Pesos and 62/100 (PhP 350,875.62)**, 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, 6 July 2017.


JOSE VICENTE B. SALAZAR*
Chairman and CEO


ALFREDO J. NON
Commissioner


GLORIA VICTORIA C. YAP-TARUC
Commissioner


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner


GERONIMO D. STA. ANA
Commissioner


LS: PSJ/ARC/GLS/APV


ROS-SCMD: ECCA/LLGjr/FBOG

* 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.

Copy furnished:

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6. **House Committee on Energy**
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7. **Office of the Provincial Governor**
Province of Davao del Sur
8. **Office of the LGU Legislative Body**
Province of Davao del Sur
9. **Office of the Municipal Mayor**
Malita, Davao del Sur
10. **Office of the LGU Legislative Body**
Malita, Davao del Sur
11. **Office of the Municipal Mayor**
Matanao, Davao del Sur
12. **Office of the LGU Legislative Body**
Matanao, Davao del Sur
13. **National Grid Power Corporation of the Philippines**
Quezon Avenue cor. BIR Road,
Diliman, Quezon City, Philippines
14. **Standards & Compliance Monitoring Division,
Regulatory Operations Service**
Energy Regulatory Commission, Pacific Center Building,
San Miguel Avenue, Ortigas Center 1600, Pasig City