

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 PHINMA
ENERGY CORPORATION,
WITH PRAYER FOR THE
ISSUANCE OF
PROVISIONAL AUTHORITY,**

ERC CASE NO. 2017-070 RC

**NATIONAL GRID
CORPORATION OF THE
PHILIPPINES (NGCP) AND
PHINMA ENERGY
CORPORATION (PHINMA),
Applicants.**

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D O C K E T E D
Date: FEB 13 2018
By: [Signature]

ORDER

For the Commission's consideration is the prayer for issuance of provisional authority included in the Application dated 27 July 2017 (Application) for the approval of the Ancillary Services Procurement Agreement (ASPA) dated 21 July 2017 filed by National Grid Corporation of the Philippines (NGCP) and Phinma Energy Corporation (PHINMA) on 03 August 2017.

FACTUAL ANTECEDENTS

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

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THE PARTIES

2. Applicant NGCP is a corporation created and existing under the laws of the Philippines, with office address at NGCP Building, Quezon Avenue corner BIR Road, Diliman, Quezon City. It holds a franchise under Republic Act No. 9511¹ to engage in the business of conveying or transmitting electricity through high-voltage back-bone systems of interconnected transmission lines, substations and related facilities, and for other purposes. The franchise also includes the conduct of activities necessary to support the safe and reliable operation of the transmission system.
3. Applicant PHINMA is a corporation organized and existing under and by virtue of the Philippine laws with principal office address at Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City. It may be served with orders, notices, and other legal processes through its undersigned counsel. It is the owner and operator of the 2x32MW Diesel Power Plant (Power Barges 101 and 102) in Barrio Obrero, Iloilo City, which was certified and accredited by NGCP as capable of providing Dispatchable Reserve (DR).

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**ALLEGATIONS IN SUPPORT OF THE
PRAYER FOR PROVISIONAL AUTHORITY**

15. 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.
16. Based on the current levels of available contracted AS in the Visayas Grid, the DR has not yet met the required levels of the ASPP. The copy of the Visayas DR Availability showing the required and available level of DR is attached as **Annex "D."**
17. The available AS must be guaranteed on a daily basis to assure reliability and security of the grid. Also, as the demand for power in the Visayas increases, the requirements of the system to ensure stability, reliability and security likewise increases. Ensuring the integrity of the system is essential to protect the interests of the public. The absence of system reliability and stability will certainly discourage investments and growth.

¹ An Act Granting the National Grid Corporation of the Philippines a Franchise To Engage in the Business of Conveying or Transmitting Electricity Through High Voltage Back-Bone System of Interconnected Transmission Lines, Substations and Related Facilities, and for other Purposes;

18. As system operator, NGCP needs the capacity of PHINMA to provide DR. With this ASPA, the Visayas Grid is assured of DR for 5 years or until 2022.
19. Hence, 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 PHINMA 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)*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.

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.]

² G.R. No. 161113, 15 June 2004.

The instant *Application* seeks the Commission's approval of the Ancillary Services Procurement Agreement (ASPA) entered into between NGCP and PHINMA. The costs associated with Applicants' ASPA will ultimately be charged to the consuming public. As such, the Commission has the legal duty to determine the propriety of granting provisional approval consistent with prevailing laws and jurisprudence.

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

In the case of *National Association of Electricity Consumers for Reforms vs. ERC*³ (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.

³ G.R. No. 163935, 02 February 2006.

- (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 PHINMA attached the following documents to their Application:

- a) Verification and Certification of Non-Forum Shopping dated 28 July 2017 executed by Ma. Cynthia Y. Manrique of NGCP;
- b) Verification and Certification of Non-Forum Shopping dated 28 July 2017 executed by Rizalino G. Santos of PHINMA;
- c) Affidavit of Service dated 02 August 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 even date;
- d) Affidavit of Service dated 01 August 2017 executed by Maria Relly A. Cabatuan attesting to her service of a copy of the Application to the Offices of *Sangguniang Panlungsod* of Cebu City and *Sangguniang Panlalawigan* of Cebu on even date;
- e) Affidavit of Service dated 01 August 2017 executed by Harris D. Pagaduan attesting to his service of a copy of the Application to the Office of *Sangguniang Panlungsod* of Makati City on even date;
- f) Affidavit of Publication dated 01 August 2017 executed by Edwin L. Monforte of *Business World* attesting to the publication of the Application on the 01 August 2017 issue of the newspaper; and
- g) Copy of the 01 August 2017 issue of *Business World* where the Application was published.

No Comment was received by the Commission within the thirty (30) day period within which the same may be filed, or until 02 September 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.

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. APPLICANTS HAVE
SATISFACTORILY
PROVEN THE
NECESSITY FOR THE
GRANT OF
PROVISIONAL
AUTHORITY.**

In their Application, NGCP and PHINMA prayed for the issuance of a provisional authority on the ground that the current levels of Dispatchable Reserve (DR) in the Visayas Grid has not yet met the required levels to ensure reliability and security of the grid. The Applicants also alleged that the entry of PHINMA as an additional Ancillary Services (AS) provider ensures competition between and among AS providers which will ultimately initiate a downward pressure to current prices.

In connection therewith, Applicants further allege that as the demand for power in Visayas increases, the requirements of the system to ensure stability, reliability and security likewise increase. Therefore, as alleged by Applicants, there is a need to ensure the integrity of the system since it is essential to protect the interests of the public.

NGCP and PHINMA likewise stressed that absence of system reliability and stability discourages investments and growth, thus, necessitates the immediate issuance of Provisional Approval of the subject ASPA to maintain the reliability and security of the Grid.

In support of the allegation, an illustration of the available level of DR in the Visayas Grid for the period January 2016 to December 2016 was provided by NGCP, *to wit*:

Month	Dispatchable Reserve			
	Scheduled (MW)	Required (MW)	Availability (%)	Deficiency (%)
January	84	96	87.65	12.35
February	101	106	94.85	5.15
March	82	99	82.49	17.51
April	92	105	87.15	12.85
May	86	100	85.94	14.06
June	81	101	80.41	19.59
July	84	96	88.09	11.91
August	78	91	86.30	13.70
September	83	92	89.97	10.03
October	78	88	88.85	11.15
November	75	84	89.22	10.78
December	84	91	91.76	8.24

As can be seen from the table above, there is a deficiency in the available levels of DR in the Visayas 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 the National Transmission Corporation's (TRANSCO) winning concessionaire, is mandated to ensure and maintain the reliability, adequacy, security, stability and integrity of the nationwide electrical grid and to adequately serve generation companies, distribution utilities and suppliers requiring transmission service and/or 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 09 March 2006, the Commission issued an Order in ERC Case No. 2002-253⁴, 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 RC⁵ seeking the Commission's approval of its proposed mechanism to recover costs accruing from procurement of Ancillary Services. On 03 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 (WESM); and
- b) All contracts for the procurement of ancillary services shall be submitted to the Commission for approval.

The instant *Application* seeks the approval of the ASPA entered into by NGCP, as TRANSCO's winning concessionaire, and PHINMA on 21 July 2017. PHINMA will supply Dispatchable Reserve (DR) to NGCP under a non-firm arrangement. DR refers to the generating capacity that is not scheduled for Regular Energy Supply, Regulating Reserve or Contingency Reserve, or interruptible loads not scheduled for Contingency Reserve, and that are readily available for dispatch in

⁴ 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."

⁵ 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."

order to replenish the Contingency Reserve 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 up to the offered DR within thirty minutes.

The salient features of the ASPA between PHINMA and NGCP are the following:

- a) The term of the ASPA shall be for a period of five (5) years subject to Annual Performance of PHINMA.
- b) The daily declaration of the available capacity; and
- c) The non-firm DR is up to 32 MW each for Power Barge (PB) 101 and PB 102, as shown in the table below, with a maximum hourly applicable rate of PhP1.25/kW/Hr.

Generation Facility	Type of Ancillary Reserve	Non-Firm Contracted Capacity (MW)
Power Barge 101 (PB 101)	Dispatchable Reserve (RR)*	Up to 32 MW
Power Barge 102 (PB 102)	Dispatchable Reserve (RR)*	Up to 32 MW
*applicable to Tertiary Reserve		

The contracted capacity indicated in the ASPA for each generation facility is the maximum that PHINMA can offer. However, for nomination and scheduling, PHINMA's basis shall be the capacities listed in its valid AS Certificates.

The contracted capacity for DR is 32 MW per generation facility and shall be made available at all times for NGCP's instruction and dispatch, except upon the existence of any of the circumstances specified in the ASPA. NGCP shall pay PHINMA at the proposed rate for the said non-firm capacity upon schedule for dispatch.

Under Schedule 4 of the ASPA, PHINMA and NGCP proposed the following rates for the DR Non-firm Contracted Capacity:

Ancillary Service	Applicable rate
Dispatchable Reserve	PhP1.25/kW/Hr

Incidental Energy Cost:

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

$$IE = [G \times (1.25 + \text{Variable Rate})] - REV_{WESM}$$

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
- REV_{WESM} = Summation of WESM revenue arising from G above

$$\text{Variable Rate} = \text{Eff} \times \text{IFO} + \text{VOMR}, \text{ PhP per kWh}$$

- Eff = 0.32 liters per kWh
- IFO = Delivery price, up to the Generation Facility of Industrial Fuel Oil for the calendar month corresponding to the billing month, in PhP per liter
- VOMR = Variable O&M Rate; $0.3064 \times \text{CPI}_n / \text{CPI}_r$
- CPI_r = 2011 Philippine Consumer Price Index for all Income Households – All Items (2006=100), as published by the Philippine National Statistics Coordination Board (or its substitute or replacement agency, as the case maybe)
- CPI_n = Philippine Consumer Price Index of the calendar month immediately preceding the current billing month, for all Income Households – All Items (2006=100), as published by the Philippine National Statistics Coordination Board (or its substitute or replacement agency, as the case maybe)

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 believed that the

procurement of the Ancillary Services should be at the lowest possible cost for the benefit of its consumers.

NGCP further alleged that in deriving the appropriate rates, 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 the generators to sign and commit their capacity, for as long as the rate fell within NGCP's benchmark range.

NGCP emphasized that under its 2013 Application⁶ 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 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 (RR), Contingency Reserve (CR), and Dispatchable Reserve (DR). 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 ⁷
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

⁶ 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."

⁷ http://www.eca-watch.org/problems/asia_pacific/philippines/sanroqueproject.html.

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 estimated the cost range to be between PhP1.57/kWh to PhP2.41/kWh. The same assumptions were used by NGCP in determining the ASPA rate it offered to PHINMA.

Effect to the consumer was the primary concern. The rates NGCP is proposing are much cheaper than the current structure. NGCP's analysis indicates that for the same amount of reserves (same quantity), the new rates can be 30% to 40% less.

Reserve	Old Rate (2011 Actual)		Proposed 2013 ASPA Rate		
	Quantity (GWh)	Cost (PhPMn)	Quantity (GWh)	New Rate	Cost (PhPMn)
Regulating	1,459	2,428	1,459	2.50	3,647
Contingency	1,396	5,734	1,396	2.25	3,141
Dispatchable	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 also looked into the capability of PHINMA's generating facilities under the ASPA, specifically its Power Barge 101 diesel power plant (PB 101) and Power Barge 102 diesel power plant (PB 102). PB 101 and PB 102 each has four (4) generating units with a total rated capacity of 32.0 MW for each power plant.

PHINMA submitted its Certificate of Compliance (COC) No. 17-03-M-00286ccV issued by the Commission on 27 March 2017 and valid until 09 April 2021 for PB 101. PHINMA also submitted for PB 102 its COC No. 17-03-M-00286uV issued by the Commission on 07 March 2017 and valid until 30 March 2021. Under the COCs, each power plant has a five (5) year asset life. PHINMA has no power supply agreement and trades its generated capacity in WESM.

In Accreditation Certificate No. 2016-V0010 issued by NGCP on 25 August 2016 and expiring on 24 February 2018, PB 101 (Units 3 & 4) has successfully proven its capability to provide the DR Service of 12.0 MW. Units 1 & 2 at the time of the filing of the Application were undergoing repair or rehabilitation. PB 101 was further certified to have met and complied with the Standard Ancillary Services Technical Requirements of the System Operations during the actual testing of the said plant.

In Accreditation Certificate No. 2016-V0014 issued by NGCP on 25 August 2016 and expiring on 24 February 2018, PB 102 (Units 1, 2, 3 & 4) has successfully proven its capability to provide the DR Service of 24.0 MW. PB 102 was further certified to have met and complied with the Standard Ancillary Services Technical Requirements of the System Operations during the actual testing of the said plant.

Under the ASPA, the contract is on a non-firm basis. This means that PHINMA has the right or option not to nominate any capacity for ancillary service even if it is available while NGCP may or may not schedule the capacity nominated without any corresponding penalty or payment. This allows NGCP the flexibility to evaluate or decide for optimum ancillary service considering the prevailing economic and technical circumstances.

In determining the reasonableness of the proposed rates for issuance of provisional authority, the Commission used the comparison of the proposed maximum rate with that of the previously approved ASPA rate, to wit:

Ancillary Service	SNAP-BI HEPP (ERC Case No. 2017-016 RC)	San Roque HEPP (ERC Case No. 2013-009 RC)	PANASIA Limay Diesel (ERC Case No. 2012-134 RC)	CIP II (ERC Case No. 2017-009 RC)	1590 EC (ERC Case No. 2017-017 RC)
DR	PhP1.25/kW/Hr (Non-Firm)	PhP1.50/kW/Hr (Non-Firm)	PhP1.12/ kW/Hr (Non-Firm)	PhP1.25/ kW/Hr (Non-Firm)	PhP1.25/kW/Hr (Non-Firm)

The above table shows that the proposed DR rate of PHINMA is lower than the DR rate of San Roque Power Corporation (SRPC) and approximates other existing AS providers including diesel/bunker generating facilities such as CIP II, 1590 EC and PANASIA, although PANASIA offered a lower DR rate. However, based on historical records PANASIA is not being scheduled for DR since it functions best as Regulating Reserve (RR) especially during times that the hydro plants are not available. NGCP prioritizes the high availability of RR in the grid regardless of its source. Thus, the PhP1.50/kW/Hr of SRPC becomes the “ceiling” for the DR across all generating facility regardless of technologies.

Applicants PHINMA and NGCP subjected the rates under the ASPA to a simulation which resulted to a rate impact of PhP17.1192/kW/month or an equivalent of PhP0.0356/kWh.

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 service capacity is needed to augment the deficiency of Dispatchable Reserve capacity to be able to maintain the reliability in the operation of the transmission system and in the reliability of the electricity supply in the Visayas Grid.

IN VIEW OF THE FOREGOING, Applicants National Grid Corporation of the Philippines (NGCP) and PHINMA Energy Corporation (PHINMA) are **GRANTED PROVISIONAL AUTHORITY** to implement their Ancillary Services Procurement Agreement (ASPA), subject to the following conditions:

1. Applicable Rates:

PHINMA 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 PHINMA the corresponding nominated price of that 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
Dispatchable Reserve	PhP1.25/kW/Hr

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 market.

Provided that PHINMA 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.

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

2. NGCP should be enjoined to optimize 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. The rate to be paid by NGCP as ancillary services cost should be passed on to its customers in accordance with the approved "Ancillary Services-Cost Recovery Mechanism" (AS-CRM). Further, NGCP should be directed to submit its monthly computation of ancillary service rates that it passed on to its customers, with supporting documents on or before the 5th day of the month; and
4. In the event that the final rates are higher than the provisionally granted, the resulting additional charges shall be collected by PHINMA from NGCP and the latter shall pass it on to its customers. On the other hand, if the final rates are lower than the provisionally granted, the amount corresponding to the reduction shall be refunded by PHINMA to NGCP and the latter shall pass it on to its customers.

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FINALLY, Applicants are hereby directed to implement the herein approved applicable rates starting on the next billing cycle of NGCP from receipt of this Order.

SO ORDERED.

Pasig City, 13 October 2017.



ALFREDO J. NON
OIC, Chairman and CEO



GLORIA VICTORIA C. YAP-TARUC
Commissioner



JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner

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