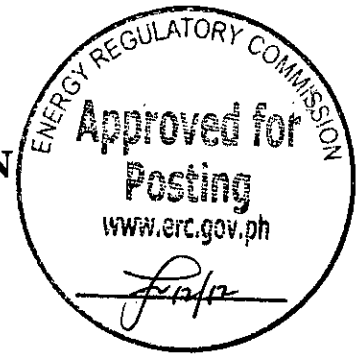


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



IN THE MATTER OF THE APPLICATION FOR AUTHORITY TO DEVELOP, OWN AND OPERATE A DEDICATED POINT-TO-POINT LIMITED TRANSMISSION LINE TO CONNECT THE 8.0 MW VILLASIGA MINI-HYDRO ELECTRIC POWER PLANT TO THE 69 KV SAN JOSE – CULASI TRANSMISSION LINE OF THE NATIONAL GRID CORPORATION OF THE PHILIPPINES, WITH PRYER FOR PROVISIONAL AUTHORITY

ERC CASE NO. 2016-009 MC

SUNWEST WATER AND ELECTRIC COMPANY 2, INC. (SUWECO 2)

Applicant.

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DOCKETED
Date: DEC 12 2018
By: [Signature]

DECISION

Before this Commission for resolution is the *Application* filed on 18 March 2016 by Sunwest Water and Electric Company 2, Inc. (SUWECO 2) seeking authority to develop, own and operate a dedicated point-to-point limited transmission line to connect the 8.0 MW Villasiga Mini-Hydro Electric Power Plant to the 69 kV San Jose – Culasi Transmission Line of the National Grid Corporation of the Philippines (NGCP).

Factual Antecedents

On 18 March 2016, SUWECO 2 filed the instant *Application* alleging, among others, the following:

1. It is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at Unit 1108 West Tower PSE Center, Exchange Road, Ortigas, Pasig City.

Nature of the Application

2. The instant application was filed pursuant to Section 9(f) of Republic Act No. 9136 or the "Electric Power Industry Reform Act of 2001" and Section 5, Rule 5 of its Implementing Rules and Regulations ("IRR").

Statement of Facts

3. It is engaged in the business of power generation and is registered by the Department of Energy ("DOE") as a Renewable Energy Developer of the 8.00 MW Villasiga Hydroelectric Power Plant ("VHPP"), which is covered by Hydropower Service Contract No. 2010-02-086 - A. A copy of the Certificate of Registration is attached to the instant application as **Annex "D"**.
4. The VHPP is a run-of-river project along the Paliuan River, Barangay Igsoro, Bugasong, Antique. The power plant consists of two (2) units of 3.6MW, 4.16KV generators and one (1) unit of a 0.88MW, 4.16KV generator.
5. The VHPP was nominated by the DOE as an eligible project under the Feed-in-Tariff ("FIT") System. A copy of the letter dated 20 June 2014 from the DOE confirming this is attached to the application as **Annex "E"**.
6. In order to dispatch the generated power, SUWECO 2 proposes to connect the VHPP to the NGCP's transmission line through a twenty-seven (27) kilometer dedicated transmission line and related facilities (collectively the "Dedicated Facility").
 - a. A Connection Agreement was already executed between the NGCP and SUWECO 2, a copy of which is also attached to the application as **Annex "F"**.
 - b. The Dedicated Facility is composed of the 27km-69 kV transmission line using 336 MCM ACSR, SUWECO 2's Bugasong switchyard, revenue metering facility, protective relaying equipment using directional overcurrent relays M1 (main) and M2 (backup) and the circuit breakers.
 - c. From the said switchyard, the power will be directed to NGCP 69 kV through its tapping point at Pole No. 431 of the recently completed NGCP Culasi-San Jose Transmission Line. Copies of the Single Line Diagram and Conceptual Engineering Designs and Drawings are also attached as Annexes **"H"** and **"I"**, respectively, of the application.

7. The Dedicated Facility has already been completed. SUWECO 2 spent One Hundred Twenty Three Million Three Hundred Fifty Eight Thousand Two Hundred Forty One Pesos and Thirty Five Centavos (PhP 123,358,241.35), as substantiated in the 69 kV Transmission Line Cost that is attached as **Annex "J"** of the application.
8. Prior to the filing of the instant application, SUWECO 2 considered three (3) alternatives based on NGCP's presentation of the safe operating conditions during the three phase simulation test, to wit:
 - a. The first alternative is for the VHPP to be connected to the grid via NGCP's Culasi or Sibalom substation passing through the Bugasong Substation and the 13.2 kV distribution line of the Antique Electric Cooperative (ANTECO). In this alternative, VHPP will be allowed to deliver power to the grid but only at the very minimal level of 0.8MW considering that either of ANTECO's Feeder 1(Bug-Sib) or F2(Bug-Culasi) must remain open. While it is technically feasible, it will not maximize the generated capacity of VHPP since increasing the load will result in the meltdown of ANTECO's feeders and distribution line.
 - b. The second alternative is for the VHPP connection to run in "island mode". If this is pursued, VHPP can only deliver the entire 8.0 MW VHPP capacity to F1 and F2 if this can be accommodated by the load requirement of ANTECO. There may be voltage drops to customers, necessitating an increase in VHPP MVAR to solve the voltage drop issue.
 - c. The third alternative, the one adopted by SUWECO 2, involves the connection of the VHPP to the NGCP 69 kV San Jose-Culasi Transmission Line. This connection will enable VHPP to dispatch its power supply without any restrictions.
9. The connection of the Dedicated Facility to the NGCP 69 kV San Jose-Culasi Transmission Line is the most technically viable option and provides the optimal utilization of the 8.00 MW VHPP. The commercial operation was even delayed since SUWECO 2 had to wait for the completion of the first phase of the said transmission line where the connection point is situated.
10. Upon issuance by the Commission to SUWECO 2 of the authority to own and operate the Dedicated Facility, SUWECO 2 will engage the services of NGCP to undertake the operation, service and maintenance of the Dedicated Facility. A copy of the Cost Benefit Analysis on the operation and maintenance of the Dedicated Facility is attached to the application as **Annex "L"**.
11. In further support of the Application, SUWECO 2 hereby submits copies of the following documents:

Annex	Documents
"M"	Statement of Compliance with the Philippine Grid Code executed by SUWECO 2's authorized representative
"N"	Net Present Value of the Dedicated Facility and Five-year Project Financial Ratios
"O"	SUWECO 2 Board Resolution approving the Dedicated Facility
"P"	Sworn Statement of SUWECO 2's Authorized Representative attesting that SUWECO 2 has applied and been granted permits for the Dedicated Facility
"Q"	SUWECO 2 2014 Audited Financial Statement
"R"	Gantt Chart
"S"	Department of Environment and Natural Resources Certificate of Non-Coverage
"T"	List of Key Management Officials
"U"	Final Report of the System Impact Study
"V"	Facility Study

Allegations in Support of the Prayer for Provisional Authority

12. SUWECO 2 has already completed the construction of both the VHPP and the Dedicated Facility and all the tests required by the Honorable Commission and the NGCP have been performed by SUWECO 2.
13. A provisional authority is however necessary to enable SUWECO 2 to utilize the Dedicated Facility in dispatching the generated power from its plant to the grid.
14. In further support of the prayer for issuance of provisional authority, the Affidavit of Merit is attached to the application as **Annex "W"**.
15. It is worthy to emphasize that the VHPP is a renewable energy generation source. The increased utilization of said source of energy is strongly encouraged by the government as a tool to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and the environment.

16. Hence public interest as well as the declared government policy encouraging the development and utilization of renewable energy resources compels the immediate issuance of a provisional authority to operate the Dedicated Facility to enable the dispatch of VHPP's generated capacity to the grid.

Prayer

17. SUWECO 2 prays to this Commission that:
1. Upon filing of the instant Application, and pending hearing thereon, an Order be issued granting provisional authority to SUWECO 2 to develop, own and operate the Dedicated Facility that will connect the 8.00 MW Villasiga Hydro Power Plant to the transmission line of the National Grid Corporation of the Philippines;
 2. After hearing thereon on the merits, a **DECISION** be rendered **APPROVING** the instant Application; and
 3. Other just and equitable reliefs are likewise prayed for.

The Commission, having found the said *Application* to be sufficient in form and substance with the required fees having been paid, issued an *Order* and a *Notice of Public Hearing*, both dated 18 April 2016, setting the case for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on 03 June 2016.

In the same *Order*, SUWECO 2 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. SUWECO 2 was also directed to inform the consumers, by any other means available and appropriate, of the filing of the instant *Application*, its reasons therefor, and of the scheduled hearing thereon.

Applicant was also directed to furnish with copies of the *Order* and the *Notice of Public Hearing* the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress, whose duly authorized representatives were requested to be present at the initial hearing.

Likewise, the Applicant was directed to furnish with copies of the *Order* and the *Notice of Public Hearing* the Offices of the Governor of Antique, the Mayors of the Municipalities of Bugasong, San Jose, and Culasi, all in the Province of Antique, and the City of Pasig.

On 27 May 2016, SUWECO 2 filed its *Pre-Trial Brief* dated 25 May 2016. Applicant also filed the *Judicial Affidavits* of Amy B. Bautista and Daniel F. Pilonas.

During the hearing on 03 June 2016, only Applicant SUWECO 2 appeared. No intervenor/oppositor appeared nor was there any intervention or opposition registered.

At the said hearing, SUWECO 2 submitted its proofs of compliance with the Commission's posting and publication of notice requirements in accordance with the Order dated 18 April 2016, *to wit*:

1. Affidavit of Publication executed by Teresita Z. Sorsogon, Advertising Supervisor of *Daily Tribune*¹.
2. Clipping of the Notice of Public Hearing from the *Daily Tribune*².
3. Complete copy of the 20 May 2016 issue of *Daily Tribune*³.
4. *Certificate of Posting* issued by the Office of the Mayor of San Jose⁴.
5. *Certificate of Posting* issued by the Office of the Mayor of Culasi⁵.
6. *Certificate of Posting* issued by the Office of the Mayor of Bugasong⁶.
7. *Certificate of Posting* issued by the Office of the Provincial Governor of Antique.
8. *Affidavit of Service* to show that the following agencies were furnished with copies of the *Order and Notice of Public Hearing*:⁷
 - a. Office of the Solicitor General (OSG)⁸;
 - b. Commission on Audit (COA)⁹;
 - c. Senate Committee on Energy¹⁰; and

¹ Exhibit "AA".

² Exhibit "AA-1".

³ Exhibit "AA-2".

⁴ Exhibit "BB".

⁵ Exhibit "BB-1".

⁶ Exhibit "BB-2".

⁷ Exhibit "CC".

⁸ Exhibit "CC-1".

⁹ Exhibit "CC-2".

d. House of Representatives Committee on Energy.¹¹

9. *Certification* from SUWECO 2 showing other means of notification to the consumers of the instant *Application*.¹².

Upon perusal of the foregoing submissions of the Applicant, the Commission found that Applicant was not able to secure the Certificate of Posting from the City of Pasig. However, the Commission found that Applicant has nonetheless substantially complied with the Order dated 18 April 2016. Hence, the Commission acquired jurisdiction over the instant case.

SUWECO 2 conducted the expository presentation through Engr. Daniel F. Pilonos, SUWECO 2's Vice-President for Operations. In the course thereof, the Commission propounded clarifying questions.

Since no intervenor or oppositor manifested its intent to participate in the proceedings, the Commission noted all the facts for stipulation and issues proposed by SUWECO 2 as stated in its *Pre-Trial Brief*.

Thereafter, Ms. Amy B. Bautista, Manager – Finance Analyst of Sunwest Construction Development Corporation, an affiliate of SUWECO 2, was called to the witness stand and testified under oath. Ms. Bautista identified her Judicial Affidavit (JA), which was marked as Exhibit “Y”. The Judicial Affidavit of Ms. Bautista was likewise adopted as her direct testimony in the instant application.

SUWECO 2 also presented as witness, Engr. Pilonos, who also testified in support of the application. He identified his Judicial Affidavit, which was marked as Exhibit “X”. The Judicial Affidavit of Engr. Pilonos was also adopted as his direct testimony in the instant application.

There being no other parties present, the direct examination of the said witnesses had been declared terminated.

SUWECO 2 was then directed to submit the following documents, *to wit*:

1. Cost Benefit Analysis of all the considered options;

¹⁰ Exhibit “CC-3”.

¹¹ Exhibit “CC-4”.

¹² Exhibit “DD”.

2. NGCP's Certification on the approval of the SIS and Facility Study;
3. Detailed breakdown of the project cost, substantiating that the cost incurred by SUWECO 2 in securing the right of way (damages to crops) was already included in the original cost of computation attached to the Application as Annex "J"; and
4. Agreement of Assignment executed on 23 October 2012, substantiating that the project is under the books of SUWECO 2.

On 20 July 2016, SUWECO 2 filed its *Compliance with Motion* dated 09 July 2016 in relation to the directive of the Commission during the 03 June 2016 hearing. On even date, SUWECO 2 also filed its *Formal Offer of Evidence* (FOE) dated 19 July 2016 submitting the following documentary exhibits, including the required additional documents, *to wit*:

Exhibit	Description	Purpose
		To prove that:
"A"	SUWECO 2's Certificate of Incorporation	SUWECO 2 has the requisite juridical personality to pursue the instant application.
"B"	SUWECO 2's Articles of Incorporation	
"C"	SUWECO 2's General Information Sheet	
"D"	Certificate of Registration Issued by the Department of Energy (DOE) to SUWECO 2	SUWECO 2 was duly registered by the DOE as a Renewable Energy Developer of the Villasiga Hydroelectric Power Plant (VHPP) located in Bugasong, Antique.
"E"	Letter dated 20 June 2014 from the DOE	The VHPP was nominated by the DOE as an eligible project under the Feed-in Tariff ("FIT") program.
"F"	Connection Agreement Between NGCP and SUWECO 2	SUWECO 2 and NGCP have a Connection Agreement.
"G"	Executive Summary	It is feasible to connect the VHPP to the grid.

"H"	Single Line Diagram	The Dedicated Facility includes the 27km-68 kV transmission line using 336 MCM ACSR, the Bugasong switchyard, the revenue metering facility, the protective relaying equipment using directional overcurrent relays (M1) main and (M2) backup, current and voltage transformers, disconnect switches, lightning arresters and circuit breakers.
"I"	Conceptual Engineering Designs and Drawings	The Dedicated Facility has certain technical characteristics and attributes.
"J"	69 kV Transmission Line Cost	SUWECO 2 spent One Hundred Twenty Three Million Three Hundred Fifty Eight Thousand Two Hundred Forty One Pesos and Thirty Five Centavos (PhP123,358,241.35) in order to complete the Dedicated Facility
"K"	Scheme 1	<ol style="list-style-type: none"> 1. The first alternative considered by SUWECO 2 was for the VHPP to be connected to the grid via ANTECO's Culasi or Sibalom Substation. 2. As per NGCP load simulation study, the VHPP will be able to deliver power to the grid only at a minimal level of 0.88 MW. 3. Due to lack of synchronization capability, either Feeder 1 or Feeder 2 must remain open.
"K-1"	Scheme 2	<ol style="list-style-type: none"> 1. The second alternative considered by SUWECO 2 was for the VHPP connection to ANTECO to run on "island mode." 2. VHPP can only deliver its entire capacity if the same can be accommodated by ANTECO's load requirement.
"L"	Cost-Benefit Analysis	Based on the simulation, from the perspective of SUWECO 2, engaging the services of NGCP to undertake the operation and maintenance of the transmission line appears to be more cost effective than maintaining

		personnel for the undertaking.
"M"	Statement of Compliance to the Philippine Grid Code	SUWECO 2 is compliant and will continue to comply with technical requirements of the Philippine Grid Code.
"N"	Net Present Value and Five-Year Projected Financial Ratios	The ownership and development of the proposed Dedicated Facility by SUWECO 2 is financially viable.
"O"	Corporate Secretary's Certificate	SUWECO 2 authorized the filing of the instant Application.
"O-1"	Verification & Certification of Non-Forum Shopping	SUWECO 2 authorized the filing of the instant Application.
"P"	Sworn Statement	SUWECO 2 filed all the necessary permits required for the instant Application.
"Q"	SUWECO 2 Audited Financial Statements as of 31 December 2014 and 2013	The financial figured utilized by SUWECO 2 is consistent with its audited financial statements.
"R"	Gantt Chart	The Dedicated Facility was projected to be constructed within a specified period.
"S"	Department of Environment and Natural Resources Certificate of Non-Coverage No. CNC-R06-1305-0032	SUWECO 2's Dedicated Facility had been issued a Certificate of Non-Coverage by the Department of Environment and Natural Resources.
"T"	List of Key Management Officials	The Dedicated Facility was developed under the management of competent and qualified individuals.
"U"	Final Report on the System Impact Study	The integration of the VHPP will have to significant system impact on the stability, reliability and operating characteristics of the Visayas Grid and would not require any network upgrades or modifications.
"V"	Facility Study	A facility study was conducted to

		determine the materials, equipment and the proper scheme to connect the power plant to the Grid.
"W"	Affidavit of Merit	The immediate issuance of authority, whether provisional or final, by the Honorable Commission is necessary to enable SUWECO 2 to utilize the Dedicated Facility, considering that the VHPP has already been completed.
"X"	Judicial Affidavit of Engr. Daniel F. Pilonis	<ol style="list-style-type: none"> 1. SUWECO 2 has the requisite juridical personality to file the instant Application. 2. The filing of the Instant Application was authorized by SUWECO 2. 3. SUWECO 2 is the Renewable Energy Developer of the Villasiga Hydroelectric Power Plant (VHPP) located in Bugasong, Antique. 4. The proposed Dedicated Facility is the most practicable option to connect the VHPP to the grid. 5. The construction of the VHPP as well as the Dedicated Facility has been completed. 6. SUWECO 2 complied with the requirements of the Philippine Grid Code in constructing and developing the Dedicated Facility. 7. SUWECO 2 has obtained all the necessary government permits for the development of the Dedicated Facility. 8. The issuance of authority is urgently needed by SUWECO 2.
"Y"	Judicial Affidavit of Amy B. Bautista	<ol style="list-style-type: none"> 1. The ownership and development of the proposed Dedicated Facility by SUWECO 2 is financially viable. 2. SUWECO 2 spent One Hundred Twenty Three Million Three Hundred Fifty Eight Thousand Two

		<p>Hundred Forty One Pesos and Thirty Five Centavos (PhP123,358,241.35) in order to complete the Dedicated Facility.</p> <p>3. Based on simulation, from the perspective of SUWECO 2, engaging the services of NGCP to undertake the operation and maintenance of the transmission line appears to be more cost effective than maintaining personnel for the undertaking.</p>
"Z"	Cost Analysis	Engaging the services of NGCP to undertake the operation and maintenance of the transmission line is more cost effective than SUWECO 2 maintaining personnel for the undertaking.
"AA"	Affidavit of Publication executed by Teresita Z. Sorsogon, Advertising Supervisor of Daily Tribune	<p>The Notice of Public Hearing was published in Daily Tribune on 20 May 2016, in compliance with the Order of the Commission dated 18 April 2016 directing SUWECO 2 "to" cause the publication of the attached Notice of Public Hearing, at their own expense, once (1x) in a newspaper of general circulation in the Philippines, with the date of the last publication to be made not later than ten (10) days before the scheduled date of initial hearing."</p>
"AA-1"	Clipping of Notice of Public Hearing from the Daily Tribune	
"AA-2"	20 May 2016 issue of Daily Tribune	
"BB"	Certificate of Receipt and Posting issued by the Office of	The Notice of Public Hearing was Posting on the bulletin boards of the local government units, as directed by the Commission.

<p>“BB-1”</p> <p>“BB-2”</p> <p>“BB-3”</p>	<p>the Mayor of San Jose</p> <p>Certificate of Receipt and Posting issued by the Office of the Mayor of Culasi</p> <p>Certificate of Receipt and Posting issued by the Office of the Mayor of Bugasong</p> <p>Certificate of Receipt and Posting issued by the Office of the Provincial Governor of Antique</p>	
<p>“CC”</p> <p>“CC-1”</p> <p>“CC-2”</p> <p>“CC-3”</p> <p>“CC-4”</p>	<p>Affidavit of Service to the following offices:</p> <p>1. Office of the Solicitor General (OSG);</p> <p>2. Commission on Audit (COA);</p> <p>3. Senate Committee on Energy; and</p> <p>4. House of</p>	<p>Copies of the Order and the Notice of Public Hearing were furnished to the said offices.</p>

	Representatives Committee on Energy	
“DD”	Certification from Sunwest 2 Water and Electric Company Inc.	To prove compliance with the Commission’s Order to inform consumers of the filing of the instant Application, the reasons therefor and of the scheduled hearing on 03 June 2016 by “any other means available and appropriate.”
“EE”	Hard Copy of the Expository Presentation	It is necessary for SUWECO 2 to develop, own and operate the proposed dedicated point-to-point limited transmission line and related facility (Dedicated Facility) in order to connect the VHPP to the Grid.
“FF”	Cost Benefit Analysis	SUWECO 2 selected the most beneficial option in connecting the VHPP to the Grid.
“GG”	NGCP Certification	The System Impact Study and the Facilities Study were approved by the NGCP.
“HH”	Project Cost with Detailed Breakdown	The cost incurred by SUWECO in securing the right of way (damages to crops) was already included in the original cost attached to the Application as Annex “J”.
“II”	Agreement of Assignment	The project is already under the books of SUWECO 2.

Having found the exhibits contained in the *Formal Offer of Documentary Exhibits* relevant and material in the evaluation of this case, the Commission hereby admits the same and submits the instant case for resolution.

Issues

The issues presented before the Commission are the following:

1. Whether or not SUWECO 2 should be given authority to develop the subject facility to connect the 8 MW Villasiga Mini-Hydro Electric Power Plant to the 69 kV San Jose-Culasi transmission line of the National Grid Corporation of the Philippines (NGCP);

2. Whether or not the subject assets are dedicated point-to-point limited transmission facilities (or connection asset) that could be owned by SUWECO 2;
3. Whether or not SUWECO 2 should be given authority to operate the dedicated point-to-point limited transmission line; and
4. In case the subject assets are required for competitive purposes and ownership of the same shall be transferred to NGCP, how should the cost be treated or recovered?

DISCUSSION

SUWECO 2 is engaged in the development of clean or renewable energy sources for power generation facilities and was registered by the Department of Energy (DOE) as Renewable Energy Developer of the 8 MW Villasiga Mini-Hydro Electric Power Plant (VHPP) covered by Hydropower Service Contract No. 2010-02-086 (Service Contract). Thereafter, SUWECO 2 was granted a Certificate of Endorsement for Feed-in Tariff (FIT) Eligibility.

SUWECO 2 was able to secure its Certificate of Non-Coverage (CNC-R06-1305-0032) from the Department of Environment and Natural Resources (DENR) for the Switchyard of 8.0 MW Villasiga 1 Mini-Hydropower.

The Villasiga Hydroelectric Power Plant (VHPP) is a Run-of-River type located along the Paliuan River, Barangay Igsoro, Bugasong, Antique. The power plant consists of two (2) units 3.6 MW, 4.16 kV generators and one (1) unit of a 0.88 MW, 4.16 kV generator.

SUWECO 2 proposes to transmit its generated power to the National Grid Corporation of the Philippines (NGCP) Visayas Grid via tap connection to NGCP San Jose-Culasi 69 kV Line, through the construction and installation of the dedicated point-to-point limited transmission facilities.

The total estimated cost of the proposed project is **One Hundred Twenty Three Million Three Hundred Fifty Eight Thousand Two Hundred Forty One and 35/100 Pesos (PhP123,358,241.35)** with all the facilities to be constructed by SUWECO 2.

It should be emphasized that the aforementioned amount is just an estimated cost and is not necessarily the fair market value that should be used when the subject assets are actually transferred to NGCP/TransCo.

To provide a context on how to resolve the identified issues of this case, the Commission undertook to illustrate it through the Single Line Diagram below.

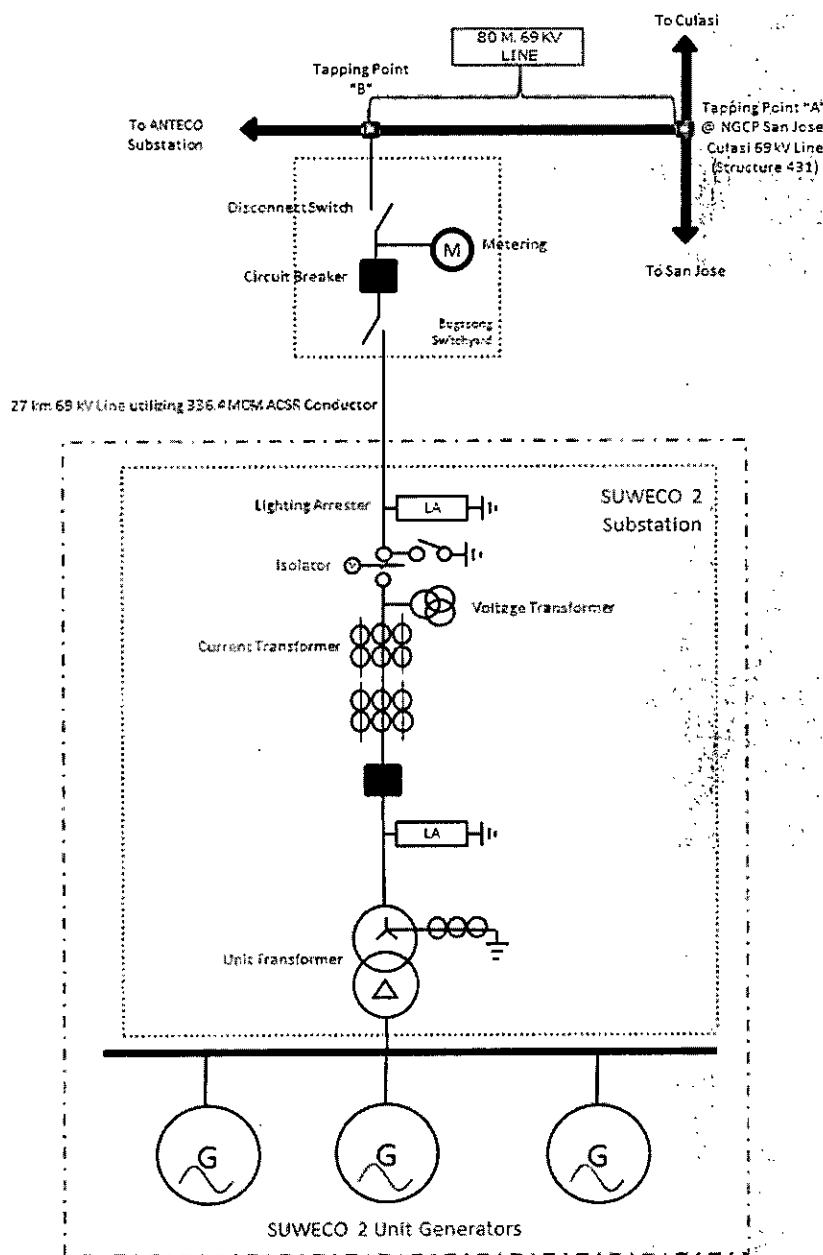


Figure 1: Single Line Diagram of the subject facility

Car

Whether or not SUWECO 2 should be given authority to develop the subject facility to connect the 8 MW Villasiga Mini-Hydro Electric Power Plant to the 69 kV San Jose-Culasi transmission line of the National Grid Corporation of the Philippines (NGCP)

SUWECO 2 is authorized to develop the subject facility because of its compliance with the following technical and financial criteria, as discussed below:

a) Need for the Project

As stated in the application, the dedicated point-to-point limited facility is necessary for the 8 MW Villasiga Mini-Hydro Electric Power Plant to deliver its generated power to the Visayas Grid through NGCP San Jose-Culasi 69 kV Line.

b) Result of the System Impact Study (SIS) and Facility Study (FS)

As provided under existing regulations, SUWECO 2 engaged the services of POD Inc. to conduct a Grid Impact Study (GIS) to determine the technical feasibility of connecting the VHPP to the Visayas Grid. The same was approved by NGCP on 27 June 2013.

Overall, the Third Party Impact Study concluded that the entry of the 8 MW Villasiga Hydroelectric Power Plant (VHPP) of SUWECO 2 to the Visayas Grid is technically feasible.

Thereafter, a Facility Study was likewise conducted on the Hydroelectric Power Plant and was approved by NGCP on 22 November 2013.

c) Options/Alternatives Considered

SUWECO 2 considered three (3) alternatives based on NGCP's presentation of the safe operating conditions during the three phase simulation test, to wit:

1. The first alternative is for VHPP to be connected to the Grid via NGCP's Culasi or Sibalom substation passing through the Bugasong Substation and the 13.2 kV distribution line of the Antique Electric Cooperative, Inc. (ANTECO). In this alternative, VHPP will be allowed to deliver power to the Grid but only at the very minimal level of 0.8MW considering that either of ANTECO's Feeder 1 (Bugasong-Sibalom) or Feeder 2 (Bugasong-Culasi) must remain open. While it is technically feasible, it will not maximize the generated capacity of VHPP since increasing the load will result in the meltdown of ANTECO's feeders and distribution line.
2. The second alternative is for the VHPP connection to run in "island mode". If this is pursued, VHPP can only deliver the entire 8 MW VHPP capacity to Feeder 1 and Feeder 2 if this can be accommodated by the load requirement of ANTECO. There may be voltage drops to customers, necessitating an increase in VHPP MVAR to solve the voltage drop issue.
3. The third alternative, which was adopted by SUWECO 2, involves the connection of the VHPP to the NGCP 69 kV San Jose-Culasi transmission line. This connection will enable VHPP to dispatch its generated power without any restrictions.

The connection of the Dedicated Facility to the NGCP 69 kV San Jose-Culasi transmission line is the most technically viable option and provides the optimal utilization of the 8 MW VHPP.



d) Compliance with the Technical Requirements

The single line diagram shown in *Figure 1* will illustrate SUWECO 2's compliance with the provisions of PGC and requirements of NGCP in its Facility Study and SIS.

The point of interconnection (POI) will be at the tapping point "B" where the 27 km 69 kV transmission line, utilizing 336.4 MCM ACSR, is connected.

The connection point is controlled by a circuit breaker which is consistent with the above-mentioned standards. In addition, the switchyard is equipped with disconnect switches, surge arresters, instrument transformers, protective relays and its accessories which are all compliant with the requirements of PGC and NGCP.

The substation inside the VHPP is equipped with a 10 MVA power transformer to step up the voltage from 4.16 kV to 69 kV.

SUWECO 2 complied with the standards in equipment grounding and the requirements in communication and SCADA for monitoring and control.

As confirmed during the ocular inspection, the metering point of SUWECO 2's Power Plant is located near the connection point, compliant with Section 9.2.1 of the Philippine Grid Code (PGC), to wit:

"Section 9.2.1.1. The metering point between the Grid and User System shall be at the Connection Point"

e) Construction of the Subject Facility

SUWECO 2 engaged the services of various electrical contractors, as enumerated below, for the supply, construction and installation of the subject facility.

Particulars	Contractor/Supplier
Fabrication, Supply, Delivery and Testing of Steel Poles	Poleman Energy Systems Corporation
Supply of Overhead Ground Wire (OHGW)	Legazpi Power Up Construction and Supply, Corp.
Supply of Bare Aluminum Conductor Steel Reinforced Wire (ACSR)	American Wire and Cable Co., Inc.
Supply of Labor Services for the Construction and Installation of the 69 kV Transmission Line	MN Electro Industrial Supply & Services
69 kV Switchyard	Andritz Hydro

Said electrical contractors are among those services and equipment providers accredited by NGCP. Thus, these contractors are capable to undertake the supply, construction and installation of the subject facility.

f) Compliance with the Financial Criteria

Regarding SUWECO 2's claim that it has the financial capability to undertake the development and construction of the dedicated point-to-point limited line, its financial capability will be assessed in the application of SUWECO 2 for COC to ensure that the applicant is compliant with the financial qualifications set forth in the Financial Guidelines for Generation Companies.

It is worthy to note that during the ocular inspection, it was disclosed that the subject facility has already been completed and energized without prior approval by the Commission which is in violation of Section 9 of the EPIRA, to wit:

"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: Provided, further, That in the event that such assets are required for competitive purposes, ownership of the same shall be transferred to the TRANSCO at a fair market price:x x x."

The said will be further investigated by the Commission for purposes of determining the propriety of imposition of sanctions, if warranted.

Whether or not the subject assets are dedicated point-to-point limited transmission facilities (or connection asset) that could be owned by SUWECO 2

The Commission rules that the portion of the 69 kV line from tapping points "A" to "B" including its associated accessories, which are shared with Antique Electric Cooperative, Inc. (ANTECO), are not dedicated point-to-point limited facilities while the assets connecting the SUWECO 2's 8 MW VHPP to the tapping point "B" are the only dedicated point-to-point facilities that could be owned by SUWECO 2 under Section 9 of EPIRA.

The portion of the 69 kV line from tapping points "A" to "B" including its associated accessories are not considered dedicated point-to-point limited transmission facilities since the said line connect other users of the grid and function as transmission asset in accordance with ERC Resolution No. 23, Series of 2016, entitled "Resolution Adopting the Amended Rules on the Definition and Boundaries of Connection Assets for Customers of Transmission Provider", which states that:

4.2 Connection Assets for Generation Customers of Transmission Provider

Connection Assets for generation customers of Transmission Provider include those assets from the last Single Mechanical Connection of a User System or Equipment of a Generation Company, at its Connection Point, to the last Single Mechanical Connection which is not shared with another Customer within the Grid.

The specific assets which are owned by any generation Customer and the Connection Assets which meet these boundary conditions are shown in Annex B.

x x x.

The said portion of the line and its associated accessories are "transmission assets" by function as stated and are required, under the IRR of EPIRA, to be turned over to NGCP immediately and should not be part of the dedicated point-to-point limited facilities.

As to the assets connecting SUWECO 2's 8 MW VHPP to the tapping point "B", these assets are dedicated point-to-point limited facilities because if these assets are removed or cut, only SUWECO 2 will be disconnected. These are used solely by the generating facility. On the other hand, assets from tapping point B to ANTECO Substation are connection assets for ANTECO.

Whether or not SUWECO 2 should be given authority to operate the dedicated point-to-point limited transmission line

With regard to the authority to operate the dedicated point-to-point facilities, the assets should be operated by NGCP. There should be assurance that the subject facility will be operated without adverse effect to the reliability of the grid. TransCo, now NGCP, is mandated in Section 9 (c) of R.A. 9136, to wit:

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

Section 8 of the EPIRA also provides that *"xxx, no person, company or entity other than TransCo shall own any transmission facility."* Relative thereto, NGCP was likewise granted by Congress of the Philippines the exclusive franchise to operate and maintain the transmission system pursuant to Republic Act No. 9511. The only exception is when EPIRA recognizes that a generation company may construct, own and operate a dedicated point-to-point limited transmission facility, subject to prior approval of the Commission. This exemption, however, is bounded by numerous strict limitations. The applicant, however, failed to prove that it could operate the subject facility better than NGCP within the duration of the subject asset's life.

Thus, to ensure and maintain the reliability, adequacy, security, stability and integrity of the nationwide electrical grid, the operation and maintenance of subject facility will be through NGCP.

Recovery in case the subject assets are required for competitive purposes and ownership of the same shall be transferred to NGCP

To reiterate, the Commission rules that the portion of the 69 kV

line from tapping points “A” to “B” including its associated accessories, which are shared with ANTECO, are not dedicated point-to-point limited facilities because the said assets function as part of the NGCP asset in accordance with ERC Resolution No. 23, Series of 2016. Since there is another user of the subject facility, it could not be considered as dedicated point-to-point limited transmission facilities. For this reason, SUWECO 2 should turn over the assets to NGCP at fair market price, subject to optimization.

Anent the assets connecting SUWECO 2’s 8 MW VHPP to the tapping point “B”, which are considered dedicated point-to-point assets, in the event that the subject dedicated point-to-point facility 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 price, subject to optimization.

Since the approved Feed-in Tariff (FIT) Rate includes the cost of the dedicated point-to-point limited facility, the said amount shall be considered once the asset is transferred to NGCP/ TransCo, subject to the following conditions:

- a. If the fair market value (subject to optimization) is higher than the facilities’ cost incorporated in the determination of the FIT, NGCP/TransCo shall pay the difference between the said cost and the fair market value.
- b. If the fair market value (subject to optimization) is lower than the facilities’ cost incorporated in the determination of the FIT, the asset shall be treated as Contribution in Aid of Construction (CIAC). NGCP shall maintain a separate account of these amounts and the assets should not appear in rate base or in its asset appraisal.

Permit Fee

Pursuant to Commonwealth Act No. 146, as amended, a permit fee shall be imposed to SUWECO 2 for the authority to construct the project subject of the *Application*. The prescribed permit fee is intended for the reimbursement of the expenses of the Commission in evaluating the Application based on the total project cost. The project includes facilities that have transmission function and not just dedicated point-to-point limited facilities. Since the application was filed solely by SUWECO 2 (including the facilities to be transferred to NGCP), the

permit fee should be paid solely by the applicant based on the total cost of the project. The permit fee is computed as follows:

$$\begin{aligned} \text{Permit Fee} &= \frac{\text{Total Project Cost} \times 0.75}{100} \\ &= \frac{\text{PhP}123,358,241.35 \times 0.75}{100} \\ \text{Permit Fee} &= \text{PhP}925,186.81 \end{aligned}$$

WHEREFORE, the foregoing premises considered, Applicant Sunwest Water and Electric Company 2, Inc. (SUWECO 2) is hereby **AUTHORIZED** to develop, and own a dedicated point-to-point limited facility to connect the 8 MW Villasiga Hydroelectric Power Plant to the Visayas Grid 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 facilities, to ensure and maintain the reliability, adequacy, security, stability and integrity of the nationwide electrical grid, subject to applicable charges;
2. SUWECO 2 shall execute an undertaking or similar document/s to the effect that it will turn over to TransCo/NGCP portion of the 69 kV line where the ANTECO Substation is likewise connected at a fair market price, subject to optimization;
3. The subject facility shall 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;
4. The dedicated point-to-point limited facilities shall be used solely by the generating facility;
5. The metering point shall be at the connection point in accordance with the Philippine Grid Code (PGC);




6. Any portion of the dedicated point-to-point limited facility required for competitive purposes or to connect any other user, ownership of the same shall be transferred to TransCo/NGCP at a fair market price, subject to optimization. In determining the fair market price, the cost of the facility as incorporated in the determination of the Feed-in-Tariff (FIT) should be accounted for; and
7. The authorization granted to SUWECO 2 is without prejudice to its compliance with other government agency's requirements, rules and regulations.

Relative thereto, SUWECO 2 is hereby **DIRECTED** to pay and remit to the Commission, within fifteen (15) days from receipt hereof, the Permit Fee in the total amount of **Nine Hundred Twenty Five Thousand One Hundred Eighty Six and 81/100 Pesos (PhP925,186.81)**.

SO ORDERED.

Pasig City, 10 October 2018.


AGNES VST DEVANADERA
Chairperson and CEO




JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner


ALEXIS M. LUMBATAN
Commissioner


CATHERINE P. MACEDA
Commissioner

Copy Furnished:

1. Sunwest Water and Electric Company 2, Inc. (SUWECO 2)
Applicant
Unit 1109 West Tower PSE Center,
Exchange Road, Ortigas, Pasig City
2. Office of the Municipal Mayor
San Jose, Antique
3. Office of the Sangguniang Bayan
San Jose, Antique
4. Office of the Municipal Mayor
Culasi, Antique
5. Office of the Sangguniang Bayan
Culasi, Antique
6. Office of the Municipal Mayor
Bugasong, Antique
7. Office of the Sangguniang Bayan
Bugasong, Antique
8. Office of the Provincial Governor
Province of Antique
9. Office of the Sangguniang Panlalawigan
Province of Antique
10. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village, Makati City
11. Commission on. Audit (CGA)
Commonwealth Avenue, Quezon City
12. Senate Committee on Energy
GSIS Bldg., Roxas Blvd., Pasay City
13. House Committee on Energy
Batasan Hills, Quezon City
14. Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, Chamber and Industry Plaza (CIP), 1030 Campus Avenue corner Park Avenue
McKinley Town Center, Fort Bonifacio, Taguig City
15. Regulatory Operations Service
Energy Regulatory Commission (ERC)
17th Floor, Pacific Center Bldg., San Miguel Avenue, Pasig City