

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 FACILITIES TO
CONNECT THE MOPP3 69 KV
TRANSMISSION LINE TO THE
MINDANAO GRID WITH
PRAYER FOR PROVISIONAL
AUTHORITY**

ERC CASE NO. 2016-047 MC

**KING ENERGY GENERATION,
INC. (KEGI),**

Applicant.

X ----- X

D O C K E T E D
Date: DEC 28 2018
By: W

DECISION

Before this Commission for resolution is the *Application* filed on 21 December 2016 by King Energy Generation, Inc. (KEGI) seeking authority to develop, own and operate dedicated point-to-point limited facilities to connect its MOPP3 69kV transmission line to the Mindanao Grid, with prayer for provisional authority.

Factual Antecedents

On 21 December 2016, KEGI filed the instant *Application*. The pertinent allegations of the said *Application* are hereunder quoted as follows:

1. KEGI is a corporation duly organized and validly existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at MOPP1, Barangay San Luis, Gingoog City and is represented by EDGARDO L. SALVAME, CEO and President, whose authority by the Board of Directors of the Applicant is attached and made an integral part of this *Application*.

2. KEGI is in the business of; among others, developing, producing, marketing, and distributing power or energy which is duly licensed and approved by the Department of Energy (DOE).
3. The MOPP3 2.6 km 69kV Transmission project, hereinafter referred to as the MOPP 3 Project for brevity, will connect the 7.8 MW Misamis Occidental Diesel Power Plant 3 for purposes of transmitting power or energy to the Mindanao Grid thru the existing Aurora-Calamba 69 kV Transmission line, specifically the NGCP Aurora Substation via 70km, 69 kV, 1-336-4MCM conductor.
4. The MOPP3 Project will be radially connected along the portion of Ozamis-Oroquieta 69Kv Transmission Line between Villaflor and Jomi substations of MOELCI I and MOELCI II, the local distribution utilities in the North Western Mindanao area.

Nature of the Application

5. That under Sec. 8 of R.A.9136 (Electric Power Industry Reform Act [EPIRA]), the construction of high voltage construction line is the responsibility of TRANSCO, now NGCP, thus, it is provided:

"SEC. 8. Creation of the National Transmission Company.- There is hereby created a National Transmission Corporation, hereinafter referred to as TRANSCO, which shall assume 'the electrical transmission function of the National Power Corporation (NPC), and have the powers and functions hereinafter granted. The TRANSCO shall assume the authority and responsibility of NPC for the planning, construction and centralized operation and maintenance of its high voltage transmission facilities, including grid interconnections and ancillary services. Within six (6) months from the effectivity of this Act"

6. That this proposed point to point connection project of the Applicant is consistent with the Power Development Plan (PDP) pursuant to R.A.9136, the Certificate of Endorsement no. 201606-005 issued by the Department of Energy (DOE) is attached in this application and with this certification, applicant is availing of the option provided under Section 9 of the same law, which states that:

"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: Provided, finally, That in the case of disagreement on the fair market price, the ERC shall determine the fair market value of the asset."

7. An assessment of the impact of MOPP3 Project on the Mindanao Grid was conducted by the Transmission Planning Department of the Mindanao System Planning Division of NGCP which found MOPP3 project is in compliance of Sec. 4.3.3-4 of the Philippine Grid Code and that the application for connection will not result in the degradation of the grid.
8. On 29 November 2016, KEGI obtained a Certificate of Non Coverage (CNC-OL-R1O-2016-11-13989) from the EMB of the DENR for the 69kV transmission line of the MOPP3 Project.
9. The Connection Project is financially feasible. The estimated cost of the construction and development of the Connection Project is Twenty Seven Million Six Hundred One Thousand One Hundred Fifty Five & 28/100 Pesos (PhP27.601 Million).
10. The MOPP3 Connection Project, will be funded through cash and borrowings. Applicant's latest audited financial statements for the year 2014 and 2015 will show that it has sufficient funds on hand to undertake the construction, development, operation, and maintenance of the entire project;
11. With respect to the Net Present Value and five (5) year projected financial ratios, these do not apply to the Connection Project. These apply to the MOPP 3 Project as a comprehensive project, which is expected to be in operation by the first quarter of 2017;
12. The System Impact Study (SIS) shows that the Connection Project is technically feasible. Furthermore, a Facility Study was also conducted on the proposed connection of 7.8MW Misamis

Occidental Diesel Power Plant 3 to the connection asset.

13. KEGI by itself or through its affiliates, has the technical capability to develop, construct, operate, and maintain the Connection Project.
 - 13.1 It is the several operational diesel/bunker power plants in Mindanao, supplying the peaking requirements of numerous electric cooperatives, among others FIBECO, MORESCO II, CAMELCO, SUKELCO, ZAMSURECO II, 'SURSECO II and LANECO.
14. Pursuant to Section 9 of the EPIRA, Applicant KEGI applies with the Commission for authority to develop, own, and operate the Connection Project.
 - 14.1. Its Connection Project is required only to connect the MOPP3 Project to the Mindanao Grid.
 - 14.2. The Connection Asset will be used solely by the MOPP 3 Project.
 - 14.3. If the Connection Project is taken out of the transmission system, it will not affect the Mindanao Grid;
15. The single-line diagram of the proposed interconnection shows that the Connection Project will be exclusively used by the MOPP3 Project.
16. Rule 14 of the Commission's Rules of Practice and Procedure authorizes the issuance of a provisional authority or an interim relief prior to a final decision, provided that the facts and circumstances warrant the issuance of the same;
17. KEGI expects to complete the construction of the Connection Project by the latter part 'of the first quarter of 2017. It wants to have the Connection Project in place and ready for the commissioning of the MOPP3 Project which is scheduled to happen around the first quarter of 2017;
18. Considering that KEGI has already signed and applied for its PSAs with electric cooperatives particularly ZAMSURECO I, LANECO and SUKELCO which are intended to be supplied by the MOPP 3 power plant, the completion of the MOPP 3 Project within the projected timeframe is critical to ensure that KEGI is able to comply with its obligations to these electric cooperatives and prays that the Commission provisionally authorize the development, ownership,

and operation of the Connection Project thru the issuance of a Provisional Authority;

In further support of the application, KEGI submitted to the Commission the following documents:

ANNEX	NATURE OF DOCUMENTS
A	Amended Articles of Incorporation and By-Laws
B	Audited Financial Statements of KEGI for 2014 and 2015
C	Systems Impact Study
D	Preliminary Facilities study on the proposed connection of 7.8MW rendered by third Party for review and a royal of the NGCP
E	Certificate of Non Coverage (CNC-OL-RIO-2016-11-13989)
F	Single Line Diagram
G	Conceptual Engineering Design and drawings
H	Estimated Cost of Construction and Development of Connection Project
I	Gantt chart of the connection project
J	Certification of Connection Agreement with NGCP
K	Board Resolution Approving the Proposed Connection Project and Authorizing the Filing of the Application thru corporate officer and legal counsel
L	List of key officers and major stockholders of KEGI
M	Contract with Contractor for the construction of the 69kV Connection Project
N	Project Financial and Economic Cost Analysis
O	Options/Alternatives considered in lieu of the proposed projects(s) with corresponding analysis of advantages/disadvantages of each option.
P	Certificate of Endorsement No. 2016-06-005

Prayer

19. KEGI prays to this Commission the following *to wit*:

1. Issue an order provisionally authorizing it to develop, own, and operate the MOPP3 connection Project; and
2. After due notice and hearing, issue an order: i) making the provisional authority a permanent authority to develop, own and operate the Connection Project; and ii) authorizing it to operate and maintain the Connection Project until such time said project is otherwise reclassified, owned, operated and maintained by NGCP; and
3. Other reliefs consistent with justice and equity 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 26 May 2017, setting the case for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on 27 June 2017.

In the same *Order*, KEGI 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. KEGI 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.

KEGI 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, KEGI was directed to furnish with copies of the *Order* and the *Notice of Public Hearing* the Offices of the Governor of Misamis Oriental, the Mayors of the City of Gingoog and Municipality of Jimenez, all in the Province of Misamis Oriental, and the City of Pasig.

On 21 June 2017, KEGI filed its *Manifestation of Compliance of Jurisdictional Requirements and Pre-Trial Brief*.

During the 27 June 2017 hearing, only *Applicant* appeared. No intervenor or oppositor appeared nor was there any intervention or opposition registered.

At the said hearing, KEGI submitted its proofs of compliance with the Commission's posting and publication of notice requirements in accordance with the *Order* dated 26 May 2017, to wit:

1. Affidavit of Publication executed by Teresita Z. Sorsogon, Advertising Coordinator of *Daily Tribune*¹.
2. The Clipping of the *Notice of Public Hearing* from the *Daily Tribune*².

¹ Exhibit "B".

² Exhibit "B" and series

3. Complete copy of the 07 June 2017 issue of *Daily Tribune*³.
4. *Certificate of Posting* issued by the Office of the City Mayor of Gingoog City⁴.
5. *Certificate of Posting* issued by the Office of the Mayor of Jimenez, Misamis Occidental⁵.
6. *Certificate of Posting* issued by the Office of the Provincial Governor of Misamis Oriental.
7. *Affidavit of Service* executed by Jaime R. Hila, to show that the following agencies were furnished with copies of the *Order and Notice of Public Hearing*:⁶
 - a. Office of the Solicitor General (OSG)⁷;
 - b. Commission on Audit (COA)⁸;
 - c. Senate Committee on Energy⁹; and
 - d. House of Representatives Committee on Energy.¹⁰
8. *Certification* from KEGI showing other means of notification to the consumers of the instant *Application*.¹¹.

Upon perusal of the foregoing submissions of the Applicant, the Commission found that Applicant has fully complied with the Commission's publication and posting of notice requirements in accordance with its *Order* dated 26 May 2017. Having found Applicants' submissions to be complete and in order, the Commission acquired jurisdiction over the instant *Application*.

During the expository presentation, KEGI's Senior Electrical Engineer Engr. Amorlito D. Melicor, discussed under oath the nature of the *Application*. After the said presentation, the Commission propounded clarificatory questions to KEGI. In the course thereof, KEGI was directed to submit several documents.

³ Exhibit "B" and series

⁴ Exhibit "B" and series

⁵ Exhibit "B" and series

⁶ Exhibit "R"

⁷ Exhibit "M".

⁸ Exhibit "N".

⁹ Exhibit "O".

¹⁰ Exhibit "P".

¹¹ Exhibit "_____".

Upon the termination of the expository presentation, the Commission conducted the pre-trial conference. In the absence of any adverse party, intervenor, or oppositor, KEGI moved that an Order of General Default be issued against those who failed to appear in the said hearing. Finding the said motion meritorious, the Commission granted the same. Thereafter, the Commission noted the issues and stipulation of facts as stated in KEGI's Pre-trial Brief.

At the evidentiary hearing, KEGI presented its witness Engr. Amorlito D. Melicor, who testified in support of the *Application*. In the course of his direct examination, Engr. Melicor identified his Judicial Affidavit and several documents, which were duly marked as exhibits. The Judicial Affidavit of Engr. Melicor was likewise adopted as his direct testimony in the instant *Application*. The direct examination having been terminated, the Commission propounded questions to the said witness. KEGI was then directed to submit its Formal Offer of Evidence.

On 13 September 2018, KEGI filed its *Formal Offer of Evidence* dated 04 September 2018, *to wit*:

Exhibit	Description	Purpose
		To prove that:
"A-R"	Notices and Publication to prove compliance Jurisdictional requirements	Applicant completely and faithfully complied with the publication requirements with newspapers having general circulation in the Philippines and provided notices to all parties and stakeholders concerned for the commission to acquire jurisdiction over the application
"S"	The Amended Articles of Incorporation and Certificate of Approval of Increase of Capital Stock is duly incorporated in accordance with the laws	Applicant has the financial capacity and ability to start and complete the project.
"T"	Latest Audited Financial Statement of KEGI for 2015 and 2016	
"U"	System Impact Study	The point to point connection from the generation facilities of Applicant to the transmission grid of NGCP has undergone a system impact study to ensure that the construction of the connection facility will not adversely affect the existing

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		transmission of NGCP.
"V"	Preliminary facilities study on the proposed connection of 7.8 MW rendered by third Party for review and approval of the NGCP	A third party was hired by the applicant to conduct a preliminary facilities study for review and approval of NGCP
"W"	Certificate of Non Coverage (CNC-OL-R10-2016-11-13989)	Applicant secured the permission and approval of the DENR for the connection project
"X"	Single Line Diagram	The design of the connection project is compliant with the Philippine Grid Code (PGC) an Transmission Grid Code (TGC)
"Y"	Conceptual Engineering Design and Drawings	That engineering design and drawings are properly studied and reviewed to comply with the PGC and TGC requirements
"Z"	Estimated Cost of Construction and Development of the Connection Project	That the estimated cost of the project as part of the capital expenditure of the applicant
"AA"	Grant of the Connection Project	The estimated completion time of the project of the major activities and time estimates to complete each activity
"BB"	Certification of Connection Agreement with NGCP	Applicant has entered into a contract with NGCP for purposes of connecting the generating facility to the transmission grid
"CC"	Board Resolution Approving the Proposed Connection Project and Authorizing the Filing of the Application thru the Responsible corporate officer	The filing of the application is duly approved by the Board of Directors of KEGI and it was a lawyer corporate act
"DD"	List of key officers and major stockholders of KEGI	The ownership and management of the Applicant is by Filipino citizens
"EE"	Contract with Contractor for the construction of the 69Kv Connection Project	Applicant has already contracted a contractor for the execution and completion of the connection asset
"FF"	Project Financial and Economic Cost Analysis	The connection asset is financially viable and will generate fair return of investment
"GG"	Options/Alternatives considered in lieu of the proposed project(s) with corresponding analysis of advantages/disadvantages of each option	Applicant has considered alternative projects but determined that the construction of the connection asset is the most beneficial to the applicant
"HH"	Certificate of Endorsement No. 2016-06-005	The connection project was duly endorsed by the DOE and NGCP after a comprehensively

		review and study
"1"	Judicial Affidavit of Engr. Amorlito D. Melicor	He is the Senior Electrical Engineer of King Energy Generation Inc. (KEGI) and that he is responsible for the determination of the overall planning and execution of the development and construction of the dedicated tie line to connect to NGCP's transmission facility.

*quoted from the submissions

Having found the exhibits contained in the Applicant's *Formal Offer of Evidence* relevant and material in the final resolution of this case, the Commission admitted the same and declared the instant case submitted for resolution.

ISSUES

The issues presented before the Commission are the following:

1. Whether or not KEGI should be given authority to develop the subject facility to connect the 7.8 MW Misamis Occidental Diesel Power Plant 3 to the Ozamis-Oroquieta 69 kV 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 KEGI;
3. Whether or not to authorize KEGI to operate the dedicated point-to-point limited facilities; 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

KEGI is a corporation duly organized and validly existing under and by virtue of the laws of the Republic of the Philippines. It owns a diesel power plant, with the capacity of 7.8 MW, located in Brgy. San

Isidro, Jimenez, Misamis Occidental near the existing 15.6MW Misamis Occidental Diesel Power Plant also owned by KEGI. The power plant consists of one (1) unit 7.8 MW, 4.16 kV generator. The Department of Energy (DOE) has issued a Certificate of Endorsement No. 2016-06-005 dated June 22, 2016 for the said power plant.

KEGI was able to secure its Certificate of Non-Coverage (CNC-OL-R10-2016-11-13989) dated November 29, 2016 from the Department of Environment and Natural Resources (DENR) Environment Management Bureau for the proposed 69 kV Line project.

KEGI proposes to transmit its generated power to NGCP's Mindanao Grid via tap connection to its Ozamis-Oroquieta 69 kV Line and through the dedicated point-to-point limited facilities between Jomi Substation and Villaflor Substation.

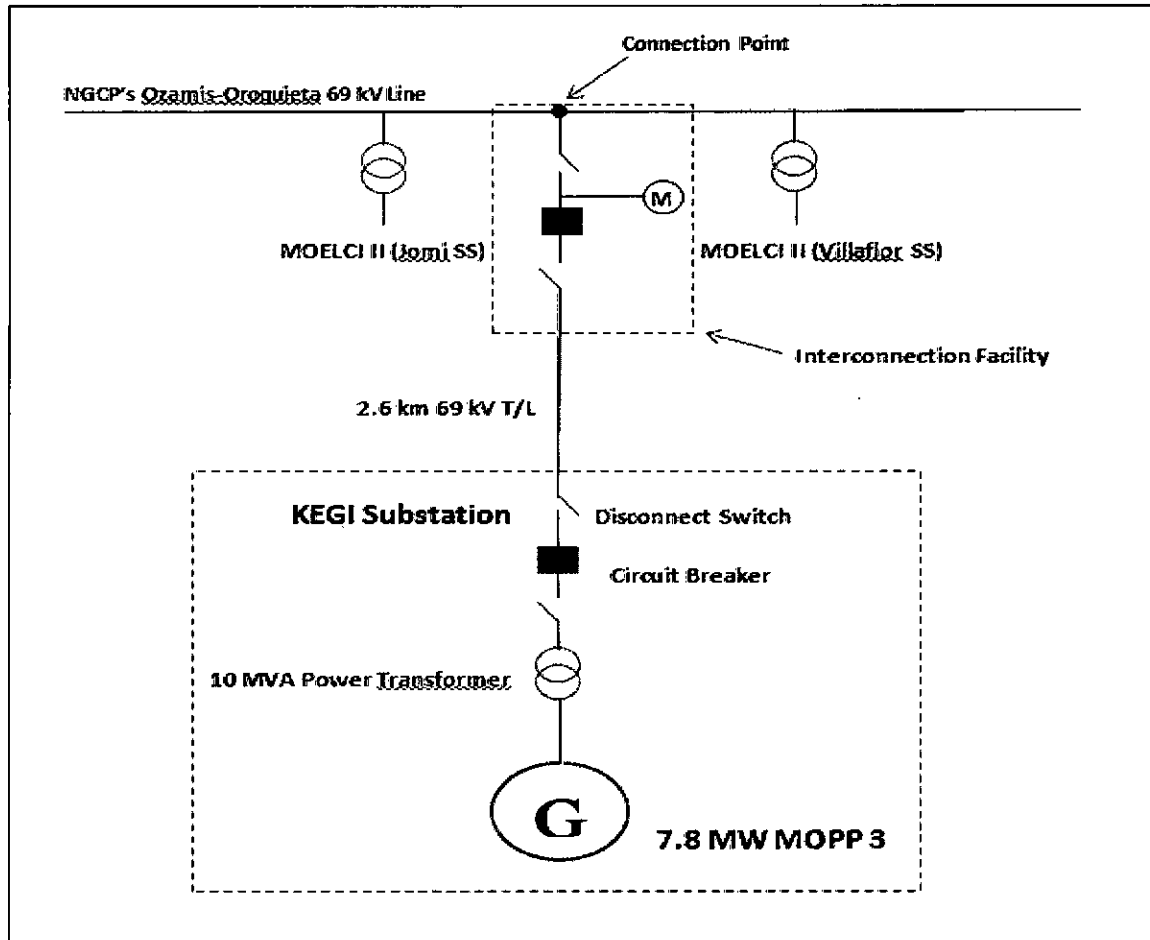
The total estimated cost of the proposed project is **Twenty Seven Million Six Hundred One Thousand One Hundred Fifty Five and 28/100 Pesos (PhP27,601,155.28)**.

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

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.

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Figure 1: Single Line Diagram of the subject facility



Approval for the authority of KEGI to develop the subject facilities to connect the 7.8 MW Misamis Occidental Diesel Power Plant 3 to the Ozamis-Oroquieta 69 kV line of NGCP

Section 8 of Republic Act No. 9136, otherwise known as the *Electric Power Industry Reform Act of 2001 (EPIRA)*, authorized TRANSCO (or its concessionaire) to develop, own and operate transmission facilities. It, likewise, provides as follows:

“xxx no other person, company or entity other than TRANSCO shall own any transmission facilities. xxx”

Thus, TRANSCO or its concessionaire should provide transmission facilities and services. However, Section 9 of EPIRA provides for exemption, 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.”

Thus, KEGI 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 7.8 MW Misamis Occidental Diesel Power Plant 3 to deliver its generated power to the Mindanao Grid through NGCP Ozamis-Oroquieta 69 kV Line.

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

On May 2016, NGCP conducted a System Impact Study (SIS) on the connection of the 7.8 MW MOPP3 of KEGI to the Mindanao Grid. NGCP concluded in its SIS that the connection of MOPP3 to the grid is beneficial to its system as well as to the Misamis Occidental I Electric Cooperative, Inc. (MOELCI I) and Misamis Occidental II Electric Cooperative, Inc. (MOELCI II). The plant's connection poses no significant effect on the transmission system. Thermal and voltage assessments reveal slight changes in the power flow as well as in the magnitude of the voltages. The construction of these facilities does not necessitate the upgrading of neither the transmission line nor installation of voltage compensating devices. The short circuit assessment reveals the adequacy of the NGCP's existing circuit breaker in Aurora Substation and nearby substations.

Generally, simulation results of the SIS indicate that the entry of the MOPP3 is feasible. Further, NGCP recommended to KEGI to secure the conduct of a comprehensive Facility Study in preparation of the actual construction and connection to the grid. As allowed under existing regulations, KEGI commissioned Almario's Computer, Civil, Electrical Protection and Safety Technology to conduct a Facility Study. The Third Party submitted the Facility Study dated 7 November 2016.

c) Options/Alternatives Considered

The SIS provides that the direct connection of KEGI's MOPP 3 to NGCP Aurora Substation via 70 km, 69 kV, 1-336.4 MCM conductor would result to higher losses along the line and significantly drop the voltages at the delivery points of the local distribution utilities in the area compared to the originally considered cut-in connection scheme along Ozamis-Oroquieta 69 kV Line and tap connection scheme. The cut-in connection scheme, however, requires the installation of protection equipment consistent to NGCP's Protection Philosophy in order to ensure reliability, security and stability of the transmission grid. Thus, KEGI sent a request to NGCP for modification of the connection of its 7.8 MW Diesel Power Plant to T-connection scheme. In its letter dated 04 November 2016, NGCP accepted the proposed modification provided that KEGI complies with NGCP's minimum requirements for feeder protection.

d) Compliance with the Technical Requirements

The single line diagram shown in *Figure 1* will illustrate KEGI'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 NGCP's Ozamis-Oroquieta 69 kV Line via tap connection between Jomi Substation and Villaflor Substation where the 2.6 km 69 kV line, utilizing 336.4 MCM ACSR, is connected.

The POI 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 KEGI Substation has a 10 MVA power transformer to step up the voltage from 4.16 kV to 69 kV.

KEGI 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 KEGI's Diesel Power Plant is located at the connection point which is compliant with GRM 9.2.1 of the 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

KEGI engaged the services of Meter King, Inc. for the supply, construction and installation of the subject facilities.

The said contractor developed and constructed the subject facilities in accordance with the SIS and FS requirements.

f) Compliance with the Financial Criteria

Regarding KEGI'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 KEGI 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 violation will be further investigated by the Commission for purposes of determining the propriety of the imposition of sanctions, if warranted.

Approval for the authority to own dedicated point-to-point limited transmission facilities (or connection asset)

The Commission rules that the assets connecting the KEGI's 7.8MW Diesel Power Plant to NGCP's Ozamis-Oroquieta 69 kV line are dedicated point-to-point facilities qualified under Section 9 of the EPIRA.

Connection Assets or dedicated point-to-point limited transmission facilities are those assets that are placed primarily to connect a Customer/s to the Grid and used for purposes of Transmission Connection Services for the conveyance of electricity which, if taken out of the System, will only affect the Customer connected to it and will have minimal effect on the Grid, or other connected Customers.

The assets connecting KEGI's 7.8MW Diesel Power Plant to NGCP's Ozamis-Oroquieta 69kV are dedicated point-to-point limited facilities because if these assets are removed or cut, only KEGI will be disconnected. These are used solely by the generating facility.

Denial of the authority of KEGI to operate the dedicated point-to-point limited facilities

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 on 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”

Likewise, 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 the subject facility will be through NGCP.

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

To reiterate, the Commission rules that the assets connecting KEGI's 7.8 MW MOPP 3 to the NGCP Ozamis-Oroquieta 69kV Line are considered dedicated point to point transmission assets. In the event that the subject dedicated point-to-point facilities are 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 but subject to optimization.

Permit Fee

Pursuant to Commonwealth Act No. 146, as amended, a permit fee shall be imposed to KEGI 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 permit fee is computed as follows:

$$\text{Permit Fee} = \frac{\text{Total Project Cost} \times 0.75}{100}$$

$$= \frac{\text{PhP}27,601,155.28 \times 0.75}{100}$$

$$\text{Permit Fee} = \text{PhP}207,008.66$$

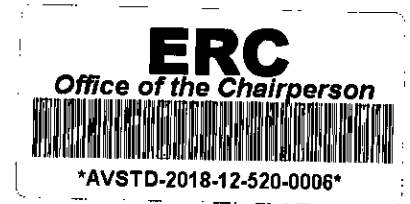
WHEREFORE, the foregoing premises considered, the Applicant King Energy Generation, Inc. (KEGI) is hereby **AUTHORIZED** to develop, and own a dedicated point-to-point limited facility to connect the 7.8 MW Misamis Occidental Diesel Power Plant 3 to the Mindanao Grid of the National Grid Corporation of the Philippines (NGCP), subject to the following conditions:

1. The National Grid Corporation of the Philippines (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. The dedicated point-to-point limited facilities shall be used solely by the generating facility;
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 metering point shall be at the connection point in accordance with the Philippine Grid Code (PGC);
5. Any portion of the dedicated point-to-point limited facilities 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 but subject to optimization; and
6. The authorization granted to KEGI is without prejudice to its compliance with other government agency's requirements, rules and regulations.

Relative thereto, KEGI 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 **Two Hundred Seven Thousand Eight and 66/100 Pesos (PhP207,008.66)**.

SO ORDERED.

Pasig City, 11 December 2018.




AGNES VST DEVANADERA
Chairperson and CEO


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner


ALEXIS M. LUMBATAN
Commissioner


CATHERINE P. MACEDA
Commissioner

Copy furnished:

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Counsel for Applicant KEGI
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Cagayan de Oro City
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Commonwealth Avenue, Quezon City
3. Senate Committee on Energy
GSIS Bldg., Roxas Blvd., Pasay City
4. House Committee on Energy
Batasan Hills, Quezon City
5. 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
6. Office of the Provincial Governor
Misamis Oriental
7. Office of the City Mayor
Gingoog City
8. Office of the LGU Legislative Body
Gingoog City
9. Office of the Municipal Mayor
Jiminez, Misamis Occidental
10. The President
National Grid Corporation of the Philippines
Quezon Avenue, Diliman
Quezon City