

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, Ortigas Center  
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 SPC  
ISLAND POWER  
CORPORATION, WITH  
PRAYER FOR THE  
ISSUANCE OF  
PROVISIONAL  
AUTHORITY**

**ERC CASE NO. 2018-120RC**

**NATIONAL GRID  
CORPORATION OF THE  
PHILIPPINES AND SPC  
ISLAND POWER  
CORPORATION,  
Applicants.**

X-----X

**D O C K E T E D**  
Date: FEB 14 2019  
By: [Signature]

**ORDER**

On 19 December 2018, the National Grid Corporation of the Philippines (NGCP) and SPC Island Power Corporation (SIPC) filed an *Application* dated 13 December 2018, seeking the approval of their Ancillary Services Procurement Agreement (ASPA), with prayer for the issuance of provisional authority.

In their *Application*, NGCP and SIPC alleged, among others, the following:

**NATURE OF THE CASE**

1. This Application is for the approval of the Ancillary Services Procurement Agreement (“ASPA”) between the NGCP and SIPC dated 20 November 2018, pursuant to the Decision dated 3 October 2007 in ERC Case No. 2006-049RC entitled: “In the Matter of the Application for the Approval of Ancillary Services – Cost Recovery Mechanism (AS-CRM) of the Ancillary Services Procurement Plan, with Prayer for Provisional Authority.”

**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. 9511 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 SIPC is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines with principal place of business at 7th Floor Citibank Center, 8741 Paseo de Roxas, 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 Bohol Diesel Power Plant (“Generation Facility”) located at Barangay Dampas Tagbilaran City, Bohol which was certified and accredited by NGCP to be capable of providing Ancillary Services (“AS”) in the forms of Dispatchable Reserve (“DR”) and Black Start Service (“BSS”).

**ANTECEDENT FACTS**

4. Republic Act No. 9136 (“EPIRA”) provides that it is the responsibility of NGCP to ensure and maintain the reliability, adequacy, security, stability and integrity of the nationwide electrical grid in accordance with the performance standards for its operations and maintenance, as set forth in the Philippine Grid Code (“PGC”)<sup>2</sup>, adopted and promulgated by the Honorable Commission, and to adequately serve generation companies, distribution utilities and suppliers requiring transmission service and/or ancillary services through the transmission system.<sup>3</sup>

---

<sup>1</sup> 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

<sup>2</sup> Section 9 (c)

<sup>3</sup> Section 9 (d)

5. Similarly, the PGC provides that NGCP is responsible for determining, acquiring, and dispatching the capacity needed to supply the required Grid AS and for developing and proposing Wheeling Charges and AS tariffs to the ERC.<sup>4</sup>
6. AS as defined in Section 4(b) of the EPIRA “refer to those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the transmission system in accordance with good utility practice and the Grid Code to be adopted in accordance with this Act.” These services are essential in ensuring reliability in the operation of the transmission system and consequently, in the reliability of the electricity supply in the Luzon, Visayas and Mindanao grids.
7. In order to implement and regulate the procurement of AS, the Honorable Commission approved the Ancillary Services Procurement Plan (“ASPP”) through its Order dated 9 March 2006 in ERC Case No. 2002-253 and the Ancillary Services-Cost Recovery Mechanism (“AS-CRM”) through its Decision dated 3 October 2007 in ERC Case No. 2006-049RC.
8. Pursuant to its mandate, NGCP on different dates published in newspapers of general circulation a Notice of Invitation for Prospective Ancillary Services Providers, inviting all grid-connected merchant plants and independent power producers to participate in the provision of ancillary services.
9. On 4 September 2013, the Applicants filed an application for the approval of its ASPA dated 18 April 2013 docketed as ERC Case No. 2013-181RC. Through the Order dated 11 November 2013, the Honorable Commission provisionally approved the application, viz:.

*“The Commission believes that the contracted Ancillary Services capacity is needed to augment the deficiency in the Ancillary Services reserve capacity. This will ensure reliability in the operation of the transmission system and the electricity supply in the Visayas Grid.*

*An initial evaluation of the instant application discloses that the ASPA entered into by and between NGCP and SIPC will redound to the benefit of the consumers in terms of continuous, reliable, efficient and affordable power supply as mandated by the EPIRA [Section 2. Declaration of Policy - (b) “to ensure the quality, reliability, security and affordability of the supply of electric power].*

---

<sup>4</sup> Section 6.3.1.2

*WHEREFORE, the foregoing premises considered, the Commission hereby PROVISIONALLY APPROVES the application filed by the National Grid Corporation of the Philippines (NGCP) and SPC Island Power Corporation (SIPC) for the approval of their Ancillary Services Procurement Agreement (ASPA), subject to the following conditions:  
xxx”*

10. Due to the necessity of extending the services of providing the same ancillary services, the Applicants again entered into a new ASPA under the same rates, terms and conditions. NGCP agreed to procure and SIPC agreed to supply AS in the forms of: (a) DR under a firm arrangement; and (b) BSS under a non-firm arrangement. A copy of the Ancillary Services Procurement Agreement between NGCP and SIPC dated 20 November 2018 is attached in the Application.
11. During the period of negotiation, NGCP conducted several tests on the Generation Facility, and certified that the generating units have met and complied with the Standard Ancillary Services Technical Requirements of the ASPP as capable of providing: (i) DR (Unit 1 = 4.0MW, Unit 2 = 4.0MW, Unit 3 = 4.2MW and Unit 4 = 4.0MW) and (ii) BSS (16.2 MW with 200kW EDG). A copy of NGCP Accreditation Certificate No. 2018-V0007 dated 20 August 2018 is attached in the Application.

**FIRM AND NON-FIRM CONTRACTED CAPACITY  
RATE AND IMPACT SIMULATION**

12. Under Clause 3 of the ASPA, SIPC shall provide NGCP with the following AS as specified in Schedule 1 of the ASPA, follows:

A. Firm Contracted Capacity:

Dispatchable Reserve (Tertiary Reserve) – up to 16.2MW

Unit 1	–	Unit 3	– 4.2MW
4.0MW			
Unit 2	–	Unit 4	– 4.0MW
4.0MW			

B. Non-Firm Contracted Capacity:

Black Start Contracted Capacities  
(16.2MW with 200kW EDG)

(The capacities listed above are the maximum ancillary services capacity that can be provided for each generating unit. However, nomination and schedule shall be based on the latest AS Certificate.)

13. The Applicable Rates for the capacity covered by the ASPA as provided in Schedule 3 are as follows:
- A. Firm Contracted Capacity Applicable Rate:
    - 1. Dispatchable Reserve (DR): PhPo.85/Kw/hr
  - B. Non-Firm Contracted Capacity Applicable Rate:
    - 1. Black Start Service (BSS)

Payment of service provided is based on hourly rate per occurrence:

$$BDPP = \text{PhP}1.7570/\text{kWh} + \text{VOM} + \text{Actual Fuel Cost}$$

- C. Incidental Energy Cost

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

$$IE = \{[G * (AR + \text{Fuel} + \text{VOM})] - \text{REV}_{\text{WESM-G}}\}$$

14. Applicants submit that the rates represent a reasonable recovery of its opportunity cost in making available generation capacity to provide the procured AS.
15. The rates under ASPA was subjected to a simulation by NGCP, the results of which are as follows:

	<b>Indicative Rate Impact</b>	
	<b>P/kW-mo</b>	<b>P/kWh Equivalent</b>
<b>DR</b>	8.8006	0.0187
<b>BSS</b>	0.0871	0.0002

A copy of the Rate Impact Simulation is attached in the Application.

16. Consistent with the AS-CRM, all the related and incidental expenses which NGCP will incur as a result of the procurement and operation of the ancillary services shall be recovered from all the load customers in the Visayas.
17. The ASPA shall be effective for a period of five (5) years, to commence immediately upon the effectivity of the provisional approval, or in the absence thereof, the final approval of the instant Application. In the event that the provisional or final approval, as the case may be, does not

state a particular date of effectivity, the Agreement shall be effective on the date agreed upon by the Parties.

18. SIPC, as a generation company, falls within the ambit of Sections 6 of the EPIRA. Attached are copies of relevant documents proving SIPC's due registration as a generation company, relevant permits to operate the Generation Facility and audited financial statements, as follows:

<b>Document</b>	<b>Annex</b>
<i>Certificate of Compliance</i>	"D"
<i>Summary of Existing Power Supply Agreement</i>	"E"
<i>Articles of Incorporation</i>	"F"
<i>Latest Security Exchange Commission – General Information Sheet</i>	"G"
<i>Latest Audited Financial Statement</i>	"H"
<i>WESM Registration</i>	"I"

While SIPC is a co-applicant, it manifests that the instant Application shall neither modify, diminish or constitute a waiver of SIPC's rights nor expand its obligations and responsibilities as a generation company under EPIRA.

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

19. It is a declared policy of the State to ensure the quality, reliability, security and affordability of the supply of electric power (*Section 2(b), EPIRA*). To this end, there is a need to comply with the system requirements for AS to ensure grid system security and reliability. As mentioned above, NGCP has the mandate to procure the required AS.
20. As mentioned above, the Honorable Commission has already declared that there is a necessity for NGCP to procure the contracted ancillary services capacity of SIPC to maintain the reliability of the operation of the transmission system and electricity supply in the Visayas Grid.
21. SIPC must continue to provide the current contracted ancillary services beyond the 2013 ASPA to maintain the reliability of the power grid. Based on the current levels of available contracted AS in the Visayas Grid, the firm contracted AS have not yet met the required levels of the ASPP. The copies of the relevant actual data and its corresponding graphical presentations showing the required and available levels of AS in the Visayas Grid, entitled: Visayas Dispatchable Reserve Availability is attached in the Application.

22. NGCP must be guaranteed that there are available AS on a daily basis to assure reliability of the grid. There is no assurance that the non-firm capacities would be available when needed. NGCP cannot gamble on this chance. As the grid operator, the contracted capacity of SIPC, especially its firm capacities, are greatly needed.
23. Thus, NGCP and SIPC agreed to execute another ASPA for a period of another five years. With this ASPA, the Visayas Grid is assured of AS until 2023.
24. 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.
25. Applicants respectfully submit that the immediate approval of the ASPA by this Honorable Commission is a necessity to maintain the reliability, adequacy, security, stability and integrity of the Visayas Grid. In support of these allegations, NGCP submits a copy of the Judicial Affidavit of Engr. Lisaflor Bacani-Kater of the Revenue and Regulatory Affairs Department of NGCP, which is attached in the Application.

**PRAYER**

**WHEREFORE**, premises considered, Applicants respectfully pray that the Honorable Commission:

- a) Immediately **ISSUE** a provisional authority to implement the subject ASPA executed on 20 November 2018; and
- b) **APPROVE**, after notice and hearing, the subject ASPA.

Applicants pray for other just and equitable relief.

Finding the said *Application* to be sufficient in form and substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **13 March 2019 (Wednesday) at two o'clock in the afternoon (2:00 P.M.) at Metro Center Hotel Bohol, C. P. Garcia North Avenue, Tagbilaran City, Bohol.**

Accordingly, NGCP and SIPC are hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing in two (2) newspapers of nationwide circulation in the Philippines at their own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart, and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing;
- 2) Furnish with copies of this Order and the attached Notice of Public Hearing the Offices of the Provincial Governor, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies where NGCP and SIPC principally operate, including their regional offices, for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within the affected franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon, by any other means available and appropriate;
- 4) Furnish with copies of this Order and the attached 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. They are hereby requested, if they so desire, to send their duly authorized representatives at the scheduled hearing; and
- 5) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, NGCP and SIPC must submit to the Commission their written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached Notice of Public Hearing consisting of affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing were published, and the complete issues of the said newspapers;



- 2) The evidence of actual posting of this Order and the attached Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governor, Mayors, LGU legislative body, or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by NGCP and SIPC to inform the consumers within the affected franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon;
- 4) The evidence of receipt of copies of this Order and the attached Notice of Public Hearing by the OSG, COA, and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the *Application* and its attachments by all those making requests therefor, if any; and
- 6) Such other proof of compliance with the requirements of the Commission.

NGCP, SIPC, and all interested parties are also required to submit, at least five (5) days before the date of the initial hearing and Pre-Trial Conference, their respective Pre-Trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefor; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of NGCP and SIPC to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.

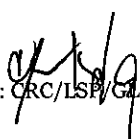
NGCP and SIPC must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that they may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, the nature of the *Application* with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

**SO ORDERED.**

Pasig City, 11 February 2019.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
Commissioner 

  
LS: CRC/LSF/GLO ord.2018-120 RC NGCP SIPC ASPA

Copy Furnished:

1. Atty. Mark Anthony S. Actub and Raycell D. Baldovino  
*Counsels for Applicant NGCP*  
Office of the General Counsel  
NGCP Building, Quezon Ave. cor. BIR Rd, Diliman Quezon City
2. Maria Luz L. Caminero  
SPC Island Power Corporation  
7<sup>th</sup> Floor Citibank Center, 8741 Paseo de Roxas, Makati City
3. National Grid Corporation of the Philippines (NGCP)  
*Applicant*  
NGCP Building, Quezon Ave. cor. BIR Rd, Diliman Quezon City
4. SPC Island Power Corporation  
7<sup>th</sup> Floor Citibank Center, 8741 Paseo de Roxas, Makati City
5. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village, Makati City
6. Commission on Audit  
Commonwealth Avenue, Quezon City
7. Senate Committee on Energy  
GSIS Bldg. Roxas Blvd., Pasay City
8. House Committee on Energy  
Batasan Hills, Quezon City

9. Philippine Chamber of Commerce and Industry (PCCI)  
3<sup>rd</sup> Floor, Chamber and Industry Plaza (CIP), 1030 Campus Avenue corner Park Avenue,  
McKinley Town Center, Fort Bonifacio, Taguig City
10. Office of the Mayor  
Cebu City
11. Office of the LGU legislative body  
Cebu City
12. Office of the Mayor  
Iligan City
13. Office of the LGU legislative body  
Iligan City
14. Office of the Mayor  
Quezon City
15. Office of the LGU legislative body  
Quezon City
16. Office of the Mayor  
Makati City
17. Office of the LGU legislative body  
Makati City
18. Office of the Mayor  
Tagbilaran City
19. Office of the LGU legislative body  
Tagbilaran City
20. Office of the Governor  
Province of Bohol
21. Office of the Sangguniang Panlalawigan  
Province of Bohol
22. Regulatory and Operations Service (ROS)  
Energy Regulatory Commission  
17th Floor, Pacific Center Bldg., San Miguel Avenue, Pasig City