

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



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF THE
ANCILLARY SERVICES
PROCUREMENT
AGREEMENT BETWEEN
THE NATIONAL GRID
CORPORATION OF THE
PHILIPPINES AND SAN
ROQUE POWER
CORPORATION, WITH
PRAYER FOR THE
ISSUANCE OF
PROVISIONAL AUTHORITY**

ERC CASE NO. 2017-113 RC

**NATIONAL GRID
CORPORATION OF THE
PHILIPPINES AND SAN
ROQUE POWER
CORPORATION,**

D O C K E T E D
Date: MAR 01 2018
By: [Signature]

Applicants.

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NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 13 December 2017, the applicants National Grid Corporation of the Philippines (NGCP) and San Roque Power Corporation (SRPC) filed an *Application* dated 05 December 2017 for the approval of their Ancillary Services Procurement Agreement (ASPA), with prayer for the issuance of provisional authority.

Applicants NGCP and SRPC alleged the following in their *Application*:

Applicants **NATIONAL GRID CORPORATION OF THE PHILIPPINES (NGCP)** and **SAN ROQUE POWER CORPORATION (SRPC)**, by counsel, respectfully state:

NATURE OF THE CASE

1. This Application is for the approval of the Ancillary Services Procurement Agreement (ASPA) between the NGCP and SRPC, 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. 9511¹ to engage in the business of conveying or transmitting electricity through high-voltage back-bone systems of interconnected transmission lines, substations and related facilities, and for other purposes. The franchise also includes the conduct of activities necessary to support the safe and reliable operation of the transmission system.
3. Applicant SRPC is a corporation organized and existing under and by virtue of the laws of the Philippines with principal office address at Barangay San Roque, San Manuel, Pangasinan. It may be served with orders, notices, and other legal processes through its undersigned counsel. It is the owner and operator of the 3x145 MW San Roque Hydro-electric Power Plant in Pangasinan which was certified and accredited by NGCP as capable of providing Contingency Reserve (CR), Regulating Reserve (RR) and Dispatchable Reserve (DR) under Accreditation Certificate No. 2017-LO12.
 - 3.1 SRPC is a generation company authorized by the Honorable Commission to operate the San Roque Power Plant under a Certificate of Compliance dated 11 August 2014.

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

- 3.2 SRPC had been certified by NGCP as a qualified Ancillary Services provider after undergoing the accreditation process and is a qualified generation company that the System Operator may enter into an ASPA with pursuant to the Ancillary Services Procurement Plan (ASPP) approved by the Honorable Commission through its Order dated 9 March 2006 in ERC Case No. 2002-253.

ANTECEDENT FACTS

4. Republic Act No. 9136 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), 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 system².
5. Similarly, the PGC provides that NGCP is responsible for determining, acquiring, and dispatching the capacity needed to supply the required Grid Ancillary Services and for developing and proposing Wheeling Charges and Ancillary Service tariffs to the ERC³.
6. Ancillary Services (AS) as defined in Section 4b 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.
- 7.1 Under Section 4.3 of the ASPP, NGCP, in its capacity as the System Operator, may use reasonable endeavors to procure and enter into “Ancillary Services Procurement Agreement” with qualified generation companies to provide sufficient ancillary services to the Grid.

² Section 9 (c) and (d);

³ 2007 PGC, Section 6.3.1.2;

8. Pursuant to its mandate, NGCP invited and negotiated with generation companies capable of providing ancillary services, including SRPC.
9. In December 2012, NGCP and SRPC had entered into an ASPA (the 2012 ASPA) with a term of five years and in January 2013, NGCP and SRPC filed an application docketed as ERC Case No. 2013-009RC before the Honorable Commission for the approval of the 2012 ASPA, which was provisionally approved through an Order dated 4 March 2013.
10. In view of the need for SRPC to continue providing ancillary services from the San Roque Power Plant, the Applicants have executed a new ASPA (the 2017 ASPA) with a term of five years and with the same ASPA rates as the 2012 ASPA. Similar to the 2012 ASPA, NGCP agreed to procure and SRPC agreed to provide, Ancillary Services in the form of CR, RR and DR under firm and non-firm arrangements. A copy of the 2017 ASPA is attached as **Annex "A"**.
11. NGCP had conducted several tests on Units 1, 2 and 3 of the San Roque Power Plant, and certified that the Units met and complied with the Standard Ancillary Services Technical Requirements of the System Operations and are capable of providing Contingency Reserve Service (100 MW/unit under Governor Control Mode), Regulating Reserve Service (100 MW/unit under Governor Control Mode) and Dispatchable Reserve Service (145 MW/unit). A copy of the Ancillary Services Accreditation Certificate with Accreditation No. 2017-L012 issued by NGCP is attached as **Annex "B"**.

**CONTRACTED CAPACITY RATES
AND IMPACT SIMULATION**

12. Under Schedule 1 of the ASPA, the following AS shall be provided to NGCP:

| AS Type | Firm Contracted Capacity | Non-firm Contracted Capacity |
|---|---|--|
| Contingency Reserve | One unit, 100MW, Peak hours referred to in schedule 2 | All available capacity not scheduled under firm arrangement, not more than 100 MW/unit |
| Regulating Reserve or Contingency Reserve | One unit, 75 MW, Peak hours referred to in schedule 2 | All available capacity not scheduled under firm arrangement, not more than 100 MW/unit |
| Dispatchable reserve | N/A | All available capacity not scheduled under firm arrangement, up to 145MW/unit |

The capacities contracted under Non-Firm arrangement are the maximum that can be offered by SRPC. However, for clarity, the basis for the AS Provider's nomination and scheduling shall be the capacities listed in its valid AS Certificates.

13. Schedule 4 of the ASPA provides for the formula for the computation of the Ancillary Services Fees and the applicable hourly rates (ASPA Rates) for the firm and non-firm contracted capacity covered by the ASPA, as follows:

Firm Contracted Capacity:

Fixed Fee Hourly Rate

Regulating Reserve: PhP2.25/kW/hr
 Contingency Reserve: PhP1.50/kW/hr

Non-Firm Contracted Capacity:

Maximum Hourly Rate

Regulating Reserve: PhP3.00/kW/hr
 Contingency Reserve: PhP2.25/kW/hr
 Dispatchable Reserve: PhP1.50/kW/hr

14. Applicants submit that the ASPA Rates represent a reasonable recovery of the opportunity cost in making available generation capacity to provide the procured AS.
15. The ASPA Rates were subjected to a simulation by NGCP with the following results:

| AS Type | Indicative Rate Impact | |
|---------|------------------------|--------|
| | P/kW-month | P/kWh |
| CR | 18.7568 | 0.0381 |
| RR | 14.6395 | 0.0297 |
| DR | 15.9204 | 0.0323 |

A copy of the *Rate Impact Simulation for SRPC* with a brief discussion on how NGCP derived the proposed ancillary services rates is attached as **Annex "C."**

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 Luzon Grid.
17. SRPC respectfully submits copies of the following documents:

| Document | Annex |
|---|--------------------|
| <i>ERC Certificate of Compliance and Certification on technical specifications</i> | “D” and D-1 |
| <i>Summary of Existing Power Supply Agreement</i> | “E” |
| <i>Articles of Incorporation of SRPC</i> | “F” |
| <i>Latest General Information Sheet filed by SRPC with the Securities and Exchange Commission</i> | “G” |
| <i>Latest Audited Financial Statements of SRPC</i> | “H” |
| <i>Letters regarding WESM Registration</i> | “I” |

ALLEGATIONS IN SUPPORT OF THE PRAYER FOR PROVISIONAL AUTHORITY

18. It is a declared policy of the State to ensure the quality, reliability, security and affordability of the supply of electric power (*Section 2b, EPIRA*). With this end in view, there is a need to comply with the system requirements for AS to ensure grid system reliability. As mentioned above, NGCP has the mandate to procure the required AS. However, the Honorable Commission must first approve the ASPA before the same could be implemented.
19. SRPC must continue to provide the current contracted ancillary services beyond the term of the 2012 ASPA to maintain the reliability of the power grid. Based on the current levels of available contracted AS in the Luzon Grid, the firm contracted AS have not yet met the required levels under the ASPP. A copy of the relevant actual data and its corresponding graphical presentations showing the required and available levels of AS in the Luzon Grid and the impact of the AS contribution of SRPC to the Luzon Grid entitled: Luzon AS Availability with SRPC Contribution is attached as **Annex “J”**.
20. NGCP must be guaranteed of available AS on a daily basis to ensure reliability of the grid. Thus, it is necessary for the Honorable Commission to approve the procurement by NGCP from SRPC firm capacities to provide AS under the 2017 ASPA.
21. Also, as the demand for power in Luzon 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.
22. Applicants respectfully submit that the immediate approval of the ASPA by the Honorable Commission is a necessity to maintain the present reliability and security of the Grid. In support of these allegations, NGCP submits a copy of the *Judicial Affidavit of Engr. Lizaflor Bacani-Kater*, which is attached as **Annex “K”**

PRAYER

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

- a) Immediately **ISSUE** a provisional authority to implement the 2017 ASPA, to take effect upon expiration of the 2012 ASPA;
- b) **APPROVE**, after notice and hearing, the 2017 ASPA.

Applicants pray for other just and equitable relief under the premises.

Finding the said *Application* to be sufficient in 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 **22 March 2018 at ten o'clock in the morning (10:00 A.M.), at Ruperto's Inland Resort, Barangay Linmansangan, Binalonan, Pangasinan.**

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name and address;
- 2) The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- 3) A statement of the relief desired.

All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicants rest their case, subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name and address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All such persons who wish to have a copy of the *Application* may request from Applicants that they be furnished with the same, prior to the date of the initial hearing. Applicants are hereby directed to furnish all those making such request with copies of the *Application* and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the *Application* and other pertinent records filed with the Commission during the standard office hours.

WITNESS, the Honorable Chairperson and CEO **AGNES VST DEVANADERA**, and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 20th day of February 2018 in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal


LS: JGM/ARG/GLS/APV