

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



**IN THE MATTER OF THE
APPLICATION FOR
AUTHORITY TO DEVELOP,
OWN, OPERATE AND
MAINTAIN DEDICATED
POINT-TO-POINT LIMITED
FACILITIES TO CONNECT
TO THE TRANSMISSION
SYSTEM OF NATIONAL
GRID CORPORATION OF
THE PHILIPPINES (NGCP)**

ERC CASE NO. 2019-002 MC

**ISABEL ANCILLARY
SERVICES CO. LTD. (IASCO),
Applicant.**

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Promulgated:
APR 08 2019

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 28 January 2019, Isabel Ancillary Services Co. Ltd. (IASCO), filed an *Application* seeking the Commission's approval of the authority to develop, own, operate and maintain its own dedicated point-to-point limited facilities to connect to the transmission system of National Grid Corporation of the Philippines (NGCP).

The pertinent portions of the said *Application* are hereunder quoted as follows:

1. IASCO is a generation company¹ duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at Lot 2-A-1-B and Lot 2-A-1-D, Leyte Industrial Development Estate, Municipality of Isabel, Leyte. It may be served orders and other legal process through its undersigned counsel.

¹ Section 4 (x) of Republic Act No. 9136 defines a generation company as follows:
(x) "Generation Company" refers to any person or entity authorized by the ERC to operate facilities used in the generation of electricity;

2. IASCO's business purposes, among others, are to: (a) develop, operate, and maintain a modular diesel engine power plant, any other assets including transmission and sub-transmission lines or any other business activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to the Project; and (b) to engage in the generation, sale and trade of electric power, provision of ancillary services, importing machines, equipment, motor vehicles, tools, appurtenant spare parts, and other necessary and related materials or chemicals and any and all transactions necessary for or consistent with the foregoing purposes.²
3. IASCO is a generation company with a Certificate of Endorsement from the Department of Energy ("DOE").³
4. IASCO will develop, design, engineer, procure, construct, supply, start-up, test, commission, own, operate and maintain a modular diesel engine power plant, with a gross capacity of 80MW (net capacity of 70MW), located in Isabel, Leyte (the "Project"). The Project's target date of completion and energization is in April 2019.
 - 4.1. Power that will be generated by the Project is intended for the provision of ancillary services to the National Grid Corporation of the Philippines ("NGCP") pursuant to an Ancillary Services Procurement Agreement to be entered into between NGCP and IASCO.
 - 4.2. Power for export generated by the Project shall be delivered to the Visayas Grid through the 138kV Isabel Substation of NGCP.
5. Pursuant to NGCP's mandate to procure ancillary services to ensure grid stability and reliability, NGCP needs to procure ancillary services from IASCO.
6. To test, commission and dispatch its generating facility, soon after completion, IASCO proposes to connect the Project to the transmission system of the NGCP through a dedicated point-to-point limited interconnection facility (the "Transmission Line") to be constructed by Power Dimension, Inc.⁴
7. IASCO has secured the relevant permits for the Project and the Transmission Line.
 - 7.1. The Department of Environment and Natural Resources ("DENR") has allowed IASCO to operate with the issuance of an Amended Environment Compliance Certificate No. ECC-C)-1810-0029 dated 16 November 2018.⁵

² A copy of IASCO's Articles of Partnership is attached hereto as **Annex "B"**.

³ A copy of IASCO's Certificate of Endorsement No. 2018-09-003 dated 22 October 2018, is attached hereto as **Annex "C"**.

⁴ A copy of the description and scope of the project denominated as Isabel Ancillary Services Co. Ltd. 80MW Modular Diesel Power Plant Project Description is attached as **Annex "D"**.

⁵ A copy of the Amended Environmental Compliance Certificate dated 16 November 2018 is attached as **Annex "E"** and made an integral part hereof.

8. IASCO intends to connect the Transmission Line to the Visayas Grid via the 138kV Isabel-Pasar Line for the Interim Connection and via the 138kV Isabel Substation for the Final Connection.⁶ The Transmission Line for the Final Connection will consist of around three (3) kilometers.
9. The proposed Connection Scheme Single Line Diagram⁷ for the project Transmission Line shall be as follows:

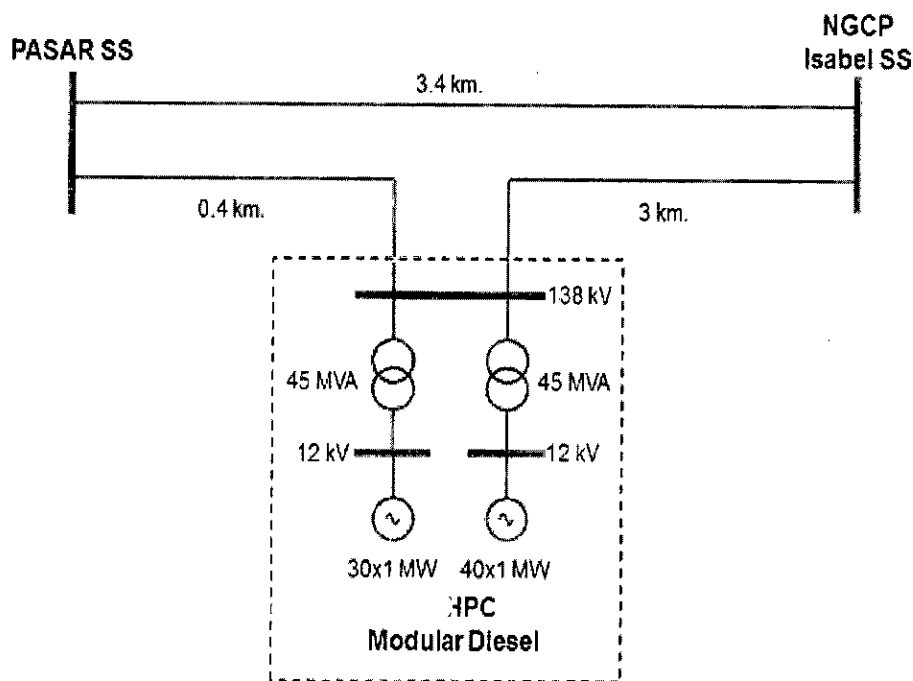


Figure 1. Connection Scheme Single Line Diagram – Interim Connection

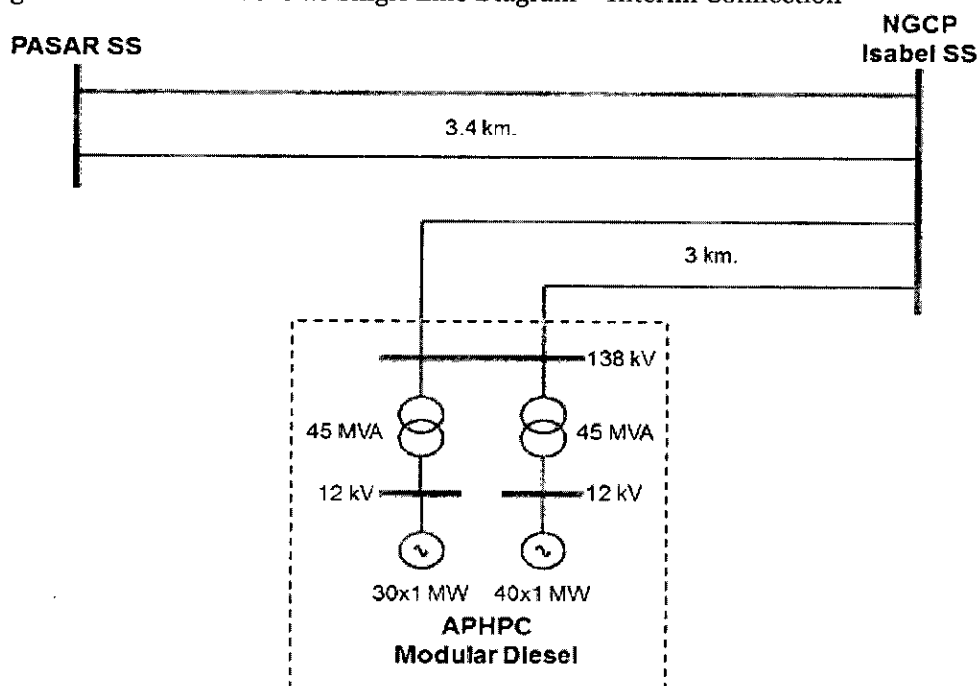


Figure 2. Connection Scheme Single Line Diagram – Permanent Connection

⁶ A copy of the IASCO 138kV Transmission Line Conceptual Drawings are attached as Annex “F”.

⁷ A copy of IASCO’s Detailed Single Line Diagram is attached as Annex “G”.

10. Consistent with the projected date of energization of the Project, the target completion and commissioning of the Transmission Line is in April 2019 for the Interim Connection and April 2020 for the Permanent Connection.⁸ The estimated cost for the Transmission Line is Two Hundred Twenty-Seven Million Nine Hundred Twenty-Seven Thousand Forty-Five Pesos and Seventy-Three Centavos (PhP 227,927,045.73).⁹
11. The proposed connection of the Project is the sole option of IASCO that will enable IASCO to dispatch the Project's capacity.¹⁰
 - 11.1. A System Impact Study ("SIS") on the proposed Transmission Line has been conducted and based on the results thereof, the said interconnection is technically feasible.¹¹ NGCP has reviewed the SIS.¹²
 - 11.2. A Facilities Study has been undertaken and approved by the NGCP.¹³
12. IASCO will execute a Connection Agreement with NGCP and is in the process of finalizing the Transmission Service Agreement and Metering Service Agreement.¹⁴
13. Section 9(f) of the Electric Power Industry Reform Act ("EPIRA") provides:

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.
14. In accordance with the requirement of Section 9(f) of the EPIRA, IASCO hereby seeks the Honorable Commission's authorization to develop, own, and operate the Transmission Line, a dedicated point-to-point limited interconnection facility, to connect the Project to the grid.
15. The proposed Transmission Line meets the requirements provided in Section 9 of the EPIRA and the relevant regulations issued by this Honorable Commission as follows:
 - 15.1. The Transmission Line is a dedicated point-to-point limited interconnection facility whose sole purpose is to connect the Project

⁸ A copy of the Construction Schedule – Transmission Line for Interim Cut-In Connection and IASCO 138kV Transmission Line Final Connection to NGCP S/S Construction Schedule are attached as **Annexes "H" and "I"** for the Interim and Permanent Connection, respectively.

⁹ A copy of the Projected Financial and Economic Cost Analysis is attached as **Annex "J"**.

¹⁰ The discussion of the options/alternatives considered in lieu of the proposed Transmission Line denominated as IASCO 80MW Modular Diesel Plant Transmission Line Connection is attached as **Annex "K"**.

¹¹ A copy of the System Impact Study is attached as **Annex "L"**.

¹² A copy of the NGCP Letter dated 4 June 2018 is attached as **Annex "M"**.

¹³ Copies of the Facilities Study and the NGCP Letter dated 23 August 2018 are attached as **Annexes "N" and "N-1"**.

¹⁴ A copy of the NGCP Letter dated 13 December 2018 and the final draft of the Connection Agreement between IASCO and NGCP are attached as **Annex "O"**.

to the grid and is considered a “Connection Asset” under ERC Resolution No. 23, Series of 2016 (“ERC Resolution”);

15.2. The Transmission Line will be exclusively used by IASCO for the operations of the Project in connection with its intended Ancillary Services Procurement Agreement with NGCP and will not directly serve any end-user;

15.3. The Transmission Line is technically feasible; and

15. 4. IASCO will enter into a Memorandum of Agreement with NGCP, which will operate and maintain the Transmission Line.

The Transmission Line is a dedicated point-to-point transmission facility and will be used exclusively by IASCO.

16. To reiterate, the Transmission Line is designed for the sole purpose of connecting the Project to the grid. The single-line diagram of both the proposed interconnections show that the Transmission Line will be exclusively used by IASCO and is not designed and configured to serve end-users.¹⁵

17. The Transmission Line is also classified as a “Connection Asset” under the ERC Resolution since it is primarily designed to connect the Project to the grid and will be used for the conveyance of electricity from the Project to the grid.¹⁶ If the Transmission Line is taken out of the transmission system of NGCP, such disconnection will only affect IASCO and will have no effect on the grid, or other connected customers.

The Project is included in the DOE List of Private Sector-Initiated Power Projects for Visayas.

18. The Project is one of the committed projects in the DOE List of Private Sector-Initiated Power Projects for Visayas as of 31 October 2018.¹⁷

The Transmission Line is technically feasible.

19. The SIS review conducted by NGCP shows that the connection of the Project through the Transmission Line is technically feasible but subject to conditions for the implementation of the Interim Connection and issuance of the SIS Final Review Report. The connection poses no significant system impact to the stability, reliability and operating characteristics of the Visayas Grid. Further the SIS review concluded that the other transmission facilities are sufficient to accommodate the full capacity of the Project. Moreover,

¹⁵ *Supra* citation [9].

¹⁶ Resolution Adopting the Amended Rules on the Definition and Boundaries of Connection Assets for Customers of Transmission Provides, ERC Resolution No. 16, Series of 2011, Annex A, § 2, p.1.

¹⁷ A copy of the DOE List of Private Sector-Initiated Power Projects (Visayas), as of 31 October 2018 is attached as Annex “P” please see p. 2 thereof.

the entry of the Project to the Visayas Grid will not breach the interrupting capacity of the power circuit breakers.¹⁸

19.1. In addition, the Project will not cause under frequency and will not lead to activation of automatic load dropping relays. Lastly, it is recommended that the proposed Project shall connect directly to the Isabel 138 kV Substation of NGCP. Should the Project be commissioned ahead of the completion of the transmission line and expansion of the Isabel Substation, an interim connection shall be allowed.¹⁹

20. The Facilities Study of the Project is in accordance with the results of the SIS conducted by NGCP.²⁰

21. IASCO proposed the Transmission Line connection because of its viability and technical feasibility for the connection of the Project. The Project will connect to the Visayas Grid via a cut-in connection along Isabel – Pasar 138kV line for its Interim Connection and through a direct connection to NGCP's 138kV Isabel Substation for its Permanent Connection.²¹

22. The Project is also consistent with the Transmission Development Plan ("TDP") of NGCP.²²

IASCO has the technical and financial capability to develop, construct, operate and maintain the Transmission Line

23. IASCO has the technical capability to develop the Transmission Line.

23.1 The Transmission Line will be constructed by Power Dimension, Inc.²³

23.2. IASCO likewise has the financial capability to undertake the development and construction of the Transmission Line. The development and construction of the Project and the Transmission Line will be funded by IASCO through Internal Cash Generation ("ICG").²⁴

24. IASCO will fund the development and construction of the Transmission Line through ICG and the Transmission Line will be exclusively used by IASCO for the operations of the Project and will not serve any end-user. Cost of the transmission line will be charged to the consumers by NGCP through Ancillary Services as the project shall be a dedicated Ancillary Service Plant intended to provide Regulating Reserve and Contingency Reserve in the Visayas Grid.²⁵

¹⁸ *Supra* citation [13].

¹⁹ *Ibid.*

²⁰ *See* page 1 of Annex "N-1".

²¹ *See* page 1-2 of Annex "N-1".

²² A copy of page 36 of the TDP 2016-2040 is attached as Annex "Q".

²³ A copy of the Company Profile of Power Dimension, Inc. with a list of projects undertaken is attached as Annex "R".

²⁴ A copy of IASCO's Financial Projections is attached as Annex "S".

²⁵ *Supra* citation [11].

25. Once completed, IASCO will undertake the operations and maintenance of the Transmission Line through NGCP and IASCO will subsequently fund the operations of the Transmission Line from its generation sales.²⁶
26. IASCO also undertakes to file an application for a Certificate of Compliance for the Project with the Honorable Commission.
27. The foregoing clearly shows that the proposed Transmission Line complies with Section 9 of the EPIRA and the relevant regulations of this Honorable Commission.
28. IASCO respectfully prays that the Honorable Commission immediately authorize the development, ownership, and operation of the Transmission Line considering the facts, circumstances and the magnitude of the opportunity costs entailed by any further delay in the interconnection of the Project.
- 28.1. IASCO hopes to be able to complete development and construction of the facilities at the soonest possible time in order to be able to dispatch electric power supply to the grid for ancillary purposes.
- 28.2. The construction of the Transmission Line is a prerequisite for the testing and commissioning, and ultimately, the operations of IASCO. The Project is estimated to be completed and energized in 15 April 2019. Consistent with this timeline, IASCO intends to complete the development and construction of the permanent Transmission Line by April 2020.
- 28.3. Further, given the immediate need for additional capacity by 2018 for ancillary services, the completion of the Project within the timeframe is critical to ensure additional capacity will be available to the grid in a timely manner.
29. It is in such context that IASCO respectfully prays that the authority to develop, own, and operate of the Transmission Line be immediately issued.

**ALLEGATIONS TO SUPPORT MOTION FOR
CONFIDENTIAL TREATMENT OF INFORMATION**

30. Under Rule 4 of the ERC Rules of Practice and Procedure,²⁷ the Honorable Commission may, upon request of a party and determination of the existence of conditions that would warrant such remedy, treat certain information submitted to it as confidential.
31. IASCO is submitting the following documents pursuant to the foregoing Rule: IASCO's Projected Financial and Economic Cost

²⁶ A copy of IASCO's Memorandum of Agreement with NGCP is attached as Annexes "T".

²⁷ ERC Resolution No. 38, Series of 2006 - A Resolution Promulgating the Energy Regulatory Commission's Rules of Practice and Procedure.

Analysis and Financial Projections, marked as **Annexes “J” and “S”**, respectively.

32. These documents contain certain non-public information, data and calculations involving business operations and financial trade secrets reflecting IASCO’s investment and business calculations
33. IASCO thus respectfully moves that **Annexes “J” and “S”** not be disclosed and be treated as confidential documents in accordance with Rule 4 of the ERC Rules of Practice and Procedure. Accordingly, IASCO hereby submits one (1) copy of **Annexes “J” and “S”** in a sealed envelope, with the envelope and each page of the document stamped with the word “Confidential”.

PRAYER

WHEREFORE, IASCO respectfully prays that this Honorable Commission:

1. Immediately ISSUE an Order authorizing IASCO to implement the development, ownership and operation of a dedicated point-to-point limited transmission facility to connect the Project to the Visayas Grid;
2. Immediately ISSUE an Order (a) treating **Annexes “J” and “S”** and the information contained therein as confidential, (b) directing their non-disclosure pursuant to Rule 4 of the ERC Rules of Practice and Procedure and (c) prescribing the guidelines for the protection thereof; and
3. After due notice and hearing, GRANT IASCO the authority to develop, own, operate and maintain a dedicated point-to-point limited transmission facility to connect the Project to the Visayas Grid.

Other reliefs as may be appropriate under the circumstances are likewise prayed for.

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on **24 April 2019 (Wednesday), at ten o’clock in the morning (10:00 A.M.), at the 15th Floor, ERC Hearing Room, Pacific Center Building, San Miguel Avenue, Pasig City.**

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 ERC 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 Applicant rests its case, subject to the requirements under Rule 9 of the 2006 ERC 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 Applicant that they be furnished with the same, prior to the date of the initial hearing. IASCO is 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.

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WITNESS, the Honorable Chairperson and CEO, **AGNES VST DEVANADERA**, and the Honorable Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA**, and **PAUL CHRISTIAN M. CERVANTES**, Energy Regulatory Commission, this 4th day of April 2019 in Pasig City.


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal Service

LS:  BSA/GLO