

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



IN THE MATTER OF THE  
APPLICATION FOR THE  
APPROVAL OF AN INTERIM  
MAXIMUM ANNUAL REVENUE  
(iMAR) FOR CALENDAR YEAR  
(CY) 2016 AND AN INTERIM  
NET PERFORMANCE  
INCENTIVE (iNPI) FOR CY  
2015, WITH PRAYER FOR THE  
ISSUANCE OF PROVISIONAL  
AUTHORITY

ERC Case No. 2015-173 RC

NATIONAL GRID  
CORPORATION OF THE  
PHILIPPINES (NGCP),  
Applicant.

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DOCKETED  
Date: OCT 21 2015  
By: [Signature]

## ORDER

On October 2, 2015, the National Grid Corporation of the Philippines (NGCP) filed an application for the approval of an Interim Maximum Annual Revenue (iMAR) for calendar year (CY) 2016 and an Interim Net Performance Incentive (iNPI) for CY 2015, with prayer for the issuance of provisional authority.

In the said application, NGCP alleged, among others, the following:

### The Applicant

1. NGCP is a corporation created and existing under the laws of the Philippines, with principal office address at NGCP Building, Quezon Avenue corner B.I.R. Road, Diliman, Quezon City. It is the concessionaire which assumed the power transmission functions of the National

Transmission Corporation (TRANSCO) pursuant to Republic Act No. 9136, otherwise known as the "*Electric Power Industry Reform Act of 2001*" (EPIRA);

2. Pursuant to Republic Act No. 9511<sup>1</sup>, NGCP was granted the franchise to operate, manage and maintain, and in connection therewith, to engage in the business of conveying or transmitting electricity through high voltage back-bone system of interconnected transmission lines, substations and related facilities, system operations and other activities that are necessary to support the safe and reliable operation of the transmission system<sup>2</sup> and is authorized to charge its customers at the rates approved by the Commission;

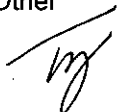
#### **Nature of the Application**

3. This Application is filed pursuant to Section 19 of the EPIRA in relation to Paragraph (f), Section 43 of the same law in order to recover the reasonable costs necessary to provide transmission services, and essential to sustain its full operational strength;
4. Article VII of the Rules for Setting Transmission Wheeling Rates (RTWR) provides that prior to each Regulatory Period, a Regulatory Reset Process shall be undertaken in respect of the price and control arrangements that are applicable for that Regulatory Period;
5. Pursuant to Article VII of the RTWR, series of public consultations on NGCP's Issues Paper were held in the Cities of Davao, Cebu and Pasig on 7, 14 and 20 August 2014, respectively. Pending the completion of NGCP's reset process for the Fourth Regulatory Period (4<sup>th</sup> RP), NGCP seeks for the approval of the following to be implemented in the Luzon, Visayas and Mindanao customer segments:
  - a. iMAR<sub>2016</sub>; and

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<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 or Interconnected Transmission Lines, Substations and Related Facilities, and For Other Purposes

<sup>2</sup> Id, Section 1



b.  $iNPI_{2015}$ .

**Discussion**

6. **Formula.** NGCP computed the  $iMAR_{2016}$  based on the following formula:

$iMAR_{2016} = \text{Effective Rate}_{2015} \times \text{Forecast Demand}_{2016}$
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This is the same formula approved for NGCP's predecessor, TRANSCO, in the computation of the Maximum Annual Revenue (MAR) for CY 2003 where the Commission used the approved unbundled tariff in ERC Case No. 2001-901 RC and the forecast demand for CY 2003;

6.1. **Effective Rate<sub>2015</sub>.** This is the average rate translation for the  $MAR_{2015}$  based on the Order dated December 18, 2014 in ERC Case No. 2014-155 RC and the demand for 2015<sup>3</sup> ( $Demand_{2015}$ );

6.2. The values and the resulting *Effective Rate<sub>2015</sub>* are as follows:

Particulars	
MAR <sub>2015</sub> , in PhPMn	43,078.95
Demand <sub>2015</sub> , in MW-month	137,846.18
<b>Effective Rate<sub>2015</sub>, in PhP/kW-mo.</b>	<b>312.51</b>

6.3. **Forecast Demand<sub>2016</sub>.** This is based on the historical power consumption profile and the planning data submissions of customers pursuant to the Philippine Grid Code (PGC);

6.4. Following the formula, NGCP computed the  $iMAR_{2016}$  and arrived at the following values:

<sup>3</sup> Actual data for January to July 2015 and Forecast data for August to December 2015

Particulars	
Effective Rate <sub>2015</sub> , in P/kW-month	312.51
Forecast Demand <sub>2016</sub> , in MW-month	144,914.53
<b>iMAR<sub>2016</sub>, in PhPMn</b>	<b>45,287.24</b>

7. **Indicative Rate.** Using the forecast demand (in kW) and energy (in kWh) for 2016, the figures below show the indicative rates of the proposed iMAR<sub>2016</sub>:

	MAR <sub>2015</sub>	iMAR <sub>2016</sub>
In PhP, Mn	43,078.95	<b>45,287.24</b>
Demand <sup>4</sup> (MW-month)	137,846.18	144,914.53
Energy <sup>5</sup> (GWh)	69,522.46	73,252.28
Indicative Ave. PhP/kW	<b>312.51</b>	<b>312.51</b>
Indicative Ave.PhP/kWh	<b>0.6196</b>	<b>0.6182</b>
P/kWh Inc/(Dec)		(0.0014)
P/kWh % Inc/(Dec)		(0.23%)

- 7.1 The proposed iMAR<sub>2016</sub> is expected to translate to the same level of indicative rates in PhP/kW-month and a **reduction** in the equivalent indicative PhP/kWh due to the off-setting effect of the increase in demand with the increase in the revenue;
8. The computation of the iMAR<sub>2016</sub> is an interim approach for determining the revenue of NGCP for the First Regulatory Year of the Fourth Regulatory Period (4<sup>th</sup> RP) pending the completion of NGCP's reset process for the 4<sup>th</sup> RP. Thus, the same shall be subject to adjustment once the Commission issues the 4<sup>th</sup> RP Final Determination for NGCP;
9. **Regulated Transmission Services.** NGCP shall recover the iMAR<sub>2016</sub> through the following charges on Regulated Transmission Services:

- Power Delivery Service Charge (PDS)

<sup>4</sup> Forecast and actual for MAR<sub>2015</sub>, and forecast for iMAR<sub>2016</sub>

<sup>5</sup> Forecast and actual for MAR<sub>2015</sub>, and forecast for iMAR<sub>2016</sub>

- Metering Service Provider (MSP) Charge
- System Operator (SO) Charge

9.1 **MSP Charge and SO Charge.** The MSP Charge and SO Charge, as provisionally approved by the Commission in ERC Case No. 2014-155 RC (MAR<sub>2015</sub>), are adopted in the application:

Per Voltage Level	2016 MSP Rates, in PhP	
	Full	Meter Only
500/230 kV	39,670	7,433
138/115 kV	26,741	5,010
69 kV	17,372	3,255
34.5/23 kV	10,032	1,880
13.8 kV and below	5,241	982
<b>Common Charge</b>	3,618	

Note: Based on 3<sup>rd</sup> RP SKM unit cost according to voltage levels

FIRM (PhP/kW-mo.)	2016 SO Rates	
	NON-FIRM (P/kW/day)	
15.82	0.5201	

Note: Non-firm rate is computed as Firm rate x (12months/365 days)

10. **iNPI<sub>2015</sub>.** NGCP seeks the approval of the basis of the computation of the iNPI<sub>2015</sub> as follows:

*Basis of iNPI<sub>2015</sub> = Average [3rd RP Unsmoothed MAR less 2nd RP Adjustments]*

10.1 **3<sup>rd</sup> RP Unsmoothed MAR.** NGCP used the Unsmoothed MAR for years 2011 to 2015 duly approved by the Commission in NGCP's Final Determination for the 3<sup>rd</sup> RP:

	2011	2012	2013	2014	2015
3 <sup>rd</sup> RP Unsmoothed MAR	44,647.91	44,052.94	45,869.45	46,954.66	46,673.13

10.2 **2nd RP Adjustments.** This refers to the 2<sup>nd</sup> RP under-recoveries and NEA which were considered as adjustments to the Unsmoothed MAR during the 3<sup>rd</sup> RP:

	2011	2012	2013	2014	2015
Under	4,175.06	2,403.43	2,502.53	2,561.74	2,546.38
NEA	(292.02)	(1,526.41)	(1,489.17)	(1,699.20)	(1,628.57)
2 <sup>nd</sup> RP Adjustments	3,883.04	877.02	1,013.36	862.54	917.81

10.3 **Basis of  $iNPI_{2015}$ .** Using the basis of  $iNPI_{2015}$  formula, NGCP arrived at PhP44,128.86 Mn:

	2011	2012	2013	2014	2015	Average
3rd RP Unsmoothed MAR	44,647.91	44,052.94	45,869.45	46,954.66	46,673.13	45,639.62
2nd RP Adjustments	3,883.04	877.02	1,013.36	862.54	917.81	1,510.75
<b>Total</b>	<b>40,764.87</b>	<b>43,175.92</b>	<b>44,856.09</b>	<b>46,092.12</b>	<b>45,755.32</b>	<b>44,128.86</b>

10.4 With reference to the values provided below, NGCP proposes the  $iNPI_{2015}$  of PhP1,029.76 Mn to be billed in CY 2016:

	Luzon		Visayas		Mindanao	
	Rating*	Bonus/ Penalty PhPMn	Rating*	Bonus/ Penalty PhPMn	Rating*	Bonus/ Penalty PhPMn
SISI	5.3710	93.02	17.4120	108.37	2.9380	115.84
FOT	1.1440	79.43	0.2297	79.43	0.6600	105.91
SA	99.4125	0.00	99.8296	43.69	99.732 8	17.91
FLC	100.000	19.86	99.8603	0.00	99.993 4	15.48
VLC	99.9557	39.72	99.9690	0.00	99.995 0	46.34
ConA	99.5830	132.39				
ASAI						
CSI	80.0000	45.01	80.0000	43.69	80.000	43.69

	Luzon		Visayas		Mindanao	
	Rating*	Bonus/ Penalty PhPMn	Rating*	Bonus/ Penalty PhPMn	Rating*	Bonus/ Penalty PhPMn
					0	
<b>Total</b>		<b>409.42</b>		<b>275.18</b>		<b>345.16</b>

Note:\* performance of the Grid covering the periods September 2014 to August 2015

A copy of the 2015 NGCP's Proposed 2015 Net Performance Incentive is attached to the application as Annex "A";

11. **Management Approval.** The filing of the Application has been approved by NGCP's management in its meeting held on September 17, 2015;
12. The proposed iMAR<sub>2016</sub> and iNPI<sub>2015</sub> were designed and developed to determine fair and reasonable interim transmission rates that will serve the public interest and convenience, and signal the efficient utilization of transmission facilities that will ultimately redound to the best interest and benefit of the public;

#### **Allegations in Support of the Application for Provisional Authority**

13. NGCP restates the foregoing allegations insofar as they may be applicable;
14. NGCP moves for the immediate issuance of a provisional authority pursuant to Rule 14 of the ERC Rules of Practice and Procedure to allow NGCP to timely implement the proposed iMAR<sub>2016</sub> and iNPI<sub>2015</sub>. The immediate implementation is necessary to reduce, if not eliminate, the risk of under-recovery which is substantial to NGCP. In support of these allegations, NGCP submits a copy of the *Judicial Affidavit of Ms. Ma. Cynthia Y. Manrique*, attached to the application as Annex "B";

#### **PRAYER**

15. NGCP prays for the Commission to:



- a. Immediately issue an Order provisionally approving the collection of the iMAR<sub>2016</sub> in the amount of PhP45,287.24 Mn and the iNPI<sub>2015</sub> of PhP1,029.76 Mn, and the SO and MSP Charges beginning the billing period of December 26, 2015 - January 25, 2016; and
- b. Approve, after notice and hearing, the authority to collect the iMAR<sub>2016</sub> in the amount of PhP45,287.24 Mn, the iNPI<sub>2015</sub> of PhP1,029.76 Mn and the SO and MSP Charges.

Finding the said application to be sufficient in form and in substance with the required fees having been paid, the same is hereby set for jurisdictional hearing, pre-trial conference, expository presentation and evidentiary hearing on the following dates and venues:

<b>DATE</b>	<b>TIME</b>	<b>VENUE</b>	<b>PARTICULARS</b>
<b>November 26, 2015 (Thursday)</b>	<b>Nine o' clock in the morning (9:00 A.M.)</b>	<b>ERC Hearing Room, 15<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City</b>	<b>Jurisdictional Hearing and Expository Presentation</b>
<b>January 27, 2016 (Wednesday)</b>	<b>Nine o' clock in the morning (9:00 A.M.)</b>	<b>ERC Visayas Field Office, St. Mary's Drive, Banilad, Cebu City</b>	<b>Expository Presentation</b>
<b>February 3, 2016 (Wednesday)</b>	<b>Nine o' clock in the morning (9:00 A.M.)</b>	<b>ERC Mindanao Field Office, Mintrade Building, Monteverde Avenue corner Sales Street, Davao City</b>	<b>Expository Presentation</b>
<b>February 10, 2016 (Wednesday)</b>	<b>Nine o' clock in the morning (9:00 A.M.)</b>	<b>ERC Hearing Room, 15<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City</b>	<b>Pre-trial Conference and Evidentiary Hearing</b>



NGCP is hereby directed to cause the publication of the attached Notice of Public Hearing, at its own expense, twice (2x) for two (2) successive weeks in two (2) newspapers of general circulation in the Philippines, with the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing.

Let copies of the application, this Order and the attached Notice of Public Hearing be furnished 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 hearings.

Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of the Mayors of Quezon City, Cebu City and Davao City for appropriate posting thereof on their respective bulletin boards.

NGCP is hereby directed to furnish all those making requests therefor with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, NGCP must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidences on the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Mayors or their duly authorized representatives, bearing the seals of their offices, and the affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing were published together with the complete issues of the said newspapers, and such other proofs of compliance with the requirements of the Commission.

NGCP and all other interested parties are directed to submit, at least five (5) days before the date of initial hearing and pre-trial conference, their respective Pre-trial Briefs containing, among others:

- (a) a summary of admitted facts and proposed stipulation of facts;



- (b) the issues to be tried or resolved;
- (c) the documents or exhibits to be presented, stating the purposes thereof and proposed markings therefore; and
- (d) the number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-trial Brief.

Failure of NGCP to submit the required Pre-Trial Brief and Judicial Affidavits of its witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearings, and the resetting of which shall be six (6) months from said date of cancellation.

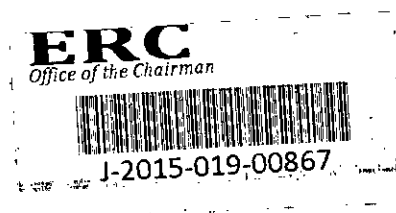
As part of the pre-trial conference, NGCP must also be prepared to make an expository presentation of its application, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the application is all about and the reasons and justifications being cited in support thereof.

**SO ORDERED.**

Pasig City, October 12, 2015.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**JOSE VICENTE B. SALAZAR**  
Chairman



  
MVA/NJS

Copy Furnished:

1. Atty. Raycell D. Baldovino  
Counsel for NGCP  
NGCP Building, Quezon Avenue corner BIR Road,  
Diliman, Quezon City
2. Office of the Solicitor General (OSG)  
134 Amorsolo Street, Legaspi Village,  
City of Makati 1229
3. Commission on Audit (COA)  
Commonwealth Avenue,  
Quezon City 1121
4. Senate Committee on Energy  
GSIS Building, Roxas Boulevard,  
Pasay City 1300
5. House of Representatives Committee on Energy  
Batasan Hills, Quezon City 1126
6. The Office of the City Mayor  
Quezon City
7. The Office of the City Mayor  
Cebu City
8. The Office of the City Mayor  
Davao City
9. President  
Philippine Chamber of Commerce and Industry (PCCI)  
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McKinley Town Center, Fort Bonifacio, Taguig City

