

Republic of the Philippines
ENERGY REGULATORY COMMISSION
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 THE
PAGBILAO ENERGY
CORPORATION (FOR
REACTIVE POWER
SUPPORT), WITH PRAYER
FOR THE ISSUANCE OF
PROVISIONAL AUTHORITY**

ERC CASE NO. 2020-037 RC

**NATIONAL GRID
CORPORATION OF THE
PHILIPPINES AND
PAGBILAO ENERGY
CORPORATION,**
Applicants.

Promulgated:
January 07, 2022

X-----X

ORDER

On 19 October 2020, the National Grid Corporation of the Philippines (NGCP) and Pagbilao Energy Corporation (PEC) filed the instant *Application*, seeking the Commission's approval of their Ancillary Services Procurement Agreement (ASPA) for Reactive Power Support (RPS), with prayer for the issuance of provisional authority.

In the *Order* dated 16 December 2020, the Commission granted provisional authority for NGCP and PEC to implement their ASPA. The dispositive portion of the said *Order* is hereunder quoted as follows:

WHEREFORE, the foregoing premises considered, the National Grid Corporation of the Philippines (NGCP) and the Pagbilao Energy Corporation (PEC) are hereby GRANTED

PROVISIONAL AUTHORITY to implement their Ancillary Services Procurement Agreement (ASPA), subject to the following conditions:

1. Applicable Rate:

PEC shall nominate the corresponding price (in PhP/kVAR/hr) for the Reactive Power Support (RPS) service to NGCP.

NGCP shall pay PEC the corresponding nominated price of the RPS service as per dispatched by the System Operator. Provided, however, that the nominated price shall in no case exceed the following rate without any minimum cost:

Ancillary Service	Applicable Rate (Maximum Hourly Rate)
Reactive Power Support (RPS)	PhP4.00/kVAR/hr

The Compensable kVARh shall be computed and paid based on the total recorded kVARh delivered or absorbed beyond 0.85 power factor lagging or 0.9 power factor leading from the time when the dispatch of RPS was instructed, as shown below:

$$\text{RPS Payment} = \text{Compensable kVARh} \times \text{Corresponding nominated price (which shall not exceed PhP4.00/kVAR/hr)}$$

$$\text{Compensable kVARh} = \text{Actual kVARh} - \text{Base kVARh}$$

2. The RPS under this ASPA shall be provided at all times as necessary, as per declaration by the System Operator to protect the grid and avoid the occurrence of Manual Load Dropping;
3. PEC shall only be allowed to provide the RPS for leading power factor operation upon the submission of Accreditation Certificate, test reports, rate impact simulation for its provision of RPS-Leading Power Factor Operation;
4. The implementation of the ASPA shall be contingent upon the validity of Accreditation Certificate issued by NGCP and the renewal of the Certificate of Compliance (COC);
5. NGCP is directed to optimize economic and technical dispatch of the available ancillary service (AS) capacity wherein it shall schedule a mix of hourly AS capacity, at the least cost, for a reserve needed to maintain power quality, security, reliability and integrity of the grid;

6. The rate to be paid by NGCP as AS cost should be passed on to its customers in accordance with the approved Ancillary Services-Cost Recovery Mechanism (AS-CRM);

Further, NGCP is directed to submit its monthly computation of AS rates that it passed on to its customers, with supporting documents on or before the 5th day of the month after the computed billing month;

7. NGCP must ensure that the AS rates applied by PEC should not exceed that of the approved maximum AS rates by the Commission. In the event that the final rate is lower than the provisionally granted rate, the amount corresponding to the reduction shall be refunded by PEC to NGCP and the latter shall pass it on to its customers; and
8. The above rate shall be effective on the next billing cycle of NGCP from receipt of this *Order*.

SO ORDERED.

Subsequently, on 12 November 2021, NGCP and PEC filed an *Urgent Motion* wherein they prayed that the Commission issue an order confirming the authority of NGCP and PEC for the continued implementation of the subject ASPA for RPS pending the final decision in the instant *Application*.

The Commission notes the foregoing *Urgent Motion* filed by NGCP and PEC. Considering that a provisional authority is effective for only twelve (12) months as held in the case of *Freedom from Debt Coalition v. Energy Regulatory Commission (ERC)*,¹ the provisional authority granted to NGCP and PEC shall expire on 16 December 2021, thus, necessitating the Commission's consideration of the granting of an interim relief, pending final resolution of the instant case.

DISCUSSION

After due deliberation and thorough evaluation of all the documents submitted and available thus far, the Commission resolves to grant an interim relief in favor of the Applicants in view of the expiring provisional authority to implement their ASPA, subject to the same conditions as provided in the Commission's *Order* dated 16 December 2020.

¹ G.R. No. 161113, 15 June 2014.

**Authority of the Commission to
Grant Interim Relief in the Instant
Application**

The authority of the Commission to grant interim relief is provided for in Section 8 of Executive Order No. 172,² *to wit*:

Sec. 8. Authority to Grant Provisional Relief. The Board may, upon the filing of an application, petition or complaint or at any stage thereafter and **(1) without prior hearing, on the basis of supporting papers duly verified or authenticated, grant provisional relief on motion of a party in the case or (2) on its own initiative, without prejudice to a final decision after hearing**, should the Board find that the pleadings, together with such affidavits, documents and other evidence which may be submitted in support of the motion, substantially support the provisional order: Provided, That the Board shall immediately schedule and conduct a hearing thereon within thirty (30) days thereafter, upon publication and notice to all affected parties.

(Emphasis and underscoring supplied.)

As discussed, the provisional authority granted to Applicants will expire on 16 December 2021, thus, necessitating consideration of the granting of an interim relief, pending the final resolution of the instant case.

As elucidated by the Supreme Court in the case of *Romeo Gerochi et al. v. Department of Energy (DOE), et al.*:³

X X X

Electric power generation and distribution is a traditional instrument of economic growth that affects not only a few but the entire nation. It is an important factor in encouraging investment and promoting business. The engines of progress may come to a screeching halt if the delivery of electric power is impaired. Billions of pesos would be lost as a result of power outages or unreliable electric power services.

X X X

Significantly, in the same case, the Supreme Court declared that “the State through the ERC should be able to exercise its police power with great flexibility when the need arises.”

² Entitled, “Creating the Energy Regulatory Board”.

³ G.R. No. 159796, 17 July 2007.

This flexibility was reiterated in *National Association of Electricity Consumers for Reforms (NASECORE) v. ERC*,⁴ wherein the Supreme Court held that the ERC, as regulator, should have sufficient power to respond in real-time to changes wrought by multifarious factors affecting public utilities.

This is consistent with Section 41⁵ of Republic Act No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001” (EPIRA) that mandated the Commission to promote and protect the interest of all electricity consumers against possible future power supply curtailment.

Commission’s Evaluation for the Issuance of Interim Relief

In the subject ASPA, NGCP and PEC proposed the following Ancillary Services (AS) capacity and rate for RPS, as shown in Table 1:

Table 1. Proposed Capacity and Rate for the RPS Type of Ancillary Service

Type of Ancillary Service	Contracted Capacity (kVAR)	Applicable Rate
Reactive Power Support (RPS) (Firm)	Per occurrence at available capacity of Reactive Power outside the range of 85% lagging and 90% leading power factor	Incidental kVARh Rate: PhP4.00/kVAR/hr

PEC is the owner and operator of the Pagbilao 3 Coal Fired Thermal Power Plant (CFTPP) located at Isla Grande, Ibabang Polo, Pagbilao, Quezon Province. The said CFTPP was issued a Certificate of Compliance (COC) No. 18-02-M-00145L by the Commission on 20 February 2018 and the same is valid for a period of five (5) years from 20 February 2018 to 19 February 2023.

CFTPP has successfully proven its capability to provide RPS based on Accreditation Certificates issued by NGCP, and were further certified to have met and complied with the Standard Ancillary Services Technical Requirements of the System Operator during actual testing of the said generating units.

⁴ G.R. No. 163935, 2 February 2006, 481 SCRA 480, 515-516, citing Freedom from Debt Coalition v. Energy Regulatory Commission.

⁵ SEC. 41. Promotion of Consumer Interests. – The ERC shall handle consumer complaints and ensure the adequate promotion of consumer interests.

In their *Urgent Motion*, NGCP and PEC set out that:

“Recognizing the situation of the Luzon Grid and the pivotal role of PEC’s operation, the Commission, in the exercise of its quasi-judicial power and after due consideration and deliberation, deems it necessary to grant provisional authority in the instant case.”

The Commission notes that the ASPA contract subject of this *Application* was signed by the Applicants on 14 July 2020 and filed before the Commission on 19 October 2020.

The Department of Energy (DOE) has issued two Department Circulars relative to ASPA applications. First, DOE DC No. 2019-12-0018,⁶ which was enacted on 04 December 2019, and second, DOE DC No. 2021-10-0031,⁷ which was enacted on 04 October 2021.

Thus, considering that the filing of the instant *Application* took place while DOE DC No. 2019-12-0018 was in place, the applicable procurement policy with respect to the subject ASPA is DOE DC No. 2019-12-0018, which provides under Section 4⁸ thereof that procurement of AS shall be through firm contracts prior to the commercial operation of the Reserve Market.

Section 12 thereof provides the responsibilities of the System Operator, including that of maintaining grid reliability through central dispatch of energy and AS, in accordance with the Philippine Grid Code (PGC), Philippine Distribution Code (PDC), Wholesale Electricity Spot Market (WESM) Dispatch Protocol, and other relevant issuances.

Specifically, Section 12.4 thereof provides that the System Operator shall “ensure the prudent and least-cost contracting of AS, considering the optimal mix of contracts, Reserve Market sourcing, and solicitation of offers from various AS providers.”

The Commission notes that NGCP went through the solicitation of offers from various AS providers.

Furthermore, it is worthy to note that the instant ASPA, along with all other new applications filed before the Commission, were all

⁶ Entitled: “Adopting a General Framework Governing the Provision and Utilization of Ancillary Services in the Grid”.

⁷ Entitled: “Prescribing the Policy for the Transparent and Efficient Procurement of Ancillary Services by the System Operator”.

⁸ Section 4. Procurement of Ancillary Services Prior to the Commercial Operation of the WESM Reserve Market

under a firm contract, or on a per occurrence basis in compliance with the DOE DC No. 2019-12-0018 and DOE Advisory dated 21 June 2021, as shown in Table 2.

Table 2. ASPA Applications filed before the Commission pursuant to DOE DC No. 2019-12-0018

No.	Case No.	AS Provider	AS Type	Date of Order (PA/ IR)	Plant Rated Capacity	Capacity	Applicable Rate
1	2020-021 RC	TMO (PB1-4)	RPS	9/24/2020 (PA)	231 MW	-	4.00 /kVAR/hr
2	2020-022 RC	TMO (PB1-4)	DR	11/25/2020 (IR)	231 MW	145 MW	0.85 /kW/hr
3	2020-033 RC	TLI (PU1&2)	RPS	12/16/2020 (PA)	375.1 MW	-	4.00 /kVAR/hr
4	2020-037 RC	PEC (PU3)	RPS	12/16/2020 (PA)	420 MW	-	4.00 /kVAR/hr
5	2021-056 RC	SPESCL (KBES)	RR	09/30/2021 (PA)	20 MW	20 MW	2.20 /kW/hr
6	2021-058 RC	KEGI (SSPP)	DR	-	7.5 MW	7.5 MW	0.85/ kW/hr

As shown in Table 2, the instant ASPA is on a per occurrence basis. It should be emphasized that as ruled by the Commission in its *Order* dated 16 December 2020 granting provisional authority to NGCP and PEC, the RPS shall be provided at all times, *to wit*:

2. The RPS under this contract shall be provided at all times as necessary as per declaration by the System Operator to protect the grid and avoid the occurrence of Manual Load Dropping.

(Emphasis and underscoring supplied.)

For the final evaluation of the instant *Application* to be conducted by the Commission, an operational data of at least twelve (12) months is needed for the instant *Application*. Upon verification of NGCP's monthly submission of Ancillary Service Cost Monitoring, the Commission notes that there were no actual dispatch and cost for RPS from PEC. According to NGCP, this was due to the normal voltage condition even during the occurrence of the highest system peak demand at that time in the surrounding substations, namely Dasmariñas, San Jose, Muntinlupa, Las Piñas, Tayabas, Naga, Daraga, Labo, and Dolores.

Figure 1. Historical Voltage Profile of NGCP Substations

kV	Historical	2017	2018	2019	2020	2021
500kV	Dasma	0.960	0.979	0.995	0.979	1.003
	San Jose	0.960	0.932	0.969	0.958	0.990
230kV	Muntinlupa	0.991	0.960	0.954	0.967	0.993
	Las Pinas	0.997	0.958	0.962	0.977	0.993
	Tayabas	0.993	0.988	0.953	0.971	0.999
	Naga	1.029	1.005	1.003	0.990	1.009
	Daraga	1.010	1.004	1.028	0.992	1.006
	Labo	1.000	0.992	0.993	0.978	0.999
	Dolores	1.000	0.968	1.006	0.970	1.020

The PGC provides that the voltage levels in the grid should be maintained at +/- 5% of the nominal value, or between 0.95 per unit (pu) to 1.05 pu. When voltages are above or below 5% to 10%, the grid is at the Alert level (0.9-0.95pu and 1.05-1.10pu), and beyond 10% is the Emergency level (below 0.9pu or above 1.10pu).

The voltage profiles of the affected 230kV substations show a decreasing trend from 2017 to 2018, and a decreasing trend again for 2019 to 2020. The 230kV substations are the direct link to the demand side particularly for the southern area of Manila Electric Company (MERALCO) franchise, and the Distribution Utilities (DUs) in the areas of Quezon Province and Bicol Region.

Even with the existing RPS Providers strategically located, there is still a need for additional RPS because of a decreasing trend of voltage in some substations in South Luzon and Metro Manila Sub-grid. Thus, the Commission takes note that the provision for Reactive Power Support from PEC will serve RPS service in South Luzon and Metro Manila Sub-grid, particularly in the substations listed in Figure 1, and will significantly help maintain the required power quality and voltage level in these areas.

Availability of power plants to provide RPS is essential for the System Operator to have ready resources that may be called upon to address any unforeseen events. If the generating plants are not contracted to provide RPS, and an under voltage/over voltage occurs in the grid, NGCP will be limited to dispatching the generating plants only within the power factor limits as prescribed in the PGC, which may not be enough to support the grid requirement.

It should also be emphasized that the Commission deems that the AS, for the provision of RPS under existing arrangements, allows for a response at all times as may be required by the System Operator.

The subject AS is dispatched on a per occurrence basis, and are thus billed and settled accordingly.

While the voltage situation may be deemed normal in periods previously mentioned, the Commission believes that PEC's RPS is still necessary as this will mitigate the impact of sudden shifts in power supply and voltage demand requirements. This is particularly relevant if one considers the shifting operations of commercial and industrial customers in the areas covered by the AS service due to the unpredictable developments arising from the COVID pandemic. Notwithstanding, however, such developments, it bears emphasizing that the provision of appropriate levels of reserve AS is a requirement under existing regulations and guidelines of the DOE and the Commission.

(This space is intentionally left blank.)

WHEREFORE, the foregoing premises considered, the National Grid Corporation of the Philippines (NGCP) and Pagbilao Energy Corporation (PEC) are hereby **GRANTED INTERIM RELIEF**, authorizing them to continue implementing their Ancillary Services Procurement Agreement (ASPA), subject to the same terms and conditions as provided in the *Order* dated 16 December 2020, until revoked or until the issuance of a *Decision* on the subject case, contingent on the validity of a Certificate of Compliance (COC) or a Provisional Authority to Operate (PAO) issued by the Commission to PEC, and the validity of its Accreditation Certificate issued by NGCP.

SO ORDERED.

Pasig City, 09 December 2021.



AGNES YST DEVANADERA
Chairperson and CEO



ALEXIS M. LUMBATAN
Commissioner



CATHERINE P. MACEDA
Commissioner




FLORESINDA G. BALDO-DIGAL
Commissioner



MARKO ROMEO L. FUENTES
Commissioner



LS: CER / ARG / MCCG



ROS: FJTA / MABN / NVP / AJMO / LLG

Copy Furnished:

1. National Grid Corporation of the Philippines (NGCP)
Applicant
NGCP Building, Quezon Avenue corner, BIR Road, Diliman, Quezon City
corpcom@ngcp.com
2. Attys. Luis Manuel U. Bugayong, Mark Anthony S. Actub, Rich L. Almario, and Bienz Reiner Draeion A. Que
Counsels for Applicant NGCP
Office of the General Counsel
NGCP Building, Quezon Avenue corner
BIR Road, Diliman, Quezon City
Email Addresses:
lubugayong@ngcp.ph; msactub@ngcp.ph; rilmario@ngcp.ph; baque@ngcp.ph
3. Pagbilao Energy Corporation (PEC)
Co-Applicant
25th Floor W 5th Avenue Building corner 32nd Street, Bonifacio Global City, Taguig City
4. The Law Firm of Manjares & Manjares
Atty. Norberto C. Manjares III
Counsel for PEC
No. 6 Saint Anne Provident Villages, Marikina City
jcmanjaresiii@gmail.com
5. National Association of Electricity Consumers for Reforms, Inc. (NASECORE)
Intervenor
Roxas Seafront Garden Homes, Roxas Blvd. corner Ortigas Street, Pasay City
6. Mr. Petronilo L. Ilagan
NASECORE National President
Roxas Seafront Garden Homes, Roxas Blvd. corner Ortigas Street, Pasay City
pete1207ilagan@gmail.com
7. Office of the Solicitor General (OSG)
134 Amorsolo Street, Legaspi Village, Makati City
docket@osg.gov.ph
8. Commission on Audit (COA)
Commonwealth Avenue, Quezon City
citizensdesk@coa.gov.ph
9. Senate Committee on Energy
GSIS Bldg. Roxas Blvd., Pasay City
senateenergycommittee@gmail.com
10. House Committee on Energy
House of Representatives
Batasan Hills, Quezon City
committee.energy@house.gov.ph
11. 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
12. National Transmission Corporation (TRANSCO)
Quezon Avenue corner BIR Road, Diliman, Quezon City

13. Power Sector Assets and Liabilities Management Corporation (PSALM)
24th Floor Vertis North Corporate Center 1, Astra corner Luz Drives
Vertis North, Mindanao Avenue, Quezon City
14. Office of the Mayor
Quezon City
15. Office of the Local Government Unit (LGU) legislative body
Quezon City
16. Office of the Mayor
Taguig City
17. Office of the Local Government Unit (LGU) legislative body
Taguig City
18. Office of the Provincial Governor
Quezon Province
19. Office of the Local Government Unit (LGU) legislative body
Quezon Province
20. Office of the Municipal Mayor
Pagbilao, Quezon Province
21. Office of the Local Government Unit (LGU) legislative body
Pagbilao, Quezon Province
22. Office of the Mayor
Cebu City
23. Office of the Local Government Unit (LGU) legislative body
Cebu City
24. Office of the Mayor
Iligan City
25. Office of the Local Government Unit (LGU) legislative body
Iligan City