

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 THERMA  
MOBILE, INC. (FOR  
DISPATCHABLE RESERVE),  
WITH PRAYER FOR THE  
ISSUANCE OF PROVISIONAL  
AUTHORITY**

**ERC CASE NO. 2020-022 RC**

**NATIONAL GRID  
CORPORATION OF THE  
PHILIPPINES (NGCP) AND  
THERMA MOBILE, INC.  
(TMO),**

**Promulgated:**  
September 1, 2020

**Applicants.**

**X ----- X**

**NOTICE OF VIRTUAL HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 11 August 2020, the National Grid Corporation of the Philippines (NGCP) and Therma Mobile, Inc. (TMO) filed an *Application* seeking the Commission's approval of their Ancillary Services Procurement Agreement (ASPA) for Dispatchable Reserve (DR), with prayer for the issuance of provisional authority.

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

**NATURE OF THE CASE**

1. This Application is for the approval of the Ancillary Services Procurement Agreement ("ASPA") for Dispatchable Reserve dated 14 July 2020 between NGCP and TMO, pursuant to the

Decision dated 3 October 2007 in ERC Case No. 2006-049 RC, 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.”*

#### 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<sup>1</sup> 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 TMO is a corporation organized and existing under the laws of the Republic of the Philippines, with office address at the Old VECO Compound, Ermita, Cebu City. TMO is engaged in the generation of power and owns and operates the barge-mounted, bunker oil-fired power generating and interconnection facilities at the Navotas Fish Port Complex in Navotas City. It may be served with notices, orders, and other processes of the Honorable Commission through its undersigned counsel at the address indicated herein.

#### ANTECEDENT FACTS

4. Republic Act No. 9136<sup>2</sup> 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 system.<sup>3</sup>
5. Similarly, the PGC provides that NGCP is responsible for determining, acquiring, and dispatching the capacity needed to supply the required Grid Ancillary Services<sup>4</sup> and for developing and proposing Wheeling Charges and Ancillary Service tariffs to the Energy Regulatory Commission (“ERC”).
6. Ancillary Services (“AS”) as defined in Section 4 (b) of the EPIRA *“refer to those services that are necessary to support the*

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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 of Interconnected Transmission Lines, Substations and Related Facilities, and for other Purposes.

<sup>2</sup> The Electric Power Industry Reform Act of 2001 or EPIRA;

<sup>3</sup> *Ibid.*, Section 9 (c) and (d), in relation to RA No. 9511;

<sup>4</sup> Section 6.3.1.2;

*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. NGCP agreed to procure and TMO agreed to supply AS in the form of Dispatchable Reserve (“DR”) under a firm arrangement. A copy of the Ancillary Services Procurement Agreement between NGCP and TMO for DR dated 14 July 2020 is attached as Annex “A”.
10. 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 DR. Copies of the Accreditation Certificate Nos. 2019-L029 to 2019-L032 issued on 1 January 2020 are attached as Annex “B” and series.

#### FIRM CONTRACTED CAPACITY RATE AND IMPACT SIMULATION

11. Under Schedule 1 of the ASPA, TMO shall provide NGCP with the following ancillary service:
  - A. *Firm Contracted Capacity:*
    1. *Dispatchable Reserve - set at 145 MW for Power Barges 1 to 4 of Service Provider, or as indicated in the valid AS Certificates, from interval 0001H to 2400H*

*Note that the capacity listed above is based on the latest AS Accreditation Certificate. However, the maximum ancillary service capacity that can be provided shall be based on the latest AS Accreditation Certificate or based on the total COC capacity of the Power Barges, whichever is lower.*

**ERC CASE NO. 2020-022 RC**  
**NOTICE OF VIRTUAL HEARING/19 AUGUST 2020**  
**PAGE 4 OF 10**

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12. The applicable rates under the ASPA, as provided in Schedule 3,<sup>5</sup> are as follows:

*A. Firm Contracted Capacity Applicable Rates:  
Dispatchable Reserve (DR): PhP 0.85/kW-h*

*B. Capacity Payment*

$$CP = SC \times AR$$

*Where:*

*CP = Capacity Payment*

*SC = Summation of Scheduled Capacity without energy  
dispatched*

*AR = Applicable Rate per AS type*

*C. Incidental Costs Payment*

*The Cost of Incidental Energy (“IE”) is the cost of actual energy generated for the Firm and Non-Firm Scheduled Capacity<sup>6</sup> which shall be paid and computed using the formula below:*

$$IE = (G \times (AR + \text{Variable O\&M Costs}) - REV_{WESM}) + DWS^*$$

*Where:*

*G = Summation of actual energy generated or dispatched  
due to Scheduled Ancillary Service, in kWh*

*AR = Applicable Capacity Rate of CR<sup>7</sup>*

*Variable Costs = Fuel Costs + Variable O&M costs*

*Fuel Costs = HFR + LR*

*HFR (in Php/kWh) = HFCR \* P<sub>HFO</sub>*

*LR (in Php/kWh) = LCR \* P<sub>Lube</sub>*

*HFR = heavy fuel oil (HFO) rate in Php/kWh*

*HFCR = HFO consumption rate in liters/kWh  
= the lower of actual consumption rate or 0.245  
liters/kWh*

*LR = lube oil rate in Php/kWh*

*LCR = lube consumption rate in liters/kWh  
= the lower of actual consumption rate or 0.003 liters/kWh*

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<sup>5</sup> There is a typographical error in Section 5.1 of the ASPA. “Schedule 4” written therein should read “Schedule 3.”;

<sup>6</sup> This is a typographical error in the ASPA. The ASPA is only for Firm DR capacity;

<sup>7</sup> This is a typographical error in the ASPA. “CR” should read as “DR.”;

**ERC CASE NO. 2020-022 RC**  
**NOTICE OF VIRTUAL HEARING/19 AUGUST 2020**  
**PAGE 5 OF 10**

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$P_{HFO}$  = actual HFO net delivered price, in Php/Liter.  
Determination of the actual price shall be based on  
"weighted average" inventory method.

$P_{Lube}$  = actual Lube net delivered price, in Php/Liter.  
Determination of the actual price shall be based on  
"weighted average" inventory method.

Variable O&M Cost =

$$(VOM * (\frac{PCPI_i}{PCPI_o})) + SSC$$

$VOM$  = Variable O&M=Php0.40/ kWh

$PCPI_i$  = average Philippine Consumer Price Index for All Income Households in the Philippines – All Items (2012=100) taken from the National Statistic Office<sup>8</sup> website for the last three calendar months prior to the start of the current Billing Period.

$PCPI_o$  = average Philippine Consumer Price Index for All Income Households in the Philippines – All Items (2012=100) ("PCPI") for the calendar months of August 2013 equivalent to 102.8.

In the event that revisions are made on the PCPI, including any shift made in the base year and other adjustments to the PCPI made by the Philippine National Statistical Coordination Board, its successor-interest, or such other relevant Government Instrumentality conducting an equivalent Philippine consumer price index city average, there shall be a corresponding change in the  $PCPI_o$  such that the use of the revised PCPI will yield the equivalent MFOM values as the use of the original PCPI.

In the event that the PCPI (a) becomes unavailable, (b) is replaced by a new benchmark rate as determined by the Philippine National Statistical Coordination Board, its successor in interest, or such other relevant Government Instrumentality conducting an equivalent Philippine consumer price index city average, (c) ceases to exist, or (d) in the reasonable determination of either Party, fails to reflect the real costs of the FOM and forming an integral part of this price mechanism, the Parties shall agree to adopt a new consumer price index benchmark rate applicable in the Philippines.

$SSC$  = Start-up and shutdown cost incurred in the delivery of the ancillary service.

$DWS^*$  = Distribution Wheeling Service charge that has to be paid to the host DU where the embedded generator is located. This DWS shall be removed from the IC formula once TMO is directly connected to the Grid.

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<sup>8</sup> NSO is now the Philippine Statistics Authority;

**ERC CASE NO. 2020-022 RC**  
**NOTICE OF VIRTUAL HEARING/19 AUGUST 2020**  
**PAGE 6 OF 10**

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*REV<sub>WESM</sub> = Summation of WESM revenue based on Final Ex-post market clearing price of the AS Provider's trading Node arising from G above*

a. *Start- up and Shutdown Costs (SSC) for DR:*

$$SSC = \frac{S * [(V_{IDO} * P_{IDO}) + (V_{Lube} * P_{Lube})]}{Total\ Energy}$$

*Where:*

*S = total number of start-ups and shutdowns during the relevant Billing Period based on NGCP's dispatch schedule.*

*P<sub>IDO</sub> = actual IDO net delivered price, in Php/Liter. Determination of the actual price shall be based on "weighted average" inventory method.*

*P<sub>Lube</sub> = actual Lube net delivered price, in Php/Liter. Determination of the actual price shall be based on "weighted average" inventory method.*

*V<sub>IDO</sub> = 200 liters per engine per start-up or shutdown*

*V<sub>Lube</sub> = 5 liters per engine per start-up or shutdown*

*Total Energy = total energy delivered arising from "G" above for the current Billing Period*

b. *Submission of Relevant Documents*

a. *Service Provider shall submit the necessary documents detailing the actual fuel costs (e.g. invoice or official receipts) along with the bill.*

b. *Failure to submit the necessary documents within the next billing period after the relevant billing period will forfeit the payment to Service Provider for IE. NGCP shall only pay for the Applicable Rate for the undispached scheduled capacities and shall not be obligated to pay for the IE.*

c. *NGCP shall provide due notice to Service Provider for any additional documents that may be required in relation to the computation of Actual Fuel Costs.*

13. Applicants submit that the rates represent a reasonable recovery of the opportunity cost in making available generation capacity to provide the procured AS.

14. The rates under the ASPA were subjected to a simulation by NGCP with the following results:

**ERC CASE NO. 2020-022 RC**  
**NOTICE OF VIRTUAL HEARING/19 AUGUST 2020**  
**PAGE 7 OF 10**

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Ancillary Service	Indicative Rate Impact	
	P/kW-month	P/kWh equivalent
Dispatchable Reserve	12.5073	0.0252

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

15. 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.
16. The ASPA shall be effective for a period of three (3) years, to commence upon receipt of a provisional approval (“PA”), or in the absence thereof, a final approval (“FA”) issued by the ERC, subject to Clause 12 (Termination) of the ASPA. In the event that the PA or FA, 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.
17. TMO respectfully submits copies of the following documents:

Document	Annex
<i>Certificate of Compliance (“COC”) Nos. 17-07-M-00305L, 17-07-M-00306L, 17-07-M-00307L, and 17-07-M-00308L</i>	“D” and series
<i>Summary of TMO’s existing Power Supply Agreements</i>	“E”
<i>Latest 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 Approval Form</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 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.
19. The current levels of available contracted AS in the Luzon Grid 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 DR in the Luzon Grid and the impact of the AS contribution of TMO to

**ERC CASE NO. 2020-022 RC**  
**NOTICE OF VIRTUAL HEARING/19 AUGUST 2020**  
**PAGE 8 OF 10**

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the Luzon Grid entitled: *Luzon Dispatchable Reserve Availability* is attached as Annex “J”.

20. NGCP must be guaranteed of available DR on a daily basis to ensure reliability of the grid. Thus, it is necessary for the Honorable Commission to approve the ASPA.
21. As the demand for power in the Luzon increases, the requirements of the system to ensure stability, reliability and security likewise increase. 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 this Honorable Commission is a necessity to ensure the reliability and security of the 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 as Annex “K.”

**PRAYER**

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

- a) Immediately ISSUE a provisional authority to implement the subject ASPA executed on 14 July 2020; and
- b) APPROVE, after notice and hearing, the subject ASPA.

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

The Commission hereby sets the instant *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence **19 November 2020 (Thursday) at two o'clock in the afternoon (2:00 P.M.)**, through a virtual hearing using the **Zoom Application** as the online platform for the conduct thereof pursuant to Resolution No. 07, Series of 2020<sup>9</sup> dated 23 July 2020.

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via electronic mail (e-mail) at [records@erc.gov.ph](mailto:records@erc.gov.ph) and [records.erc.gov.ph@gmail.com](mailto:records.erc.gov.ph@gmail.com), copy furnish the Legal Service through [legal.erc.gov.ph@gmail.com](mailto:legal.erc.gov.ph@gmail.com). The Commission shall give priority to the stakeholders who have duly submitted their respective comments

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<sup>9</sup> A Resolution for the Transitory Implementation of Legal e-Processes Pending the Adoption of the Interim Guidelines Governing Electronic Application, Filings, and Virtual Hearings Before the Energy Regulatory Commission;



and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

Moreover, all persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission via e-mail at [records@erc.gov.ph](mailto:records@erc.gov.ph) and [records.erc.gov.ph@gmail.com](mailto:records.erc.gov.ph@gmail.com), copy furnish the Legal Service through [legal.erc.gov.ph@gmail.com](mailto:legal.erc.gov.ph@gmail.com), a verified Petition to Intervene at least five (5) calendar days prior to the date of the initial virtual 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, mailing address, and e-mail 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.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may likewise file through e-mail at [records@erc.gov.ph](mailto:records@erc.gov.ph) and [records.erc.gov.ph@gmail.com](mailto:records.erc.gov.ph@gmail.com), copy furnish the Legal Service through [legal.erc.gov.ph@gmail.com](mailto:legal.erc.gov.ph@gmail.com), their Opposition or Comment thereon at least five (5) calendar days prior to the initial virtual hearing and 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, mailing address, and e-mail 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, through any of the available modes of service, upon their agreement, 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. In the alternative, those persons who wish to have an electronic copy of the *Application* may request the Commission for the e-mail addresses of the Applicant by sending an e-mail to [records@erc.gov.ph](mailto:records@erc.gov.ph) and [records.erc.gov.ph@gmail.com](mailto:records.erc.gov.ph@gmail.com), copy furnish the Legal Service through [legal.erc.gov.ph@gmail.com](mailto:legal.erc.gov.ph@gmail.com). Nonetheless, any person may also access the *Application* as posted by the Commission in its official website at [www.erc.gov.ph](http://www.erc.gov.ph).

Finally, all interested persons may be allowed to join the scheduled initial virtual hearing by providing the Commission, thru [legal.virtualhearings.erc.gov.ph@gmail.com](mailto:legal.virtualhearings.erc.gov.ph@gmail.com), with their respective e-mail addresses and indicating therein the case number of the instant *Application*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearing.

**WITNESS**, the Honorable Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA**, **FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 19<sup>th</sup> day of August 2020 in Pasig City.

  
**AGNES VST DEVANADERA**  
*Chairperson and CEO*