

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



**IN THE MATTER OF THE
PETITION FOR APPROVAL OF
THE RECLASSIFICATION OF
NEW CIP II SUBSTATION,
BACNOTAN-MABANENGBENG
LINES 1 AND 2 AND
MABANENGBENG-HOLCIM 69 KV
LINE INTO TRANSMISSION
ASSETS**

ERC CASE NO. 2015-019 MC

**NATIONAL GRID CORPORATION
OF THE PHILIPPINES (NGCP),
Petitioner.**

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DOCKETED
Date: **AUG 26 2016**
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NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on April 30, 2015, the National Grid Corporation of the Philippines (NGCP) filed with the Commission a petition for the approval of the reclassification of the New CIP II Substation, Bacnotan-Mabanengbeng Lines 1 and 2 and Mabanengbeng-Holcim 69 kV Line into transmission assets.

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

1. It is a corporation created and existing under the laws of the Philippines, with principal office address at NGCP Building, Quezon Avenue corner BIR Road, Diliman, Quezon City, where it may be served with notices, orders, resolutions and other issuances of the Commission through its Office of the

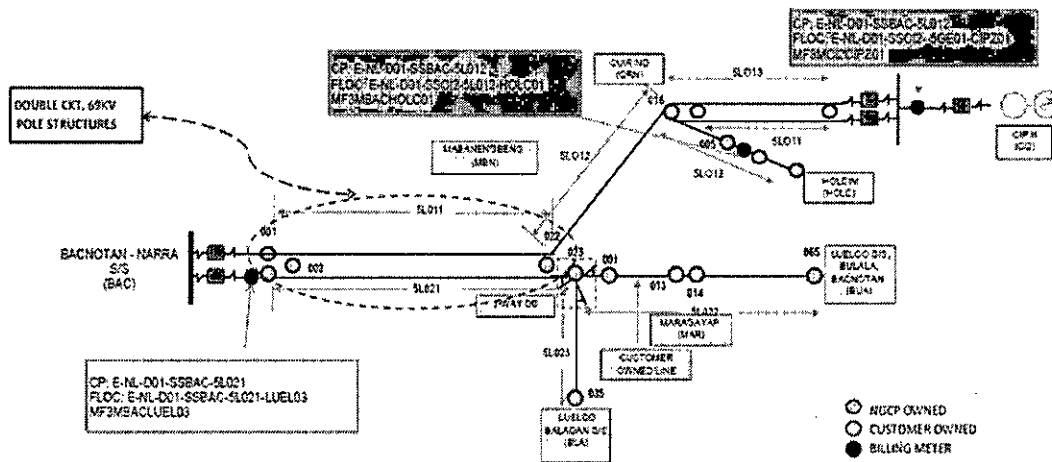
General Counsel. It is the concessionaire which assumed the power transmission functions of the National Transmission Corporation (TRANSCO) pursuant to Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA)¹;

2. Under Republic Act No. 9511,² it was granted a franchise to construct, install, finance, manage, improve, expand, operate, maintain, rehabilitate, repair and refurbish the present nationwide transmission system of the Republic of the Philippines;
3. CIP II Power Corporation is a generation company existing under and by virtue of the laws of the Republic of the Philippines, with address at Brgy. Quirino, Bacnotan, La Union. It is a 100%-owned subsidiary of Trans-Asia Oil & Energy Development Corporation;
4. Holcim Philippines, Inc. – La Union, a company existing under and by virtue of the laws of the Republic of the Philippines, is a directly connected customer of NGCP with address at 7/F Venice Corporate Center, #8 Turin St. McKinley Town Center, Fort Bonifacio, Taguig City;
5. CIP II Power Corporation presently operates the 21 MW Bacnotan Diesel Power Plant which is connected to the Luzon Grid via the New CIP II Substation. Holcim Philippines, Inc.- La Union likewise draws power from the grid through the New CIP II Substation;
6. CIP II Power Corporation owns the New CIP II Substation; while the Bacnotan – Mabanengbeng Lines 1 and 2 and Mabanengbeng – Holcim 69 kV line are classified as Residual Subtransmission Assets in the Sinclair Knight Merz 2010 Valuation Report adopted by the Honorable Commission in NGCP's Final Determination for the third (3rd) Regulatory Period;

¹ Republic Act No. 9136 entitled, "An Act Ordaining Reforms in the Electric Power Industry, Amending for the Purpose Certain Laws and for Other Purposes."

² Republic Act No. 9511 entitled "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."

7. Illustrated below is the simplified diagram showing the present connection of Bacnotan Diesel Power Plant and Holcim Philippines:



8. As illustrated above, the New CIP II Substation, including associated equipment such as SCADA and Microwave system, Bacnotan – Mabanengbeng Lines 1 and 2 and Mabanengbeng – Holcim 69 kV lines are used by both CIP II Power Corporation and Holcim Philippines;
9. As such, these assets should be classified as transmission assets and turned over to NGCP in accordance with Section 9 of the EPIRA which 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; Provided, further, That in the event that such assets are required for competitive purposes, ownership of the same shall be transferred to the TRANSCO at a fair market price: Provided, finally, That in the case of disagreement on the fair market price, the ERC shall determine the fair market value of the asset.” (Emphasis supplied.)

10. The Commission likewise issued resolutions in compliance with the provisions of the EPIRA:
 - A. Section 2.0 of Resolution No. 16 Series of 2011³ defined Connection Assets as “those assets that are put in place primarily to connect a Customer/s to the Grid and used for purposes of Transmission Connection Services for the conveyance of electricity which if taken out of the System, will only affect the Customer connected to it and will have minimal effect on the Grid, or other Customers.”
 - B. Section 4.2 of Resolution No. 16 provides that “a generation company may develop and own or operate a dedicated point-to-point limited facilities 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.”
11. Corollary, any asset, which is not solely used by either a load customer or generator should be classified as transmission asset;
12. The proposed reclassification of the subject assets to transmission are also in consonance with the following decisions issued by the Commission:
 - a. In ERC Case No. 2010-032 MC entitled “*In the Matter of the Petition for Approval of the Reclassification of the National Transmission Corporation Subtransmission Asset to Full Transmission Asset Serving the Dingle-Passi Lines in Iloilo*,”⁴ the ERC ruled as follows:

“Section 2, Article III of the Guidelines to the Sale and Transfer of the TRANSCO’s Subtransmission Assets and the Franchising of Qualified Consortium reads:

“Technical and Functional Criteria – the assets shall be classified based on the

³ Entitled “Resolution Adopting the Amended Rules on the Definition and Boundaries of Connection Asset for Customers of Transmission Provider.”

⁴ Decision dated 01 December 2010.

technical and functional criteria enumerated in Sections 4 and 6, Rule 6, Part II of the IRR of the Act, including, but not necessarily limited to the following:

"a) Directly Connected Generators

Lines, power transformers and other assets held by TRANSCO or its Buyer or Concessionaire, which allow the transmission of electricity to a Grid from one or more Directly Connected Generators, shall be classified as Transmission Assets.

x x x

"WHEREFORE, the foregoing premises considered, the petition filed by Central Azucarera De San Antonio, Inc. (CASA) for approval of the reclassification of the National Transmission Corporation's (TRANSCO) Subtransmission Asset to full transmission asset serving Dingle-Passi Lines in Iloilo is hereby APPROVED subject to the condition that CASA's bagasse power plant should connect to the Dingle-Passi 69 kV Line and only the portion of the said line where CASA's plant is connected shall be reclassified as transmission asset."

- b. In ERC Case No. 2010-156RC entitled "*In the Matter of the Approval of the Electric Power Purchase Agreement between Cebu 1 Electric Cooperative, Inc. and Cebu Energy Development Corporation,*"⁵ Case No. 2010-100 RC entitled "*In the Matter of the Approval of the Electric Power Purchase Agreement between Mactan Electric Company, Inc. and Cebu Energy Development Corporation,*"⁶ and Case No. 2010-095 entitled "*In the Matter of the Approval of the Electric Power Purchase Agreement between Bohol 1 Electric Cooperative, Inc.*"

⁵ ERC Decision dated 01 August 2011

⁶ ERC Decision dated 03 October 2011

*and Cebu Energy Development Corporation,*⁷ the ERC ruled as follows:

“However, the Sangi to Talavera 138 kV, 5.1-kilometer Double Circuit Transmission Line does not qualify as a dedicated point-to-point limited facility considering that the same line is not solely used to connect CEDC's plant to the grid (NGCP Talavera Substation) but also used to transmit power to VECO through the 138 kV CEDC-Colon Line and another line to CEBECO III and Balamban Enerzone Corporation. x x x

“The Commission believes that the 5.1 kilometer Sangi to Talavera Double Circuit 138 kV Transmission Line should be owned, operated and maintained by the NGCP.”

13. Considering that these assets, including all of the associated equipment, are used by both CIP II to deliver power to the grid, and by Holcim Philippines in drawing power from the grid, it is imperative that the subject assets be reclassified to full transmission assets; and
14. It prays that the instant petition be granted and the and the New CIP II Substation, Bacnotan – Mabanengbeng Lines 1 and 2 and Mabanengbeng – Holcim 69 kV lines, and all of the associated equipment, be reclassified as Transmission Assets, and its ownership and operation be turned over to NGCP.

The Commission has set the petition for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **September 15, 2015 (Tuesday) at ten o'clock in the morning (10:00 A.M.) at the ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's

⁷ ERC Decision dated 26 September 2011

Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and title of the proceeding and stating: (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 proceeding may file their opposition to the petition or comment thereon at any stage of the proceeding before the petitioner concludes the presentation of its evidence. No particular form of opposition or comment is required, but the document, letter or writing should contain the name and address of such person and a concise statement of the opposition or comment and the grounds relied upon.

All such persons who may wish to have a copy of the petition may request the petitioner, prior to the date of the initial hearing, that they be furnished with a copy of the petition. The petitioner is hereby directed to furnish all those making such request with copies of the petition and its attachments, subject to reimbursement of reasonable photocopying costs. Likewise, any such person may examine the petition and other pertinent records filed with the Commission during the usual office hours.

WITNESS, the Honorable Chairman, **JOSE VICENTE B. SALAZAR**, and the Honorable Commissioners, **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 17th day of August, 2015 at Pasig City.


ATTY. FRANCIS SATURNINO C. JUAN
Executive Director III