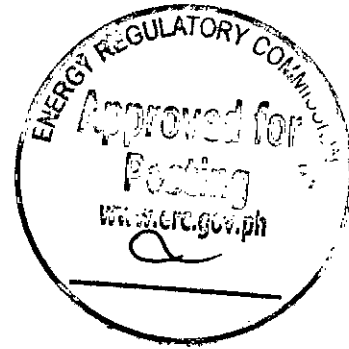


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



IN THE MATTER OF THE
APPLICATION FOR
AUTHORITY TO DEVELOP,
OWN AND OPERATE
DEDICATED POINT-TO-POINT
LIMITED TRANSMISSION
FACILITIES TO CONNECT
THE 41.3 MWP SOLAR POWER
PLANT OF MAJESTICS
ENERGY CORPORATION TO
THE LUZON GRID, WITH
PRAYER FOR PROVISIONAL
AUTHORITY

ERC CASE NO. 2015-024 MC

MAJESTICS ENERGY
CORPORATION (MEC),
Applicant.

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DOCKETED
Date: AUG 03 2015
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NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on May 25, 2015, Majestics Energy Corporation (MEC) filed an application for authority to develop, own, and operate dedicated point-to-point limited transmission facilities to connect its 41.3 MWP solar power plant project to the Luzon Grid, with prayer for provisional authority.

In the said application, MEC alleged, among others, that:

1. It is a generation company duly authorized and existing under the laws of the Republic of the Philippines, with principal address at Block 3, Cavite Economic Zone II, General Trias, Cavite. Copies of its Certificate of Incorporation, Certificate of Filing of Amended Articles of Incorporation with the attached Amended Articles of Incorporation, issued by the Securities and Exchange

Commission, By-Laws and latest General Information Sheet are attached as Annexes "A" and series;

Nature of Application

2. Pursuant to Section 9 of Republic Act No. 9136, or the "Electric Power Industry Reform Act," and Section 5, Rule 5 of its Implementing Rules and Regulations, the instant application is submitted to secure authority from the Commission for it to develop, own and operate dedicated point-to-point limited transmission facilities connecting its 41.3 MWp Solar Power Plant (MEC Solar Power Plant), which is located in the Municipalities of Rosario and General Trias, Cavite, to the Luzon Grid through the Dasmariñas-Rosario 115 kV line of the National Grid Corporation of the Philippines (NGCP), via the tap connection located at around 1.5 km from the Rosario Substation of NGCP, and through a 115 kV line from the tapping point to the substation of the said Plant. The said line is approximately 1.8 km in length;

Statement of Facts

3. **Need for additional long-term power supply in the Luzon Grid.** Notwithstanding the power projects lined up to augment the existing capacity of the Luzon Grid, additional capacity is still needed to meet the power requirements of the Grid;
 - 3.1 Based on the 2013 Supply-Demand Outlook of the Department of Energy, the Grid still needs 8,100 MW of additional capacity on top of the committed power projects in order to meet both the electricity demand and the required reserve margin of the Grid.¹
 - 3.2 The need for additional capacity is expected to continue due to the steadily increasing electricity demand of the region. At an average annual growth rate of 4.13 percent, the peak demand in the Luzon Grid is projected to increase from 8,892 MW in 2015 to 10,693 MW in 2020 and to 16,477 MW in 2030.

¹ Department of Energy ("DOE") 2013 Supply-Demand Outlook, p. 2.

- 3.3 Worse, the total dependable capacity in the Luzon Grid is expected to decrease during the long dry seasons, during which hydro power plants are expected to have reduced capacities. Notably, hydro power accounts for 20% of the total dependable capacity in Luzon.
4. Significantly, as stated in the Transmission Development Plan of NGCP, it is critical for the proposed capacities to come on stream by the year 2016. Otherwise, power shortage will be experienced;²
5. **Utilization of Renewable Energy Sources.** In addition, legal reforms have been instituted towards increasing the country's renewable energy (RE) capacities, through increased investments and activities in the sector, as well as through priority connections to the grid;
- 5.1 In particular, Section 11 of the Renewable Energy Law³ aims to ensure that the proposed RE resources are integrated in the respective development plans of NGCP and distribution utilities. Thus, the law states:
- “Section 11. Transmission and Distribution System Development. - TRANSCO or its successors-in-interest or its buyer/concessionaire and all DUs, shall **include the required connection facilities for RE-based power facilities in the Transmission and Distribution Development Plans:** Provided, That such facilities are approved by the DOE. The connection facilities of RE power plants, including the extension of transmission and distribution lines, shall be subject only to ancillary services covering such connections.” *(emphasis supplied)*
- 5.2 Also, Section 7 of the Renewable Energy Law mandates the formulation of a feed-in-tariff (FIT) that will include priority connections for RE sources such as solar power. Thus, the law states:

² National Grid Corporation Transmission Development Plan 2012, Volume I, p. 19.

³ Republic Act No. 9513.

“Section 7. Feed-In Tariff System. - To **accelerate the development of emerging renewable energy resources, a feed-in tariff system for electricity produced from wind, solar, ocean, run-of-river hydropower and biomass is hereby mandated.** Towards this end, the ERC in consultation with the National Renewable Energy Board (NREB) created under Section 27 of this Act shall formulate and promulgate feed-in tariff system rules within one (1) year upon the effectivity of this Act which shall include, but not limited to the following:

(a) **Priority connections to the grid for electricity generated from emerging renewable energy resources** such as wind, solar, ocean, run-of-river hydropower and biomass power plants within the territory of the Philippines;” (*emphasis supplied*)

5.3 In fulfillment of the said mandate, the Commission issued Resolution No. 16, Series of 2010, establishing the FIT system. Verily, the said Resolution **allows eligible RE plants to enjoy priority connection to the transmission system,** subject to compliance with the pertinent standards and rules of the Commission.

6. There is, thus, an immediate need to ensure that power supply in the Luzon Grid will be sufficient to meet its steadily increasing demand. Otherwise, Luzon may suffer from outages, adversely affecting, not only the region’s business growth and overall economic development, but also the quality of people’s lives. Notably, RE sources such as solar power can help address the increasing power requirements of the Grid in an environment-friendly manner;

7. **Private Sector Initiated Power Projects.** To address the need for long-term power supply, the government has encouraged and mandated private sector investment in the electric power industry, particularly in power generation, to ensure additional capacity in Luzon and the entire country for the coming years;
8. **Additional supply from MEC.** MEC has undertaken to develop, construct, own, operate and maintain the MEC Solar Power Plant, which can generate 41.3 MWp. The said Plant will not only help address the need for additional supply in the Luzon Grid, but is also consistent with the government's efforts to increase the country's RE capacities;
9. Also, considering its significant contribution in power supply to the Luzon Grid, the operation of the MEC Solar Power Plant will help encourage the use of RE sources for power generation within economic zones;
10. As discussed hereunder, in order to dispatch the capacity to be generated by the MEC Solar Power Plant, MEC deems it necessary, feasible and cost-effective to connect the said Plant to the Luzon Grid through dedicated point-to-point limited transmission facilities;
11. Under Republic Act No. 9136, authorization from the Commission is required for a generation company to develop, own, and operate point-to-point limited transmission facilities. Hence, this application;

ABSTRACT OF THE PROJECT
THE DEDICATED TRANSMISSION FACILITIES AND
RELATED INFORMATION

12. **The MEC Solar Power Plant.** As mentioned above, the MEC Solar Power Plant is located in an approximately 70-hectare area in the Municipalities of Rosario and General Trias, Cavite. The site of the Plant is illustrated in location maps attached as Annex "B" and series;
 - 12.1 The Plant consists of forty-four (44) 1,200 KVA transformers, two (2) 400 KVA transformers, eighty-

one (81) inverters, combiner boxes and solar modules. It has a capacity of 41.3 MWp. The Plant includes solar panels that should be installed at the rooftops of eighteen (18) buildings in Cavite Eco-Zones I and II.

- 12.2 The Plant also includes a 34.5 kV line, which will go through the four (4) feeders of the Plant's substation, and which will then be stepped up to 115 kV line.

The Plant and its components are illustrated and more particularly described in single line diagrams, engineering drawings and layout attached as Annex "C" and series.

13. **Development of the MEC Solar Plant.** MEC has achieved significant progress in the development of its Solar Power Plant;

- 13.1 The Plant is covered by a Solar Energy Service Contract (SESC No. 2013-10-040) between the Department of Energy (DOE) and MEC. The DOE has also issued a Certificate of Commerciality for the Plant.

Copies of the Confirmation of Commerciality and of the Amended Confirmation of Commerciality are attached as Annexes "D" and "D-1," respectively.

- 13.2 The Department of Environment and Natural Resources has issued Environmental Compliance Certificates and Certificates of Non-Coverage for the Plant.

Copies of the said certificates are attached as Annexes "E" and series.

- 13.3 MEC has likewise filed before the Commission an application for the issuance of a Certificate of Compliance on 2 May 2014. As part of its evaluation of the said application, the same has already

conducted a technical inspection of the Plant on 23 to 24 April 2015.

14. **The Proposed Connection of the MEC Solar Power Plant to the Grid.** The power generated by the MEC Solar Power Plant will be delivered to the Luzon Grid through the Dasmariñas-Rosario 115 kV line of NGCP, via the tap connection located at around 1.5 km from the Rosario Substation of NGCP, and through a 115 kV line, approximately 1.8 km in length, from the tapping point to the substation of the Plant;

14.1 MEC shall own, construct, install, operate and maintain the dedicated transmission facilities for the above-said connection of the MEC Solar Power Plant to the Luzon Grid (Project) in accordance with Philippine Grid Code and other applicable laws or regulations.

14.2 **Necessity of the Project.** It is necessary to connect the MEC Solar Power Plant to the Luzon Grid in order to dispatch the capacity that will be generated by the Plant. Without the said connection, the said capacity will not be utilized by the Grid.

14.3 **Technical Configuration.** 1-336.4 MCM ACSR conductors in concrete pole structures will be utilized for the proposed connection.

14.4 The power generated from each central inverter will initially pass through forty-four (44) units of 1.2 MVA, 0.315/0.315/34.5 kV three-winding transformers and two (2) units of 400 KVA (0.400/34.5), and will then pass through four (4) feeders. Thereafter, the power will be delivered to the Grid via a single unit 50 MVA, 34.5/115 kV step-up transformer.

The proposed connection is illustrated and described further in layouts, drawings and diagrams, copies of which are attached as Annex "F."

15. **Dedicated Transmission Facilities.** The Project involves dedicated point-to-point limited transmission facilities in the purview of Republic Act No. 9136. They are required only for the purpose of connecting the MEC Solar Power Plant to the Luzon grid, and will be used solely by the said Plant. They are not intended to serve end-users or suppliers directly. The technical specifications of the dedicated transmission facilities are described further in documents attached as Annex "G" and series. As discussed hereunder, Annex "G" and series are subject of herein Motion to Treat Information Confidential (Motion);

16. **Selection of the Route.** The proposed route was selected because it is the most feasible, viable and cost-effective means to dispatch the generated capacity of the MEC Solar Power Plant;

- 16.1 In determining the most feasible and cost effective route, MEC considered connecting the MEC Solar Power Plant to the Magellan Substation of NGCP, located in Rosario, Cavite, going to the Rosario Substation of NGCP.

The said alternative connection is illustrated in the layout attached as Annex "H."

- 16.2 The said option is neither feasible nor cost-effective due to various reasons. *First*, the Magellan Substation has no available switch allocation connection for a switching station that will serve as line protection. It is not possible to construct an allocation connection in the Magellan Substation due to lack of available area. *Second*, the said option will require a transmission line from the Substation of the MEC Solar Power Station to the Rosario Substation, which will be longer, and thus more costly, than the line subject of the present Application. *Third*, an additional cost of approximately PhP15,000,000 will have to be incurred for the acquisition of the land necessary for the said connection. *Fourth*, additional cost will also have to be incurred to replace the old and rotten wooden poles and old lines or cables, which will also be unsafe to use. *Lastly*, the existing transmission line from the Magellan Substation to the Rosario Substation is already being used by the

MERALCO-First Cavite Industrial Estate. Even assuming the said line can still be utilized, there will still be no available switch allocation connection. Thus, the said option poses safety issues.

17. **Grid Studies.** Consistent with the 2006 Open Access Transmission Service Rules (OATS), MEC engaged the services of a third-party consultant to undertake the preparation of the necessary System Impact Study (SIS). The said study was conducted to determine the impact of the MEC Solar Power Plant on the Luzon Grid;

17.1 The report on the SIS states that the existing NGCP transmission facilities are sufficient to accommodate the Plant. No major transmission reinforcement is required. It also states that overall, the said connection is technically acceptable.

A copy of the report on the results of the SIS is attached hereto as Annex "I." As discussed hereunder, the said report is subject of the Motion.

17.2 In compliance with the OATS Rules, NGCP conducted the review of the SIS for acceptability of the evaluation method, simulation results and the study's conclusions.

17.3 As noted in NGCP's review, the reference plan of the SIS is the 2012 Transmission Development Plan, and the assessment criteria used are found consistent with the Philippine Grid Code.

17.4 Also, as stated in the said review, NGCP has found that the conclusions in the SIS report provide an acceptable assessment of the impact of the proposed connection of the MEC Solar Power Plant to the Luzon Grid. Generally, the effect of the operation of the Plant is the reduction in loading of the 230/115 kV transformers in Dasmariñas.

A copy of NGCP's review of the SIS is attached as Annex "J."

17.5 A Facilities Study was likewise conducted on the MEC Solar Power Plant. The NGCP has approved the said study.

A copy of the Facilities Study is attached as Annex "K." As discussed hereunder, the said Study is subject of the Motion.

18. **Connection Agreement.** NGCP and MEC executed a Connection Agreement, which lays down the terms and conditions for the connection of the MEC Solar Power Plant to NGCP's transmission system.

A copy of the Connection Agreement is attached hereto as Annex "L." The said Agreement is subject of the Motion.

19. **Estimated Project Cost.** The total project cost of the dedicated transmission facilities is estimated at PhP 214,842, 411.10.

The breakdown of the said project cost is attached as Annex "M."

TECHNICAL AND FINANCIAL CAPABILITY OF MEC

20. MEC is fully equipped to own, operate and maintain the dedicated transmission facilities.

21. **Technical Capability.** MEC has acquired considerable experience in the operation and maintenance of power distribution system, sufficient for effective operations and maintenance of the connection assets.

21.1 MEC is located in an1 economic zone in Cavite. It has operated and maintained its own distribution system, located in the Cavite Economic Zone II, from 2009 until the present, in order to supply its own power requirements. It bears emphasizing that such distribution system is being used to distribute the power requirements of the entire Cavite Economic Zone II.

21.2 MEC is responsible, not only for the installation of the said distribution system, but also for the operation and maintenance of its various materials and equipment.

21.3 To note, in operating and maintaining the 34.5 kV line for the said distribution system, MEC used facilities that are applicable to both 34.5 kV line and 115 kV line. Moreover, the major equipment and materials for the Cavite Economic Zone II distribution system – which MEC has operated and maintained – are of the same nature, function, capacity and features as those of the proposed dedicated transmission facilities. The skills, processes and system, which MEC adopted in operating and maintaining the said distribution system, are all applicable for the operation and maintenance of the said proposed facilities.

21.4 Thus, MEC clearly has the necessary skills, experience and system needed to operate and maintain the proposed dedicated transmission facilities.

21.5 MEC also has a competent manpower to perform the tasks needed to operate and maintain the said dedicated transmission facilities in accordance with the pertinent rules and regulations. The materials and equipment necessary for the proposed connection are likewise already available.

22. Financial Capability. MEC, on its own, is capable of financing the cost of the Project.

A copy of MEC's latest Audited Financial Statements ("AFS") is attached as Annex "N." As discussed hereunder, the AFS is subject of the Motion.

ALLEGATIONS IN SUPPORT OF THE MOTION FOR
PROVISIONAL AUTHORITY

23. The Project is necessary in order to dispatch the capacity that the MEC Solar Power Plant will generate.
24. This Commission's provisional approval of the instant application will greatly facilitate supply of additional power to the Luzon Grid.
25. Hence, MEC respectfully moves for the provisional approval of the same pursuant to Rule 14 of the ERC Rules of Practice and Procedure.

A copy of a sworn statement supporting the said motion is attached hereto as Annex "O."

MOTION TO TREAT INFORMATION CONFIDENTIAL

26. The following documents are hereby submitted under a motion to treat information confidential ("Motion"):
 - 26.1 Documents containing the technical specifications of the dedicated transmission facilities (Annex "G" and series). – The said documents contain the detailed features, ratings, service conditions, parameters of the equipment and materials constituting the dedicated transmission facilities. They likewise include the cost of the components of the transmission line.
 - 26.2 Report on the System Impact Study (Annex "I"). It contains the technical details of the various components of the MEC Solar Power Plant as well as the connection and technical assessments necessary for the proposed connection of the Plant to the Luzon Grid.

- 26.3 Facilities Study (Annex "K"). – It contains a detailed account of the facilities necessary to implement the connection of the MEC Solar Power Plant to the Luzon Grid. These include the technical details of the components of the Plant, as well as the systems, arrangements and architecture needed to operate the Plant and to implement the said connection.
- 26.4 Connection Agreement between NGCP and MEC (Annex "L"). - It contains the details of the connection scheme. It also includes the System Impact Study and Facility Study that are likewise subject of herein Motion.
- 26.5 Audited Financial Statements of MEC (Annex "N"). – The said Financial Statements contain the details the assets and liabilities of MEC.
27. In accordance with Section 1, Rule 4 of the Commission's Rules of Practice and Procedure ("ERC Rules"), MEC respectfully moves that the documents attached in the instant application as Annexes "G" and series, "I," "K," "L" and "N" be treated as "confidential information," as defined under Section 2 of the ERC Rules.
28. The ERC Rules define "Confidential Information" as "such information that has a commercial value or other value that would be, or could reasonably expected to be, destroyed or diminished, or where the proprietary interest of any party, person or entity will be prejudiced, if the information were disclosed." The documents subject of herein Motion contain information that has such commercial value.
29. It bears stressing that the power generation business is a very highly competitive industry. The combination of the technical specifications and designs, the processes, diagrams, and systems, the equipment and materials used by a generation company – which are contained in Annexes "G" and series, "I," "K" and "L" – greatly determine the competitive advantage that it will have over the other generation companies.

- 29.1 To note, the said data disclose the vital aspects of MEC's business of generating and transmitting power, without which, it would not be able to supply additional capacity in a timely and competitive manner.
30. Moreover, the details of the assets and liabilities of MEC illustrate its financial standing. Information on a company's financial standing likewise discloses its competitive advantage as it illustrates its financial capability that allows it to operate its business in a competitive manner.
31. Indeed, the public disclosure of the above-said information would allow competitors of MEC, such as other entities also engaged in the power generation business, to imitate the specifications, method and arrangement, to map out the network of contractors and suppliers, and to otherwise use the information for their own benefit. Thus, MEC stands to lose the competitive advantage that it derives from the said information should the latter be disclosed to the public.
32. In accordance with Section 1 (b), Rule 4 of the ERC Rules, copies of Annexes "G" and series, "I," "K," "L" and "N" are submitted herewith in a sealed envelope, with the envelope and each page of each proposal stamped with the word "Confidential."
33. In accordance with Sections 3 and 4, Rule 4 of the ERC Rules, MEC reserves the right to use the said documents subject of herein Motion as evidence, and respectfully moves for the issuance of a Protective Order.

PRAYER

34. It prays that the Commission:
- 1) Issue an Order declaring the following as confidential information within the purview of Rule 4 of the ERC Rules, as well as directing that the said documents be treated with confidentiality and be protected from public disclosure:

- a) Documents containing the technical specifications of the dedicated transmission facilities (Annex "G" and series hereof);
 - b) Report on the System Impact Study (Annex "I" hereof);
 - c) Facilities Study (Annex "K" hereof);
 - d) Connection Agreement between NGCP and MEC (Annex "L" hereof); and
 - e) Audited Financial Statements of MEC (Annex "N" hereof);
- 2) Issue a Protective Order in accordance with Sections 2 and 4 of the said Rule 4;
 - 3) Immediately issue an Order provisionally approving the instant Application; and
 - 4) After due hearing, render judgment approving the instant Application with finality.
35. It likewise prays for other just and equitable relief under the premises.

The Commission has set the said application for jurisdictional hearing, pre-trial conference, expository presentation and evidentiary hearing on **August 17, 2015 (Monday) at two o'clock in the afternoon (2:00 P.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 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 application or comment thereon at any stage of the proceeding before the applicant 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 application may request the applicant, prior to the date of the initial hearing, that they be furnished with a copy of the application. The applicant is hereby directed to furnish all those making a request with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs. Likewise, any such person may examine the application and other pertinent records filed with the Commission during the usual office hours.

WITNESS, 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 27th day of July, 2015 at Pasig City.


ATTY. FRANCIS SATURNINO C. JUAN
Executive Director III


ABB/NJS