

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.

X-.....X

DOCKETED  
Date: OCT 21 2015  
By: W

### NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that 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

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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

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
- b. iNPI<sub>2015</sub>.

**Discussion**

- 6. **Formula.** NGCP computed the iMAR<sub>2016</sub> based on the following formula:

$\text{iMAR}_{2016} = \text{Effective Rate}_{2015} \times \text{Forecast Demand}_{2016}$
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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<sub>2015</sub> based on the Order dated December 18, 2014 in ERC Case No. 2014-155 RC and the demand for 2015<sup>3</sup> (*Demand<sub>2015</sub>*);
- 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>

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

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<sub>2016</sub>** and arrived at the following values:

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>**:

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

<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>

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)
- 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>	<b>3,618</b>	

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:

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	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	17.91

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	Luzon		Visayas		Mindanao	
	Rating*	Bonus/ Penalty PhPMn	Rating*	Bonus/ Penalty PhPMn	Rating*	Bonus/ Penalty PhPMn
					8	
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 0	43.69
<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.

The Commission has set the said application for jurisdictional hearing, pre-trial conference, expository presentation and evidentiary hearing on the following dates and venues:

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



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<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>
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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 a copy 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 Chairman, **JOSE VICENTE B. SALAZAR**, and the Honorable Commissioners, **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 12th day of October, 2015 at Pasig City.

  
**ATTY. FRANCIS SATURNINO C. JUAN**  
Executive Director III

  
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