

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 FACILITIES
TO CONNECT THE 3.82 MW
SPARC BULACAN PROJECT
TO MANILA ELECTRIC
COMPANY'S (MERALCO)
DISTRIBUTION SYSTEM,
WITH PRAYER FOR
PROVISIONAL AUTHORITY**

ERC CASE NO. 2015-095 MC

**SPARC-SOLAR POWERED
AGRI-RURAL COMMUNITIES
CORPORATION (SPARC),
Applicant.**

DOCKETED
Date: **FEB 12 2016**
By: *ln*

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NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 24 November 2015, the SPARC-Solar Powered Agri-Rural Communities Corporation (SPARC) filed an application for authority to develop, own, and operate dedicated point-to-point limited facilities to connect the 3.82 MW SPARC Bulacan Project to Manila Electric Company's (MERALCO) Distribution System, with prayer for provisional authority.

In the said application, SPARC alleged, among others, the following:

1. SPARC is a corporation duly organized and existing under and by virtue of Philippine laws, with principal office at Bonifacio Technology Center, 2nd Avenue corner 31st Street, Bonifacio Global City, Taguig City, Metro Manila.

3. SPARC is engaged in the business of generating power derived from solar energy and other viable sources of renewable energy for lighting and power purposes. Copies of relevant corporate documents of SPARC were attached in its Application as Annexes "A", "B", "C", "D", "E", and "F"¹.

4. As a registered Renewable Energy (RE) Developer, SPARC was granted a Solar Energy Service Contract (SESC) to construct, operate and maintain a 3.82 MW solar farm facility on properties owned by the Agrarian Reform Beneficiaries (ARBs) in Agrarian Reform Communities (ARC) located at Barangay Pasong Inchik, San Rafael, Bulacan (3.82 MW SPARC Bulacan Project).

5. SPARC intends to sell all power generated by its 3.82MW SPARC Bulacan Project under the Feed-in Tariff (FIT) System at a rate of PhP8.69/kWh.²

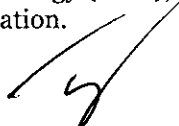
6. All generated electricity will be delivered and sold through the distribution system of the Manila Electric Company (MERALCO) through an interconnection to the latter's 13.8 kV distribution feeder Cruz na Daan (CND) 33YR.

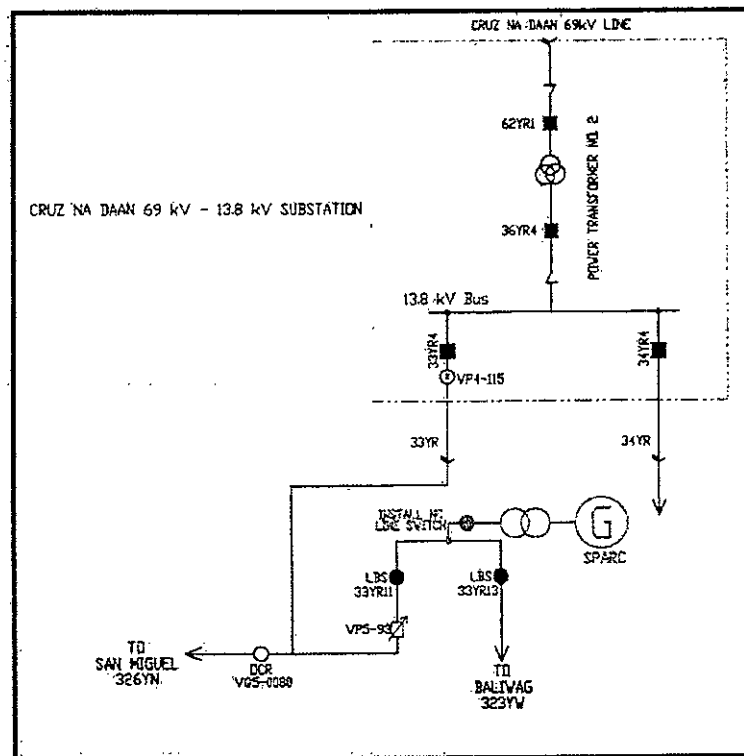
7. SPARC's solar PV plants are connected to four (4) units of ABB PVS800 inverters each rated 1000kW. The 400 V inverter output shall be stepped-up to 13.8 kV through 2 (two) 2.4 MVA transformers. The 3.82 MW SPARC Bulacan Project will be interconnected to the 13.8 kV feeder Cruz na Daan 33 YR, with re-conductoring of approximately 4.8 km 3-phase line from #2 AWG to 336.4 MCM ACSR per phase along Barangay Pasong Inchik, San Rafael, Bulacan.

8. The figure below shows the single line diagram of CND Substation and set-up of CND 33YR with SPARC's 3.82 MW SPARC Bulacan Project.

¹ Certificate of Incorporation, Articles of Incorporation and By-Laws, General Information Sheet for Year 2015, Certificate of Non-Coverage from the Department of Environment and Natural Resources (DENR), Audited Financial Statements for 2014, and Renewable Energy Developer Certificate of Registration issued by the Department of Energy (DOE), were attached as Annexes "A", "B", "C", "D", "E", and "F", respectively in the Application.

² ERC Resolution No. 06, Series of 2015





9. SPARC's Bulacan Project is small and can connect to low voltage lines. Considering its location approaching the end portion of MERALCO's 13.8 kV circuit CND 33YR, or about 5.0 ckt-km from MERALCO's CND Substation, SPARC decided that embedding to MERALCO's distribution system through the proposed interconnection facilities is more economical than connecting to the high voltage lines of the Luzon Grid.

10. The proposed dedicated point-to-point limited facilities are required only for the purpose of connecting the 3.82 MW SPARC Bulacan Project to MERALCO's distribution system, and shall be used solely by SPARC.

11. With SPARC seeking the Honorable Commission's authority to develop and own or operate the proposed dedicated point-to-point limited facilities, it respectfully submits the Application in accordance with Section 2.9.2 (Connection Assets and Facilities) of the 2010 Distribution Services and Open Access Rules, as amended (DSOAR), which provides that:

"A generation company may develop and own or operate dedicated point-to-point limited facilities provided, that such facilities are required only for the purpose of connecting to the distribution system, and are used solely by the generating facility, subject to prior authorization by the ERC."

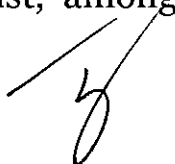
12. MERALCO performed a Distribution Impact Study (DIS) to determine the impact of connecting the 3.82 MW SPARC Bulacan Project to its distribution system, with respect to power flow and short circuit duty criteria. A copy of the DIS was attached as Annex "G" of the Application.

13. The DIS showed the following when SPARC's solar energy generation plant is on-line:

- a. There would be no violations of the thermal loading criteria of any line segment of circuit CND 33 YR;
- b. Voltages along the line are expected to be within tolerable limits;
- c. The loads of CND Bk#2 and CND 33YR are expected to be within allowable loading limits at 50% and 52%, respectively;
- d. The maximum increase in fault current of around 0.192 kA at CND 13.8kV Bus No.2 would not have significant effect on the fault duty rating of the circuit breakers; and
- e. The effect of SPARC's solar energy generation plant to short circuit levels is expected to be negligible at all line segments of CND 33YR.

14. With the foregoing results, it was determined that it is feasible to interconnect SPARC's solar plant to the distribution system of MERALCO, provided the recommendations in the DIS are followed.

15. For the procurement of materials, equipment and labor to construct the proposed dedicated point-to-point limited facilities, SPARC solicited an initial proposal from Power Dimension, Inc., which offered a total contract amount of PhP1,066,997.53, subject to negotiation and final agreement of the parties. A copy of the Commercial Proposal of Power Dimension, Inc. showing the breakdown of costs, recommended installation dimensions, and component list, among others, was attached in the Application as Annex "H".



16. Meanwhile, MERALCO shall operate and maintain the proposed dedicated point-to-point limited facilities in accordance with the Philippine Distribution Code and/or other applicable laws or regulations and interconnection agreements. A Connection Agreement is still being negotiated between MERALCO and SPARC.

17. In support of its Application, the following documents were also submitted by SPARC to the Honorable Commission:

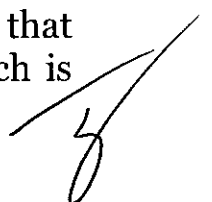
ANNEX	DOCUMENT
"I"	Vicinity Map of the 3.82 MW SPARC Bulacan Project
"J"	Single line diagram of the 3.82 MW SPARC Bulacan Project
"K"	Gantt Chart/Work Schedule Timeline for the proposed dedicated point-to-point limited facilities
"L"	Sensitivity Analysis showing Expected Internal Rate of Return
"M"	Secretary's Certificate attesting to the resolution of SPARC's Board of Directors authorizing the development and ownership or operation of the proposed dedicated point-to-point limited facilities; the filing of an application with the Honorable Commission for authority to undertake the same; designating a representative to said application; and engaging the services of Diccion Law Firm therefor

18. SPARC reserves the right to submit additional documents when necessary or if so ordered by the Honorable Commission.

PRAYER FOR THE ISSUANCE OF
PROVISIONAL AUTHORITY

19. All the foregoing allegations are herein re-pleaded by reference in support of its Prayer for the issuance of a provisional authority.

20. SPARC will sell 100% of the power generated by its 3.82MW SPARC Bulacan Project under the FIT System. Pursuant to the Honorable Commission's Resolution No.6, Series of 2015, a solar FIT rate equivalent to PhP8.69/kWh applicable for the second batch of solar power projects shall be implemented for new capacities that will be covered by the revised 500 MW installation target, which is



valid upon full subscription thereof or until 15 March 2016, whichever comes first.³

21. At present, SPARC continues to secure permits and undertakes all required activities to be among the FIT-eligible second batch of solar power projects that can avail the PhP8.69/kWh FIT.

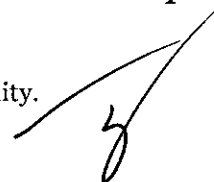
22. Among the requirements to be nominated eligible for the second round of solar FIT is the DOE's confirmation of SPARC's Electromechanical Completion. Pursuant to the DOE's Department Circular No. 2013-05-0009, which governs the selection of RE projects under FIT System and the award of Certificate for FIT Eligibility, the DOE shall issue the confirmation or denial of Electromechanical Completion, including the existence of interconnection facility.⁴ It is provided thereunder that:

"Section 6. Issuance of Certificate of Endorsement for FIT Eligibility.

- a. The RE Developer shall inform the DOE that it has attained the Electromechanical Completion of the project to which the latter shall, within fifteen (15) working days from receipt thereof, conduct a site validation and inspection of the project including the interconnection facility.*
- b. Electromechanical Completion is deemed attained if the construction phase is at least eighty percent (80%) completed as may be determined from the RE Developer's Engineering, Procurement and Construction (EPC) contract or construction and development timeline under the approved Work Plan.*
- c. Not later than fifteen (15) working days from the last day of site validation, the DOE shall issue the confirmation or denial of the Electromechanical Completion, including the existence of interconnection facility.*
- d. In the event the DOE confirms Electromechanical Completion of the project, it shall, within a period*

³ DOE Certification dated 30 April 2014.

⁴ Section 6. Issuance of Certificate of Endorsement for FIT Eligibility.



of five (5) days from the issuance thereof, nominate the eligibility of the project under the FIT system to the Energy Regulatory Commission (ERC) for the processing of Certificate of Compliance (COC) under FIT System, provided that the interconnection facility is fully in place. The DOE nomination to the ERC shall not be constructed as giving right to the RE Developer to be included in the FIT eligible projects.”

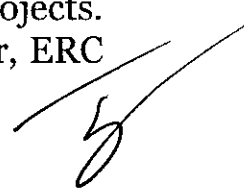
23. Strictly applying the foregoing dates, SPARC should notify the DOE that it has attained Electromechanical Completion, including the existence of interconnection facility, not later than 25 January 2016, approximately, excluding the period of processing with the Honorable Commission of a COC under the FIT System. Meanwhile, per its Work Schedule, SPARC shall complete 80% of the construction phase by, more or less, 22 January 2016, when its Electromechanical Completion shall be deemed attained.

24. As such, prior to said dates, SPARC must have already secured authority from the Honorable Commission, albeit provisionally, to develop and own or operate the proposed dedicated point-to-point limited facilities, and actually construct the same, so it can timely declare Electromechanical Completion.

25. The 3.82 MW SPARC Bulacan Project must, therefore, be immediately connected to the distribution system of MERALCO for it to be included within the 500 MW installation target approved for solar energy technology, thereby qualifying it for the second wave of FIT.

26. Pending hearing on the merits, and considering the urgency of beating the foregoing 15 March 2016 deadline, a provisional authority to develop and own or operate the proposed dedicated point-to-point limited facilities to connect the 3.82 MW SPARC Bulacan Project to MERALCO's distribution system through the latter's 13.8 kV distribution feeder Cruz na Daan (CND) 33YR, is herein prayed for.

27. The subject matter of the Application is analogous to the approval by the Honorable Commission of electric capital projects. Thus, insofar as the grant of a provisional authority thereunder, ERC



Resolution No. 13, Series of 2006, as amended⁵, is invoked. It is provided that:

*“ARTICLE II
APPLICATIONS AND REQUIREMENTS*

2.3 Evaluation and Approval

- xxx -

Upon filing of the application, the Commission may, on its own or upon motion, grant the issuance of a Provisional Authority (PA) based on the allegations of the application and on such other documents attached thereto or submitted by the parties. The Commission, if necessary, may schedule a hearing for the issuance of a PA not later than thirty (30) days from the filing of the application. Thereafter, the Commission shall issue a ruling either granting or denying the PA stating clearly the reasons therefore, within seventy five (75) days from the filing of the application.

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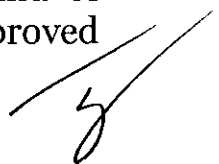
28. For a renewable energy project to qualify for FIT, it has to be fully connected to the grid or a distribution system and must be able to readily export power thereto.

29. Since the installation target for solar energy resource is only at 500 MW, and considering the 15 March 2016 deadline, qualifying for FIT is on a first come, first served basis among solar energy projects that are fully commissioned and completely connected to the grid or the distribution system.

30. A delay in the approval of the proposed interconnection facilities poses additional risks to SPARC in terms of getting its 3.82 MW SPARC Bulacan Project in the 500MW installation target that would entitle it to the PhP8.69/kWh FIT rate.

31. Should SPARC fails to qualify for the second round of solar FIT and becomes eligible only for the next FIT to be approved

⁵ Resolution No. 18, series of 2008 and Resolution No. 26, Series of 2009



by the Honorable Commission, it is probable that for the succeeding batch of solar projects, the FIT rate will already be lower. Also, there is no assurance as to when or how soon the next solar FIT for the third batch of projects will take effect or be implemented. These uncertainties are perils that SPARC is not willing to take for its 3.82 MW power plant in Bulacan, if it were to ascertain the financial viability of the project.

32. The next available option, then, is for SPARC to deliver and sell power to the Wholesale Electricity Spot Market (WESM). However, this does not put SPARC in a better position considering the unpredictability of market prices, which over the years, proved to be unviable as well. Further, due to its size at 3.82 MW, and the intermittence of its energy source, SPARC will merely be a price-taker in the WESM. As a price-taker, it will have to settle on whatever price the market dictates, even if such price is not enough to recover costs in ensuring the sustainable and viable operation of its solar energy generation plant.

33. As clearly demanded by the foregoing circumstances, a provisional authority for the construction and ownership or operation of the proposed interconnection facilities must be secured to ensure that SPARC's 3.82 MW Bulacan Project qualifies for the second round of solar FIT, thereby, safeguarding its viability and sustainability.

34. SPARC prays that the Commission, prior to and/or pending hearing on the merits, issue a Provisional Authority to immediately allow the development and ownership or operation of the proposed dedicated point-to-point limited facilities to connect the 3.82 MW SPARC Bulacan Project to MERALCO's Distribution System at its 13.8 kV distribution feeder Cruz na Daan 33YR.

35. It also prays that after due notice and hearing, a Final Authority be issued to permanently authorize the same.

Finding the said application sufficient in form and substance with the required fees having been paid, the same is hereby set for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **24 February 2016 (Wednesday) 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.**



SPARC is hereby directed to cause the publication of the attached Notice of Public Hearing, at its own expense, once (1x) in a newspaper of general circulation in the Philippines, at least ten (10) days before the date of the scheduled initial hearing. It is also directed to inform the consumers, by any other means available and appropriate, of the filing of the instant application, its reasons therefor, and of the scheduled hearing thereon.

Let copies of the application, this Order and the attached Notice of Public Hearing be furnished the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire, to send their duly authorized representatives at the scheduled hearing.

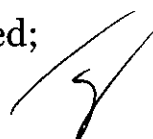
Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of the Governor of Bulacan and the Mayor of San Rafael, for the appropriate posting thereof on their respective bulletin boards.

SPARC is hereby directed to furnish all those making requests therefor with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, SPARC must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidences on the actual posting and publication of the Notice of Public Hearing, consisting of certificates issued to that effect, signed by the aforementioned Governor and Mayors or their duly authorized representatives, bearing the seals of their office, and the affidavit of the Editor or Business Manager of the newspaper where the said Notice of Public Hearing was published, together with the complete issue of the said newspaper, and such other proofs of compliance with the requirements of the Commission.

SPARC and all interested parties are directed to submit, at least five (5) days before the date of initial hearing and pre-trial conference, their respective Pre-trial Briefs containing, among others:

- a) A summary of admitted facts and proposed stipulation of facts;
- b) The issues to be tried or resolved;



- c) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- d) The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-trial Brief.


Failure of SPARC to submit the required Pre-trial Brief and Judicial Affidavits of its witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from said date of cancellation.

As part of the pre-trial conference, SPARC must also be prepared to make an expository presentation of its application, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the application is all about and the reasons and justifications being cited in support thereof.

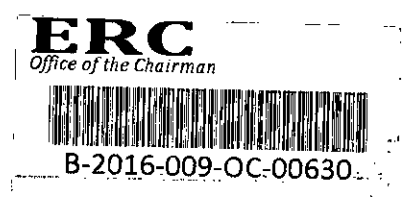
SO ORDERED.

Pasig City, 5 February 2016.

**FOR AND BY AUTHORITY
OF THE COMMISSION:**


JOSE VICENTE B. SALAZAR
Chairman and CEO

ARG/APV initial order 2015-095 mc



Copy furnished:

- 1. Atty. Mary Ann Castro Diccion-Recto and Atty. Anna Tricia Paradero Evangelista**
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134 Amorsolo Street, Legaspi Village
Makati City, Metro Manila
- 3. Commission on Audit**
Commonwealth Avenue
Quezon City, Metro Manila
- 4. Senate Committee on Energy**
GSIS Building, Roxas Boulevard
Pasay City, Metro Manila
- 5. House Committee on Energy**
Batasan Hills
Quezon City, Metro Manila
- 6. Manila Electric Company**
Meralco Avenue, Ortigas Center
Pasig City
- 7. Office of the Mayor**
San Rafael, Bulacan
- 8. Office of the Provincial Governor**
Province of Bulacan

