

Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Ave., 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 FIRST
GEN HYDRO POWER
CORPORATION, WITH
PRAYER FOR THE ISSUANCE
OF PROVISIONAL
AUTHORITY,**

ERC Case No. 2017-077 RC

**NATIONAL GRID
CORPORATION OF THE
PHILIPPINES (NGCP) AND
FIRST GEN HYDRO POWER
CORPORATION (FGHPC),**

D O C K E T E D
Date: DEC 19 2017
By: [Signature]

Applicants.

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NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES

Notice is hereby given that on 25 August 2017, National Grid Corporation of the Philippines (NGCP) and First Gen Hydro Power Corporation (FGHPC) filed an *Application* dated 18 August 2017 (Application) for the approval of their Ancillary Services Procurement Agreement (ASPA) with prayer for the issuance of provisional authority.

NGCP and FGHPC alleged the following in their *Application*:

NATURE OF THE CASE

1. This Application is for the approval of the Ancillary Services Procurement Agreement (ASPA) between the NGCP and FGHPC, pursuant to the Decision dated 3 October 2007 in ERC Case No. 2006-049RC, 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."*

THE 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. 9511¹ 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 FGHPC is a corporation organized and existing under and by virtue of the Philippine laws with principal office address at 6th Floor, Rockwell Business Center Tower 3, Ortigas Avenue, Pasig City, Metro Manila. It may be served with orders, notices, and other legal processes through its undersigned counsel. It is the owner and operator of the Pantabangan Hydroelectric Power Plant (Pantabangan), which was certified and accredited by NGCP as capable of providing Ancillary Services (AS) in the form of: a) Regulating Reserve (RR); b) Contingency Reserve (CR); c) Dispatchable Reserve (DR); d) Reactive Power Service (RPS), and e) Black Start Service (BSS).
 - 3.1. FGHPC, as a generation company, falls within the ambit of Sections 6 of Republic Act No. 9136 or the Electric Power Industry Reform Act of 2001(the "EPIRA").
 - 3.2. While FGHPC is a co-applicant, it manifests that this joint application shall neither modify, diminish or constitute a waiver of FGHPC's rights nor expand its obligations and responsibilities as a generation company under the EPIRA.

ANTECEDENT FACTS

4. Republic Act No. 9136 provides that it is the responsibility of NGCP to ensure and maintain the reliability, adequacy,

¹An 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;

ERC CASE NO. 2017-077 RC
NOTICE OF PUBLIC HEARING/ 13 DECEMBER 2017
PAGE 3 of 8

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 system².

5. Similarly, the PGC provides that NGCP is responsible for determining, acquiring, and dispatching the capacity needed to supply the required Grid Ancillary Services and for developing and proposing Wheeling Charges and Ancillary Service tariffs to the ERC³.
6. Ancillary services (AS) as defined in Section 4b of the EPIRA “refer to those services that are necessary to support the 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 invited and negotiated with all prospective generation companies capable of providing ancillary services, one of which is FGHPC.
9. Upon receipt of FGHPC’s intention to provide ancillary services, NGCP conducted several tests on the Pantabangan hydro plant and certified that the power plant has met and complied with the Standard Ancillary Services Technical Requirements of the ASPP as capable of providing RR, CR, DR, RPS and BSS. Thus, NGCP issued the following accreditation certificates and attached as:

	Accreditation Certificate	Annex
1.	AC No. 2017-L0008 issued on 1 July 2017 for 22MW per unit of RR	A
2.	AC No. 2016-L016 issued on 19 December 2016 for 30MW of CR	A-1
3.	AC No. 2016-L014 issued on 1 December 2016 for 30MW of CR,	A-2

²Section 9 (c) and (d);

³Section 6.3.1.2;

ERC CASE NO. 2017-077 RC
NOTICE OF PUBLIC HEARING/ 13 DECEMBER 2017
PAGE 4 of 8

	60MW/ unit of DR and RPS	
4.	AC No. 2017-L006 issued on 1 December 2016 for BSS	A-3

10. After a series of negotiations, the Applicants executed the ASPA wherein NGCP agreed to procure and FGHPC agreed to supply Ancillary Services in the form of: RR, CR, DR; RPS, and BSS for a period of five (5) years under a non-firm arrangement. A copy of the ASPA dated 10 April 2017, is attached as **Annex "B"**; and a duly executed Letter of Agreement dated August 16, 2017 as an addendum to the ASPA, is attached as **Annex "B-1"** (collective, the "ASPA").

**NON-FIRM CONTRACTED CAPACITY RATES
AND IMPACTSIMULATION**

11. Schedule 4 of the ASPA provides for the formula in the computation of the Ancillary Services Fees as well as the applicable maximum hourly rate for the capacity covered by the ASPA:

Ancillary Service	Applicable Rates (Maximum Hourly Rate)
Regulating Reserve	Php3.00/kW/Hr*
Contingency Reserve	Php2.25/kW/Hr*
Dispatchable Reserve	Php1.25/kW/Hr*
Reactive Power Service	Php4.00/kVar-h*
Black Start Service	Php60,000.00 per month*

*(plus Cost of Incidental Energy for dispatched AS on a per occurrence basis, as calculated in Schedule 4 of the ASPA)

12. Applicants submit that the rates represent a reasonable recovery of its opportunity cost in making available generation capacity to provide the procured AS. The rate under the ASPA was subjected to a simulation by NGCP, as follows:

AS Type	Indicative Rate Impact	
	P/kW-month	P/kWh
RR	2.0041	0.0040
CR	13.5280	0.0271
DR	10.0207	0.0201
RPS	0.6101	0.0012
BSS	0.0159	0.000032

A copy of the said rate impact simulation is attached as **Annex "C."**

13. Also, FGHPC agreed to supply Ancillary Services in the following capacities:

Facility and Unit	Type	Capacity
Pantabangan Units 1 and 2	RR	Up to 45MW per unit* (2 units x 45MW)
	CR	Up to 45MW per unit* (2 units x 45MW)
	DR	Up to 60MW per unit* (2 units x 60MW)
	RPS	Based on the Generator Capability Curve
	BSS	Two units as available

*Based on the maximum capacity of 60MW per unit and minimum stable load of 15MW per unit.

The capacities listed above are the maximum for each generating unit, and are subject to the standard testing requirements for Ancillary Services of the System Operator. The basis for Service Provider's nomination and scheduling shall be such capacities confirmed in the relevant Ancillary Services Accreditation Certificate(s).

14. 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.

**ALLEGATIONS IN SUPPORT OF THE
PRAYER FOR PROVISIONAL AUTHORITY**

15. It is a declared policy of the State to ensure the quality, reliability, security and affordability of the supply of electric power (*Section 2b, EPIRA*). With this end in view, there is a need to comply with the system requirements for AS to ensure grid system reliability. As mentioned above, NGCP has the mandate to procure the required AS.
16. The current level of RR, CR, DR, RPS, and BSS in the Luzon Grid have not yet reached the desired levels necessary for system reliability. Thus, Applicants executed this ASPA. A copy of the relevant actual data showing available levels of RR, CR, DR, RPS, and BSS and the capacity contribution of FGHP in the Luzon Grid is attached as **Annexes "D"** to **"D-2"**.
17. As the demand for power in the Luzon increases, the requirements of the system to ensure stability, reliability, and security likewise increases. 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.
18. The importance of RR, CR, DR, RPS and BSS to be provided by FGHP to ensure and maintain the reliability, adequacy, security, stability and integrity of the Luzon Grid cannot be overemphasized.

19. Applicants submit that the immediate approval of the ASPA by this Honorable Commission is necessary to maintain the reliability, adequacy, security, stability and integrity of the Luzon Grid. In support of these allegations, NGCP submits a copy of the Judicial Affidavit of Engr. Lisaflor Bacani-Kater, which is attached as **Annex "E."**

PRAYER

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

- a) Immediately **ISSUE** a provisional authority to implement the subject ASPA;
- b) **ALLOW** NGCP the full recovery of ancillary services cost for the provision of Ancillary Services effective upon execution of the ASPA:
 - i) Regulating Reserve (RR);
 - ii) Contingency Reserve (CR);
 - iii) Dispatchable Reserve (DR);
 - iv) Reactive Power Services (RPS), and
 - v) Black Start Service (BSS)
- c) **APPROVE**, after notice and hearing, the subject ASPA.

Applicants pray for other just and equitable relief.

On 12 December 2017, FGHPC filed a *Motion to Set Venue* (Motion) stating that the Municipality of Pantabangan, where its hydro plant is located, has no sufficient facilities to accommodate a public hearing. Moreover, FGHPC suggested that the hearing of the instant *Application* be set in the City of San Jose since it has more facilities and venues appropriate for a public hearing.

Finding the *Motion* in order, the same was granted by the Commission.

Accordingly, the Commission has set the *Application* for determination of compliance with the jurisdictional requirements, Expository Presentation, Pre-Trial Conference, and presentation of evidence on **11 January 2018 (Thursday) at nine o'clock in the morning (9:00 A.M.) at 1875 Rice Hotel, 2875 Abar 1st, San Jose City, Nueva Ecija.**

All persons who have an interest in the subject of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure, indicating herein the docket number and title of the case and stating the following:

- i. The petitioner's name and address;
- ii. 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
- iii. 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 case may file their Opposition or Comment thereon at any stage of the proceeding before Applicants rest their case, subject to the requirements under Rule 9 of the 2006 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 and address of such person;
- 2) A concise statement of the Opposition or Comment;
and
- 3) The grounds relied upon.

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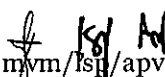
ERC CASE NO. 2017-077 RC
NOTICE OF PUBLIC HEARING/ 13 DECEMBER 2017
PAGE 8 of 8

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, 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.

WITNESS, the Honorable Chairperson and CEO **AGNES VST DEVANADERA**, and Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC** and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 13th day of December 2017 in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal


LS: mvm/lstj/apv.2017-077 rc