

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, 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 ENERGY  
DEVELOPMENT  
CORPORATION, WITH  
PRAYER FOR THE  
ISSUANCE OF  
PROVISIONAL AUTHORITY,**

**ERC CASE NO. 2017-024 RC**

**NATIONAL GRID  
CORPORATION OF THE  
PHILIPPINES (NGCP) AND  
ENERGY DEVELOPMENT  
CORPORATION (EDC),  
Applicant.**

X-----X

**D O C K E T E D**  
Date: MAY 25 2017  
By: [Signature]

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 23 March 2017, the National Grid Corporation of the Philippines (NGCP) and Energy Development Corporation (EDC) filed an *Application (with Prayer for the Immediate Issuance of Provisional Authority) (Application)* seeking the Commission's approval of Ancillary Services Procurement Agreement (ASPA) dated 4 January 2017 entered into by both parties.

In the said *Application*, Applicants alleged the following:

**NATURE OF THE CASE**

1. This Application is for the approval of the Ancillary Services Procurement Agreement (ASPA) between the NGCP and EDC, 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 is the concessionaire which assumed the power transmission functions of the National Transmission Corporation (TRANSCO) pursuant to Republic Act No. 9136<sup>1</sup> (EPIRA). It holds a franchise under Republic Act No. 9511<sup>2</sup> 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 EDC is a corporation organized and existing under and by virtue of the Philippine laws with principal office address at One Corporate Centre, Julia Vargas corner Meralco Avenue, Ortigas Center, Pasig City. It may be served with orders, notices, and other legal processes through its undersigned counsel. It is the owner and operator of the Nasulo Geothermal Power Plant (Nasulo), which was certified and accredited by NGCP as capable of providing Ancillary Services (AS) in the form of Regulating Reserve (RR).

3.1. EDC, 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 EDC is a co-applicant, it manifests that this joint application shall neither modify, diminish or constitute a waiver of EDC’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, 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 system<sup>3</sup>.

---

<sup>1</sup> Republic Act No. 9136 entitled, “An Act Ordaining Reforms in the Electric Power Industry, Amending for the Purpose Certain Laws and for other Purposes”;

<sup>2</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 of Interconnected Transmission Lines, Substations and Related Facilities, and for other Purposes;

<sup>3</sup>Section 9 (c) and (d);

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 ERC<sup>4</sup>.

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 EDC. Upon conducting several tests on Nasulo, NGCP determined that its units are capable of providing RR. The copy of the Provisional Accreditation Certificate No. 2016-V0034 dated 26 October 2016 is attached as Annex “A”.

9. After a series of meetings and negotiations, the Applicants executed the ASPA wherein NGCP agreed to procure and EDC agreed to supply Regulating Reserve services to NGCP for a period of five (5) years under a non-firm arrangement. Also, considering the importance of guaranteeing the availability of ancillary services to ensure and maintain the reliability, adequacy, security, stability and integrity of the Visayas Grid, the parties agreed that EDC shall already commence providing Regulating Reserve, in whole and in part, pending the approval, provisional or final, of the Application, and corresponding payment thereof shall be subject to the approval of the Honorable Commission. A copy of the ASPA dated 4 January 2017 is attached as Annex “B”.

#### NON-FIRM CONTRACTED CAPACITY RATES AND IMPACT SIMULATION

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

Non-Firm:

**Ancillary Service**

**Applicable Rates**

---

<sup>4</sup>Section 6.3.1.2;

	(Maximum Hourly Rate)
Regulating Reserve	Php3.00/kW/Hr

11. NGCP respectfully submits that the rate represents a reasonable recovery of its opportunity cost in making available generation capacity to provide the procured AS.

12. The rate under the ASPA was subjected to a simulation by NGCP, as follows:

AS Type	SIMULATION for 24hr Schedule	
	P/kW-mo	P/kWh Equivalent
Regulating Reserve	2.3534	0.0052

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

13. 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 Visayas Grid.

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

14. 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.

15. The current level of RR in the Visayas Grid has not yet reached the desired levels necessary for system reliability. Thus, Applicants executed this ASPA. A copy of the relevant actual data showing available level of RR and the capacity contribution of EDC in the Visayas Grid is attached as Annex "D".

16. As the demand for power in the Visayas 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.

17. The importance of the Regulating Reserve to be provided by EDC to ensure and maintain the reliability, adequacy, security, stability and integrity of the Visayas Grid cannot be overemphasized. Hence, the parties agreed that EDC shall already commence providing Regulating Reserve, in whole and in part, pending the approval, provisional or final, of the Application. Recovery of the corresponding cost shall be subject to the

**ERC CASE NO. 2017-024 RC**  
**NOTICE OF PUBLIC HEARING/ 19 MAY 2017**  
**PAGE 5 OF 6**

---

Honorable Commission's approval similar to its Order dated 15 March 2016 issued in ERC Case No. 2009-029RC.<sup>5</sup>

18. Applicants respectfully submit that the immediate approval of the ASPA by this Honorable Commission is a necessity to maintain the reliability, adequacy, security, stability and integrity of the Visayas 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 effective on 24 February 2017;
- b) ALLOW NGCP the full and retroactive recovery of ancillary services cost for the provision of Regulating Reserve by EDC pursuant to the subject ASPA (effective on 24 February 2017);
- c) APPROVE, after notice and hearing, the subject ASPA.

Applicants pray for other just and equitable relief.

The Commission has set the said *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **14 June 2017 at ten o'clock in the morning (10:00 A.M.), at the ERC Visayas Field Office, St. Mary's Drive, Banilad, Cebu City.**

All persons who have an interest in the subject matter 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 therein 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

---

<sup>5</sup> In the matter of the Application for the Approval of the Ancillary Services Procurement Agreement (ASPA) between the National Transmission Corporation (TRANSCO) now National Grid Corporation of the Philippines (NGCP) and National Power Corporation (NPC), with Prayer for Provisional Authority.

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.

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 Officer-in-Charge of the ERC **ALFREDO J. NON**, and Commissioners **GLORIA VICTORIA C. YAP-TARUC** and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 19<sup>th</sup> day of May 2017 at Pasig City.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
*Oversight Commissioner for Legal*

LS: ICB/REM/APV  
