

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



**IN THE MATTER OF THE
PETITION FOR THE
APPROVAL OF AMENDED
ANCILLARY SERVICES
PROCUREMENT PLAN,**

ERC CASE NO. 2017-005 RM

**NATIONAL GRID
CORPORATION OF THE
PHILIPPINES (NGCP),
Petitioner.**

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

NOTICE OF PROPOSED RULE-MAKING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 31 March 2017, the National Grid Corporation of the Philippines (NGCP) filed a *Petition* seeking the Commission's approval of its proposed amended Ancillary Services Procurement Plan (ASPP).

In the said *Petition*, NGCP alleged the following:

The Petitioner

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). It may be served with notices and other processes of this Honorable Commission through its counsel at the address indicated below.

2. Pursuant to Republic Act No. 9511,¹ 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 a 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 system² and is authorized to charge its customers at the rates approved by the Honorable Commission.

3. NGCP as System Operator is responsible for determining, acquiring, and dispatching the capacity needed to provide the Grid with Ancillary Services and for developing and proposing wheeling charges and ancillary service tariffs to the Honorable Commission.

Nature of the Petition

4. This is a petition for the amendment of the 2006 Ancillary Services Procurement Plan (filed under Section 37 of the EPIRA and Rule 21 of the Honorable Commission's Rules of Practice and Procedure), in order to reflect therein the new provisions on Ancillary Services under the Philippine Grid Code, 2016 Edition (2016 PGC).

Background

5. In December 2001, the Honorable Commission adopted the Philippine Grid Code (2001 PGC) through Resolution No. 115 wherein Section 7.3.1.2 thereof provides that *"(t)he System Operator shall be 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".*

6. In compliance with the mandate to develop the rate mechanism for the procurement of ancillary services, National Transmission Corporation (TRANSCO), in August 2002 filed an Application entitled: *"In the Matter of the Application for the Proposed Rules, Terms and Conditions for Open Access Transmission Service (OATS) and Proposed Terms and Conditions of Ancillary Services,"* docketed as ERC Case No. 2002-253.

7. In a Decision dated 11 February 2004, the Honorable Commission approved the Open Access Transmission Service (2004 OATS) Rules. Modules D7.3 to D7.5 thereof provides:

"D7.3 Ancillary Services Procurement Plan. The Ancillary Services Procurement Plan shall, for each Ancillary Service:

¹ 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;

² Id, Section 1;

“a) Describe the Ancillary Service in sufficient detail such that the prospective providers of the service can determine whether they have the capability to provide the service.

“b) Specify the minimum technical requirements that plant and equipment providing Ancillary Services shall meet.

“c) Describe the tests that the System Operator shall use to verify that the plant and Equipment meet the minimum technical requirements.

“d) Specify the quantity or level of Ancillary Services required by the System Operator to meet the Power Quality and Reliability performance standards outlined in the Grid Code.

“e) Describe the reasoning or principles applied by the System Operator in determining the required quantity or level of Ancillary Services.

“D7.4 Considerations. The Ancillary Services Procurement Plan shall outline the processes that the System Operator shall use to procure each Ancillary Service taking into account the following:

“a) The System Operator shall use market mechanisms to procure each Ancillary Service whenever technology and transaction costs make this practical and efficient; and

“b) Until such time as ancillary service markets are developed, the System Operator shall use transparent processes which encourage all potential providers to compete to supply Ancillary Services required for the System Operator at the best economic cost; and

“c) Subsequent to the Spot Market Implementation Date, the processes and mechanisms contained in the WESM Rules.

“D7.5 ERC Approval. Every Ancillary Services Procurement Plan shall be approved by the ERC following its development by the System Operator in conjunction with the Grid Management Committee.” (Underscoring ours)

8. Thus, TRANSCO developed an ASPP which was subsequently approved by the Honorable Commission through an Order dated 29 March 2006 in ERC Case No. 2002-253RC.

9. The ASPP provides for, among others, the Specification of Ancillary Services (Provision 3.1); Technical Requirements (Provision 3.2); and Required Levels of Ancillary Services (Provision 3.3). In the ASPP, the Specification of Ancillary Services are as follows:

a. *Load Following and Frequency Regulation* – Ancillary Services provides generating capacity necessary to adjust total system generation over short periods of time (e.g. minute by minute) to match system load changes that resulted from random fluctuations in the total Transmission System Load. This is to address the temporary variations in load and unintended fluctuation in generation. (3.1.1)

b. *Spinning Reserve Ancillary Service* – is the ability of a generating unit, to provide generating capacity necessary to respond immediately to infrequent, but usually large, failures of generating units and/or transmission tie lines. The generating units providing spinning reserve shall be on-line and synchronized to the Grid, operating below its maximum capability, and can automatically respond to change in frequency caused by a loss of large generating unit. (3.1.2.1)

c. *Back-up Power Supply* - is sometimes called Cold Reserve or Supplemental Reserve. These are generating units that have fast start capability. It can synchronize within fifteen minutes upon advice of the Control Center and can provide additional energy to the system rapidly. Its capacity shall be sustainable for a minimum period of eight (8) hours. (3.1.2.2)

d. *Reactive Power Support Ancillary Service* – is the capability of the generating unit to supply reactive power to, or absorb reactive power from the Transmission network in order to maintain the bus voltage within five percent (5%) of its nominal voltage. (3.1.3)

e. *Black Start Service* – The need for this Ancillary Service arises when event or significant incident will result in a Partial or Total System Blackout. This is the ability of the generating unit, without assistance from the Grid or other external power supply, to recover from a shutdown condition to an operating condition in order to energize the Grid and assist other generating units to start.

10. On 10 May 2006, TRANSCO filed an Application for the approval of the amendments/revisions of the 2004 OATS Rules docketed as ERC Case No. 2006-015RC. Said application was approved by the Honorable Commission with modifications in its Decision dated 13 December 2006 (now referred to as 2006 OATS Rules). Also, on 2 April 2007, the Honorable Commission approved the amendments to the 2001 PGC (PGC Amendment 1).

11. On 10 February 2009, the Honorable Commission issued a notice inviting all interested stakeholders to submit proposals for amendment and/or comments on the proposed amendments to the ASPP in order to reflect the 2006 OATS Rules and PGC Amendment 1 in the ASPP. Expository presentations and public consultations were held on 17 to 20 February 2009. Thereafter, the Honorable Commission again issued several notices

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inviting interested stakeholders to submit comments and to attend the expository hearings and public consultation on the proposed amendments.

12. On 5 October 2016, the Honorable Commission promulgated Resolution No. 22, Series of 2016, entitled: "A Resolution Approving the Publication of the Approved Philippine Grid Code, 2016 Edition" (2016 PGC). The 2016 PGC adopted the latest international standards and practices in the operation of ancillary services. As a consequence, there is now a need to amend the ASPP in order to harmonize it with the 2016 PGC, particularly with Section GO 6.6 of the 2016 PGC.

13. Thus, NGCP submits its proposed amendments to the ASPP³.

Brief Discussion

14. The current types of reserves and their order of priority are found in Section 7.6.1 of the 2001 PGC (adopted in Section 3.1 of the ASPP). However, these provisions were amended in Sections 6.6.5, 6.6.6 and 6.6.7 of the 2016 PGC which developed the new types of reserves and order of priority, as follows:

2001 PGC	2016 PGC
Load Following & Frequency Regulation <ul style="list-style-type: none"> ▪ Primary Response ▪ Secondary Response 	Secondary Reserve
Contingency Reserve <ul style="list-style-type: none"> ▪ Spinning Reserve <ul style="list-style-type: none"> ▪ Primary Response ▪ Secondary Response ▪ Back-up Power Supply 	Primary Reserve
	Tertiary Reserve

15. Together with the amendment on the types of reserves, the 2016 PGC also provides the respective modes and frequency controls that must be reflected in the ASPP, as follows:

Reserve	Control Mode	Function
Secondary Reserve (Section 6.6.6)	The generating unit providing secondary reserve shall operate in Automatic Generation Control	To restore frequency from quasi-steady state value as established by the Primary Response of Generating Units back to the nominal Frequency of 60Hz
Primary Reserve (Sections 6.6.5)	The primary reserve shall be provided by the generating units operating under Governor Control Mode	To replace the capacity lost during contingent events
Tertiary	The generating unit	The Tertiary Reserve shall be

³ NGCP opted to introduce amendments to the ASPP using the September 2009 draft of ASPP in deference to the previous evaluations made by the Honorable Commission, and duly submitted comments of the industry stakeholders.

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Reserve (Section 1.7)	providing tertiary reserve shall connect manually or automatically.	used in replenishing the Secondary Reserve and in the events enumerated in Section 6.6.7.1
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16. Further, another new provision found in the 2016 PGC that must be included in the ASPP is the Frequency Response Obligation (Section 6.6.3), which provides for the minimum Frequency Response that shall be maintained by the SO in the Grid, as follows:

	Luzon	Visayas	Mindanao
Starting Frequency(Hz)	60	60	60
Target Minimum Frequency (Hz)	59.2	59.2	59.2
Contingency Protection Criterion (MW)	600	150	160
Frequency Response Obligation (MW/0.1Hz)	75	20	20

17. Moreover, NGCP moves for the inclusion of the following provisions:

a. *On Procurement.* NGCP will procure the ancillary services as follows:

i. *Primary Reserve Ancillary Service and Secondary Reserve Ancillary Service* – through a long term ASPA which should not be included in the WESM Energy and Reserve co-optimization;

ii. *Tertiary Reserve Ancillary Service* - through ASPA or WESM Reserve Market which could be co-optimized with the energy market provided that there is sufficient mitigating measure to prevent abuse of market power such as but not limited to secondary price cap for reserves approved by the ERC;

iii. *Reactive Power Support and Black Start Ancillary Services* - through long term ASPA only; and

b. *On Transition Period.*

All approved and existing ASPA shall remain in full force and effect until their termination date, unless the accredited power plant of the AS Provider cannot comply with the technical requirements provided in the 2016 PGC. Accordingly, the AS categories of the ASPA will be converted as follows:

- i. Contingency Reserve – Primary Reserve;
- ii. Dispatchable Reserve – Tertiary Reserve; and
- iii. Regulating Reserve – Secondary Reserve.

However, the AS Provider with an existing ASPA may opt to renegotiate its offer in a new ASPA that will be filed to the Honorable Commission for approval.

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A copy of the proposed amendments to the ASPP which contains the proposals of NGCP is attached as Annex "A."

PRAYER

ACCORDINGLY, NGCP respectfully prays for the Honorable Commission to:

1. EXERCISE its rule-making power under Section 37 of the EPIRA, and Rule 21 of its Rules of Practice and Procedure; and
2. APPROVE the proposed amendments to the ASPP, after notice and public consultation.

NGCP prays for other just and equitable relief under the premises.

The Commission has set the said *Petition* for public consultation on the following dates:

Date and Time	Venue	Purpose
7 August 2017 (Mon) 9:00 A.M.	ERC Hearing Room, 15 th Floor, Pacific Center San Miguel Avenue, Pasig City	Determination of compliance with the jurisdictional requirements and expository presentation
9 August 2017 (Wed) 9:00 A.M.	Cebu Parklane Hotel Archbishop Reyes Avenue and Escario St., Cebu City	Expository presentation
11 August 2017 (Fri) 9:00 A.M.	Marco Polo Davao Claro M. Recto Street, Davao City	Expository presentation
23 August 2017 (Wed) 9:00 A.M.	Seda Atria Hotel Donato Pison Avenue, Brgy. San Rafael Mandurriao, Iloilo City	Public consultation for Western Visayas
25 August 2017 (Fri) 9:00 A.M.	Sabin Resort Hotel Bantique, Ormoc, Leyte	Public consultation for Eastern Visayas
30 August 2017 (Wed) 9:00 A.M.	N Hotel Kauswagan Highway Cagayan de Oro City	Public consultation for Western Mindanao
6 September 2017 (Wed) 9:00 A.M.	Greenleaf Hotel San Miguel Street , General Santos City	Public consultation for Southern Mindanao
13 September 2017 (Wed) 9:00 A.M.	One Tagaytay Place Hotel Suites 445 Tagaytay-Calamba Road, Barrio Sungay West, Tagaytay City	Public consultation for Southern Luzon

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15 September 2017 (Fri) 9:00 A.M.	Microtel Baguio 5 Marcoville, Upper Session Road, Baguio City	Public consultation for Northern Luzon
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All interested parties are required to submit their written comments on the *Petition* on or before **16 August 2017**. Those who have submitted their written comments within the said period shall be given priority during the public consultations.

WITNESS, the Honorable Officer-in-Charge of ERC **ALFREDO J. NON**, and Commissioners **GLORIA VICTORIA C. YAP-TARUC** and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 17th day of July 2017 at Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner


LS: ARC/KTB/BJM