

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



IN THE MATTER OF THE
APPLICATION FOR THE APPROVAL
OF THE VISAYAS 69 KV
TRANSMISSION LINE PROJECT—
SIBALOM – CULASI, WITH
PROVISIONAL AUTHORITY

ERC CASE NO. 2007-532 MC

NATIONAL TRANSMISSION
CORPORATION (TRANSCO),
Applicant.
x-----x

DOCKETED
Date: FEB 17 2009
By: *PA*

DECISION

Before this Commission for resolution is the application filed on December 13, 2007 by the National Transmission Corporation (TRANSCO) for approval of its Visayas 69 kV Transmission Line Project—Sibalom—Culasi, with provisional authority.

Having found said application sufficient in form and in substance with the required fees having been paid, an Order and a Notice of Public Hearing, both dated January 8, 2008, were issued setting the case for initial hearing on February 21, 2008.

In the same Order, TRANSCO was directed to cause the publication of the 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 scheduled date of initial hearing.

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The Office of the Solicitor General (OSG), the Commission on Audit (COA) and the Committees on Energy of both Houses of Congress were furnished with copies of the Order and the Notice of Public Hearing and were requested to have their respective duly authorized representatives present at the initial hearing.

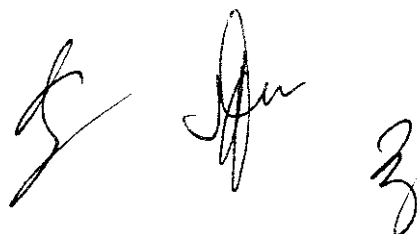
Likewise, the Office of the Mayor of Quezon City was furnished with copies of the Order and the Notice of Public Hearing for the appropriate posting thereof on its bulletin board.

On February 20, 2008, TRANSCO filed its "*Manifestation with Motion to Reset Hearing.*" Relative thereto, on February 22, 2008, the Commission issued an Order granting said motion and resetting the initial hearing to April 21, 2008.

During the April 21, 2008 initial hearing of this case, only TRANSCO appeared. No intervenor/oppositor appeared nor was there any intervention/opposition registered.

In the said hearing, TRANSCO adduced proofs of its compliance with the Commission's posting and publication of notice requirements which were duly marked as Exhibits "A" to "G-1", inclusive. Thereafter, it conducted an expository presentation of its application. Subsequently, it moved for continuance of hearing in view of its failure to submit the required judicial affidavits of its witnesses. Said motion was granted.

On April 24, 2008, TRANSCO filed its "*Pre-Trial Brief.*"



At the continuation of the hearing on May 14, 2008, TRANSCO presented its lone witness, Engr. Philip DV Dasalla, Manager of Project Planning and Development Department for Visayas and Mindanao, who testified, among others, that: 1) the project was included in the indicative project under the 2005 Transmission Development Plan (TDP); 2) the project will provide a connection between Antique Electric Cooperative, Inc.'s (ANTECO) Sibalom and Culasi Substations and thereby completing the 69 kV loop between Panitan, Nabas, Culasi, Sta. Barbara and Sibalom Substation; and 3) the project will solve the inadequate supply of electricity in the area.

At the continuation of hearing on June 30, 2008, TRANSCO recalled Mr. Dasalla to the witness stand, to further testify on the necessity and importance of the project. Thereafter, the Commission propounded clarificatory questions.

On July 28, 2008, TRANSCO filed its "*Formal Offer of Evidence*" which is hereby admitted for being relevant and material to the final resolution of the case.

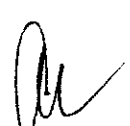
DISCUSSION

TRANSCO sought the Commission's approval of the construction of the Sibalom – Culasi 69 kV Transmission Line Project:

1. Project Description:

1.1 Transmission Line:

- Culasi Load End Substation - 69 kV, SP – SC, 1 -
– Sibalom Load End 336.4MCM, 86 km.
Substation



1.2 Substation:

- Culasi Load End Substation - 1 X 69 kV Air-break Switch (ABS)
- Sibalom Load End Substation - 1 X 69 kV ABS

2. Rationale of the project:

- To improve reliability and comply with the provisions of the Philippine Grid Code (PGC) on "N-1" configuration

3. Project Cost:

PhP260,895,000.00

PROJECT DESIGN

The Sibalom-Culasi 69 kV Transmission Project is targeted to be completed in 2011. According to TRANSCO, the project aims to loop with the existing 69 kV line from Panitan to Culasi Load-end Substation and the line from Sta. Barbara to Sibalom Load-end Substation in order to minimize the outages, enhance system reliability and address the low voltage problem in the area. It also aims to address other power quality issues under the PGC such as voltage fluctuations that cause flickers outside the Flicker Severity limits and the deviation of system frequency from the nominal value of 60Hz. It will make the system, particularly that of ANTECO, compliant with "N-1" configuration as mandated under the PGC. This project will also accommodate, as the tapping point, the proposed Villa Siga Hydro Electric Power Plant which is targeted to be commissioned in 2011.

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TECHNICAL ANALYSIS

Based on the presentation made by TRANSCO during the hearings as well as in the documents presented, the installation of the 69 kV, Single Circuit-Steel Pole Structure, 1-336.4 MCM (Linnet) of about eighty six (86) kilometers will be the appropriate technical configuration for this project. With this configuration, the undesirable system losses within the Panay Island will be reduced by an average of 0.0133% (equivalent to a total of 1.3 MW) over a period of six (6) years.


Moreover, using the said configuration, the voltage at all electrical buses of TRANSCO will be maintained in the acceptable voltage spectrum of 0.95 to 1.05 per unit as prescribed under the PGC. The installation of capacitor bank, which is usually done to improve system loss, will no longer be needed.

COST ANALYSIS

TRANSCO manifested that the funding of the project will be sourced entirely from its Internal Cash Generation (ICG) and will not form part of its Regulated Asset Base (RAB).

CRITERIA TO DISTINGUISH TRANSMISSION ASSETS FROM SUB-TRANSMISSION

As stated in paragraph (c) Sec. 2, Article III of the *Guidelines to the Sale and Transfer of the TransCo's Subtransmission Assets and the Franchising of Qualified*

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Consortiums", radial lines, power transformers, related protection equipment, control systems and other assets held by TRANSCO or its Buyer or Concessionaire which directly connect a load-end substation of one or more Distribution Utilities to a Grid but no Directly Connected Generators shall be classified as Sub-transmission Assets.

Furthermore, Sec. 4, Rule 6 of the IRR of EPIRA states that:

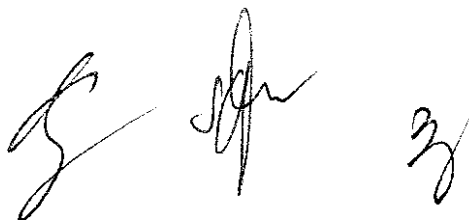
"The technical and functional criteria to be considered in distinguishing transmission asset from subtransmission asset shall include, but not limited to:

- a. xxx;
- b. *Subtransmission assets are primarily radial in character;*
- c. xxx;"

On the other hand, Connection Asset is defined as those assets that are put in place for the primary purpose of connecting a customer. These assets may be bypassed or removed from the network without affecting any customer except those that are directly connected to it.

To harmonize the said provisions, the Commission has resolved to apply the definition of Connection Assets if the line is radial in nature.

Inasmuch as the project will loop the existing 69 kV Transmission Line in the western part of Panay Island for network reliability purposes (N-1 Configuration), among others, and is not considered a radial line in nature, not to mention the incoming connection to the proposed project of Villa Siga Hydro-Electric Power Plant targeted to be commissioned in 2011, the proposed project is considered as Transmission Network Project.



RECLASSIFICATION OF THE 69 kV PANITAN-NABAS-CULASI AND 69 kV STA. BARBARA-SIBALOM SUB-TRANSMISSION LINES

The 69 kV Panitan-Nabas-Culasi Sub-transmission Line is connected to TRANSCO's 69 kV/138 kV Panitan Substation. On the other hand, the 69 kV Sta. Barbara Sub-transmission Line draws its power from TRANSCO's 69 kV/138 kV Sta. Barbara Substation. These two (2) lines will be the tapping points of the proposed Culasi – Sibalom 69 kV Transmission Looping Project.

TRANSCO manifested that the acquisition of Sta. Barbara – San Joaquin (Sibalom) 69 kV Sub-transmission Line is still under negotiation with Iloilo I Electric Cooperative, Inc. (ILECO I) while the Nabas-Culasi 69 kV Sub-transmission Line is being considered for reclassification.

With the implementation of the proposed 69 kV Sibalom - Culasi Transmission Looping Project, the 69 kV Panitan-Nabas-Culasi and 69 kV Sta. Barbara-Sibalom Sub-transmission Line may be reclassified from Sub-transmission Asset to Network Asset because of the resulting configuration it will bring once the proposed looping project is installed. This reclassification shall be applied by TRANSCO following the provisions of Connection Charging Policy and other relevant issuances of the Commission. Once approved by the Commission, it is expected that there will be an adjustment on the Connection Charges and Residual Sub-transmission Charges to the affected Electric Cooperatives being collected by TRANSCO. Nonetheless, any adjustment on the asset base of TRANSCO as a result of this reclassification will only be done during the reset process for the 3rd Regulatory Period.

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A perusal of the evidence presented herein showed that the completion of the aforesaid project will redound to the benefit of TRANSCO's consumers in terms of continuous, reliable and efficient power supply as mandated by Republic Act No. 9136, or the *Electric Power Industry Reform Act of 2001 (Section 2. Declaration of Policy – (b) “to ensure the quality, reliability, security and affordability of the supply of electric power).”*

WHEREFORE, the foregoing premises considered, the application for the approval of the Visayas 69 kV Transmission Line Project—Sibalom–Culasi, with provisional authority, filed by the National Transmission Corporation (TRANSCO) is hereby **APPROVED** subject to the following conditions.

1. The proposed project cost of PhP260.895 Million will not be automatically included in the Maximum Allowable Revenue (MAR) for the current Regulatory Period;
2. The proposed project will be further optimized based on its actual use during the Reset Process for the 3rd Regulatory Period following the procedure stated in the TWRG and other relevant issuances of the Commission; and
3. The affected 69 kV Panitan-Nabas-Culasi Line and 69 kV Sta. Barbara – Sibalom Line of TRANSCO currently supplying power to all Electric Cooperatives in Panay Island should be reclassified from Sub-transmission Asset to Transmission Network Asset.

Relative thereto, TRANSCO is hereby directed to pay a permit fee in the amount of One Million Nine Hundred Fifty Seven Thousand Pesos (PhP1,957,000.00) within ten (10) days from receipt hereof, which will be charged to its Operation and Maintenance (O & M) Cost under its Excluded Services, computed as follows:



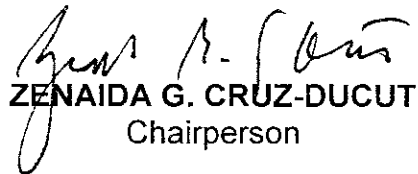




PhP260,895,000.00
----- x PhP0.75 = PhP1,957,000.00
PhP100.00

SO ORDERED.

Pasig City, February 9, 2009.

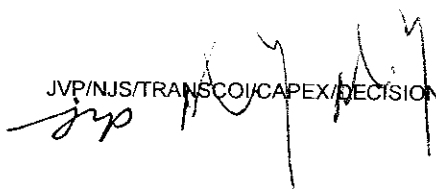

ZENAIDA G. CRUZ-DUCUT
Chairperson


RAUF A. TAN
Commissioner


ALEJANDRO Z. BARIN
Commissioner


MARIA TERESA R. CASTAÑEDA
Commissioner


JOSE C. REYES
Commissioner



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Quezon City, Metro Manila
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5. **House Committee on Energy**
Batasan Hills, Quezon City, Metro Manila
6. **National Electrification Administration (NEA)**
Diliman, Quezon City 1101
7. **The City Mayor**
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