

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

IN THE MATTER OF THE APPLICATION FOR
THE APPROVAL OF THE PRICING AND COST
RECOVERY METHODOLOGY AND THE
STRUCTURE AND LEVEL OF
ADMINISTRATION FEES WITH PRAYER FOR
ISSUANCE OF PROVISIONAL AUTHORITY FOR
THE VISAYAS SUPPLY AUGMENTATION
AUCTION

ERC CASE NO. ERC CASE NO. 2009-015RC

DEPARTMENT OF ENERGY (DOE) THROUGH
THE PHILIPPINE ELECTRICITY MARKET
CORPORATION,

Applicant.

X ----- X

APPLICATION
With Prayer for Issuance of Provisional Authority

Applicant, the Department of Energy (“DOE”), through its duly authorized agent, the Philippine Electricity Market Corporation (“PEMC”), by counsel, respectfully states that -

1. The DOE is a government agency created and existing by virtue of Republic Act No. 7638 and has principal offices at the Energy Center, Merit Road, Fort Bonifacio, Taguig City, as well as field office located in Cebu City;

2. PEMC is a non-profit, non-stock corporation duly organized and existing by virtue of the laws of the Republic of the Philippines and has principal offices at the 18th Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City. PEMC is represented in this Application by its Acting President, Mario R. Pangilinan, upon whom all orders and communications in regards this Application may be served. Mr. Pangilinan is authorized by virtue of the resolution of the PEMC Board of Directors, a copy of which is attached and made an integral part of this Application as Annex “A”.

3. PEMC is authorized to represent the DOE in this Application by virtue of Department Circular No. DC 2009-01-001 dated 16 January 2009 entitled “*Directing DOE Attached Agencies and Various Stakeholders to Adopt and Implement*

Contingency Measures to Ensure Adequate and Reliable Electric Power Supply in Visayas Grid Particularly in the Islands of Cebu, Negros and Panay. A formal endorsement to this Honorable Commission for PEMC to file this Application was likewise made by the Secretary of Energy, Angelo T. Reyes. Copies of the Circular and the letter-endorsement are attached and made integral parts of this Application as Annexes “B” and “C”.

4. This Application was published in a newspaper of general circulation, as certified in the Affidavit of Publication attached as Annex “D”. Copies of this Application and its annexes were likewise served on the Offices of the Sanggunian Panglungsod of Pasig City, Taguig City and Cebu City, as shown in the attached Annexes “E”, “F” and “G”.

BACKGROUND

5. The present power supply situation in the Visayas Region is at a critical point as the current levels of electric power supply in the Visayas grid are inadequate to meet the demand in the region.

5.1. In the Power Development Plan (PDP) of the DOE showing the supply-demand outlook for 2006-2014, it is reported that the Visayas electricity demand requirements need to be addressed immediately to prevent power outages in the Cebu, Negros and Panay islands. The consumers in these regions are already threatened by the looming power shortage during peak hours in the region which could result in increasing incidents of outages until sufficient new base-load capacity is put online. The System Operator has, in fact, already declared the Visayas grid to be in a status of “Red Alert” indicating that the current available capacity is inadequate to meet both demand and reserve requirements.

5.2. This can be attributed to rapidly increasing energy demand in the Visayas due to its fast growing economy, which is compounded by natural capacity de-rating of aging existing generators in the region. The supply scenario is worsened by the limited capacity of inter-island connections. Cebu, Negros and Panay islands are connected by submarine transmission lines that are also limited in capacity. Power from the Leyte region therefore cannot be fully utilized to minimize deficit in supply in some regions.

5.3. New generation plants that will operate in the Visayas are expected to be operational by the years 2010 and 2011. The development of generation capacity, however, is hampered by prevailing regulated electricity rates that are below the cost of production for most generators. In the absence of transparency in the true cost of power, private sector generators are not encouraged to operate nor invest in new capacities.

5.4. Unless remedial measures are established in the short term, the benefits of restructuring the Philippine electric power industry may not be realized in the Visayas. With limited competition and lack of economic signals, it is highly probable that current inefficiencies will severely affect customers and industries. Higher electricity prices and power shortage will become detrimental to the influx of investments and employment opportunities in the region as well as diminish the prospects of economic growth.

6. In a move towards implementing interim measures to address the power supply deficit in the Visayas, particularly in the islands of Cebu, Negros and Panay, the DOE conducted a series of meetings with the stakeholders in these islands. The Visayas Power Stakeholder Meetings were held on 15-16 January 2009 and were participated in by industry participants, local government officials and representatives from the private sector. These Meetings were the culmination of a series of meetings that were held by the DOE with its attached agencies to find measures to address the Visayas supply situation.

7. As offshoots of the stakeholder meetings –

7.1. The DOE issued the aforementioned Department Circular No. DC2009-01-0001 (Annex “A”) directing the implementation of interim measures to address the power supply situation and ensure reliable and adequate supply of electricity particularly in Cebu, Negros and Panay.

7.2. A Covenant of cooperation was signed by the Department of Energy, Energy Regulatory Commission and the major industry participants, including PEMC, National Power Corporation (NPC), PSALM Corporation, National Grid Corporation of the Philippines (NGCP), and several local utilities, local government units, and other local stakeholders in which the signatories agreed to –

- Fully cooperate in ensuring that there will be adequate and reliable supply of electric power in the Visayas region;
- Cooperate and assist in resolving power emergency situation in the Visayas Area and work out schemes to achieve this purpose; and
- Agree on specific timelines and deliverables in implementing the schemes and programs hereinafter considered including but not limited to the obligations provided in Department Circular DC2009-01-0001.

A copy of the Covenant is herein attached as Annex “H”.

8. Among other things, DOE Circular No. DC2009-01-001 introduced the Supply Augmentation Program, and for this purpose it directed that -

Section 3. Supply Side Management. A Supply Augmentation Program is hereby introduced.

a) The PEMC, in coordination with NGCP/SO, is hereby directed to formulate a comprehensive Supply Augmentation Program (the ‘Program’) including the timetable of activities, which shall be submitted for approval by the DOE within two weeks from the effectivity of this Circular. The Program shall be implemented in the Visayas grid immediately x x x

b) Upon approval by the DOE of the Program, PEMC, in coordination with the NGCP-SO, shall be responsible for the implementation of the same, and, either individually or jointly, shall -

(i) Secure the necessary approvals and comply with necessary regulatory requirements, including but not limited to the approval by the Energy Regulatory Commission (ERC) and other relevant government agencies on the implementation of the Program or of any mechanism or procedure contained therein, such, as but not limited to scheduling dispatch, pricing and compensation methodologies.

x x x

(ii) Facilitate the provision of necessary infrastructure, facilities and equipment including the development of protocols or any mechanism as may be necessary to implement the Program. For this purpose, secure the necessary regulatory approvals for the cost recovery mechanisms by NGCP-SO and PEMC of the costs incurred for the development, establishment and operations of the Program.

Visayas Supply Augmentation Auction Program

9. The Visayas Supply Augmentation Auction Program (“VSAA”) is a demand-side management measure as it would allow participants to manage their loads as well as to run their self-generation facilities, as a means to ease the supply deficit

and augment supply in the region. It will operate as a day-ahead market which would allow generators to sell their un-contracted capacity and customers to sell an interruptible portion of their loads through an auction process. This is also a form of demand-management as it would allow participants to manage their loads as well as to run their self-generation facilities, as means to ease the supply deficit and augment supply in the region.

10. The VSAA allows for an interim solution to the impending Visayas power supply problem, allowing a smoother transition to a market-based approach in trading electricity. As such, it allows a form of price discovery which would provide signals for private sector and investors to develop new supply capacity in the region. Due to the financial incentive to supply into the region, it is hoped that companies would then be encouraged to maintain their generating capacities at an optimum level, thereby decreasing occurrences of forced outages.

11. The VSAA is expected to provide relief to electricity consumers in the Visayas region from rolling blackouts due to supply deficits within the region. Even with cost recovery, the economic impact of the VSAA is positive as business and commercial establishments will benefit from adequate and reliable electricity supply.

12. The DOE will be promulgating the Visayas Supply Augmentation Auction Rules (“VSAA Rules”) after it holds public consultation. The VSAA Rules contain the rules for registration and qualification of participants; scheduling and pricing processes; dispatch implementation and monitoring; metering, billing and settlement of transactions, information disclosure, suspension and termination of the VSAA. A copy of the VSAA Rules being presented by the DOE for public consultation is attached as Annex “I” of this Application.

13. The VSAA Rules together with the Pricing and Cost Recovery Methodology which is the subject of this Application will govern the establishment and operations of the VSAA.

14. On 4 – 6 February 2009, PEMC together with the DOE conducted consultation meetings with industry participants and other local stakeholders in Cebu, Negros and Panay islands, where the proposed rules, pricing and cost recovery methodology and the administration fee structure and levels were presented. As an offshoot of the meetings, a formal endorsement of the implementation of VSAA, subject to approval of the VSAA Rules and the pricing and cost recovery methodology, was

given by the participants. A list of the companies and organizations which gave their endorsement are set out in Annexes “J-1” (Cebu Island), “J-2” (Negros Island) and “J-3” (Panay Island).

LEGAL BASIS

15. This Application is being filed to secure approval of the Pricing and Cost Recovery Mechanism and the Administration Fees for the Visayas Supply Augmentation Auction. Specifically, approval is sought for the following –

15.1. Pricing and Cost Recovery Methodology which includes the guidelines, principles and formula for (a) determination of auction schedules and prices; (b) determination of settlement amounts and supply augmentation cost allocation, and (c) cost recovery by distribution utilities of supply augmentation cost incurred by them. The details of the methodology are as set forth in this Application and in the *Pricing and Cost Recovery Methodology for the Visayas Supply Augmentation Auction* attached and made integral part of this Application as Annex “K”.

15.2. Administration fees that will be collected from the VSAA participants to defray the cost of establishing and operating the VSAA. The details of the administration fees are as set forth in this Application and in the *Visayas Supply Augmentation Auction Administration and Fees* attached and made an integral part of this Application as Annex “L”.

16. As stated in Department Circular No. DC 2009-01-0001, Section 37 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (“EPIRA”), grants the Department of Energy the following powers and functions:

(d) **Ensure the reliability, quality and security of supply of electric power;**

(e) Following the restructuring of the electricity sector, the DOE shall, among others:

(i) Encourage private sector investments in the electricity sector and promote development of indigenous and renewable energy sources;

(ii) **Facilitate and encourage reforms in the structure and operations of distribution utilities for greater efficiency and lower costs;**

(iii) **In consultation with other government agencies, promote a system of incentives to encourage industry participants, including new generating companies and end-users to provide adequate and reliable electric supply; and**

xxx

(i) **Develop policies and procedures and, as appropriate, promote a system of energy development incentives to enable and encourage electric power industry participants to provide adequate capacity to meet demand including, among others, reserve requirements;**

xxx

(m) Formulate and implement a program for the accelerated development of non-conventional energy systems and the promotion and commercialization of its applications;

17. Furthermore, Republic Act No. 7638, as amended, known as the “Department of Energy Act of 1992”, also vests in the DOE the authority to do the following acts, to wit:

Section 5. Powers and functions. xxx

(a) Formulate policies for the planning and implementation of a comprehensive program for the efficient supply and economical use of energy consistent with the approved national economic plan and with the policies on environmental protection and conservation and maintenance of ecological balance, and provide a mechanism for the integration, rationalization, and coordination of the various energy programs of the Government;

xxx

(c) **Establish and administer programs for the exploration, transportation, marketing, distribution, utilization, conservation, stockpiling, and storage of energy resources of all forms, whether conventional or nonconventional;**

xxx

(d) Exercise supervision and control over all government activities relative to energy projects in order to attain the goals embodied in Section 2 of this Act.

xxx

(k) Formulate such rules and regulations as may be necessary to implement the objectives of this Act; and

18. The above-mentioned powers and functions are in line with the declared policy of the state “to ensure the quality, reliability, security and affordability of the supply of electric power,”¹ and “to ensure a continuous, adequate, and economic supply of energy with the end in view of ultimately achieving self-reliance in the country’s energy requirements xxx”² Pursuant to its mandate to formulate and establish programs for the efficient supply and economical use of energy, the DOE has designated PEMC to file this Petition and to implement the VSAA which would enable and facilitate the transition to the commercial operations of the WESM in the Visayas.

19. Approval by the Honorable Commission is being sought pursuant to the EPIRA, which provides that –

¹ Section 2 (b), Republic Act No. 9136.

² Section 2, Republic Act No. 7638.

Section 43. Functions of the ERC. The ERC shall promote competition, encourage market development, ensure customer choice, penalize abuse of market power in the restructure electricity industry. In appropriate cases, the ERC is authorized to issue cease and desist order after due notice and hearing. Towards this end, it shall be responsible for the following key functions in the restructured industry:

x x x

(f) In the public interest, establish and enforce a methodology for setting transmission and distribution wheeling and retail rates for the captive market of a distribution utility, taking into account all relevant considerations, including the efficiency or inefficiency of regulated entities. x x x

x x x

(g) Act on applications for recovery and return on demand-side management projects

20. The Pricing and Cost Recovery Methodology and the methodology for allocation of Administration Fees have been presented by PEMC to the industry participants and other local stakeholders in the series of consultation meetings held on 4-6 February 2009 as above-mentioned. Coordination with the System Operator has likewise been made through a series of meetings for purposes of formulating the appropriate scheduling and dispatch procedures.

PRICING AND COST RECOVERY METHODOLOGY

AUCTION DESIGN AND GUIDING PRINCIPLES

21. The proposed pricing and cost recovery methodology is intended to provide the participants in the VSAA with the mechanisms by which their transactions in the VSAA will be priced and settled, and to provide the distribution utilities participating in the VSAA with the mechanism by which they can recover the cost of supply augmentation incurred by them.

22. The proposed methodology establishes the -

22.1. methodology for determining the schedules and prices of supply augmentation services auctioned in the VSAA;

22.2. methodology for calculating the settlement amounts that will be paid to supply augmentation service providers and for calculating the allocation of these amounts to the participating customers; and

22.3. guidelines for the recovery by the participating distribution utilities of the supply augmentation costs incurred by them and the methodology for calculating the amounts for cost recovery from the end-users.

23. **Design and Guiding Principles.** The supply augmentation auction will operate in accordance with the following principles –

23.1. Voluntary participation. Participation in the VSAA is voluntary. It is possible for the VSAA to operate efficiently even if initially on a limited area or with a small number of participants. Participants then have the flexibility to join as they are ready. Those that will not participate will not share in the cost of supply augmentation, and their respective supply deficit will not be included in the auction.

23.2. Day-ahead, hourly bid-based auctioning. Auctioning shall be conducted on a day-ahead basis, through submission of hourly bids or offers. It is bid-based thus allowing the participants to offer their services at the price that they are willing to generate or shed loads and recover their costs.

23.3. Net dispatch scheduling. Only the Supply Deficit will be included in the auction. The VSAA will not affect the dispatch of existing contracted capacities.

23.4. The scheduling of supply augmentation takes into consideration inter-connection constraints between islands, in order to ensure that the supply to be augmented can be delivered. This is embodied in the scheduling algorithm that will be employed in the VSAA System.

23.5. Real-time dispatch adjustments. The VSAA allows for real-time adjustments on the hourly dispatch schedules to address hourly imbalances and changes in system conditions.

23.6. Pay-as-bid settlement. The VSAA participants will be paid for their supply augmentation services at their respective bid or offer prices. This ensures that the VSAA Participants are paid the amounts for which they are willing to generate or curtail loads and can recover their costs.

24. **Supply Augmentation Services.** The following categories of supply augmentation services will be auctioned in the VSAA –

24.1. Generation or the supply of electric power from generation facilities for capacity that is otherwise not covered by any power supply contract with any customer. This may be supplied by generation facilities that are directly connected to the transmission grid (“grid generators”) or by embedded or self generation facilities (“embedded generators”) that are connected to a distribution network.

24.2. Interruptible load or the voluntary curtailment or reduction of load by end-users of electricity that are either connected to the distribution network of a Distribution Utility or directly connected to the transmission grid, provided, however that the load offered to be curtailed is covered by an existing power supply contract.

25. **Supply Augmentation Zones.** The supply augmentation auction will cover the islands of Cebu, Negros and Panay and will cover those areas which are served by the transmission network or grid. These areas will constitute the VSAA supply augmentation cost recovery zones. Cost recovery allocations, however, will only include those that participated in the VSAA. Non-participants, although operating in these regions, will not be included in the supply augmentation and corresponding cost allocation.

26. **Eligible Participants.** The participants in the VSAA (“auction participants”) will include the following persons or entities operating within the identified supply augmentation zones -

26.1. Grid generators, or those generators whose generation facilities that are connected to the grid (“grid generators” or “grid generation”);

26.2. Embedded generators and self generation facilities that are connected to a distribution network (“embedded generators” or “embedded generation”);

26.3 Distribution utilities;

26.4 End-users of electricity whose facilities are directly connected to the grid (“directly connected customers”)

26.5. End-users of electricity whose facilities are connected to a distribution network, but these end-users can only transact in the VSAA through their respective distribution utility.

27. **Categories of Participation.** Participation by the foregoing persons or entities can be as follows –

27.1. Supply augmentation service providers which can either be (a) grid generator; (b) embedded generator; or (c) interruptible load service provider. Interruptible load service providers can only be the directly connected customers or the end-users connected to a distribution network.

27.2. Customers which can be either (a) distribution utility or (b) directly connected customer.

DETERMINATION OF AUCTION SCHEDULES AND PRICES

28. Day-ahead auction shall be conducted for each auction interval which has been forecasted as having a supply deficit. An auction interval corresponds to one (1) hour, commencing on the hour. An auction day is the twenty-four hour period commencing at 00:00H.

29. **Auction Algorithm.** Auction schedules shall be determined by using an auction algorithm formulated specifically for the VSAA. The VSAA algorithm aims to minimize the cost of serving the energy requirement. The energy requirement refers to the expected supply deficit in the VSAA zones considering the limitations of the interconnections between the islands.

Mathematically, the objective is to:

Minimize { Cost }, where:

$$\text{Cost} = \left\{ \sum_{i,j}^{N_G} [(G_{i,j})(PG_{i,j})] + \sum_{i,j}^{N_{IL}} [(L_{i,j})(PIL_{i,j})] \right\}$$

Where:

- i - resources (generators and interruptible loads)
- j - hour
- $G_{i,j}$ - the MW quantity schedule of the i th generator in j th hour
- $PG_{i,j}$ - the price per MW of the i th generator in j th hour
- $IL_{i,j}$ - the MW quantity schedule of the i th interruptible load in j th hour
- $PIL_{i,j}$ - the price per MW of the i th interruptible load in j th hour
- N_G - total number of generators with offers
- N_{IL} - total number of interruptible loads with offers

Subject to the following constraints-

- (a) **Generator Resource Constraint** ($0 \leq G_{i,j} \leq G_{\text{offer } i,j}$) – the energy schedule of generator resource i for hour j should be less than or equal to the quantity offer of generator resource i for hour j .

- (b) **Interruptible Load Resource Constraint** ($0 < L_{i,j} < IL_{offer\ i,j}$) – the energy schedule (energy to be dropped) of interruptible resource i for hour j should be less than or equal to the quantity offer of interruptible resource i for hour j .
- (c) **Energy Balance Constraint** ($QSAA\ j = \sum G_{i,j} + \sum IL_{i,j} + Q_{UG\ j}$) – the expected supply shortfall (requirement) in the Cebu-Negros-Panay grids is equal to the sum of the MW quantity of the i th generator resource for hour j plus the sum of the MW quantity of the i th interruptible load resource plus the unserved requirement for hour j .
- (d) **Interconnection Flow Constraint** ($P_{flow\ k,j} < P_{limit\ k,j}$) – the flow in the interconnection k for hour j should be less than or equal to the limit of the interconnection k for hour j .

30. Determination of Supply Deficit for Auction

30.1. The energy requirement or supply deficit that will be covered by the VSAA is the expected shortfall of power supply in the Cebu, Negros and Panay sub-grids taking into consideration the limitations of the interconnections between these islands. The supply deficit is determined using the hourly load forecast for each island, committed generation for each island and the nominated HVDC import/export levels and the level of reserves allocated by the System Operator. The manual load dropping allocation of non-participating grid customers will be subtracted from the Supply Deficit to determine the quantity to be auctioned.

30.2. Supply Deficit Formula. The determination of the supply deficit is given by the following formula –

$$SD_j = (LSB_{EXP\ j} + \sum G_{CNP\ j} - \sum L_{CNP\ j} - R_{CNP\ j}) + \sum MLD_{CNP\ j}$$

$$LSB_{EXP\ j} = HVDC + \sum G_{LSB\ j} - \sum L_{LSB\ j}$$

Where:

- SD_j - Supply deficit. The expected supply shortfall in the Cebu-Negros-Panay grids in j th hour
- $LSB_{EXP\ j}$ - Exported power from Leyte-Samar-Bohol grids in j th hour
- $G_{CNP\ j}$ - sum of the committed generation in Cebu-Negros-Panay grids in j th hour (from the DOP provided by SO)
- $L_{CNP\ j}$ - sum of the forecasted load in Cebu-Negros-Panay grids in j th hour

$R_{CNP j}$	- total amount of reserve allocated for the CNP grid for the <i>jth</i> hour, e.g., largest unit online in CNP
$MLD_{CNP j}$	- sum of the quantity of load to be shed for non-participating grid customers
HVDC	- imported/exported power to Luzon via the HVDC. If Luzon is exporting to Leyte, HVDC is positive otherwise it is negative
$G_{LSB j}$	- sum of the committed generation in Leyte-Samar-Bohol grids in <i>jth</i> hour (from the DOP provided by SO)
$L_{LSB j}$	- sum of the forecasted load in Leyte-Samar-Bohol grids in <i>jth</i> hour

Thus,

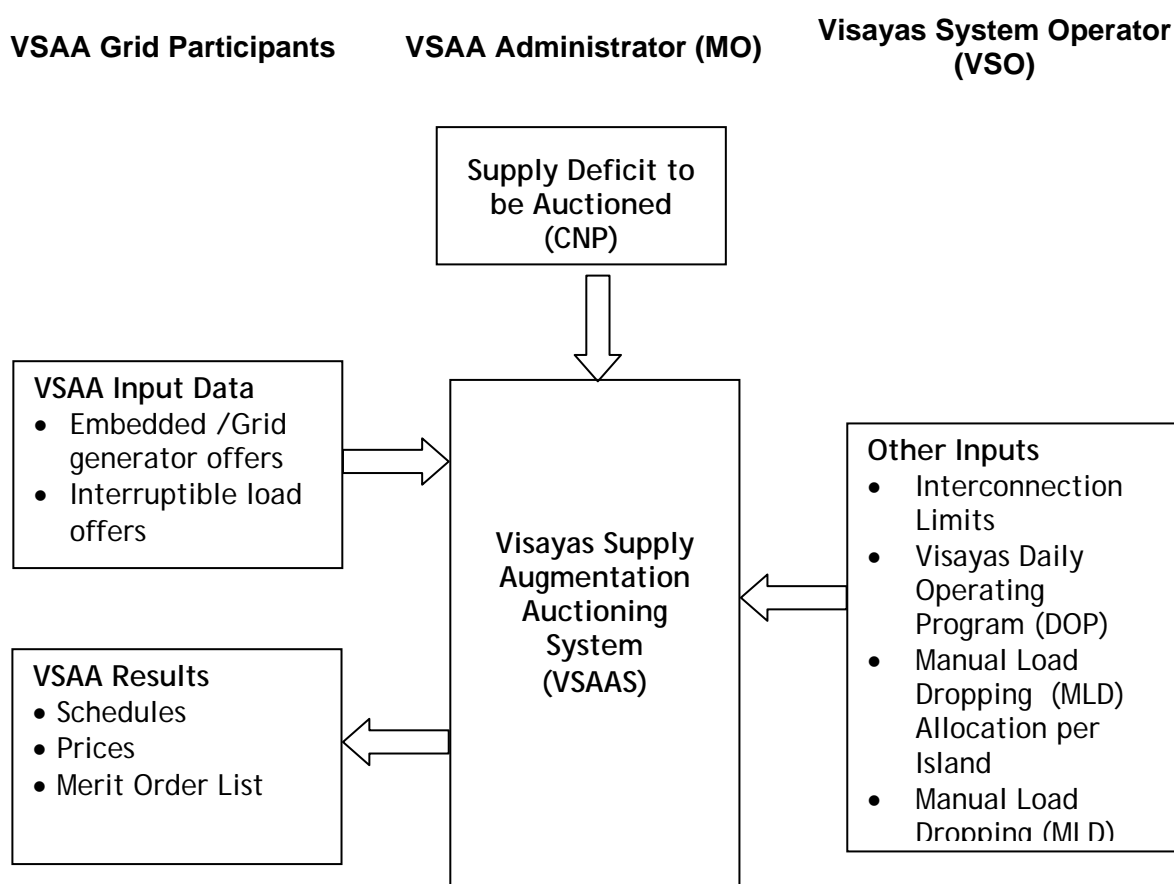
If SD_j is equal or greater than zero (0), then there is no supply deficit to be auctioned. If SD_j is less than zero (0), the supply deficit to be auctioned is equal to its absolute value.

30.3. Supply Deficit Forecasting. The supply deficit forecast shall be determined for each VSAA zone for each hour of the following auction day. The supply deficit forecast shall be transmitted to the System Operator and the auction participants. In determining the Supply Deficit forecast for the following day, the following data are considered –

- a) Total system demand forecast of Visayas grid;
- b) Total generation schedule of the Visayas grid;
- c) Total HVDC import/export schedule to the Luzon grid;
- d) Interconnection limit and the scheduled import/exports within the Visayas Grid;
- e) Reserve requirement and allocation for the Supply Augmentation Auction Zones;
- f) Manual load dropping allocations; and
- g) Scheduled outages of generators, transmissions/sub-transmission facilities, and local supply interruptions;
- h) Other information that may be relevant for determining the Supply Deficit.

31. Scheduling and Pricing Process. The following chart describes the VSAA scheduling and pricing processes –

Figure 1 – Overview of VSAA Scheduling and Pricing Processes



32. Inputs. As illustrated in the foregoing chart, inputs to the VSAA scheduling and pricing processes are provided from three sources, namely, the Visayas System Operator, the auction participants and the VSAA Administrator.

a) System Operator

- Interconnection Limits – refers to the individual interconnection capability between Cebu and Negros and between Negros and Panay. Tripping of associated equipment and de-ratings should be incorporated in the interconnection limits.
- Daily Operating Program (DOP) – the DOP contains the day-ahead forecast (per island) including the expected import/export through the HVDC and the committed hourly generation. This information will be used to determine the supply deficit in the CNP grids. The DOP for the next day is made available by the System Operator at 1600H.
- Quantity of Reserves to be allocated by the System Operator - to be determined by the System Operator based on a certain criteria (e.g. largest unit online). This will be used to determine the supply deficit to be auctioned.

- Manual Load Dropping (MLD) Guide by National Power Corporation (NPC) and Independent Power Producers (IPPs) – this will be the basis for the allocation of MLD to non-participating grid customers. The MLD allocation of non-participating grid customers will be deducted from the supply deficit quantity to be auctioned. This information is required if some grid customers will not participate in the VSAA. (Note: Non-participating customers shall be the first one to be curtailed when the supply augmentation is not enough.)
- b) Supply Augmentation Service Providers
- Generator Offers – the price and quantity offers of registered embedded or grid generator resources.
 - Interruptible Load Offers – the price and quantity offers of registered interruptible load resources.
- c) VSAA Administrator
- Cebu, Negros and Panay Supply Deficit Forecast - the hourly quantity of energy to be auctioned determined based on the formula given earlier.

33. **Output/Results.** For all auction intervals when it is determined that there is a supply deficit, the following will be generated from the scheduling and pricing process –

33.1. **Augmentation schedules.** This is the schedule of the target quantity to be generated by the embedded or grid generators or the amount of load to be dropped by interruptible loads for the next day on an hourly basis.

33.2. **Merit Order List.** This is the list of all the supply augmentation service providers with valid offers for the relevant auction interval and their corresponding available quantity ranked in ascending order based on the price offers. The Merit Order List shall be the basis for the System Operator to call on additional augmentation should the scheduled augmentation be insufficient to meet the actual deficit in supply in real-time.

33.3. **Augmentation Reference Price.** This refers to the price of the last supply augmentation service provider that was scheduled. This is intended to be a price indicator only.

34. **Suspension of Auction.** The auction and settlement processes will be suspended upon occurrence of emergency or force majeure events, including but not limited to declaration of national emergencies, occurrence of local calamities, events

affecting the operations of the power system or the VSAA infrastructure that cannot be addressed by the supply augmentation or will render the operations of the auction processes ineffective.

34.1 Declaration of suspension, as well as the lifting of suspension, can be made by PEMC, as VSAA Administrator, or the System Operator. It is likewise proposed that the declaration of suspension due to national emergencies or local calamities shall be made by the Honorable Commission.

34.2. Upon declaration of suspension, all auction processes shall be suspended for all the auction intervals for the duration covered by the suspension. Auction offers submitted by the auction participants as well as day-ahead augmentation schedules and prices covering auction intervals affected by the suspension, including those that were already processed, published and disseminated shall automatically become ineffective, and shall not be binding.

SETTLEMENT METHODOLOGY

35. **Scope of settlement methodology.** The settlement methodology includes the guidelines and formula for the following –

35.1. determination of the settlement amounts that will be paid to the supply augmentation service providers; and

35.2. determination of amounts that will be allocated to and paid by the customers (“supply augmentation cost allocation”)

36. Basis for settlement calculations

36.1. Billing month. One billing month shall be the thirty-day period beginning at 00:00H of the 26th day of the month and ending at 24:00H of the 25th day of the following month (e.g., 00:00H 26 January to 24:00H 25 February).

36.2. Hourly settlement amounts calculations. The settlement amounts of the supply augmentation service providers are calculated on an hourly basis, but will be billed on a monthly basis.

10.1. 36.3. Monthly cost allocation calculations. The supply augmentation auction cost that will be allocated to the customers of the VSAA will be calculated monthly and will be based on the aggregate monthly settlement amounts of all supply augmentation service providers.

Settlement Amounts of Supply Augmentation Service Providers

37. **Determination of settlement quantity.** The settlement quantity will be determined as follows -

- a) The Settlement Quantity of an Embedded or Grid Generation for each Auction Interval is equal to its metered quantity for that Auction Interval. In the event that the metered quantity is greater than the Offered Quantity, the Settlement Quantity is determined as -

$$\text{Settlement Quantity} = \text{Metered Quantity}$$

where: Metered Quantity \leq 1.05 x Offered Quantity

The 0.05 or 5% refers to the dispatch tolerance. Excess delivery above the tolerance of 5% will not be paid.

- b) The settlement quantity of an interruptible load service provider for each auction interval is determined by getting the historical load profile and metered data before and after provision of the service. The settlement quantity, however will not be more than 1.05 times the quantity offered by the interruptible load service provider. The historical load profile is set and fixed at the time of registration to participate in the VSAA.

38. **Determination of settlement or augmentation price.** Pay-as-bid settlement will be followed. The settlement price or augmentation price for each Supply Augmentation Service Provider for its transactions for each auction interval that it was scheduled to provide supply augmentation shall be its corresponding offer price for that auction interval.

39. **Determination of settlement amounts.** For each auction interval, the settlement amount of a supply augmentation service provider will be determined as the settlement quantity for that auction interval multiplied by the corresponding settlement price. This is presented in the the following formula -

Hourly Settlement Amount -

$$SA_P^i = \sum_R^{N_R} [(BP_{P,R}^i)(SQ_{P,R}^i)]$$

Where:

- SA_P^i - settlement amount in Pesos for hour i of participant P
 $BP_{P,R}^i$ - bid price in Pesos per MWh for hour i of participant P for resource R
 $SQ_{P,R}^i$ - settlement quantity in MWh for hour i of participant P for resource R
 i - hour
 P - VSAA participant
 R - VSAA resource
 N_R - number of resources of participant P

Daily Settlement Amount –

$$SA_P^d = \sum_{i=1 \text{ to } 24} SA_P^i$$

Where:

- SA_P^i - settlement amount in Pesos for hour i of participant P
 SA_P^d - settlement amount in Pesos for day d of participant P
 i - hour
 d - billing day
 P - VSAA participant

Monthly Settlement Amount

$$SA_P^m = \sum_{d=\text{billing days}} SA_P^d$$

Where:

- SA_P^d - settlement amount in Pesos for day d of participant P
 SA_P^m - settlement amount in Pesos for billing month m of participant P
 d - billing day
 m - 28/29/30/31 days or billing month
 P - VSAA participant

Supply Augmentation Cost Allocation to Customers

40. **Determination of Supply Augmentation Cost for Allocation.** The monthly supply augmentation cost is the total of all the settlement amounts of all supply augmentation service providers in each auction interval for the billing month. This amount shall be allocated among all registered VSAA customers.

41. **Determination of Supply Augmentation Cost Allocation Per Customer.** For each billing month, the Supply Augmentation Cost Allocation of each VSAA Customers is determined as the aggregate Settlement Amounts of all Supply Augmentation Service Providers (i.e., the monthly Supply Augmentation Cost) multiplied by that VSAA Customer's participation factor. The participation factor of each VSAA Customer for each billing month is determined as the ratio of the total metered quantity of that VSAA Customer for the month to the total metered quantities of all VSAA Customers for that billing month.

The Supply Augmentation Cost Allocation is presented in the following formulae -

Monthly Supply Augmentation Cost for Allocation

$$SAAC^m = \sum_P^{N_p} SA_P^m$$

Monthly Supply Augmentation Cost Allocation for Each VSAA

$$SAAC_{GP}^m = SAAC^m \left[\frac{MQ_{GP}^m}{\sum_{GP} MQ_{GP}^m} \right]$$

Where:

- SAAC^m - supply augmentation auction cost in Pesos for billing month **m**
- SA^m_P - settlement amount in Pesos for billing month **m** of participant **P**
- SAAC^m_{GP} - supply augmentation cost in Pesos for billing month **m** of grid participant **GP**
- MQ^m_{GP} - metered quantity in MWh for billing month **m** of grid participant **GP**
- P - VSAA participant or providers
- N_P - number of VSAA participants
- GP - grid participant
- m - 28/29/30/31 days or billing days

Cost Recovery Methodology for Distribution Utilities

42. Rationale for Cost Recovery. It is proposed that the Distribution Utilities participating in the VSAA shall be allowed to recover their supply augmentation allocation cost ("SAAC") that will be incurred by them from their respective end-consumers. The cost of supply augmentation is part of the power supply costs of the Distribution Utilities. As such, it can be treated in the same manner as the cost of generation sourced from other means, such as by contract from generation companies.

43. Principles and Coverage. The cost recovery is proposed to be governed by the following principles –

43.1. **Qualified Distribution Utilities.** VSAA-registered Distribution Utilities that are covered by the proposed cost recovery include electric cooperatives, private distribution utilities, government owned-utility or local government unit that –

- o Possess a franchise to operate a distribution network within the islands of Cebu, Negros of Panay and
- o Are or will be permitted by relevant rules, regulations or issuances of the Commission to recover generation costs from their respective end-users.

43.2. Qualified Distribution Utilities that are duly registered with the VSAA Administrator as VSAA Auction Participant shall be entitled to recover Supply Augmentation Auction Cost incurred by them in their VSAA transactions.

43.3. The Supply Augmentation Auction Cost (“SAAC”) incurred by the qualified Distribution Utilities shall form part of the Generation Cost referred to in the approved Generation Rate Adjustment formula set by the Honorable Commission.

43.4. **Recoverable Amount/Components of Supply Augmentation Auction Cost.** The recoverable amount shall be the total amount paid by the VSAA-registered Distribution Utility to the VSAA for any given billing month for (a) supply augmentation cost allocation and (b) administration fees allocation.

43.5. **Formula for Cost Recovery .** The proposed cost recovery is presented in the following formula. Since it is proposed that the Supply Augmentation Auction Cost will become part of the Generation Cost, the Adjusted Generation Cost (AGC) is proposed to be modified as follows:

$$AGC = \frac{[(GC_I + GC_{II} + \dots + GC_n) - (PPD * 50\%)]}{TP} + \frac{SAAC_{GP}^m}{TP}$$

Where:

SAAC_{GP}^m = Supply Augmentation Cost in Pesos for the previous month
TP = Total Purchases in kWh for the previous month

STRUCTURE AND LEVEL OF ADMINISTRATION FEES

ADMINISTRATION OF THE VSAA

44. The PEMC has been designated by the DOE to be responsible for developing, establishing and operating the VSAA, together with the System Operator. As VSAA Administrator, PEMC's specific functions and responsibilities include –

44.1. Preparations for the establishment of the VSAA, specifically, the formulation of the rules, procedures and guidelines to implement the VSAA, securing necessary regulatory approvals, and the registration and training of VSAA participants;

44.2. Operations of the VSAA, including –

- Management and operations of the VSAA auction process, including supply deficit forecasting, scheduling and pricing
- Coordination with the System Operator and relevant Distribution Utilities for the implementation of the VSAA auction schedules and monitoring of the compliance of the VSAA supply augmentation service providers with the augmentation schedules
- Meter data retrieval (except collection) from the Metering Services Provider or relevant Distribution Utility, validation and processing of meter data for settlement purposes
- Billing and settlements of VSAA transactions, including settlement calculations, invoicing, payment and collection; and maintenance of participants prudential requirements
- Management market data, and preparation and submission of market reports, and publication of market data and reports
- Management of the VSAA System or the market infrastructure, and associated interfaces and communication links

44.3. The allocation of resources for the establishment and operations of the VSAA, and collect administration fees from the VSAA auction participants to defray its cost and expenses.

45. PEMC will operate the VSAA together with other service providers, namely, the System Operator and the Metering Services Provider, both of which are currently units under the National Grid Corporation of the Philippines. In addition, the distribution utilities will also be performing metering services as well as dispatch implementation and monitoring functions in respect to the participating interruptible loads and embedded generators within their franchise areas.

VSAA ADMINISTRATION FEES

46. The costs of developing, establishing and operating the VSAA will be defrayed through Administration Fees that will be assessed from the VSAA participants.

46.1. The administration fees covered by this Application cover only the budgeted requirements of PEMC for the establishment and operations of the VSAA.

46.2. The requirements, if any, of the System Operator, the Metering Services Provider or the Distribution Utility, is not covered by this Application. These may, however, be subject of future applications.

Methodology for Setting the Level of the Administration Fees

47. The level of the VSAA Administration Fees are proposed to be set based on the following principles and methodology –

47.1. **Cost recovery.** The Administration Fees will be set and assessed to cover, on a cost-recovery basis, the cost of PEMC in establishing and operating the VSAA program, allowing for reasonable contingency costs to cover cost fluctuations arising from inflation, cost of money and other carrying costs.

47.2. **Treatment of under- or over-recovery.** Over-recovery in a particular year shall be applied to the following year and shall serve as a reduction in the VSAA transaction fee amounts that will be recovered for the year to which the over-recovery is applied. Under-recovery shall be covered through supplemental budgets for which a separate application for approval by the ERC of additional VSAA transaction fees shall be filed, as necessary.

47.3. **Automatic Application of 2009 VSAA Transaction Fee Levels and Structure for Succeeding Years.** It is not envisioned that the VSAA Program will be operated on a long term basis. On preliminary assessment, it is expected that the VSAA will be operated for a period of one to two. In such case, it is deemed prudent that the initial level of the Administration Fees that will be approved will be applied to the succeeding years subject to allowable adjustments.

47.4. **Allowable annual adjustments.** Allowable adjustments are either

- **Automatic adjustments** will not require prior regulatory approval and shall be limited to adjustments to take into account escalation of costs based on consumer price index projections and annual escalation cost of contracts, as well as the projected or estimated costs of acquiring assets or implementing specific projects.
- **Approved adjustments** will require regulatory approval and may include under-recovery from previous year, and items of expenditures (which may include personnel services, maintenance and other operating expenses and capital expenditures) not included in the previous year's budget. This may also include the budgeted requirements of the System Operator, the Metering Services Provider and other service providers, which are not yet included in the proposed 2009 VSAA Administration Fees.

47.5. **Equitable allocation.** The Administration Fees will be allocated among the VSAA participants in proportion to the level of their transactions in the VSAA, measured in kWh. This is based on the assumption that the level of their VSAA transactions is directly proportionate to the level of benefits that they derive from the VSAA.

48. **Components of the Administration Fees.** The Administration Fees that will be assessed from the VSAA participants will be in two components, namely, the (a) VSAA registration fee and the (b) VSAA transaction fee. These components will be assessed on the participants separately.

49. **VSAA Registration Fee.**

49.1. The basic VSAA registration fee is set at **one thousand pesos (PhP1,000.00)** for each participant for each registration to cover the cost of evaluating the application.

49.2. In addition, the VSAA participant shall be charged for actual costs for training expenses which are not covered by the VSAA Transaction Fees), including costs to cover meals of trainees during the training, production of

training materials, as well as cost of venue and facilities rental for training conducted outside of the PEMC's offices.

49.3. The VSAA registration fee will be assessed and collected on the VSAA participants upon final approval of their respective VSAA application. The training fees will be assessed and collected as these are incurred.

VSAA Transaction Fees

50. **Level of the Annual VSAA Transaction Fees.** The VSAA Transaction Fees cover the total budgetary requirements of PEMC to cover the cost of operating and governing the VSAA, excluding the costs covered by the VSAA registration fees. This is set on an annual basis, and may be subject to adjustments.

50.1. **Total VSAA Transaction Fees (CY 2009).** The total VSAA Transaction Fees for CY 2009 is amounts to **PhP22,759,922.00** and covers the budgetary requirements of PEMC for personnel expenses, maintenance and other operating expenses and capital expenses. The budgeted requirement is net of applicable taxes, such as value added tax and income taxes. This amount includes pre-operating or establishment costs.

50.2. **VSAA Transaction Fees for subsequent years.** The VSAA Transaction Fees for the subsequent calendar years is proposed to be set at the same level as the CY 2009 proposed VSAA Transaction Fee Level of **PhP22,759,922.00**. This will be subject to the following adjustments-

- **Automatic adjustments** to take into account escalation of costs based on consumer price index projections and annual escalation cost of contracts, as well as the projected or estimated costs of acquiring assets or implementing specific projects. Due to the nature and bases of these adjustments (which can be pre-determined), it is proposed that this will not be subject to further regulatory approval.
- **Approved adjustments** may include under-recovery from previous year, and items of expenditures (which may include personnel services, maintenance and other operating expenses and capital expenditures) not included in the previous year's budget.

Adjustments may also be made to more accurately reflect the allocation of costs between the shared expenses between the VSAA operations and

the PEMC WESM operations. Shared expenses may include personnel costs, particularly for managerial and technical personnel; office equipment and facilities.

In addition, adjustments may also be made to include the budgeted requirements of the System Operator, the Metering Services Provider and other service providers in performing their functions in the VSAA.

These adjustments will be submitted to the Commission for approval before implementation.

50.3. The cost components covered by the VSAA transaction fees include personnel services, maintenance and other operating expenses and capital expenditures. The administrative costs that are to be incurred by the Honorable Commission and the DOE for monitoring purposes are not yet included in the proposed annual budget. This is proposed to be set as a percentage of the total annual VSAA Transaction Fees.

51. VSAA Transaction Fee Allocation

51.1 The VSAA Transaction Fee Allocation, set in PhP/kWh, is the amount that will be assessed and collected from the VSAA participants representing their share in the Total VSAA Transaction Fees.

51.2. The VSAA Transaction Fees Allocation will be assessed on a monthly basis, corresponding to the VSAA billing month. The allocation shall be based on the following –

- (a) The annual Total VSAA Transaction Fees will be divided equally into twelve months, to get the monthly market transaction fees.
- (b) The VSAA Transaction Fee Rate, in PhP/kWh, will be determined by dividing the Monthly VSAA Transaction Fee over the sum of the total metered quantities of the VSAA Customers and the total settlement quantities of the VSAA Supply Augmentation Service Providers

- (c) The VSAA Transaction Fee Allocation for each participant shall be calculated by multiplying the VSAA Transaction Fee rate with their total metered quantities plus settlement quantities for the month.

51.3. **Allocation Formula.** The calculation of the allocation of the VSAA Transaction Fees is given by the following formulae –

Administration Fees per kWh in a Billing Month

$$AF_{kWh}^m = \frac{Cost^m}{\sum_{GP} MQ_{GP}^m + \sum_{SP} SQ_{SP}^m} \quad P/kWh$$

Where:

- AF_{kWh}^m - Administration Fee Rate to be collected for billing month ***m*** in Pesos per kWh
- $Cost^m$ - cost of operating the Visayas Supply Augmentation Auction in pesos for billing month ***m***. **This is equal to the calendar year transaction fee level divided by 12.**
- MQ_{GP}^m - metered quantity in kWh for billing month ***m*** of grid participant ***GP***
- SQ_{SP}^m - settlement quantity in kWh for billing month ***m*** of supply augmentation auction service provider ***SP***
- SP*** - VSAA service provider
- GP*** - grid participant
- m*** - 28/29/30/31 days or billing month

Administration Fees to be Paid by a Distribution Utility in a Billing Month

$$AF_{GP}^m = AF_{kWh}^m (MQ_{GP}^m + SQ_{SP, GP}^m)$$

Where:

- AF_{kWh}^m - Administration Fee Rate to be collected for billing month ***m*** in Pesos per kWh
- MQ_{GP}^m - metered quantity in kWh for billing month ***m*** of grid participant ***GP***
- AF_{GP}^m - Administration Fees in Pesos to be collected from grid participant ***GP*** for billing month ***m***
- $SQ_{SP, GP}^m$ - settlement quantity in kWh for billing month ***m*** of supply augmentation auction service provider ***SP*** located under the Distribution Utility’s franchise area
- SP*** - VSAA service provider
- GP*** - grid participant
- m*** - 28/29/30/31 days or billing month

Administration Fees to be Paid by SAA Generator in a Billing Month

$$AF_G^m = AF_{kWh}^m (SQ_G^m)$$

Where:

AF_{kWh}^m - Administration Fee Rate to be collected for billing month m in Pesos per kWh

SQ_G^m - settlement quantity in kWh for billing month m of generator G

AF_G^m - Administration Fees in Pesos to be collected from generator G for billing month m

G - VSAA generator participant

m - 28/29/30/31 days or billing month

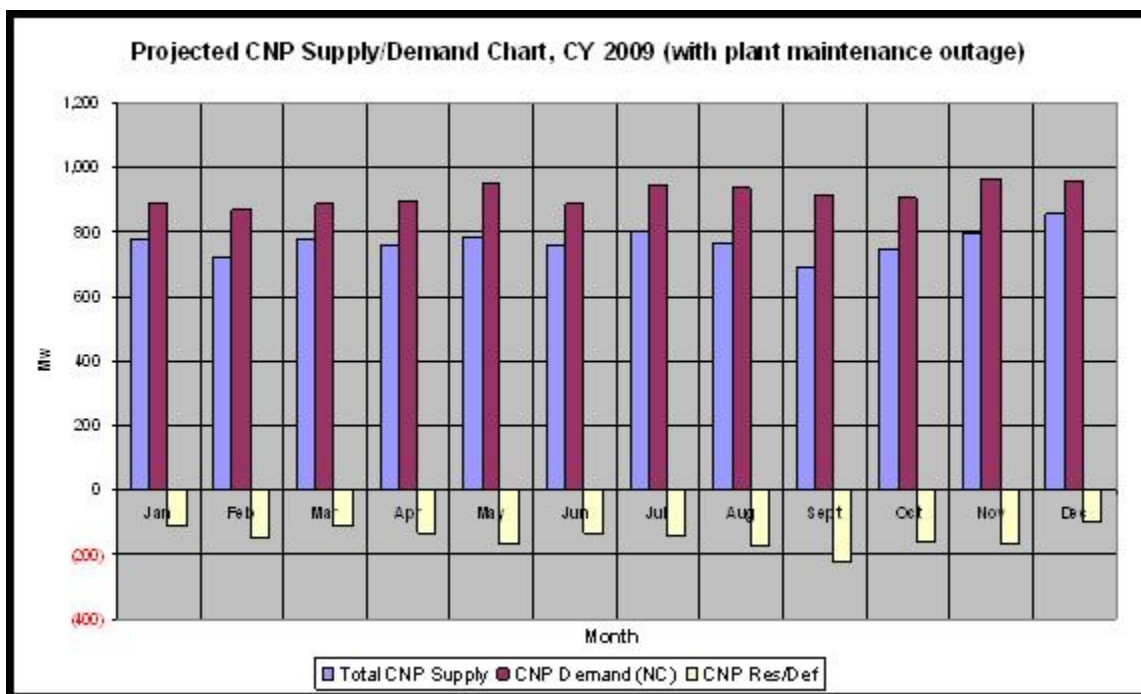
51.4. **Collection and Payment.** The VSAA Transaction Fees will be billed and collected from the VSAA Participants together with the settlements of their VSAA transactions. In applicable cases, the amount of the VSAA Transaction Fees due will be deducted from any amount payable to the relevant VSAA participant.

ISSUANCE OF PROVISIONAL AUTHORITY

52. The deficit in power supply in the Visayas, particularly in the Cebu, Negros and Panay sub-grids is continuing and is expected to worsen with onset of the summer season. No additional capacity is expected from the generation facilities currently operating, including particularly from the National Power Corporation, which is the major power supplier in the region.

53. In a report presented by the Visayas System Operator during the Visayas Power Stakeholders Meeting held on 15-16 January 2009 by the DOE, it is forecasted that there will be supply deficit for all months in 2009 as presented in the following graph

—



54. In view of these circumstances, it is to the best interest of the end-consumers of electricity and of the general public that the VSAA and, correspondingly the proposed methodologies covered in this Application be implemented immediately, beginning 26 April 2009 so that the end-consumers will begin to experience relief from or be spared of the detrimental effects of rotating brown-outs or power outages, especially in the coming summer months.

55. With the levels of demand expected to increase during the summer months, it is imperative that the VSAA be implemented immediately even pending final action by the Honorable Commission on this Application.

PRAYER

WHEREFORE, it is respectfully prayed that this Honorable Commission issue an Order -

- a) Approving the proposed methodology for pricing and cost recovery to be applied in the Visayas Supply Augmentation Auction as presented in the *Pricing and Cost Recovery Methodology in the Visayas Supply Augmentation Auction*;
- b) Approving the structure and level of the Administration Fees as presented in the *Visayas Supply Augmentation Auction Administration and Fees*;

c) Granting provisional authority for the Applicant, through PEMC, to implement the proposed pricing and cost recovery methodology and the collection of administration fees beginning 26 April 2009, subject to adjustments based on final action by the Honorable Commission on this Application.

The Applicant prays for other relief deemed just and equitable under the circumstances.

18 February 2009, Pasig City

CELINA R. ENCARNACION

Roll of Attorneys No. 38567
IBP No. 01805; Lifetime Member
PTR No. 5157013/22 January 2009/Pasig City
MCLE (2nd) Compliance No. 0010697; 5 August 2008
Email: crencarnacion@wesm.ph

RACHEL ANGELA P. ANOSAN

Roll of Attorneys No. 39278
IBP No. 737587/14 January 2008/Baguio City
PTR No. 4346984/14 January 2008/Pasig City
MCLE (2nd) Compliance No. 0003643; 14 June 2007
Email: rapanosan@wesm.ph

GLADYS EVETTE G. NEBAB

Roll of Attorneys No. 51780
IBP No. 777205 / 22 January 2009 / Makati City
PTR No. 5157012 / 22 January 2009 / Pasig City
MCLE (2nd) Compliance No. 0003882; 10 August 2007
Email: ggnzamora@wesm.ph

Counsel for PEMC

18th Floor, Robinsons-Equitable Tower
ADB Avenue corner Poveda Street
Ortigas Center, Pasig City

- and -

SIGUION REYNA, MONTECILLO & ONGSIAKO

Collaborating Counsel for Philippine Electricity Market Corporation
4th and 6th Floors Citibank Center
8741 Paseo de Roxas, Makati City
Tel (02) 810-0281; Fax (02) 819-1498

By:

NOEL B. LAZARO

Roll of Attorneys No. 41064; 12 April 1996
IBP No. 766997/7 January 2009/Masbate
PTR No. 1574378/9 January 2009/Makati City
MCLE (2nd) Compliance No. 0008544; 15 October 2007
Email: nbl@srmo-law.com

MICHAEL FELIPE A. MERCADO

Roll of Attorneys No. 46071/25 May 2001
IBP No. 767101/7 January 2009/Nueva Vizcaya
PTR No. 1574382/1 January 2009/Makati City
MCLE (2nd) Compliance No. 0001762; 7 June 2007
Email: mam@srmo-law.com

CHERYL ANN L. PEÑA

Roll of Attorneys No. 47578; 7 May 2002
IBP No. 767102/7 January 2009/Manila IV
PTR No. 1574383/9 January 09/Makati City
MCLE (2nd) Compliance No. 0001763; 7 June 2007
Email: calp@srmo-law.com

BATIBUT G. CUYUGAN

Roll of Attorneys No. 52658; 12 May 2006
IBP No. 767113/7 January 2009/Quezon City
PTR No. 1574394/9 January 2009/Makati City
MCLE (2nd) Compliance No. 003969; 7 July 2007
Email: bgc@srmo-law.com

MA. CORAZON U. DEL CASTILLO

Roll of Attorneys No. 54023; 30 April 2007
IBP No. 767118/7 January 2009/Makati City
PTR No. 1574399/9 January 2009/Makati City
Email: cud@srmo-law.com

VERIFICATION AND CERTIFICATION OF NON-FORUM SHOPPING

I, **MARIO R. PANGILINAN**, of legal age and with address at the 18th Floor Robinsons-Equitable Tower, ADB Avenue, Ortigas Center, Pasig City, under oath hereby state that:

1. I am the Acting President of the Philippine Electricity Market Corporation, which has been authorized by the Applicant, Department of Energy, to file this Application, and, I have been duly authorized to represent PEMC in the instant proceedings and to execute this Verification;

2. By virtue of such authority, I have caused the preparation of the foregoing Application, the contents of which are true and correct of my own knowledge and based on authentic records and information;

3. I am aware of the following applications currently pending before the Commission -

- a. In the Matter of the Application for Approval of the Pricing and Cost Recovery Mechanism for Reserves in the Philippine Wholesale Electricity Spot Market (ERC Case No. 2007-004 RC) filed by the Applicant, which also includes a pricing and cost recovery for interruptible loads in lieu of reserves which may bear similarities in concept and is also a subject matter of the instant Application;
- b. In the Matter of the Application for Approval of the Electronic Ancillary Services Tendering (EAST) for the Administration of Ancillary Services in Luzon, Visayas and Mindanao with Prayer for Provisional Authority (ERC Case No. 2009-005 RC) filed by the National Grid Corporation of the Philippines. Said application also includes interruptible loads in lieu of reserve which is also a subject matter of the instant Application.

4. Other than the foregoing, the Applicant or I have not commenced any application or petition involving the same issues or subject matter with any regulatory agency, quasi-judicial body, tribunal, the Regional Trial Courts, the Court of Appeals or the Supreme Court or any division thereof. Should I learn that any action or proceeding has been filed or is pending before any agency, body, tribunal or the courts, I will inform the Commission of the same within five (5) days from notice.

Done in Pasig City this day of _____.

MARIO R. PANGILINAN

SUBSCRIBED AND SWORN to before me this day of _____, affiant exhibiting to me his Passport with No. QQ0684983 issued on 14 July 2005 in Manila with expiry on 14 July 2010.

NOTARY PUBLIC

Doc. No. _____;
Page No. _____;
Book No. _____;
Series of 2009.