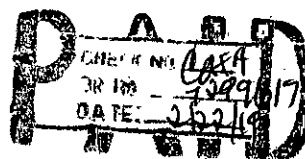


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Ortigas Center
Pasig City

IN THE MATTER OF THE
APPLICATION FOR APPROVAL
OF THE ANCILLARY SERVICES
PROCUREMENT AGREEMENT
BETWEEN THE NATIONAL GRID
CORPORATION OF THE
PHILIPPINES AND SN ABOITIZ
POWER-MAGAT, INC., WITH
PRAYER FOR THE ISSUANCE
OF PROVISIONAL AUTHORITY

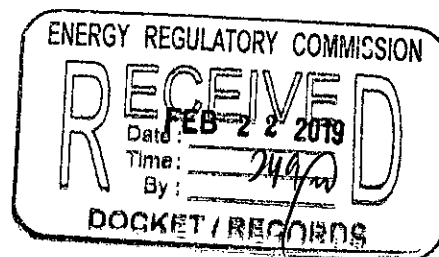


ERC CASE NO. 2019- 016 RC

NATIONAL GRID
CORPORATION OF THE
PHILIPPINES AND SN ABOITIZ
POWER-MAGAT, INC.,

Applicants.

X-----X



APPLICATION

(With Prayer for the Immediate Issuance
of a Provisional Authority)

Applicants **NATIONAL GRID CORPORATION OF THE PHILIPPINES** ("NGCP") and **SN ABOITIZ POWER-MAGAT, INC.** ("SNAP-MI"), by their respective counsel, respectfully state:

NATURE OF THE CASE

1. This Application is for the approval of the Ancillary Services Procurement Agreement ("ASPA") between the NGCP and SNAP-MI dated 14 January 2019, pursuant to the Decision dated 3 October 2007 in ERC Case No. 2006-049RC entitled: "*In the Matter of the Application for the Approval of Ancillary*

Services – Cost Recovery Mechanism (AS-CRM) of the Ancillary Services Procurement Plan, with Prayer for Provisional Authority.”

THE PARTIES

2. Applicant NGCP is a corporation created and existing under the laws of the Philippines, with office address at NGCP Building, Quezon Avenue corner BIR Road, Diliman, Quezon City. It holds a franchise under Republic Act No. 9511¹ to engage in the business of conveying or transmitting electricity through high-voltage back-bone systems of interconnected transmission lines, substations and related facilities, and for other purposes. The franchise also includes the conduct of activities necessary to support the safe and reliable operation of the transmission system.

3. Applicant SNAP-MI is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines with principal place of business at Magat Hydroelectric Power Plant, Brgy. Aguinaldo, Ramon, Isabela. It may be served with orders, notices, and other legal processes through its undersigned counsel. It is the owner and operator of the Magat Hydro-Electric Power Plant (“Generation Facility”) located at the same address, which was certified and accredited by NGCP to be capable of providing Ancillary Services (“AS”) in the forms Regulating Reserve (“RR”), Contingency Reserve (“CR”), Dispatchable Reserve (“DR”) Black Start Service (“BSS”) and Reactive Power Support (“RPS”).

ANTECEDENT FACTS

4. Republic Act No. 9136 (“EPIRA”) 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

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 of Interconnected Transmission Lines, Substations and Related Facilities, and for other Purposes

Code (“PGC”)², 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.³

5. Similarly, the PGC provides that NGCP is responsible for determining, acquiring, and dispatching the capacity needed to supply the required Grid AS and for developing and proposing Wheeling Charges and AS tariffs to the ERC.⁴

6. AS as defined in Section 4(b) 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 on different dates published in newspapers of general circulation a Notice of Invitation for Prospective Ancillary Services Providers, inviting all grid-connected merchant plants and independent power producers to participate in the provision of ancillary services.

9. It may be recalled that on 08 August 2016, the Applicants entered into an ASPA (2016 ASPA) for a period of 5 years for the procurement of RR, CR, DR and BSS. On 24 August 2016, the Applicants filed the Application for its approval docketed as ERC Case No. 2016-164RC before the Honorable

² Section 9 (c)

³ Section 9 (d)

⁴ Section 6.3.1.2

Commission, which was provisionally approved through an Order dated 01 August 2017.

10. To further support NGCP in maintaining power quality and the reliability of the Luzon Grid, SNAP-MI offered to provide RPS. Thus, on 14 January 2019, the Applicants entered into a new ASPA for RPS on a non-firm contracted capacity basis.

A copy of the *Ancillary Services Procurement Agreement between NGCP and SNAP-MI* dated 14 January 2019 is attached hereto as **Annex "A"**.

11. During the period of negotiation, NGCP has certified that the units of the Generation Facility to have met and complied with the Standard Ancillary Services Technical Requirements of the ASPP as capable of providing RPS. A copy of NGCP Accreditation Certificate No. 2018-L027 dated 1 February 2019 is attached hereto as **Annex "B"**.

NON-FIRM CONTRACTED CAPACITY RATE AND IMPACT SIMULATION

12. Under Clause 3 of the ASPA, SNAP-MI shall provide NGCP with the following AS as specified in Schedule 1 of the ASPA, as follows:

Non-Firm Contracted Capacity

Reactive Power Support (RPS)

Available capacity of Reactive Power outside the range of 85% lagging and 90% leading power factor, as provided in Schedule 6.

Note: This is in addition to the other Ancillary Service types provided under the Schedule 1 of ASPA entered into by SNAP-M and NGCP on 8 August 2016 with ERC Case No. 2016-164 RC.

13. The Applicable Rates for the incidental kVARh covered by the ASPA as provided in Schedule 3 are as follows:

Real Time Incidental kVARh Utilization while Providing Contingency or Dispatchable Reserves. This shall be paid based on the total recorded kVARh delivered/absorbed beyond 0.85 power factor lagging or 0.9 power factor leading from the time when the dispatch of RPS was instructed. The compensable kVARh shall be paid at:

Incidental kVAR Rate: Php 4.00/ kVARh

Compensable kVARh = Actual kVARh – Base kVARh

Where:

Actual kVAR = actual reactive power provided within each interval

Base kVARh = corresponding kVARh at 0.85 power factor lagging or 0.9 power factor leading, for the unit's MW loading. For clarity, the MW loading is the unit's Pmin, or RTD schedule, whichever is greater.

Actual Costs (AC) incurred by the Service Provider when providing reactive power support as a **Synchronous Condenser** shall be reimbursed by NGCP using the following formula:

$$AC = L \times P$$

Where,

AC = Actual costs incurred by the Service Provider while providing the service.

L = Actual consumption of the generating unit on Synchronous Condenser mode, specifically the consumption of the auxiliary load, in kWh.

P = WESM ex-post nodal price at the trading node, or the equivalent 1-hour load-weighted average of the 5-minute nodal price when the 5-minute market is in place.

14. Applicants submit that the rates represent a reasonable recovery of its opportunity cost in making available generation capacity to provide the procured AS.

15. The rates under ASPA was subjected to a simulation by NGCP, the results of which are as follows:

Overvoltage Condition	Cost, PhP Mn	Indicative Rate Impact	
		PhP/kW-month	PhP/kWh equivalent
SNAP-Magat - Generator	12.48	0.3006	0.0006
SNAP-Magat - Synchronous Condenser	9.28	0.2235	0.0005

Undervoltage Condition	Cost, PhP Mn	Indicative Rate Impact	
		PhP/kW-month	PhP/kWh equivalent
SNAP-Magat - Generator	153.56	2.3849	0.0049
SNAP-Magat - Synchronous Condenser	446.58	6.9355	0.0142

A copy of the Rate Impact Simulation is attached hereto as **Annex "C"**.

16. Consistent with the AS-CRM, all the related and incidental expenses which NGCP will incur as a result of the procurement and operation of the ancillary services shall be recovered from all the load customers in the Luzon.

17. The ASPA shall be effective for a period of five (5) years, to commence immediately upon the effectivity of the provisional approval, or in the absence thereof, the final approval of the instant Application. In the event that the provisional or final approval, as the case may be, does not state a particular date of effectivity, the Agreement shall be effective on the date agreed upon by the Parties.

18. SNAP-MI, as a generation company, falls within the ambit of Section 6 of the EPIRA. Attached are copies of relevant documents proving SNAP-MI's due registration as a generation company, relevant permits to operate the Generation Facility and audited financial statements, as follows:

Document	Annex
<i>Certificate of Compliance</i>	"D"
<i>Summary of Existing Power Supply Agreement</i>	"E"
<i>Articles of Incorporation</i>	"F"
<i>Latest Security Exchange Commission – General Information Sheet</i>	"G"
<i>Latest Audited Financial Statement</i>	"H"
<i>WESM Registration</i>	"I"

While SNAP-MI is a co-applicant, it manifests that the instant Application shall neither modify, diminish or constitute a waiver of SNAP-MI's rights nor expand its obligations and responsibilities as a generation company under EPIRA.

ALLEGATIONS IN SUPPORT OF THE PRAYER FOR PROVISIONAL AUTHORITY

19. It is a declared policy of the State to ensure the quality, reliability, security and affordability of the supply of electric power (*Section 2(b), EPIRA*). To this end, there is a need to comply with the system requirements for AS to ensure grid system security and reliability. As mentioned above, NGCP has the mandate to procure the required AS.

20. RPS is one of the ancillary services provided in the PGC that is *essential in maintaining power quality and the reliability of the grid*⁵. SNAP-MI having offered to provide its RPS, will significantly help maintain the required power quality and voltage level in North Luzon. The Generation Facility is strategically located in North Luzon, thus, its provision for RPS will definitely enable NGCP to comply with its mandate.⁶

21. Thus, NGCP and SNAP-MI agreed to execute another ASPA for a period of five years to provide RPS.

22. In support of these allegations, NGCP submits a copy of the Judicial Affidavit of Engr. Lisafior Bacani-Kater of the Revenue and Regulatory Affairs Department of NGCP, which is attached hereto as **Annex "K"**.

PRAYER

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

- a) Immediately **ISSUE** a provisional authority to implement the subject ASPA executed on 14 January 2019; and
- b) **APPROVE**, after notice and hearing, the subject ASPA.

⁵ Section 1.6, PGC;

⁶ A copy of the List of Ancillary Services Providers in Luzon Certified with Reactive Power Support is attached as **Annex "J"**.

Applicants pray for other just and equitable relief.

Quezon City and Taguig City for Pasig City, 11 February
2019.

**OFFICE OF THE GENERAL COUNSEL
NATIONAL GRID CORPORATION OF THE PHILIPPINES**

NGCP Building, Quezon Avenue corner
BIR Road, Diliman, Quezon City
Tel. No. 981-2100 (Trunk Line)

By:



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IBP Lifetime No. 010191/RSM
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and

OFFICE OF THE LEGAL AND COMPLIANCE COUNSEL
SN ABOITIZ POWER-MAGAT, INC.

10th Floor, NAC Tower
32nd Street, Bonifacio Global City
Taguig City

By:



DAVID I.B. OCAMPO

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Roll No. 63018

Email address: david.anthony.aranas@snaboitiz.com

Courtesy Copy:

NATIONAL TRANSMISSION CORPORATION

Office of the President
Quezon Avenue corner BIR Road
Diliman, Quezon City

NATIONAL TRANSMISSION CORPORATION

Office of the General Counsel
Quezon Avenue corner BIR Road
Diliman, Quezon City

POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION

c/o Office of the President
24th Floor Vertis North Corporate Center 1
Astra corner Lux Drives, Vertis North
Mindanao Avenue, Quezon City

MAGAT

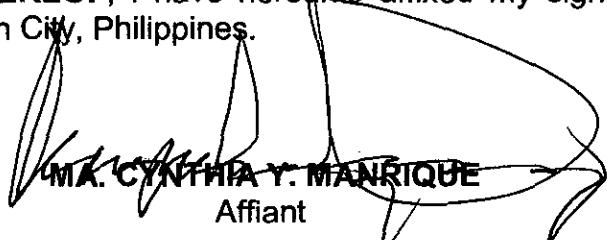
REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S.S.

**VERIFICATION AND
CERTIFICATION OF NON-FORUM SHOPPING**

I, **MA. CYNTHIA Y. MANRIQUE**, Filipino, of legal age, single, with office address at 2nd Floor, NGCP Building Quezon Avenue, cor. BIR Road Diliman, Quezon City, after having been duly sworn to in accordance with law, hereby depose and say that:

1. I am presently the Vice President and Head of the Revenue Regulatory Affairs of the National Grid Corporation of the Philippines (NGCP);
2. I am duly authorized to sign the Verification and Certification of Non-Forum Shopping in this case for and in behalf of NGCP as evidenced by the Secretary's Certificate hereto attached as **Annex "A-Verification,"**
3. I have caused the preparation of the foregoing Application and I have read it. I attest that the allegations therein are true and correct of my personal knowledge and based on authentic records;
4. I further attest that NGCP has not filed any similar case or action before any court, tribunal or quasi-judicial agency involving the ASPA subject of this case and, to the best of my knowledge, no such other case or action is pending therein; and
5. If I should thereafter learn that a similar case, action or claim other than those mentioned above, is filed or pending before any court, tribunal or quasi-judicial agency, I shall report that fact to this Honorable Office within five (5) days therefrom;

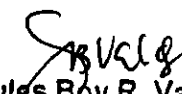
IN WITNESS WHEREOF, I have hereunto affixed my signature this 11 February 2019, in Quezon City, Philippines.



MA. CYNTHIA Y. MANRIQUE
Affiant

SUBSCRIBED AND SWORN to before me this 11 February 2019, in Quezon City, affiant exhibited to me her Philippine Passport No. EC0371531 valid until 20 February 2019 issued by the DFA NCR North East.

Doc. No. 89 ;
 Page No. 19 ;
 Book No. IV ;
 Series of 2019.


Atty. Jules Boy R. Valdez, CPA
 Notarial Commission No. 063 / 31 December 2019
 PTR No. 7324896 / 01-04-2019 / Quezon City
 Roll of Attorneys No. 63350
 IBP Life Member Roll No. 012616 / Quezon City
 MCLE Compliance No. VI-0012045 / 07-09-2018
 3rd floor, NGCP Bldg. Quezon Ave cor BIR road, QC

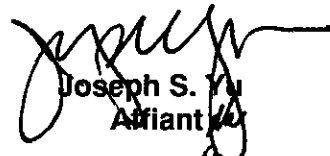
(Republic of the Philippines)
(Taguig City) s.s.

VERIFICATION AND CERTIFICATION

I, **Joseph S. Yu**, of legal age, married, with office addresses at Magat Hydroelectric Power Plant, Gen. Aguinaldo, Ramon, Isabela and/or 10th Flr., NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, after having been duly sworn to in accordance with law, do hereby depose and state for myself and for **SN ABOITIZ POWER-MAGAT, INC.**, that:

1. I am the President and Chief Executive Officer of **SN ABOITIZ POWER-MAGAT, INC.** with authority to commence, initiate and file the foregoing Application pursuant to Board Resolution dated December 11, 2018, a copy of which is hereto attached;
2. I have read the Application and the allegations therein are true and correct based on my personal knowledge or the authentic records available;
3. I or **SN ABOITIZ POWER-MAGAT, INC.** have not commenced any other action or proceeding involving the same issues in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency and, to the best of my knowledge, no such other action or claim is pending therein; and
4. If I or **SN ABOITIZ POWER-MAGAT, INC.** should hereinafter learn that the same or a similar action or claim has been filed or is pending in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency, I shall report the said fact within five (5) days from discovery thereof to the Honorable Commission and/or Court.


Taguig City, Philippines.


Joseph S. Yu
Affiant

FEB 11 2019

SUBSCRIBED and SWORN TO before me this _____ day of February 2019, with affiant Joseph S. Yu presenting to me his Passport No EC5039291 issued on 15 August 2015 at DFA, Manila, known to me and to me known to be the same person who executed the foregoing Verification and Certification.

Doc. No. 165;
Page No. 34;
Book No. 11;
Series of 2019.


JAY MARTIN P. CELZO
Commission No. 114
Notary Public for Taguig City
8th Floor, W Global Center, 9th Avenue cor. 30th St.
Bonifacio Global City, Taguig, Philippines
Roll of Attorney's No. 71830
IBP No. 42768-5-16-18; Rizal
PTR No. 7640657, 12 September 2018, Marikina City
TIN No. 298-449-431-000
MCLE Compliance Exempted, pursuant to MCLE
Governing Board Order No. 1, s. 2008