

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



IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF THE
ANCILLARY SERVICES
PROCUREMENT
AGREEMENT (ASPA)
BETWEEN THE NATIONAL
GRID CORPORATION OF
THE PHILIPPINES (NGCP)
AND SPC POWER
CORPORATION (SPC), WITH
PRAYER FOR THE
ISSUANCE OF
PROVISIONAL AUTHORITY

ERC CASE NO. 2015-113 RC

NATIONAL GRID
CORPORATION OF THE
PHILIPPINES (NGCP) AND
SPC POWER
CORPORATION (SPC),
Applicants.

X-----X

DOCKED
Date: JUN 23 2015
[Signature]

ORDER

On June 11, 2015, the National Grid Corporation of the Philippines (NGCP) and SPC Power Corporation (SPC) filed an application for the approval of their Ancillary Services Procurement Agreement (ASPA), with prayer for the issuance of provisional authority.

In the said application, NGCP and SPC alleged, among others, the following:

NATURE OF THE CASE

1. The instant application is for the approval of the ASPA between NGCP and SPC, pursuant to the Decision dated October 3, 2007 in ERC Case No. 2006-049 RC, 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. NGCP is a corporation created and existing under the laws of the Philippines, with office address at NGCP Building, Quezon Avenue corner BIR Road, Diliman, Quezon City. It is the Concessionaire which assumed the power transmission functions of the National Transmission Corporation (TRANSCO) pursuant to Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001"¹ (EPIRA);
3. NGCP holds a franchise under Republic Act No. 9511² to engage in the business of conveying or transmitting electricity through high-voltage backbone 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;
4. SPC is a corporation organized and existing under and by virtue of the Philippine laws with principal office address at 7th Floor Cebu Holdings Center, Cebu Business Park, Cebu City;

¹ Republic Act No. 9136, entitled "An Act Ordaining Reforms in the Electric Power Industry, Amending for the Purpose Certain Laws and for other Purposes"

² 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 Backbone System of Interconnected Transmission Lines, Substations and Related Facilities, and for other Purposes

5. SPC is the owner and operator of the Cebu Diesel Power Plant (CDPP) located in Naga City, Cebu Province, which was certified and accredited by NGCP to be capable of providing Dispatchable Reserve (DR) and Reactive Power Support Reserve (RPSR), herein collectively called as Ancillary Services (AS);

ANTECEDENT FACTS

6. The EPIRA provides that it is the responsibility of NGCP, as TRANSCO's Concessionaire, to adequately serve generation companies, distribution utilities and suppliers requiring transmission service and/or ancillary services through the transmission system³;
7. Similarly, the Philippine Grid Code (PGC) provides that NGCP is responsible for determining, acquiring, and dispatching the capacity needed to supply the required Grid Ancillary Services and for developing and proposing Wheeling Charges and Ancillary Service tariffs to the Commission⁴;
8. Ancillary Services (AS) as defined in Section 4b of the EPIRA "*refer to those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the transmission system in accordance with good utility practice and the Grid Code to be adopted in accordance with this Act.*" Such 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;
9. In order to implement and regulate the procurement of AS, the Commission approved the Ancillary

³ Section 9 (d)

⁴ Section 6.3.1.2

Services Procurement Plan (ASPP) through its Order dated March 9, 2006 in ERC Case No. 2002-253 and the Ancillary Services-Cost Recovery Mechanism (AS-CRM) through its Decision dated October 3, 2007 in ERC Case No. 2006-049 RC;

10. Pursuant to its mandate, NGCP invited and negotiated with all prospective generation companies capable of providing ancillary services; one of which is SPC. Upon conducting several tests on CDP, NGCP determined that SPC's units are capable of providing DR and RPSR. A copy of the Accreditation Certificate No. 2015-V0022 dated January 16, 2015 is attached to the application as Annex "A";
11. Consequently, they executed the subject ASPA for the supply of DR and RPSR for a period of five (5) years under a non-firm arrangement. A copy of subject ASPA dated May 26, 2015 is attached to the application as Annex "B";

NON-FIRM CONTRACTED CAPACITY RATE AND IMPACT SIMULATION

12. Schedule 4 of the ASPA provides that the applicable maximum hourly rates for the capacity covered by the ASPA are as follows:
 - a. DR: Maximum Hourly Rate of PhP1.25/kW; and
 - b. RPSR: Maximum Hourly Rate of PhP4.00/kVAR.
13. NGCP submits that the rate represents a reasonable recovery of its opportunity cost in making available generation capacity to provide the procured AS;
14. The rate under ASPA was subjected to a simulation by NGCP, as follows:

DR	Without Dispatch		With Dispatch	
	PhP/kW	PhP/kWh	PhP/kW	PhP/kWh
	17.1218	0.0418	8.9117	0.0217

RPSR	Total Scheduled MVar Revenue for the Month		Payment on the Energy and Variables	
	PhP/kW	PhP/kWh	PhP/kW	PhP/kWh
	1.3345	0.0033	5.9749	0.0146

A copy of the Rate Impact Simulation is attached to the application as Annex "C";

- 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 AS shall be recovered from all the load customers in the Cebu-Negros-Panay (CNP) Sub-Grid;

ALLEGATIONS IN SUPPORT OF THE PRAYER FOR PROVISIONAL AUTHORITY

- It is a declared policy of the State to ensure the quality, reliability, security and affordability of the supply of electric power (*Section 2b, EPIRA*). To this end, there is a need to comply with the system requirements for AS to ensure grid system reliability. As mentioned above, NGCP has the mandate to procure the required AS;
- The current levels of available contracted AS in the CNP has not yet reached the desired levels necessary for the system reliability. Thus, NGCP and SPC executed the subject ASPA. A copy of the relevant actual data showing the required and available levels of DR in the CNP is attached to the application as Annex "D";
- As the demand for power in the Visayas increases, the requirements of the system to ensure stability, reliability and security, likewise, increases. Ensuring the integrity of the system is essential to protect the

interests of the public and particularly, key to small and large-scale businesses. The absence of system reliability and stability will certainly discourage investments and growth;

19. They submit that the immediate approval of the ASPA by the Commission will greatly improve the reliability and security of the grid. In support of these allegations, NGCP submits a copy of the Judicial Affidavit dated June 5, 2015 executed by Engr. Philip DL. Dasalla, Head of the Net Access and Customer Account Division, Revenue and Regulatory Affairs Department of NGCP, which is attached to the application as Annex "E"; and
20. They pray that for the Commission to:
 - a. Immediately issue a provisional authority to implement the subject ASPA; and
 - b. After notice and hearing, approve the subject ASPA.

Finding the said application to be sufficient in form and in substance with the required fees having been paid, the same is hereby set for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **July 15, 2015 (Wednesday) at nine o' clock in the morning (9:00 A.M.) at the ERC Visayas Field Office, St. Mary's Drive, Banilad, Cebu City.**

NGCP and SPC are hereby directed to cause the publication of the attached Notice of Public Hearing, at their own expense, twice (2x) for two (2) successive weeks in two (2) newspapers of general circulation in the Philippines, with the date of the last publication to be made not later than ten (10) days before the date of initial hearing. They are also directed to inform the consumers within NGCP's franchise area, by any other means available and appropriate, of the filing of the instant joint application, its reasons therefor, and of the scheduled hearing thereon.

Let copies of the application, this Order and the attached Notice of Public Hearing be furnished the Office of the Solicitor General (OSG), the Commission on Audit (COA) and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire, to send their duly authorized representatives at the scheduled hearing.

Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of the Governor of the Province of Cebu and the Mayors of Quezon City and Cebu City for appropriate posting thereof on their respective bulletin boards.

NGCP and SPC are hereby directed to furnish all those making requests therefor with copies of the joint application and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, NGCP and SPC must submit to the Commission their written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidences on the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governor and Mayors or their duly authorized representatives, bearing the seals of their offices, and the affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing were published together with the complete issues of the said newspapers, and such other proofs of compliance with the requirements of the Commission.

NGCP, SPC and all other interested parties are directed to submit, at least five (5) days before the date of initial hearing and pre-trial conference, their respective Pre-trial Briefs containing, among others:

- (a) a summary of admitted facts and proposed stipulation of facts;
- (b) the issues to be tried or resolved;

- (c) the documents or exhibits to be presented, stating the purposes thereof and proposed markings therefore; and
- (d) the number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-trial Brief.

Failure of NGCP and SPC to submit the required Pre-Trial Brief and Judicial Affidavits of their witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from said date of cancellation.

As part of the pre-trial conference, NGCP and SPC must also be prepared to make an expository presentation of their application, aided by whatever communication medium that they may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the application is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, June 15, 2015.

FOR AND BY AUTHORITY
OF THE COMMISSION:


ZENAIDA G. CRUZ-DUCUT
Chairperson


MVA/NJS

Copy Furnished:

1. **National Grid Corporation of the Philippines (NGCP)**
NGCP Building, Quezon Avenue corner BIR Road,
Diliman, Quezon City
2. **Office of the Solicitor General (OSG)**
134 Amorsolo Street, Legaspi Village,
City of Makati 1229
3. **Commission on Audit (COA)**
Commonwealth Avenue,
Quezon City 1121
4. **Senate Committee on Energy**
GSIS Building, Roxas Boulevard,
Pasay City 1300
5. **House of Representatives Committee on Energy**
Batasan Hills, Quezon City 1126
6. **The Office of the Governor**
Province of Cebu
7. **The Office of the City Mayor**
Cebu City
8. **The Office of the City Mayor**
Quezon City
9. **President**
Philippine Chamber of Commerce and Industry (PCCI)
1030 Campus Avenue corner Park Avenue,
McKinley Town Center, Fort Bonifacio, Taguig City
10. **Atty. Russel S. Alabado**
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