

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



**IN THE MATTER OF THE  
APPLICATION FOR THE  
APPROVAL OF THE  
IMPLEMENTATION OF  
CAPITAL EXPENDITURE  
PROGRAM FOR CALENDAR  
YEARS 2017-2020, WITH  
PRAYER FOR THE  
ISSUANCE OF  
PROVISIONAL AUTHORITY,**

**ERC CASE NO. 2016-197 RC**

**NATIONAL GRID  
CORPORATION OF THE  
PHILIPPINES,**  
**Applicant.**

**D O C K E T E D**  
Date: MAR 01 2017  
By: [Signature]

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**ORDER**

On 12 December 2016, applicant National Grid Corporation of the Philippines (NGCP) filed an *Application* seeking the Commission's approval of its capital expenditure program for the calendar years 2017-2020, including therein a prayer for the issuance of provisional authority.

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

The Applicant

1. NGCP is a corporation created and existing under the laws of the Philippines, with principal office address at NGCP Building, Quezon Avenue corner B.I.R. Road, Diliman, Quezon City. It is the concessionaire which assumed the power transmission functions of the National Transmission Corporation (TRANSCO) pursuant to R.A. 9136, otherwise known as the: "*Electric Power Industry Reform Act of 2001*" (EPIRA). It may be served with notices and other processes of this Honorable Commission through its counsel at the address indicated below.

2. Pursuant to R.A. 9511<sup>1</sup>, NGCP was granted the franchise to operate, manage and maintain, and in connection

<sup>1</sup> An Act Granting the National Grid Corporation of the Philippines a Franchise to Engage in the Business of Conveying or Transmitting Electricity Through High Voltage Back-bone System or Interconnected Transmission Lines, Substations and Related Facilities, and For Other Purposes;

therewith, to engage in the business of conveying or transmitting electricity through a high-voltage back-bone system of interconnected transmission lines, substations and related facilities, system operations, and other activities that are necessary to support the safe and reliable operation of the transmission system<sup>2</sup> and is authorized to charge its customers at the rates approved by the Honorable Commission.

3. This Application is filed pursuant to paragraph d, Section 9 of the EPIRA, which directs the transmission operator to seek prior approval from the Honorable Commission of any plan for expansion or improvement of its facilities in the pursuit of its mandate to construct, install, finance, improve, expand, rehabilitate and repair the nationwide transmission system and the grid.

4. NGCP's Final Determination for the Third Regulatory Period (3<sup>rd</sup> RP) covering calendar years 2011 to 2015, as approved by the Honorable Commission in ERC Case No. 2009-180RC has already ended in December 2015 and under the Rules for Setting Transmission Wheeling Rates (RTWR), the Final Determination for the Fourth Regulatory Period (4<sup>th</sup> RP) covering calendar years 2016 to 2020 shall commence immediately thereafter. However, NGCP has yet to undergo its regulatory reset for the 4<sup>th</sup> RP as it is still awaiting the Honorable Commission's position paper to guide NGCP in the submission of its 4<sup>th</sup> RP Application.

5. Notwithstanding the absence of the Final Determination for the 4<sup>th</sup> RP, NGCP is mandated to ensure and maintain the quality, reliability, adequacy, security, stability and integrity of the nationwide grid. Hence, NGCP seeks authority from this Honorable Commission for the immediate implementation of various capital expenditure projects.

I. Capital Expenditure (CAPEX) Program for CY 2017-2020

6. NGCP has the legal mandate to ensure the non-discriminatory, reliable and high-performance operation of the transmission system; including a secured, reliable, and efficient management of the high-voltage grid of the Philippines. To perform such functions, NGCP submits to the Honorable Commission, for its approval, its CAPEX program for CY 2017-2020, together with their respective justifications.

A. Grid Expansion and Reliability Projects

7. One of the core mandates of NGCP is to improve and expand its transmission facilities<sup>3</sup>, and to ensure and maintain the reliability, adequacy, security, stability and integrity of the nationwide electrical grid<sup>4</sup> to guarantee that grid meets: forecast

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<sup>2</sup> Id, Section 1;

<sup>3</sup> Section 9 d, EPIRA;

<sup>4</sup> Section 9, c, EPIRA;

demand, system reliability, demand market requirements, and capacity of new generators. Thus, NGCP is seeking approval for the following new projects:

Grid Expansion and Reliability Projects	
1	Relocation of Steel Poles along Hermosa - Duhat 230kV T/L
2	Mariveles - Hermosa 500kV Transmission Line Project
3	North Luzon Substation Upgrading Project
4	South Luzon Substation Upgrading Project
5	Luzon Voltage Improvement Project - 3
6	Luzon Voltage Improvement Project - 4
7	Cebu-Negros-Panay (CNP) 230kV Backbone Project Stage 3
8	Panitan - Nabas 138kV Line 2 Project
9	Tagbilaran 69kV Substation Project
10	Visayas Voltage Improvement Project
11	Baloi-Kauswagan-Aurora 230kV Transmission Line Project (Phase 2)
12	Mindanao Substation Rehabilitation Project
13	Mindanao Substation Upgrading Project
14	Grid Replacement of Primary Equipment Project
15	Grid Replacement of Secondary Equipment Project
16	Line Tools & Equipment Acquisition Project
17	Line Equipment & Structure Installation Project
18	Line Structure Replacement Project
19	Spares Acquisition Project
20	Acquisition of Test and Measuring Equipment Project

A copy of the compilation of the Detailed Project Discussion for the projects under *Grid Expansion and Reliability Projects* is attached as Annex "A."

**B. Operations and WESM Support Projects**

8. NGCP as the Transmission Service Provider, System Operator and Metering Service Provider (MSP) is required to operate the power system in accordance with the Philippine Grid Code (PGC) and the Wholesale Electricity Market (WESM) Rules. As such, it must fully comply with the requirements of the provisions of the PGC, the WESM Rules, and the WESM Metering Manual and Guidelines. Thus, NGCP proposes the implementation of the following operation and compliance programs:

Operations and WESM Support Projects	
1	Fiber Optic and Microwave Radio Equipment Replacement
2	Teleprotection Equipment Replacement
3	Telecom Access and Remote Management Component Replacement
4	Power Supply and Auxiliary Equipment Replacement
5	Infra and IT Support Facilities Replacement
6	SCADA/EMS Facilities Replacement
7	SCADA Expansion-Added Interfaces/RTU's and Monitoring Points
8	Telecom Access for Added Locations, Subscribers &

	Application Points
9	Fiber Optic and Microwave Radio Expansion
10	Cyber Security
11	Network Synchronization System
12	Network and Facilities Management System and IT Support Facilities
13	EMS Enhancements
14	Network Disturbance Monitoring Equipment & Power Quality Analyzer
15	Real-Time Monitoring and Control Equipment for Distribution Utilities and Monitoring Equipment for Generators
16	Expansion- Installation of New Metering Facilities
17	NGCP Station Service - Installation of Metering Facilities
18	Rehabilitation and Upgrade of Metering Assets
19	Relocation of Metering Facility to the Prescribed Connection Points
20	Programmed Replacement of Ageing Metering Assets
21	Procurement of Testing Equipment
22	Procurement of Spares
23	AMR System Upgrade

A copy of the compilation of the Detailed Project Discussion for the projects under *Operations and WESM Support Projects* is attached as Annex "B."

*C. Non-Network Projects*

9. To support in fulfilling of its mandate discussed above, NGCP seeks the approval of following similarly significant and indispensable projects:

Non-Network Projects	
1	Refurbishment of ODCmC, Establishment of DDCmCs and Acquisition of Geospatial Precision Data-Capture Equipment
2	Construction/Expansion of Control Building and other Facilities
3	Compliance to Environmental Requirements
4	Fire Protection System Project
5	Acquisition of One (1) Airborne LIDAR Equipment
6	Construction of NGCP's Hangar at Mindanao
7	Procurement of Gimbal Camera for Airbus AS 350 B3 Helicopter
8	Procurement of Sling Cables for Helicopters
9	Tower Perimeter Fences
10	Electronic Security Access Door System
11	Installation of Security Surveillance System
12	Installation of Security Radio Communication System
13	Construction of a Multi-Level Parking Structure
14	Replacement of Fire Protection System at NGCP Main

	Building
15	Replacement of Centralized Air-Conditioning System at NGCP Main Building
16	Construction of Generator Set Building and Purchase of 1.5MVA Standby Generator Set
17	Replacement and Acquisition of Tools, Furniture, and Equipment
18	Physical Security Enhancement Project
19	ITD Infrastructure and Equipment
20	Procurement of ICT Project
21	Enterprise Resource Planning (ERP)- Phase 3 Project

A copy of the compilation of the Detailed Project Discussion for the projects under *Non-Network Projects* is attached as Annex "C."

*D. Other Projects*

10. Lastly, these projects involve the wood pole and the associated asset replacement program of sub-transmission assets that were reverted to NGCP's Regulatory Asset Base pursuant to Table 5.4 of the 3<sup>rd</sup> RP Final Determination dated 22 November 2010.

A copy of the compilation of the Detailed Project Discussion for the projects under *Other Projects* is attached as Annex "D."

11. The total CAPEX program are as follows:

Projects	2017-2020 PhPMn	Beyond 2020 PhPMn
1. Grid Expansion and Reliability	71,869.08	23,881.70
2. Operations and WESM Support	15,056.66	0.00
3. Non-Network	2,428.88	0.00
4. Other Projects	192.10	0.00
<b>TOTAL</b>	<b>89,546.72</b>	<b>23,881.70</b>

To provide the Honorable Commission an overview of the costs of the projects, NGCP hereby submits the 2017-2020 Total CAPEX attached as Annex "E."

**Justifications for the Issuance of Provisional Approval**

12. To reiterate, NGCP is required under paragraph d, Section 9 of the EPIRA to seek prior approval from the Honorable Commission of any plan for expansion or improvement of its facilities in relation to its authority and responsibility to construct,

install, finance, improve, expand, rehabilitate and repair the nationwide transmission system and the grid.

13. Along with its responsibility for the planning, construction and centralized operation and maintenance of its high voltage transmission facilities, it is indispensable for NGCP to ensure a reliable and high-performance operation of the transmission system.

14. Thus, to avoid disruption of operation and non-compliance with its mandate under the EPIRA as the transmission operator, it is imperative that the implementation of the proposed CAPEX projects be immediately approved.

15. In support thereof, NGCP submits the judicial affidavit of Engr. Darryl Lon A. Ortiz, Head of the Business Strategic Development and Regulatory Management Division of NGCP attached as Annex "F."

#### PRAYER

WHEREFORE, NGCP most respectfully prays this Honorable Commission to:

1. Immediately ISSUE an Order provisionally authorizing the implementation of the proposed CAPEX projects; and

2. APPROVE, after notice and hearing, the proposed CAPEX projects.

NGCP prays for other equitable relief.

Finding the said *Application* sufficient in substance with the required fees having been paid, the same is hereby set for determination of compliance with jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **24 March 2017 at two o'clock in the afternoon (2:00 P.M.), at the ERC Hearing Room, 15<sup>th</sup> Floor, Pacific Center, San Miguel Avenue, Pasig City.**

Accordingly, NGCP is hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing in two (2) newspapers of nationwide circulation in the Philippines at their own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart and the date of the last publication to be

made not later than ten (10) days before the date of the scheduled initial hearing;

- 2) Furnish with copies of this Order and the attached Notice of Public Hearing the offices of the City Mayor and the Local Government Unit (LGU) legislative body of Quezon City for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform of the filing of the *Application*, the reasons therefor, and of the scheduled hearing thereon, the consumers within the affected franchise area, by any other means available and appropriate;
- 4) Furnish with copies of this Order and the attached Notice of Public Hearing, 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; and
- 5) Furnish with copies of the *Application* and the attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, Applicant must submit to the Commission its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached Notice of Public Hearing consisting of affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing was published, and the complete issues of the said newspapers;
- 2) The evidence of actual posting of this Order and the attached Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Mayor and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by Applicant to inform of the filing of the *Application*, the reasons therefore, and of the scheduled hearing thereon, the consumers within the affected franchise area;

- 4) The evidence of receipt of copies of this Order and the attached Notice of Public Hearing by the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the *Application*, and the attachments by all those making requests therefor, if any; and
- 6) Such other proofs of compliance with the requirements of the Commission.

Applicant and all interested parties are also required 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:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of Applicant to comply with the above requirements 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 the said date of cancellation.

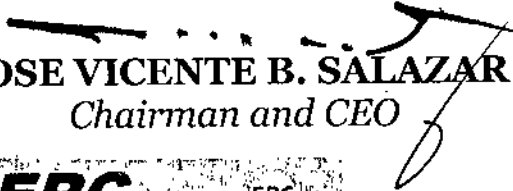
NGCP must also be prepared to make an expository presentation of the instant *Application* aided by whatever communication medium that they may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the *Application*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

**SO ORDERED.**



Pasig City, 28 February 2017.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**JOSE VICENTE B. SALAZAR**  
*Chairman and CEO*



LS: ICG/RFM/ APV

**COPY FURNISHED:**

1. Atty. Luis Manuel U. Bugayong, Atty. Ronald Dylan P. Concepcion, Atty. Mark Anthony S. Actub, and Atty. Rayecell D. Baldovino  
*Counsels for Applicant National Grid Corporation of the Philippines (NGCP)*  
NGCP Building, Quezon Avenue corner BIR Road, Diliman, Quezon City
2. National Grid Corporation of the Philippines (NGCP)  
*Applicant*  
NGCP Building, Quezon Avenue corner BIR Road, Diliman, Quezon City
3. Office of the Mayor  
Quezon City
4. Office of the Local Government Unit (LGU) legislative body  
Quezon City
5. Office of the Solicitor General (OSG)  
134 Amorsolo Street, Legaspi Village  
Makati City
6. Commission on Audit (COA)  
Commonwealth Avenue  
Quezon City
7. Senate Committee on Energy  
GSIS Bldg. Roxas Blvd., Pasay City
8. House Committee on Energy  
Batasan Hills, Quezon City
9. Philippine Chamber of Commerce and Industry (PCCI)  
Campus Avenue corner Park Avenue,  
McKinley Town Center, Fort Bonifacio, Taguig City