

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City



**IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF FORCE
MAJEURE EVENT
REGULATED FM PASS-
THROUGH FOR TYPHOON
QUINTA AND SUPER
TYPHOON ROLLY IN LUZON,
AND TROPICAL STORM
VICKY AND LANDSLIDE IN
MINDANAO IN ACCORDANCE
WITH THE RULES FOR
SETTING TRANSMISSION
WHEELING RATES, WITH
PRAYER FOR PROVISIONAL
AUTHORITY**

ERC CASE NO. 2021-084 RC

**NATIONAL GRID
CORPORATION OF THE
PHILIPPINES (NGCP),**
Applicant.
X-----X

Promulgated:
November 12, 2021

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 20 October 2021, National Grid Corporation of the Philippines (NGCP) filed an *Application* dated 15 October 2021, seeking the Commission's approval of its force majeure event regulated FM pass-through for typhoon *Quinta* and super typhoon *Rolly* in Luzon, and tropical storm *Vicky* and landslide in Mindanao in accordance with the Rules for Setting Transmission Wheeling Rates (RTWR), with prayer for provisional authority.

The pertinent allegations of the said *Application* are hereunder quoted, as follows:

1. NGCP is a corporation created and existing under the laws of the Republic of the Philippines, with principal office address at NGCP Building, Quezon Avenue corner BIR Road, Diliman, Quezon City. It is the concessionaire that operates and maintains the nationwide transmission system pursuant to Republic Act No. (RA) 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA).¹
2. Under RA 9511,² NGCP was granted a franchise to construct, install, finance, manage, improve, expand, operate, maintain, rehabilitate, repair, and refurbish the present nationwide transmission system of the Republic of the Philippines.
3. Pursuant to Section 10.1.1 of the Rules for Setting Transmission Wheeling Rates (RTWR), NGCP is allowed to recover the cost incurred for the repair, restoration, and rehabilitation of its transmission assets and other related facilities damaged as a result of a force majeure event (FME), as defined in Article I, Section 1.3 of the RTWR.

STATEMENT OF FACTS

Typhoon “*Quinta*”

4. On 23 to 27 of October 2020, a Typhoon with local name “*Quinta*” was prevailing in South Luzon. Some provinces within the scope of operations of the NGCP South Luzon Operations and Maintenance (“SLOM”) District 3 were affected by the Typhoon *Quinta*.
5. The Philippine Atmospheric Geophysical and Astronomical Services Administration (PAGASA) confirmed, among others, the following: that Typhoon “*Quinta*” entered the Philippine Area of Responsibility (PAR) on 23 October 2020 and exited on 27 October 2020; that the affected provinces were among those where PAGASA raised the highest tropical cyclone warning signals during the same period; and that, Typhoon “*Quinta*” recorded maximum winds of 150 kilometers per hour (km/hr) and gustiness of 185 km/hr, which affected the South Luzon areas. A copy of the PAGASA letter dated 13 January 2021 with attached 2020 Tropical Cyclone Summary of Typhoon *Quinta*, is attached hereto as Annex “A”.
6. Due to the intensity of Typhoon “*Quinta*” and the tail-end effects even upon its exit from PAR, some transmission lines/structures in SLOM District 3 were toppled and damaged, thus affecting the operations of SLOM and the delivery of transmission service in the affected areas.

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 Republic Act No. 9511 entitled “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”

Super Typhoon “Rolly”

7. In the latter part of October 2020 towards the early part of November 2020, a Super Typhoon with local name “*Rolly*” also prevailed and affected South Luzon area. Several provinces within the scope of operations of NGCP Systems Operations and SLOM District 3 were affected.
8. The PAGASA confirmed, among others, the following: that Super Typhoon “*Rolly*” entered the PAR on 29 October 2020 and exited on 03 November 2020; that the affected provinces were among those where PAGASA raised the highest tropical cyclone warning signals during the same period; and that Typhoon “*Rolly*” recorded maximum winds of 225 kilometers per hour (km/hr) and gustiness of 310km/hr, which affected South Luzon areas. A copy of the PAGASA letter dated 13 January 2021 with attached 2020 Tropical Cyclone Summary of Typhoon *Rolly*, is attached hereto as Annex “B”.
9. Due to the intensity of Super Typhoon “*Rolly*”, and its tail-end effects even upon its exit from PAR, some transmission lines/structures in SLOM District 3 were toppled and broken; various telecom equipment were also damaged; thus affecting the operations of Luzon System Operations and SLOM District 3 and the delivery of transmission service in the affected areas.

Tropical Storm “Vicky”

10. Towards the middle of December 2020, a Tropical Storm with local name “*Vicky*” was prevailing in Mindanao.
11. The PAGASA confirmed, among others, the following: that Tropical Storm “*Vicky*” entered the PAR on 18 December 2020 and exited on 21 December 2020; and that Tropical Storm “*Vicky*” recorded maximum winds of 65 kilometers per hour (km/hr) and gustiness of 80km/hr, which affected the Mindanao area. A copy of the PAGASA letter dated 13 January 2020 with attached 2020 Tropical Cyclone Summary of Typhoon *Vicky* is attached hereto as Annex “C”.
12. Due to Tropical Storm “*Vicky*,” a landslide occurred and caused damage to NGCP’s Bislig Substation in Mindanao. A copy of a Certification from City of Bislig, Province of Surigao del Sur dated 05 January 2021 is attached as Annex “D”.

FME CLAIM

13. After the occurrence of the foregoing Force Majeure Events (FMEs), NGCP immediately started the repair, restoration, and rehabilitation of its damaged transmission assets and facilities in order to fully restore transmission service to its customers.
14. In support of its claim for the above described FMEs, NGCP hereby submits the following:

Typhoon Quinta

- a. Consolidated Details of Activities and Expenditures for Force Majeure Event: Typhoon Quinta (as of August 2021), District 3-SLOM, as Annex “E”;
- b. Before and After Rehabilitation Pictures of Affected Assets FME Typhoon Quinta (31 August 2021), as Annex “F”;

Super Typhoon “Rolly”

- a. Consolidated Details of Activities and Expenditures for Force Majeure Event Typhoon Rolly (as of August 2021)– District 3-SLOM as Annex “G”;
- b. Before and After Rehabilitation Pictures of Affected Assets FME Typhoon Rolly (August 2021)– District 3-SLOM, as Annex “H”;
- c. Consolidated Details of Activities and Expenditures for Force Majeure Event Typhoon Rolly (as of August 2021)– LSO, as Annex “I”;
- d. Before and After Rehabilitation Pictures of Affected Assets FME Typhoon Rolly (as of August 2021)– LSO, as Annex “J”;

Landslide due to Tropical Storm “Vicky”

- a. Consolidated Details of Activities and Expenditures for Force Majeure Event Tropical Storm Vicky (as of July 2021)-District 4 MOM, as Annex “K”;
- b. Before and After Rehabilitation Pictures of Affected Assets FME Tropical Storm Vicky (as of July 2021)-District 4 MOM, as Annex “L”.

15. The total cost incurred by NGCP for the repair, restoration and rehabilitation of the transmission assets and facilities damaged by Typhoon Quinta and Super Typhoon Rolly in Luzon, and Landslide Incident brought about by Tropical Storm Vicky, including the recoverable values of the damaged assets (Net Fixed Asset Value) is One Hundred Thirteen Million Two Hundred Eighty Thousand Seven Hundred Fifty One and 72/100 Pesos (Php113,280,751.72), breakdown of which is shown in the table below:

AMOUNT	
Capital Expenditure (CAPEX)*	6,816,792.44
Operating Expenditure (OPEX)	70,961,966.82
Net Fixed Asset Value (NFAV)	35,501,992.46
Total	113,280,751.72

**Inclusive of Permit Fees*

16. Section 10.1.1 of the RTWR allows NGCP to recover the cost for such repair, restoration, and rehabilitation. Pursuant to Article X, 10.2.2 of the RTWR which requires the regulated entity to file before the Honorable Commission an FME Notice specifying (a) the details of the Force Majeure Event concerned; and (b) the date the Force Majeure Event occurred,

NGCP filed the following FME Notices with the Honorable Commission within three (3) months from the occurrence of the following FMEs:

- a. FME Notice Typhoon “Quinta” dated 08 January 2021, and was received on 12 January 2021, copy is attached hereto as Annex “M”. Receipt of said Notice was acknowledged by the Honorable Commission in its Letter dated 26 January 2021, copy is attached hereto as Annex “N”; and
 - b. FME Notice Typhoon “Rolly” dated 08 January 2021, and was likewise received on 12 January 2021, copy is attached hereto as Annex “O”. Receipt of said Notice was acknowledged by the Honorable Commission in its Letter dated 26 January 2021, copy is attached hereto as Annex “P”;
 - c. FME Notice Typhoon “Vicky” dated 08 January 2021, and was likewise received on 12 January 2021, copy is attached hereto as Annex “Q”. Receipt of said Notice was acknowledged by the Honorable Commission in its Letter dated 26 January 2021, copy is attached hereto as Annex “R”.
17. Consequently, within twelve (12) months after the occurrence of Typhoon “Quinta”, Typhoon “Rolly,” and Landslide Incident brought about by Tropical Storm “Vicky” which caused destruction and damage of NGCP transmission assets in Luzon and Mindanao, NGCP hereby files the instant FME Application, in accordance with Article X, Sections 10.2.1 and 10.2.3 of the RTWR.

FM PASS-THROUGH AMOUNT COMPUTATION

18. NGCP has not recovered the cost incurred in the repair and restoration of its affected transmission assets and facilities from its Industrial All-Risk (IAR) Insurance Policy procured from a reputable insurance company because (i) most of the affected assets are beyond 1,000 meters from any substation perimeter fence of NGCP, and/or (ii) the total repair and rehabilitation cost is still within the policy’s deductible amount of One (1) Million US Dollars (\$1,000,000.00) for each of the Force Majeure Events. Attached hereto are copies of the Certifications issued by the insurance company, as Annex “S-Series”.
19. Thus, it is but proper for NGCP to file the instant FME Application to recover the cost it incurred for the repair, restoration and rehabilitation of the transmission assets and facilities in Luzon and Mindanao which were damaged by the Force Majeure Events above-described, pursuant to the RTWR.
20. NGCP proposes the FM Pass-Through Amounts, in P/kW-month, as additional network charges for Luzon and Mindanao, starting the billing month of January 2022 until

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December 2025, or until such time that the amounts incurred are fully recovered, computed in the table below:

Luzon	2022	2023	2024	2025
P/kW-mo.	0.6451	0.0774	0.0837	0.0909
P/kWh	0.0012	0.0001	0.0002	0.0002

Mindanao	2022	2023	2024	2025
P/kW-mo.	0.0600	0.0322	0.0288	0.0263
P/kWh	0.0001	0.0001	0.0001	0.0001

21. NGCP also proposes the FM Pass-Through Amounts for the years 2022 to 2025 to allow the recovery of the expenditures incurred by NGCP relative to the FME Typhoon “Quinta”, FME Super Typhoon “Rolly”, FME Landslide brought about by Tropical Storm “Vicky” pending the reset process for the next Regulatory Period. A copy of the proposed FM Pass-Through Amounts computation is attached hereto as Annex “T”.
22. Further, the FM Pass-Through Amounts in this Application do not breach the Force Majeure Threshold Amount (FMTA) of PhPo.0402/kWh, as computed in accordance with the relevant formula prescribed by the RTWR. A copy of the FMTA Computation is hereto attached as Annex “U”.
23. Also, NGCP considered the NFAV of the transmission assets and facilities damaged by FME Typhoon “Quinta”, FME Super Typhoon “Rolly”, and FME Landslide brought about by Tropical Storm “Vicky” in the FME claim, given that NGCP would have normally fully recovered the return of capital on said assets for the duration of their economic lives had these assets not been damaged or destroyed by said FME. Copies of the Details of the NFAV in relation to the assets affected by the aforesaid FMEs” is attached hereto as Annex “V-Series”.

**JUSTIFICATION FOR THE ISSUANCE OF
PROVISIONAL AUTHORITY**

24. NGCP respectfully moves for the immediate issuance of a provisional approval for the immediate recovery of the FM Pass-Through Amounts pursuant to Section 3, Rule 14 of the ERC Revised Rules of Practice and Procedure.
25. NGCP seeks to immediately recover the actual expenses incurred for the repair, restoration and rehabilitation of the damaged transmission assets and facilities. It must be emphasized that the rehabilitation of the assets damaged by the FME required significant capital infusion, the recovery of which should be allowed immediately in order to avoid any financial strain in the operation of NGCP and to allow the

continuous provision of transmission services to the grid customers.

26. In addition, the timely implementation of the FM Pass-Through Amounts will allow the equal or even spread of the increases or decreases in tariffs from the initial implementation of the recovery of the cost.
27. A copy of the Judicial Affidavit of Engr. Julius Ryan D. Datingaling OIC-Head of the Revenue Management Department (RevMD) of the Revenue and Regulatory Affairs (RRA) of the National Grid Corporation of the Philippines (NGCP), in support of the prayer for the immediate issuance of a provisional authority, is hereto attached as Annex “W”.

PRAYER

WHEREFORE, it is most respectfully prayed of this Honorable Commission to:

1. DECLARE the occurrence of Typhoon “Quinta” in South Luzon, Super Typhoon “Rolly” in South Luzon, and Landslide Incident caused by Tropical Storm Vicky which resulted in an increase in costs incurred by the NGCP to restore, repair and rehabilitate various affected transmission assets and facilities in the NGCP Operations and Maintenance and System Operations, as a Force Majeure Event (FME);
2. Immediately GRANT Provisional Authority to implement and bill the following FM Pass-Through Amounts to Luzon and Mindanao customers starting the billing month of January 2022 to December 2025, or until such time that the amounts incurred are fully recovered:

Luzon	2022	2023	2024	2025
P/kW-mo.	0.6451	0.0774	0.0837	0.0909
P/kWh	0.0012	0.0001	0.0002	0.0002

Mindanao	2022	2023	2024	2025
P/kW-mo.	0.0600	0.0322	0.0288	0.0263
P/kWh	0.0001	0.0001	0.0001	0.0001

3. APPROVE the FME CAPEX and OPEX amounting to Seventy-Seven Million Seven Hundred Seventy-Eight Thousand Seven Hundred Fifty Nine and 26/100 Pesos (Php77,778,759.26) incurred by NGCP for the repair, restoration and rehabilitation of the damaged transmission assets and facilities due to Typhoon “Quinta,” “Rolly,” and Landslide brought about by Tropical Storm “Vicky”, exclusive of VAT;
4. APPROVE the Net Fixed Asset Value of the transmission

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assets and facilities damaged due to Typhoon "Quinta," Super Typhoon "Rolly," and landslide incident brought about by Tropical Storm "Vicky" amounting to Thirty Five Million Five Hundred One Thousand Nine Hundred Ninety Two and 46/100 Pesos (Php 35,501,992.46) and ALLOW its recovery given that it would have been fully recovered by NGCP if these transmission assets and facilities have not been damaged or destroyed by the said FMEs; and the NFAV of other assets and facilities affected by the said FMEs, which are yet to be retired be CONSIDERED during the updating of the costs prior to the evaluation/ approval of the case during the next Reset Process.

5. APPROVE, after due notice and hearing, the proposed FM Pass-Through Amounts to be collected from the Luzon and Mindanao customers starting January 2022 billing month to December 2025 or until such time that the amounts incurred are fully recovered, as follows:

Luzon	2022	2023	2024	2025
P/kW-mo.	0.6451	0.0774	0.0837	0.0909
P/kWh	0.0012	0.0001	0.0002	0.0002

Mindanao	2022	2023	2024	2025
P/kW-mo.	0.0600	0.0322	0.0288	0.0263
P/kWh	0.0001	0.0001	0.0001	0.0001

6. EXCLUDE the proposed Pass-Through Amounts from the side constraint calculation.

NGCP prays for other relief deemed just and equitable under the premises.

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on the following dates and online platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020³ dated 24 September 2020 and Resolution No. 01, Series of 2021, dated 17 December 2020 (ERC Revised Rules of Practice and Procedure)⁴:

³ A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.

⁴ A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

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Date	Platform	Activity
11 January 2022 (Tuesday) at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams	Determination of compliance with the jurisdictional requirements and expository presentation for Luzon and Mindanao Stakeholders
18 January 2022 (Tuesday) at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams	Pre-trial Conference and presentation of evidence

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via electronic mail (e-mail) at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph. The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

Moreover, any persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission via e-mail at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph, a verified Petition to Intervene at least five (5) calendar days prior to the date of the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name, mailing address, and e-mail address;
- 2) The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- 3) A statement of the relief desired.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may file through e-mail at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph, their Opposition or Comment thereon at least

five (5) calendar days prior to the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name, mailing address, and e-mail address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

Any of the persons mentioned in the preceding paragraphs may access the copy of the *Application* on the Commission's official website at www.erc.gov.ph.

Finally, all interested persons may be allowed to join the scheduled initial virtual hearings by providing the Commission, thru legal.virtualhearings@erc.ph, with their respective e-mail addresses and indicating therein the case number of the instant *Application*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearings.

WITNESS, the Honorable Commissioners **ALEXIS M. LUMBATAN, CATHERINE P. MACEDA, FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 29th day of October 2021 in Pasig City.


AGNES VST DEVANADERA
Chairperson and CEO


LS: KJP/LSP/MCCG

