

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.

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DOCKED
Date: JUN 23 2015
By: _____

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that 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;

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

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;
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

³ Section 9 (d)

⁴ Section 6.3.1.2

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 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 CDPP, 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";

15. 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

16. 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;
17. 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";

18. 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.

The Commission has set the instant application 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.**

All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and the title of the proceeding and stating: (1) the petitioner's name and 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.

All other persons who may want their views known to the Commission with respect to the subject matter of the proceeding may file their opposition to the application or comment thereon at any stage of the proceeding before the applicants conclude the presentation of their evidence. No particular form of opposition or comment is required, but the document, letter or writing should contain the name and address of such person and a concise statement of the opposition or comment and the grounds relied upon.

All such persons who may wish to have a copy of the application may request the applicants, prior to the date of the initial hearing, that they be furnished with a copy of the application. The applicants are hereby directed to furnish all those making such request with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs. Likewise, any such person may examine the application and other pertinent records filed with the Commission during the usual office hours.

WITNESS, the Honorable Chairperson, **ZENaida G. CRUZ-DUCUT**, and the Honorable Commissioners, **ALFREDO J. NON**, **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 15th day of June, 2015 at Pasig City.


ATTY. FRANCIS SATURNINO C. JUAN
Executive Director III


MVA/MS