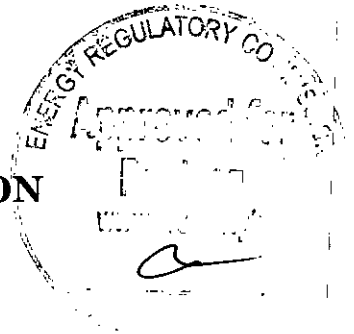


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE FEED-IN TARIFF ALLOWANCE FOR CALENDAR YEAR 2016 PURSUANT TO THE GUIDELINES FOR THE COLLECTION OF THE FEED-IN TARIFF ALLOWANCE FUND, WITH PRAYER FOR PROVISIONAL AUTHORITY,

ERC CASE NO. 2015-216 RC

NATIONAL TRANSMISSION CORPORATION,
Applicant.
X ----- X

D U C K E T E D
Date: FEB 16 2016
By: [Signature]

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

On 22 December 2015, Applicant National Transmission Corporation (TransCo) filed an Application for approval of the feed-in tariff allowance for calendar year 2016 pursuant to the guidelines for the collection of the feed-in tariff allowance and disbursement of the feed-in tariff allowance fund, with prayer for provisional authority.

In the said Application, TransCo alleged, among others, the following:

THE APPLICANT

1. Applicant TransCo is a government instrumentality created pursuant to Republic Act (R.A.) No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), with

principal office address at TransCo Main Building, Quezon Avenue corner BIR Road, Diliman, Quezon City, where it may be served with summons and other processes of this Honorable Commission.

NATURE OF THE APPLICATION

2. TransCo filed the Application in its capacity as FIT-All Fund Administrator tasked with the establishment, management/administration and disbursement/settlement (thru the Trustee Bank) of the FIT-All Fund pursuant to ERC Resolution No. 15, Series of 2012 issued on 19 November 2012 and on the bases of relevant laws, rules and regulations.

3. On 16 December 2008, R.A. No. 9513 entitled "An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for other purposes" (RE Law) was enacted to (1) accelerate the exploration and development of renewable energy resources to achieve energy self-reliance by reducing the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets; (2) increase the utilization of renewable energy by providing fiscal and non-fiscal incentives; (3) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and the environment; and (4) establish the necessary infrastructure and mechanism to carry out the mandates specified in the Act and other existing laws.

4. To achieve these state policies, Section 7 of the RE Law mandates the establishment of a Feed-in Tariff System (FIT System) for electricity produced from wind, solar, ocean, run-of-river hydropower, and biomass.

5. The Energy Regulatory Commission (ERC) and the National Renewable Energy Board (NREB) formulated the FIT System rules, which include: (a) priority connection to the grid for electricity generated from emerging renewable energy resources within the territory of the Philippines; (b) priority purchase and transmission of, and payment for, such electricity; (c) determination of the fixed tariff to be paid to electricity produced from each type of emerging renewable energy and the mandated number of years for the application of these rates; (d) the FIT to be set shall be applied to the emerging renewable energy to be used in compliance with the renewable portfolio standard.

6. On 25 May 2009, the Department of Energy (DOE) issued the “Rules and Regulations Implementing Republic Act No. 9513” (RE-IRR) in compliance with Section 33 of the RE Law. Section 5 of the RE-IRR defines the FIT System as a “scheme that involves the obligation on the part of electric power industry participants to source electricity from RE generation at a guaranteed fixed price applicable for a given period of time, which shall in no case be less than twelve (12) years, to be determined by the ERC.” The same provision directed the promulgation of the FIT Rules by the ERC in consultation with the NREB.

7. On 12 July 2010, the Commission issued “Resolution No. 16, Series of 2010” entitled “Resolution Adopting the Feed-in Tariff Rules” (FIT Rules) pursuant to Section 7 of the RE Law and Section 5 of the RE-IRR.

8. The FIT Rules established the FIT System and is intended to regulate the method of establishing and approving the FIT and the Feed-in Tariff Allowance (FIT-All).

9. Under the FIT Rules, the FIT System guarantees all eligible renewable energy plants an entitlement to the applicable FITs for a period of twenty (20) years.¹

10. The FIT-All is a uniform charge (in PhP/kWh) billed to all on-grid electricity consumers who are supplied with electricity through the distribution or transmission network. The FIT-All shall be established and set by the Commission on an annual basis and taking into account the following: the forecasted annual required revenue of the Eligible RE Plants; previous year’s over or under recoveries; administration costs; forecasted annual electricity sales and such other relevant factors to ensure that no stakeholder is allocated with additional risks in the implementation of the FITs.²

11. Further, Section 2.2 of the FIT Rules provides that the Commission shall approve technology-specific FITs based on such FITs to be recommended by the NREB. Accordingly, on 16 May 2011, the NREB filed before the Commission its “Petition to Initiate Rule-Making for the Adoption of Feed-in Tariff” docketed as ERC Case No. 2011-006.

¹ Section 4, FIT Rules.

² Section 2.5, FIT Rules.

12. On 27 July 2012, the Commission issued its “Decision” in ERC Case No. 2011-006 and “Resolution No. 10, Series of 2012” entitled “Resolution Approving the Feed-in Tariff Rates”. In said Decision and Resolution, the Commission approved the following initial FIT Rates:

TECHNOLOGY	ERC-APPROVED FIT RATES (PhP/kWh)	ERC-APPROVED DEGRESSION RATES
WIND	8.53	0.5% after year 2 from effectivity of FIT
BIOMASS	6.63	0.5% after year 2 from effectivity of FIT
SOLAR	9.68	6% after year 1 from effectivity of FIT
HYDRO	5.90	0.5% after year 2 from effectivity of FIT

13. On 27 March 2015, the Commission issued Resolution No. 06, series of 2015 entitled “Resolution Adopting the New Solar Feed-In Tariff Rate” setting a new Solar FIT Rate of PhP8.69/kWh (herein referred to as “Solar FIT 2”). The Solar FIT 2 was issued as a result of the revised installation target for solar energy generation from 50 MW to 500 MW and shall be applied to new Solar Plants that have been commissioned after the effectivity of said Resolution and until 15 March 2016.

14. On 06 October 2015, the Commission likewise issued Resolution No. 14, series of 2015 also known as “Resolution Adopting the Wind Feed-in Tariff (Wind-FIT2) Rate” setting a new Wind FIT Rate of P7.40/kWh (herein referred to as “Wind FIT 2”). The Wind FIT 2 shall only be applied to three (3) wind power projects namely: San Lorenzo, Nabas and Pililia Power Projects which have already commenced commercial operations as certified by the DOE.

15. On 19 November 2012, the Commission issued “Resolution No. 15, Series of 2012” designating TransCo as the FIT-All Fund Administrator tasked with the establishment, management/administration and disbursement/settlement (thru the Trustee Bank) of the FIT-All Fund.

16. The imposition, collection and disbursement of the FIT-All is further covered by the “Guidelines on the Collection of the Feed-

in Tariff Allowance (FIT-All) and the Disbursement of the FIT-All Fund” (Guidelines) issued and approved by the Commission in its Resolution No. 24 dated 16 December 2013.

17. Under the FIT-All Guidelines, TransCo has to make an annual determination of the FIT-All rate and file its application with the Commission not later than end of July of each year for the FIT-All rate that will be implemented for the following year.

18. On 02 July 2015, TransCo, in its letter to the Commission, requested for an extension of ninety (90) days within which to file the application for the 2016 FIT-All Rate.

19. The Commission, in its letter dated 20 July 2015, favorably acted upon said request and gave TransCo until the end of October 2015 to file the said Application.

20. On 15 October 2015, TransCo, anticipating some delays in approval process – both internal and external, which will render it unable to file the application by end of October, requested for another fifteen (15)-day period within which to file the same or until 15 November 2015.

21. On 11 November 2015, TransCo again requested an additional fifteen (15) days from 15 November 2015 to file the application or for such longer period which the Commission deems sufficient for the purpose of completing all the pre-filing requirements.

22. On 10 December 2015, the ERC, in ERC Case No. 2014-109 RC, issued a Decision approving with finality the amount of Php0.0406/kWh as the 2015 FIT-All rate.

23. Therefore, by and pursuant to the RE Law, Resolution No. 16 Series of 2010 (FIT Rules), as amended by Resolution No. 15 Series of 2012, in connection with the Guidelines and other pertinent laws, rules and regulations, this Application is submitted to the Commission for its due consideration of the herein applied for FIT-All Rate for the year 2016.

FEED-IN TARIFF ALLOWANCE

24. Applicant TransCo has computed a FIT-All Rate of PhP/kWh 0.1470 for 2016, determined using the formula provided in Section 1.3 of the Guidelines, as follows:

$$FIT-All = \frac{FD + WCA + AA + DA}{FNS}$$

Where:

DESCRIPTION	
FIT-All	is the Feed-in Tariff Allowance to be implemented in Year _{t+1} in PhP/kWh, as provided for in the FIT Rules and the Guidelines.
FD	is the estimated Total FIT Differential required for Year _{t+1} in PhP, and as further described in Section 1.4.1 of the Guidelines.
WCA	is the estimated Working Capital Allowance required for Year _{t+1} in PhP, and as further described in Section 1.4.2 of the Guidelines.
AA	is the Administration Allowance to be implemented in Year _{t+1} in PhP, and as further described in Section 1.4.3 of the Guidelines.
DA	is the Disbursement Allowance to be implemented in Year _{t+1} in PhP, and as further described in Section 1.4.3 of the Guidelines.
FNS	is the Forecast National Sales, in kWh, to be applied for Year _{t+1} and as further described in Section 1.4.4.2 of the Guidelines.
T	is the year the application for setting the FIT-All is filed with the ERC.
t+1	is the year following t

25. Whenever Year_{t+1} (implementation year) is used in any formula in the present Application, the same shall refer to the year 2016. Correlatively, the Year_{t+2} whenever used in any formula in this Application shall refer to the year 2017.

COMPONENTS OF THE FIT-ALL

I. Forecast National Sales

26. The Forecast National Sales (FNS) is the denominator in the FIT-All formula. The proposed level for 2016 is discussed first since it is best to present the determined value of the other FIT-All components in terms of PhP/kWh, where this FNS is the kilowatt-hours (kWh) denominator.

27. The FNS refers to an estimated total kilowatt-hours of electricity billed to consumers who are supplied with electricity in all On-Grid areas in the Philippines for a given year.

28. The FNS, in kWh, shall be equal to the latest available Electricity Sales as stated in the Philippine Power Statistics, excluding Utilities Own Use and Power Losses, or as otherwise certified by the DOE, and as adjusted by the historical growth rate published for the immediately preceding three (3) years.

29. From the historical data sourced from the Philippine Power Statistics until 2014³, TransCo computed for the compounded annual growth rate (CAGR) of Electricity Sales for a 3-year period using the formula:

$$CAGR_{t_0,t_n} = \left(\frac{V_{t_n}}{V_{t_0}} \right)^{\frac{1}{t_n-t_0}} - 1$$

Where:

V(*t*₀) = start value

V(*t*_{*n*}) = finish value

*t*_{*n*}-*t*₀ = number of years

30. TransCo computed the projected 2015 level by increasing the historical 2014 level by the computed CAGR (2011-2014). Then,

³ The DOE Memorandum dated 21 July 2015 providing for the Electricity and Sales Consumption, in MWh (2003 to 2014) is attached hereto as Annex "A" to "A-1" to form an integral part hereof.

TransCo again computed for the rolling 3-year CAGR and so on.⁴ TransCo came up with the following Forecast National Electricity Sales for 2015-2016:

Table 1. Forecast National Electricity Sales, kWh

2015	2016
65,962,899,825	68,380,633,362

II. Total FIT Differential

31. The Total FIT Differential represents the difference between: (1) the forecast applicable FIT Rate for Year_{t+1} that each Eligible RE Plant is forecasted to receive for each kWh delivered, and (2) the forecast applicable cost recovery rate as determined under the Guidelines, multiplied by the projected annual energy generation from Eligible RE Plant for year_{t+1}. In setting the FIT-All for Year_{t+1}, the FIT Differential is represented by the following formula:

$$FD = \left[\sum_x (\text{Forecast RE Gen}_{x,t+1} (\text{Forecast FIT Rate}_{x,t+1} - \text{Forecast Cost Recovery Rate}_{x,t+1})) \right] + FD_{t-1,(\text{over})/\text{under}}$$

Where:

DESCRIPTION	
Forecast RE Gen _{x,t+1}	is the Forecast RE Generation of Eligible RE Plant _x (in kWh).
Forecast FIT Rate _{x,t+1}	is FIT Rate, as degressed (if applicable) and adjusted for local inflation and foreign exchange (FOREX) as forecasted for year _{t+1} , in PhP/kWh, that Eligible RE Plant _x is forecasted to receive for each kWh delivered.

⁴ The FNS computation for 2015-2016 is attached hereto as **Annex "B"** to form an integral part hereof.

Forecast Cost Recovery	is the applicable Forecast Cost Recovery Rate to be implemented in Year _{t+1} for Eligible RE Plant _x , in PhP kWh.
FD _{t-1} (over)/under	is the variance between the actual FIT Differential for year _{t-1} (Actual FD _{t-1}) and the FIT Differential collected for year _{t-1} (Collected FD _{t-1}). There is over recovery if Collected FD _{t-1} > Actual FD _{t-1} and under recovery if Collected FD _{t-1} is < Actual FD _{t-1} .

32. Alternatively, the formula in Paragraph 31 can be viewed or rewritten as:

$$FD = Total\ FIT\ Revenue - Total\ Forecast\ Cost\ Recovery\ Revenue + FD_{t-1,(over)/under}$$

A. Forecast Annual Renewable Energy Generation

33. TransCo primarily used the most updated list of RE Projects that are projected to be eligible/already eligible under the FIT System in 2014-2017 onwards as provided by the DOE.⁵

34. With the list from DOE providing the best estimate of the entry of Eligible RE Plants, TransCo aims to be able to adequately provide for the corresponding payout requirements. However, the list does not in any way give preemptive right to the identified projects to be counted under the final FIT-eligible projects. Neither does it limit the payment of FITs to these projects once implemented.

35. The list includes projects that have already gone into Commercial Operation even prior to the January 2015 implementation of the FIT-All and are assumed to be Eligible RE Plants for the purpose of herein computation.

36. Where data were available from RE Developers/PEMC submissions, TransCo already put in the actual generation levels of operational RE plants.⁶

⁵The DOE letter dated 23 September 2015 providing “Additional Inputs for the Filing of the 2016 FIT-All Application”, including its attachments, are attached hereto as **Annexes “C” to “C-12”**, to form integral parts hereof.

⁶The table on the summary of actual generation, forecast generation and capacity factor per RE developer with heading “List of FIT Eligible Renewable Energy Developer with Submission on

37. Where the concerned RE Developers, particularly under the Wind projects, provided energy generation forecast that differed from the forecast presented by DOE, TransCo generally used the DOE data but followed the monthly seasonality culled from the forecast submission of the RE Developers. (See Annexes “D” and “D-7” to “D-10”.)

38. On the other hand, for some Biomass projects, TransCo noted some very high resulting annual capacity factor in the DOE projection. With the knowledge that most of these biomass plants do not have year round generation capability because of the availability of fuel, TransCo adjusted some of the forecast, more or less pegging the annual capacity factor to around 70%-72% for those that were shown to have very high levels. (See Annexes “D” and “D-15” to “D-19”.)

39. For Solar and Hydro plants, TransCo generally followed the projection of the RE Developers. For those without submission, the annual projection from DOE was used and the same seasonality indices as in the 2014-2015 Application were applied. (See Annexes “D” and “D-1” to “D-6,” “D-11” to D-14”.)

40. The 2017 projects were also considered, but only in the computation of the WCA, which requires the payout for year t+2, which in this case is 2017.

41. TransCo limited the determination of the FIT-All rate to include only Eligible RE capacities up to the installation targets set by the DOE as follows: 500 MW for Solar up to March 2016, 400 MW for Wind, 250 MW for Hydropower and 250 MW for Biomass.

42. At the same time, the principle of commercial and technical indivisibility of projects was observed, hence, the installation target could be exceeded if the last plant to complete the same renders the total beyond the target. This happened in the case of Solar.

43. Based on the foregoing, the applicable Forecast Annual Renewable Energy Generation of Eligible RE Plants (kWh) for the years 2014-2015 (lumped)⁷, 2016 and 2017 are as follows:

Table 2. Forecast Annual Renewable Energy Generation, MWh

Technology	2014-2015	2016	2017
Biomass	309,839	682,407	761,454
Hydropower	108,271	187,342	492,222
Solar	158,580	632,686	707,963
Wind	875,169	977,205	977,477
Total	1,451,859	2,479,639	2,939,116

B. Forecast Applicable FIT Rate and Forecast FIT Revenue

44. Forecast Applicable FIT Rate refers to the prevailing ERC-approved and published schedule of rates in PhP/kWh for each emerging renewable energy technology, as degressed by the relevant degression rates, if applicable, and adjusted for Consumer Price Index (CPI) and Foreign Exchange (FOREX), in accordance with Section 2.10 of the FIT Rules.⁸

45. Currently, the prevailing FIT Rates are based on the ERC Decision dated 27 July 2012 in ERC Case No. 2011-006 RM, ERC Resolution No. 6, series of 2016 for Solar FIT 2 and ERC Resolution No. 14, series of 2015 for Wind FIT 2.

46. Following the FIT Rules, the prevailing FIT Rates for 2015 are adjusted for inflation and foreign exchange for the adjusted 2016 rates, as shown in Table 3 below.⁹ However, inasmuch as the ERC has not issued FIT-eligible Certificate of Compliance under Solar FIT 2 and Wind FIT 2 as of October 2015, TransCo did not consider any adjustment of said rates for 2016.

⁷The 2014 and 2015 levels are a mix of actual and forecast values.

⁸ Section 1.4.1.1, Guidelines.

⁹Details of computation of the 2016 adjusted FIT rates is hereto attached as **Annex "E"** and made an integral part hereof.

Table 3. 2016 Adjusted FIT Rates, PhP/kWh

Technology	2015 Base FIT Rate	2016 Adjusted FIT-Rate	
		2014-2015 Entrant	2016 Entrant
Biomass	6.6300	7.0508	7.0508
Hydro	5.9000	6.4601	6.4601
Solar			
FIT 1	9.6800	9.9067	
FIT 2	8.6900	8.6900	8.6900
Wind			
FIT 1	8.5300	8.9006	
FIT 2	7.4000	7.4000	

47. In addition, TransCo did not apply any degression for 2016 for all FIT rates.

48. The Total FIT Revenue appearing in the formula in Paragraph 32 is obtained by multiplying the Eligible RE generation per technology as in Table 2 by the corresponding appropriate FIT rates in Table 3. For 2017, which is required only for the computation of the Working Capital Allowance, the same Adjusted FIT-rates as 2016 were used. The resulting levels are given as follows:

Table 4. Total FIT Revenue by Technology, in Pesos

Technology	2014-2015	2016	2017
Biomass	2,047,346,764	4,811,520,857	5,368,864,647
Hydropower	636,276,137	1,210,251,660	3,179,822,244
Solar	1,517,805,602	5,685,348,771	6,340,512,072
Wind	6,983,753,305	7,969,444,430	7,971,873,033
Total	11,185,181,807	19,676,565,718	22,861,071,996

C. Forecast Cost Recovery Rate

49. The Forecast Cost Recovery Rate (FCRR) is the projected generation rate that the Eligible RE Plant would likely receive had it not been under the FIT System.

50. Under Section 1.4.1.2 of the Guidelines, the manner by which the FCRR is forecasted and applied to a particular Eligible RE Plant shall be based on whether or not the Eligible RE Plant operates in a Grid where the Wholesale Electricity Spot Market (WESM) is operational or not.

51. Where WESM is operational, the FCRR for the Eligible RE Plant shall be equivalent to the average of the monthly system Ex-Ante Load Weighted Average Price (LWAP) of the WESM for the Luzon and Visayas Grids for the thirty-six (36) months immediately preceding the filing of the application for the setting of the FIT-All.

52. The FCRR to be applied for Eligible RE Plants where WESM is non-operational (Mindanao) shall be the weighted average of the generation cost of the Host Distribution Utility (Host DU) from all its other generation sources, excluding generation from any Eligible RE Plant-Non-WESM with a Renewable Energy Supply Agreement (RESA) with the Host DU, for the nearest twelve (12) months preceding the filing of the application for the setting of the FIT-All.

53. TransCo requested the Philippine Electricity Market Corporation (PEMC) for an update on the Load Weighted Average Price (LWAP) for the period January 2012 to April 2015¹⁰ which the latter provided on 1 June 2015.

54. TransCo further updated said submission by appending the May 2015 to August 2015 data sourced from the PEMC website.¹¹

55. Consequently, TransCo came up with the following averages for Luzon and Visayas:

Table 5. Average LWAP, PhP/kWh

Luzon	Visayas
5.5028	4.5278

56. For Mindanao, additional Host DUs were identified from the lineup of projects:

¹⁰The PEMC letter dated 01 June 2015 on the "Data on Load Weighted Average Price (LWAP) for Luzon and Visayas", including a computer printout of the data in the CD submitted is attached hereto as **Annexes "F"** to "**F-1**" to form an integral part hereof.

¹¹Print-outs of the Monthly Summary Report for May, June, July and August 2015 from PEMC website (www.wesm.ph) are hereto attached as **Annexes "G"** to "**G-3**" to form an integral part hereof.

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Host DU	Plant Name	RE Developer
DASURECO	Tudaya 2 Hydroelectric Power Project	Hedcor Tudaya, Inc.
DASURECO	Digos Solar PV Power Project Phase 1	Enfinity Philippines Renewable Resources, Inc.
DASURECO	Digos Solar PV Power Project Phase 2	Enfinity Philippines Renewable Resources, Inc.
ZAMCELCO	Pasonanca Hydroelectric Power Project	Philcarbon, Inc.
MAGELCO	3.5 GECC MW Biomass Cogeneration System	Green Earth Enersource Corporation
BUSECO	Manolo Fortich 1 HEP	Hedcor Bukidnon, Inc.
BUSECO	Manolo Fortich 2 HEP	Hedcor Bukidnon, Inc.
BUSECO	Kibawe Solar Power Project	Asian Green Energy Corporation
MORESCO II	Limbatangon Hydroelectric Power Project	Turbines Resources & Development Corp.
SOCOTECO II	Centrala Solar Power Project	NV Vogt Philippines Solar Energy One, Inc.
SOCOTECO II	GenSan Solar Power Project Phase II	Del Sol CGS, Inc.

57. TransCo adopted the Weighted Average Generation Charge of DASURECO in the amount of P4.7592 as determined by the Commission in ERC Case No. 2014-109 RC.

58. For the other Host DUs, on 20 October 2015, TransCo requested the ERC for the weighted average generation cost data. In the meantime that said information has not been received, TransCo used figures from www.kuryente.org (save for DASURECO) as follows¹²:

Table 6. FCRR for Host DUs, PhP/kWh

Host DU	Weighted Average Generation Cost
DASURECO	4.7592
ZAMCELCO	3.9706
MAGELCO	2.7801
BUSECO	3.7339
MORESCO II	3.3684
SOCOTECO II	4.7054

59. Multiplying the Forecast Annual Eligible RE Generation in Table 2 by the appropriate Forecast Cost Recovery Rates gives the following total FCRR in pesos:

¹²Printouts of MAGELCO Effective Rate for Residential Customer for the period April 2013 to March 2014, ZAMCELCO Effective Rate for Residential Customer for the period March 2013 to February 2014, BUSECO Effective Rate for Residential Customer for the period March 2014 to February 2015, MORESCO II Effective Rate for Residential Customer for the period February 2012 to December 2013 and SOCOTECO II Effective Rate for Residential Customer for the period May 2013 to June 2014 from the website www.kuryente.org are attached hereto as Annexes "H" to "H-11", "I" to "I-11", "J" to "J-11", "K" to "K-11", and "L" to "L-11", respectively, to form integral parts hereof.

Table 7. Total Forecast Cost Revenue by Technology, in Pesos

Technology	2014-2015	2016	2017
Biomass	1,547,479,452	3,548,498,598	3,983,476,564
Hydropower	556,426,786	927,734,772	2,183,491,016
Solar	844,922,109	3,093,934,257	3,454,756,715
Wind	3,940,870,272	5,180,613,653	5,182,115,181
Total	6,889,698,621	12,750,781,280	14,803,839,476

Similarly as in the FIT rate, the 2016 Forecast Cost Recovery Rate was used for 2017 since the same is merely intended for the determination of the Working Capital Allowance as discussed below.

60. 2015 Under-recoveries. The last term in the formula for FIT Differential is the amount of under-recovery or over-recovery of the FIT Differential.

61. By the end of 2015, it is estimated that the FIT-All Fund will have a deficit in terms of collection vis-à-vis payables of Php1,835,907,894.08¹³, hence, an under-recovery.

62. FIT Differential. Following the formula for FD in Paragraph 32 (first two terms), the total FCRR in Table 7 is subtracted from the FIT Revenue in Table 4 and yields the following for 2014-2017:

Table 8. FIT Differential (without Under-recovery), in Pesos

Technology	2014-2015	2016	2017
Biomass	499,867,312	1,263,022,259	1,385,388,084
Hydropower	79,849,350	282,516,888	996,331,227
Solar	672,883,492	2,591,414,514	2,885,755,357
Wind	3,042,883,032	2,788,830,778	2,789,757,852
Total	4,295,483,186	6,925,784,439	8,057,232,521

The 2017 levels are shown only for the purpose of computing the WCA which is discussed below.

63. The final FIT Differential for 2016 in P/kWh, inclusive of the under-recovery for 2015, is as follows:

¹³Table showing the details of computation of the 2015 FIT Differential deficiency is hereto attached as Annex "M" and made an integral part hereof.

Table 9. FIT Differential (with Under-recovery), in Pesos

Particulars	Amount	P/kWh
2016 FD	6,925,784,439	0.1013
2015 FD over(under)	1,835,907,894	0.0268
Total	8,761,692,333	0.1281

III. Working Capital Allowance

64. The WCA is part of the FIT-All and serves as buffer to address any default or delay in the collection and/or remittance of the FIT-All and/or Actual Cost Recovery Revenue (ACRR) including, but not limited to, the following:

- i. Variations between the actual and forecasted (a) RE Generation from Eligible RE Plants resulting from over- and under- generation, (b) Annual National Sales and (c) applicable Forecast Cost Recovery Rates and Actual Cost Recovery Revenues;
- ii. The timing difference of the collection and billing cycle for the FIT-All and Actual Cost Recovery Revenue; and
- iii. Any other collection or payment shortfall.

65. The WCA amount for collection is expressed as:

$$WCA_{t+1} = (ForecastAnnualPayout_{t+2} \times FactorRate) - WCA_{EndingBalance_{t}}$$

Where:

WCA_{t+1}	Is the Working Capital Allowance to be funded during Year _{t+1}
Forecast Annual Payout _{t+2}	Is the projected amount of payables out of the FIT-All Fund for year _{t+2} consisting of forecasted Total FIT Revenues, forecasted Administration Allowance and forecasted Disbursement Allowance for Year _{t+2} . The forecasted Total FIT Revenues for Year _{t+2} is the sum of the product of the Forecast RE Generation of

	Eligible RE Plant _x for Year _{t+2} multiplied by the appropriate FIT Rate _x for Year _{t+2} . The forecasted Administration Allowance for Year _{t+2} is the Administration Allowance for Year _{t+1} , less any non-recurring expenditures such as those relating to the initial filing of the FIT-All, adjusted for forecast CPI for Year _{t+2} . The forecasted Disbursement Allowance for Year _{t+2} is the projected level of payment to the Trustee Bank in Year _{t+2} .
WCA Ending Balance _t	Is the ending balance of the Working Capital Allowance account in Year _t including any interest income earned in the WCA account and all other component accounts of the FIT-All Fund; if this is not available at the time of filing, the ending balance for the month immediately preceding the month of filing, subject to updating by the ERC of the actual ending balance of the WCA account in Year _t if it shall become available prior to the issuance of its Decision on the FIT-All application.
Factor Rate	Is the factor rate approved by the ERC, upon recommendation of the NREB, reflective of funding requirements of the FIT-All Fund, adjusted by (i) a period factor based on the billing and collection cycle of the Collection Agents as described in the Guidelines; and (ii) the collection efficiencies of Collection Agents. Data for the initial year shall be sourced from PSALM for its collection of the Universal Charge. Data for succeeding years shall be based on FIT-All historical collection efficiency rate.

66. From the foregoing, it may be gleaned that an initial Forecast Annual Payout for the year 2017 needs to be determined since it is envisioned that buffer requirements for the following year should be collected and built up during the current year. Hence, aside from the 2016 levels for Forecast Cost Recovery Revenue, FD, AA and DA, the 2017 projected levels were also established.

67. For the purpose of computing the WCA, the Forecast Cost Recovery Rates used by TransCo for 2017 are the same level as the 2016. The same holds for the FIT Rates.

68. Summarizing Table 7 and Table 8, we have the following inputs in computing the Forecast Annual Payout for 2017:

Table 10. 2017 Forecast Cost Recovery Revenue and FIT Differential, in Pesos

Technology	FORECAST COST RECOVERY REVENUE	FIT DIFFERENTIAL
Biomass	3,983,476,564	1,385,388,084
Hydropower	2,183,491,016	996,331,227
Solar	3,454,756,715	2,885,755,357
Wind	5,182,115,181	2,789,757,852
Total	14,803,839,476	8,057,232,521

69. The projected AA for 2016 in the meantime is set to zero (0) for the purpose of computing the WCA.

70. The proposed trustee fee/ Disbursement Allowance is estimated at the 2016 level of PhP 1,054,099.95 from Paragraph 81.

71. Combining the results and assumptions given in Paragraphs 68 to 70, the Forecast Annual Payout for 2017 is as follows:

Table 11. 2017 Forecast Annual Payout, in Pesos

Particulars	2017
Forecast Cost Recovery Revenue	14,803,839,476
FIT Differential	8,057,232,521
Administration Allowance	-
Disbursement Allowance	1,054,100
Total Annual Payout	22,862,126,096

72. The Guidelines further provide the use of a Factor Rate that will be multiplied to the Forecast Annual Payout for 2016.

73. Pursuant to the Guidelines, the NREB recommended a formula for the Factor Rate in the 2014-2015 FIT-All Application. Using the same formula for this Application but with updated inputs yielded a factor rate of 5.5145%.¹⁴

74. Further, the Guidelines define the WCA Ending Balance to be the balance of the WCA component account for the immediately

¹⁴Factor Rate computation using the formula recommended by NREB in its Resolution No. 3 Series of 2014 is attached hereto as Annex "N" to form an integral part hereof.

preceding month prior to the month of filing. Given the deficiency in the fund balance to address even the FD, the WCA in fact has no balance. Truth to tell, the amounts TransCo used to augment the ACRR remittance of PEMC and the Disbursement Allowance it actually paid to LBP as trustee fee, given there was no specified amount in the 2014-2015 Application for the Disbursement Allowance, constitute negative fund balance. Thus, TransCo considered a WCA Ending Balance of –PhP 28,599,294.54, which represents the estimated deficiency for ACRR and DA by the end of 2015.

Table 12. Determination of the WCA_{Ending Balance}, in Pesos

Forecast CRR Receivable (Sept 2015-Dec 2015)	3,837,875,248.49
Expected CRR Collection (99.27% Collection Efficiency)	3,810,015,943.94
Estimated Uncollected CRR	27,859,304.54
Add: 2015 Disbursement Allowance	739,990.00
WCA Deficiency	28,599,294.54

75. From the given information, the combined buffer required for 2016, which is equivalent to the 2017 requirement multiplied by the Factor Rate less the WCA ending balance, is PhP1,289,339,613 derived as:

Table 13. Determination of WCA, in Pesos

Technology	2016	2017
Forecast Annual Payout		22,862,126,096
x Factor Rate		5.5145%
Equals: Portion of Annual Payout		1,260,740,318
Less: WCA Ending Balance (Year n)	(28,599,295)	
Working Capital Allowance	1,289,339,613	
WCA PhP/kWh	0.0189	

76. The table provides the corresponding PhP/kWh level of the WCA for 2016, which is PhP/kWh 0.0189.

IV. Administration and Disbursement Allowance

77. As provided for in Section 2.5 of the FIT Rules, the FIT-All shall also take into account the Applicant’s administration costs, to defray expenses of the Administrator in connection with the performance of its functions as FIT All Fund Administrator (Administration Allowance).

78. For the year 2016, TransCo again proposes an Administration Allowance of zero (0).

79. A similar fee may be imposed by the designated Trustee of the FIT-All Fund in accordance with the Trust Agreement approved by the ERC, to defray standard administrative costs in establishing and managing the actual collection and disbursements of the FIT-All Fund and all other monetary collections authorized by the FIT Rules (Disbursement Allowance).

80. From the Trust Agreement entered into by Land Bank of the Philippines (LBP)-Trust and TransCo on 03 March 2015¹⁵ and approved by the ERC, TransCo shall pay a fixed fee of P720,000 per annum plus some variable components.

81. Based on TransCo's estimates of fund balances which will be the major basis of the variable component that is the Bangko Sentral ng Pilipinas supervision fee, the Disbursement Allowance or the service fee of LBP for 2016 is PhP1,054,099.95.¹⁶

V. FIT-ALL RATE FOR 2016

82. Applying the above components to the formula for FIT-All, we have the following, in PhP/kWh:

$$\begin{aligned} FIT-All &= \frac{FD + WCA + AA + DA}{FNS} \\ &= 0.1281 + 0.0189 + 0 + 0.0000 \\ &= 0.1470 \end{aligned}$$

83. In more detail, the components and result of the FIT-All calculation may be summarized in the following table:

¹⁵ Copy of the Trust Agreement dated 03 March 2015 is hereto attached as **Annex "O"** to "**O-23**" and made an integral part hereof.

¹⁶Details of computation of the proposed DA is hereto attached as **Annex "P"** and made an integral part hereof.

Table 14. Summary of 2016 FIT-All Rate Computation

COMPONENTS	Amount (Php)	Rate (P/kWh)	Share
FD	8,761,692,333	0.1281	87.16%
WCA	1,289,339,613	0.0189	12.83%
AA		0.0000	0.00%
DA	1,054,100	0.0000	0.01%
Total	10,052,086,045	0.1470	
FNS, kWh	68,380,633,362		
FIT-All, Php/kWh			

84. However, TransCo would like to present some additional computations that show the 2016 FIT-All at different categories of FIT-eligible/-candidate RE Projects:

Table 15. Incremental Movement of the 2016 FIT-All for Different RE Plant/Project Categories

	With Payment As of October 5, 2015	With FIT COC		With COE		With Nomination		DOE List	
		Increase/ (Decrease)	Total	Increase/ (Decrease)	Total	Increase/ (Decrease)	Total	Increase/ (Decrease)	Total
MW	345.92	69.64	415.56	259.00	674.56	32.00	706.56	463.84	1,170.39
MWH	807,951	172,651	980,602	626,073	1,606,675	153,032	1,759,707	719,933	2,479,639
FIT-ALL Rate, P/kWh	0.0566	0.0038	0.0605	0.0373	0.0978	0.0047	0.1025	0.0445	0.1470

FIT COC - Certificate of Compliance Issued by the ERC
 COE - Certificate of Endorsement Issued by the DOE
 Nomination (for FIT Eligibility) - Issued by the DOE

A more detailed table of the FIT-All calculation above and a listing of RE Plants/Projects per category are provided in Annexes “Q” and “R”, respectively.

85. In view of the Commission’s Decision in ERC Case No. 2014-109 RC limiting the forecast RE generation included in the computation of the FIT-All to those RE plants with COEs, TransCo opted to recommend and seek the Honorable Commission’s approval of a FIT-All rate lower than the total computed level of PhP/kWh 0.1470. As can be gleaned from Table 15, the computed 2016 FIT-All rate covering RE Projects with at least nomination from DOE as of end of October 2015 for the FIT system is PhP/kWh 0.1025. These projects already have ongoing construction and have reached at least 80% electromechanical completion, thus, are almost sure to operate within the period under consideration, if not already operating to date. It is TransCo’s judgment that the two (2) additional plants on top of RE projects with COE will likely complete the requirement for FIT eligibility within the period, thus, qualify to be counted in the instant Application.

86. Finally, TransCo wishes to manifest that while it was directed by the Honorable Commission in ERC Case No. 2014-109 RC to file a separate application for a revised FIT-All to cover the 2015 under-recoveries, the same have been incorporated in the instant Application, consistent with the Guidelines. As discussed in item II. Total FIT Differential above, (over)/under recovery is already incorporated in the formula of the FIT Differential and as such is already captured in the determination of the FIT-All Rate for 2016. Further, the estimated under-recovery for the Actual Cost Recovery Revenue and provision for Disbursement Allowance are made part of the WCA ending balance. Hence, TransCo submits that a separate application would no longer be necessary.

**ALLEGATIONS IN SUPPORT OF THE PRAYER FOR
PROVISIONAL AUTHORITY**

87. TransCo repleads the foregoing allegations insofar as they may be applicable.

88. It is respectfully submitted that the computation of, as well as the data used by, TransCo are all in accordance with the FIT Rules and the Guidelines issued by the ERC.

89. On this basis, TransCo most respectfully moves for the immediate issuance of a "Provisional Authority" pursuant to Rule 14, Section 3¹⁷ of the ERC Rules of Practice and Procedures to allow applicant TransCo to timely implement the FIT-All Rate of PhP/kWh 0.1025 effective January 2016 without prejudice to the final and actual rate pending the final disposition of its present Application.

90. The grant of a Provisional Authority will allow TransCo to perform its duties to make a timely payment of the FIT Rate to RE Developers to which they are entitled thereby allowing their continued operations.

91. In support of the foregoing allegations in this Application, including those for the issuance of the provisional authority, TransCo

¹⁷ "Section 3. Action on the Motion. - Motions for provisional authority or interim relief may be acted upon with or without hearing. The Commission shall act on the motion on the basis of the allegations of the application or petition and supporting documents and other evidences (sic) that applicant or petitioner has submitted and the comments or opposition filed by any interested person, if there be any."

hereby submits the Judicial Affidavit of Ms. Dinna O. Dizon, Manager of Compliance Monitoring Department (CMD).¹⁸

92. Applicant Transco prays for the Commission to:
- a. Pending hearing on the merits of the present Application, provisional authority to collect the FIT-ALL of PhP/kWh 0.1025 effective January 2016 billing period be issued;
 - b. The Collection Agents – DUs, RES and NGCP be directed to bill, collect and remit the FIT-All to the FIT-All Fund as provided in the FIT-All Guidelines;
 - c. PEMC and the Host DUs be directed to remit the CRR to the FIT-All Fund as provided in the FIT-All Guidelines;
 - d. The Factor Rate resulting from an updating of inputs in the recommended formula by the NREB under the 2014-2015 FIT-All Application (ERC Case No. 2014-109 RC) be approved and applied in the computation of the WCA and the FIT-All Rate for 2016;
 - e. After due notice and hearing, a permanent approval for Applicant TransCo be granted to implement the FIT-All Rate for 2016 of PhP/kWh 0.1025, computed for RE Projects with at least nomination from DOE for eligibility under the FIT system, or in the alternative, such other amount as may be found by the Commission to be consistent with the FIT-All Guidelines and on the basis of new and updated information not heretofore available to the Applicant at the time of the filing of the present application;
 - f. TransCo be exempt from payment of permit/supervision fees, if any.
 - g. Other reliefs as may be just and equitable under the premises are likewise most respectfully prayed for.

¹⁸A copy of the Judicial Affidavit of Ms. Dinna O. Dizon is attached hereto as **Annex "S"** to form an integral part hereof.

The Commission has set the application for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on the following dates and venues:

DATE	TIME	VENUE	PARTICULARS
08 March 2016 (Tuesday)	Two o' clock in the afternoon (2:00 P.M.)	ERC Hearing Room 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City	Jurisdictional Hearing and Expository Presentation
15 March 2016 (Tuesday)	Two o' clock in the afternoon (2:00 P.M.)	ERC Visayas Field Office, St. Mary's Drive, Banilad, Cebu City	Expository Presentation
5 April 2016 (Tuesday)	Ten o' clock in the morning (10:00 A.M.)	ERC Mindanao Field Office, Mintrade Building, Monteverde Avenue corner Sales Street, Davao City	Expository Presentation
20 April 2016 (Wednesday)	Ten o' clock in the morning (10:00 A.M.)	ERC Hearing Room 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City	Pre-trial Conference and Evidentiary Hearing


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 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 applicant concludes the presentation of its 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 wish to have a copy of the application may request from the applicant that they be furnished with the same, prior to the date of the initial hearing. The applicant is hereby directed to furnish all those making such request with copies of the application and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the application and other pertinent records filed with the Commission during standard office hours.

WITNESS, the Honorable Chairman, **JOSE VICENTE B. SALAZAR**, and the Honorable Commissioners, **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 2nd day of February, 2016 at Pasig City.


ATTY. NATHAN J. MARASIGAN
Chief of Staff
Office of the Chairman and CEO