

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

IN THE MATTER OF THE  
APPLICATION FOR APPROVAL  
OF THE ANCILLARY SERVICES  
PROCUREMENT AGREEMENT  
BETWEEN THE NATIONAL  
GRID CORPORATION OF THE  
PHILIPPINES AND SN ABOITIZ  
POWER-MAGAT, INC., WITH  
PRAYER FOR THE ISSUANCE  
OF PROVISIONAL AUTHORITY.

**ORIGINAL**

**OFFICE FILE**

ERC CASE NO. 2016-0\_\_RC

NATIONAL GRID  
CORPORATION OF THE  
PHILIPPINES AND SN ABOITIZ  
POWER-MAGAT, INC.,  
Applicants.

X-----X

## **APPLICATION**

(With Prayer for the Immediate Issuance of a  
Provisional Authority)

Applicants **NATIONAL GRID CORPORATION OF THE  
PHILIPPINES** (NGCP) and **SN ABOITIZ POWER-MAGAT,  
INC.** (SNAP-MI), by counsels, respectfully state:

### **NATURE OF THE CASE**

1. This Application is for the approval of the Ancillary Services Procurement Agreement (ASPA) between the NGCP and SNAP-MI, pursuant to the Decision dated 3 October 2007 in ERC Case No. 2006-049RC, 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. Applicant 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<sup>1</sup> (EPIRA). It holds a franchise under Republic Act No. 9511<sup>2</sup> to engage in the business of conveying or transmitting electricity through high-voltage back-bone 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.

3. Applicant SNAP-MI is a corporation organized and existing under and by virtue of the Philippine laws with principal office address at Magat Hydroelectric Power Plant, Brgy. Aguinaldo, Ramon, Isabela. It may be served with orders, notices, and other legal processes through its undersigned counsel. It is the owner and operator of Magat Hydro-Electric Power Plant (Magat HEPP), which was certified and accredited by NGCP as capable of providing Regulating Reserve (RR), Contingency Reserve (CR), Dispatchable Reserve (DR) and Black Start Capability.

## **ANTECEDENT FACTS**

4. Republic Act No. 9136 provides that it is the responsibility of NGCP to ensure and maintain the reliability, adequacy, security, stability and integrity of the nationwide electrical grid in accordance with the performance standards for its operations and maintenance, as set forth in the Philippine Grid Code (PGC), adopted and promulgated by the Honorable Commission, and to adequately serve generation companies,

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

<sup>2</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 of Interconnected Transmission Lines, Substations and Related Facilities, and for other Purposes;

distribution utilities and suppliers requiring transmission service and/or ancillary services through the transmission system<sup>3</sup>.

5. Similarly, the 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 ERC<sup>4</sup>.

6. 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."* These services are essential in ensuring reliability in the operation of the transmission system and consequently, in the reliability of the electricity supply in the Luzon, Visayas and Mindanao grids.

7. In order to implement and regulate the procurement of AS, the Honorable Commission approved the Ancillary Services Procurement Plan (ASPP) through its Order dated 9 March 2006 in ERC Case No. 2002-253 and the Ancillary Services-Cost Recovery Mechanism (AS-CRM) through its Decision dated 3 October 2007 in ERC Case No. 2006-049RC.

8. Pursuant to its mandate, NGCP invited and negotiated with all prospective generation companies capable of providing ancillary services, one of which is SNAP-MI.

9. It may be recalled that TRANSCO and SNAP-MI entered into an ASPA in October 2008. On 4 February 2009, TRANSCO and SNAP-MI filed an application docketed as ERC Case No. 2009-007RC, which was approved in the Decision dated 12 October 2009. The Honorable Commission on page 21 of the Decision stated that: *"Based on the foregoing, it was determined that the contracted Ancillary Service capacity is needed to augment the deficiency of ancillary reserve capacity and maintain the reliability in the operation of the transmission system and electricity supply in the grid."*

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<sup>3</sup>Section 9 (c) and (d);

<sup>4</sup>Section 6.3.1.2;

10. Also, on 8 March 2013, NGCP and the SNAP-MI entered into another ASPA (2013 ASPA) for a period of three years. On 27 March 2013, the parties filed an application docketed as ERC Case No. 2013-053RC before the Honorable Commission for the approval of the 2013 ASPA, which was provisionally approved through an Order dated 3 June 2013. The Honorable Commission in page 12 of the Order stated that: *“The Commission believes that the contracted ancillary services capacity is needed to augment the deficiency of ancillary reserve capacity and maintain the reliability of the operation of the transmission system and electricity supply in the Luzon Grid.”*

11. Due to the necessity of extending the services of providing the same ancillary services, the Applicants again entered into a new ASPA under the same rates, terms and conditions.<sup>5</sup> In the latest accreditation tests held in 2015 on the Magat HEPP, the plant demonstrated capability of providing RR, CR, DR and Black Start Services. The copy of the Accreditation Certificate is attached as **Annex “A.”**

12. Similar to the existing ASPA, NGCP agreed to procure and SNAP-MI agreed to continuously provide, under the new ASPA, the following AS for a period of a period five (5) years:

Capacity	Type of Ancillary Services
Firm	Regulating Reserve
	Contingency Reserve
Non-firm	Regulating Reserve
	Contingency Reserve
	Dispatchable reserve
	Black Start Capability

A copy of the ASPA is attached as **Annex “B.”**

**CONTRACTED CAPACITY RATES AND IMPACT  
SIMULATION**

13. Also, the Applicants used the following rates for the capacity fees as provided in the previous ASPA:

<sup>5</sup> The proposed schedules are: 95MW RR firm capacity for 24 hours a day and 7 days a week; and its 60MW CR firm capacity during peak hours.

Firm:

Ancillary Service	Applicable Rates (Maximum Hourly Rate)
Regulating Reserve	Php2.50/kW/Hr
Contingency Reserve	Php1.50/kW/Hr

Non-Firm:

Ancillary Service	Applicable Rates (Maximum Hourly Rate)
Regulating Reserve	Php3.00/kW/Hr
Contingency Reserve	Php2.25/kW/Hr
Dispatchable Reserve	Php1.25/kW/Hr
Black Start Capability	Php2.14/kW/Hr

14. SNAP-MI respectfully submits that the proposed rates represent a reasonable recovery of the opportunity cost in making available generation capacity to provide the procured AS.

15. The rates under ASPA were subjected to a simulation with the following results:

Ancillary Services	Indicative Rate Impact	
	P/kW-month	P/kWh
Regulating Reserve	24.9009	0.1340
Contingency Reserve	12.2620	0.0660
Dispatchable Reserve	2.7928	0.0150

A copy of the said rate impact simulation is attached as Annex “C.”

16. 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 ancillary services shall be recovered from all the load customers in the Luzon Grid.

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

17. 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*). With this end in view, 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. However, the Honorable Commission must first approve the contract before the same could be implemented.

18. As mentioned above, the Honorable Commission has already declared that there is a necessity for NGCP to procure the contracted ancillary services capacity of SNAP MI to maintain the reliability of the operation of the transmission system and electricity supply in the Luzon Grid.

19. SNAP-MI must continue to provide the current contracted ancillary services beyond the 2013 ASPA to maintain the reliability of the power grid. Based on the current levels of available contracted AS in the Luzon Grid, the firm contracted AS have not yet met the required levels of the ASPP. The copies of the relevant actual data and its corresponding graphical presentations showing the required and available levels of AS in the Luzon Grid are attached as **Annex "D."**

20. NGCP must be guaranteed that there are available AS on a daily basis to assure reliability of the grid. There is no assurance that the non-firm capacities would be available when needed. NGCP cannot gamble on this chance. As the grid operator, the contracted capacity of SNAP, especially its firm capacities, are greatly needed.

21. Thus, NGCP and SNAP MI agreed to execute another ASPA for a period of another five years. With this ASPA, the Luzon Grid is assured of AS until 2021.

22. Also, as the demand for power in the Luzon 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.



The absence of system reliability and stability will certainly discourage investments and growth.

23. Applicants respectfully submit that the immediate approval of the ASPA by this Honorable Commission is a necessity to maintain the present reliability and security of the Grid. In support of these allegations, NGCP submits a copy of the Judicial Affidavit of Engr. Lizaflor Bacani-Kater, which is attached as **Annex "E."**

### **PRAYER**

**WHEREFORE,** premises considered, Applicants respectfully pray that the Honorable Commission to:

- a) Immediately **ISSUE** a provisional authority to implement the subject ASPA;
- b) **APPROVE**, after notice and hearing, the subject ASPA.

Applicants pray for other just and equitable relief under the premises.

Quezon City and Taguig City for Pasig City, 11 August 2016.

**OFFICE OF THE GENERAL COUNSEL  
NATIONAL GRID CORPORATION OF THE PHILIPPINES**

NGCP Building, Quezon Avenue corner  
BIR Road, Diliman, Quezon City  
Tel. No. 981-2100 (Trunk Line)

By:

  
**LUIS MANUEL U. BUGAYONG**

PTR No. 2131576 / 01.04.16 / Quezon City  
IBP Lifetime No. 010191/RSM  
MCLE Compliance No. V-0006616 / 02.24.15  
Roll of Attorneys No. 38002  
Email address: [lubugayong@ngcp.ph](mailto:lubugayong@ngcp.ph)



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PTR No. 2131569 / 01.04.16 / Quezon City

IBP Lifetime No. 04995/ RSM

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**MARK ANTHONY S. ACTUB**

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**RAYCELL D. BALDOVINO**

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-and-

**OFFICE OF THE LEGAL AND COMPLIANCE COUNSEL**

10<sup>th</sup> Floor, NAC Tower

32<sup>nd</sup> Street, Bonifacio Global City

Taguig City

By:



**DAVID I.B. OCAMPO**

IBP Lifetime No. 13885 (05-26-15 / Cam.Sur)

PTR NO. No. 4752525 (01-19-16 / Pasay City)

MCLE Compliance No. V-005164 (12-09-14)

Roll of Attorneys No. 37759

Email address: [david.ocampo@snaboitiz.com](mailto:david.ocampo@snaboitiz.com)



Courtesy Copy:

**NATIONAL TRANSMISSION CORPORATION**

c/o Office of the President  
Quezon Avenue corner BIR Road  
Diliman, Quezon City

**NATIONAL TRANSMISSION CORPORATION**

c/o Office of the General Counsel  
Quezon Avenue corner BIR Road  
Diliman, Quezon City

**POWER SECTOR ASSETS AND LIABILITIES  
MANAGEMENT CORPORATION**

c/o Office of the President  
7<sup>th</sup> Floor, Bankmer Building, 6756 Ayala Avenue  
1226 Makati City

REPUBLIC OF THE PHILIPPINES)  
QUEZON CITY

) S.S.

**VERIFICATION AND  
CERTIFICATION OF NON-FORUM SHOPPING**

I, **MA. CYNTHIA Y. MANRIQUE**, Filipino, of legal age, single, after having been duly sworn to in accordance with law, hereby depose and say that:

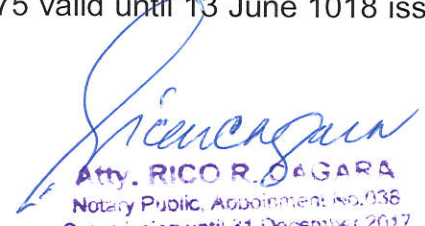
1. I am presently the Head of the Revenue Regulatory Affairs Group of the National Grid Corporation of the Philippines (NGCP);
2. I am duly authorized to sign the Verification and Certification of Non-Forum Shopping in this case for and in behalf of NGCP as evidenced by the Secretary's Certificate hereto attached as **Annex "A-Verification;"**
3. I have caused the preparation of the foregoing Application and I have read it. I attest that the allegations therein are true and correct of my personal knowledge and based on authentic records;
4. I further attest that NGCP has not filed any similar case or action before any court, tribunal or quasi-judicial agency involving the properties subject of this case and, to the best of my knowledge, no such other case or action is pending therein; and
5. If I should thereafter learn that a similar case, action or claim other than those mentioned above, is filed or pending before any court, tribunal or quasi-judicial agency, I shall report that fact to this Honorable Office within five (5) days therefrom;

**IN WITNESS WHEREOF**, I have hereunto affixed my signature this 11 August 2016, in Quezon City, Philippines.

  
**MA. CYNTHIA Y. MANRIQUE**  
Affiant

SUBSCRIBED AND SWORN to before me this 11 August 2016, affiant exhibited to me her Driver's License No. D09-94-048075 valid until 13 June 1018 issued at Quezon City.

Doc. No. 147 ;  
Page No. 31 ;  
Book No. 26 ;  
Series of 2016.

  
**Atty. RICO R. DAGARA**  
Notary Public, Appointment No. 036  
Commission until 31 December 2017  
PTR No. 2131577; 01-04-16; Quezon City  
IBF Lifetime No. 09640; Bulacan  
Roll Of Attorneys No. 53664  
MCME Compliance No. V-0005735, until 4-14-19  
Unit 305, J. Rosa Condominium  
44 Matimlaman St., Teacher's Village East  
Diliman, Quezon City

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I, **KAREN S. ONG**, of legal age, Filipino, and with office address at Power Center, Quezon Avenue corner BIR Road, Diliman, Quezon City, Metro Manila, after having been duly sworn in accordance with law, hereby certify that:

2. In the meeting of the Board of Directors of the Corporation held on 27 June 2011, at which meeting a quorum was present, the following resolution was unanimously approved and adopted:

***“NOW THEREFORE, BE IT RESOLVED, AS IT IS HEREBY RESOLVED,*** that the request for authority is hereby approved and adopted for the President & CEO, Chief Administrative Officer, General Counsel, Revenue And Regulatory Affairs Department Head, Engineering Construction Department Head and concerned Project Division Heads, or their appointed and designated officers of NGCP to:

- (i) Represent NGCP in any claim, complaint, petition, application, protest, suit, or any case for or against NGCP before any judicial court, prosecutor's office, regulatory body, quasi-judicial or administrative body, agency or office of the government;
- (ii) Execute, sign and obtain any document, including verification and certification of non-forum shopping or any other document which may be required or in connection with the preceding paragraph;
- (iii) Appoint, name or designate a representative of NGCP during inquest, preliminary investigation, preliminary conference, pre-trial, mediation, conciliation, arbitration, trial, execution, and all proceeding or action; and
- (iv) Do and perform on behalf of NGCP any act and deed necessary to be done in the premises;

**IN WITNESS WHEREOF**, I have hereunto set my hand this 28<sup>th</sup> day of June, 2011  
in Quezon City, Metro Manila.

**KAREN S. ONG**  
Affiant

SUBSCRIBED AND SWORN TO before me this 28<sup>th</sup> day of June 2011 in Quezon City, Metro Manila, affiant exhibiting to me her Passport No. TT0665884 issued on 16 August 2006 in Manila.

Doc. No. 385;  
Page No. 78;  
Book No. 10;  
Series of 2011.

ATTN: RICO R. CAGARA

[illegible]

**CERTIFIED TRUE COPY**  
BY: C-96-137 - 7811-4765  
**ROMAN DUTTA P. CONCESSION**  
**ASSISTANT COMMODITY SECRETARY**



(Republic of the Philippines)  
(Taguig City ) s.s.

**VERIFICATION AND CERTIFICATION**

I, **Joseph S. Yu**, of legal age, married, with office addresses at Bgy. Aguinaldo, Ramon, Isabela and/or 10<sup>th</sup> Flr., NAC Tower, 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, after having been duly sworn to in accordance with law, do hereby depose and state for myself and for **SN ABOITIZ POWER-MAGAT, INC.**, that:

1. I am the Executive Vice President and Chief Operating Officer of **SN ABOITIZ POWER-MAGAT, INC.** with authority to commence, initiate and file the foregoing Application pursuant to Board Resolution dated 16 June 2016 a copy of which is hereto attached;
2. I have read the Application and the allegations therein are true and correct based on my personal knowledge or the authentic records available;
3. I or **SN ABOITIZ POWER-MAGAT, INC.** have not commenced any other action or proceeding involving the same issues in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency and, to the best of my knowledge, no such other action or claim is pending therein; and
4. If I or **SN ABOITIZ POWER-MAGAT, INC.** should hereinafter learn that the same or a similar action or claim has been filed or is pending in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency, I shall report the said fact within five (5) days from discovery thereof to the Honorable Commission and/or Court.

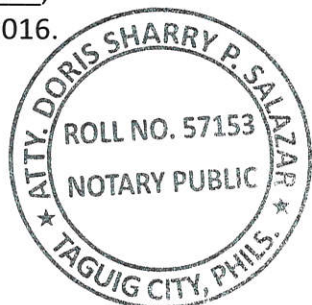
Taguig City, Philippines.


  
**Joseph S. Yu**  
Affiant

**SUBSCRIBED and SWORN TO** before me this AUG 12 2016, with affiant **Joseph S. Yu** presenting to me his Passport No. EC 503921 issued on 15 August 2015 at DFA, Manila, known to me and to me known to be the same person who executed the foregoing Verification and Certification.

CTNW - 26528689 9/29/16 Mmm

Doc. No. 167;  
Page No. 35;  
Book No. I;  
Series of 2016.



  
**Atty. Doris Sharry P. Salazar**  
Notary Public for Taguig City  
Notarial Commission No. 44  
Until December 31, 2017  
NAC Tower, 32nd Street, Bonifacio Global City, Taguig City  
PTR No. A-2626651; Taguig City; January 04, 2016  
IBP No. 1017213; January 04, 2016  
Roll No. 57153  
MCLE No. V-0014314

# SN | ABOITIZ

POWER- MAGAT INC.

REPUBLIC OF THE PHILIPPINES)  
CITY OF TAGUIG ) S.S.

## SECRETARY'S CERTIFICATE

I, **CATHERINE R. ATAY** Filipino, of legal age, with office address at NAC Tower, 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Philippines, after having been duly sworn in accordance with law, hereby depose and state that:

1. I am the duly elected Corporate Secretary of **SN ABOITIZ POWER-MAGAT, INC.** (the "Company"), a company duly organized and existing under Philippine laws with principal office address at Magat Hydro-Electric Power Plant, Magat River, Barangay Aguinaldo, Ramon, Isabela, Philippines.
2. At the regular meeting of the Board of Directors of the Company held on **June 16, 2016**, at which meeting a quorum was present and acting throughout, the following resolutions were unanimously passed and approved:

**"RESOLVED**, that the Board of Directors of **SN ABOITIZ POWER-MAGAT, INC.** (the "Company") be authorized, as it is hereby authorized to file an Application with Energy Regulatory Commission ("ERC") for the approval of the Ancillary Services Procurement Agreement ("ASPA") with the National Grid Corporation of the Philippines (the "Application") for the Magat Hydro-Electric Power Plant;

**RESOLVED FURTHER**, that Attorney's **Michael Bon C. Hosillos** and/or **David I.B. Ocampo**, the Company's Legal Counsel, be authorized to perform the following actions:

1. File said Application, represent the Company, and appear for and on its behalf in all proceedings, meetings, discussions before the ERC and to perform any and all acts and deeds and to submit and sign such documents and pleadings necessary to implement this authority;
2. Act as agent of and appear in behalf of the Company in the Pre-trial and all proceedings in relation to the said Application, with full power to make commitments and take positions, and to consider [i] the possibility of an amicable settlement or a submission to arbitration, mediation or other modes of alternative dispute resolution; [ii] the simplification of the issues; [iii] the necessity or desirability of amendments to the pleadings; [iv] the possibility of obtaining stipulations or admissions of facts and of documents totally or partially to avoid unnecessary proof; [v] the limitation of the number of witnesses or time allocated to particular witnesses and issues; [vi] the advisability of a preliminary reference of issues to a commissioner; [vii] the necessity or desirability of having an expository hearing or consumer forum; [viii] procedures at the hearing and hearing schedule; [ix] the submission of written testimony and exhibits to be offered and the marking thereof; [x] agreements regarding service of documents; and [xi] such other matters as may aid in the prompt disposition of the proceedings;





**RESOLVED FINALLY**, that **Mr. Emmanuel V. Rubio** and/or **Mr. Joseph S. Yu**, the President/ Chief Executive Officer and Executive Vice President and Chief Operating Officer, respectively of the Company be appointed, as they are hereby appointed, as the attorney-in-fact of the Company, with authority to:

1. Represent the Company in the filing of the Application with the ERC;
2. Execute, sign and obtain any document, including the verification and certification of non-forum shopping, that may be required in the filing and prosecution of the said Application, as well as any further necessary petitions or appeals; and
3. Do and perform on behalf of the company any act and deed relating to the case, which the Company could legally do and perform, including the filing of any further necessary petitions or appeals."

**RESOLVED FINALLY**, that the Board of Directors of the Company, approve, ratify and confirm, as it hereby approves, ratifies and confirms any and all acts done by the foregoing authorized representative in relation to the foregoing resolutions."

3. These board resolutions have not been revoked, amended or modified, and remain valid and binding on the Company as of the date hereof.
4. The foregoing statements are in accordance with the records of the Company.

IN WITNESS WHEREOF, I have hereunto set my hand this JUL 27 2016 at Taguig City, Philippines.

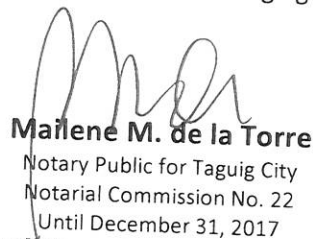
  
CATHERINE R. ATAY  
Corporate Secretary

JUL 27 2016

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ at Taguig City, Philippines. Affiant, who is personally known to me, exhibited to me her Passport No. EB9583833 issued on November 14, 2013 in DFA Manila and Community Tax Certificate No. 6442770 issued on February 15, 2016 in Taguig City.

Doc. No. 191  
Page No. 40  
Book No. 41  
Series of 2016.



  
**Mailene M. de la Torre**  
Notary Public for Taguig City  
Notarial Commission No. 22  
Until December 31, 2017

NAC Tower, 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City  
PTR No. A-2626647; Taguig City; January 04, 2016  
IBP Lifetime Member Roll No. 010379; Pasig City; January 06, 2012  
Roll No. 55885  
MCLE No. V-0012500