

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 BETWEEN
THE NATIONAL GRID
CORPORATION OF THE
PHILIPPINES AND SN
ABOITIZ POWER-
BENGUET, INC., WITH
PRAYER FOR THE
ISSUANCE OF
PROVISIONAL AUTHORITY

ERC CASE NO. 2016 – 165 RC

NATIONAL GRID
CORPORATION OF THE
PHILIPPINES (NGCP) AND
SN ABOITIZ POWER-
BENGUET, INC. (SNAP-BI),
Applicants.

D O C K E T E D
Date: OCT 25 2016
By: [Signature]

X-----X

ORDER

On 24 August 2016, Applicants National Grid Corporation of the Philippines (NGCP) and SN Aboitiz Power-Benguet, Inc. (SNAP-BI) jointly filed an *Application (with Prayer for the Immediate Issuance of a Provisional Authority)* dated 11 August 2016 for approval of the their Ancillary Services Procurement Agreement which was executed on 08 August 2016. Relative thereto, the following were the allegations in the said Application:

NATURE OF THE CASE

1. This Application is for the approval of the subject Ancillary Services Procurement Agreement (ASPA) between the NGCP and SNAP-BI, 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.”*

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. 9136¹ (EPIRA). It holds a franchise under Republic Act No. 9511² 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-BI is a corporation organized and existing under and by virtue of the Philippine laws with principal office address at Binga Hydroelectric Power Plant, Brgy. Tinongdan, Itogon, Benguet. It may be served with orders, notices, and other legal processes through its undersigned counsel. It is the owner and operator of Ambuklao Hydro-Electric Power Plant (Ambuklao HEPP) located at Bokod, Benguet which was certified and accredited by NGCP

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 Back-Bone System of Interconnected Transmission Lines, Substations and Related Facilities, and for other Purposes;

to be 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, distribution utilities and suppliers requiring transmission service and/or ancillary services through the transmission system³.
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 ERC⁴.
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

³Section 9 (c) and (d);

⁴Section 6.3.1.2;

ERC CASE NO. 2016-165 RC
ORDER/17 October 2016
Page 4 of 11

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-BI.
9. On 8 March 2013, NGCP and the SNAP-BI entered into another ASPA (2013 ASPA) for a period of 3 years. On 27 March 2013, the parties filed an application docketed as ERC Case No. 2013-054RC 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”*.
10. Due to the necessity of extending the services of providing the same ancillary services, the Applicants again entered into another ASPA under the same rates, terms and conditions⁵. In the latest accreditation tests conducted in 2015 on the Ambuklao HEPP, the plant demonstrated capability of providing RR, CR and DR. The copy of the Accreditation Certificate is attached as Annex “A”.
11. Similar to the existing ASPA, NGCP agreed to procure and SNAP-BI agreed to continuously provide, under the new ASPA, the following AS for a period of a period five (5) years:

⁵The proposed schedules are: 22MW RR firm capacity for 24 hours a day, and 7 days a week for the months of July to November; and 22MW RR firm capacity during peak hours for the month of December; 30MW CR firm capacity during peak hours of January to June (Mondays to Saturdays except holidays); and 60MW firm capacity during off-peak hours for the months of July to November; and 30MW CR firm capacity for December during off-peak;

Capacity	Type of Ancillary Services
Firm	Regulating Reserve
	Contingency Reserve
Non-firm	Regulating Reserve
	Contingency Reserve
	Dispatchable reserve
	Black Start Capability ⁶

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

CONTRACTED CAPACITY RATES AND IMPACT SIMULATION

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

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

13. SNAP-BI respectfully submits that the proposed rates represent a reasonable recovery of the opportunity cost in making available generation capacity to provide the procured AS.
14. The rates under ASPA were subjected to a simulation with the following results:

⁶ The actual testing of the Ambuklao HEPP for Black Start Capability is scheduled in September 2016.

Ancillary Services	Indicative Rate Impact	
	P/kW-month	P/kWh
Regulating Reserve	6.1501	0.0331
Contingency Reserve	3.9701	0.0214
Dispatchable Reserve	2.3189	0.0125

A copy of the said rate impact simulation is attached 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 ancillary services shall be recovered from all the load customers in the Luzon 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*). 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.
17. 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 BI to maintain the reliability of the operation of the transmission system and electricity supply in the Luzon Grid.
18. SNAP-BI 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.”

19. 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.
20. Thus, NGCP and SNAP BI agreed to execute another ASPA for a period of another five years. With this ASPA, the Luzon Grid is assured of AS until 2021.
21. 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.
22. 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) **ISSUE** a provisional authority to implement the subject ASPA;
- b) After notice and hearing, **APPROVE** the subject ASPA.

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

Finding the said Application to be sufficient in form and substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, Expository Presentation, Pre-trial Conference, and presentation of evidence on **17 November 2016 (Thursday) at ten o'clock in the morning (10:00 a.m.), at the ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

The Applicants are hereby directed to:

- (1) Cause the publication of the attached Notice of Public Hearing, at their own expense, twice (2x) for two (2) successive weeks in two (2) newspapers of general circulation in the Philippines, with the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing;
- (2) Inform the consumers by any other means available and appropriate, of the filing of the Application, its reasons therefor, and of the scheduled hearing thereon;
- (3) Furnish copies of the *Application (with Prayer for the Immediate Issuance of a Provisional Authority)*, this Order, and the attached Notice of Public Hearing to the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress;
- (4) Furnish copies of this Order and the attached Notice of Public Hearing to the **Offices of the Provincial Governors, the City and Municipal Mayors, and the Local Government Unit (LGU) Legislative Bodies within the Luzon Grid** for the appropriate posting thereof on their respective bulletin boards; and
- (5) Furnish all those making requests therefor with copies of their Application and the attachments thereto, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, the herein Applicants must submit to the Commission their written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidences on the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the afore-mentioned Governors and Mayors, or their duly authorized representatives, the duly authorized officials of the LGU Legislative bodies, bearing the seals of their offices, and the affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing were published together with the complete issues of the said newspapers.

In addition to the foregoing, the herein Applicants must present proofs of service of the Application, this Order, and Notice of Public Hearing to the OSG, COA, and Committees on Energy of both Houses of Congress, as well as evidence of their compliance with the other requirements of the Commission. The OSG, COA, and Committees on Energy of both Houses of Congress are hereby requested, if they so desire, to send their duly authorized representatives at the scheduled hearing.

The Applicants and all interested parties are directed to submit, at least five (5) days before the date of initial hearing and Pre-trial Conference, their respective Pre-trial Briefs containing, among others:

- a. A summary of admitted facts and proposed stipulation of facts;
- b. The issues to be tried or resolved;
- c. The documents or exhibits to be presented, stating the purposes and proposed markings therefor; and
- d. The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-trial Brief.

Failure by the Applicants to submit the required Pre-trial Brief and Judicial Affidavits of their witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from said date of cancellation.

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

SO ORDERED.

Pasig City, 17 October 2016.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSE VICENTE B. SALAZAR
Chairman and CEO


L.S. GLS/NJM/APV



ERC CASE NO. 2016-165 RC
ORDER/17 October 2016
Page 11 of 11

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