

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

IN THE MATTER OF THE
APPLICATION FOR THE
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

ERC CASE NO. 2019-016 RC

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

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APR 08 2019

ORDER

On 22 February 2019, National Grid Corporation of the Philippines (NGCP) and SN Aboitiz Power-Magat, Inc. (SNAP-MI), filed an *Application* dated 11 February 2019, seeking the Commission's approval of the Ancillary Services Procurement Agreement (ASPA) between NGCP and SNAP-MI, with prayer for the issuance of provisional authority.

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

NATURE OF THE CASE

1. This Application is for the approval of the Ancillary Services Procurement Agreement ("ASPA") between the NGCP and SNAP-MI dated 14 January 2019, 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 holds a franchise under Republic Act No. 9511¹ 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 duly organized and existing under and by virtue of the laws of the Republic of the Philippines with principal place of business 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 the Magat Hydro-Electric Power Plant (“Generation Facility”) located at the same address, which was certified and accredited by NGCP to be capable of providing Ancillary Services (“AS”) in the forms Regulating Reserve (“RR”), Contingency Reserve (“CR”), Dispatchable Reserve (“DR”) Black Start Service (“BSS”) and Reactive Power Support (“RPS”).
- ANTECEDENT FACTS**
4. Republic Act No. 9136 (“EPIRA”) 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”)², 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 system.³
 5. Similarly, the PGC provides that NGCP is responsible for determining, acquiring, and dispatching the capacity needed to supply the required Grid AS and for developing and proposing Wheeling Charges and AS tariffs to the ERC.⁴
 6. AS as defined in Section 4(b) of the EPIRA “refer to those services that are necessary to support the transmission of

¹ 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 Purpose;

² Section 9 (c);

³ Section 9 (d);

⁴ Section 6.3.1.2;

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 on different dates published in newspapers of general circulation a Notice of Invitation for Prospective Ancillary Services Providers, inviting all grid-connected merchant plants and independent power producers to participate in the provision of ancillary services.
9. It may be recalled that on 08 August 2016, the Applicants entered into an ASPA (2016 ASPA) for a period of 5 years for the procurement of RR, CR, DR and BSS. On 24 August 2016, the Applicants filed the Application for its approval docketed as ERC Case No. 2016-164RC before the Honorable Commission, which was provisionally approved through an Order dated 01 August 2017.
10. To further support NGCP in maintaining power quality and the reliability of the Luzon Grid, SNAP-MI offered to provide RPS. Thus, on 14 January 2019, the Applicants entered into a new ASPA for RPS on a non-firm contracted capacity basis.

A copy of the *Ancillary Services Procurement Agreement between NGCP and SNAP-MI* dated 14 January 2019 is attached hereto as **Annex “A”**.
11. During the period of negotiation, NGCP has certified that the units of the Generation Facility to have met and complied with the Standard Ancillary Services Technical Requirements of the ASPP as capable of providing RPS. A copy of NGCP Accreditation Certificate No. 2018-Lo27 dated 1 February 2019 is attached hereto as **Annex “B”**.

**NON-FIRM CONTRACTED CAPACITY
RATE AND IMPACT SIMULATION**

12. Under Clause 3 of the ASPA, SNAP-MI shall provide NGCP with the following AS as specified in Schedule 1 of the ASPA, as follows:

Non-Firm Contracted Capacity

Reactive Power Support (RPS)

Available capacity of Reactive Power outside the range of 85% lagging and 90% leading power factor, as provided in Schedule 6.

Note: This is in addition to the other Ancillary Service types provided under the Schedule 1 of ASPA entered into by SNAP-M and NGCP on 8 August 2016 with ERC Case No. 2016-164 RC.

13. The Applicable Rates for the incidental kVARh covered by the ASPA as provided in Schedule 3 are as follows:

Real Time Incidental kVARh Utilization while Providing Contingency or Dispatchable Reserves. This shall be paid based on the total recorded kVARh delivered/absorbed beyond 0.85 power factor lagging or 0.9 power factor leading from the time when the dispatch of RPS was instructed. The compensable kVARh shall be paid at:

Incidental kVAR Rate: Php 4.00/ kVARh

Compensable kVARh = Actual kVARh – Base kVARh

Where:

Actual kVAR = actual reactive power provided within each interval

Base kVARh = corresponding kVARh at 0.85 power factor lagging or 0.9 power factor leading, for the unit's MW loading. For clarity, the MW loading is the unit's Pmin, or RTD schedule, whichever is greater.

Actual Costs (AC) incurred by the Service Provider when providing reactive power support as a **Synchronous Condenser** shall be reimbursed by NGCP using the following formula:

$$AC = L \times P$$

Where,

AC = Actual costs incurred by the Service Provider while providing the service.

L = Actual consumption of the generating unit on Synchronous Condenser mode, specifically the consumption of the auxiliary load, in kWh.

P = WESM ex-post nodal price at the trading node, or the equivalent 1-hour load-weighted average of the 5-minute nodal price when the 5-minute market is in place.

14. Applicants submit that the rates represent a reasonable recovery of its opportunity cost in making available generation capacity to provide the procured AS.

15. The rates under ASPA was subjected to a simulation by NGCP, the results of which are as follows:

Overvoltage Condition	Cost, Php Mn	Indicative Rate Impact	
		Php/kW-month	Php/kWh equivalent
SNAP-Magat - Generator	12.48	0.3006	0.0006

SNAP-Magat - Synchronous Condenser	9.28	0.2235	Indicative Rate Impact	
			Cost, Php Mn	Php/kWh equivalent
Undervoltage Condition			Php/kWh-month	
SNAP-Magat - Generator	153.56	2.3849		0.0049
SNAP-Magat - Synchronous Condenser	446.58	6.9355		0.0142

A copy of the Rate Impact Simulation is attached hereto 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.
17. The ASPA shall be effective for a period of five (5) years, to commence immediately upon the effectivity of the provisional approval, or in the absence thereof, the final approval of the instant Application. In the event that the provisional or final approval, as the case may be, does not state a particular date of effectivity, the Agreement shall be effective on the date agreed upon by the Parties.
18. SNAP-MI, as a generation company, falls within the ambit of Section 6 of the EPIRA. Attached are copies of relevant documents proving SNAP-MI’s due registration as a generation company, relevant permits to operate the Generation Facility and audited financial statements, as follows:

Document	Annex
<i>Certificate of Compliance</i>	“D”
<i>Summary of Existing Power Supply Agreement</i>	“E”
<i>Articles of Incorporation</i>	“F”
<i>Latest Security Exchange Commission - General Information Sheet</i>	“G”
<i>Latest Audited Financial Statement</i>	“H”
<i>WESM Registration</i>	“I”

While SNAP-MI is a co-applicant, it manifests that the instant Application shall neither modify, diminish or constitute a waiver of SNAP-MI’s rights nor expand its obligations and responsibilities as a generation company under EPIRA.

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

19. It is a declared policy of the State to ensure the quality, reliability, security and affordability of the supply of electric power (*Section 2(b), EPIRA*). To this end, there is a need to comply with the system requirements for AS to ensure grid system security and reliability. As mentioned above, NGCP has the mandate to procure the required AS.

20. RPS is one of the ancillary services provided in the PGC that is *essential in maintaining power quality and the reliability of the grids*. SNAP-MI having offered to provide its RPS, will significantly help maintain the required power quality and voltage level in North Luzon. The Generation Facility is strategically located in North Luzon, thus, its provision for RPS will definitely enable NGCP to comply with its mandate.⁶

21. Thus, NGCP and SNAP-MI agreed to execute another ASPA for a period of five years to provide RPS.

22. In support of these allegations, NGCP submits a copy of the Judicial Affidavit of Engr. Lisaflor Bacani-Kater of the Revenue and Regulatory Affairs Department of NGCP, which is attached hereto as **Annex “K”**.

PRAYER

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

- a) Immediately **ISSUE** a provisional authority to implement the subject ASPA executed on 14 January 2019; and
- b) **APPROVE**, after notice and hearing, the subject ASPA.

Applicants pray for other just and equitable relief.

Finding the said *Application* to be sufficient in form and in 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 **22 May 2019 (Wednesday), at ten o’clock in the morning (10:00 A.M.), at the Mango Suites City Road, Brgy. Calao East, Santiago City.**

Accordingly, NGCP and SNAP-MI are hereby directed to:

- 1) Cause the publication of the attached *Notice of Public Hearing* twice (2x) in two (2) newspapers of nationwide circulation in the Philippines at their own expense, the dates of publication not being less than seven (7) days apart and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing;

⁵ Section 1.6, PGC;

⁶ A copy of the List of Ancillary Services Providers in Luzon Certified with Reactive Power Support is attached as **Annex “J”**.

- 2) Furnish with copies of this *Order* and the attached *Notice of Public Hearing* the Offices of the Provincial Governor, the City and Municipal Mayors and the Local Government Unit (LGU) legislative bodies within the affected franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within the affected area of the filing of the *Application*, their reasons therefor, and of the scheduled hearing thereon, by any other means available and appropriate;
- 4) Furnish with copies of this *Order* and the attached *Notice of Public Hearing* the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire, to send their duly authorized representatives at the scheduled hearing; and
- 5) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, NGCP and SNAP-MI must submit to the Commission their written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached *Notice of Public Hearing* consisting of affidavits of the Editors or Business Managers of the newspapers where the said *Notice of Public Hearing* was published, and the complete issues of the said newspapers;
- 2) The evidence of actual posting of this *Order* and the attached *Notice of Public Hearing* consisting of certifications issued to that effect, signed by the aforementioned Mayors and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by NGCP and SNAP-MI to inform the consumers of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon;
- 4) The evidence of receipt of copies of this *Order* and the attached *Notice of Public Hearing* by the OSG, the COA, and the Committees on Energy of both Houses of Congress;

- 5) The evidence of receipt of copies of the *Application* and its attachments by all those making requests therefor, if any; and
- 6) Such other proof of compliance with the requirements of the Commission.

NGCP and SNAP-MI and all interested parties are also required to submit, at least five (5) days before the date of the initial hearing and pre-trial conference, their respective Pre-trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefor; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of NGCP and SNAP-MI to comply with the above requirements 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 the said date of cancellation.

NGCP and SNAP-MI must also be prepared to make an expository presentation of the instant *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, the nature of the *Application* with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 4 April 2019.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner

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Copy Furnished:

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6. Commission on Audit (COA)
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7. Senate Committee on Energy
GSIS Bldg. Roxas Blvd., Pasay City
Metro Manila
8. House Committee on Energy
House of Representatives
Batasan Hills, Quezon City, Metro Manila
9. Philippine Chamber of Commerce and Industry (PCCI)
Campus Avenue corner Park Avenue,
McKinley Town Center, Fort Bonifacio, Taguig City
10. Regulatory Operations Service
17/F, Energy Regulatory Commission, Pacific Center Bldg.,
San Miguel Ave., Ortigas Center, Pasig City
11. Office of the City Mayor
Quezon City
12. Office of the LGU Legislative Body
Quezon City
13. Office of the Governor
Province of Isabela
14. Office of the LGU Legislative Body
Province of Isabela
15. Office of the Municipal Mayor
Ramon, Isabela

16. Office of the LGU Legislative Body
Ramon, Isabela
17. Office of the City Mayor
Cebu City
18. Office of the LGU Legislative Body
Cebu City
19. Office of the City Mayor
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20. Office of the LGU Legislative Body
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