

**NGCP’S ANCILLARY SERVICES PROCUREMENT AGREEMENT WITH  
 KING ENERGY GENERATION, INC. (KEGI)  
 (FOR SURIGAO DEL SUR POWER PLANT)**

In an Order dated 12 December 2022, the Energy Regulatory Commission (ERC) granted an Interim Relief on NGCP’s Ancillary Services Procurement Agreement (ASPA) with King Energy Generation, Inc. (KEGI) docketed as ERC Case No. 2021-058 RC entitled *“In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement between the National Grid Corporation of the Philippines (NGCP) and King Energy Generation, Inc. (KEGI) (Surigao del Sur Power Plant), with prayer for Provisional Authority,* stating that:

The National Grid Corporation of the Philippines (NGCP) and King Energy Generation, Inc. (KEGI) are hereby **GRANTED INTERIM RELIEF** authorizing them to implement their Ancillary Services Procurement Agreement (ASPA), for KEGI’s Surigao del Sur Bunker C-Fired Diesel Power Plant (KEGI-SSPP), subject to the following terms and conditions:

1. Applicable Rates:

KEGI shall nominate the corresponding price for the Firm Dispatchable Reserve (DR) capacity to NGCP. The 7.5 MW Ancillary Services (AS) capacity indicated in the valid Accreditation Certificate shall be used for the nomination and scheduling of dispatch of DR. In the event that said nominated capacity is scheduled for ancillary service, the pricing shall be as follows:

**a. Scheduled capacity without energy dispatched**

NGCP shall pay KEGI the corresponding nominated price of the scheduled capacity. Provided, however, that the nominated price shall in no case exceed the following rate, without minimum cost:

ANCILLARY SERVICE	APPLICABLE RATE (Maximum Hourly Rate)
	FIRM
Dispatchable Reserve (DR)	PhP0.85/kW/hr

**b. Scheduled capacity with energy dispatched**

Based on actual dispatch, the cost of generation of the Incidental Energy (IE) shall be recovered to all Mindanao end users during pre-Wholesale Electricity Spot Market (WESM), and through settlement in the WESM during the implementation of the WESM in Mindanao. Thus, the IE Cost for the DR based on actual dispatch shall be calculated using the following formula:

During Pre-WESM regime:

$$IE_{DR} = G_{DR} * (AR + VOM + \text{Actual Fuel Cost})$$

During WESM regime:

$$IE_{DR} = G_{DR} * (AR + VOM + \text{Actual Fuel Cost}) - REV_{WESM}$$

In the event that the revenue from WESM exceeds the computed IE Cost, the excess shall be used to off-set any positive amount determined within the relevant period or to the immediately succeeding billing month.

Where:

G = Summation of energy generated or dispatched due to Firm Scheduled Capacity, in kWh

AR = Applicable Rate of per AS type

VOM = PhP0.5/kWh

Actual Fuel Cost = actual fuel consumption cost in PhP/kWh

REV<sub>WESM</sub> = Summation of WESM revenue based on Final Energy Dispatch Price of the AS Provider's trading Node arising from G above, once WESM is implemented. This will be set to ZERO while WESM is not yet in place in the Mindanao Grid.

\*Note: Fuel consumption rate = 0.26Li/kWh or whichever is lower when computed from fuel inventory data.

NGCP to develop the methodology to operationalize the recovery of the cost associated with the IE of the dispatched DR. This recovery process should form part of the Implementing Guidelines of the subject ASPA which shall be submitted prior to the initial implementation of the ASPA.

2. The maximum Firm DR capacity is set at 7.5 MW from the subject SSPP of KEGI, or as indicated in the valid AS Certificates, for 16 hours (0100H-1200H and 2100H-2400H).

The 24-hour implementation of the Firm DR indicated under Schedule 1 of the subject ASPA is subject to availability of the 7.5 MW Capacity after 10 August 2024 until the end of the ASPA contract. This condition should be included in the Supplemental Implementing Guidelines of the subject ASPA.

3. The maximum Outage Hour Allowance (OHA) shall accordance with Resolution No. 10, Series of 2020;
4. The implementation of the ASPA shall be contingent to the validity of the Accreditation Certificate issued by NGCP and the renewal of the Certificate of Compliance (COC);
5. NGCP is **DIRECTED** to optimize economic and technical dispatch of the available AS capacity, wherein it shall schedule a mix of hourly AS capacity at least cost for a reserve needed to maintain power quality, security, reliability and integrity of the grid;
6. The rate to be paid by NGCP as AS cost should be passed on to its load customers in the Mindanao Grid, in accordance with the approved Ancillary Services-Cost Recovery Mechanism (AS-CRM).

Further, NGCP shall submit its monthly computation of AS rates that it passed on to its customers, with supporting documents on or before the 5<sup>th</sup> day of the month after the computed billing month.

7. NGCP must ensure that the AS rates applied by KEGI should not exceed that of the approved maximum AS rates by the Commission. In the event that the final rate is lower than the interim rate, the amount corresponding to the reduction shall be refunded by KEGI to NGCP and the latter shall pass it on to its customers; and
8. The above rates shall be effective on the next billing cycle of NGCP from receipt of the said Order.

**Ancillary Services are pass-through costs of NGCP. Nevertheless, above ASPA rate is the result of negotiations by NGCP with generators with the objective of providing lower AS costs for the benefit of the customers with ERC provisionally approving the arrangement.**

In view of the foregoing, NGCP shall implement the billing of the provisionally approved ASPA **effective April 2023 billing month** (March 26, 2023 to April 25, 2023) for Mindanao Customers.

Copies of the Orders may be downloaded at <http://www.erc.gov.ph/IssuancesPage/3/0>.

This Customer Bulletin was prepared by the Revenue Management Department (RevMD) of the Revenue and Regulatory Affairs (RRA). For any questions/inquiries, you may send an email to [gpena@ngcp.ph](mailto:gpena@ngcp.ph).