

**NGCP'S ANCILLARY SERVICES PROCUREMENT AGREEMENT WITH  
 EAST ASIA UTILITIES CORPORATION (EAUC) – LAPU-LAPU CITY, CEBU  
 (BUNKER C-FIRED DIESEL POWER PLANT)**

In a Notice of Resolution dated 15 August 2023, the Energy Regulatory Commission (ERC) granted a Provisional Authority on NGCP's Ancillary Services Procurement Agreement (ASPA) with East Asia Utilities Corporation (EAUC), docketed as ERC Case No. 2023-075 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 East Asia Utilities Corporation (EAUC), with Prayer for the Issuance of Provisional Authority"*, stating that:

1. The National Grid Corporation of the Philippines (NGCP) and East Asia Utilities Corporation (EAUC) are **GRANTED** provisional authority to implement their Ancillary Services Procurement Agreement (ASPA) for the 49.6MW rated capacity Bunker C-Fired Diesel Power Plant located in Brgy. Ibo, MEPZ 6015, Lapu-lapu City, Cebu, subject to the following provisional rates and conditions, and without prejudice to the ongoing evaluation of the compliance of NGCP to the Ancillary Service-Competitive Selection Process (AS-CSP), pursuant to the Department of Energy's (DOE) Department Circular No. DC2021-10-0031<sup>1</sup> (DOE 2021 AS-CSP Circular):

**1.1 Applicable Rates:**

EAUC shall charge the provisional rates on a per occurrence basis for the Reactive Power Support (RPS) and Black Start Service (BSS), as defined below.

The AS Capacities as indicated in Schedule 1 of the respective ASPA is the hourly Firm capacity.

The rates shall be, as follows:

**a. Scheduled capacity without energy dispatched**

NGCP shall pay EAUC the Applicable Rates, as herein defined, of that scheduled capacity, which should not be more than the indicated capacity for RPS and BSS under Schedule 1 of the ASPA. The Applicable Rate shall be whichever is lower between the Commission's previously approved rate for firm AS contracts or the Applicants' awarded rate, as follows:

Ancillary Service	Commission's Previously Approved Rate	Applicant's Awarded Rate (Hourly Rate)
	Firm	Firm
Black Start Service (BSS)	NA	FOM+VOM+ Fuel (on per occurrence)
Reactive Power Support (RPS)	PhP4.00/kVAR/hr	PhP4.00/kVAR/hr (on per occurrence)

<sup>1</sup> Department of Energy, "Prescribing the Policy for the Transparent and Efficient Procurement of Ancillary Services by the System Operator," Department Circular No. DC 2021-10-0031 (04 October 2021).

## b. Scheduled capacity with energy dispatched

Based on actual dispatch, the cost of generation shall be recovered through settlement in the Wholesale Electricity Spot Market (WESM). Thus, the Incidental Energy (IE) Cost based on actual dispatch shall be calculated using the following formula:

Incidental Energy Cost Payment for RPS (per occurrence basis)

$$\text{Compensable kVARh} = \text{Actual kVARh} - \text{Base kVARh}$$

Incidental Energy Cost Payment for BSS (per occurrence basis)

$$IE_{BSS} = G_{BSS} \times (FOM_{BSS} + VOM_{BSS} + Fuel_{BSS})$$

In the event that the IE resulted to a negative amount due to a higher net result between WESM revenue and payment, said negative amount shall be used to off-set any positive amount determined within the relevant period or to the succeeding billing month.

- 1.2 The Variable Operations and Maintenance (VOM) rate as awarded in the AS-CSP will not be subject to any indexation and adjustment and the rates as awarded for the variable fees will be used as part of the provisional rates granted to the Applicants;
  - 1.3 The term of the ASPA shall be for a period of five (5) years upon the approval by the Commission, subject to Section 13 (Termination) of the ASPA; provided that, any termination of the ASPA shall be subject to the approval of the Commission. Further, any renewal thereto shall be subject to the DOE 2021 AS-CSP Circular;
  - 1.4 The total dispatched capacities for RPS and BSS shall not exceed the AS capacities indicated in Schedule 1 of the ASPA at any given time;
  - 1.5 The RPS under the ASPA shall be provided at all times as necessary as per declaration by the System Operator to protect the grid and avoid the occurrence of Manual Load Dropping. The BSS under the ASPA shall be provided at all times as necessary as per declaration of the System Operator to start the restoration of power in the grid during the system blackout;
  - 1.6 The RPS shall only be allowed to be provided by EAUC within the scope accredited by NGCP, as indicated in the AS Accreditation Certificate;
  - 1.7 Applicant EAUC shall provide the AS contracted capacity at 100%, at all times. In case of replacement capacity, the rate to be applied shall be the provisionally approved rate or the actual replacement cost, whichever is lower, pursuant to the Commission's policy on replacement power; and
  - 1.8 The implementation of the ASPA shall be valid and contingent on the validity of the AS Accreditation Certificate issued by NGCP and the Certificate of Compliance (COCs) issued by the Commission. Provided, however, that if EAUC has already applied for an AS Accreditation with NGCP, it shall be considered compliant with the said AS Accreditation, without prejudice to the approval of NGCP thereof, and subject to the compliance of the EAUC with the pertinent DOE Circulars on AS Accreditation.
2. NGCP is **DIRECTED** to optimize the economic and technical dispatch of the available AS capacity, wherein it shall schedule a mix of hourly AS capacity, at the least cost, for a reserve needed to maintain power quality, security, reliability, and integrity of the grid.

3. The rate to be paid by NGCP as AS cost should be passed on to its customers in accordance with the approved Ancillary Services-Cost Recovery Mechanism (AS-CRM).<sup>2</sup>

In relation thereto, NGCP is **DIRECTED** to submit its monthly computation of AS rates, encompassing a comprehensive breakdown including but not limited to scheduled, dispatched, VOM, and fuel costs that it passed on to its customers, with supporting documents, on or before the 15<sup>th</sup> day of the month after the computed billing month.

4. NGCP must ensure that the rates applied by EAUC must be in accordance with item 1.1 above. In the event that the final rates are lower than those provisionally granted, the amount corresponding to the reduction shall be refunded by EAUC to NGCP and the latter shall pass it on to its customers;
5. To ensure the reliability and integrity of the grid, Applicants are **DIRECTED** to deliver the contracted capacities under their Firm AS contract arrangements. Applicants must honor their Firm AS contract arrangements, which means NGCP must **ENSURE** that the contracted capacities under the instant ASPA shall be both declared and scheduled for dispatch at the least cost manner. Further, EAUC must ensure that its contracted capacities shall be available at all times to provide the AS requirements of the grid.
6. NGCP is **DIRECTED** to prioritize the drawing of reserves from its firm AS contracts. No non-firm AS capacities shall be drawn, notwithstanding the existing or continued implementation of the said non-firm contracts, for as long as capacities under the firm contracts are available.

If NGCP draw reserves from its non-firm AS contracts in violation of the above prioritization, NGCP shall not be allowed to recover any and all costs related to such drawing of capacities from non-firm contracts. NGCP, on its own account, shall be responsible for settling such amount from its AS provider.

7. The *Notice* is being issued due to lack of material time in promulgating the official *Order* in the above-captioned case. The formal *Order* will be issued shortly.

**Ancillary Services are pass-through costs of NGCP. Nevertheless, the above ASPA rate is the result of Competitive Selection Process 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 with EAUC effective November 2023 billing month** (October 26, 2023 to November 25, 2023) for Visayas Customers.

Attached is a copy of the Notice of Resolution.

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 [gtpena@ngcp.ph](mailto:gtpena@ngcp.ph).

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<sup>2</sup> Decision ERC Case No. 2006-049 RC, 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, National Transmission Corporation (TRANSCO).

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
Pasig City

**NOTICE OF RESOLUTION**

In Re: **ERC Case No. 2023-075 RC**

*In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and East Asia Utilities Corporation (EAUC), with Prayer for the Issuance of Provisional Authority*

National Grid Corporation of the Philippines (NGCP) and East Asia Utilities Corporation (EAUC), *Applicants*.

Notice is hereby given that the Commission, after due deliberation and evaluation, in a Special Commission Meeting held on 15 August 2023, **RESOLVED** the following matters:

1. Applicants National Grid Corporation of the Philippines (NGCP) and East Asia Utilities Corporation (EAUC) are **GRANTED** provisional authority to implement their Ancillary Services Procurement Agreement (ASPA) for the 49.6MW rated capacity Bunker C-Fired Diesel Power Plant located in Brgy. Ibo, MEPZ 6015, Lapu-Lapu City, Cebu, subject to the following provisional rates and conditions, and without prejudice to the ongoing evaluation of the compliance of NGCP to the Ancillary Service – Competitive Selection Process (AS-CSP), pursuant to the Department of Energy's (DOE) Department Circular No. DC2021-10-0031<sup>1</sup> (DOE 2021 AS-CSP Circular):

**1.1 Applicable Rates:**

EAUC shall charge the provisional rates on a per occurrence basis for the Reactive Power Support (RPS) and Black Start Service (BSS), as defined below.

The AS capacities as indicated in Schedule 1 of the respective ASPA is the hourly Firm capacity.

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<sup>1</sup> Department of Energy, "Prescribing the Policy for the Transparent and Efficient Procurement of Ancillary Services by the System Operator," Department Circular No. DC 2021-10-0031 (04 October 2021).



The rates shall be as follows:

a) **Scheduled capacity without energy dispatched**

NGCP shall pay EAUC the Applicable Rates, as herein defined, of that scheduled capacity, which should not be more than the indicated capacity for RPS and BSS under Schedule 1 of the ASPA. The Applicable Rate shall be whichever is lower between the Commission's previously approved rate for Firm AS contracts or the Applicants' awarded rate, as follows:

<b>Ancillary Service</b>	<b>Commission's Previously Approved Rate</b>	<b>Applicants' Awarded Rate (Hourly Rate)</b>
	<b>Firm</b>	<b>Firm</b>
Black Start Service (BSS)	NA	FOM+VOM+Fuel (on per occurrence)
Reactive Power Support (RPS)	PhP4.00/kVAR/hr	PhP4.000/kVAR/hr (on per occurrence)

b) **Scheduled capacity with energy dispatched**

Based on actual dispatch, the cost of generation shall be recovered through settlement in the Wholesale Electricity Spot Market (WESM). Thus, the Incidental Energy (IE) Cost based on actual dispatch shall be calculated using the following formula:

Incidental Energy Cost Payment for RPS (per occurrence basis)

$$\text{Compensable kVARh} = \text{Actual kVARh} - \text{Base kVARh}$$

Incidental Energy Cost Payment for BSS (per occurrence basis)

$$IE_{BSS} = G_{BSS} \times (FOM_{BSS} + VOM_{BSS} + Fuel_{BSS})$$

In the event that the IE resulted in a negative amount due to a higher net result between WESM revenue and payment, said negative amount shall be used to off-set any positive amount determined within the relevant period or to the succeeding billing month.

- 1.2 The Variable Operations and Maintenance (VOM) rate as awarded in the AS-CSP will not be subject to any indexation and adjustment and the rates as awarded for the variable fees will be used as part of the provisional rates granted to the Applicants;
- 1.3 The term of the ASPA shall be for a period of five (5) years upon the approval by the Commission, subject to Section 13 (Termination) of the ASPA; provided that, any termination of the ASPA shall be subject to the approval of the Commission. Further, any renewal thereto shall be subject to the DOE 2021 AS-CSP Circular. Further, any renewal thereto shall be subject to the DOE 2021 AS-CSP Circular;
- 1.4 The total dispatched capacities for RPS and BSS shall not exceed the AS capacities indicated in Schedule 1 any given time;
- 1.5 The RPS under the ASPA shall be provided at all times as necessary as per declaration by the System Operator to protect the grid and avoid the occurrence of Manual Load Dropping. The BSS under the ASPA shall be provided at all times as necessary as per declaration by the System Operator to start the restoration of power in the grid during system blackout;
- 1.6 The RPS shall only be allowed to be provided by EAUC within the scope accredited by NGCP, as indicated in the AS Accreditation Certificate;
- 1.7 Applicant EAUC shall provide the AS contracted capacity at 100%, at all times. In case of replacement capacity, the rate to be applied shall be the provisionally approved rate or the actual replacement cost, whichever is lower, pursuant to the Commission's policy on replacement power; and



- 1.8 The implementation of the ASPA shall be valid and contingent on the validity of the AS Accreditation Certificate issued by NGCP and the Certificate of Compliance (COC) issued by the Commission. Provided, however, that if EAUC has already applied for an AS Accreditation with NGCP, it shall be considered compliant with the said AS Accreditation, without prejudice to the approval of NGCP thereof, and subject to the compliance of EAUC with the pertinent DOE Circulars on AS Accreditation.
2. NGCP is **DIRECTED** to optimize the economic and technical dispatch of the available AS capacity, wherein it shall schedule a mix of hourly AS capacity, at the least cost, for a reserve needed to maintain power quality, security, reliability, and integrity of the grid.
3. The rate to be paid by NGCP as AS cost should be passed on to its customers in accordance with the approved Ancillary Services-Cost Recovery Mechanism (AS-CRM).<sup>2</sup>

In relation thereto, NGCP is **DIRECTED** to submit its monthly computation of AS rates, encompassing a comprehensive breakdown including but not limited to scheduled, dispatched, VOM, and fuel costs that it passed on to its customers, with supporting documents, on or before the 15<sup>th</sup> day of the month after the computed billing month.

4. NGCP must ensure that the rates of the EAUC must be in accordance with item 1.1 above. In the event that the final rates are lower than those provisionally granted, the amount corresponding to the reduction shall be refunded by EAUC to NGCP and the latter shall pass it on to its customers;
5. To ensure the reliability and integrity of the grid, Applicants are **DIRECTED** to deliver the contracted capacities under their Firm AS contract arrangements. Applicants must honor their Firm AS contract arrangements, which means NGCP must **ENSURE** that the contracted capacities under the instant ASPA shall be

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<sup>2</sup> Decision ERC Case No. 2006-049 RC, 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, National Transmission Corporation (TRANSCO).

both declared and scheduled for dispatch at the least cost manner. Further, EAUC must ensure that their contracted capacities shall be available at all times to provide the AS requirements of the grid.

6. NGCP is **DIRECTED** to prioritize the drawing of reserves from its firm AS contracts. No non-firm AS capacities shall be drawn, notwithstanding the existing or continued implementation of the said non-firm contracts, for as long as capacities under the firm contracts are available.

If NGCP draws reserves from its non-firm AS contracts in violation of the above prioritization, NGCP shall not be allowed to recover any and all costs related to such drawing of capacities from non-firm contracts. NGCP, on its own account, shall be responsible for settling such amount from its AS provider.

This *Notice* is being issued due to lack of material time in promulgating the official *Order* in the above-captioned case. The formal *Order* will be issued shortly.

**SO ORDERED.**

Pasig City, 15 August 2023.

FOR AND BY AUTHORITY  
OF THE COMMISSION:



*Medimalanta*  
**MONALISA C. DIMALANTA**  
Chairperson and CEO

LS: AVL/LSP/MCCG

ROS: FJTA/MABN/NVP/AJMO/LLG



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**NOTICE OF RESOLUTION/ 15 AUGUST 2023**  
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Copy Furnished:

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