

**NGCP’S ANCILLARY SERVICES PROCUREMENT AGREEMENT WITH
 KING ENERGY GENERATION, INC. (KEGI) (MISAMIS OCCIDENTAL POWER PLANT 3)
 (MOPP 3) – JIMENEZ, MISAMIS OCCIDENTAL**

In an ERC Order dated 15 August 2023, the Energy Regulatory Commission (ERC) granted a Provisional Authority on NGCP’s Ancillary Services Procurement Agreement (ASPA) with King Energy Generation, Inc. (KEGI), docketed as ERC Case No. 2023-084 RC, entitled “*In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement (Misamis Occidental Power Plant 3) Between the National Grid Corporation of the Philippines (NGCP) and King Energy Generation, Inc. (KEGI), with Prayer for the Issuance of Provisional Authority*”, stating that:

The National Grid Corporation of the Philippines (NGCP) and King Energy Generation, Inc. (KEGI) are **GRANTED PROVISIONAL AUTHORITY** to implement their Ancillary Services Procurement Agreement (ASPA) for the 16.239MW capacity of Misamis Occidental Power Plant 3 (MOPP 3) located in Brgy. San Isidro, Jimenez, Misamis Occidental, subject to the following rates and conditions, and without prejudice to the 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. DC2021-10-0031¹ (DOE 2021 AS-CSP Circular):

1. Applicable Rates:

KEGI shall charge the Applicable Rate (in Peso per kW capacity per hour) for the Dispatchable Reserve (DR), and per occurrence basis for Reactive Power Support (RPS), as defined below.

The Ancillary Services (AS) capacity indicated in Schedule 1 of the ASPA is the hourly Firm capacity.

1.1. The applicable rate shall be as follows:

a. Scheduled capacity without energy dispatched

NGCP shall pay KEGI the Applicable Rate, as herein defined, for the scheduled capacities indicated in Schedule 1, which should not be more than the indicated capacity of 15.5MW for DR. The authorized rate are as follows:

Ancillary Service	Authorized Rate (Hourly Rate)
	Firm
DR	PhP0.6821/kW/hr
RPS (on per occurrence)	PhP4.00/kVAR/hr

¹ Department of Energy, entitled “Prescribing the Policy for the Transparent and Efficient Procurement of Ancillary Services by the System Operator.”.

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 Payment for DR and Payment for RPS based on actual dispatch shall be calculated using the following formula:

Incidental Energy Cost Payment for DR:

$$\text{Incidental Energy} = G \times (\text{AR} + \text{VOM} + \text{Actual Fuel Cost}) - (\text{REV}_{\text{WESM}})$$

Payment for RPS (per occurrence basis)

$$\text{RPS Payment} = \text{Compensable kVARh} \times \text{AR}$$

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

In the event that 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. Should the ASPA provider receive payments beyond the allowable revenues as provided herein, such amounts in excess shall be used to off-set all or part of the payables in the immediately succeeding month;
 - 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. Renewal shall not be allowed, and termination of the ASPA shall be subject to prior approval by the Commission;
 - 1.4 The total dispatched capacity for DR shall not exceed 15.5MW, 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;
 - 1.6 Applicant KEGI shall only be allowed to provide the RPS within the scope accredited by NGCP, as indicated in the AS Accreditation Certificate;
 - 1.7 For the replacement of AS 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;
 - 1.8 The implementation of the ASPA shall be valid and contingent to the validity of the AS Accreditation Certificate issued by NGCP and the Certificate of Compliance (COC) issued by the Commission.
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 shall be passed on to its customers in accordance with the approved Ancillary Services-Cost Recovery Mechanism (AS-CRM)².

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, including receipts of fuel purchases, on or before the 15th day of the month after the computed billing month;

4. NGCP must **ENSURE** that the rates of **KEGI** 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 KEGI 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 that 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, KEGI must ensure that its contracted capacities shall be available at all times to provide the AS requirements of the grid; and
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 non-firm contracts, for as long as capacities under the firm contracts are available.

If NGCP should 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 attendant to such drawing of capacities from non-firm contracts. NGCP, on its own account, shall be responsible for settling such amount with its AS provider.

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 implemented the billing of the provisionally approved **ASPA with KEGI effective December 2023 billing month** (November 26, 2023 to December 25, 2023) for Mindanao Customers.

Copy of the Order may be downloaded at <http://www.erc.gov.ph/Orders>.

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.

² Decision ERC Case No. 2006-049 RC, 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, National Transmission Corporation (TRANSCO)."