

2019-07-209

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 PRIME
MERIDIAN POWERGEN
CORPORATION, WITH
PRAYER FOR THE
ISSUANCE OF PROVISIONAL
AUTHORITY**

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National Grid Corporation of the Philippines
Prime Meridian Powergen Corporation

ERC CASE NO. 2019-051 RC

**NATIONAL GRID
CORPORATION OF THE
PHILIPPINES (NGCP) AND
PRIME MERIDIAN
POWERGEN CORPORATION
(PMPC),**

Applicants.

x-----x

Promulgated:
JUL 26 2019

ORDER

On 3 July 2019, National Grid Corporation of the Philippines (NGCP) and Prime Meridian Powergen Corporation (PMPC) filed an *Application* dated 21 June 2019, seeking for the Commission's approval of the Ancillary Services Procurement Agreement (ASPA) between the NGCP and PMPC, 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 PMPC

dated 14 May 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 backbone 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 PMPC is a corporation organized and existing under and by virtue of the Philippine laws with principal office address at 6th Floor Rockwell Business Center Tower 3, Ortigas Avenue, Pasig City, Metro Manila. It may be served with orders, notices, and other legal processes through its undersigned counsel. It is the owner of the Avion Natural Gas-Fired Power Plant (“Avion”) consisting of Units 1 and 2, which were certified and accredited by NGCP as capable of providing Ancillary Services (“AS”) in the forms of Regulating Reserve (“RR”) and Black Start Services (“BSS”).
 - 3.1. PMPC, as a generation company, falls within the ambit of Sections 6 of the EPIRA.
 - 3.2. While PMPC is a co-applicant, it manifests that this joint application shall neither modify, diminish or constitute a waiver of PMPC’s rights nor expand its obligations and responsibilities as a generation company under the EPIRA.

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 maintenance², 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 system.³

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 Purposes;

² Section 9 (c);

³ Section 9 (d);

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 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. Upon receipt of the intention from PMPC to provide ancillary services, NGCP commenced negotiations with PMPC for the execution of an ASPA.
9. NGCP agreed to procure and PMPC agreed to supply AS in the forms of: (a) RR under a firm and non-firm arrangement; and (b) BSS. A copy of the *Ancillary Services Procurement Agreement between NGCP and PMPC* dated 14 May 2019 is attached as Annex “A”.
10. During the period of negotiation, NGCP conducted several tests on the Avion generation facility, and certified that the generating units have met and complied with the Standard Ancillary Services Technical Requirements of the ASPP as capable of providing RR and BSS. A copy of NGCP Accreditation Certificate No. 2019-LO13 dated April 1, 2019 is attached as Annex “B.”

**FIRM and NON-FIRM CONTRACTED CAPACITIES –
RATES AND IMPACT SIMULATION**

11. Schedule 1 of the ASPA provides that PMPC shall provide:
 - a. On a Firm Contracted Capacity Basis

The Service Provider shall make available the Firm Contracted Capacity from either Generating Unit:

⁴ Section 6.3.1.2;

Generating Unit of Avion	Type of Ancillary Service	Firm Contracted Capacity (MW)	Trading Interval and days of the week
Unit 1 or Unit 2	Regulating Reserve (RR)	Up to 45MW	Intervals 1 – 24; (Mondays to Sundays including holidays)

b. On a Non-Firm Contracted Capacity Basis

The Service Provider shall make available the Non-Firm Contracted Capacity from either Generating Unit:

Generating Unit of Avion	Type of Ancillary Service	Non-Firm Contracted Capacity (MW)	Trading Interval
Unit 1 or Unit 2	Regulating Reserve (RR)	Up to 45MW	Intervals 1 – 24; (Mondays to Sundays including holidays)

a. Black Start Services

The Service Provider shall make available the Black Start Services from either or both Generating Unit(s), as and when available:

Generating Unit of Avion	Type of Ancillary Service	Contracted Generating Unit (MW) For the Term	Trading Interval
Unit 1 and/or Unit 2	Black Start Services (BSS)	Units 1 and/or 2, as available	Intervals 1 - 24

12. Schedule 3 of the ASPA provides for the formula for the computation of the Ancillary Services Fees and the Applicable Rates (“ASPA Rates”) for the Firm Contracted Capacity and Non-Firm Contracted Capacity covered by the ASPA, as follows:

I. Ancillary Services Fees

The Ancillary Services Fees due to the Service Provider shall be computed as follows:

$$\begin{aligned}
 \text{Ancillary Services Fee}_F (\text{in PHP}) &= (CP \times SC) + IE_{AS} \\
 \text{Ancillary Services Fee}_{NF} (\text{in PHP}) &= (CP \times SC) + IE_{AS} \\
 \text{Ancillary Services Fee}_{BS} (\text{in PHP}) &= IE_{BS}
 \end{aligned}$$

Wherein;

Ancillary Services Fee_F means the Ancillary Services Fee due to the Service Provider for Firm Contracted Capacity

Ancillary Services Fee_{NF} means the Ancillary Services Fee due to the Service Provider for Non-Firm Contracted Capacity

Ancillary Services Fee_{BS} means the Ancillary Services Fee due to the Service Provider for Black Start Services

CP = Capacity Payments for the relevant Scheduled Capacity using the Applicable Rates below, in Php/kW/Hr

SC = Sum of the undispached portion of the relevant Scheduled Capacity scheduled by NGCP, in kW/Hr

IE_{AS} = Incidental Energy Cost for the dispatched portion of the relevant Scheduled Capacity, as defined in Section III below, in PhP,

IE_{BS} = Incidental Energy Cost for Black Start Services, as defined in Section III below, in PhP

II. Applicable Rates

Firm Regulating Reserve: Php2.25/kW/Hr

Non-Firm Regulating Reserve: the lower of: (i) the nominated price in Php/kW/Hr and (ii) Php3.00/kW/Hr

Black Start Service: Php 1,000,000.00 per month, on a per occurrence basis

III. Incidental Energy Payment

a. Incidental Energy for RR

$$IE_{AS} = G \times (CP + VOM + FC) - REV_{WESM}$$

Where, IE_{AS} shall be paid to the Service Provider if its value is greater than zero (0);

Where;

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

$$G = G_{mm} + G_{ex} + G_{LF}$$

G_{mm} = Summation of energy generated or dispatched due to relevant Scheduled Capacity during Midmerit Period using natural gas as fuel for the Generating Unit, in kWh

G_{ex} = Summation of energy generated or dispatched due to relevant Scheduled Capacity during Ex-Midmerit Period using natural gas as fuel for the Generating Unit, in kWh

G_{LF} = Summation of energy generated or dispatched due to relevant Scheduled Capacity using liquid fuel as fuel for the Generating Unit, in kWh

"Ex-Midmerit Period" shall mean, for any calendar day, the period beginning 0001H and ending 1000H, and beginning 2201H and ending 2400H; and

"Midmerit Period" shall mean, for any calendar day, the period beginning 1001H and ending 2200H;

CP = Capacity payment for the dispatched portion of the relevant Scheduled Capacity using the Applicable Rates above, in PhP/kW/Hr

$$VOM = VOM_0 \times \left[\left(87\% \times \frac{US\ CPI_n}{US\ CPI_0} \times \frac{USD_n}{USD_0} \right) + \left(13\% \times \frac{RPCPI_n}{RPCPI_0} \right) \right]$$

VOM_0 = Equivalent to Php 0.852/kWh

$US\ CPI_n$ = for any Billing Period, the United States Consumer Price Index (base period: 1982-84 = 100) for the month immediately preceding such Billing Period as published by the US Bureau of Labor Statistics in the Monthly Labor Review or any successor publication

$US\ CPI_0$ = the United States Consumer Price Index (base period: 1982-84 = 100) for March 2018 or 249.554

USD_n = for any Billing Period, the Philippine Peso to United States Dollar exchange rate as published by the Banko Sentral ng Pilipinas (www.bsp.gov.ph) as of the end date of such Billing Period

USD_0 = the Philippine Peso to United States Dollar exchange rate as published by the Banko Sentral ng Pilipinas (www.bsp.gov.ph) as of 25 March 2018 or Php 52.158 / USD

$RP\ CPI_n$ = for any Billing Period, the Philippines Consumer Price Index for All Income Households in the Philippines – All Items (2012 =100) for the month immediately preceding such Billing Period as published by Philippines Statistics Authority

$RP\ CPI_0$ = the Philippines Consumer Price Index for All Income Households in the Philippines – All Items (2012 =100) published by Philippines Statistics Authority for March 2018 or 115.5

FC = Fuel cost for the volume of fuel consumed in delivering G and shall be computed using the following formulas below:

$$FC = \frac{[(NG_{mm} \times PGP_{mm}) + (NG_{ex} \times PGP_{ex})] \times USD_n + [LF \times WALFP]}{G}$$

NG_{mm} = Total volume of natural gas consumed in delivering G_{mm}, in GJ (GCV)

NG_{ex} = Total volume of natural gas consumed in delivering G_{ex}, in GJ (GCV)

PGP_{mm} = Prevailing Gas Price for the Midmerit Period, in USD/GJ (GCV)

PGP_{ex} = Prevailing Gas Price for the Ex-Midmerit Period, in USD/GJ (GCV)

USD_n = for any Billing Period, the Philippine Peso to United States Dollar exchange rate as published by the Banko Sentral ng Pilipinas (www.bsp.gov.ph) as of the end date of such Billing Period

LF = Total volume of liquid fuel consumed in delivering G_{LF}, in liters.

Liquid fuel will only be used by the Generating Units, as replacement fuel, when natural gas is not available.

WALFP = Weighted Average Liquid Fuel Price as recorded by the Service Provider, in Php/liter

G = as defined above

REV_{WESM} = Summation of WESM trading amount per interval based on the Final Ex-post nodal price of the Service Provider's Trading Node arising from G.

b. Incidental Energy for Black Start Services

$$IE_{BS} = FC_{Diesel} + [G_{BS} \times (VOM + FC_{BS})] + \text{Applicable Rate}$$

Where:

FC_{Diesel} = Cost of diesel in Php/Liter multiplied by the number of liters consumed to provide Black Start Service. Cost of fuel shall be based on the prevailing Average Retail Pump Price of Diesel in Metro Manila (Shell, Petron, Caltex) in Php/Liter, published in Department of Energy Price Watch (<https://www.doe.gov.ph/retail-pump-prices-metro-manila>)

G_{BS} = Summation of energy generated or dispatched for Black Start Service, in kWh

$$G_{BS} = G_{BS-mm} + G_{BS-ex} + G_{BS-LF}$$

G_{BS-mm} = Summation of energy generated or dispatched for Black Start Service during Midmerit Period using natural gas as fuel for the Generating Unit, in kWh

G_{BS-ex} = Summation of energy generated or dispatched for Black Start Service during Ex-Midmerit Period using natural gas as fuel for the Generating Unit, in kWh

G_{BS-LF} = Summation of energy generated or dispatched for Black Start Service using liquid fuel as fuel for the Generating Unit, in kWh

"Ex-Midmerit Period" shall mean, for any calendar day, the period beginning 0001H and ending 1000H, and beginning 2201H and ending 2400H; and

"Midmerit Period" shall mean, for any calendar day, the period beginning 1001H and ending 2200H;

VOM = as defined above

FC_{BS} = Fuel cost for the volume of fuel consumed in delivering G and shall be computed using the following formulas below:

$$FC_{BS} = \frac{[(NG_{BS-mm} \times PGP_{mm}) + (NG_{BS-ex} \times PGP_{ex})] \times USD_n + [LF_{BS} \times WALFP]}{G_{BS}}$$

NG_{BS-mm} = Total volume of natural gas consumed in delivering G_{BS-mm} , in GJ (GCV)

NG_{BS-ex} = Total volume of natural gas consumed in delivering G_{BS-ex} , in GJ (GCV)

PGP_{mm} = Prevailing Gas Price for the Midmerit Period, in USD/GJ (GCV)

PGP_{ex} = Prevailing Gas Price for the Ex-Midmerit Period, in USD/GJ (GCV)

USD_n = for any Billing Period, the Philippine Peso to United States Dollar exchange rate as published by the Banko Sentral ng Pilipinas (www.bsp.gov.ph) as of the end date of such Billing Period

LF_{BS} = Total volume of liquid fuel consumed in delivering G_{BS-LF} , in liters

$WALFP$ = Weighted Average Liquid Fuel Price as recorded by the Service Provider, in Php/liter

G_{BS} = as defined above

Applicable Rate = as provided above, at Php1,000,000.00 per occurrence

13. Applicants submit that the rates represent a reasonable recovery of its opportunity cost in making available generation capacity to provide the procured AS.
14. The rate under ASPA was subjected to a simulation by NGCP, as follows:

Ancillary Service	Cost, PhP Mn	Indicative Rate Impact	
		PhP/kW-month	PhP/kWh equivalent
With Malampaya			
Regulating Reserve	3,107.03	24.4366	0.0501
Black Start Service	6.24	0.0491	0.0001
Without Malampaya			
Regulating Reserve	7,910.92	62.2189	0.1276
Black Start Service	13.16	0.1035	0.0002

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.
16. PMPC respectfully submits copies of the following documents:

Document	Annex
<i>Certificate of Compliance (“COC”) No. 16-08-M-00081L</i>	“D”
<i>Certification of no Power Supply Agreement (“PSA”)</i>	“E”
<i>Certificate of Incorporation of PMPC with Articles of Incorporation and By-Laws</i>	“F”
<i>Latest Amended Articles of Incorporation</i>	“G”
<i>Latest General Information Sheet</i>	“H”
<i>Latest Audited Financial Statement</i>	“I”
<i>Certification from the Philippine Electricity Market Corporation that PMPC is a registered Generation Company</i>	“J”
<i>Secretary’s Certificate of PMPC authorizing PMPC’s signatory to the ASPA with NGCP</i>	“K”
<i>Judicial Affidavit of Fico Mark Atom Mesina</i>	“L”

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

ALLEGATIONS IN SUPPORT OF THE PRAYER FOR
PROVISIONAL AUTHORITY

17. 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.
18. The current levels of available contracted AS in the Luzon Grid have not yet reached the desired levels necessary for the system security and reliability. Thus, Applicants executed the ASPA. A copy of the relevant actual data showing the required and available levels of AS in the Luzon Grid, entitled as "Luzon Regulating Reserve Availability" is attached as Annex "M".
19. 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. The importance of AS, from PMPC to ensure and maintain the reliability, adequacy, security, stability and integrity of the Luzon Grid cannot be overemphasized.
20. Applicants respectfully submit that the immediate approval of the ASPA by this Honorable Commission is a necessity to maintain the reliability, adequacy, security, stability and integrity of the Luzon Grid. In support of these allegations, NGCP submits a copy of the Judicial Affidavit of Engr. Riza C. Ereno of the Revenue and Regulatory Affairs Department of NGCP, which is attached as Annex "N".

ALLEGATIONS IN SUPPORT OF THE MOTION FOR
CONFIDENTIAL TREATMENT OF INFORMATION

21. The Honorable Commission may, upon request of a party and determining that the disclosure of information requested to be treated as confidential information is justified, treat certain information submitted to it as confidential. Applicant is bound by confidentiality agreement prohibiting the disclosure of any business, technical, marketing, operational, organizational, financial or other information and trade secrets and other confidential documents, papers and information.
22. Accordingly, the Applicants respectfully request before the Honorable Commission that Annex "L" ("Judicial Affidavit of Fico Mark Atom Mesina") and its attachments, attached hereto not be disclosed and be treated as confidential in accordance with Rule 4 of the ERC Rules. Annex "L" and its attachments attached hereto contain confidential information critical to the business operation of Applicant PMPC, including trade secrets and business calculations, assumptions and projections.

PRAYER

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

- a) Immediately ISSUE a provisional authority to implement the subject ASPA;
- b) Annex "L" ("Judicial Affidavit of Fico Mark Atom Mesina") and its attachments, attached hereto be treated as confidential information;
- c) 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 **19 September 2019 (Thursday), at ten o'clock in the morning (10:00 A.M.), at the Pastorelli Hall, Hotel Pontefino, Pastor Village, Gulod Labac, Batangas City.**

Accordingly, NGCP and PMPC 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 its 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;
- 2) Furnish with copies of this *Order* and the attached *Notice of Public Hearing* the Offices of the City and Municipal Mayors and the Local Government Unit (LGU) legislative bodies where NGCP and PMPC principally operates for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers of the filing of the *Application*, its 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 PMPC must submit to the Commission its 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 Applicants NGCP and PMPC 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 PMPC 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 PMPC 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 PMPC must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it 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, 16 July 2019.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT

Commissioner



LS: LED/BSA/GLO

Copy Furnished:

1. Office of the General Counsel National Grid Corporation of the Philippines
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Applicant
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BIR Road, Diliman, Quezon City.
3. QUIASON MAKALINTAL BAROT TORRES IBARRA SISON & DAMASO
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6. Commission on Audit (COA)
Commonwealth Avenue
Quezon City, Metro Manila
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 Provincial Governor
Province of Batangas
14. Office of the LGU Legislative Body
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Promulgated:
JUL 26 2019

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

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6. "AS" as defined in Section 4(b) 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 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. Upon receipt of the intention from PMPC to provide ancillary services, NGCP commenced negotiations with PMPC for the execution of an ASPA.
9. NGCP agreed to procure and PMPC agreed to supply AS in the forms of: (a) RR under a firm and non-firm arrangement; and (b) BSS. A copy of the *Ancillary Services Procurement Agreement between NGCP and PMPC* dated 14 May 2019 is attached as Annex "A".
10. During the period of negotiation, NGCP conducted several tests on the Avion generation facility, and certified that the generating units have met and complied with the Standard Ancillary Services Technical Requirements of the ASPP as capable of providing RR and BSS. A copy of NGCP Accreditation Certificate No. 2019-L013 dated April 1, 2019 is attached as Annex "B."

**FIRM and NON-FIRM CONTRACTED CAPACITIES –
RATES AND IMPACT SIMULATION**

11. Schedule 1 of the ASPA provides that PMPC shall provide:
 - a. On a Firm Contracted Capacity Basis

³ Section 9 (d);

⁴ Section 6.3.1.2;

The Service Provider shall make available the Firm Contracted Capacity from either Generating Unit:

Generating Unit of Avion	Type of Ancillary Service	Firm Contracted Capacity (MW)	Trading Interval and days of the week
Unit 1 or Unit 2	Regulating Reserve (RR)	Up to 45MW	Intervals 1 – 24; (Mondays to Sundays including holidays)

b. On a Non-Firm Contracted Capacity Basis

The Service Provider shall make available the Non-Firm Contracted Capacity from either Generating Unit:

Generating Unit of Avion	Type of Ancillary Service	Non-Firm Contracted Capacity (MW)	Trading Interval
Unit 1 or Unit 2	Regulating Reserve (RR)	Up to 45MW	Intervals 1 – 24; (Mondays to Sundays including holidays)

a. Black Start Services

The Service Provider shall make available the Black Start Services from either or both Generating Unit(s), as and when available:

Generating Unit of Avion	Type of Ancillary Service	Contracted Generating Unit (MW) For the Term	Trading Interval
Unit 1 and/or Unit 2	Black Start Services (BSS)	Units 1 and/or 2, as available	Intervals 1 - 24

12. Schedule 3 of the ASPA provides for the formula for the computation of the Ancillary Services Fees and the Applicable Rates (“ASPA Rates”) for the Firm Contracted Capacity and Non-Firm Contracted Capacity covered by the ASPA, as follows:

I. Ancillary Services Fees

The Ancillary Services Fees due to the Service Provider shall be computed as follows:

$$\begin{aligned}
 \text{Ancillary Services Fee}_F (\text{in PHP}) &= (CP \times SC) + IE_{AS} \\
 \text{Ancillary Services Fee}_{NF} (\text{in PHP}) &= (CP \times SC) + IE_{AS} \\
 \text{Ancillary Services Fee}_{BS} (\text{in PHP}) &= IE_{BS}
 \end{aligned}$$

Wherein;

Ancillary Services Fee_F means the Ancillary Services Fee due to the Service Provider for Firm Contracted Capacity

Ancillary Services Fee_{NF} means the Ancillary Services Fee due to the Service Provider for Non-Firm Contracted Capacity

Ancillary Services Fee_{BS} means the Ancillary Services Fee due to the Service Provider for Black Start Services

CP = Capacity Payments for the relevant Scheduled Capacity using the Applicable Rates below, in Php/kW/Hr

SC = Sum of the undispached portion of the relevant Scheduled Capacity scheduled by NGCP, in kW/Hr

IE_{AS} = Incidental Energy Cost for the dispatched portion of the relevant Scheduled Capacity, as defined in Section III below, in PhP,

IE_{BS} = Incidental Energy Cost for Black Start Services, as defined in Section III below, in PhP

II. Applicable Rates

Firm Regulating Reserve: Php2.25/kW/Hr

Non-Firm Regulating Reserve: the lower of: (i) the nominated price in Php/kW/Hr and (ii) Php3.00/kW/Hr

Black Start Service: Php 1,000,000.00 per month, on a per occurrence basis

III. Incidental Energy Payment

a. Incidental Energy for RR

$$IE_{AS} = G \times (CP + VOM + FC) - REV_{WESM}$$

Where, IE_{AS} shall be paid to the Service Provider if its value is greater than zero (0);

Where;

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

$$G = G_{mm} + G_{ex} + G_{LF}$$

G_{mm} = Summation of energy generated or dispatched due to relevant Scheduled Capacity during Midmerit Period using natural gas as fuel for the Generating Unit, in kWh

G_{ex} = Summation of energy generated or dispatched due to relevant Scheduled Capacity during Ex-Midmerit Period using natural gas as fuel for the Generating Unit, in kWh

G_{LF} = Summation of energy generated or dispatched due to relevant Scheduled Capacity using liquid fuel as fuel for the Generating Unit, in kWh

"Ex-Midmerit Period" shall mean, for any calendar day, the period beginning 0001H and ending 1000H, and beginning 2201H and ending 2400H; and

"Midmerit Period" shall mean, for any calendar day, the period beginning 1001H and ending 2200H;

CP = Capacity payment for the dispatched portion of the relevant Scheduled Capacity using the Applicable Rates above, in PhP/kW/Hr

$$VOM = VOM_0 \times \left[\left(87\% \times \frac{US\,CPI_n}{US\,CPI_0} \times \frac{USD_n}{USD_0} \right) + \left(13\% \times \frac{RPCPI_n}{RPCPI_0} \right) \right]$$

VOM_0 = Equivalent to PhP 0.852/kWh

$US\,CPI_n$ = for any Billing Period, the United States Consumer Price Index (base period: 1982-84 = 100) for the month immediately preceding such Billing Period as published by the US Bureau of Labor Statistics in the Monthly Labor Review or any successor publication

$US\,CPI_0$ = the United States Consumer Price Index (base period: 1982-84 = 100) for March 2018 or 249.554

USD_n = for any Billing Period, the Philippine Peso to United States Dollar exchange rate as published by the Banko Sentral ng Pilipinas (www.bsp.gov.ph) as of the end date of such Billing Period

USD_0 = the Philippine Peso to United States Dollar exchange rate as published by the Banko Sentral ng Pilipinas (www.bsp.gov.ph) as of 25 March 2018 or PhP 52.158 / USD

$RP\,CPI_n$ = for any Billing Period, the Philippines Consumer Price Index for All Income Households in the Philippines – All Items (2012 =100) for the month immediately preceding such Billing Period as published by Philippines Statistics Authority

$RP\,CPI_0$ = the Philippines Consumer Price Index for All Income Households in the Philippines – All Items (2012 =100) published by Philippines Statistics Authority for March 2018 or 115.5

FC = Fuel cost for the volume of fuel consumed in delivering G and shall be computed using the following formulas below:

$$FC = \frac{[(NG_{mm} \times PGP_{mm}) + (NG_{ex} \times PGP_{ex})] \times USD_n + [LF \times WALFP]}{G}$$

NG_{mm} = Total volume of natural gas consumed in delivering G_{mm}, in GJ (GCV)

NG_{ex} = Total volume of natural gas consumed in delivering G_{ex}, in GJ (GCV)

PGP_{mm} = Prevailing Gas Price for the Midmerit Period, in USD/GJ (GCV)

PGP_{ex} = Prevailing Gas Price for the Ex-Midmerit Period, in USD/GJ (GCV)

USD_n = for any Billing Period, the Philippine Peso to United States Dollar exchange rate as published by the Banko Sentral ng Pilipinas (www.bsp.gov.ph) as of the end date of such Billing Period

LF = Total volume of liquid fuel consumed in delivering G_{LF}, in liters.

Liquid fuel will only be used by the Generating Units, as replacement fuel, when natural gas is not available.

WALFP = Weighted Average Liquid Fuel Price as recorded by the Service Provider, in Php/liter

G = as defined above

REV_{WESM} = Summation of WESM trading amount per interval based on the Final Ex-post nodal price of the Service Provider's Trading Node arising from G.

b. Incidental Energy for Black Start Services

$$IE_{BS} = FC_{Diesel} + [G_{BS} \times (VOM + FC_{BS})] + \text{Applicable Rate}$$

Where:

FC_{Diesel} = Cost of diesel in Php/Liter multiplied by the number of liters consumed to provide Black Start Service. Cost of fuel shall be based on the prevailing Average Retail Pump Price of Diesel in Metro Manila (Shell, Petron, Caltex) in Php/Liter, published in Department of Energy Price Watch (<https://www.doe.gov.ph/retail-pump-prices-metro-manila>)

G_{BS} = Summation of energy generated or dispatched for Black Start Service, in kWh

$$G_{BS} = G_{BS-mm} + G_{BS-ex} + G_{BS-LF}$$

G_{BS-mm} = Summation of energy generated or dispatched for Black Start Service during Midmerit Period using natural gas as fuel for the Generating Unit, in kWh

G_{BS-ex} = Summation of energy generated or dispatched for Black Start Service during Ex-Midmerit Period using natural gas as fuel for the Generating Unit, in kWh

G_{BS-LF} = Summation of energy generated or dispatched for Black Start Service using liquid fuel as fuel for the Generating Unit, in kWh

"Ex-Midmerit Period" shall mean, for any calendar day, the period beginning 0001H and ending 1000H, and beginning 2201H and ending 2400H; and

"Midmerit Period" shall mean, for any calendar day, the period beginning 1001H and ending 2200H;

VOM = as defined above

FC_{BS} = Fuel cost for the volume of fuel consumed in delivering G and shall be computed using the following formulas below:

$$FC_{BS} = \frac{[(NG_{BS-mm} \times PGP_{mm}) + (NG_{BS-ex} \times PGP_{ex})] \times USD_n + [LF_{BS} \times WALFP]}{G_{BS}}$$

NG_{BS-mm} = Total volume of natural gas consumed in delivering G_{BS-mm} , in GJ (GCV)

NG_{BS-ex} = Total volume of natural gas consumed in delivering G_{BS-ex} , in GJ (GCV)

PGP_{mm} = Prevailing Gas Price for the Midmerit Period, in USD/GJ (GCV)

PGP_{ex} = Prevailing Gas Price for the Ex-Midmerit Period, in USD/GJ (GCV)

USD_n = for any Billing Period, the Philippine Peso to United States Dollar exchange rate as published by the Banko Sentral ng Pilipinas (www.bsp.gov.ph) as of the end date of such Billing Period

LF_{BS} = Total volume of liquid fuel consumed in delivering G_{BS-LF} , in liters

$WALFP$ = Weighted Average Liquid Fuel Price as recorded by the Service Provider, in Php/liter

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G_{BS} = as defined above

Applicable Rate = as provided above, at Php1,000,000.00 per occurrence

13. Applicants submit that the rates represent a reasonable recovery of its opportunity cost in making available generation capacity to provide the procured AS.
14. The rate under ASPA was subjected to a simulation by NGCP, as follows:

Ancillary Service	Cost, PhP Mn	Indicative Rate Impact	
		PhP/kW-month	PhP/kWh equivalent
With Malampaya			
Regulating Reserve	3,107.03	24.4366	0.0501
Black Start Service	6.24	0.0491	0.0001
Without Malampaya			
Regulating Reserve	7,910.92	62.2189	0.1276
Black Start Service	13.16	0.1035	0.0002

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.
16. PMPC respectfully submits copies of the following documents:

Document	Annex
<i>Certificate of Compliance ("COC") No. 16-08-M-00081L</i>	"D"
<i>Certification of no Power Supply Agreement ("PSA")</i>	"E"
<i>Certificate of Incorporation of PMPC with Articles of Incorporation and By-Laws</i>	"F"
<i>Latest Amended Articles of Incorporation</i>	"G"
<i>Latest General Information Sheet</i>	"H"
<i>Latest Audited Financial Statement</i>	"I"
<i>Certification from the Philippine Electricity Market Corporation that PMPC is a registered Generation Company</i>	"J"
<i>Secretary's Certificate of PMPC authorizing PMPC's signatory to the ASPA with NGCP</i>	"K"
<i>Judicial Affidavit of Fico Mark Atom Mesina</i>	"L"

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

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

17. 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.
18. The current levels of available contracted AS in the Luzon Grid have not yet reached the desired levels necessary for the system security and reliability. Thus, Applicants executed the ASPA. A copy of the relevant actual data showing the required and available levels of AS in the Luzon Grid, entitled as "Luzon Regulating Reserve Availability" is attached as Annex "M".
19. 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. The importance of AS, from PMPC to ensure and maintain the reliability, adequacy, security, stability and integrity of the Luzon Grid cannot be overemphasized.
20. Applicants respectfully submit that the immediate approval of the ASPA by this Honorable Commission is a necessity to maintain the reliability, adequacy, security, stability and integrity of the Luzon Grid. In support of these allegations, NGCP submits a copy of the Judicial Affidavit of Engr. Riza C. Ereno of the Revenue and Regulatory Affairs Department of NGCP, which is attached as Annex "N".

**ALLEGATIONS IN SUPPORT OF THE MOTION FOR
CONFIDENTIAL TREATMENT OF INFORMATION**

21. The Honorable Commission may, upon request of a party and determining that the disclosure of information requested to be treated as confidential information is justified, treat certain information submitted to it as confidential. Applicant is bound by confidentiality agreement prohibiting the disclosure of any business, technical, marketing, operational, organizational, financial or other information and trade secrets and other confidential documents, papers and information.
22. Accordingly, the Applicants respectfully request before the Honorable Commission that Annex "L" ("Judicial Affidavit of Fico Mark Atom Mesina") and its attachments, attached hereto not be disclosed and be treated as confidential in accordance with Rule 4 of the ERC Rules. Annex "L" and its attachments attached hereto contain confidential information critical to the business operation of Applicant PMPC, including trade secrets and business calculations, assumptions and projections.

PRAYER

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

- a) Immediately ISSUE a provisional authority to implement the subject ASPA;
- b) Annex "L" ("Judicial Affidavit of Fico Mark Atom Mesina") and its attachments, attached hereto be treated as confidential information;
- c) APPROVE, after notice and hearing, the subject ASPA.

Applicants pray for other just and equitable relief.

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on **19 September 2019 (Thursday), at ten o'clock in the morning (10:00 A.M.), at the Pastorelli Hall, Hotel Pontefino, Pastor Village, Gulod Labac, Batangas City.**

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name and address;
- 2) The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- 3) A statement of the relief desired.

All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rests its case, subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name and address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All such persons who wish to have a copy of the *Application* may request from Applicants NGCP and PMPC that they be furnished with the same, prior to the date of the initial hearing. NGCP and PMPC are hereby directed to furnish all those making such request with copies of the *Application* and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the *Application* and other pertinent records filed with the Commission during the standard office hours.

WITNESS, the Honorable Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA**, and **PAUL CHRISTIAN M. CERVANTES** Energy Regulatory Commission, this 16th day of July 2019 in Pasig City.


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal Service 


LS: LED/BSA/GLO