

TERMS OF REFERENCE
Procurement of Ancillary Services through Competitive Selection Process
February 2026



The NGCP sets the following Terms of Reference for the interested bidders for the provision of Ancillary Services (AS). These terms will also form part of the Ancillary Services Procurement Agreement (ASPA).

TERMS OF REFERENCE	DESCRIPTION	REQUIREMENTS
Type of Contract and Duration	Firm Contract	<p>A. Firm Contract for two (2) years, with Annual Performance Evaluation (PE) in which contract may be terminated if the AS Provider’s PE for the year did not meet the standard, as provided in the ASPA.</p> <p>B. Contract duration is not intended to be extended, as another bidding will be conducted for capacities under expiring contracts.</p> <p>C. Capacities already offered and contracted for RR, CR, and DR shall not be offered or contracted for energy supply.</p> <p>D. Certified AS Providers with ASPAs expiring within 2026 can participate in this AS-CSP provided that, if awarded with new contract/s, its implementation date shall begin upon expiration of the existing ASPA or upon approval by the ERC of the new ASPA, whichever comes later.</p>
Power Plant Location	Luzon Grid Visayas Grid Mindanao Grid	<p>1. Power plant that is directly connected to an NGCP-owned Facility should have a dedicated connection for the Generating Unit used to provide the Contracted Capacity; or</p> <p>2. For Embedded Generators, with expressed consent from Host DU that Embedded Generator can be dispatched by the System Operator anytime when required for AS provision.</p>
Required Certifications and Agreements for Eligibility to participate in the AS-CSP	Electronic and hard copies of valid certifications covering the following shall be submitted by Interested Bidders no later than: (a) the Expression of Interest Deadline for electronic copies; and (b) the Bid Submission Deadline for printed hard copies.	
	ERC-issued certification	Valid Certificate of Compliance (COC) or a Provisional Authority to Operate (PAO) as an Independent Power Producer (IPP), or an ERC-issued certification that the same is in process.
	IEMOP issued certification	Per-unit or Per-sector WESM registration, consistent with AS Certification. Aggregated units/sectors will not be accepted.
	NGCP-issued certification	Valid Ancillary Service Certification indicating the AS types, its certified capacity, and mode of operation that the plant is qualified to provide, per Unit/per Sector.

	NGCP Service Agreements	Valid Connection Agreement (for grid-connected), Transmission Service Agreement (for grid-connected and embedded plants), and Metering Service Agreement (for grid-connected and embedded plants).																																												
Grid interface and control requirements	Equipment required to be installed at the AS Provider's power plant and connection point	<p>A. Control Mode</p> <ol style="list-style-type: none"> 1. Regulating Reserve (RR) – For purposes of this bidding, only certified plants/units with Automatic Generation Control (AGC) for RR shall be accepted. However, during ASPA implementation, plant/unit may also be allowed to run on Governor Control Mode (GCM)/Active Power Frequency Control (APFC), if certified and required by NGCP. 2. Contingency Reserve (CR) – For purposes of this bidding, only certified plants/units with Governor Control Mode (GCM)/APFC for CR shall be accepted. However, during ASPA implementation, plant/unit may also be allowed to run on AGC mode, if certified and required by NGCP. <p>B. WESM-compliant Revenue Metering consistent with WESM Registration – without any connected load customer or station use load.</p> <p>C. NGCP-installed and connected Remote Terminal Unit (RTU) – capable of per unit/per sector real-time monitoring.</p>																																												
Contracted Capacity	<p>A. Open for bidding from certified AS Providers in Luzon, Visayas and Mindanao grids to comply with the following AS requirements.</p> <p>For Regulating Reserve (RR), Contingency Reserve (CR), and Dispatchable Reserve (DR):</p> <table border="1"> <thead> <tr> <th rowspan="3">GRID</th> <th colspan="6">Capacity for Procurement to comply the 50%-70% contracting level for 2026</th> </tr> <tr> <th colspan="2">RR</th> <th colspan="2">CR</th> <th colspan="2">DR</th> </tr> <tr> <th>Capacity (MW)</th> <th>Duration (hrs/day)</th> <th>Capacity (MW)</th> <th>Duration (hrs/day)</th> <th>Capacity (MW)</th> <th>Duration (hrs/day)</th> </tr> </thead> <tbody> <tr> <td>LUZON</td> <td>50</td> <td>24</td> <td>0</td> <td>N/A</td> <td>91</td> <td>24</td> </tr> <tr> <td>VISAYAS</td> <td>30</td> <td>13 (11:00AM to 11:59PM)</td> <td>0</td> <td>N/A</td> <td>103</td> <td>24</td> </tr> <tr> <td>MINDANAO</td> <td>17</td> <td>24</td> <td>30</td> <td>13 (9:00AM to 9:59PM)</td> <td>0</td> <td>N/A</td> </tr> </tbody> </table> <p>For Reactive Power Support (RPS) and Black Start Service (BSS):</p> <table border="1"> <thead> <tr> <th>AS Type</th> <th>Levels for Contracting</th> </tr> </thead> <tbody> <tr> <td>RPS</td> <td>Identified per location</td> </tr> </tbody> </table>	GRID	Capacity for Procurement to comply the 50%-70% contracting level for 2026						RR		CR		DR		Capacity (MW)	Duration (hrs/day)	Capacity (MW)	Duration (hrs/day)	Capacity (MW)	Duration (hrs/day)	LUZON	50	24	0	N/A	91	24	VISAYAS	30	13 (11:00AM to 11:59PM)	0	N/A	103	24	MINDANAO	17	24	30	13 (9:00AM to 9:59PM)	0	N/A	AS Type	Levels for Contracting	RPS	Identified per location	
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No Outage Allowance	There will no longer be allocation of outage hours allowance.	<p>B. Offers for RR, CR, and/or DR shall be in uniform capacity for 24 hours except for Visayas RR and Mindanao CR which shall be for 13 hours and at specific times as provided in the table above. Any offer that is not compliant with this requirement shall not be accepted, and such bid shall be considered disqualified. Moreover, offers shall be identified per Unit/per Sector and presented in an hourly profile using the AS capacity offer Excel file provided, the filenames of which are per generating unit's Resource ID. The detailed hourly profile for the RR, CR, and DR requirements shall be included in the Bidding Documents to be provided to Eligible Bidders.</p> <p>C. For RR offers from Battery Energy Storage System (BESS) facilities, the certified Resource Capacity will be used and not the installed capacity. Resource Capacity is the sum of the absolute value of the regulation-up and regulation-down capability of the BESS, which addresses the over and under frequency in the grid.</p> <p>D. Offers for RPS and BSS shall be based on its AS Certification (in kVAR for RPS, or kW for BSS) to be provided in the Capacity Offer Summary Word file.</p> <p>E. Offers for each AS type will be evaluated separately, as indicated in the Detailed Instructions to Bidders. There are no bundled AS types to be prioritized in this bidding.</p> <p>F. The Firm AS capacities in ASPAs that are still valid until 2027 are not included in the capacities open for bidding. Such Firm AS capacities are still allocated to the respective AS Providers. Another AS-CSP shall be conducted for ASPAs expiring in 2027 onwards, if deemed necessary.</p>																

		In this regard, Bidders are encouraged to already consider expected plant outages in the hourly profile to be submitted as part of their bids.
Replacement AS Capacity	<p>AS Provider to source and provide Replacement AS Capacity for Firm Regulating Reserve, Firm Contingency Reserve, and Firm Dispatchable Reserve, (whether unavailable or derated), to avoid penalties.</p> <p>Replacement AS Capacity is not required for RPS and BSS.</p>	<p>A. Firm AS capacity shall be available and maintained at the Scheduled Capacity level at all times.</p> <p>i. Unavailability due to planned outage, unit tripping, or deration <u>that have been determined on a day-ahead basis</u> shall be replaced with Replacement AS Capacity from AS-certified units that are not scheduled for AS, coming from the AS Provider's facility or another AS-certified generating facility of the same AS type, located in the same grid, in which the protocols for replacement are included in the ASPA.</p> <p>ii. Replacement AS Capacity shall be procured by the AS Provider from the Reserve Market (RM) <u>for real-time outages or deration</u>.</p> <p>B. A contracted unit that has been declared unavailable should not be traded in the WESM or Reserve Market, otherwise the act of trading the contracted unit to the WESM or Reserve Market will be considered as withholding of capacity and shall be deemed non-compliant to the provisions of the ASPA, and appropriate penalties shall be applied.</p> <p>C. NGCP shall pay the amount of Replacement AS cost based on the rates in the ASPA, or the actual cost of Replacement AS Capacity, whichever is lower. Any resulting additional cost from Replacement AS Capacity shall be shouldered by the AS Provider and shall not be passed on for recovery from NGCP.</p> <p>D. Guaranteed availability of the Replacement AS Capacity is the sole responsibility of the AS Provider.</p>
AS Scheduling	Day-ahead nomination by AS Provider and scheduling by NGCP	<p>1. Nomination by the AS Provider of available capacity should be submitted to NGCP - System Operations day-ahead not later than 2:00 pm, based on available generating units, as provided below:</p> <ul style="list-style-type: none"> - Weekdays, except Fridays, for the next weekday nomination - Thursday for Friday and Sunday nominations - Friday for Saturday and Monday nominations - Working Day before Holiday until the next working day

		<p>2. Submission by NGCP of Day-Ahead Ancillary Services Schedule (DAASS) to the AS Provider shall be made not later than 5:00 pm.</p> <p>3. All day-ahead nominations of available capacity and approvals shall be made electronically thru web facility provided by System Operations-NGCP. In case web facility is not available, email shall be used.</p>
Basis of Payment	Payment by NGCP for actual provision of AS	<p>A. Payment by NGCP to the AS Provider shall be based on Scheduled Capacity and its corresponding dispatched energy for compliant intervals only. AS cost for non-compliant intervals shall not be paid, and shall be subject to applicable Penalties.</p> <p>B. Payments by NGCP to the AS Provider shall be based on the actual collection from grid customers, on a pro-rated basis among all AS Providers on the first month. On the second month, NGCP to pay the balance from the previous month in full, and current month on a pro-rated basis, and so on.</p> <p>C. Remittance of the VAT shall be in accordance with ERC Resolution No. 20, Series of 2005.</p>
Penalty	Penalty of AS Provider for Non-compliance to technical criteria, or not following the dispatch instructions of NGCP.	<p>Non-compliant intervals shall incur a penalty of 50% of the Applicable Rate for Capacity Payment multiplied by the Scheduled Capacity on said intervals. Such penalty shall be deducted directly from the AS cost payable to the affected AS Provider.</p> <p><i>Example:</i> Scheduled Capacity = 10MW Capacity Payment Rate = 2.25 PhP/kW/hr Non-compliant interval = 3 intervals Penalty = 10,000kW x 2.25PhP/kW per hr x (3/12intervals) x 50% = 2,812.50 PhP</p>
Ancillary Service Rates and Payment to be used for the bidding and adopted in the ASPA	(A) Capacity Payment Rate for Scheduled Capacity	Offered Capacity Payment Rate in PhP/kW per hour, per AS type.
	(B) Incidental Energy Payment for Dispatched portion of the Scheduled Capacity	<p>1. Incidental Energy Payment for RR and CR shall not include the cost of energy dispatched from the generating unit's technical Pmin, energy-only schedule in the WESM, or its Energy Bilateral Contract Quantity (BCQ). Further, costs for start-up and shutdown done outside of the scheduled hour will not be considered in the payment of Incidental Energy.</p> <p>2. The formula for Incidental Energy Payment for RR, CR and DR shall be:</p> <p>Incidental Energy Payment = [G x Energy Fees] - (WESM Revenue - WESM Payment)</p>

Where:

- G = (i) for conventional plants, summation of actual energy generated or dispatched from the Scheduled Capacity, in kWh; (ii) for BESS RR, sum of the absolute value of the actual energy dispatched and absolute value of the actual energy absorbed due to frequency regulation, in kWh; or (iii) for BESS CR, is the actual energy dispatched only, in kWh
- Energy Fees, in PhP/kWh = Fixed Energy Fee and Indexed Energy Fee, in PhP/kWh
 - Fixed Energy Fee, in PhP/kWh, as applicable
 - Indexed Energy Fee:
 - Fuel Cost, in PhP/kWh = prevailing price of relevant fuel index and other applicable references for relevant fuel cost components (e.g. lube oil, freight, etc.) based on published data for the month of December 2025 for purposes of bid evaluation; published data for the current billing month will be used in the ASPA;
 - Variable O&M Cost, in PhP/kWh = $VOM\ rate \times (Current\ CPI \div Base\ CPI)$; for purposes of bid evaluation, Base CPI: 2018=100 and Current CPI is as of December 2025. Base CPI: 2018=100 and Current CPI as of the current billing month will be used in the ASPA. Same applies to other relevant indices included in the VOM.
 - Any applicable foreign currency exchange based on December 2025 index for the simulation. Actual forex for the current billing month to be used in the ASPA.
- WESM Revenue = summation of WESM revenue based on Prices Used in Settlement at the generator's trading node, arising from G.
- WESM Payment applicable to BESS only = summation of WESM purchases based on Prices Used in Settlement at the generator's trading node, for generator's feedback power.

		<ol style="list-style-type: none"> 3. For RPS, the formula for Incidental Energy Payment above will be adopted in the ASPA. This shall be on a per-occurrence basis. 4. For BSS, the per-occurrence payment is in PhP/kWh rate for actual provision of the service.
Total AS Cost during ASPA implementation	Computation of the cost of actual AS provided	<p>Hourly AS Cost = [(Scheduled Capacity x A) + B] – Penalty + any billing adjustments</p> <p>Where: A = Capacity Payment Rate (details provided above) B = Incidental Energy Payment (details provided above) Penalty = 50% x (A x Scheduled Capacity) Billing adjustments = applicable adjustments as a result of monthly billing reconciliation</p>
AS Cost Simulation	Simulated Total AS Cost in Pesos, for purposes of bid evaluation	<ol style="list-style-type: none"> 1. Provide a simulated Total AS Cost for each AS type, using the components provided in the Ancillary Services rates portion above, and the Template for AS Cost Simulation. 2. Include cost of VAT in the Total AS Cost. 3. Cost of technical Pmin for Regulating Reserve and Contingency Reserve are not included in the Total AS Cost. 4. A maximum acceptable AS Cost (the “Price Cap”) for purposes of AS Cost Simulation shall be established by NGCP and will be disclosed only during the bid opening. Any offer with AS Cost Simulation above the Price Cap will be disqualified. 5. Only bids with computed AS Simulation Cost not exceeding the Price Cap (the “Cap-Compliant Bids”) shall be included in the tabulation to determine that lowest calculated bid and accordingly considered for award. Cap-Compliant Bids shall be awarded capacities in ascending order starting from the lowest calculated bid until the total capacity opened for bidding is completed.
Basis of Termination of ASPA	The ASPA shall be considered for termination upon the occurrence of any of the following:	
	<ol style="list-style-type: none"> 1. AS Provider's Annual Performance Evaluation indicates below 90% compliance, even after conducting Monthly Performance Evaluation with recommendations to improve performance; 2. In cases of unavailability of Firm Contracted Capacity during or as a result of Force Majeure events for a period of seven (7) consecutive days or less, the AS Provider shall not be obligated to provide Replacement AS Capacity and will not be penalized for unavailability. Accordingly, the AS Provider shall not be paid for the period of unavailability. 	

	<p>Starting on the eighth (8th) day of unavailability, AS Provider shall provide Replacement AS capacity if its generating unit is still unavailable. By the ninetieth (90th) day of unavailability, if the generating unit is still unavailable, the ASPA shall be subject to termination.</p> <p>3. AS Providers whose generating unit undergoes outage for a period of not more than thirty (30) consecutive days shall be required to provide Replacement AS capacity during the entire duration of the outage. Otherwise, the ASPA shall be considered for termination.</p> <p>Outages which exceed thirty (30) consecutive days, shall subject the ASPA to termination.</p> <p>4. Power plant fails the regular AS Certification test (conducted every 2 years) and cannot resolve the technical problem for re-certification within thirty (30) days from the issuance of the test report;</p> <p>5. Persistent occurrences of power plant tripping / non-compliances during the period it is scheduled for AS provision which results to Annual Performance Evaluation (APE) rating of less than 90%, where $APE = \frac{\text{Total No. of Compliant Hours in a Year}}{\text{Total No. of Scheduled Hours in a Year}}$</p> <p>6. Material adverse change in the Terms of Reference and the ASPA due to changes in law, rules and regulation, and/or significant modification of the ASPA by the ERC in its Provisional Authority to implement or Final Decision;</p> <p>7. Termination of Connection Agreement and/or Service Agreements with NGCP, revocation by the ERC of the Certificate of Compliance, or de-registration from the WESM.</p> <p>8. Termination due to implementation of new AS Rules as promulgated by the ERC, or new policy on AS issued by the DOE, which renders the ASPA as no longer implementable. The termination shall take effect only after the approval of the ERC.</p>
Bid Participation Fee	There shall be no bid participation fee, nor bid documents fee for this bidding.
Bid Security	<p>Eligible Bidders shall post separate Bid Security for each AS Type offered upon submission of bids, equal to or greater than two percent (2%) of the total computed Capacity Payment Cost for one (1) year offered capacities, computed as follows:</p> <p>1. <i>Regulating Reserve (RR), Contingency Reserve (CR), and Dispatchable Reserve (DR)</i></p> <p>Bid Security = Total 1-Year Capacity Offered, kW-h x Capacity Payment Rate Offered, PhP/kW per hr x 2%</p> <p>Should the Eligible Bidder's actual capacity offer vary over the period of one (1) year, then the basis of Bid Security computation shall be the maximum AS Capacity per hour, per AS type applied across the one-year period.</p> <p>2. <i>Black Start Service (BSS)</i></p> <p>Bid Security = BSS capacity as certified, kW x 12hrs x BSS rate, PhP/kWh x 2%.</p> <p>The assumption is that BSS will be utilized once a year for 12 hours.</p> <p>3. <i>Reactive Power Support (RPS)</i></p> <p>Bid Security = Compensable kVAR from test results, kVAR x 5hrs x 5months x RPS Rate, kVAR/hr x 2%.</p>

	<p>The assumption is the RPS will be utilized for 5 hours a day for 5 months (dry season) per year.</p> <p>Bid Security shall be in the form of surety bond or irrevocable standby letter of credit from NGCP's list of approved providers.</p> <p>The Bid Security shall be valid for 120 days from the Bid Submission Deadline. The Bid Security shall be forfeited in favor of NGCP if the Eligible Bidder (i) withdraws its bid after the bid opening, (ii) refuses to execute the ASPA after it has been provided a Notice of Award, or (iii) cancels the ASPA prior to the issuance of a Provisional Authority by the ERC</p> <p>In case the ERC has not yet issued a Provisional Authority for the ASPA 30 days before the expiry of the Bid Security, the Eligible Bidder shall extend such Bid Security for another 60 days from expiration.</p>
Protest Fee	<p>A non-refundable protest fee of 0.5% of the Eligible Bidder's computed Capacity Payment Cost for one (1) year shall be paid simultaneous with the filing of the Protest.</p>
Performance Security	<p>Winning Bidders shall post a Performance Security within thirty (30) days from ERC Provisional Approval of the ASPA, equivalent to 30% of the total computed Capacity Payment Cost for one (1) year based on the Firm Contracted Capacity, for the offered AS Capacity per AS type (equivalent contract price). The Performance Security shall be updated annually, thirty (30) days prior to the anniversary date, and computed as follows:</p> <ol style="list-style-type: none"> 1. <i>RR, CR, and DR</i> <p>Performance Security = Total 1-Year Capacity Contracted, kW-h x ERC-Approved Capacity Payment Rate, PhP/kW per hr x 30%</p> 2. <i>BSS</i> <p>Performance Security = BSS capacity as certified, kW x 12hrs x ERC-Approved BSS rate, PhP/kWh x 30%</p> <p>The assumption is the BSS will be utilized once a year for 12 hours.</p> 3. <i>RPS</i> <p>Performance Security = Compensable kVAR from test results, kVAR x 5hrs x 5months x ERC-Approved RPS Rate x 30%.</p> <p>The assumption is the RPS will be utilized for 5 hours a day for 5 months (dry season).</p> <p>Performance Security shall be (i) in the form of cash, manager's check, bank guarantee, surety bond, or irrevocable standby letter of credit from NGCP's list of approved providers, and (ii) subject to withdrawal in favor of NGCP upon termination of the ASPA due to default of the AS Provider (Winning Bidder).</p>