

**Customer Bulletin 2018-11**

**March 26, 2018**

**NGCP'S ANCILLARY SERVICES PROCUREMENT AGREEMENT (ASPA) WITH FIRST GEN HYDRO POWER CORPORATION (FGHPC)**

**In an Order dated 3 November 2017, the Energy Regulatory Commission (ERC) granted Provisional Authority on NGCP's Ancillary Services Procurement Agreement (ASPA) with First Gen Hydro Power Corporation (FGHPC), docketed under ERC Case No. 2017-077 RC, entitled "In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement (ASPA) between the National Grid Corporation of the Philippines (NGCP) and First Gen Hydro Power Corporation (FGHPC), subject to the following rates and conditions:**

**1. Applicable Rates:**

FGHPC shall nominate the corresponding price (in per kW capacity per hour) for each ancillary service capacity to NGCP. In the event that the said nominated capacity is scheduled for Ancillary Service (AS), the pricing shall be as follows:

**a. Scheduled capacity without energy dispatched**

*NGCP shall pay FGHPC the corresponding nominated price of that scheduled capacity. Provided, however, that the nominated price shall in no case exceed the following Fixed Fee Rates, without any minimum cost:*

ANCILLARY SERVICE	APPLICABLE RATE (Maximum Hourly Rate)
	NON-FIRM
Regulating Reserve	PhP3.00/kW/Hr*
Contingency Reserve	PhP2.25/kW/Hr*
Dispatchable Reserve	PhP1.25/kW/Hr*
Reactive Power Service	PhP4.00/kVar/Hr*
Black Start Capacity	PhP2.14/kWh*

\* plus Cost of Incidental Energy for dispatched AS on a per occurrence basis

**b. Scheduled capacity with energy dispatched**

*The ASPA rate shall be recovered through settlement on the Wholesale Electricity Spot Market (WESM). Thus, in this case, the ancillary capacity is free of charges as the cost is recovered through the market.*

*Provided that FGHPC shall be entitled to a Monthly Minimum Incidental Energy Cost based on actual dispatch and the cost of generation computed using the*

*formula provided under Schedule 4 of the ASPA, subject to the modification as to the rate for Black Start Capability which is now pegged at PhP2.14/kWh.*

*Provided further that, in the event that the revenue from WESM exceeds the calculated Monthly Minimum Incidental Energy Cost, the excess shall be used to off-set any positive amount determined within the relevant period or to the immediately succeeding billing month.*

2. NGCP should be enjoined to optimize economic and technical dispatch of the available ancillary service capacity wherein it shall schedule a mix of hourly ancillary service capacity at 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 ancillary services cost should be passed on to its customers in accordance with the approved "Ancillary Services-Cost Recovery Mechanism" (AS-CRM). Further, NGCP should be directed to submit its monthly computation of ancillary service rates that it passed on to its customers, with supporting documents on or before the 5<sup>th</sup> day of the month; and
4. In the event that the final rates are higher than the provisionally granted, the resulting additional charges shall be collected by FGHP from NGCP and the latter shall pass it on to its customers. On the other hand, if the final rates is lower than the provisionally granted, the amount corresponding to the reduction shall be refunded by FGHP to NGCP and the latter shall pass it on to its customers.

**Ancillary Services are pass-through costs of NGCP. Nevertheless, above ASPA rates are 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 2018 billing month** (March 26, 2018 to April 25, 2018) for Luzon Customers.

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