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NGCP'S ANCILLARY SERVICES PROCUREMENT AGREEMENT (ASPA) WITH CIP II POWER CORPORATION (CIP II)

In an Order dated 6 June 2017, the Energy Regulatory Commission (ERC) granted Provisional Authority on NGCP's Ancillary Services Procurement Agreement (ASPA) with CIP II Power Corporation (CIP II), docketed under ERC Case No. 2017-009 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 CIP II Power Corporation (CIP II)*", subject to the following rates and conditions:

1. CIP II shall nominate the corresponding price, in per kW capacity per hour, for the 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 CIP II the corresponding nominated price of the scheduled capacity. Provided, however, that the nominated price shall in no case exceed the following Fixed Fee Rate, without any minimum cost:

ANCILLARY SERVICE	APPLICABLE RATE (MAXIMUM HOURLY RATE)
	NON-FIRM
Dispatchable Reserve	PhP1.25/kW/Hr

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 WESM.

CIP II 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.

Further, in the event that 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 is directed to optimize the 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. NGCP is directed to strictly observe the approved Ancillary Services-Cost Recovery Mechanism (AS-CRM) in passing on to its customers the costs related to the Ancillary Services to be provided by CIP II.
4. NGCP is directed to submit the monthly computation of Ancillary Service rates that it passed on to its customers, with supporting documents on or before the 5th day of every month; and
5. The above recommended interim rates shall be effective on the next billing cycle of NGCP from receipt of the Order. In the event that the final rates are higher than the amount granted herein, the resulting additional charges shall be collected by CIP II from NGCP and the latter shall pass it on to its customers. On the other hand, if the final rates are lower than the amount granted herein, the amount corresponding to the reduction shall be refunded by CIP II 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 AS rates to Luzon customers **effective August 2017 billing month** (July 26, 2017 to August 25, 2017).

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

This Customer Bulletin was prepared by the Tariff Design and Billing Management Division of the Revenue and Regulatory Affairs Department (RRAD). For any questions/inquiries, you may contact telephone nos. 981-2525/2530.