

Customer Bulletin 2018-09

March 16, 2018

NGCP'S ANCILLARY SERVICES PROCUREMENT AGREEMENT (ASPA) WITH THERMA MARINE, INC. (TMI) (FOR MOBILE 2)

In an Order dated 26 October 2017, the Energy Regulatory Commission (ERC) granted Provisional Authority on NGCP's Ancillary Services Procurement Agreement (ASPA) with Therma Marine, Inc. (TMI) (For Mobile 2), docketed under ERC Case No. 2017-076 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 Therma Marine, Inc. (For Mobile 2) and Approval of the Incidental Energy Supply Agreement Template", subject to the following rates and conditions:

1. Applicable Rates:

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

a. Scheduled capacity without energy dispatched:

NGCP shall pay TMI 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
Contingency Reserve (CR)	PhP2.25/kW/Hr
Dispatchable Reserve (DR)	PhP1.25/kW/Hr

b. Scheduled capacity with energy dispatched

The ASPA rate shall be recovered through settlement by the NGCP in the absence of the WESM in Mindanao or in the WESM or similar market thereat, whichever is applicable. Thus, in the WESM scenario, the ancillary capacity is free of charges as the cost is recovered through the market.

Provided that TMI shall be entitled to a Monthly Minimum Incidental Energy Cost based on actual dispatch and the cost of generation computed using the following formula:

$$IE = G \times (CP + VOM + Fuel) - REV_{WESM}$$

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 is enjoined 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. 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 is directed to submit its monthly computation of ancillary service rates that it passed on to its customers, with supporting documents on or before the 5th day of the month; and
4. The above provisional rates is effective on the next billing cycle of NGCP from receipt hereof. In the event that the final rates are higher than the provisionally granted, the resulting additional charges shall be collected by TMI from NGCP and the latter shall pass it on to its customers. On the other hand, if the final rates are lower than the provisionally granted, the amount corresponding to the reduction shall be refunded by TMI to NGCP and the latter shall pass it on to its customers.

The above approval is consistent with the Commission's Provisional Approval of the previous ASPAs between NGCP and other AS Providers.

Meanwhile, the proposed formula by the Applicants for the payment of the AS in the subject ASPA, particularly the proposal for an Incidental Energy Supply Agreement Template (IESA), has been **DEFERRED** for further evaluation.

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 Mindanao Customers.

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