

Customer Bulletin 2018-22

June 21, 2018

NGCP'S ANCILLARY SERVICES PROCUREMENT AGREEMENT (ASPA) WITH PHINMA POWER GENERATION CORPORATION (PHINMA POWER)

In an Order dated 17 May 2018, the Energy Regulatory Commission (ERC) granted Provisional Authority on NGCP's Ancillary Services Procurement Agreement (ASPA) with PHINMA Power Generation Corporation (PHINMA Power), docketed under ERC Case No. 2018-017 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 PHINMA Power Generation Corporation (PHINMA Power), subject to the following rates and conditions:

1. Applicable Rates:

PHINMA Power 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 PHINMA Power the corresponding nominated price of that scheduled capacity. Provided, however, that the nominated price shall in no case exceed the following Fixed Fee Rate, without any minimum cost:

ANCILLARY SERVICE NON-FIRM	APPLICABLE RATE (Maximum Hourly Rate)
Dispatchable Reserve (DR)	PhP1.25/kW/Hr

b. Scheduled capacity with Energy dispatched

The ASPA rate shall be recovered through settlement in 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 PHINMA Power shall be entitled to a Monthly Minimum Incidental Energy Cost based on actual dispatch and the cost of generation computed using the formula for Incidental Energy provided under Schedule 4 of the ASPA, subject to clarification/modification as discussed herein.

Provided further that, 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 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 5th day of the month; and
4. The above provisional rates shall take effect upon the termination of the 2012 ASPA of the Applicants under ERC Case No. 2012-136 RC which will expire on 25 June 2018 or on the July 2018 Billing Period.
5. In the event that the final rates are higher than the provisionally granted, the resulting additional charges shall be collected by PHINMA Power 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 PHINMA Power 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 July 2018 billing month** (June 26, 2018 to July 25, 2018) for Luzon Customers.

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