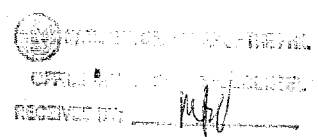


2010-10-340



Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, Pasig City  
OCT 26 AM 8:52

IN THE MATTER OF THE  
APPLICATION FOR THE  
RECLASSIFICATION OF THE  
MANILA ELECTRIC COMPANY'S  
(MERALCO) DEVELOPMENT OF  
THE PACO 230 KV-115 KV  
DELIVERY POINT SUBSTATION  
PROJECT

NATIONAL GRID CORPORATION  
OF THE PHILIPPINES (NGCP),  
Applicant,

-versus-

ERC CASE NO. 2010-056 MC

MANILA ELECTRIC COMPANY  
(MERALCO),  
Respondent.

x-----x

DOCKETED.  
Date: OCT 11 2010  
By: [Signature]

**ORDER**

On April 30, 2010, the National Grid Corporation of the Philippines (NGCP) filed an application for the reclassification of the Manila Electric Company's (MERALCO) development of the Paco 230 kV-115 kV delivery point substation project.

In the said application, NGCP alleged, among others, that:

1. The application is for the reclassification of the new substation project of MERALCO denominated as "Development of the Paco 230 kV-115 kV Delivery Point Substation" (PACO Project) from Subtransmission to Transmission Project. NGCP is mandated to preserve and perform its responsibility over the nationwide transmission system of the Republic of the Philippines; to have full control and flexibility along the Balintawak-Araneta-Sucacat corridor; to ensure the security of the Luzon grid; and to address the underlying operational problems and issues with dispatch;

2. On September 1, 2006, MERALCO filed an application for the approval of its Annual Revenue Requirement (ARR) and Performance Incentive Scheme (PIS) during the Regulatory Reset Process for its Second Regulatory Period from July 1, 2007 to June 30, 2011. It prayed, among others, for the approval of its capital expenditures which includes the PACO Project;
3. In MERALCO's Major Project Information Summary which was submitted as part of its Second Regulatory Reset application, the PACO Project is described as follows:

"Installation of (3) units of 180/240/300 MVA, 230 kV-115 kV, 3-phase auto transformer with OLTC. Installation of 230 kV Gas Insulated Switchgear (GIS) outdoor type with (6) bays, and 230 kV metering facilities, (5) 115 kV MUW HV-AIS GCB's and associated (10) 115kV Disconnected switchgears. Expansion of 115 kV Busses and construction of 0.5 km of 230 kV line using 2-410 sq.mm. TACSR per phase on steel poles to cut in Paco 230 kV substation to Araneta-Sucacat 230 kV line. Construction of a total of 3.5 kms of 115 kV line using 2-795 MCM ACSR per phase on steel poles to provide adequate 115 kV outlets."

It will be constructed inside MERALCO's Paco 115 kV substation and will be connected to the Araneta-Sucacat 230 kV line at steel pole no. 143 xxx xxx."

4. In the same submission, MERALCO also stated that the PACO Project aims *"to relieve Zapote-CBP1A 115 kV line due to the associated transfer of Paco loads from Sector 3 to Sector 1 and Araneta 3x300 MVA power transformers due to its transfer to Sector 2"* and it will be implemented in *"2011 due to the critical loading of Duhat and Araneta power transformers during one bank outage."* Also, MERALCO alleged that without the PACO Project, *"the load of Duhat and Araneta delivery point power transformers will increase and will result in load dropping to avert system blackout in Sector 1."*;
5. On August 30, 2007, the Commission issued a Decision approving the aforesaid MERALCO's application herein including the PACO Project;
6. It is significant to note that Republic Act No. 9511 (R.A. 9511) otherwise known as *"An Act Granting the National Grid Corporation of the Philippines A Franchise to Engage in the Business of Conveying or Transmitting Electricity Through High Voltage Back-bone System or Interconnected Transmission Lines, Substations and Related Facilities, and For Other Purposes"*, in relation to Republic Act No. 9136 and its Implementing Rules and Regulations (IRR), grants NGCP the authority and responsibility to operate, manage and maintain, and engage in the business of conveying or transmitting electricity through high voltage backbone system of interconnected transmission lines, substations and related facilities, system operations, and other activities that are necessary to support the safe and reliable operation of a transmission system and to construct, install, finance, manage, improve, expand, operate, maintain, rehabilitate, repair and refurbish the present nationwide transmission system of the Republic of the Philippines;

7. Based on its franchise, it is crystal clear that the operation, management, maintenance, improvement and the expansion of the transmission facilities or assets are its responsibilities and not those of a distribution utility;
8. The PACO Project will be linked to the Luzon Grid through a "bus in" connection along the existing Sucat-Araneta 230 kV line. In a bus-in connection, it cannot ensure and maintain the reliability and integrity of the line, with MERALCO having fractional control therein. Such connection will have NGCP partially relinquishing its grid function and lessening its operation and control over the grid in favor of a distribution utility;
9. PACO Project is just an expansion of NGCP's Araneta Substation because it will function as a support network substation. As such, it will also have a transmission function. Section 9 (c) and (d), Chapter II of R.A. 9136 mandated NGCP to ensure and maintain the reliability, adequacy, security and stability of the nationwide electrical grid. Thus, the operation and maintenance of all transmission assets, such as the PACO Project, is NGCP's sole responsibility;
10. Upon connection, the PACO project will also form part of NGCP's Balintawak-Araneta-Sucat corridor which serves the load center (Metro Manila). Consequently, it will definitely control the continuity of flow of electricity in the said corridor, specifically on the critical Araneta-Sucat 230 kV line. Any disruption in the corridor, i.e. problem in the PACO Project, will have a substantial effect in the supply of electricity to the load center;
11. If the PACO Project will be operated by MERALCO, it will not have full control over the same, the operational problems and issues may be experienced despite operational protocols, such as:
  - a. Security risk due to lack of control in non-NGCP substations, e.i. the system blackout on May 21, 2002 which was caused by the apparent Direct Transfer Trip (DTT) signal generated within MERALCO's Sta. Rosa Substation and the system disturbance that occurred sometime in December 2008 due to the coordination during maintenance of the Calaca-Sta. Rita 230 kV line 2 where a disconnected switch was closed with the earthing switch still closed;
  - b. Maintenance programs between NGCP and MERALCO are different because the two (2) companies have different frequencies and schedules of maintenance and equipment that require end-to-end testing;
  - c. Delay in the implementation of planned outages of line/equipment and also in line restoration activities;
  - d. Fault data recorded at the substation are not readily available resulting in delay in the conduct of "post-analysis" of system disturbances;
  - e. No full flexibility in installing required equipment (e.g. capacitors) on non-NGCP 230 kV substations; and

- f. The maintenance policy/program is different between NGCP and MERALCO.
14. Further, under Section 3 of Annex "A" of the Commission's Resolution No. 25-2006, entitled "*Definition of Boundaries of Transmission Connection Assets*," a transmission connection asset is defined as, "if taken out of the System, will only affect the customer connected to it and will have a minimal effect to the grid, or other connected customers." The PACO Project whose circuit breakers will directly control the continuity of power flow along the corridor will not only cause minimal impact to the grid but will cause a significant one if taken out the system as the Araneta-Sucat 230 kV Line provides N-1 reliability for the supply of the Araneta Substation;
15. It is very clear from the provision of RA 9136 that what a distribution utility can own, operate and maintain are those assets with subtransmission functions only. The Honorable Commission in its "*Guidelines to Govern the Setting of Standards to Distinguish the Transmission from the Subtransmission Assets of TRANSCO and the Buyer or Concessionaire of Said Assets and the Grant of Franchise to Operate the Subtransmission Assets*" defined what a subtransmission asset is:

"m) **Subtransmission Asset** shall refer to assets classified as Subtransmission Assets based on *functional standards established under Article III hereof*, including but not limited to step-down transformers used solely by load customers, associated switchyard/substation, control and protective equipment, reactive compensation equipment to improve customer power factor, overhead lines, and the land where such facilities/equipment are located." (Emphasis supplied)

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### Article III

xxx xxx xxx

#### c) Directly Connected Load End Substation

Radial lines, power transformers, related protection equipment, control systems and other related assets held by TRANSCO or its Buyer or Concessionaire which are directly connect a load-end substation of one or more Distribution Utilities to a Grid but not Directly Connected generators shall be classified as Subtransmission Assets."

16. A radial transmission line is one that either is a spur (radial tap line) off of a breaker to breaker line, or a line that emanates from a transmission station and supplies distribution facilities without afterward connecting back to the transmission system;

17. Based on the above classification and definition, the PACO Project cannot be classified as a subtransmission project. It can only be classified as a transmission project because of its "bus in" connection; and
18. It prays that a Decision be issued reclassifying MERALCO's Development of the Paco 230 kV-115 kV Delivery Point Substation Project from a subtransmission to a transmission asset/project.

Finding the said application to be sufficient in form and substance with the required fees having been paid, the same is hereby set for initial hearing and pre-trial conference on **November 11, 2010 (Thursday) at nine o'clock in the morning (9:00 A.M.) at the ERC Hearing Room, 15<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

NGCP is hereby directed to cause the publication of the attached Notice of Public Hearing, at its own expense, once (1x) in a newspaper of general circulation in the Philippines, not later than ten (10) days before the date of the scheduled initial hearing.

Let copies of the application, this Order, and the attached Notice of Public Hearing be furnished the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire, to send their duly authorized representatives at the scheduled hearing.

Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of the Mayors of Quezon City for the appropriate posting thereof on its bulletin board.

NGCP is hereby directed to furnish all those making requests therefor with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs.

MERALCO is hereby directed to submit its Answer or Comment to the application, within fifteen (15) days from receipt hereof.

On the date of the initial hearing and pre-trial conference, NGCP must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidences on the actual posting and publication of the Notice of Public Hearing consisting of certification issued to that effect, signed by the afore-mentioned Mayor or his duly authorized representative, bearing the seal of his office, and the affidavit of the Editor or Business Manager of the newspaper where said Notice of Public Hearing were published together with the complete issue of the said newspaper, and such other proofs of compliance with the requirements of the Commission.

NGCP, MERALCO and all interested parties are directed to submit, at least five (5) days before the date of initial hearing and pre-trial conference, their respective Pre-Trial Briefs containing, among others:

- (a) A summary of admitted facts and proposed stipulation of facts;
- (b) The issues to be tried or resolved;
- (c) The documents or exhibits to be presented, stating the purposes thereof and proposed markings therefore; and
- (d) The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-Trial Brief.

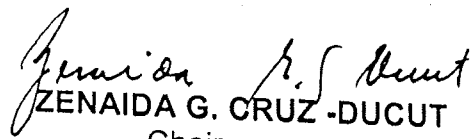
Failure of NGCP to submit the required Pre-Trial Brief and Judicial Affidavits of its witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from said date of cancellation.

As part of the pre-trial conference, NGCP must also be prepared to make an expository presentation on its application, aided by whatever communication medium that they may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the application is all about and the reasons and justifications being cited in support of the same.

**SO ORDERED.**

Pasig City, October 12, 2010.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
ZENAIDA G. CRUZ -DUCUT  
Chairperson

Copy Furnished:

1. THE NATIONAL GRID CORPORATION OF THE PHILIPPINES (NGCP)  
Attention: Attys. LUIS MANUEL U. BUGAYONG, RONALD DYLAN B. CONCEPCION, and RAYCELL D. BALDOVINO  
Counsels for NGCP  
NGCP Building, Quezon Avenue corner BIR Road  
Diliman, Quezon City
2. MANILA ELECTRIC COMPANY (MERALCO)  
Lopez Building, MERALCO Center  
Ortigas Avenue, Pasig City
3. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village  
Makati City, Metro Manila
4. Commission on Audit  
Commonwealth Avenue  
Quezon City, Metro Manila
5. Senate Committee on Energy  
GSIS Bldg., Roxas Blvd., Pasay City  
Metro Manila
6. House Committee on Energy  
Batasan Hills, Quirino City, Metro Manila
7. Office of the President  
Philippine Chamber of Commerce and Industry (PCCI)  
3<sup>rd</sup> Floor, ECC Building, 355 Sen. Gil Puyat Ave., Makati City
8. Office of the City Mayor  
Quezon City



Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, Pasig City

IN THE MATTER OF THE  
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x-----x

MANILA TIMES  
DATE OF PUBLICATION:  
OCTOBER 27, 2010  
ERC CASE NO. 2010-056 MC

DOCKETED  
Date: OCT 13 2010  
By: *W*

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on April 30, 2010, the National Grid Corporation of the Philippines (NGCP) filed an application for the reclassification of the Manila Electric Company's (MERALCO) development of the Paco 230 kV-115 kV delivery point substation project.

In the said application, NGCP alleged, among others, that:

1. The application is for the reclassification of the new substation project of MERALCO denominated as "Development of the Paco 230 kV-115 kV Delivery Point Substation" (PACO Project) from Subtransmission to Transmission Project. NGCP is mandated to preserve and perform its responsibility over the nationwide transmission system of the Republic of the Philippines; to have full control and flexibility along the Balintawak-Araneta-Sucacat corridor; to ensure the security of the Luzon grid; and to address the underlying operational problems and issues with dispatch;

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It will be constructed inside MERALCO's Paco 115 kV substation and will be connected to the Araneta-Sucacat 230 kV line at steel pole no. 143 xxx xxx."

4. In the same submission, MERALCO also stated that the PACO Project aims *"to relieve Zapote-CBP1A 115 kV line due to the associated transfer of Paco loads from Sector 3 to Sector 1 and Araneta 3x300 MVA power transformers due to its transfer to Sector 2"* and it will be implemented in *"2011 due to the critical loading of Duhat and Araneta power transformers during one bank outage."* Also, MERALCO alleged that without the PACO Project, *"the load of Duhat and Araneta delivery point power transformers will increase and will result in load dropping to avert system blackout in Sector 1."*
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7. Based on its franchise, it is crystal clear that the operation, management, maintenance, improvement and the expansion of the transmission facilities or assets are its responsibilities and not those of a distribution utility;
8. The PACO Project will be linked to the Luzon Grid through a "bus in" connection along the existing Sucat-Araneta 230 kV line. In a bus-in connection, it cannot ensure and maintain the reliability and integrity of the line, with MERALCO having fractional control therein. Such connection will have NGCP partially relinquishing its grid function and lessening its operation and control over the grid in favor of a distribution utility;
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14. Further, under Section 3 of Annex "A" of the Commission's Resolution No. 25-2006, entitled "*Definition of Boundaries of Transmission Connection Assets*," a transmission connection asset is defined as, "if taken out of the System, will only affect the customer connected to it and will have a minimal effect to the grid, or other connected customers." The PACO Project whose circuit breakers will directly control the continuity of power flow along the corridor will not only cause minimal impact to the grid but will cause a significant one if taken out the system as the Araneta-Sucat 230 kV Line provides N-1 reliability for the supply of the Araneta Substation;
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18. It prays that a Decision be issued reclassifying MERALCO's Development of the Paco 230 kV-115 kV Delivery Point Substation Project from a subtransmission to a transmission asset/project.

The Commission has set the application for initial hearing and pre-trial conference on **November 11, 2010 (Thursday) at nine o'clock in the morning (9:00 A.M.) at the ERC Hearing Room, 15<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and title of the proceeding and stating: (1) the petitioner's name and address; (2) the nature of petitioner's interest in the subject matter of the proceeding, and the way and manner in which such interest is affected by the issues involved in the proceeding; and (3) a statement of the relief desired.

All other persons who may want their views known to the Commission with respect to the subject matter of the proceeding may file their opposition to the application or comment thereon at any stage of the proceeding before the applicant concludes the presentation of its evidence. No particular form of opposition or comment is required, but the document, letter or writing should contain the name and address of such person and a concise statement of the opposition or comment and the grounds relied upon.

All such persons who may wish to have a copy of the application may request the applicant, prior to the date of the initial hearing, that they be furnished with a copy of the application. The applicant is hereby directed to furnish all those making a request with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs. Likewise, any such person may examine the application and other pertinent records filed with the Commission during the usual office hours.

**WITNESS**, the Honorable Chairperson, **ZENAIDA G. CRUZ-DUCUT**, and the Honorable Commissioners, **RAUF A. TAN**, and **MARIA TERESA A.R. CASTAÑEDA**, Energy Regulatory Commission, this 12<sup>th</sup> day of October 2010 at Pasig City.

  
**ATTY. FRANCIS SATURNINO C. JUAN**  
Executive Director III