



RECORDS/DOCUMENTS TRANSMITTAL

RDT No:
OGC-2015- 1470
OGC-2015-06-430

Date:
29 June 2015

Subject:
Memorandum to Atty. Alabanza dated 29 June 2015
Request for Posting in the NGCP Website of the Order and Notice of Public Hearing both dated 15 June 2015 re: ERC Case No. 2015-113RC
(ASPA between NGCP and SPC Power Corporation)

Originating Office:
Office of the General Counsel

Name and Position/Signature:

Atty. **MARK ANTHONY S. ACTUB**
Deputy General Counsel, LRD-OGC

Attachments:

Reference No.	Date	Description	No. of Pages		
			Original	Photocopy	E-copy
	6/15/2015	Order and Notice of Public Hearing		✓	

Section A: ADDRESSEE/ACTION REQUESTED

ADDRESSEE NAME	POSITION/STATION	ACTION REQUESTED	RECEIVED BY:		
			PRINT NAME	SIGNATURE	DATE
Mr. Henry Sy, Jr.	President and CEO	CF			
Atty. Cynthia D. Perez-Alabanza	NGCP Spokesperson/ Head, Corporate Communications Dept.	AA			

Legend for Action Requested: AA - Appropriate Action
F - Filing/Safekeeping
I - Initials
CF - Copy Furnish
A/S - Approval Signature
I/F - Info/Reference
R/C/E - Review/Comments/Evaluation

Section B: DOCUMENT TRANSMITTAL HISTORY

LINE NO.	ORIGINATING OFFICE	SENDER NAME/POSITION/SIGNATURE	DATE FORWARDED	INSTRUCTIONS/REMARKS	RECEIVING OFFICE	DATE RECEIVED



NGCP

Atty. Mark Anthony S. Actub
Deputy General Counsel
Litigation and Regulatory Division
Office of the General Counsel

Extension: 2471
Direct Line: 9812471
Fax: 9293401

OGC-2015- 1470

Memorandum: Ref. No. OGC-2015-06-430

For: Atty. CYNTHIA D. PEREZ-ALABANZA NGCP Spokesperson/Head, Corporate Communications Department	Date: 29 June 2015
Subject: REQUEST FOR POSTING IN THE NGCP WEBSITE OF THE ORDER AND NOTICE OF PUBLIC HEARING BOTH DATED 15 JUNE 2015 RE: ERC CASE NO. 2015-113RC (ASPA BETWEEN NGCP AND SPC POWER CORPORATION)	

We request for the immediate posting in the NGCP website of the attached Order and Notice of Public Hearing both dated 15 June 2015 regarding ERC Case No. 2015-113 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 SPC Power Corporation (SPC), with Prayer for the Issuance of Provisional Authority."*

It is further requested that a Certificate of Posting be issued by your office regarding the same.

For your consideration and immediate action.


MARK ANTHONY S. ACTUB

Cc: **Mr. HENRY SY, JR.** - President and CEO

2015-06-430

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

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 SPC POWER
CORPORATION (SPC), WITH
PRAYER FOR THE
ISSUANCE OF
PROVISIONAL AUTHORITY

15 JUN 23 PM 17

Office of the
Secretary
Office of the
General Counsel
Received
15 JUN 23 PM 17

ERC CASE NO. 2015-113 RC

NATIONAL GRID
CORPORATION OF THE
PHILIPPINES (NGCP) AND
SPC POWER
CORPORATION (SPC),
Applicants.

ORDERED
Date: JUN 23 2015
[Signature]

x-----x

ORDER

On June 11, 2015, the National Grid Corporation of the Philippines (NGCP) and SPC Power Corporation (SPC) filed an application for the approval of their Ancillary Services Procurement Agreement (ASPA), with prayer for the issuance of provisional authority.

In the said application, NGCP and SPC alleged, among others, the following:

NATURE OF THE CASE

1. The instant application is for the approval of the ASPA between NGCP and SPC, pursuant to the Decision dated October 3, 2007 in ERC Case No. 2006-049 RC, entitled "*In the Matter of the Application for the Approval of Ancillary Services – Cost Recovery Mechanism (AS-CRM) of the Ancillary Services Procurement Plan, with Prayer for Provisional Authority*";

THE PARTIES

2. NGCP is a corporation created and existing under the laws of the Philippines, with office address at NGCP Building, Quezon Avenue corner BIR Road, Diliman, Quezon City. It is the Concessionaire which assumed the power transmission functions of the National Transmission Corporation (TRANSCO) pursuant to Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001"¹ (EPIRA);
3. NGCP holds a franchise under Republic Act No. 9511² to engage in the business of conveying or transmitting electricity through high-voltage backbone systems of interconnected transmission lines, substations and related facilities, and for other purposes. The franchise also includes the conduct of activities necessary to support the safe and reliable operation of the transmission system;
4. SPC is a corporation organized and existing under and by virtue of the Philippine laws with principal office address at 7th Floor Cebu Holdings Center, Cebu Business Park, Cebu City;

¹ Republic Act No. 9136, entitled "An Act Ordaining Reforms in the Electric Power Industry, Amending for the Purpose Certain Laws and for other Purposes"

² 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 of Interconnected Transmission Lines, Substations and Related Facilities, and for other Purposes

5. SPC is the owner and operator of the Cebu Diesel Power Plant (CDPP) located in Naga City, Cebu Province, which was certified and accredited by NGCP to be capable of providing Dispatchable Reserve (DR) and Reactive Power Support Reserve (RPSR), herein collectively called as Ancillary Services (AS);

ANTECEDENT FACTS

6. The EPIRA provides that it is the responsibility of NGCP, as TRANSCO's Concessionaire, to adequately serve generation companies, distribution utilities and suppliers requiring transmission service and/or ancillary services through the transmission system³;
7. Similarly, the Philippine Grid Code (PGC) provides that NGCP is responsible for determining, acquiring, and dispatching the capacity needed to supply the required Grid Ancillary Services and for developing and proposing Wheeling Charges and Ancillary Service tariffs to the Commission⁴;
8. Ancillary Services (AS) as defined in Section 4b of the EPIRA "*refer to those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the transmission system in accordance with good utility practice and the Grid Code to be adopted in accordance with this Act.*" Such services are essential in ensuring reliability in the operation of the transmission system and consequently, in the reliability of the electricity supply in the Luzon, Visayas and Mindanao Grids;
9. In order to implement and regulate the procurement of AS, the Commission approved the Ancillary

³ Section 9 (d)

⁴ Section 6.3.1.2

Services Procurement Plan (ASPP) through its Order dated March 9, 2006 in ERC Case No. 2002-253 and the Ancillary Services-Cost Recovery Mechanism (AS-CRM) through its Decision dated October 3, 2007 in ERC Case No. 2006-049 RC;

10. Pursuant to its mandate, NGCP invited and negotiated with all prospective generation companies capable of providing ancillary services, one of which is SPC. Upon conducting several tests on CDPP, NGCP determined that SPC's units are capable of providing DR and RPSR. A copy of the Accreditation Certificate No. 2015-V0022 dated January 16, 2015 is attached to the application as Annex "A";
11. Consequently, they executed the subject ASPA for the supply of DR and RPSR for a period of five (5) years under a non-firm arrangement. A copy of subject ASPA dated May 26, 2015 is attached to the application as Annex "B";

NON-FIRM CONTRACTED CAPACITY RATE AND IMPACT SIMULATION

12. Schedule 4 of the ASPA provides that the applicable maximum hourly rates for the capacity covered by the ASPA are as follows:
 - a. DR: Maximum Hourly Rate of PhP1.25/kW; and
 - b. RPSR: Maximum Hourly Rate of PhP4.00/kVAR.
13. NGCP submits that the rate represents a reasonable recovery of its opportunity cost in making available generation capacity to provide the procured AS;
14. The rate under ASPA was subjected to a simulation by NGCP, as follows:

DR	Without Dispatch		With Dispatch	
	PhP/kW	PhP/kWh	PhP/kW	PhP/kWh
	17.1218	0.0418	8.9117	0.0217

RPSR	Total Scheduled MVar Revenue for the Month		Payment on the Energy and Variables	
	PhP/kW	PhP/kWh	PhP/kW	PhP/kWh
	1.3345	0.0033	5.9749	0.0146

A copy of the Rate Impact Simulation is attached to the application as Annex "C";

15. Consistent with the AS-CRM, all the related and incidental expenses which NGCP will incur as a result of the procurement and operation of the AS shall be recovered from all the load customers in the Cebu-Negros-Panay (CNP) Sub-Grid;

ALLEGATIONS IN SUPPORT OF THE PRAYER FOR PROVISIONAL AUTHORITY

16. It is a declared policy of the State to ensure the quality, reliability, security and affordability of the supply of electric power (*Section 2b, EPIRA*). To this end, there is a need to comply with the system requirements for AS to ensure grid system reliability. As mentioned above, NGCP has the mandate to procure the required AS;
17. The current levels of available contracted AS in the CNP has not yet reached the desired levels necessary for the system reliability. Thus, NGCP and SPC executed the subject ASPA. A copy of the relevant actual data showing the required and available levels of DR in the CNP is attached to the application as Annex "D";
18. As the demand for power in the Visayas increases, the requirements of the system to ensure stability, reliability and security, likewise, increases. Ensuring the integrity of the system is essential to protect the

interests of the public and particularly, key to small and large-scale businesses. The absence of system reliability and stability will certainly discourage investments and growth;

19. They submit that the immediate approval of the ASPA by the Commission will greatly improve the reliability and security of the grid. In support of these allegations, NGCP submits a copy of the Judicial Affidavit dated June 5, 2015 executed by Engr. Philip DL. Dasalla, Head of the Net Access and Customer Account Division, Revenue and Regulatory Affairs Department of NGCP, which is attached to the application as Annex "E"; and
20. They pray that for the Commission to:
 - a. Immediately issue a provisional authority to implement the subject ASPA; and
 - b. After notice and hearing, approve the subject ASPA.

Finding the said application to be sufficient in form and in substance with the required fees having been paid, the same is hereby set for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **July 15, 2015 (Wednesday) at nine o' clock in the morning (9:00 A.M.) at the ERC Visayas Field Office, St. Mary's Drive, Banilad, Cebu City.**

NGCP and SPC are hereby directed to cause the publication of the attached Notice of Public Hearing, at their own expense, twice (2x) for two (2) successive weeks in two (2) newspapers of general circulation in the Philippines, with the date of the last publication to be made not later than ten (10) days before the date of initial hearing. They are also directed to inform the consumers within NGCP's franchise area, by any other means available and appropriate, of the filing of the instant joint application, its reasons therefor, and of the scheduled hearing thereon.

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 Governor of the Province of Cebu and the Mayors of Quezon City and Cebu City for appropriate posting thereof on their respective bulletin boards.

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

On the date of the initial hearing, NGCP and SPC must submit to the Commission their 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 certifications issued to that effect, signed by the aforementioned Governor and Mayors or their duly authorized representatives, bearing the seals of their offices, and the affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing were published together with the complete issues of the said newspapers, and such other proofs of compliance with the requirements of the Commission.

NGCP, SPC and all other 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 and SPC to submit the required Pre-Trial Brief and Judicial Affidavits of their 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 and SPC must also be prepared to make an expository presentation of their 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 thereof.

SO ORDERED.

Pasig City, June 15, 2015.

FOR AND BY AUTHORITY
OF THE COMMISSION:


ZENAIDA G. CRUZ-DUCUT
Chairperson *per 4*

Copy Furnished:

1. **National Grid Corporation of the Philippines (NGCP)**
NGCP Building, Quezon Avenue corner BIR Road,
Diliman, Quezon City
2. **Office of the Solicitor General (OSG)**
134 Amorsolo Street, Legaspi Village,
City of Makati 1229
3. **Commission on Audit (COA)**
Commonwealth Avenue,
Quezon City 1121
4. **Senate Committee on Energy**
GSIS Building, Roxas Boulevard,
Pasay City 1300
5. **House of Representatives Committee on Energy**
Batasan Hills, Quezon City 1126
6. **The Office of the Governor**
Province of Cebu
7. **The Office of the City Mayor**
Cebu City
8. **The Office of the City Mayor**
Quezon City
9. **President**
Philippine Chamber of Commerce and Industry (PCCI)
1030 Campus Avenue corner Park Avenue,
McKinley Town Center, Fort Bonifacio, Taguig City
10. **Atty. Russel S. Alabado**
Counsel for SPC
3rd Floor, Builder's Center Building
170 Salcedo Street, Legaspi Village,
Makati City 1229, Philippines

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

IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF THE
ANCILLARY SERVICES
PROCUREMENT
AGREEMENT (ASPA)
BETWEEN THE NATIONAL
GRID CORPORATION OF
THE PHILIPPINES (NGCP)
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PRAYER FOR THE
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ERC CASE NO. 2015-113 RC

NATIONAL GRID
CORPORATION OF THE
PHILIPPINES (NGCP) AND
SPC POWER
CORPORATION (SPC),
Applicants.

x- - - - - x

BOOKED
Date: JUN 23 2015

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on June 11, 2015, the National Grid Corporation of the Philippines (NGCP) and SPC Power Corporation (SPC) filed an application for the approval of their Ancillary Services Procurement Agreement (ASPA), with prayer for the issuance of provisional authority.

In the said application, NGCP and SPC alleged, among others, the following:

NATURE OF THE CASE

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THE PARTIES

2. NGCP is a corporation created and existing under the laws of the Philippines, with office address at NGCP Building, Quezon Avenue corner BIR Road, Diliman, Quezon City. It is the Concessionaire which assumed the power transmission functions of the National Transmission Corporation (TRANSCO) pursuant to Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001"¹ (EPIRA);
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ANTECEDENT FACTS

6. The EPIRA provides that it is the responsibility of NGCP, as TRANSCO's Concessionaire, to adequately serve generation companies, distribution utilities and suppliers requiring transmission service and/or ancillary services through the transmission system³;
7. Similarly, the Philippine Grid Code (PGC) provides that NGCP is responsible for determining, acquiring, and dispatching the capacity needed to supply the required Grid Ancillary Services and for developing and proposing Wheeling Charges and Ancillary Service tariffs to the Commission⁴;
8. Ancillary Services (AS) as defined in Section 4b of the EPIRA "*refer to those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the transmission system in accordance with good utility practice and the Grid Code to be adopted in accordance with this Act.*" Such services are essential in ensuring reliability in the operation of the transmission system and consequently, in the reliability of the

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⁴ Section 6.3.1.2

electricity supply in the Luzon, Visayas and Mindanao Grids;

9. In order to implement and regulate the procurement of AS, the Commission approved the Ancillary Services Procurement Plan (ASPP) through its Order dated March 9, 2006 in ERC Case No. 2002-253 and the Ancillary Services-Cost Recovery Mechanism (AS-CRM) through its Decision dated October 3, 2007 in ERC Case No. 2006-049 RC;
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11. Consequently, they executed the subject ASPA for the supply of DR and RPSR for a period of five (5) years under a non-firm arrangement. A copy of subject ASPA dated May 26, 2015 is attached to the application as Annex "B";

NON-FIRM CONTRACTED CAPACITY RATE AND IMPACT SIMULATION

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making available generation capacity to provide the procured AS;

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	1.3345	0.0033	5.9749	0.0146

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ALLEGATIONS IN SUPPORT OF THE PRAYER FOR PROVISIONAL AUTHORITY

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ERC CASE NO. 2015-113 RC
NOTICE OF PUBLIC HEARING/June 15, 2015
Page 6 of 7

18. As the demand for power in the Visayas increases, the requirements of the system to ensure stability, reliability and security, likewise, increases. Ensuring the integrity of the system is essential to protect the interests of the public and particularly, key to small and large-scale businesses. The absence of system reliability and stability will certainly discourage investments and growth;
19. They submit that the immediate approval of the ASPA by the Commission will greatly improve the reliability and security of the grid. In support of these allegations, NGCP submits a copy of the Judicial Affidavit dated June 5, 2015 executed by Engr. Philip DL. Dasalla, Head of the Net Access and Customer Account Division, Revenue and Regulatory Affairs Department of NGCP, which is attached to the application as Annex "E"; and
20. They pray that for the Commission to:
 - a. Immediately issue a provisional authority to implement the subject ASPA; and
 - b. After notice and hearing, approve the subject ASPA.

The Commission has set the instant application jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **July 15, 2015 (Wednesday) at nine o' clock in the morning (9:00 A.M.) at the ERC Visayas Field Office, St. Mary's Drive, Banilad, Cebu 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 the title of the proceeding and stating: (1) the petitioner's name and address; (2) the nature of petitioner's interest in the subject

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NOTICE OF PUBLIC HEARING/June 15, 2015
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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 applicants conclude the presentation of their 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 applicants, prior to the date of the initial hearing, that they be furnished with a copy of the application. The applicants are hereby directed to furnish all those making such 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, **ALFREDO J. NON**, **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 15th day of June, 2015 at Pasig City.


ATTY. FRANCIS SATURNINO C. JUAN
Executive Director III