



**ANCILLARY SERVICES PROCUREMENT AGREEMENT BETWEEN THE NATIONAL GRID CORPORATION OF THE PHILIPPINES AND FIRST GEN HYDRO POWER CORPORATION**

On April 11, 2011, NGCP and First Gen Hydro Power Corporation (FGHPC) filed with the Energy Regulatory Commission (ERC) an application for the approval of the Ancillary Services Procurement Agreement (ASPA), with prayer for the issuance of a Provisional Authority (ERC Case No. 2011-062RC).

The ASPA executed with FGHPC is specifically for its Pantabangan Hydro Electric Power Plant (PAHEPP) which has an installed capacity of 120.8MW and which was operated and maintained by FGHPC since November 18, 2006.

Pursuant to Order dated June 6, 2011, the ERC provisionally approved the ASPA with FGHPC, subject to the following rates:

***For Contingency Reserve and Dispatchable Reserve***

*FGHPC should nominate a corresponding price (in per kW capacity per hour) each time it nominates Ancillary Service (AS) capacity to NGCP. In the event that said nominated capacity is scheduled for AS, the pricing shall be as follows:*

***a. Scheduled Capacity Without Energy Dispatched***

*NGCP shall pay FGHPC the corresponding Nominated Price of that scheduled capacity. Provided, however, that the Nominated Price shall in no case exceed the lower between the proposed rates and the Market Clearing Price (ex-posts prices at plant node) at the time that such capacity is scheduled for AS.*

*Provided, further, that the Market Clearing Price shall not be lower than the Commission's provisionally approved FGHPC's reasonable cost of generation (Php4.3648/kW capacity per hour). Otherwise, NGCP shall pay to FGHPC the said reasonable cost of generation. However, in the event that FGHPC nominates a rate that is lower than its generation cost, said nominated rate shall be regarded as the floor price.*

*The proposed rates are as follows:*

<b>Ancillary Service</b>	<b>Applicable Rate</b>
Contingency Reserve	Php 6.2185/kW/hr
Regulating Reserve	Php 6.2018/kW/hr

*The proposed rate, as price cap, shall be applied on a monthly basis and shall be computed as follows:*

$$\text{Proposed Monthly AS Cost} = \sum (\text{kW scheduled per hour during the relevant month}) \times \text{proposed AS rate}$$

*The determination of whether the approved AS rates exceeded the proposed AS rates shall be determined monthly based on the formula indicated above.*

*b. Scheduled Capacity With Energy Dispatched*

- 1) If the Market Clearing Price is higher than the reasonable cost of generation, NGCP shall not pay FGHP considering that its cost or its Nominated Price is already recovered thru settlement in the market. Thus, in this case, the ancillary capacity is free of charges as the cost is recovered thru the market.*
- 2) If the Market Clearing Price is lower than the reasonable cost of generation or the nominated price, NGCP shall pay the difference between the Market Clearing Price and the lower between FGHP's reasonable cost and the Nominated Price. In this case, the reasonable cost of generation shall be Php4.3648/kW capacity per hour plus the Php0.2445/kWh cost of water for serving the nominated AS.*

**For Reactive Power Support**

*The pricing mechanism for reactive power support should be priced separately from the supply of energy service at a rate of Php4.3648/kVar/hr. However, the payment of the reactive power support shall be made only if the FGHP's power plant operates at a power factor beyond the normal range (0.85 lagging and 0.90 leading).*

**For Black Start Service**

*The Black Start Service Rate shall be charged per occurrence at the rate of Php4.3648/kW capacity provided per hour.*

Accordingly, NGCP shall implement the ASPA effective August 2011 billing month (or July 26 – August 25, 2011).

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