



ANCILLARY SERVICES PROCUREMENT AGREEMENT BETWEEN THE NATIONAL GRID CORPORATION OF THE PHILIPPINES AND GREEN CORE GEOTHERMAL, INC.

On April 20, 2011, NGCP and Green Core Geothermal, Inc. (GCGI) 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. 2011-065RC*).

The ASPA executed with GCGI is for its Palinpinon 1 Geothermal Power Plant (PGPP1), Palinpinon 2 Geothermal Power Plant (PGPP2) and Tongonan Geothermal Power Plant (TGPP) whose aggregate net plant capacity of 27MW can be offered for ancillary services in the Visayas.

In its Order dated July 4, 2011, the ERC provisionally approved the ASPA with GCGI, subject to the following rates:

For Contingency Reserve and Dispatchable Reserve

GCGI 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 GCGI the corresponding Nominated Price of that scheduled capacity. Provided, however, that the Nominated Price shall in no case exceed the lower between the proposed applicable 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 GCGI's reasonable cost of generation (fixed charge, for both PGPP I and II: Php1.6914/kW capacity/hr and for TGPP-Php1.6876/kW capacity/hr). Otherwise, NGCP shall pay to GCGI the said reasonable cost of generation. However, in the event that GCGI nominates a rate that is lower than its generation cost, said nominated rate shall be regarded as the floor price.

The proposed applicable 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 or not the approved AS rates exceeded the proposed AS rates shall be determined monthly based on the formula abovementioned.

b. Scheduled Capacity With Energy Dispatched

- 1) If the Market Clearing Price is higher than the reasonable cost of generation, NGCP shall not pay GCGI considering that its cost or its Nominated Price is already recovered through settlement in the market. Thus, in this case, the ancillary capacity is free of charges as the cost is recovered through 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 of GCGI's reasonable cost and the Nominated Price. In this case, the reasonable cost of generation shall be the total Capacity Fee and Variable Charge (Php4.7000/kW capacity per hour).*

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 Php4.7000/kVar/hr. However, the payment of the Reactive Power Support shall be made only if the GCGI'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 Php4.7000/kW capacity provided per hour.

Consistent with the Order, NGCP shall implement the ASPA with GCGI effective September 2011 billing month (or August 26 – September 25, 2011).