

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



**IN THE MATTER OF THE APPROVAL  
OF THE AMENDMENTS/REVISIONS  
ON THE RULES, TERMS AND  
CONDITIONS FOR OPEN ACCESS  
TRANSMISSION SERVICE (OATS  
RULES)**

**ERC CASE NO. 2006-015 RC**

**NATIONAL TRANSMISSION  
CORPORATION (TransCo),**

Applicant.

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**D O C K E T E D**  
Date: **DEC 20 2006**  
By: \_\_\_\_\_

**DECISION**

Before the Commission for resolution is the application filed by applicant National Transmission Corporation (TransCo) for approval of the amendments / revisions on the Rules, Terms and Conditions for Open Access Transmission Service (OATS Rules) under ERC CASE No. 2002-253.

**THE ANTECEDENT FACTS:**

On May 10, 2006, TransCo filed an application for the approval of the amendments/revisions on the Rules, Terms and Conditions for Open Access Transmission Service (OATS Rules) under ERC Case No. 2002—253.

Having found said application sufficient in form and substance and with required fees having been paid, a Notice of Public Consultation was issued setting the case for public consultation on the following dates: a) June 16, 2006 at the Energy Regulatory Commission (ERC) Visayas Filed Office, Cebu City; b) June 20, 2006 at the ERC Main Office, Pasig City; and c) June 23, 2006 at the ERC Mindanao Field Office, Davao City.

Before the scheduled consultations, the Manila Electric Company (MERALCO) and the National Power Corporation (NPC) submitted their respective written comments on the said application.

On the June 16, 2006 Public Consultation held at the ERC Visayas Filed Office (VFO), Cebu City, the following representatives from the electric industry participants were in attendance: 1) NPC; 2) Visayan Electric Company (VECO); and 3) Power Sector Assets and Liabilities Management (PSALM) Corporation.

On the June 20, 2006 Public Consultation held at the ERC Main Office, Pasig City, the following representatives from the electric industry participants were in attendance: 1) NPC; 2) MERALCO; 3) PSALM; 4) Mirant Energy; 5) CalEnergy International; 6) Hydro Electric Power Corp. (Hedcor); 7) Association of Philippine Electric Cooperatives (APEC); 8) Clark Electric Development Corp. (CEDC); 9) Cabanatuan Electric Co. (CELCOR); 10) Angeles Electric Co. (AEC); 11) Tarlac Electric Inc. (TEI); 12) Ilocos Norte Electric Cooperative, Inc. (INEC); 13) Isabela I Electric Cooperative, Inc (ISELCO I); 14) Nueva Ecija 2 Electric Cooperative, Inc. – Area 2 (NEECO II – Area 2); 15) Quezon I Electric Cooperative, Inc. (QUEZELCO I); 16) Pampanga Rural Electric Cooperative, Inc. (PRESCO); 17) Batangas II Electric Cooperative, Inc. (BATELEC II); 18) Central Pangasinan Electric Cooperative, Inc. (CENPELCO); 19) Ilocos Sur Electric Cooperative Inc. (ISECO); 20) Camarines Sur I Electric Cooperative, Inc. (CASURECO I); 21) Nueva Viscaya Electric Cooperative, Inc. (NUVELCO); 22) Benguet Electric Cooperative, Inc. (BENECO); 22) Lepanto Mining Co. ; 23) Grid Management Committee (GMC); 24) NPC Industrial Consumers Association, Inc. (NICAI); and various other groups.



On both occasions, Mr. Edgardo Orenca, representative of TransCo, presented an overview and the major details of the application, including the proposed provisions and amendments to the OATS Rules. The representatives from various groups and industry stakeholders submitted and presented their comments for discussions on the possible amendments to the OATS Rules. Additional comments and issues raised by the parties at the said public consultations were likewise considered by the Commission.

Further, the Commission informed the parties of the cancellation of the scheduled Public Consultation in Mindanao in order to provide TransCo an opportunity to address the concerned issues of the parties. The parties were then directed to submit their written comments on or before July 5, 2006.

The following were the parties who submitted their comments: 1) NPC; 2) MERALCO; 3) Hedcor; and 4) Agusan del Norte Electric Cooperative, Inc. (ANECO). TransCo, likewise, submitted its additional proposed revisions and amendments on the application.

The following were the consolidated issues raised during the said Public Consultations together with the submitted written comments of the parties on the said application.

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## ISSUES

### Issues from the First (1<sup>st</sup>) Draft:

Based on the documents submitted and the issues and comments raised at the public consultations conducted last June 16, 2006, at Visayas and June 20, 2006, at Luzon, the Commission noted the following major revisions made on the first 1<sup>st</sup> draft, for consideration for the subsequent second (2<sup>nd</sup>) draft of the proposed revisions on OATS Rules:

- I. The alignment of terminologies used in various regulatory documents such as: a) Transmission Wheeling Rates Guidelines (TWRG); b) Philippine Grid Code (PGC); and c) Wholesale Electricity Spot Market (WESM) Rules and Manuals;
- II. The change in the power factor from the average of 0.85 lagging and 0.90 leading at the Point(s) of Connection of every load customer, to within the limits of 0.85 lagging and unity power factor as requested by TransCo;
- III. Clarification and qualification on the Offering of Firm and Non-firm services;
- IV. The fees and charges imposed on the OATS Rules are exclusive of Value-Added Tax (VAT);
- V. To include additional Sections for the principle of Transmission Connection Assets and Residual Sub-transmission Asset consistent with the Connection Charging Policy / Rules on Charging for Connection Assets and Residual Sub-transmission Assets under ERC Case No. 2006-012RM to be folded-in to the new OATS Rules;
- VI. Proper and precise reference of the OATS Rules to the WESM Rules and applicability of the WESM Manuals, including the number of Manuals such as the issuance of protocols and additional rules by the PEMC Board affecting TransCo's services to WESM trading participants;



- VII. To provide a mechanism for the System Operator to revoke or suspend Alternative Ancillary Service if such arrangements are not provided for in the WESM Rules and/or applicable WESM Manuals;
- VIII. Clarification that the Energy Imbalance will be managed through the Spot Market once it commences;
- IX. Reference to Load Shedding requirements in WESM subsequent to Spot Market Commencement;
- X. Clarification on the Dispatch, under the WESM Rules once the Spot Market commences;
- XI. Applicability of the Grid Code requirements even after Spot Market Commencement;
- XII. To ensure that the metering requirements are the same with that of the WESM Manuals as well as WESM rules (post market start). Also, to clarify what are the pre-WESM and post-WESM requirements;
- XIII. Clarification on the obligations of Transmission Provider and Transmission Customers or Joint Obligations pertaining to the metering requirements;
- XIV. To restructure and classify charges according to the following:
  - a. Charges for Regulated Transmission Services (i.e. PDS, System Operator, Metering). Included in these charges is the portion of Submarine Interconnection Asset which was separated from the total asset base and charged to Luzon and Visayas Customer Segments in proportion to their respective billing determinant load. All other assets will be charged to each customer segment in proportion to their Regulated Asset Base (RAB).
  - b. Charges for Excluded and other services (connection charges, technical services charges, ancillary services). Also, included in this charge is an introduction of Residual Sub-transmission (RST) charge to those customers sharing a particular asset in proportion to their billing determinant load at the connection point;



XV. To use the average of rolling 12 monthly non-coincident peak as billing determinant. It should be noted that the billing determinant preferred by the Commission which is the 12 highest non-coincident peak demand in the last 12 months can not be used at this time because the data required is incomplete particularly from those customers using single - phase meter. In addition, TransCo will need to reprogram their billing system once the complete data is available. Based on the information from TransCo it would take approximately two (2) more years to complete the data acquisition which includes test run on the new billing system;

XVI. To retain provisions on Credit worthiness.

On August 7, 2006 the Commission issued a Notice and posted the 2<sup>nd</sup> draft of the OATS Rules at ERC Website giving the stakeholders until August 18, 2006 to submit their comments thereon.

Relative thereto, the Commission received several comments from the following participants: 1) TransCo; 2) NPC; 3) MERALCO; 4) Association of Mindanao Rural Electric Cooperative.

**Issues from the Second (2<sup>nd</sup>) Draft:**

Taking into consideration the issues raised on the 1<sup>st</sup> draft and of the public feedback received by the Commission on the submitted comments, the following revisions on the 2<sup>nd</sup> draft were made for consideration in the third (3<sup>rd</sup>) draft revisions on the OATS Rules. In addition, the Commission noted the following developments in the regulated transmission business:

- I. The issuance by the Commission of Final Determination on June 13, 2006, under ERC Case No. 2005-041RC on TransCo's Application for the Regulatory Reset Process under the Transmission Wheeling Rates Guidelines (TWRG).

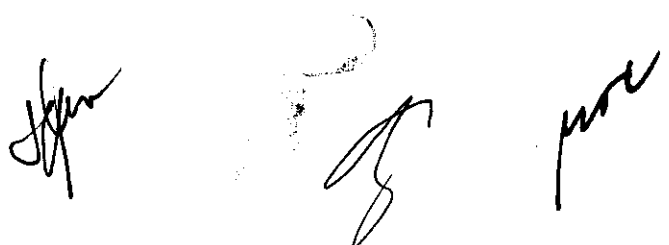
II. The Commencement of the WESM Spot Market on June 23, 2006 for the Luzon Grid.

Further, the 3<sup>rd</sup> draft of the OATS Rules was aligned to conform to the Commission's regulatory policies considering the following:

- I. ERC Resolution No. 25, series of 2006, "A Resolution Adopting the Definition and Boundaries of Transmission Connection Assets" dated May 23, 2006;
- II. ERC Resolution No. 41, series of 2006, "A Resolution Clarifying Resolution No. 25" with attached "Definition and Boundaries of Connection Assets for Customers of the National Transmission Corporation" dated August 2, 2006;
- III. ERC Resolution No. 48, series of 2006, " A Resolution Adopting the Applicable Legal Principles and Policies of the Energy Regulatory Commission on End-User Connection" dated September 20, 2006;
- IV. Draft Connection Charging Policy of August 2005 under ERC Case No 2002-253;
- V. The approved Ancillary Service Procurement Plan (ASPP) under ERC Case No. 2002-253;
- VI. Ancillary Service – Cost Recovery Mechanism (AS-CRM) under ERC Case No. 2006-049RC filed by TransCo on September 11, 2006.

On August 7, 2006, the Commission issued a Notice and posted the 3<sup>rd</sup> draft of the OATS Rules in its website, giving the stakeholders until October 29, 2006 to submit their comments thereon.

The Commission received various comments from the following participants: 1) TransCo; 2) MERALCO; and 3) Nueva Vizcaya Electric Cooperative, Inc (NUVELCO).



Handwritten signatures of participants, including TransCo, MERALCO, and Nueva Vizcaya Electric Cooperative, Inc (NUVELCO).



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**Issues from the Third (3rd) Draft:**

The Commission noted that there were no new and substantial issues raised in the 3<sup>rd</sup> draft of the OATS Rules.

After due considerations and thorough evaluation of all the issues raised and the documents submitted, the OATS Rules was revised and amended. The updated OATS Rules is attached as Annex "A".

In view of the continuing reforms in the electric power industry such as the issuance of the Final Determination on TransCo's Maximum Annual Revenue under the Transmission Wheeling Rates Guidelines (TWRG), the commencement of the WESM, the on-going amendment of the Grid Code and the EPIRA mandate for TransCo to provide an open and non-discriminatory access to its transmission system to all electricity users, among others, the Commission sees the imperative need for the revision and amendment of the Rules, Terms and Conditions in the OATS Rules in order to ensure power quality and the safety and reliability of the transmission system.

**WHEREFORE**, the foregoing premises considered, the application of the National Transmission Corporation (TransCo) for the amendments/revisions on the Rules, Terms and Conditions for Open Access Transmission Service Rules (OATS Rules) is hereby **APPROVED WITH MODIFICATION**.



Further, TransCo is hereby directed to publish the approved OATS Rules (attached as Annex A") in at least one (1) newspaper of nationwide circulation.

SO ORDERED.

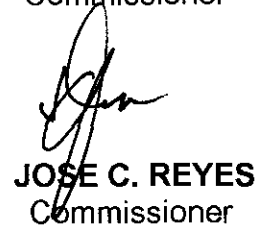
Pasig City, December 13, 2006.

  
**RODOLFO B. ALBANO, JR.**  
Chairman

  
**RAUF A. TAN**  
Commissioner


  
**ALEJANDRO Z. BARIN**  
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