

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF THE
ANCILLARY SERVICES
PROCUREMENT
AGREEMENT BETWEEN THE
NATIONAL GRID
CORPORATION OF THE
PHILIPPINES AND THE
PAGBILAO ENERGY
CORPORATION (FOR
REACTIVE POWER
SUPPORT), WITH PRAYER
FOR THE ISSUANCE OF
PROVISIONAL AUTHORITY**

ERC CASE NO. 2020-037 RC

**NATIONAL GRID
CORPORATION OF THE
PHILIPPINES (NGCP) AND
PAGBILAO ENERGY
CORPORATION (PEC),
*Applicants.***

Promulgated:
December 23, 2020

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NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 19 October 2020, the National Grid Corporation of the Philippines (NGCP) and Pagbilao Energy Corporation (PEC) filed an *Application* dated 18 September 2020, seeking the Commission's approval of their Ancillary Services Procurement Agreement (ASPA) for Reactive Power Support, with prayer for the issuance of provisional authority.

The pertinent portions of the said *Application* are hereunder quoted as follows:

NATURE OF THE CASE

1. This Application is for the approval of the Ancillary Services Procurement Agreement (“ASPA”) for Reactive Power Support dated 14 July 2020 between NGCP and PEC, pursuant to the Decision dated 3 October 2007 in ERC Case No. 2006-049RC 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. Applicant 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 holds a franchise under Republic Act No. 9511¹ to engage in the business of conveying or transmitting electricity through high-voltage back-bone 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.
3. Applicant PEC is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines with principal office at 25th Floor W 5th Avenue Building corner 32nd Street Bonifacio Global City, Taguig City. It may be served with orders, notices, and other legal processes through its undersigned counsel.
4. It is the owner and operator of the 420MW Pagbilao Unit 3 Coal Fired Power Plant (“Generation Facility”) located in Pagbilao, Quezon Province. The Generation Facility was certified and accredited by NGCP to be capable of providing Ancillary Services (also commonly referred to as “AS”) in the form of Reactive Power Support (“RPS”) – Lagging Power Factor Operation.

ANTECEDENT FACTS

5. Republic Act No. 9136 provides that it is the responsibility of NGCP to ensure and maintain the reliability, adequacy, security, stability and integrity of the nationwide electrical grid in accordance with the performance standards for its operations and maintenance², as set forth in the Philippine Grid Code (“PGC”), adopted and promulgated by the Honorable Commission, and to adequately serve generation companies, distribution utilities and suppliers requiring

¹ 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.

² Section 9 (c) and in relation to RA No. 9511.

transmission service and/or ancillary services through the transmission system.³

6. Similarly, the PGC provides that NGCP, as System Operator, 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 Services tariffs to the ERC.⁴
7. Ancillary Services (also commonly referred to as “AS”) as defined in Section 4 (b) 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.*” These 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.
8. In order to implement and regulate the procurement of Ancillary Services, the Honorable Commission approved the Ancillary Services Procurement Plan (“ASPP”) through its Order dated 9 March 2006 in ERC Case No. 2002-253 and the Ancillary Services-Cost Recovery Mechanism (“AS-CRM”) through its Decision dated 3 October 2007 in ERC Case No. 2006-049RC.
9. Pursuant to its mandate, NGCP on 7, 14, 21 and 28 October 2019 in Philippine Daily Inquirer and on 21 and 28 October 2019 and 4 and 11 November 2019 in the Manila Times⁵, published a Notice of Invitation for Prospective Ancillary Services Providers, inviting all grid-connected merchant plants and independent power producers to participate in the provision of ancillary services. Upon receipt of the intention from PEC to provide RPS, NGCP commenced negotiation for the execution of an ASPA.
10. NGCP agreed to procure and PEC agreed to supply RPS outside the range of 85% lagging and 90% leading power factors under a per-occurrence basis. A copy of the *Ancillary Services Procurement Agreement for Pagbilao Energy Corporation* dated 14 July 2020⁶ is attached as **Annex “A”**.
11. During the period of negotiation, NGCP conducted several tests on the generation facility, and certified that the generating units have met and complied with the Standard Ancillary Services Technical Requirements of the ASPP as capable of providing RPS. The copy of the Accreditation Certificate No. 2019-L018, for RPS – Lagging Power Factor Operation, issued on 1 December 2019 is attached as **Annex**

³ Section 9 (d).

⁴ Section 6.3.1.2;

⁵ The copies of the newspaper clippings are attached as Attachment “B” to Annex “K”;

⁶ With attached draft Implementing Guidelines (Annex A-1);

“B”. The Generation Facility is also scheduled for testing of RPS - Leading Power Factor Operation capacity. Accordingly, the maximum kVAR capability subject to nomination and schedule under this ASPA shall be based on the most recent test results and the corresponding AS Accreditation Certificate.

**CONTRACTED CAPACITY RATE AND IMPACT
SIMULATION**

12. Under Clause 3 of the ASPA, PEC shall provide NGCP with the following Ancillary Services as specified in Schedule 1 of the ASPA:

Reactive Power Support (RPS)

Available capacity of Reactive Power outside the range of 85% lagging and 90% leading power factor, as provided in Schedule 6. Provision of RPS shall be on a per-occurrence basis, following the scheduling and dispatch process in Schedule 2.

Note that the nomination and schedule shall be based on the latest AS Accreditation Certificate.

13. The Applicable Rates under the ASPA as provided in Schedule 3 are as follows:

Per-occurrence payments to the AS provider shall have the following components, depending on the way the RPS was scheduled and utilized by the System Operator:

Total Payment = kVAR Payment

kVAR Payment = Incidental kVARh Rate x Compensable kVARh

Real Time Incidental kVARh Utilization while providing energy. This shall be paid based on the total recorded kVARh delivered/absorbed beyond 0.85 power factor lagging or 0.9 power factor leading from the time when the dispatch of RPS was instructed. The compensable kVARh shall be paid at:

Incidental kVARh Rate: Php 4.00 / kVARh

Compensable kVARh = Actual kVARh – Base kVARh

Where:

Actual kVARh = actual reactive power provided within each interval

Base kVARh = corresponding kVARh at 0.85 power factor lagging or 0.9 power factor leading, for the unit's MW

loading. For clarity, the MW loading is the unit's Pmin, or RTD schedule, whichever is greater.

14. Applicants submit that the rates represent a reasonable recovery to provide the procured Ancillary Services.
15. The rates under ASPA was subjected to a simulation by NGCP, the results of which are as follows:

RPS	PhP/kW-month	PhP/kWh equiv.
PEC (no IE)	1.1807	0.0023

A copy of the Rate Impact Simulation and Details of Rate Impact Simulation for Pagbilao Energy Corp. (PEC) are attached as **Annexes "C"** and **"C-1"**, respectively.

16. 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 ancillary services shall be recovered from all the load customers in the Luzon Grid.
17. The ASPA shall be effective for a period of five (5) years, to commence upon receipt of a provisional approval ("PA"), or in the absence thereof, a final approval ("FA") issued by the ERC, subject to Clause 12 (Termination) of the ASPA. In the event that the PA or FA, as the case may be, does not state a particular date of effectivity, the Agreement shall be effective on the date agreed upon by the Parties.
18. PEC respectfully submits copies of the following documents:

Document	Annex
Summary of Existing Power Supply Agreements of Pagbilao Energy Corporation (PEC)	"D"
Certificate of Filing of Amended Articles of Incorporation (Company Reg. No. CS201208121)	"E"
2019 Amended General Information Sheet	"F"
2019 Audited Financial Statements	"G"
Certificate of Compliance (COC No. 18-02-M-00145L) dated 20 February 2018	"H"
WESM Registration Approval Form of PEC	"I"

**ALLEGATIONS IN SUPPORT OF THE
PRAYER FOR PROVISIONAL AUTHORITY**

19. It is a declared policy of the State to ensure the quality, reliability, security and affordability of the supply of electric power (*Section 2(b), EPIRA*). To this end, there is a need to comply with the system requirements for Ancillary Services to ensure grid system security and reliability. As mentioned above, NGCP has the mandate to procure the required Ancillary Services.

20. RPS is one of the Ancillary Services provided in the PGC that is *essential in maintaining power quality and the reliability of the grid.*⁷ TLI having offered to provide its RPS, will significantly help maintain the required power quality and voltage level in Luzon. The Generation Facility is strategically located in Luzon, thus, its provision for RPS will definitely enable NGCP to comply with its mandate. A copy of the List of Ancillary Services Providers in Luzon Certified with Reactive Power Support is attached as **Annex “J”**.
21. NGCP must be guaranteed of available Ancillary Services on a daily basis to ensure reliability of the grid. Thus, it is necessary for the Honorable Commission to approve the ASPA. As the demand for power in the Luzon increases, the requirements of the system to ensure stability, reliability and security likewise increase. Ensuring the integrity of the system is essential to protect the interests of the public. The absence of system reliability and stability will certainly discourage investments and growth.
22. Applicants respectfully submit that the immediate approval of the ASPA by this Honorable Commission is a necessity to ensure the reliability and security of the Grid. In support of these allegations, NGCP submits a copy of the Judicial Affidavit of Engr. Lisaflor Bacani-Kater of the Revenue and Regulatory Affairs Department of NGCP, which is attached as **Annex “K.”**

PRAYER

WHEREFORE, premises considered, Applicants respectfully pray that the Honorable Commission:

- a) Immediately **ISSUE** a provisional authority to implement the subject ASPA dated 14 July 2020 granting authority for the procurement and supply, under a per-occurrence basis, of RPS outside the range of 85% lagging and 90% leading power factors, the latter subject to the submission of the accreditation certificate; and
- b) **APPROVE**, after notice and hearing, the subject ASPA granting final authority.

Applicants pray for other just and equitable relief.

On 11 November 2020, the Commission issued an *Order* and a *Notice of Virtual Hearing*, both dated 30 October 2020, setting the instant *Application* for determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference and presentation of evidence on 11 December 2020.

⁷ GC 1.7 (Definitions), Chapter 1, PGC.

However, on 02 December 2020, NGCP and PEC sent through electronic mail a *Motion to Reset and for the Issuance of a Second (2nd) Notice of Virtual Hearing* dated 01 December 2020, alleging that the *Notice of Virtual Hearing* dated 30 October 2020 was published in the 25 November 2020 issue of the Manila Standard instead of 24 November 2020 and that the date of the publication will therefore be less than seven (7) days apart from the 01 December 2020 publication, which in turn, will not be compliant with the jurisdictional requirements pursuant to the *Order* dated 30 October 2020. Thus, NGCP and PEC prayed that the scheduled hearing on 11 December 2020 be reset and a Second (2nd) Notice of Virtual Hearing be issued.

IN VIEW OF THE FOREGOING, the Commission has set anew the instant *Application* for determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference and presentation of evidence on the following dates and online platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020⁸, dated 24 September 2020:

Date	Platform	Activity
11 February 2021 (Thursday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams Application	Determination of compliance with jurisdictional requirements and Expository Presentation
18 February 2021 (Thursday) at nine o'clock in the morning (9:00 A.M.)		Pre-trial Conference and Presentation of Evidence

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via electronic mail (e-mail) at doCKET@erc.ph and records@erc.gov.ph, copy furnish the Legal Service through legal@erc.ph. The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

Moreover, all persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission via e-mail at doCKET@erc.ph and records@erc.gov.ph, copy furnish the Legal Service through legal@erc.ph, a verified Petition to Intervene at least five (5) calendar days prior to the date of the initial virtual hearing

⁸ A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission, promulgated on 17 November 2020.

and subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name, mailing address, and e-mail 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.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may file through e-mail at docket@erc.ph and records@erc.gov.ph, copy furnish the Legal Service through legal@erc.ph, their Opposition or Comment thereon at least five (5) calendar days prior to the initial virtual hearing and subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name, mailing address, and e-mail address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All such persons who wish to have a copy of the *Application* may request from the Applicants that they be furnished with the same prior to the date of the initial hearing. The Applicants are hereby directed to furnish all those making such request with copies of the *Application* and its attachments, through any of the available modes of service, upon their agreement, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the *Application* and other pertinent records filed with the Commission during the standard office hours. In the alternative, those persons who wish to have an electronic copy of the *Application* may request the Commission for the e-mail address of the Applicants by sending an e-mail to docket@erc.ph and records@erc.gov.ph, copy furnish the Legal Service through legal@erc.ph. Nonetheless, any person may also

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access the *Application* as posted by the Commission in its official website at www.erc.gov.ph.

Finally, all interested persons may be allowed to join the scheduled initial virtual hearing by providing the Commission, thru legal.virtualhearings@erc.ph, with their respective e-mail addresses and indicating therein the case number of the instant *Application*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearing.

WITNESS, the Honorable Commissioners **ALEXIS M. LUMBATAN, CATHERINE P. MACEDA, FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 3rd day of December 2020 in Pasig City.




AGNES VST DEVANADERA
Chairperson and CEO


LS: RSPV/ARG/MCCG