

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 PANASIA
ENERGY, INC., WITH
PRAYER FOR THE ISSUANCE
OF PROVISIONAL
AUTHORITY**

ERC CASE NO. 2017-083 RC

**NATIONAL GRID
CORPORATION OF THE
PHILIPPINES AND PANASIA
ENERGY, INC.,**

Applicants.

X-----X

Promulgated:
June 06, 2022

ORDER

On 19 September 2017, National Grid Corporation of the Philippines (NGCP) and Panasia Energy, Inc. (PANASIA) filed their original *Application* dated 06 September 2017, seeking the Commission's approval of their Ancillary Services Procurement Agreement (ASPA), with prayer for the issuance of provisional authority.

On 28 December 2017, the Commission issued an *Order* and a *Notice of Public Hearing*, both dated 18 December 2017, setting the case for determination of compliance with jurisdictional requirements, expository presentation, pre-trial conference and presentation of evidence on 18 January 2018.

During the 18 January 2018 hearing, the Commission acquired jurisdiction over the instant *Application*. Thereafter, the hearing proceeded as scheduled.

On 02 February 2018, NGCP and PANASIA filed their *Joint Formal Offer of Evidence* (FOE).

On 09 March 2018, the Commission issued an *Order* dated 28 November 2017, granting provisional authority to NGCP and PANASIA to implement their ASPA, subject to certain conditions.

On 09 July 2021, the Commission issued an *Order* dated 22 June 2021, directing NGCP and PANASIA to comply with Department of Energy (DOE) Department Circular No. DC2019-12-0018,¹ which required NGCP to procure the required level and specifications of Ancillary Services (AS) through firm contracts only.

On 22 July 2021, PANASIA filed a *Compliance (with the ERC Order dated 22 June 2021 re: DOE Advisory for the conversion of existing ASPA from non-firm to firm capacity)*.

On 13 October 2021, the Commission issued an *Order* dated 01 October 2021, directing NGCP to submit the timeline for the completion of the negotiation process with generation companies or AS providers, its technical working plan and its compliance with the DOE Department Circular No. DC2019-12-0018.²

On 27 October 2021, NGCP filed its *Compliance with Manifestation* pursuant to the Commission's *Order* dated 01 October 2021.

On 25 November 2021, NGCP and PANASIA filed a *Joint Motion (To Approve Amendment to the ASPA)*.

On 14 January 2022, NGCP and PANASIA filed their *Joint Manifestation with Motion to Resolve*.

On 09 March 2022, NGCP filed its *Motion for Urgent Resolution (of Motion to Approve Amended ASPA)*.

¹ Department of Energy, Department Circular. No, Dc2019-12-0018, "Adopting A General Framework Governing the Provision and Utilization of Ancillary Services in the Grid", 04 December 2019.

² *Ibid.*

On 11 April 2022, the Commission issued an *Order* dated 29 March 2022, directing NGCP and PANASIA to file their Amended Application and compliance with the pre-filing requirements pursuant to Section 2, Rule 7 of the Commission's Revised Rules of Practice and Procedure.

On 18 April 2022, NGCP and PANASIA filed a *Joint Motion (For Leave to File Amended Application)* and attached therein the instant *Amended Application*, both dated 12 April 2022. In their *Amended Application*, Applicants sought for the Commission's approval of their Amended ASPA, with prayer for issuance of provisional authority.

On 23 May 2022, NGCP filed an *Urgent Motion for Resolution with Reiteratory Motion for the Issuance of Provisional Authority*.

Finding the said *Amended Application* to be sufficient in form, the Commission hereby sets the same 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 2020³ dated 24 September 2020, and Resolution No. 01, Series of 2021 dated 17 December 2020 (ERC Revised Rules of Practice and Procedure):⁴

Date	Platform	Activity
22 July 2022 (Friday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams Application	Determination of compliance with the jurisdictional requirements and Expository Presentation
29 July 2022 (Friday) at nine o'clock in the morning (9:00 A.M.)		Pre-trial Conference and Presentation of Evidence

RELATIVE THERETO, NGCP and PANASIA are hereby directed to:

- 1) Cause the publication of the attached *Notice of Virtual Hearing* in two (2) newspapers of nationwide circulation in the Philippines at their own expense, twice (2x) within

³ A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.

⁴ A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

two (2) successive weeks, the dates of publication not being less than seven (7) days apart, and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial virtual hearing;

- 2) Furnish with copies of this *Order* and the attached *Notice of Virtual Hearing* the Office of the Provincial Governors, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within the affected franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within the affected area, by any other means available and appropriate, of the filing of the *Amended Application*, its reasons therefor, and of the scheduled virtual hearings thereon;
- 4) Furnish with copies of this *Order* and the attached *Notice of Virtual Hearing* 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 and attend the scheduled hearings; and
- 5) Furnish with copies of the *Amended Application* and its attachments all those making requests therefor, subject to the resolution of the pending prayer for confidential treatment of information, if any, and reimbursement of reasonable photocopying costs.⁵

Within five (5) calendar days prior to the date of the virtual hearings, NGCP and PANASIA must submit to the Commission via electronic mail (e-mail) at doCKET@erc.ph, copy furnish the Legal Service through legal@erc.ph, the scanned copies of their written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked, the following:

- 1) The evidence of publication of the attached *Notice of Virtual Hearing* consisting of affidavit of the Editors or Business Managers of the newspapers where the said

⁵ For the e-mail address of the applicant, please see page 8.

Notice of Virtual Hearing was published, and the complete issues of the said newspapers;

- 2) The evidence of actual posting of this *Order* and the attached *Notice of Virtual Hearing* consisting of certifications issued to that effect, signed by the aforementioned Provincial Governors, City and Municipal Mayors, and their LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by Applicants to inform the consumers within the affected area of the filing of the *Amended Application*, the reasons therefor, and the scheduled hearings thereon;
- 4) The evidence of receipt of copies of this *Order* and the attached *Notice of Virtual Hearing* by the OSG, the COA, and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the *Amended Application* and its attachments by all those making requests therefor, if any; and
- 6) Such other proofs of compliance with the requirements of the Commission.

Moreover, Applicants are hereby required to post on their bulletin boards, the scanned copies of the foregoing jurisdictional requirements, together with the newspaper publications and certifications issued by the concerned Office of the Provincial Governors, City and Municipal Mayors and their Local Legislative Bodies, and to submit proof of their posting thereof.

Applicants and all interested parties are also required to submit via e-mail at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph, at least five (5) calendar days before the date of the scheduled virtual hearing and Pre-trial Conference, their respective Pre-Trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;

- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefor; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Applicants must ensure that all the documents or exhibits proposed to be presented have already been duly submitted to the Commission at least five (5) calendar days before the date of the scheduled initial virtual hearing and Pre-trial Conference pursuant to the preceding paragraph.

Failure of Applicants to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearings, and the resetting of which shall be six (6) months from the said date of cancellation.

Applicants must also be prepared to make an expository presentation of the instant *Amended 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, the nature of the *Amended Application* with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

NGCP and PANASIA are hereby directed to file a copy of their Expository Presentation via e-mail at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph, at least five (5) calendar days prior to the scheduled virtual hearing. Applicants shall also be required, upon the request of any stakeholder, to provide an advance copy of their expository presentation, at least five (5) calendar days prior to the scheduled virtual hearing.

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via e-mail at docket@erc.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.

Applicants are hereby directed to submit, either through personal service, registered or ordinary mail/private courier, one (1) set of the original or certified true hard/printed copy/ies of their Jurisdictional Compliance, Expository Presentation, Pre-trial Brief, and Judicial Affidavit/s of witness/es, within five (5) working days from the date that the same were electronically submitted, as reflected in the acknowledgment receipt e-mail sent by the Commission. Similarly, all interested parties who filed their Petition for Intervention or Opposition are required to submit the hard/printed copy thereof within the same period through any of the available modes of service.

Finally, Applicants, including their authorized representative/s and witness/es, are hereby directed to provide the Commission, thru legal.virtualhearings@erc.ph, with their respective e-mail addresses upon receipt of this *Order*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearings.

SO ORDERED.

Pasig City, 31 May 2022.

FOR AND BY AUTHORITY
OF THE COMMISSION:


AGNES VST DEVANADERA
Chairperson and CEO


LS: MVM/ARG/MCCG



Copy Furnished:

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Iligan City, Lanao del Norte
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Davao City, Davao del Sur
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Davao City, Davao del Sur
20. Office of the Mayor
San Fernando City, La Union
21. Office of the Local Government (LGU) legislative body
San Fernando City, La Union
22. Office of the Mayor
Biñan City, Laguna
23. Office of the Local Government (LGU) legislative body
Biñan City, Laguna
24. Office of the Provincial Governor
La Union
25. Office of the Local Government (LGU) legislative body
La Union
26. Office of the Provincial Governor
Laguna
27. Office of the Local Government (LGU) legislative body
Laguna
28. Office of the Provincial Governor
Cebu
29. Office of the Local Government (LGU) legislative body
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30. Office of the Provincial Governor
Davao del Sur
31. Office of the Local Government (LGU) legislative body
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Lanao Del Norte
33. Office of the Local Government (LGU) legislative body
Lanao Del Norte
34. Office of the Provincial Governor
Misamis Oriental
35. Office of the Local Government (LGU) legislative body
Misamis Oriental
36. Office of the Mayor
Gingoog, Misamis Oriental

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X-----X

Promulgated:
June 06, 2022

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 18 April 2022, National Grid Corporation of the Philippines (NGCP) and Panasia Energy, Inc. (PANASIA) filed their *Amended Application* dated 12 April 2022, seeking the Commission's approval of their original Ancillary Services Procurement Agreement (ASPA) and its amendment thereto, with prayer for issuance of provisional authority.

The pertinent allegations in the said *Amended Application* are hereunder quoted, as follows:

NATURE OF THE CASE

1. This Application is for the approval of the Ancillary Services Procurement Agreement (ASPA) between the NGCP and PANASIA, 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 PANASIA is a corporation organized and existing under and by virtue of the Philippine laws with principal office address at 3204B East Tower, Tektite Towers (formerly PSE Centre), Exchange Road Ortigas Center, Pasig City. It may be served with orders, notices, and other legal processes through its undersigned counsel. It is the owner and operator of the 540MW Bataan Combined Cycle Power Plant (BCCPP) in Barangay Luz, Limay, Bataan, which was certified and accredited by NGCP as capable of providing Regulating Reserve (RR), Contingency Reserve (CR), Dispatchable Reserve (DR) and Reactive Power Support (RPS).

ANTECEDENT FACTS

4. 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 maintenance, 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 transmission service and/or ancillary services through the transmission system².
5. Similarly, the PGC provides that NGCP is responsible for determining, acquiring, and dispatching the capacity needed to supply the required Grid Ancillary Services and for

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 (d).

developing and proposing Wheeling Charges and Ancillary Service tariffs to the ERC³.

6. 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 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.
7. In order to implement and regulate the procurement of AS, 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 Service-Cost Recovery Mechanism (AS-CRM) through its Decision dated 3 October 2007 in ERC Case No. 2006-049RC.
8. Pursuant to its mandate, NGCP on different dates published in newspapers of general circulation 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, NGCP received several positive responses from generation companies. Upon receipt of the intention from PANASIA to provide ancillary services, NGCP commenced negotiation for the execution of a new ASPA.
9. In view of the need for PANASIA to continue providing ancillary services, the Applicants on 25 August 2017, executed a new ASPA (ASPA 2017). NGCP agreed to procure and PANASIA agreed to supply Ancillary Services in the form of: RR, CR, DR and RPS for a period of five (5) years under firm and non-firm arrangements. A copy of the Ancillary Services Procurement Agreement between NGCP and PANASIA dated 25 August 2017 is attached as **Annex “A”**.
10. During the period of negotiation, NGCP conducted several tests on Units GT1, GT2, GT3, GT5, GT6 and GT7 of the BCCPP, and certified that the power plant has met and complied with the Standard Ancillary Services Technical Requirements of the ASPP as capable of providing the following:
 - i. 60MW/unit of RR under Free Governor Mode;
 - ii. 60MW/unit of CR under Free Governor Mode;
 - iii. 80MW/Block of DR; and
 - iv. RPS.

Thus, NGCP issued the *Ancillary Services Certification with Accreditation No. 2016-LO013*, attached as **Annex “B”**.

³ 2007 PGC, Section 6.3.1.2.

CONTRACTED CAPACITY RATES AND IMPACT SIMULATION

11. Schedule 1 of the ASPA provides for the types of AS that can be nominated by PANASIA, as follows:
- i. Firm Contracted Capacity:
 - a. Regulating Reserve (Secondary Reserve) – 60MW, one (1) Gas Turbine (GT) Unit during peak hours (12 hours) or 0801H to 2100 or Interval 9 to 21 from March 01 to September 30 of each year for the period of five years;
 - ii. Non-Firm Contracted Capacities:
 - a. Contingency Reserve (Primary Reserve) – Available capacity on top of the Technical Pmin of each GT Unit (Technical Pmin is the minimum stable load of each generating unit, as indicated in the Service Provider’s Certificate of Compliance);
 - b. Regulating Reserve (Secondary Reserve) – Up to 60MW per GT Unit;
 - c. Dispatchable Reserve (Tertiary Reserve) – Up to 40MW per GT Unit;
 - d. Reactive Power Support – Available capacity of Reactive Power outside the range of 85% lagging and 90% leading power factor.
12. Schedule 4 of the ASPA provides for the applicable maximum hourly rate for the capacity covered by the ASPA, as follows:

Ancillary Service	Applicable Rates (Maximum Hourly Rate)
Regulating Reserve	Php2.25/kW/Hr (Firm)
	Php3.00/kW/Hr (Non-firm)
Contingency Reserve	Php2.00/kW/Hr (Non-firm)
Dispatchable Reserve	Php1.12/kW/Hr (Non-firm)
Reactive Power Service	Php4.00/kVar/Hr (Non-firm)

and formula in the computation of the Ancillary Services Fees as well as the Incidental Energy Cost.

13. Applicants submit that the rates represent a reasonable recovery of its opportunity cost in making available generation capacity to provide the procured AS.

AS Type	Indicative Rate Impact	
	P/kW-month	P/kWh
RR	36.4327	0.0735
CR	6.3117	0.0127
DR	5.8167	0.0117
RPS	3.4893	0.0070

A copy of the *Rate Impact Simulation for PANASIA* with a brief discussion on how NGCP derived the proposed ancillary services rates is attached as **Annex “C”**.

14. 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.
15. PANASIA submits the copies of the following documents:

Document	Annex
<i>Certificate of Compliance</i>	“D”
<i>Certification of No Existing Power Supply Agreement</i>	“E”
<i>Articles of Incorporation</i>	“F”
<i>Latest Security Exchange Commission – General Information Sheet</i>	“G”
<i>Latest Audited Financial Statement</i>	“H”
<i>WESM Registration</i>	“I”

16. In its Order dated 28 November 2017 (docketed 9 March 2018), the Honorable Commission granted provisional authority for the implementation of the ASPA under the following rates:

Ancillary Service	Applicable Rate (Maximum Hourly Rate)	
	Firm	Non-Firm
<u>Regulating Reserve</u>	<u>PhP2.25/kW/hr</u>	<u>PhP3.00/kW/hr</u>
<u>Contingency Reserve</u>		<u>PhP2.00/kW/hr</u>
<u>Dispatchable Reserve</u>		<u>PhP1.12/kW/hr</u>
<u>Reactive Power Support</u>		<u>PhP4.00/kVAR/hr</u>

17. Currently, in addition to its Firm RR Capacity, Panasia is mostly scheduled for RR provision during peak months and peak hours through Non-Firm arrangements. This is specially so during the period that other Firm RR Providers are not available or are already utilized but still insufficient to fulfill the total RR requirement. Hence, most of the time, PANASIA is paid at P3.00/kWh Capacity Fee for the Non-Firm AS provided.
18. During the implementation of the approved ASPA, PANASIA offered to make all of its generating units available for Firm RR Capacity for 24/7 at P2.25/kWh Capacity Fee when scheduled to provide for RR. With this offer, PANASIA’s dispatch for AS RR would result to Lower AS cost which would ultimately be beneficial to consumers in accordance to this Amendment. Most importantly, the provision of RR Capacities from a source not affected by seasonal changes is ensured, thereby largely contributing to Grid security and reliability.

19. Hence, on November 5, 2021, upon the agreement of the parties, parties executed an Amended ASPA whereby PANASIA shall provide additional Regulating Reserve under Firm basis. The provision of additional Regulating Reserve under Firm basis shall be in lieu of the provision for Regulating Reserve under a Non-Firm basis in the ASPA.
20. With this Amendment, PANASIA is amenable to make all of its generating units available for Firm RR Capacity for 24/7 at P2.25/kWh Capacity Fee when scheduled to provide for RR. Thus, PANASIA's dispatch for AS RR would result to **Lower AS cost** which would ultimately be beneficial to consumers in accordance to this Amendment. Most importantly, the provision of RR Capacities from a source not affected by seasonal changes is ensured, thereby largely contributing to Grid security and reliability.
21. In support thereof, NGCP is attaching the following documents: attached as **Annex "A-1"** is the Amended ASPA and its implementing guidelines as **Annex "A-2"**. Likewise attached as **Annex "A-3"** is the Rate Impact Simulation Report for PANASIA's Bataan Combined Cycle Power Plant.

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

22. 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*). With this end in view, 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. However, the Honorable Commission must first approve the contract before the same could be implemented.
23. On 13 December 2012, NGCP and PANASIA filed an application for the approval of its Ancillary Services Procurement Agreement (ASPA 2012) docketed as ERC Case No. 2012-134RC. In the Order dated 18 February 2013, the Honorable Commission issued an Order provisionally approving the Application. Page 8 of the Order provides: "An initial evaluation of the instant application discloses that the ASPA entered into by and between NGCP and PANASIA will redound to the benefit of the customers in terms of continuous, reliable, efficient and affordable power supply as mandated by the EPIRA [Section 2. Declaration of Policy – (b) "to ensure the quality, reliability, security and affordability of the supply of electric power]." (Emphasis supplied) The parties implemented the 2012 ASPA on the March 2013 Billing Period.
24. As mentioned above, the Honorable Commission has already declared that there is a necessity for NGCP to procure the contracted ancillary services capacity of PANASIA to maintain

the reliability of the operation of the transmission system and electricity supply in the Luzon Grid.

25. PANASIA must continue to provide ancillary services beyond the 2012 ASPA to maintain the reliability of the power grid. Based on the current levels of available contracted AS in the Luzon Grid, the firm contracted AS have not yet met the required levels. The copy of the *Luzon AS Availability* showing the required and available levels of RR, CR, and DR in the Luzon Grid is attached as **Annex "J"**.
26. As the demand for power in Luzon 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. The absence of system reliability and stability will certainly discourage investments and growth.
27. The importance of RR, CR, DR, and RPS from PANASIA to ensure and maintain the reliability, adequacy, security, stability and integrity of the Luzon Grid cannot be overemphasized.
28. Applicants respectfully submit that the immediate approval of the ASPA by this Honorable Commission is a necessity to maintain the present reliability and security of the Grid. In support of these allegations, NGCP submits a copy of the *Judicial Affidavit of Engr. Lizaflor Bacani-Kater*, which is the attached as **Annex "K"**.
29. Applicants further submit that if and when the 2017 ASPA is approved by the Honorable Commission, it is hereby understood that it will only take effect, immediately upon the expiration of the 2012 ASPA or on the April 2018 Billing Period.
30. The Department of Energy power outlook for summer of 2022, particularly during the election month of May 2022, shows that if a forced outage of a large generator occurs in Luzon, there may be occurrences of Yellow Alert.
31. Corollarily, should the RR capacity of PANASIA remain on a Non-Firm basis, there will be no guarantee that it will be available as a RR as same capacity may be offered by PANASIA as energy to the wholesale electricity spot market. This will result to a significant reduction of RR capacity in the absence of RR capacities from the large hydro plants thereby affecting the grid security.
32. It has been observed that out of the seven (7) RR providers in Luzon, five (5) hydro plants are usually affected by seasonality while the other provider depends on natural gas sourced from Malampaya which currently is also limited. For PANASIA, it has been able to provide RR even during the dry season, and fuel supply has never been a problem.

33. Indeed, during the dry season, when the hydro plants have limited or no capacity available for RR, PANASIA has consistently been able to provide its Firm and Non-firm capacities. Thus, the conversion of the Non-firm to Firm rates (i.e. PhP3.00/kW per hour to PhP2.25/kW per hour) will result to a reduction in RR costs in Luzon, as shown in the table below:

Ancillary Service	Cost, PhP Mn	Indicative Rate Impact	
		PhP/kW-month	PhP/kWh equivalent
Proposal: Regulating Reserve (Firm)	5,625.81	43.3380	0.0822
For comparison: Regulating Reserve (Current set-up of Firm + Non-firm)	7,770.23	59.8573	0.1135

34. In case new ASPAs from more economical sources are approved, PANASIA's share of RR will correspondingly be reduced, up to a minimum of 120MW Firm RR for peak hours. This means that 240MW can be available at Firm RR rates but can be provided by cheaper sources once available.
35. Finally, the extension of the Amended ASPA's effectivity provides NGCP with the assurance and certainty of continuous RR availability from PANASIA before offering the remaining capacity that is not scheduled for RR on the day ahead AS scheduling to WESM.
36. Hence, it is imperative that the Amended ASPA be immediately approved or that an interim relief be immediately issued by the Honorable Commission authorizing the applicants to implement the same pending its final approval.

PRAYER

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

- a) Immediately **ISSUE** a provisional authority to implement the 2017 ASPA, to take effect upon expiration of the 2012 ASPA or on the April 2018 Billing Period;
- b) Immediately issue an order PROVISIONALLY AUTHORIZING the implementation of the Amended ASPA subject of the Amended Application;
- c) **APPROVE**, after notice and hearing, the 2017 ASPA as well as the Amended ASPA.

Applicants pray for other just and equitable relief.

FACTUAL ANTECEDENTS

On 19 September 2017, NGCP and PANASIA filed their original *Application* dated 06 September 2017, seeking the Commission's approval of their ASPA, with prayer for the issuance of provisional authority.

On 28 December 2017, the Commission issued an *Order* and a *Notice of Public Hearing*, both dated 18 December 2017, setting the case for determination of compliance with jurisdictional requirements, expository presentation, pre-trial conference and presentation of evidence on 18 January 2018.

During the 18 January 2018 hearing, the Commission acquired jurisdiction over the instant *Application*. Thereafter, the hearing proceeded as scheduled.

On 02 February 2018, NGCP and PANASIA filed their *Joint Formal Offer of Evidence* (FOE).

On 09 March 2018, the Commission issued an *Order* dated 28 November 2017, granting provisional authority to NGCP and PANASIA to implement their ASPA, subject to certain conditions.

On 09 July 2021, the Commission issued an *Order* dated 22 June 2021, directing NGCP and PANASIA to comply with Department of Energy (DOE) Department Circular No. DC2019-12-0018,⁴ which required NGCP to procure the required level and specifications of Ancillary Services (AS) through firm contracts only.

On 22 July 2021, PANASIA filed a *Compliance (with the ERC Order dated 22 June 2021 re: DOE Advisory for the conversion of existing ASPA from non-firm to firm capacity)*.

On 13 October 2021, the Commission issued an *Order* dated 01 October 2021, directing NGCP to submit the timeline for the completion of the negotiation process with generation companies or

⁴ Department of Energy, Department Circular. No, Dc2019-12-0018, "Adopting A General Framework Governing the Provision and Utilization of Ancillary Services in the Grid", 04 December 2019.

AS providers, its technical working plan and its compliance with the DOE Department Circular No. DC2019-12-0018.⁵

On 27 October 2021, NGCP filed its *Compliance with Manifestation* pursuant to the Commission's *Order* dated 01 October 2021.

On 25 November 2021, NGCP and PANASIA filed a *Joint Motion (To Approve Amendment to the ASPA)*.

On 14 January 2022, NGCP and PANASIA filed their *Joint Manifestation with Motion to Resolve*.

On 09 March 2022, NGCP filed its *Motion for Urgent Resolution (of Motion to Approve Amended ASPA)*.

On 11 April 2022, the Commission issued an *Order* dated 29 March 2022, directing NGCP and PANASIA to file their Amended Application and compliance with the pre-filing requirements pursuant to Section 2, Rule 7 of the Commission's Revised Rules of Practice and Procedure.

On 18 April 2022, NGCP and PANASIA filed a *Joint Motion (For Leave to File Amended Application)* and attached therein the instant *Amended Application*, both dated 12 April 2022. In their *Amended Application*, Applicants sought the Commission's approval of their Amended ASPA, with prayer for issuance of provisional authority.

On 23 May 2022, NGCP filed an *Urgent Motion for Resolution with Reiteratory Motion for the Issuance of Provisional Authority*.

The Commission has set the instant *Amended 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 2020⁶ dated 24 September 2020 and Resolution No. 01, Series of 2021, dated 17 December 2020 (ERC Revised Rules of Practice and Procedure):⁷

⁵ *Ibid.*

⁶ A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission".

⁷ A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

Date	Platform	Activity
22 July 2022 (Friday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams Application	Determination of compliance with the jurisdictional requirements and Expository Presentation
29 July 2022 (Friday) 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, 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, any person who has 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, 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 and subject to the requirements under Rule 9 of the ERC Revised 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 likewise file through e-mail at docket@erc.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 ERC Revised 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.

Any of the persons mentioned in the preceding paragraphs may access the copy of the *Amended Application* on the Commission's 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 *Amended Application*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearings.

WITNESS, the Honorable Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA**, **FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 31st day of May 2022 in Pasig City.


AGNES VST DEVANADERA
Chairperson and CEO


LS: MYM/ARG/MCCG





NOTICE

Sirs/Mesdames:

Please take notice that the Commission issued an **Order** and a **Notice of Virtual Hearing** both dated **31 May 2022** in the following case:

ERC CASE NO. 2017-083 RC, IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE ANCILLARY SERVICES PROCUREMENT AGREEMENT BETWEEN THE NATIONAL GRID CORPORATION OF THE PHILIPPINES AND PANASIA ENERGY, INC., WITH PRAYER FOR THE ISSUANCE OF PROVISIONAL AUTHORITY – NATIONAL GRID CORPORATION OF THE PHILIPPINES AND PANASIA ENERGY, INC., Applicants.

Attached are electronic copies.

Please be reminded of the Commission's existing rules on electronic service of orders and decisions provided under **Rule VI of Resolution No. 9, Series of 2020**, which became effective on 17 November 2020.

Thank you.

Very truly yours,

MARIA LUCILA M. GIRON
Administrative Officer V
Office of the General Counsel and Secretariat
Central Records Division


/jdc