



**Customer Bulletin 2019-41**

**November 22, 2019**

**Order on ERC Case No. 2019-086 RC**

On 29 October 2019, NGCP filed an application with the Energy Regulatory Commission (ERC) entitled, *In the Matter of the Application for the Approval of the Interim Maximum Annual Revenue for Calendar Year 2020, with Prayer for the Urgent Issuance of Provisional Authority*, docketed as ERC Case No. 2019-086 RC.

The application was filed by NGCP pursuant to Section 19 of Republic Act No. 9136, in relation to Section 43 (f) to recover the reasonable costs necessary to provide transmission services and to sustain NGCP's full operational capability.

The ERC set the case for jurisdictional hearing, pre-trial conference, expository presentation and evidentiary hearing on the following dates and venues:

DATE	TIME	VENUE	PURPOSE
12 February 2020 (Wednesday)	2:00 PM	<b>ERC Main Office</b> 15 <sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City	Jurisdictional and Expository Presentation for Luzon Stakeholders
20 February 2020 (Thursday)	9:00 AM	<b>ERC Visayas Area Operations Division</b> St. Mary's Drive, Banilad, Cebu City 6000	Expository Presentation for Visayas Stakeholders
27 February 2020 (Thursday)	9:00 AM	<b>ERC Mindanao Area Operations Division</b> Mintrade Bldg., Monteverde Ave. cor. Sales St., Davao City 8000	Expository Presentation for Mindanao Stakeholders
04 March 2020 (Wednesday)	10:00 AM	<b>ERC Main Office</b> 15 <sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City	Pre-Trial Conference and Presentation of Evidence
11 March 2020 (Wednesday)	2:00 PM	<b>ERC Main Office</b> 15 <sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City	Presentation of Evidence

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

**IN THE MATTER OF THE  
APPLICATION FOR THE  
APPROVAL OF THE  
INTERIM MAXIMUM  
ANNUAL REVENUE FOR  
CALENDAR YEAR 2020,  
WITH PRAYER FOR THE  
URGENT ISSUANCE OF  
PROVISIONAL AUTHORITY**

**ERC CASE NO. 2019-086 RC**

**NATIONAL GRID  
CORPORATION OF THE  
PHILIPPINES (NGCP),  
Applicant.**

X-----X

Promulgated:  
**NOV 21 2019**

**ORDER**

On 29 October 2019, Applicant National Grid Corporation of the Philippines (NGCP) filed an *Application* dated 23 October 2019, seeking the Commission's approval of an Interim Maximum Annual Revenue (iMAR) for calendar year 2020, with prayer for the urgent issuance of provisional authority.

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

**The Applicant**

1. NGCP is a corporation created and existing under the laws of the Philippines, with principal office address at NGCP Building, Quezon Avenue corner B.I.R. Road, Diliman, Quezon City. It is the concessionaire that operates and maintains the nationwide transmission system pursuant to Republic Act No. 9136, otherwise known as the "*Electric Power Industry Reform Act of 2001*" (EPIRA). It may be served with notices and other processes of this Honorable Commission through its counsel at the address indicated below.

2. Pursuant to Republic Act No. 9511<sup>1</sup>, NGCP was granted the franchise to operate, manage and maintain, and in connection therewith, to engage in the business of conveying or transmitting electricity through high voltage back-bone system of interconnected transmission lines, substations and related facilities, system operations, and other activities that are necessary to support the safe and reliable operation of the transmission system<sup>2</sup> and is authorized to charge its customers at the rates approved by the Honorable Commission.

### **Nature of the Application**

3. This Application is filed pursuant to Section 19 of the EPIRA in relation to Paragraph (f), Section 43 of the same law in order to recover the reasonable costs necessary to provide transmission services, and essential to sustain NGCP's full operational capability.
4. On 30 June 2014, the reset process of NGCP for its 4<sup>th</sup> regulatory period commenced. Public consultations on its Issues Paper were held in the cities of Davao, Cebu and Pasig on 7, 14 and 20 August 2014, respectively. However, the reset process has yet to be completed.
5. Thus, NGCP filed an Application<sup>3</sup> for the approval of an Interim Maximum Annual Revenue for Calendar Year 2016 (iMAR<sub>2016</sub>) using the *pro tem* formula in ERC Case No. 2001-901RC. NGCP proposed the use of the *pro tem* formula on the basis of the RTWR, and that the same formula was used and approved by the Honorable Commission in the computation of the transmission provider's MAR<sub>2003</sub>.
6. In the Order dated 19 December 2016<sup>4</sup> in ERC Case No. 2015-173RC (Order), the Honorable Commission authorized NGCP to implement an Interim Maximum Annual Revenue for regulatory year 2016 using the *pro tem* formula and applied reduction factors, viz:

$$\mathbf{iMAR_{2016 \text{ base}} = \text{Effective Rate}_{2015} \times \text{Forecast Demand}_{2016}}$$

**and**

$$\mathbf{\text{interim MAR} = \text{iMAR}_{2016 \text{ base}} \times \left[ 1 \text{ less } \left( \frac{\text{Total 2nd RP Adjustment}}{\text{Total 3rd RP SMAR}} \right) \right]}$$

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<sup>1</sup> 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 or Interconnected Transmission Lines, Substations and Related Facilities, and For Other Purposes;

<sup>2</sup> Id, Section 1;

<sup>3</sup> In the Matter of the Application for the Approval of an Interim Maximum Annual Revenue for Calendar Year 2016 and an Interim Net Performance Incentive for Calendar Year 2015, with Prayer for the Issuance of Provisional Authority, docketed as ERC Case No. 2015-173RC;

<sup>4</sup> In the dispositive portion of the Order, the Honorable Commission authorized NGCP to continuously bill its transmission customers using this adjusted iMAR for the succeeding regulatory years until the Commission's issuance of the Final Determination for the Fourth Regulatory Period;

7. Also, the Honorable Commission in the Order made the following significant declarations:

*“NGCP’s 3<sup>rd</sup> Regulatory Period ended on December 2015 and the 4<sup>th</sup> Regulatory Period should have started by January 2016. However, since NGCP has yet to undergo the reset process for the 4<sup>th</sup> regulatory period, NGCP will no longer have a MAR to implement for 2016. **Pending the reset process, the Commission granted NGCP’s MAR for 2016 that is outside the RTWR and only an interim approach for determining the revenue of NGCP for the First Regulatory Year of the 4<sup>th</sup> RP.”**<sup>5</sup>*

*“In effect, **the Commission then already saw the formula used in the computation of the MAR<sub>2003</sub> as prudent**, in a period when the Price Control Formula is inapplicable due to absence of certain parameters;*

*Considering the similarities between calendar years 2003 and 2016 in terms of non-applicability of the Price Control Formula and the fact that the Commission has already established a pro tem formula appropriate at a period when Price Control Formula is inapplicable, the Commission should have utilized the established approach **as it is fundamentally consistent with the guiding principles in the RTWR, both in aspects of revenue determination and rate implementation.***

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*Be that as it may, the Commission finds merit in adopting the TransCo formula including the resulting MAR thereof considering that **such calculation is based on the Commission’s methodology when it approved the transition period from unbundling case to PBR case. Such methodology also considers the requirement for an increase in revenue due to increase in system demand.***<sup>6</sup>xxx”<sup>6</sup>

8. The declarations above show that a growth in the system demand necessitates an increase in revenue. This is due to the underlying consequence of an increase in transmission system requirements, translating to, among others, additional capital expenditures.
9. In the same Order, the Honorable Commission used the following data:

MAR <sub>2016</sub> Base	PhP45,287Mn
Effective Rate 2015 x Forecast Demand 2016 <sup>7</sup>	
PhP312.51/kW-mo. x PhP144,914MW	

<sup>5</sup> Page 3, Order dated 19 December 2016, ERC Case No. 2015-173RC;

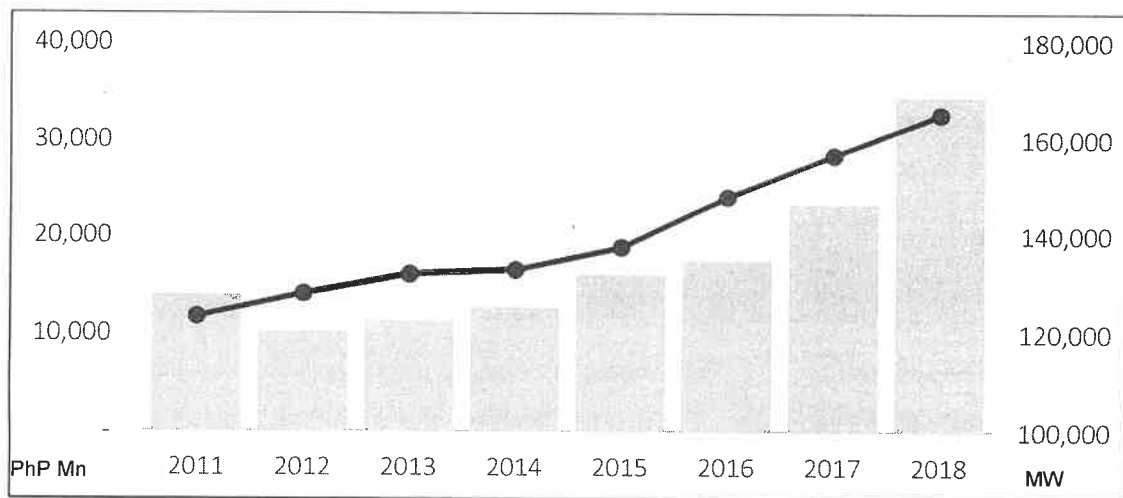
<sup>6</sup> Page 5, Order dated 19 December 2016, ERC Case No. 2015-173RC;

<sup>7</sup> Order dated 21 January 2016 in ERC Case No. 2015-173RC;

2 <sup>nd</sup> RP Adjustments	PhP7,553.77
3 <sup>rd</sup> RP SMAR	PhP228,335.35
Reduction Factor	0.033
<b>iMAR<sub>2016</sub></b>	<b>PhP43,789Mn</b>

10. The forecast demand for year 2020 is **194,746MW<sup>8</sup>** which is already about thirty-four percent (34%) higher from the demand used in the iMAR<sub>2016</sub> computation. However, despite this significant upward movement in the system demand that is being supported by the implementation of capital expenditure projects, the revenue of NGCP remains set at the Third Regulatory Period level.

**Actual CAPEX for the 3<sup>rd</sup> and 4<sup>th</sup> Regulatory Period**



PARTICULARS	2011	2012	2013	2014	2015	2016	2017	2018
Demand, MW	123,571	128,267	132,127	132,994	137,521	147,969	156,718	165,188
CAPEX, PhP Mn	13,945	10,109	11,313	12,713	16,080	17,482	23,196	34,360

	3 <sup>rd</sup> RP*	4 <sup>th</sup> RP**	Inc/(Dec)
CAPEX, PhP in Mn	64,160	75,038	16.95%

\*total for 2011 to 2015

\*\*total for 2016 to 2018

11. It cannot be gain said that as of 2018, the level of actual capital expenditures for the Fourth Regulatory Period has already exceeded that of the Third Regulatory Period. More importantly, the actual capital expenditures for the three-year period of 2016 to 2018 exceeded the approved Third Regulatory Period capital expenditure of Php54Bn. The above diagram illustrates the upward movement in capital expenditures from the Third Regulatory Period to the Fourth

<sup>8</sup> Annex A;

Regulatory Period alongside the movement of demand for the same period.

12. This is notwithstanding that capital expenditure projects in addition to those approved in the Third Regulatory Period Final Determination have been filed by NGCP and provisionally approved by the Honorable Commission for implementation. This includes, among others, the following:

**Projects Outside of the 3<sup>rd</sup> RP FD with ERC Approval**

<b>Project Name</b>	<b>Project Cost* in PMn</b>
Calaca-Dasmarinas 230 kV T/L	3,073.04
CNP 230 kV Backbone (Stage 1)	13,042.08
Western 500 kV Backbone (Stage -1)	3,330.10
Tuguegarao-Magapit 230 kV T/L	2,411.34
Pasay 230 kV Substation Project	13,014.80
Upgrading of Ormoc/Tongonan - Isabel 138kV T/L	678.73
Upgrading of Panitan - Nabas 138kV T/L	940.78
Mindanao Backbone 230 kV Energization	6,641.18

*\*as approved inclusive of permit fees*

13. Since these capital expenditure projects were approved in the middle of the Third Regulatory Period, these were not considered in the revenue determination for years 2011 to 2015. Consequently, the recovery of these capital expenditures did not form part of the base revenue considered in the iMAR<sub>2016</sub> calculation.
14. Importantly, some of the major projects that NGCP is implementing in the Fourth Regulatory Period are the provisionally approved Mindanao-Visayas Interconnection Project (MVIP) and the Cebu-Negros-Panay (CNP) 230kV Backbone Project (Stage 3) in support of grid interconnection. Noting their scope and complexity, these, along with other on-going projects, would require substantial funding.

**4<sup>th</sup> RP Projects with ERC Approval**

<b>Project Name</b>	<b>Project Cost* in PMn</b>
Mindanao-Visayas Interconnection Project	51,696.70
CNP 230kV Backbone Project Stage 3**	43,414.11

*\*as approved inclusive of permit fees*

*\*\* as applied with permit fee for 2017 approved disbursement*

15. Apart from the foregoing, there is an increasing demand from the local government units (LGUs) regarding the immediate implementation of the Cebu-Bohol 230kV Interconnection Project, some off-grid interconnection

projects such as the Batangas-Mindoro Interconnection Project and Palawan-Mindoro Interconnection Project, and Nabas-Caticlan-Boracay Transmission Project in order to provide a more secure and reliable transmission of electricity in the afore-mentioned areas. Thus, once approved, the implementation of these projects will immediately commence considering that these have also been identified as Energy Projects of National Significance (EPNS).

**Projects for Filing/Approval**

<b>Project Name</b>	<b>Project Cost in PMn</b>
Cebu-Bohol 230kV Interconnection Project	19,793.52
Batangas-Mindoro Interconnection Project (BMIP)	10,997.99
Nabas-Caticlan-Boracay Transmission Project	4,269.30
Palawan-Mindoro Interconnection Project (Stage 1)	6,384.78

16. In view of the above, the aggregation of the total disbursements for these projects intended to expand the transmission system necessitates a supplemental revenue requirement, since the current annual level is no longer adequate to support them. With these projects, NGCP programmed to spend about PhP172Bn up to year 2020.
17. Thus, NGCP proposes to the Honorable Commission to consider an iMAR<sub>2020</sub><sup>9</sup> based on the following:
- 18.

MAR <sub>2020</sub> Base	PhP60,861Mn
Effective Rate 2015 x Forecast Demand 2020	PhP312.51/kW-mo. x PhP194,746MW
2 <sup>nd</sup> RP Adjustments	PhP7,553.77
3 <sup>rd</sup> RP SMAR	PhP228,335.35
Reduction Factor	0.033
<b>iMAR<sub>2020</sub></b>	<b>PhP58,846Mn</b>
P/kW-mo.	302.17
P/kWh	0.5879

19. Considering that the new timeline for the regulatory reset process is still to be fixed by the Honorable Commission, the approval of an adjusted revenue is extremely necessary to address the revenue requirement gaps created by the delay in the reset process.
20. The proposed iMAR<sub>2020</sub> is designed and developed to determine fair and reasonable interim transmission rates that will serve the public interest and convenience; and

<sup>9</sup> Figures have been rounded-off;

signal the efficient utilization of transmission facilities that will ultimately redound to the best interest and benefit of the public.

21. The filing of the instant Application has been approved by NGCP management.

**Allegations in Support of the Application for  
Provisional Authority**

22. Applicant restates the foregoing allegations insofar as they may be applicable.
23. One of the core mandates of NGCP is to improve and expand its transmission facilities<sup>10</sup>, and to ensure and maintain the reliability, adequacy, security, stability and integrity of the nationwide electrical grid<sup>11</sup> to guarantee that grid meets: forecast demand, system reliability, demand market requirements, and capacity of new generators.
24. To comply with these mandate, improvement and expansion of the transmission facilities must be done continuously.
25. In relation thereto, NGCP submitted a number of capital expenditure projects. Most of them were already approved and are now being implemented. However, the current annual revenue level is no longer sufficient to support the implementation of these projects because these projects were not considered at the time when the NGCP was granted an interim annual revenue.
26. Also, the recovery of accumulated capital expenditures and other related under-recoveries brought about by Force Majeure Events are still pending with the Honorable Commission.
27. The proposed annual revenue is necessary to support NGCP's current capital expenditure program, the immediate implementation of which is necessary to reduce, if not eliminate, the risk of under-recovery which is substantial to NGCP.
28. For these reasons, NGCP deems it fair and reasonable that due regard to its revenue requirement be immediately considered by the Honorable Commission.
29. Thus, NGCP moves for the immediate issuance of a provisional authority pursuant to Rule 14 of the ERC Rules of Practice and Procedure to allow NGCP to timely implement the proposed iMAR<sub>2020</sub>. In support of these allegations, NGCP submits a copy of the *Judicial Affidavit of Ms. Ma. Cynthia Y. Manrique*, is hereto attached as **Annex "B"**.

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<sup>10</sup> Section 9 d, EPIRA;

<sup>11</sup> Section 9, c, EPIRA;



**PRAYER**

**WHEREFORE**, NGCP most respectfully prays this Honorable Commission to:

1. Immediately issue an Order provisionally approving the collection of the iMAR<sub>2020</sub> in the amount of PhP58,846Mn effective January 2020 billing month (December 26, 2019 to January 25, 2020); and.
2. **APPROVE**, after notice and hearing, the authority to collect the iMAR<sub>2020</sub> in the amount of PhP58,846Mn.

NGCP prays for other equitable relief.

Finding the instant *Application* to be sufficient in form and substance with the required fees having been paid, the Commission hereby sets the determination of compliance with the jurisdictional requirements, expository presentations, pre-trial conference, and presentation of evidence on the following dates and venues:

<b>Date</b>	<b>Venue</b>	<b>Activity</b>
<b>12 February 2020 (Wednesday)</b> Two o'clock in the afternoon (2:00 P.M.)	<b>ERC Main Office</b> 15 <sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City	Jurisdictional and Expository Presentation for Luzon Stakeholders
<b>20 February 2020 (Thursday)</b> Nine o'clock in the morning (9:00 A.M.)	<b>ERC Visayas Area Operations Division</b> St. Mary's Drive, Banilad, Cebu City 6000	Expository Presentation for Visayas Stakeholders
<b>27 February 2020 (Thursday)</b> Nine o'clock in the morning (9:00 A.M.)	<b>ERC Mindanao Area Operations Division</b> Mintrade Bldg., Monteverde Ave. cor Sales St., Davao City 8000	Expository Presentation for Mindanao Stakeholders
<b>04 March 2020 (Wednesday)</b> Ten o'clock in the morning (10:00 A.M.)	<b>ERC Main Office</b> 15 <sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City	Pre-Trial Conference and Presentation of Evidence

<b>11 March 2020 (Wednesday)</b> Two 'o clock in the afternoon (2:00 P.M.)	<b>ERC Main Office</b> 15 <sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City	Presentation of Evidence
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Accordingly, NGCP is hereby directed to:

- 1) Cause the publication of the attached *Notice of Public Hearing* in two (2) newspapers of nationwide circulation in the Philippines at its own expense, twice (2x) within 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 hearing;
- 2) Furnish with copies of this *Order* and the attached *Notice of Public Hearing* the Offices of the Provincial Governors, the City Mayors, and the Local Government Unit (LGU) legislative bodies where NGCP principally operates, including its regional offices, for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within the affected areas of the filing of the *Application*, the reasons therefor, and of the scheduled hearings thereon, by any other means available and appropriate;
- 4) Furnish with copies of this *Order* and the attached *Notice of Public 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 at the scheduled hearings; and
- 5) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, NGCP must submit to the Commission its 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 Public Hearing* consisting of affidavits of the Editors or Business Managers of the newspapers where the said *Notice of Public Hearing* were published, and the complete issues of the said newspapers;
- 2) The evidence of actual posting of this *Order* and the attached *Notice of Public Hearing*, consisting of certifications issued to that effect, signed by the aforementioned Governors, Mayors and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by NGCP to inform the consumers within the affected areas of the filing of the *Application*, its reasons therefor, and of the scheduled hearings thereon;
- 4) The evidence of receipt of copies of this *Order* and the attached *Notice of Public 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 *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.

Applicant and all interested parties are also required to submit, at least five (5) days before the date of initial 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 therefore; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

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

Applicant must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it 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 *Application* with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

**SO ORDERED.**

Pasig City, 11 November 2019.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
*Oversight Commissioner for Legal Service*

  
LS: RSPV/ARs/GLO

COPY FURNISHED:

1. Atty. Luis Manuel U. Bugayong, Mark Anthony S. Actub, and Raycell D. Baldovino  
*Counsels for Applicant NGCP*  
Office of the General Counsel – NGCP  
NGCP Building, Quezon Avenue corner BIR Road, Diliman, Quezon City
2. National Grid Corporation of the Philippines (NGCP)  
*Applicant*  
NGCP Building, Quezon Avenue corner BIR Road, Diliman, Quezon City
3. Office of the Solicitor General (OSG)  
134 Amorsolo Street, Legaspi Village, Makati City
4. Commission on Audit (COA)  
Commonwealth Avenue, Quezon City 1121
5. Senate Committee on Energy  
GSIS Building, Roxas Boulevard, Pasay City 1307
6. House Committee on Energy  
Batasan Hills, Quezon City 1126
7. Office of the Mayor  
Quezon City
8. Office of the LGU legislative body  
Quezon City

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9. Office of the Mayor  
Cebu City
10. Office of the LGU legislative body  
Cebu City
11. Office of the Mayor  
Iligan City
12. Office of the LGU legislative body  
Iligan City
13. Office of the Governor  
Province of Cebu
14. Office of the Sangguniang Panlalawigan  
Province of Cebu
15. Office of the Governor  
Province of Lanao Del Norte
16. Office of the Sangguniang Panlalawigan  
Province of Lanao Del Norte
17. National Transmission Corporation  
Quezon Avenue corner BIR Road, Diliman, Quezon City
18. Power Sector Assets and Liabilities Management Corporation  
24<sup>th</sup> Floor, Vertis North Corporate Center 1, Astra corner Lux Drives  
Vertis North, Mindanao Avenue, Quezon City
19. Regulatory Operations Service (ROS)  
Energy Regulatory Commission  
17th Floor, Pacific Center, San Miguel Avenue, Pasig City

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

**IN THE MATTER OF THE  
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PHILIPPINES (NGCP),  
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X-----X

Promulgated:  
NOV 21 2019

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 29 October 2019, Applicant National Grid Corporation of the Philippines (NGCP) filed an *Application* dated 23 October 2019, seeking the Commission's approval of an Interim Maximum Annual Revenue (iMAR) for calendar year 2020, with prayer for the urgent issuance of provisional authority.

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1. NGCP is a corporation created and existing under the laws of the Philippines, with principal office address at NGCP Building, Quezon Avenue corner B.I.R. Road, Diliman, Quezon City. It is the concessionaire that operates and maintains the nationwide transmission system pursuant to Republic Act No. 9136, otherwise known as the "*Electric Power Industry Reform Act of 2001*" (EPIRA). It may be served with notices and other processes of this Honorable

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### **Nature of the Application**

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and

$$\text{interim MAR} = \text{iMAR}_{2016 \text{ base}} \times \left[ 1 \text{ less } \left( \frac{\text{Total 2nd RP Adjustment}}{\text{Total 3rd RP SMAR}} \right) \right]$$

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<sup>5</sup> Page 3, Order dated 19 December 2016, ERC Case No. 2015-173RC;

<sup>6</sup> Page 5, Order dated 19 December 2016, ERC Case No. 2015-173RC;



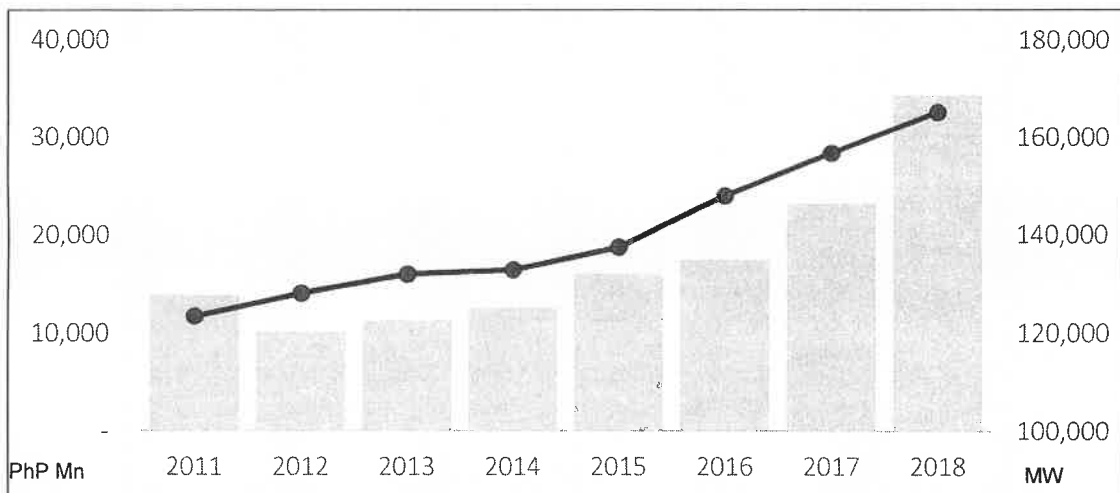
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9. In the same Order, the Honorable Commission used the following data:

MAR <sub>2016</sub> Base	PhP45,287Mn
Effective Rate 2015 x Forecast Demand 2016 <sup>7</sup>	PhP312.51/kW-mo. x PhP144,914MW
2 <sup>nd</sup> RP Adjustments	PhP7,553.77
3 <sup>rd</sup> RP SMAR	PhP228,335.35
Reduction Factor	0.033
<b>iMAR<sub>2016</sub></b>	<b>PhP43,789Mn</b>

10. The forecast demand for year 2020 is **194,746MW<sup>8</sup>** which is already about thirty-four percent (34%) higher from the demand used in the iMAR<sub>2016</sub> computation. However, despite this significant upward movement in the system demand that is being supported by the implementation of capital expenditure projects, the revenue of NGCP remains set at the Third Regulatory Period level.

**Actual CAPEX for the 3<sup>rd</sup> and 4<sup>th</sup> Regulatory Period**



PARTICULARS	2011	2012	2013	2014	2015	2016	2017	2018
Demand, MW	123,571	128,267	132,127	132,994	137,521	147,969	156,718	165,188
CAPEX, PhP Mn	13,945	10,109	11,313	12,713	16,080	17,482	23,196	34,360

	3 <sup>rd</sup> RP*	4 <sup>th</sup> RP**	Inc/(Dec)
CAPEX, PhP in Mn	64,160	75,038	16.95%

\*total for 2011 to 2015

\*\*total for 2016 to 2018

11. It cannot be gain said that as of 2018, the level of actual capital expenditures for the Fourth Regulatory Period has

<sup>7</sup> Order dated 21 January 2016 in ERC Case No. 2015-173RC;

<sup>8</sup> Annex A;

already exceeded that of the Third Regulatory Period. More importantly, the actual capital expenditures for the three-year period of 2016 to 2018 exceeded the approved Third Regulatory Period capital expenditure of Php54Bn. The above diagram illustrates the upward movement in capital expenditures from the Third Regulatory Period to the Fourth Regulatory Period alongside the movement of demand for the same period.

12. This is notwithstanding that capital expenditure projects in addition to those approved in the Third Regulatory Period Final Determination have been filed by NGCP and provisionally approved by the Honorable Commission for implementation. This includes, among others, the following:

**Projects Outside of the 3<sup>rd</sup> RP FD with ERC Approval**

<b>Project Name</b>	<b>Project Cost* in PMn</b>
Calaca-Dasmarinas 230 kV T/L	3,073.04
CNP 230 kV Backbone (Stage 1)	13,042.08
Western 500 kV Backbone (Stage -1)	3,330.10
Tuguegarao-Magapit 230 kV T/L	2,411.34
Pasay 230 kV Substation Project	13,014.80
Upgrading of Ormoc/Tongonan - Isabel 138kV T/L	678.73
Upgrading of Panitan - Nabas 138kV T/L	940.78
Mindanao Backbone 230 kV Energization	6,641.18

*\*as approved inclusive of permit fees*

13. Since these capital expenditure projects were approved in the middle of the Third Regulatory Period, these were not considered in the revenue determination for years 2011 to 2015. Consequently, the recovery of these capital expenditures did not form part of the base revenue considered in the iMAR<sub>2016</sub> calculation.
14. Importantly, some of the major projects that NGCP is implementing in the Fourth Regulatory Period are the provisionally approved Mindanao-Visayas Interconnection Project (MVIP) and the Cebu-Negros-Panay (CNP) 230kV Backbone Project (Stage 3) in support of grid interconnection. Noting their scope and complexity, these, along with other on-going projects, would require substantial funding.

**4<sup>th</sup> RP Projects with ERC Approval**

<b>Project Name</b>	<b>Project Cost* in PMn</b>
Mindanao-Visayas Interconnection Project	51,696.70
CNP 230kV Backbone Project Stage 3**	43,414.11

*\*as approved inclusive of permit fees*

*\*\* as applied with permit fee for 2017 approved disbursement*

15. Apart from the foregoing, there is an increasing demand from the local government units (LGUs) regarding the immediate implementation of the Cebu-Bohol 230kV Interconnection Project, some off-grid interconnection projects such as the Batangas-Mindoro Interconnection Project and Palawan-Mindoro Interconnection Project, and Nabas-Caticlan-Boracay Transmission Project in order to provide a more secure and reliable transmission of electricity in the afore-mentioned areas. Thus, once approved, the implementation of these projects will immediately commence considering that these have also been identified as Energy Projects of National Significance (EPNS).

**Projects for Filing/Approval**

<b>Project Name</b>	<b>Project Cost in PMn</b>
Cebu-Bohol 230kV Interconnection Project	19,793.52
Batangas-Mindoro Interconnection Project (BMIP)	10,997.99
Nabas-Caticlan-Boracay Transmission Project	4,269.30
Palawan-Mindoro Interconnection Project (Stage 1)	6,384.78

16. In view of the above, the aggregation of the total disbursements for these projects intended to expand the transmission system necessitates a supplemental revenue requirement, since the current annual level is no longer adequate to support them. With these projects, NGCP programmed to spend about PhP172Bn up to year 2020.
17. Thus, NGCP proposes to the Honorable Commission to consider an iMAR<sub>2020</sub><sup>9</sup> based on the following:

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<sup>9</sup> Figures have been rounded-off;

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18.

MAR <sub>2020</sub> Base	PhP60,861Mn
Effective Rate 2015 x Forecast Demand 2020	PhP312.51/kW-mo. x PhP194,746MW
2 <sup>nd</sup> RP Adjustments	PhP7,553.77
3 <sup>rd</sup> RP SMAR	PhP228,335.35
Reduction Factor	0.033
<b>iMAR<sub>2020</sub></b>	<b>PhP58,846Mn</b>
P/kW-mo.	302.17
P/kWh	0.5879

19. Considering that the new timeline for the regulatory reset process is still to be fixed by the Honorable Commission, the approval of an adjusted revenue is extremely necessary to address the revenue requirement gaps created by the delay in the reset process.
20. The proposed iMAR<sub>2020</sub> is designed and developed to determine fair and reasonable interim transmission rates that will serve the public interest and convenience; and signal the efficient utilization of transmission facilities that will ultimately redound to the best interest and benefit of the public.
21. The filing of the instant Application has been approved by NGCP management.

**Allegations in Support of the Application for  
Provisional Authority**

22. Applicant restates the foregoing allegations insofar as they may be applicable.
23. One of the core mandates of NGCP is to improve and expand its transmission facilities<sup>10</sup>, and to ensure and maintain the reliability, adequacy, security, stability and integrity of the nationwide electrical grid<sup>11</sup> to guarantee that grid meets: forecast demand, system reliability, demand market requirements, and capacity of new generators.
24. To comply with these mandate, improvement and expansion of the transmission facilities must be done continuously.
25. In relation thereto, NGCP submitted a number of capital expenditure projects. Most of them were already approved and are now being implemented. However, the current annual revenue level is no longer sufficient to support the implementation of these projects because these projects were not considered at the time when the NGCP was granted an interim annual revenue.

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<sup>10</sup> Section 9 d, EPIRA;

<sup>11</sup> Section 9, c, EPIRA;

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26. Also, the recovery of accumulated capital expenditures and other related under-recoveries brought about by Force Majeure Events are still pending with the Honorable Commission.
27. The proposed annual revenue is necessary to support NGCP's current capital expenditure program, the immediate implementation of which is necessary to reduce, if not eliminate, the risk of under-recovery which is substantial to NGCP.
28. For these reasons, NGCP deems it fair and reasonable that due regard to its revenue requirement be immediately considered by the Honorable Commission.
29. Thus, NGCP moves for the immediate issuance of a provisional authority pursuant to Rule 14 of the ERC Rules of Practice and Procedure to allow NGCP to timely implement the proposed iMAR<sub>2020</sub>. In support of these allegations, NGCP submits a copy of the *Judicial Affidavit of Ms. Ma. Cynthia Y. Manrique*, is hereto attached as **Annex "B"**.

**PRAYER**

**WHEREFORE**, NGCP most respectfully prays this Honorable Commission to:

1. Immediately issue an Order provisionally approving the collection of the iMAR<sub>2020</sub> in the amount of PhP58,846Mn effective January 2020 billing month (December 26, 2019 to January 25, 2020); and.
2. **APPROVE**, after notice and hearing, the authority to collect the iMAR<sub>2020</sub> in the amount of PhP58,846Mn.

NGCP prays for other equitable relief.

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentations, pre-trial conference, and presentation of evidence on the following dates and venues:

<b>Date</b>	<b>Venue</b>	<b>Activity</b>
<b>12 February 2020 (Wednesday)</b> Two o'clock in the afternoon (2:00 P.M.)	<b>ERC Main Office</b> 15 <sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City	Jurisdictional and Expository Presentation for Luzon Stakeholders

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<p><b>20 February 2020 (Thursday)</b>          Nine o'clock in the morning          (9:00 A.M.)</p>	<p><b>ERC Visayas Area Operations Division</b>          St. Mary's Drive,          Banilad,          Cebu City 6000</p>	<p>Expository          Presentation for          Visayas Stakeholders</p>
<p><b>27 February 2020 (Thursday)</b>          Nine o'clock in the morning          (9:00 A.M.)</p>	<p><b>ERC Mindanao Area Operations Division</b>          Mintrade Bldg.,          Monteverde Ave.          cor Sales St.,          Davao City 8000</p>	<p>Expository          Presentation for          Mindanao          Stakeholders</p>
<p><b>04 March 2020 (Wednesday)</b>          Ten o'clock in the morning          (10:00 A.M.)</p>	<p><b>ERC Main Office</b>          15<sup>th</sup> Floor, Pacific          Center Building,          San Miguel Avenue,          Pasig City</p>	<p>Pre-Trial Conference          and Presentation of          Evidence</p>
<p><b>11 March 2020 (Wednesday)</b>          Two o'clock in the afternoon          (2:00 P.M.)</p>	<p><b>ERC Main Office</b>          15<sup>th</sup> Floor, Pacific          Center Building,          San Miguel Avenue,          Pasig City</p>	<p>Presentation of          Evidence</p>

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name and 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.

All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rests its case, subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure. No particular

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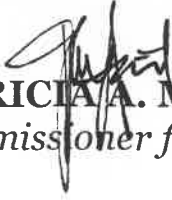

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form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name and 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 Applicant that they be furnished with the same, prior to the date of the initial hearing. Applicant is hereby directed to furnish all those making such request with copies of the *Application* and its attachments, 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.

**WITNESS**, the Honorable Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA**, and **PAUL CHRISTIAN M. CERVANTES**, Energy Regulatory Commission, this 11<sup>th</sup> day of November 2019 in Pasig City.

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
*Oversight Commissioner for Legal Service* 

  
LS: RSPV/ARG/CLO