

**NGCP'S ANCILLARY SERVICES PROCUREMENT AGREEMENT WITH
 UNIVERSAL POWER SOLUTIONS, INC. – MACO, DAVAO DE ORO
 (UPSI-MACO BESS)**

In a Notice of Resolution dated 15 August 2023, the Energy Regulatory Commission (ERC) granted a Provisional Authority on NGCP’s Ancillary Services Procurement Agreement (ASPA) with Universal Power Solutions, Inc. (UPSI), docketed as ERC Case No. 2023-079 RC, entitled *“In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines (NGCP) and Universal Power Solutions, Inc. (UPSI) (Maco BESS), with Prayer for the Issuance of Provisional Authority”*, stating that:

1. The National Grid Corporation of the Philippines (NGCP) and Universal Power Solutions, Inc. (UPSI) are **GRANTED** provisional authority to implement their Ancillary Services Procurement Agreement (ASPA) for the 20MW rated capacity Battery Energy Storage System (BESS) located in Maco, Davao de Oro, subject to the following provisional rates and conditions, and without prejudice to the ongoing evaluation of the compliance of NGCP to the Ancillary Service-Competitive Selection Process (AS-CSP), pursuant to the Department of Energy's (DOE) Department Circular No. DC2021-10-0031¹ (DOE 2021 AS-CSP Circular):

1.1 Applicable Rates:

UPSI shall charge the provisional rates (in per kW capacity per hour) for the Regulating Reserve (RR), as defined below.

The AS capacity indicated in the Schedule 1 of the ASPA is the hourly Firm capacity.

The applicable rate shall be as follows:

a. Scheduled capacity without energy dispatched

NGCP shall pay UPSI the Applicable Rate of the scheduled capacity, which should not be more than the indicated capacity for RR under Schedule 1 of the ASPA. The Applicable Rate shall be whichever is lower between the Commission’s previously approved rate for Firm AS contracts, or the Applicants’ awarded rate, as follows:

Ancillary Service	Commission’s Previously Approved Rate	Applicant’s Awarded Rate (Hourly Rate)
	Firm	Firm
Regulating Reserve (RR)	PhP2.25/kW/hr	PhP2.0800/kW/hr

¹ Department of Energy, "Prescribing the Policy for the Transparent and Efficient Procurement of Ancillary Services by the System Operator," Department Circular No. DC 2021-10-0031 (04 October 2021).

b. Scheduled capacity with energy dispatched

Based on actual dispatch, the cost of generation shall be recovered through settlement in the Wholesale Electricity Spot Market (WESM). Thus, the Incidental Energy (IE) Cost based on actual dispatch shall be calculated using the following formula:

Incidental Energy Cost Payment for RR

$$IE_{RR} = G \times (AR + VOM) - (REV_{WESM} - PMT_{WESM})$$

where AR refers to the Applicable Rate as defined in 1.1 (a) above

In the event that the IE resulted in a negative amount due to a higher net result between WESM revenue and payment, said negative amount shall be used to off-set any positive amount determined within the relevant period or to the succeeding billing month.

- 1.2 The Variable Operations and Maintenance (VOM) rate as awarded in the AS-CSP will not be subject to any indexation and adjustment and the rates as awarded for the variable fees will be used as part of the provisional rates granted to the Applicants;
- 1.3 The term of the ASPA shall be for a period of five (5) years upon the approval by the Commission, subject to Section 13 (Termination) of the ASPA; provided that, any termination of the ASPA shall be subject to the approval of the Commission. Further, any renewal thereto shall be subject to the DOE 2021 AS-CSP Circular;
- 1.4 The total dispatched capacities for RR shall not exceed the AS capacities indicated in Schedule 1 of the ASPA at any given time;
- 1.5 Applicant UPSI shall provide the AS contracted capacity at 100% at all times. In case of replacement capacity, the rate to be applied shall be the provisionally approved rate, or the actual replacement cost, whichever is lower, pursuant to the Commission's policy on replacement power; and
- 1.6 The implementation of the ASPA shall be valid and contingent on the validity of the AS Accreditation Certificate issued by NGCP and the Certificate of Compliance (COC) issued by the Commission. Provided, however, that if UPSI has already applied for an AS Accreditation with NGCP, it shall be considered compliant with the said AS Accreditation, without prejudice to the approval of NGCP thereof, and subject to the compliance of the UPSI with the pertinent DOE Circulars on AS Accreditation.
2. NGCP is **DIRECTED** to optimize the economic and technical dispatch of the available AS capacity, wherein it shall schedule a mix of hourly AS capacity, at the least cost, for a reserve needed to maintain power quality, security, reliability, and integrity of the grid.
3. The rate to be paid by NGCP as AS cost should be passed on to its customers in accordance with the approved Ancillary Services-Cost Recovery Mechanism (AS-CRM).²

In relation thereto, NGCP is **DIRECTED** to submit its monthly computation of AS rates, encompassing a comprehensive breakdown including but not limited to scheduled, dispatched, VOM, and fuel costs that it passed on to its customers, with supporting documents, on or before the 15th day of the month after the computed billing month.

² Decision ERC Case No. 2006-049 RC, 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, National Transmission Corporation (TRANSCO).

4. NGCP must ensure that the rates applied by UPSI must be in accordance with 1.1 above. In the event that the final rates are lower than those provisionally granted, the amount corresponding to the reduction shall be refunded by UPSI to NGCP and the latter shall pass it on to its customers.
5. To ensure the reliability and integrity of the grid, Applicants are **DIRECTED** to deliver the contracted capacity under their Firm AS contract arrangements. Applicants must honor their Firm AS contract arrangements, which means NGCP must **ENSURE** that the contracted capacity under the instant ASPA shall be both declared and scheduled for dispatch at the least cost manner. Further, UPSI must ensure that its contracted capacity shall be available at all times to provide the AS requirements of the grid.
6. NGCP is **DIRECTED** to prioritize the drawing of reserves from its firm AS contracts. No non-firm AS capacities shall be drawn, notwithstanding the existing or continued implementation of the said non-firm contracts, for as long as capacities under the firm contracts are available.

If NGCP should draw reserves from its non-firm AS contracts in violation of the above prioritization, NGCP shall not be allowed to recover any and all costs related to such drawing of capacities from non-firm contracts. NGCP, on its own account, shall be responsible for settling such amount from its AS provider.

7. The *Notice* is being issued due to lack of material time in promulgating the official *Order* in the above-captioned case. The formal *Order* will be issued shortly.

Ancillary Services are pass-through costs of NGCP. Nevertheless, the above ASPA rate is the result of Competitive Selection Process with the objective of providing lower AS costs for the benefit of the customers with ERC provisionally approving the arrangement.

In view of the foregoing, NGCP shall implement the billing of the provisionally approved **ASPA with UPSI effective September 2023 billing month** (August 26, 2023 to September 25, 2023) for Mindanao Customers.

Attached is a copy of the Notice of Resolution.