

**NGCP'S ANCILLARY SERVICES PROCUREMENT AGREEMENT WITH
UNIVERSAL POWER SOLUTIONS, INC. – BRGY. LAMAO, LIMAY, BATAAN
(UPSI-LAMAO BESS)**

In a Notice of Resolution dated 20 July 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. 2023-070 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) (Lamao 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 60.234 MW rated capacity Battery Energy Storage System Power Plant located in Brgy. Lamao, Limay, Bataan (Lamao BESS), subject to the following 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 Applicable Rate (in per kW capacity per hour) for the Regulating Reserve (RR) and Contingency Reserve (CR) capacity to NGCP, as under Schedule 3 of the ASPA.

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 that scheduled capacity, which should not be more than the indicated capacity of \pm 50MW for RR and 50MW for CR as indicated in the AS Certificate with the following rate:

Ancillary Service	Applicable Rate (Hourly Rate)
	Firm
Regulating Reserve (RR)	PhP2.15/kW/hr
Contingency Reserve (CR)	PhP2.40/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

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

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 bidded out in the AS-CSP will not be subject to any indexation and adjustment and the rates as bidded out for the variable fee 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. Any renewal thereto shall be subject to the DOE 2021 AS-CSP Circular;
 - 1.4 The total dispatched capacities of Regulating Reserve (RR) and Contingency Reserve (CR) shall not exceed 50MW at any given time;
 - 1.5 For the replacement of AS 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 to the said AS Accreditation, without prejudice to the approval of NGCP thereof.
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.
 4. NGCP must ensure that the rate of UPSI must be in accordance with the Applicable Rates under Schedule 3 of the ASPA. In the event that the final rates are lower than that 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.

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)*.

5. To ensure the reliability and integrity of the grid, Applicants are **DIRECTED** to deliver the contracted capacity under their Firm AS Contract arrangement. Applicants must honor its Firm AS contract arrangement, which means NGCP must **ENSURE** that the contracted capacity under the instant ASPA shall be declared and scheduled for dispatch. 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, 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 **effective August 2023 billing month** (July 26, 2023 to August 25, 2023) for Luzon Customers.

Attached is a copy of the Notice of Resolution.



Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

NOTICE OF RESOLUTION

In Re: **ERC Case No. 2023-070 RC**

In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and Universal Power Solutions, Inc. (Lamao BESS), with prayer for the issuance of provisional authority

National Grid Corporation of the Philippines (NGCP) and Universal Power Solutions, Inc. (UPSI), *Applicants*

Notice is hereby given that the Commission, after due deliberation and evaluation, in a Regular Commission Meeting held on 20 July 2023, **RESOLVED** the following matters:

1. Applicants 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 60.234MW rated capacity Battery Energy Storage System Power Plant located in Brgy. Lamao, Limay, Bataan (Lamao BESS), subject to the following 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. DC20201-10-0031¹ (DOE 2021 AS-CSP Circular) :

1.1. Applicable Rates:

UPSI shall charge the Applicable Rates (in per kW capacity per hour) for the Regulating Reserve (RR) and Contingency Reserve (CR) capacity to NGCP, as indicated under Schedule 3 of the ASPA.

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).

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

Schedule 1:

Regulating Reserve

2. LAMAO BESS: ±50MW (100MW)

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11	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
12	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Contingency Reserve

1. LAMAO BESS

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 - 1.5. For the replacement of AS 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 to the said AS Accreditation, without prejudice to the approval of NGCP thereof.
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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).

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This *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.

SO ORDERED.

Pasig City, 20 July 2023.

FOR AND BY AUTHORITY
OF THE COMMISSION:



McDimalanta
MONALISA C. DIMALANTA
Chairperson and CEO

JPM LSP
LS: JPM/LSP/MCCG

MABN NVP
ROS: MABN/NVP/LLG

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Copy Furnished:

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