

NGCP'S ANCILLARY SERVICES PROCUREMENT AGREEMENT WITH THERMA LUZON, INC.- PAGBILAO, QUEZON

In an ERC Order dated 04 October 2023, the Energy Regulatory Commission (ERC) granted a Provisional Authority on NGCP's Ancillary Services Procurement Agreement (ASPA) with Therma Luzon, Inc. (TLI), docketed as ERC Case No. 2023-049 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 Therma Luzon, Inc. (TLI), with Prayer for the Issuance of Provisional Authority"*, stating that:

The National Grid Corporation of the Philippines (NGCP) and Therma Luzon, Inc. (TLI) are **GRANTED INTERIM RELIEF** to implement their Ancillary Services Procurement Agreement (ASPA) for the 751.4MW rated capacity Pagbilao Coal-fired Thermal Power Plant (CFTPP) located in Isla Grande, Ibabang Polo, Pagbilao, Quezon, subject to the following rates and conditions, and without prejudice to the 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. Applicable Rates:

TLI shall charge the Applicable Rate (in Peso per kW capacity per hour) for the Contingency Reserve (CR) capacity to NGCP, as defined below.

The Ancillary Services (AS) capacity indicated in the Schedule 1 of the ASPA is the hourly Firm capacity.

1.1. The applicable rate shall be as follows:

a. Scheduled capacity without energy dispatched

NGCP shall pay TLI the Applicable Rate, as herein defined, for the scheduled capacities indicated in Schedule 1 of the ASPA, which should not be more than the indicated capacity of 30MW/unit for CR. The authorized rate is as follows:

Ancillary Service	Authorized Rate (Hourly Rate)
	Firm
CR	PhP1.50/kW/hr

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

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).

Incidental Energy (IE) Cost based on actual dispatch shall be calculated using the following formula:

Incidental Energy Cost Payment for CR:

$$\mathbf{IE = G \times (AR + VOM + Actual Fuel Cost) - (REV_{WESM})}$$

In the event that 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. Should the ASPA provider receive payments beyond the allowable revenues as provided herein, including as a result of WESM settlements, such amounts in excess shall be used to off-set all or part of the payables in the immediately succeeding month;
 - 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. Renewal shall not be allowed, and termination of the ASPA shall be subject to prior approval by the Commission;
 - 1.4 The total dispatched capacities of CR shall not exceed 30MW/unit, at any given time;
 - 1.5 For the replacement of AS capacity, the rate to be applied shall be the interim approved rate or the actual replacement cost, whichever is lower, pursuant to the Commission's policy on replacement power;
 - 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.
2. NGCP is **DIRECTED** to optimize 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, including receipts of fuel purchases, on or before the 15th day of the month after the computed billing month;

4. NGCP must **ENSURE** that the rates of **TLI** must be in accordance with item 1.1 above. In the event that the final rates are lower than those of the interim rate granted, the amount corresponding to the reduction shall be refunded by TLI 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 capacities under their Firm AS Contract arrangements. Applicants must

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).

honor their Firm AS contract arrangements, which means that NGCP must **ENSURE** that the contracted capacities under the instant ASPA shall be both declared and scheduled for dispatch at the least cost manner. Further, TLI must ensure that its contracted capacities shall be available at all times to provide the AS requirements of the grid; and

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 with its AS provider.

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 implemented the billing of the provisionally approved **ASPA with TLI effective April 2024 billing month** (March 26, 2024 to April 25, 2024) for Luzon Customers.

Copy of the Order may be downloaded at <http://www.erc.gov.ph/Orders>.

This Customer Bulletin was prepared by the Revenue Management Department (RevMD) of the Revenue and Regulatory Affairs (RRA). For any questions/inquiries, you may send an email to gtpena@ngcp.ph.