



**Customer Bulletin 2018-37**

**October 10, 2018**

**NOTICE OF PUBLIC HEARING FROM ENERGY REGULATORY COMMISSION (ERC) ON NGCP'S APPLICATION FOR THE APPROVAL OF THE ANCILLARY SERVICES PROCUREMENT AGREEMENT WITH SOUTHWEST LUZON POWER GENERATION CORPORATION (SLPGC).**

Relative to the Joint Application filed and docketed as ERC Case No. 2018-074 (ASPA between NGCP and SLPGC), the Commission has scheduled the conduct of hearing on the above subject, details as follows:

<b>ERC Case No. 2018-074RC</b>	<b><i>"In the Matter of Application for the Approval of the Ancillary Services Procurement Agreement between the National Grid Corporation of the Philippines and Southwest Luzon Power Generation Corporation, With Prayer for Issuance of Provisional Authority"</i></b>
<b>Date &amp; Time</b>	October 11, 2018 (Thursday) - 2:00 PM
<b>Venue</b>	Building 2 Calaca Power Complex Housing, Brgy. San Rafael, Calaca, Batangas
<b>Purpose</b>	Expository Presentation

This Customer Bulletin was prepared by the Network Access and Customer Account Services Division of the Revenue and Regulatory Affairs Department (RRAD). For any questions/inquiries, you may e-mail us at [netaccess@ngcp.ph](mailto:netaccess@ngcp.ph).



#### NATURE OF THE CASE

1. This Application is for the approval of the Ancillary Services Procurement Agreement (“ASPA”) between the NGCP and SLPGC dated 29 May 2018, 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. 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. 9511<sup>1</sup> 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. SLPGC is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines with principal place of business at Barangay San Rafael, Calaca, Batangas. It may be served with orders, notices, and other legal processes through its counsel. It is the owner and operator of the 2x25MW Modular Gas Turbine Power Plant (“Generation Facility”) located at Barangay San Rafael, Calaca, Batangas, which was certified and accredited by NGCP to be capable of providing Ancillary Services (“AS”) in the form of Regulating Reserve (“RR”), Contingency Reserve (“CR”) and Dispatchable Reserve (“DR”);

#### 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

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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 of Interconnected Transmission Lines, Substations and Related Facilities, and for other Purposes;

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 Commission, and to adequately serve generation companies, distribution utilities and suppliers requiring transmission service and/or ancillary services through the transmission system;<sup>2</sup>

5. Similarly, the PGC provides that NGCP is responsible for determining, acquiring, and dispatching the capacity needed to supply the required Grid AS and for developing and proposing Wheeling Charges and AS tariffs to the ERC;<sup>3</sup>
6. AS as defined in Section 4(b) 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 good utility practice and the Grid Code to be adopted 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 Commission approved the Ancillary Services Procurement Plan (“ASPP”) through its Order dated 9 March 2006 in ERC Case No. 2002-253 and the Ancillary Services-Cost Recovery Mechanism (“AS-CRM”) through its Decision dated 3 October 2007 in ERC Case No. 2006-049 RC;
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. Upon receipt of the intention from SLPGC to provide ancillary services, NGCP commenced negotiations with SLPGC for the execution of an ASPA;
9. NGCP agreed to procure and SLPGC agreed to supply AS in the form of: (a) RR under a firm and non-firm

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<sup>2</sup> Section 9 (d).

<sup>3</sup> Section 6.3.1.2.

arrangement; and (b) CR, and DR under a non-firm arrangement. A copy of the *Ancillary Services Procurement Agreement between NGCP and SLPGC* dated 29 May 2018 with Addendum to the ASPA dated 29 June 2018 is attached in the Application.

10. During the period of negotiation, NGCP conducted several tests on the Generation Facility, and certified that the generating units have met and complied with the Standard Ancillary Services Technical Requirements of the ASPP as capable of providing RR, CR and DR. A copy of the NGCP Accreditation Certificate No. 2017-L011 dated 1 October 2017 is also attached in the Application;

**FIRM AND NON-FIRM CONTRACTED CAPACITY RATE AND IMPACT SIMULATION**

11. Under Clause 3 of the ASPA, SLPGC shall provide NGCP with the following AS as specified in Schedule 1 of the ASPA:

**A. Firm Contracted Capacity:**

Regulating Reserve – up to 23 MW per unit  
from 0801H to 2100H for the entire  
Contract Term.

**B. Non-Firm Contracted Capacity:**

From 0001H to 0800H and from 2101H to  
2400H for the entire Contract Term, the type  
of Ancillary Services that can be nominated:  
Regulating Reserve – up to 23 MW per unit  
Contingency Reserve – up to 23 MW per unit  
Dispatchable Reserve – up to 25 MW per unit

These capacities are the maximum offer. However, for clarity, the basis for AS Provider's maximum declaration or nomination and scheduling shall be the capacities listed in its valid AS Certificates.

12. The Applicable Rates for the capacity covered by the ASPA as provided in Schedule 4 are as follows:

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<b>Ancillary Service</b>	<b>Applicable Hourly Rate</b>
Firm Regulating Reserve	PhP2.25/kW/hr
Non-firm Regulating Reserve	The nominated price in PhP/kW/hr or PhP3.00/kW/hr, whichever is lower
Non-firm Contingency Reserve	The nominated price in PhP/kW/Hr or PhP2.25/kW/Hr, whichever is lower
Non-firm Dispatchable Reserve	The nominated price in PhP/kW/hr or PhP1.25/kW/Hr, whichever is lower

13. NGCP and SLPGC submit that the rates represent a reasonable recovery of its opportunity cost in making available generation capacity to provide the procured AS.
14. The rates under ASPA was subjected to a simulation by NGCP, the results of which are as follows:

	<b>Indicative Rate Impact</b>	
	<b>P/kW-mo</b>	<b>P/kWh Equivalent</b>
<b>RR (with Pmin)</b>	6.6178	0.0127
<b>CR</b>	4.0371	0.0078
<b>DR</b>	2.7132	0.0052

15. 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.
16. The ASPA shall be effective for a period of five (5) years, to commence immediately upon the effectivity of the provisional approval ("PA"), or in the absence thereof, the final approval ("FA") of the instant Application. In the event that the PA or FA, as the case may be, does not state a particular date of effectivity, the Agreement shall be effective on the date agreed upon by the Parties.
17. Other than the ASPA, there are no other existing power supply agreements executed by SLPGC covering the capacity of the Generation Facility. Attached in the Application is the Certification dated 27 June 2018 issued by Charlie V. Robles, Plant Manager of SLPGC, attesting to such fact.
18. SLPGC, as a generation company, falls within the ambit of Sections 6 of the EPIRA. Attached in the Application are copies of relevant documents proving SLPGC's due registration as a generation company, relevant permits to

operate the Generation Facility and audited financial statements, as follows:

<b>Document</b>
Articles of Incorporation
Latest General Information Sheet filed with the Securities and Exchange Commission
Latest Audited Financial Statement
Certificates of Compliance covering the Generation Facility
SLPGC's WESM Registration in respect of the Generation Facility

While SLPGC is a co-applicant, it manifests that the instant Application shall neither modify, diminish or constitute a waiver of SLPGC's rights nor expand its obligations and responsibilities as a generation company under EPIRA.

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

19. It is a declared policy of the State to ensure the quality, reliability, security and affordability of the supply of electric power (*Section 2(b), EPIRA*). To this end, there is a need to comply with the system requirements for AS to ensure grid system security and reliability. As mentioned above, NGCP has the mandate to procure the required AS.
  
20. The current levels of available contracted AS in the Luzon Grid have not yet reached the desired levels necessary for the system security and reliability. Thus, Applicants executed the ASPA. A copy of the relevant actual data showing the required and available levels of AS in the Luzon Grid, entitled as "Luzon Regulating Reserve Availability", Luzon Contingency Reserve Availability, and Luzon Dispatchable Reserve Availability which were attached as Annexes in the instant Application.
  
21. As the demand for power in the 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. The importance of AS, from SLPGC to ensure and maintain

the reliability, adequacy, security, stability and integrity of the Luzon Grid cannot be overemphasized.

22. Applicants respectfully submit that the immediate approval of the ASPA by this Commission is a necessity to maintain the reliability, adequacy, security, stability and integrity of the Luzon Grid. In support of these allegations, NGCP submits a copy of the Judicial Affidavit of Engr. Lisaflor Bacani-Kater of the Revenue and Regulatory Affairs Department of NGCP.
23. NGCP and SLPGC prayed for the following:
  - a) Issuance of a provisional authority to implement the subject ASPA executed on 29 May 2018; and
  - b) Approval, after notice and hearing, of the subject ASPA.

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and evidentiary hearing on **11 October 2018 (Thursday) at two o'clock in the afternoon (2:00 PM) at Building 2 Calaca Power Complex Housing, Brgy. San Rafael, Calaca, Batangas.**

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 ERC 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



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before Applicants rest their case, subject to the requirements under Rule 9 of the 2006 ERC 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 and address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

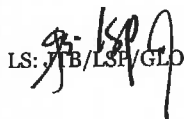
All such persons who wish to have a copy of the *Application* may request from Applicants that they be furnished with the same, prior to the date of the initial hearing. Applicants are hereby directed to furnish all those making such request with copies of the *Application* and its attachments, subject 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.

Pasig City, 11 September 2018.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**AGNES VST DEVANADERA**  
*Chairperson & CEO*

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LS: JTB/LSH/GLD

