

NGCP'S ANCILLARY SERVICES PROCUREMENT AGREEMENT (ASPA) WITH PALM CONCEPCION POWER CORPORATION (PCPC)

In an Order dated 20 September 2018 promulgated on March 4, 2019, the Energy Regulatory Commission (ERC) granted Provisional Authority on NGCP's Ancillary Services Procurement Agreement (ASPA) with Palm Concepcion Power Corporation (PCPC), docketed under ERC Case No. 2018-043 RC, entitled "In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement (ASPA) between the National Grid Corporation of the Philippines (NGCP) and Palm Concepcion Power Corporation (PCPC), subject to the following rates and conditions:

1. Applicable Rates:

PCPC shall nominate the corresponding price (in per kW capacity per hour) for the ancillary service capacity to NGCP. In the event that the said nominated capacity is scheduled for Ancillary Service (AS), the pricing shall be as follows:

a. Scheduled capacity without energy dispatched

NGCP shall pay PCPC the corresponding nominated price of that scheduled capacity. Provided, however, that the nominated price shall in no case exceed the following Fixed Fee Rate, without any minimum cost:

ANCILLARY SERVICE	APPLICABLE RATE (Maximum Hourly Rate)	
	FIRM	NON-FIRM
Contingency Reserve	PhP1.50/kW/Hr	PhP2.25/kW/Hr

b. Scheduled capacity with energy dispatched

The ASPA rate shall be recovered through settlement in the Wholesale Electricity Spot Market (WESM). Thus, in this case, the ancillary capacity is free of charges as the cost is recovered through the market.

PCPC shall be entitled to a Monthly Minimum Incidental Energy Cost based on actual dispatch and the cost of generation computed using the formula for Incidental Energy provided under Schedule 4 of the ASPA, subject to modification as previously discussed.

Further that, in the event that the revenue from WESM exceeds the calculated Monthly Minimum Incidental Energy Cost, the excess shall be used to off-set any positive amount determined within the relevant period or to the immediately succeeding billing month.

2. In the event that the final rates to be determined in the final resolution of this *Application* are higher than the granted herein, the resulting additional charges shall be collected by PCPC from NGCP and the latter shall pass it on to its customers. On the other hand, if the final rates are lower than the interim relief rate granted in this *Order*, the amount corresponding to the reduction shall be refunded by PCPC to NGCP, which shall, in turn, refund the same to its customers.
3. NGCP is hereby **DIRECTED** to:
 - a. Optimize economic and technical dispatch of the available ancillary service capacity wherein it shall schedule a mix of hourly ancillary service capacity at least cost for a reserve needed to maintain power quality, security, reliability, and integrity of the grid;
 - b. Strictly observe the approved Ancillary Services-Cost Recovery Mechanism (AS-CRM) in passing on to its customers the ancillary services cost; and
 - c. Submit its monthly computation of Ancillary Service rates that it passed on to its customers, with supporting documents, on or before the 5th day of every month.

Ancillary Services are pass-through costs of NGCP. Nevertheless, above ASPA rates are the result of negotiations by NGCP with generators 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 June 2019 billing month** (May 26, 2019 to June 25, 2019) for Visayas Customers.

Copy of the Order may be downloaded at <http://www.erc.gov.ph/IssuancesPage/3/0>.