

Customer Bulletin 2020-11

March 16, 2020

## NGCP'S ANCILLARY SERVICES PROCUREMENT AGREEMENT WITH KING ENERGY GENERATION, INC. (MISAMIS OCCIDENTAL POWER PLANT 3-JIMENEZ)

In an Order dated 17 December 2019 promulgated on 12 March 2020, the Energy Regulatory Commission (ERC) granted Provisional Authority on NGCP's Ancillary Services Procurement Agreement (ASPA) with King Energy Generation, Inc. (KEGI) docketed as ERC Case No. 2019-076 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 King Energy Generation, Inc. (Misamis Occidental Power Plant 3 – Jimenez), with prayer for provisional Authority, **subject to the following rates and conditions:**

### 1. Applicable Rates:

KEGI shall nominate the corresponding price for the ancillary service capacity to NGCP. In the event that said nominated capacity is scheduled for ancillary service (AS), the pricing shall be as follows:

#### a. Scheduled capacity without energy dispatched

NGCP shall pay KEGI the corresponding nominated price capacities scheduled but not dispatched. 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)
	NON-FIRM
Dispatchable Reserve (DR)	PhP1.25/kW/hr
Reactive Power Support (RPS)	PhP4.00/kVAR/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 Incidental Energy Cost for the DR and RPS based on actual dispatch shall be calculated using the following formula:

During Pre-WESM regime:

$$IE_{DR} = G_{DR} * (AR + VOM + \text{Actual Fuel Cost})$$

During WESM regime:

$$IE_{DR} = [G_{DR} * (AR + VOM + \text{Actual Fuel Cost})] - (REV_{WESM})$$



*In the event that the revenue from WESM exceeds the computed 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.*

*For the RPS, upon the operationalization of the WESM in Mindanao, the Compensable kVARh shall be computed and paid based on the total recorded kVARh delivered/absorbed beyond 0.85 power factor lagging or 0.9 power factor leading from the time when the dispatch of RPS was instructed, as shown below:*

$$\text{Compensable kVARh} = \text{Actual kVARh} - \text{Base kVARh}$$

*During Pre-WESM regime, the following formula for the payment of RPS shall be as follows:*

$$\text{Payment of RPS} = \text{Compensable kVARh} + \text{IE}_{\text{RPS}}$$

$$\text{IE}_{\text{RPS}} = \text{G}_{\text{RPS}} * (\text{VOM} + \text{Actual Fuel Cost})$$

*The Payment of RPS during the pre-WESM regime in Mindanao shall be recovered by NGCP from all consumers in the Mindanao grid, as discussed in item 2.5 herein.*

2. The DR capacity is up to 15.5 MW as indicated in the AS Accreditation issued by NGCP and only during Intervals 1-13 and Intervals 22-24;
3. The RPS under this contract shall be provided at all times as necessary as per declaration by the System Operator to protect the grid and avoid the occurrence of Manual Load Dropping;
4. NGCP is directed to 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;
5. The rate to be paid by NGCP as ancillary services cost should be passed on to its customers in accordance with the approved AS-CRM. Further, NGCP shall submit its monthly computation of ancillary service rates that it passed on to its customers, with supporting documents on or before the 5<sup>th</sup> day of the month after the computed billing month.
6. NGCP must ensure that the AS rates applied by KEGI should not exceed that of the approved maximum AS rates by the Commission. In the event that the final rates are lower than the provisionally granted, the amount corresponding to the reduction shall be refunded by KEGI to NGCP and the latter shall pass it on to its customers; and
7. The above rates shall be effective on the next billing cycle of NGCP from receipt of this Order.



**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 April 2020 billing month** (March 26, 2020 to April 25, 2020) for Mindanao Customers.

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

This Customer Bulletin was prepared by the Tariff Design and Billing Management Division of the Revenue and Regulatory Affairs Department (RRAD). For any questions/inquiries, you may contact telephone nos. 02-8863-7207/7208.

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