

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, Pasig City

IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF THE  
ANCILLARY SERVICES  
PROCUREMENT  
AGREEMENT BETWEEN  
THE NATIONAL GRID  
CORPORATION OF THE  
PHILIPPINES AND AP  
RENEWABLES, INC. (For  
MAKBAN B), WITH PRAYER  
FOR THE ISSUANCE OF  
PROVISIONAL AUTHORITY

ERC CASE NO. 2019-101 RC

NATIONAL GRID  
CORPORATION OF THE  
PHILIPPINES AND AP  
RENEWABLES, INC.,  
*Applicants.*

X- - - - - X

Promulgated:  
JAN 28 2020

**ORDER**

On 27 December 2019, the National Grid Corporation of the Philippines (NGCP) and AP Renewables, Inc. (APRI) filed an *Application*, seeking the Commission's approval of their Ancillary Services Procurement Agreement (ASPA) for Makban B, with prayer for the issuance of provisional authority.

The pertinent provisions of the said *Application* are hereunder quoted as follows:

**NATURE OF THE CASE**

1. This Application is for the approval of the Ancillary Services Procurement Agreement ("ASPA") between the NGCP and APRI dated 18 November 2019 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. Applicant 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 backbone 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. Applicant APRI is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines with principal office at NAC Tower, 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City. It may be served with orders, notices, and other legal processes through its undersigned counsel. It is the owner and operator of a Geothermal Power Plant ("Generation Facility") located in Calauan, Laguna Province, which was certified and accredited by NGCP to be capable of providing Ancillary Services ("AS") in the form of Reactive Power Support ("RPS").

### **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 grid in accordance with the performance standards for its operations and maintenance<sup>2</sup>, as set forth in the Philippine Grid Code ("PGC"), adopted and promulgated by the Honorable Commission, and to adequately serve generation companies, distribution utilities and suppliers requiring transmission service and/or ancillary services through the transmission system.<sup>3</sup>
5. Similarly, the PGC provides that NGCP, as System Operator, 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>4</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.

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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;

<sup>2</sup> Section 9 (c) and in relation to RA No. 9511;

<sup>3</sup> Section 9 (d);

<sup>4</sup> Section 6.3.1.2;

7. In order to implement and regulate the procurement of AS, the Honorable 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. 2006-049RC.
8. Pursuant to its mandate, NGCP on 25 June, 2 July and 9 July 2018, published in the Philippine Star and Philippine Daily Inquirer<sup>5</sup> 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 APRI to provide RPS, NGCP commenced negotiation for the execution of an ASPA.
9. NGCP agreed to procure and APRI agreed to supply RPS under a non-firm arrangement. A copy of the *Ancillary Services Procurement Agreement for AP Renewables Inc.* dated 18 November 2019 is attached as **Annex "A"**.
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 RPS. A copy of NGCP Accreditation Certificate No. 2019-LO22 dated 1 August 2019 is attached as **Annex "B."**

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

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

##### Non-Firm Contracted Capacity:

##### *Reactive Power Support (RPS)*

*Available capacity of Reactive Power outside the range of 85% lagging and 90% leading power factor, as provided in Schedule 6.*

*Note that the nomination and schedule shall be based on the latest AS Accreditation Certificate.*

12. The Applicable Rates under the ASPA as provided in Schedule 3 are as follows, to wit:

*Payments to the AS provider shall have the following components, depending on the way the RPS was scheduled and utilized by the System Operator:*

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<sup>5</sup> Recently, NGCP published Notices of Invitation on 07, 14, 21 and 28 October 2019 in the Philippine Daily Inquirer; and on 21 & 28 October, 4 & 11 November 2019 in the Manila Times.

**Payment of Cost of Incidental Energy (IE) for RPS**

$$\text{Total Payment} = \text{kVAR Payment} + \text{Energy Payment}$$

A.  $\text{kVAR Payment} = \text{Incidental kVARh Rate} \times \text{Compensable kVARh}$

*Real Time Incidental kVARh Utilization while providing energy. This shall be 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. The compensable kVARh shall be paid at:*

$$\text{Incidental kVARh Rate: PhP } 4.00 / \text{kVARh}$$

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

*Where:*

*Actual kVARh = actual reactive power provided within each interval*

*Base kVARh = corresponding kVARh at 0.85 power factor lagging or 0.9 power factor leading, for the unit's MW loading. For clarity, the MW loading is the unit's Pmin, or RTD schedule, whichever is greater.*

B.  $\text{Energy Payment}$

$$IE_{RPS} = [ G \times (\text{Fuel} + \text{O\&M}) ] - REV_{WESM}$$

*Where:*

*G = summation of energy dispatched to produce the scheduled kVAR less the energy for the BCQ*

$$\text{Fuel} = \left( 0.016 \times \left[ \frac{((0.75 \times N_m) + (0.25 \times JPU_m))}{25.6625} \right] \times FX_m \right)$$

*N<sub>m</sub> = the Newcastle index (USD/MT) published on the 25th of the calendar month; provided that if such day falls on a non-Business Day, the Newcastle index on the immediately preceding Business Day shall be used*

*JPU<sub>m</sub> = the JPU reference coal index (USD/MT) published on the 25th of the calendar month; provided that if such day falls on a non-Business Day, the JPU reference coal index on the immediately preceding Business Day shall be used*

*FX<sub>m</sub> = the average of the daily PHP/USD exchange rate for the last three calendar months prior to the Billing Period for which the Invoice is being prepared, as published in the Bangko Sentral ng Pilipinas website*

$$\text{Operation and Maintenance Rate (OM)} = \text{PhP } 0.8121/\text{kWh}$$

$$REV_{WESM} = \text{WESM Revenue attributable to the kWh dispatch for RPS}$$

13. Applicants submit that the rates represent a reasonable recovery to provide the procured AS:
14. The rates under ASPA was subjected to a simulation by NGCP, the results of which are as follows:

Ancillary Service	Indicative Rate Impact	
	PhP/kW-month	PhP/kWh equivalent
Reactive Power Support – Lagging (Makban B)	0.8170	0.0015
Reactive Power Support – Leading (Makban B)	0.0511	0.0001

A copy of the Rate Impact Simulation is attached as **Annex “C”**.

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. Attached are copies of relevant documents proving APRI’s due registration as a generation company, the Certificate of Compliance of the Generation Facility issued by the Honorable Commission, APRI’s audited financial statements, and other documents, as follows:

Document	Annex
Summary of Existing Power Supply Agreements of Aboitiz Power Renewable Inc. (APRI)	“D”
Certificate of Filing of Amended Articles of Incorporation (Company Reg. No. CS200715979)	“E”
2019 General Information Sheet	“F”
2018 Audited Financial Statements	“G”
Certificate of Compliance (COC No. 15-05-M-00008L)	“H”
WESM Registration Approval Form of APRI	“I”
APRI Acquisition Cost and Additional Investments in the Plant	“J”

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

18. 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.

19. 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 RPS Simulation for APRI MAKBAN is attached as **Annex “K”**, respectively.
20. 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 APRI to ensure and maintain the reliability, adequacy, security, stability and integrity of the Luzon Grid cannot be overemphasized.
21. Applicants respectfully submit that the immediate approval of the ASPA by this Honorable 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, which is attached as **Annex “L.”**

#### PRAYER

**WHEREFORE**, premises considered, Applicants respectfully pray that the Honorable Commission:

- a) Immediately **ISSUE** a provisional authority to implement the subject ASPA executed on 18 November 2019; and
- b) **APPROVE**, after notice and hearing, the subject ASPA.

Applicants pray for other just and equitable relief.

On 17 January 2020, APRI filed a *Motion to Set Venue for Hearing* (Motion).

In the said *Motion*, APRI prayed that the hearing be set at the ERC Main Office considering that the location of Makban B, along with other potential venues for hearing in Batangas, where the hearing is to be held, is still at risk due to the unpredictability of the possible explosion of the Taal Volcano.

Hence, in consideration of the prayer of APRI in the abovementioned *Motion*, and to likewise assure the safety of the Commission's personnel, the *Motion* of Applicant APRI is hereby GRANTED.

Thus, finding the said *Application* to be sufficient in form and substance, with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements,

expository presentation, pre-trial conference, and presentation of evidence on **12 March 2020 (Thursday) at two o'clock in the afternoon (2:00 P.M.), at the ERC Hearing Room, 15<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

Accordingly, NGCP and APRI are hereby directed to:

- 1) Cause the publication of the attached *Notice of Public Hearing* in two (2) newspapers of nationwide circulation in the Philippines at their own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing;
- 2) Furnish with copies of this *Order* and the attached *Notice of Public Hearing* the Offices of the Provincial Governors, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies where NGCP and APRI principally operate, including their regional offices, and within the affected areas, for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within the affected areas of the filing of the *Application*, the reasons therefor, and of the scheduled hearing thereon, by any other means available and appropriate;
- 4) Furnish with copies of this *Order* and the attached *Notice of Public Hearing*, the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire, to send their duly authorized representatives at the scheduled hearing; and
- 5) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, NGCP and APRI must submit to the Commission their written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached *Notice of Public Hearing* consisting of affidavits of the Editors or Business Managers of the newspapers where the said *Notice of Public*

*Hearing* was published, and the complete issues of the said newspapers;

- 2) The evidence of actual posting of this *Order* and the attached *Notice of Public Hearing*, consisting of certifications issued to that effect, signed by the Provincial Governors, Mayors and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by NGCP and APRI to inform the consumers within the affected areas of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon;
- 4) The evidence of receipt of copies of this *Order* and the attached *Notice of Public Hearing* by the OSG, the COA, and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the *Application* and its attachments by all those making requests therefor, if any; and
- 6) Such other proofs of compliance with the requirements of the Commission.

NGCP and APRI, and all interested parties are also required to submit, at least five (5) days before the date of the initial hearing and pre-trial conference, their respective Pre-trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefor; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of NGCP and APRI to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.



NGCP and APRI must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that they may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, the nature of the *Application* with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

**SO ORDERED.**

21 January 2020, Pasig City.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
Commissioner

LS: MFD/ARG/MCCG

Copy Furnished:

1. Office of the General Counsel  
Attn: Attys. Luis Manuel U. Bugayong, Mark Anthony S. Actub  
and Raycell D. Baldovino  
*Counsel for Applicant NGCP*  
NGCP Building, Quezon Avenue cor. BIR Road, Diliman, Quezon City
2. Attys. Katrina M. Platon, Paul B. Soriño  
Celeni Kristine G. Guinto, and Bettina Jean E Rayos Del Sol  
*Counsel for Co-Applicant APRI*  
16<sup>th</sup> Floor, NAC Tower  
32<sup>nd</sup> Street, Bonifacio Global City, Taguig City
3. National Grid Corporation of the Philippines (NGCP)  
*Applicant*  
NGCP Building, Quezon Avenue cor. BIR Road, Diliman, Quezon City
4. AP Renewables, Inc. (APRI)  
*Co-Applicant*  
NAC Tower, 32<sup>nd</sup> Street, Bonifacio Global City,  
Taguig City
5. Office of the Solicitor General (OSG)  
134 Amorsolo Street, Legaspi Village, Makati City
6. Commission on Audit (COA)  
Commonwealth Avenue, Quezon City 1121
7. Senate Committee on Energy  
GSIS Building, Roxas Boulevard, Pasay City 1307

- 8. House Committee on Energy  
Batasan Hills, Quezon City 1126
- 9. Office of the Mayor  
Quezon City
- 10. Office of the Sangguniang Panlungsod  
Quezon City
- 11. Office of the Mayor  
Taguig City
- 12. Office of the Sangguniang Panlungsod  
Taguig City
- 13. Office of the Mayor  
Calaunan, Laguna
- 14. Office of the Sangguniang Bayan  
Calaunan, Laguna
- 15. Office of the Governor  
Province of Laguna
- 16. Office of the Sangguniang Panlalawigan  
Province of Laguna
- 17. Regulatory Operations Service (ROS)  
17/F, Energy Regulatory Commission, Pacific Center Bldg.,  
San Miguel Ave., Ortigas Center, Pasig City

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, Pasig City

**IN THE MATTER OF THE  
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RENEWABLES, INC.,  
*Applicants.***

Promulgated:  
**JAN 28 2020**

**X-----X**

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 27 December 2019, the National Grid Corporation of the Philippines (NGCP) and AP Renewables, Inc. (APRI) filed an *Application*, seeking the Commission's approval of their Ancillary Services Procurement Agreement (ASPA) for Makban B, with prayer for the issuance of provisional authority.

The pertinent provisions of the said *Application* are hereunder quoted as follows:

**NATURE OF THE CASE**

1. This Application is for the approval of the Ancillary Services Procurement Agreement ("ASPA") between the NGCP and APRI dated 18 November 2019 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. Applicant 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. Applicant APRI is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines with principal office at NAC Tower, 32<sup>nd</sup> Street, Bonifacio Global City, Taguig City. It may be served with orders, notices, and other legal processes through its undersigned counsel. It is the owner and operator of a Geothermal Power Plant (“Generation Facility”) located in Calauan, Laguna Province, which was certified and accredited by NGCP to be capable of providing Ancillary Services (“AS”) in the form of Reactive Power Support (“RPS”).

#### **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 grid in accordance with the performance standards for its operations and maintenance<sup>2</sup>, as set forth in the Philippine Grid Code (“PGC”), adopted and promulgated by the Honorable Commission, and to adequately serve generation companies, distribution utilities and suppliers requiring transmission service and/or ancillary services through the transmission system.<sup>3</sup>
5. Similarly, the PGC provides that NGCP, as System Operator, 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>4</sup>

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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;

<sup>2</sup> Section 9 (c) and in relation to RA No. 9511;

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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 Honorable 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. 2006-049RC.
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9. NGCP agreed to procure and APRI agreed to supply RPS under a non-firm arrangement. A copy of the *Ancillary Services Procurement Agreement for AP Renewables Inc.* dated 18 November 2019 is attached as **Annex “A”**.
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 RPS. A copy of NGCP Accreditation Certificate No. 2019-L022 dated 1 August 2019 is attached as **Annex “B.”**

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

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

*Non-Firm Contracted Capacity:*

*Reactive Power Support (RPS).*

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<sup>5</sup> Recently, NGCP published Notices of Invitation on 07, 14, 21 and 28 October 2019 in the Philippine Daily Inquirer; and on 21 & 28 October, 4 & 11 November 2019 in the Manila Times.

*Available capacity of Reactive Power outside the range of 85% lagging and 90% leading power factor, as provided in Schedule 6.*

*Note that the nomination and schedule shall be based on the latest AS Accreditation Certificate.*

12. The Applicable Rates under the ASPA as provided in Schedule 3 are as follows, to wit:

*Payments to the AS provider shall have the following components, depending on the way the RPS was scheduled and utilized by the System Operator:*

***Payment of Cost of Incidental Energy (IE) for RPS***

*Total Payment = kVAR Payment + Energy Payment*

- A. *kVAR Payment = Incidental kVARh Rate x Compensable kVARh*

*Real Time Incidental kVARh Utilization while providing energy. This shall be 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. The compensable kVARh shall be paid at:*

*Incidental kVARh Rate: Php 4.00 / kVARh*

*Compensable kVARh = Actual kVARh – Base kVARh*

*Where:*

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*$IE_{RPS} = [ G \times (Fuel + O\&M) ] - REV_{WESM}$*

*Where:*

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*$Fuel = \left( 0.016 \times \left[ \frac{((0.75 \times N_m) + (0.25 \times JPU_m))}{25.6625} \right] \times FX_m \right)$*

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*Operation and Maintenance Rate (OM) = PhP 0.8121/kWh*

*REV<sub>WESM</sub> = WESM Revenue attributable to the kWh dispatch for RPS*

13. Applicants submit that the rates represent a reasonable recovery to provide the procured AS:
14. The rates under ASPA was subjected to a simulation by NGCP, the results of which are as follows:

Ancillary Service	Indicative Rate Impact	
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A copy of the Rate Impact Simulation is attached as **Annex “C”**.

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

18. 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.
19. 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 RPS Simulation for APRI MAKBAN is attached as **Annex “K”**, respectively.
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21. Applicants respectfully submit that the immediate approval of the ASPA by this Honorable 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, which is attached as **Annex “L.”**

**PRAYER**

**WHEREFORE**, premises considered, Applicants respectfully pray that the Honorable Commission:

- a) Immediately **ISSUE** a provisional authority to implement the subject ASPA executed on 18 November 2019; and
- b) **APPROVE**, after notice and hearing, the subject ASPA.

Applicants pray for other just and equitable relief.



On 17 January 2020, APRI filed a *Motion to Set Venue for Hearing* (Motion), praying that the hearing be set at the ERC Main Office considering that the location of Makban B, along with other potential venues for hearing in Batangas, where the hearing is to be held, is still at risk due to the unpredictability of the possible explosion of the Taal Volcano.

The Commission granted the said *Motion* pursuant to the *Order* dated 21 January 2020.

Likewise, the Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on **12 March 2020 (Thursday) at two o'clock in the afternoon (2:00 P.M.), at ERC Hearing Room, 15<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

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 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 before Applicants rest their case, subject to the requirements under Rule 9 of the 2006 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.

**WITNESS**, the Honorable Chairperson and CEO **AGNES VST DEVANADERA** and the Honorable Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA** and **PAUL CHRISTIAN M. CERVANTES**, Energy Regulatory Commission, this 21<sup>st</sup> day of January 2020 in Pasig City.

  
**JOSEFINA PATRICIA A. MAGPALE- ASIRIT**  
Commissioner 

   
LS: MFD/ARG/MCCG