

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

IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE ANCILLARY SERVICES PROCUREMENT AGREEMENT BETWEEN THE NATIONAL GRID CORPORATION OF THE PHILIPPINES & POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION (PULANGI IV HYDROELECTRIC POWER PLANT), WITH PRAYER FOR THE ISSUANCE OF PROVISIONAL AUTHORITY,

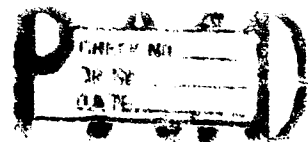
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OFFICE OF THE SECRETARY  
ENERGY REGULATORY COMMISSION  
SAN MIGUEL AVENUE, ORTIGAS CENTER  
PASIG CITY

ERC Case No. 2019-067 RC

NATIONAL GRID CORPORATION OF THE PHILIPPINES & POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION,

*Applicants.*

X-----X



**APPLICATION**

(With Prayer for the Immediate Issuance of a Provisional Authority)

Applicants **NATIONAL GRID CORPORATION OF THE PHILIPPINES** (NGCP) and **POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION** (PSALM), by counsel, respectfully state:

**NATURE OF THE CASE**

1. This Application is for the approval of the Ancillary Services Procurement Agreement ("ASPA") for Pulangi IV Hydroelectric Power Plant (Pulangi IV HEPP) between the NGCP and PSALM dated 11 September 2018, pursuant to the Decision dated 3 October 2007 in ERC Case No. 2006-049RC, entitled: "In the Matter

PSALM

06C-19-09-1080

*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 PSALM is a government owned and controlled corporation created by virtue of R.A. No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), with principal office address at 24<sup>th</sup> Floor Vertis North Corporate Center 1, Astra corner Lux Drives, Vertis North, North Avenue, 1105 Quezon City Philippines. It may be served with orders, notices, and other legal processes through its undersigned counsel.

4. PSALM owns the 255 MW capacity Pulangi IV HEPP located in Kiuntod, Camp I, Maramag, Bukidnon capable of providing Regulatory Reserve (RR), Contingency Reserve (CR), Dispatchable Reserve (DR), Reactive Power Support (RPS) and Black Start Service (BSS).

## **ANTECEDENT FACTS**

5. The EPIRA 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, 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>2</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 (d).

6. 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>

7. Ancillary Services 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.”* To ensure reliability, adequacy and stability of electricity supply in the Mindanao grid, NGCP has to acquire and dispatch the AS capacity needed by the grid.

8. 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 AS-CRM through its Decision dated 3 October 2007 in ERC Case No. 2006-049 RC.

9. 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.

10. Due to the necessity of provision of AS, NGCP informed PSALM of its intention to enter into ASPAs with PSALM under new rates, terms and conditions. Accordingly, ASPA negotiations between the NGCP and PSALM commenced.

11. On 11 September 2018, the parties signed the ASPA covering Pulangi IV HEPP. NGCP agreed to procure and PSALM agreed to provide AS in the forms of RR, CR, Dispatchable Reserve (DR), RPS and BSS under non-firm arrangements<sup>4</sup> for a period of five (5) years, subject to termination upon privatization of Pulangi IV HEPP according to Clause 13.3 of the ASPA.

A copy of the ASPA between NGCP and PSALM for Pulangi IV HEPP dated 11 September 2018 with the Addendum on Schedules 1 and 4 dated 15 April 2019, is hereto attached as **Annex “A”**.

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<sup>3</sup> GO 6.3.1.2.

<sup>4</sup> Non-firm arrangement under this ASPA provides for the AS Provider an option whether or not to nominate its capacity for AS, such that in case of nomination, SO may schedule the nominated capacity as needed.

12. During the period of negotiation, NGCP conducted several tests on Pulangi IV HEPP and certified that its units are capable of providing AS, having met and complied with the Standard Ancillary Services Technical Requirements of the ASPP. The copy of the Accreditation Certificate with AC No. 2018-M009 issued on 26 September 2018 is attached as **Annex "B"**. The Pulangi IV HEPP will undergo testing for the accreditation of their DR capability. All nominations of PSALM shall only be in accordance with the certified ancillary services and capacities based on the latest accreditation certificates.

### **CONTRACTED CAPACITY RATES AND THEIR IMPACT**

13. Schedule 1 of the ASPA provides the following types of AS that can be nominated by PSALM for Pulangi IV HEPP:

- 1. Regulating Reserve (Secondary Reserve): up to 65MW per unit;*
- 2. Contingency Reserve (Primary Reserve): up to 30MW per unit;*
- 3. Dispatchable Reserve (Tertiary Reserve): up to 30MW per unit;*
- 4. Reactive Power Support (RPS): per occurrence;*
- 5. Black Start Service (BSS): per occurrence."*

It will be noted above that the capacities represent the maximum ancillary service capacity that can be provided by each generating unit of Pulangi IV HEPP. For clarity, however, considering that Accreditation Certificates are renewed and issued annually, the basis for AS Provider's nomination and scheduling shall be the capacities listed in the AS Certificates.

14. Below are the Applicable Rates for the capacity covered by the ASPA, as provided in Schedule 4 thereof:

*"Non-Firm Contracted Capacity:*

- 1. Regulating Reserve (Secondary Reserve): Hourly Maximum Rate of PhP3.00/kW/h;*
- 2. Contingency Reserve (Primary Reserve): Hourly Maximum Rate of PhP2.25/kW/h;*
- 3. Dispatchable Reserve (Tertiary Reserve): Hourly Maximum Rate of PhP1.25/kW/h; and*
- 4. Reactive Power Support Service: Hourly Maximum Rate of PhP4.00/kVar/hr"*
- 5. Black Start Services: PhP0.8855/kWh + Variable Costs*

15. Applicants submit that the rates represent a reasonable recovery of PSALM's opportunity cost in making available generation capacity in providing the procured AS.

16. As agreed in the new ASPA, AS cost shall be calculated using the following formula:

$$\text{AS Cost} = \text{AR} \times \sum_{j=1}^n \sum_{i=1}^{\text{intervals}} \text{Capacity}_{ij}$$

**Where:**

**AR** = Applicable Rate per AS Type  
**Capacity<sub>ij</sub>** = scheduled capacity, for trading interval i and day j.  
**n** = the number of days in the billing month.

17. In accordance with the proposed rates and formula, below are the results of the rate impact simulation in the provision of the AS of Pulangi IV HEPP:

	Based on New AS Rates	
AS Type	PhP/kW-month	PhP/kWh equivalent
RR	75.0395	0.1742
CR	25.9775	0.0603
DR	14.4319	0.0335
RPS	5.2719	0.0122
BSS	0.1196	0.0003

A copy of the Rate Impact Simulation for Pulangi IV HEPP with a brief discussion on the methodology in deriving the impact of the proposed ancillary services rates is attached as **Annex "C"**.

18. 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 from Pulangi IV HEPP shall be recovered from all the load customers in the Mindanao Grid.

19. PSALM falls within the ambit of Section 6 of the EPIRA<sup>5</sup>, based on the attached copies of PSALM's registration as a generation company, relevant permits to operate the Generation Facility, and audited financial statements, as follows:

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<sup>5</sup> Generation Sector

Document	Annex
Certificate of Compliance	D
PSALM Bilateral Customers Allocation per Plant for 2019 and supporting document	E
Government Corporation Information Sheet	F
Annual Audit Report (For the Year Ended December 31, 2018)	G
PEMC Membership Registration Update	H

20. While PSALM is a co-applicant, it manifests that the instant Application shall neither modify, diminish or constitute a waiver of PSALM's rights nor expand its obligations and responsibilities as a generation company under EPIRA.<sup>6</sup>

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

21. In line with the declared policy of the State to ensure the quality, reliability, and security of the supply of electric power<sup>7</sup>, there is a need for NGCP to procure AS from Pulangi IV HEPP to comply with the system requirements for AS.

22. The current levels of available contracted AS in the Mindanao Grid have not yet reached the desired levels necessary for the system security and reliability. To address these risks, the subject ASPA covering Pulangi IV HEPP should immediately be implemented through a provisional approval. A copy of the relevant actual data showing the required and available levels of AS in the Mindanao Grid, entitled: *Mindanao Ancillary Services Availability (Average MW)* is attached as **Annex "I"**.

23. As the demand for power in the Mindanao grid 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, and encourage investments and growth. The importance of AS from PSALM to ensure and maintain the reliability, adequacy, security, stability and integrity of the Mindanao Grid cannot be overemphasized.

24. Applicants respectfully submit that the immediate approval of the ASPA by this Honorable Commission is a necessity

<sup>6</sup> Further, this application is without prejudice to and shall not constitute a waiver of any of PSALM's rights, defenses, claims etc. against NGCP in any pending or future arbitration and/or litigation between PSALM and NGCP. All rights and remedies of PSALM are hereby reserved.

<sup>7</sup> RA No. 9136 (EPIRA), Section 2. Declaration of Policy. It is hereby declared the policy of the state: "xxx (b) To ensure the quality, reliability, security and affordability of the supply of electric power xxx"

in order to achieve reliability, security, adequacy and stability of electricity supply in the Mindanao 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 "J"**.

### PRAYER

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

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

Applicants pray for other just and equitable relief under the premises.

Quezon City and Quezon City for Pasig City, 6 August 2019.

OFFICE OF THE GENERAL COUNSEL  
**NATIONAL GRID CORPORATION OF THE PHILIPPINES**  
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Tel. No. 981-2100 (Trunk Line)

By:

  
**LUIS MANUEL U. BUGAYONG**

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-AND-

OFFICE OF THE GENERAL COUNSEL  
**POWER SECTOR ASSETS AND LIABILITIES  
MANAGEMENT CORPORATION**

24<sup>th</sup> Floor Vertis North Corporate Center 1, Astra corner Lux Drives,  
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By:



**JULIUS M. LOTILLA**  
*General Counsel*

*Office of the General Counsel*  
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Roll of Attorney No. 47461



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*Corporate Legal Counsel*

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MCLE Compliance No. VI- (1-1-19)  
Roll of Attorney No. 52686



**GRACIELA MONA LUMANG-GUTIERREZ**  
*Corporate Attorney*

IBP No.064495 (01-08-2019, Nueva Ecija)  
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Roll of Attorney No. 42822



**PATERNO S. AQUINO, JR.**  
*Corporate Attorney*

IBP Lifetime No.016963  
MCLE Compliance No. VI-0004732 (12-08-2017)  
Roll of Attorney No. 68011

Courtesy copy:

**NATIONAL TRANSMISSION CORPORATION**

c/o Office of the General Counsel  
Quezon City corner BIR Road  
Diliman, Quezon City

**NATIONAL TRANSMISSION CORPORATION**

c/o Office of the President  
Quezon Avenue corner BIR Road  
Diliman, Quezon City

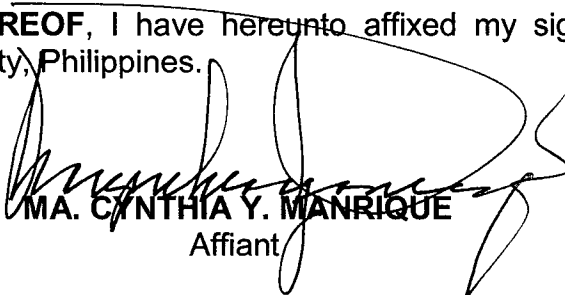
REPUBLIC OF THE PHILIPPINES)  
QUEZON CITY ) S.S.

**VERIFICATION AND  
CERTIFICATION OF NON-FORUM SHOPPING**

I, **MA. CYNTHIA Y. MANRIQUE**, Filipino, of legal age, single, with office address at 2nd Floor, NGCP Building Quezon Avenue, cor. BIR Road Diliman, Quezon City, after having been duly sworn to in accordance with law, hereby depose and say that:

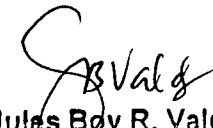
1. I am presently the Vice President and Head of the Revenue Regulatory Affairs of the National Grid Corporation of the Philippines (NGCP);
2. I am duly authorized to sign the Verification and Certification of Non-Forum Shopping in this case for and in behalf of NGCP as evidenced by the Secretary's Certificate hereto attached as **Annex "A-Verification;"**
3. I have caused the preparation of the foregoing Application and I have read it. I attest that the allegations therein are true and correct of my personal knowledge and based on authentic records;
4. I further attest that NGCP has not filed any similar case or action before any court, tribunal or quasi-judicial agency involving the ASPA subject of this case and, to the best of my knowledge, no such other case or action is pending therein; and
5. If I should thereafter learn that a similar case, action or claim other than those mentioned above, is filed or pending before any court, tribunal or quasi-judicial agency, I shall report that fact to this Honorable Office within five (5) days therefrom;

**IN WITNESS WHEREOF**, I have hereunto affixed my signature this 6 August 2019, in Quezon City, Philippines.

  
**MA. CYNTHIA Y. MANRIQUE**  
Affiant

SUBSCRIBED AND SWORN to before me this 6 August 2019, in Quezon City, affiant exhibited to me her Philippine Driver's Lic. No X01-91014806 valid until 13 June 2022 issued by the LTO-QC.

Doc. No. 399 ;  
Page No. 81 ;  
Book No. IV ;  
Series of 2019.

  
**Atty. Jules Boy R. Valdez, CPA**  
Notarial Commission No. 063 / 31 December 2019  
PTR No. 7324896 / 01-04-2019 / Quezon City  
Roll of Attorneys No. 63350  
IBP Life Member Roll No. 012816 / Quezon City  
MCLE Compliance No. VI-0012045 / 07-09-2018  
3<sup>rd</sup> floor, NGCP Bldg. Quezon Ave cor BIR road, QC

REPUBLIC OF THE PHILIPPINES)  
CITY OF QUEZON ) S.S.

**SECRETARY'S CERTIFICATE**

I, **KAREN S. ONG**, of legal age, Filipino, and with office address at Power Center, Quezon Avenue corner BIR Road, Diliman, Quezon City, Metro Manila, after having been duly sworn in accordance with law, hereby certify that:

1. I am the Corporate Secretary of NATIONAL GRID CORPORATION OF THE PHILIPPINES (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with office address at Power Center, Quezon Avenue corner BIR Road, Diliman, Quezon City, Metro Manila;

2. At the meeting of the NGCP Board of Directors held on 11 June 2013, at which meeting a quorum was present, the following resolution was unanimously approved and adopted:

**"NOW THEREFORE, BE IT RESOLVED, AS IT IS HEREBY RESOLVED**, that the request for authority is hereby approved and adopted for the President & CEO, Chief Administrative Officer, Chief Finance Officer (for finance-related cases), General Counsel, Revenue And Regulatory Affairs Department Head, Engineering Construction Department Head and concerned Project Division Heads, or their appointed and designated officers of NGCP to:

(i) Represent NGCP in any claim, complaint, petition, application, protest, suit, or any case for or against NGCP before any judicial court, prosecutor's office, regulatory body, quasi-judicial or administrative body, agency or office of the government;

(ii) Execute, sign and obtain any document, including verification and certification of non-forum shopping or any other document which may be required or in connection with the preceding paragraph;

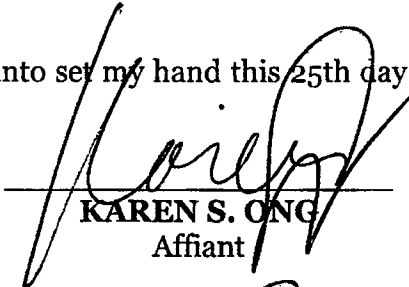
(iii) Appoint, name or designate a representative of NGCP during inquest, preliminary investigation, preliminary conference, pre-trial, mediation, conciliation, arbitration, trial, execution, and all proceeding or action; and

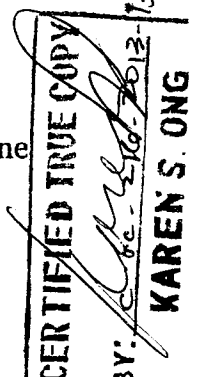
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BY: *[Signature]* - 11 June 2013 - 13  
**KAREN S. ONG**  
CORPORATE SECRETARY

*[Handwritten mark]*

(iv) Do and perform on behalf of NGCP any act and deed necessary to be done in the premises; \*

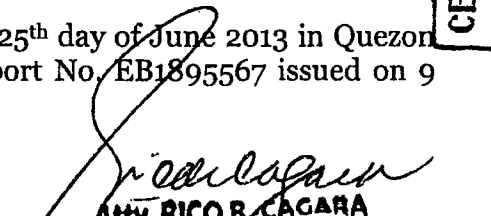
IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of June 2013 in Quezon City, Metro Manila.

  
KAREN S. ONG  
Affiant

CERTIFIED TRUE COPY  
BY:  2013-13  
KAREN S. ONG

SUBSCRIBED AND SWORN TO before me this 25<sup>th</sup> day of June 2013 in Quezon City, Metro Manila, affiant exhibiting to me her Passport No. EB1895567 issued on 9 February 2011 in Manila.

Doc. No. 372;  
Page No. 74;  
Book No. 16;  
Series of 2013.

  
Atty. RICO R. CAGARA  
Notary Public, Appointment No. 071  
Commission until 31 December 2013  
PTR No. 7589012; 01-03-13; Quezon City  
IBP Lifetime No. 08600; Bulacan  
Roll of Attorney's No. 53664  
MCLE Compliance No. IV-0006563; 7.04.12  
Unit 305, J. Rosa Condominium  
44 Matimtiman St., Teacher's Village East  
Diliman, Quezon City

Republic of the Philippines  
Quezon City ) S.S.

**VERIFICATION AND CERTIFICATION**

I, **IRENE JOY BESIDO - GARCIA**, of legal age, married, with office address at the Power Sector Assets and Liabilities Management (PSALM) Corporation, 24<sup>th</sup> Floor Vertis North Corporate Center 1, Astra corner Lux Drives, Vertis North, North Avenue, 1105 Quezon City, after having been duly sworn to in accordance with law, do hereby depose and state for myself and for PSALM, that:


- (1) I am the President and Chief Executive Officer of the Power Sector Assets and Liabilities Management (PSALM) Corporation;
- (2) I am duly authorized to commence, initiate, sign and file the foregoing Application before the Energy Regulatory Commission entitled, "***In the Matter of the for Approval of the Ancillary Services Procurement Agreement between the National Grid Corporation of the Philippines and Power Sector Assets and Liabilities Management Corporation, (Pulangi IV) with Prayer for the Issuance of Provisional Authority***" (referred herein as the **Application**) and to verify and certify under oath the said application pursuant to PSALM Board Resolution No. 2018-0404-07 dated 04 April 2018;
- (2) I have caused the preparation of the foregoing application and I have read it and the allegations therein are true and correct based on my personal knowledge and based on the authentic records available to PSALM Corp.;
- (3) I or PSALM Corp. have not commenced any other action or proceeding involving the same issues in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency and, to the best of my knowledge, no such other action or claim is pending therein; and
- (4) If I or PSALM Corp. should hereinafter learn that the same or a similar action or claim has been filed or is pending in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency, I shall report the said fact within five (5) days from discovery thereof to the Honorable Commission.

**AUG 06 2019** August 2019, Quezon City, Philippines.

  
**IRENE JOY BESIDO - GARCIA**  
Affiant  
**AUG 06 2019**

**SUBSCRIBED and SWORN TO** before me this \_\_\_\_\_ day of August 2019, with affiant **IRENE JOY BESIDO - GARCIA** presenting to me her Philippine Passport I.D. No. P0087701B, issued at DFA Manila valid until 02 January 2029, known to me and to me known to be the same person who executed the foregoing Verification and Certification.

Doc. No. 20;  
Page No. 7;  
Book No. 1xxx;  
Series of 2019

**NOTARY PUBLIC**  
  
**ATTY. TOMAS B. BAGA, JR.**  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2019  
ADM. NO. NP-013 (2018-2019)  
ATTYS. ROLL NO. 13003  
IBP NO. 058254, 01/03/19  
PTR NO. 8827969 / 1-3-19 N. COT.  
MCLE NO. IV-0026098  
RGH BLDG. TIMOG COR. PANAY AVE. QC