



# Committee Daily Bulletin

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## DISCUSSION WITH AGENCIES/ENTITIES

COMMITTEE	SUBJECT MATTER	DISCUSSIONS
Energy	<p>Discussion with concerned government agencies and a private entity on the power supply and demand situation and the cause of the rotational brownouts</p> <ul style="list-style-type: none"><li>Department of Energy (DOE)</li></ul>	<p>The Committee, chaired by Rep. Juan Miguel Macapagal Arroyo (2<sup>nd</sup> District, Pampanga), discussed with concerned government agencies and a private entity the power supply and demand situation in the country and the cause of the rotational brownouts in Luzon.</p> <p>Rep. Arroyo and Committee Vice Chairman Rep. Presley de Jesus (Party-List, PHILRECA) co-presided over the meeting.</p> <p>Rep. De Jesus said the Committee would like to be informed about the measures that the energy-related agencies have done so far to resolve the planned and unplanned outages that caused rotational brownouts in some parts of the country, particularly in Luzon. The Committee conducted a meeting more than a month ago to look into the power supply and demand situation in the country following the rotational brownouts that happened in the end of May to first week of June.</p> <p>DOE Undersecretary William Felix Fuentebella stated that the DOE has undertaken various measures to increase the country's installed and dependable capacities in order to ensure sufficient and secure power supply to meet the growing energy demand in the country.</p> <p>He reported that the country's total installed capacity (maximum amount of electricity that power plants can produce) increased by 22%, from 21,423 megawatts (MW) in 2016 to 26,286 MW in 2020, with coal-fired power plants accounting for the highest share at 41.7%. He added that the dependable capacity (capacity that can be relied upon) also increased by 22.6%, from 19,097 MW in 2016 to 23,410 MW in 2020, also with coal power plants having the highest share at 43.8%. For Luzon alone, Fuentebella said the installed and dependable capacities in 2020 were 17,840 MW and 16,010 MW, respectively.</p> <p>Moving forward, Fuentebella discussed the Luzon power outlook for the remaining months of 2021 and for year 2022. He said that there is a scheduled turnaround activity or shutdown in the operations of the Malampaya Gas Field in October which will affect the gas supply of the five natural gas-fired power plants in Luzon. This means these power plants, with a combined installed capacity of almost 3,500 MW, will need to use alternative fuels to continue their operations. Also, this may entail an increase in the generation cost due to the higher fuel price of diesel over natural gas.</p> <p>For 2022, Fuentebella said that based on the simulation done by the National Grid Corporation of the Philippines (NGCP), the energy supply in Luzon grid is sufficient for the entire election period. He added that the DOE and NGCP have already coordinated with the power plants to avoid scheduling their maintenance in the months of April, May, and June 2022 to ensure that no brownouts will occur during the election period.</p> <p>Energy Secretary Alfonso Cusi said that under the government's concession agreement with the privately-owned</p>

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- Energy Regulatory Commission (ERC)

- National Grid Corporation of the Philippines (NGCP)

system grid operator NGCP, the latter has to contract ancillary services (AS) on a “firm” basis. Likewise in DOE Department Order No. 2019-12-0018, the NGCP should procure AS through firm contracts to ensure that the contracted power will be supplied by power generation companies whenever needed by the system. On the other hand, in non-firm basis, the AS providers are not bound to provide power according to NGCP’s requirements, which compromises the reliability of the grid.

The DOE and the Energy Regulatory Commission (ERC) issued their respective policies requiring the NGCP to convert their non-firm AS contracts to firm AS contracts. However, Cusi said that the NGCP has not yet complied with these directives. He stressed that the rotational brownouts that occurred in May and June could have been avoided if enough power reserves or AS reserves were contracted by the NGCP.

Under the Electric Power Industry Reform Act of 2001 (EPIRA), ancillary services are “services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the transmission subsystem in accordance with good utility practice and the Grid Code.”

ERC Chairperson Agnes Devanadera reported that the ERC has already directed the NGCP to convert its non-firm AS contracts into firm contracts. She said that pursuant to the advisory of the DOE on the conversion of current non-firm AS contracts, ERC called the attention of the NGCP and the power generation companies (gencos) for them to comply. Devanadera added that based on the series of meetings among the ERC, DOE, and NGCP, it was confirmed that negotiations between NGCP and gencos are in process.

Devanadera mentioned that among the initiatives of the ERC to address the outages are the following:

- Limiting the allowable outages in power supply agreements;
- Requiring replacement power provisions in power supply agreements;
- Coordinating with the Philippine Chamber of Commerce and Industry (PCCI) to encourage more participants in the Interruptible Load Program (ILP);
- Issuing provisional authority to operate for all generation units that are critical for supply security even if they lack certain requirements; and
- Streamlining the application process for availment of net metering.

Rep. Godofredo Guya (Party-List, RECOBODA) supported the initiative of the ERC to strengthen the ILP and suggested that more participants be encouraged to avail themselves of the program especially during peak season when power demand is at its highest.

The ILP is a program adopted by the ERC as early as 2010. Under this program, customers enter into an agreement with their distribution utilities to voluntarily de-load or disconnect from the power grid for a limited period whenever the power supply is constricted. (*Source: ERC website*)

NGCP Head of Systems and Standards Division and Technical Services Department Erwill Bugaoisan explained what transpired on May 31 and June 1, which resulted in rotational brownouts in certain parts of Luzon.

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He said that in the latter part of May 2021 towards the first week of June, power demand in Luzon grid was at its peak. During this time, there were also forced outages of big power plants which aggravated the power supply situation in Luzon. To address the looming supply problem, the GN Power Dinginin was dispatched and included in the available capacity. The GN Power Dinginin, which was still in the process of testing and commissioning, could supply 668 MW of power. However on May 29, this power plant also had an emergency shutdown.

Bugaoisan said that on May 31 the Luzon grid was on yellow and red alerts due to insufficient operating margin brought about by the shutdown of GN Power Dinginin and the forced outages of other power plants also on that day. On June 1, Bugaoisan said the situation worsened with the emergency shutdown of the GN Power Mariveles 2 due to boiler tube leak, which further reduced the total available capacity in the Luzon grid.

As explained by Fuentebella, if the excess capacity drops below the contingency reserve in the system, which is equivalent to 647 MW in the case of Luzon, the grid will be under a yellow alert status. But, he added, no rotating brownout will happen at that point. Once the excess capacity falls below the regulating reserve, which is equivalent to 4% of the system demand, the grid will be under a red alert status. This means that the contingency reserve has been depleted or down to zero; and the occurrence of rotational brownout is possible. An excess capacity, according to Fuentebella, is the "net of the forecast weekly demand based on the annual forecast of the DOE at 11,841 MW."

Rep. Arroyo noted that in 2019, based on his record, the NGCP did not meet the required regulating reserve, contingency reserve, and dispatchable reserve. Likewise, despite the lower energy demand during the pandemic in 2020, the NGCP did not fulfill its obligation to dispatch adequate reserves for the ancillary services.

NGCP President Anthony Almeda informed the Committee that the NGCP is currently assessing its existing AS contracts, in line with the DOE's guidelines on AS. He said that the NGCP will meet with the DOE and ERC to clarify certain matters pertinent to the guidelines.

Rep. Arroyo inquired about the status of the Transmission Development Plan (TDP). Under the EPIRA, the TDP "refers to the program for managing the transmission system through efficient planning for the expansion, upgrading, rehabilitation, repair and maintenance."

The Energy Secretary disclosed that the DOE has not approved the TDP submitted by the NGCP since 2018 because the latter refused to follow DOE Department Order (DO) 2017-04-004. According to Cusi, the NGCP believes that the intent of the DO is not within the NGCP's concession agreement with the National Transmission Corporation (TransCo). The DO designates TransCo, the grid owner, to participate in the preparation, review, and evaluation of the TDP.

Cusi further explained that TransCo's involvement in the crafting of the TDP is important because it will operate the transmission network once the concession agreement with NGCP has expired.

Almeda claimed that the NGCP has presented the draft TDP to all generating power plants, as well as to the TransCo and

<p>Continuation... Energy</p>	<ul style="list-style-type: none"> <li>National Transmission Corporation (TransCo)</li> </ul>	<p>DOE. He expressed willingness to sit down with the DOE to discuss the matter further.</p> <p>TransCo President Melvin Matibag averred that TransCo, as the regulator, has the mandate to ensure that NGCP will perform its duties pursuant to the concession agreement and the franchise granted to NGCP by Congress. He refuted the statement of Almeda that the TDP is being done by the NGCP in coordination with TransCo. Matibag added that, in fact, TransCo has been awaiting the NGCP to submit its TDP to TransCo before submitting the same to the DOE for approval. But, it never happened, Matibag stressed.</p> <p>With the enactment of the EPIRA, the TransCo was created and assumed the authority and responsibility of the National Power Corporation for the planning, construction, and centralized operation and maintenance of its high voltage transmission facilities, including grid interconnections and ancillary services. TransCo was also mandated to award a concession contract to a qualified concessionaire (presently the NGCP) for the operation, maintenance, improvement, and expansion of its transmission assets and the operation of any related business for a period of 25 years, subject to review and renewal for a maximum period of another 25 years. In 2008, the NGCP was granted a 50-year franchise to operate the country's power grid.</p> <p>NGCP is a privately owned corporation in charge of operating, maintaining, and developing the country's state-owned power grid, an interconnected system that transmits gigawatts of power at thousands of volts from where it is made to where it is needed. The company performs its mandate as transmission service provider with the full awareness of its nature as a public utility, and in full compliance with the rules and regulations of the regulator, and existing laws governing its transmission operations. <i>(Source: NGCP website)</i></p> <p>Deputy Speakers Rodante Marcoleta (Party-List, SAGIP) and Rufus Rodriguez (2<sup>nd</sup> District, Cagayan de Oro City), as well as Reps. Stella Luz Quimbo (2<sup>nd</sup> District, Marikina City) and Sharon Garin (Party-List, AAMBIS-OWA) insisted that the problem in the energy sector is the lack of power supply. They said that the existing power plants cannot produce enough power to meet the growing demand. They suggested that in order to increase the power supply, the government, through the DOE, should entice investors to invest in additional power plants in the country.</p> <p>Undersecretary Fuentesbella said that the immediate response to the problem is to have reserved power through contracting of ancillary services. Nevertheless, the DOE plans to increase the country's power supply by speeding up the processing of the committed power projects and enticing more investors to invest in renewable energy and put up power plants.</p> <p>The resource persons were asked to submit the documents requested by the Members.</p>
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