

GUIDELINES FOR THE SUBMISSION, EVALUATION AND APPROVAL OF STATEMENT OF COMPLIANCE AND COMPLIANCE PLAN OF THE GRID OWNER AND SYSTEM OPERATOR TO THE PHILIPPINE GRID CODE

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Pursuant to Section 43 of Republic Act No. 9136, Rule 3, Section 4 of its Implementing Rules and Regulations and Article 10.8 of the Philippine Grid Code (PGC), the Energy Regulatory Commission (ERC) hereby adopts and promulgates the following Guidelines for the submission, evaluation and approval of Statement of Compliance and Compliance Plan of the Grid Owner and System Operator to the Philippine Grid Code, in order to pursue the goals of restructuring and modernization of the electric power sector.

Article I

General Provisions

SECTION 1. These Guidelines shall have the following objectives:

- (a) To establish the current state of compliance of the Grid Owner and System Operator with the Standards prescribed in the Philippine Grid Code;
- (b) To ensure the compliance of the Grid Owner and System Operator with the Standards that will guarantee the quality, reliability, adequacy, stability, security and integrity of the bulk power supply in the Grid;
- (c) To promote accountability of the electric utilities to achieve greater operational and economic efficiency, thereby rationalizing electricity prices;
- (d) To ensure fair and non-discriminatory treatment of public and private sector entities in the process of restructuring the electric power industry; and
- (e) To protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power.

SECTION 2. Guiding Principles - The Transmission Utility shall comply with all the prescribed technical specifications, performance standards, financial standards and other requirements of the Philippine Grid Code for the Grid Owner and System Operator. The Transmission Utility shall submit to the ERC a Statement of Compliance to the Philippine Grid Code. Where the Grid does not comply with the specific provisions of the Grid Code, the Grid Owner and System Operator shall submit to the ERC, for its approval, a Compliance Plan.

The ERC shall ensure that the Transmission Utility complies with the prescribed technical specifications, performance standards, financial standards and other requirements of the PGC to achieve the objectives of R.A. No. 9136. The ERC shall evaluate the submitted Statement of Compliance and Compliance Plan and shall either approve or return the same with the required revisions.

SECTION 3. Scope. These Guidelines shall apply to the National Transmission Corporation (TRANSCO) or its Buyer or O&M Concessionaire and any other successor-in-interest, particularly to the two (2) functional groups of

the Transmission Utility namely: the Grid Owner and System Operator, who are responsible for maintaining adequate capacity, operation, control and maintenance of the Grid.

Transmission facilities owned and operated by the National Power Corporation Small Power Utilities Group (NPC-SPUG) in small island grids shall also be covered by these Guidelines.

SECTION 4. Definition of Terms. - Except for the following new terms, the definitions of the words and phrases specified in Article 1.6 of the PGC shall apply to this set Guidelines:

- a) "Compliance Plan" shall refer to the plan of an electric utility containing the definite activities and projects to be implemented by the utility in order to fully comply with the prescribed Standards of the Grid and/or Distribution Code;
- b) "Measurements" shall refer to the specific compliance requirements such as the required system performance, procedural manuals, records, reports, plans, programs, and/or actions to be taken by the electric utility by which its degree or level of compliance or non-compliance to the prescribed Standards of the Grid and Distribution Codes will be measured;
- c) "Reporting Entity" shall refer to the electric utility reporting or submitting its Statement of Compliance and Compliance Plan to the Grid and/or Distribution Code to the ERC for its approval;
- d) "Responsible or Authorized Person" shall refer to the person authorized by virtue of its official function, Board Resolution, or any other basis of authorization to certify and be held responsible for the correctness and validity of the submitted Statement of Compliance and Compliance Plan to the ERC;
- e) "Standard" shall refer to the specific provisions of the Grid Code or Distribution Code that prescribe the technical specifications, performance standards, financial standards, and/or other requirements for compliance of the electric utilities;
- f) "Statement of Compliance" shall refer to the self-assessed and certified report of a Reporting Entity (i.e., an electric utility) that states the degree or level of its compliance or non-compliance to the Standard; and
- g) "Templates" shall refer to the standard form to be used by a Reporting Entity in its submission to the ERC of the Statement of Compliance and Compliance Plan to the Grid Code and/or Distribution Code.

SECTION 5. Statement of Compliance - The National Transmission Corporation (TRANSCO) or its Buyer or O&M Concessionaire and any other successor-in-interest thereto and the NPC-SPUG shall submit to the ERC for its approval, the Grid Owner and System Operator's Statement of Compliance to the Philippine Grid Code in accordance with the requirements and procedures set in these Guidelines.

The Statement of Compliance shall indicate the self-assessed degree or level of compliance or non-compliance to all prescribed technical specifications, performance standards, financial standards, and other requirements of the PGC. The Statement of Compliance shall include proofs, justifications and explanations of its self-assessment on the degree of compliance or non-compliance.

Where the degree or level of compliance to any prescribed technical specification, performance standard, financial standard, or other requirement of the PGC cannot be ascertained, the Transmission Utility shall indicate the same in its Statement of Compliance and provide proofs, justifications and/or explanations why compliance cannot be ascertained.

The Statement of Compliance shall be certified by a Responsible or Authorized Person of the Transmission utility. Such authority (e.g., official function of the position, Board Resolution, etc) shall be indicated in the

certification.

The ERC shall evaluate and determine the degree or level of compliance or non-compliance of the Grid Owner and System Operator with each of the prescribed technical specifications, performance standards, financial standards and other requirements of the PGC.

SECTION 6. Compliance Plan - Where the Grid does not comply with any of the prescribed technical specifications, performance standards, financial standards or other requirements of the Philippine Grid Code, the Transmission Utility shall submit to the ERC, for its approval, a credible Compliance Plan.

The Compliance Plan shall indicate the definite activities or projects to be implemented by the Transmission Utility to fully comply with the requirements of the PGC. The schedule of implementation and costs (if any) associated with the said activities or projects shall be indicated in the Compliance Plan. The Transmission Utility shall justify each activity or project and provide justifications and proof that the completion of such activity or project shall lead to its compliance with the requirements of the Philippine Grid Code.

The Compliance Plan shall be certified by a Responsible or Authorized person of the Transmission Utility. Such authority shall be indicated in the certification.

The ERC shall evaluate and approve the Compliance Plan submitted by the Transmission Utility after due notice and hearing.

Article II

Requirements and Procedures

SECTION 1. Filing Requirements for the Statement of Compliance - The Reporting entity (i.e., Transmission Utility) shall submit its Statement of Compliance using the Templates for the Grid Owner and System Operator's Statement of Compliance to the Philippine Grid Code in Schedule-A of this set of Guidelines.

The Templates for the Statement of Compliance are divided into two (2) parts. Part I of the Template specifies the following:

- (a) Brief description of the Standard;
- (b) The Standard or the prescribed technical specifications, performance standards, financial standards, or other requirements of the PGC;
- (c) Other references or provisions of the PGC that are related to the Standard that shall also be complied with by the Reporting entity; and
- (d) The Measurements by which the compliance of the Reporting Entity to the Standard will be assessed.

Part II of the Template specified the required self-assessment and Certification of the Reporting Entity concerning their degree or level of compliance or non-compliance to the Standard;

The Reporting Entity shall assess the applicability of the Standard to its Transmission System. If the Standard is applicable, the self-assessed degree or level of compliance or non-compliance of the Reporting Entity shall be indicated in the Statement of Compliance. The degree of compliance to the Standard can be any of the following:

- (a) Full Compliance. The Reporting Entity complies with all the requirements of this Standard;
- (b) Non-compliance (Level 1). The Reporting Entity is not in compliance with one or more of the requirements of this Standard but has definite plan and schedule to correct all violations or complete all requirements;
- (c) Non-Compliance (level 2). The Reporting Entity is not in compliance with one or more of the requirements of this Standard but has definite plan and schedule to correct some of the violations or complete some of the

requirements;

(d) Non-Compliance (level 3). The Reporting Entity is not in compliance with one or more of the requirements of this Standard but has no definite plan yet to correct the violations or complete the requirements;

(e) Compliance Not Ascertained. The Reporting Entity is unable to ascertain its compliance to one or more of the requirements of this Standard.

Where the Standard is not applicable to the Reporting Entity, or the Reporting Entity is not in Full compliance to the Standard, or the Reporting Entity is unable to ascertain its compliance with a Standard, the Reporting Entity shall explain the reasons for such conditions.

The Reporting Entity shall provide supporting information and/or documents to justify its self-assessment of compliance to the Standard. These shall include documentations containing procedures, records, reports, programs, plans, actions taken or to be taken, and other information that demonstrate the compliance of the Reporting entity to the Standard.

The Statement of Compliance shall be certified by the Responsible or Authorized Person of the Reporting Entity and shall be submitted under oath to the ERC.

SECTION 2. Filing Requirements for the Compliance Plan. - The Reporting Entity (i.e., distribution Utility) shall submit its Compliance Plan using the following Templates:

a. Grid owner and System Operator's Specific and Detailed Compliance Plan to the Philippine Grid Code (Schedule-B); and

b. Grid Owner and System Operator's Summary of Compliance Plan to the Philippine Grid Code (Schedule -C)

The Reporting Entity shall provide the following information for its submission of the Specific and Detailed Compliance Plan:

(a) Compliance Plan number which shall be supplied by the Reporting Entity for purposes of referencing;

(b) Title of brief description of the activity or project to be implemented by the Reporting Entity in order to fully comply with the Standard;

(c) List of Standards that are violated and being addressed by the Specific and Detailed Compliance Plan;

(d) Schedule indicating the start and completion dates of the compliance activity or project that the Reporting Entity is committed to implement; and

(e) Estimated Cost (if any) of the compliance activity or project according to the following categories:

- i. Investment cost;
- ii. Engineering design/consultancy cost;
- iii. Installation cost;
- iv. Operation & Maintenance cost; and
- v. Other costs.

(f) Estimated Impact (if significant) of the cost of each project on the rates

Each Specific and Detailed Compliance Plan shall be justified by the Reporting entity. Relevant technical, economic and financial analyses shall be conducted to justify the compliance activity and/or project. Such

analyses shall be included as attachments to the Compliance Plan.

Where compliance requires an engineering project to be implemented by the Reporting Entity, the front-end engineering design, specifications, and detailed cost estimates which includes bill of materials, labor and other costs shall also be included as attachments to the Compliance Plan.

The Reporting Entity shall use the Templates for the Grid Owner and System Operator's Summary of Compliance Plan to the Philippine Grid Code to summarize the Specific and Detailed Compliance Plans.

Where the compliance project can be classified as Development project that will require capital expenditures, the requirements set in the Guidelines for the Application, Evaluation and Approval of Development Projects of the Transmission and Distribution Utilities shall apply to the submission requirements.

The Compliance Plan shall be certified by the Responsible or Authorized person of the Reporting Entity and shall be submitted under oath to the ERC.

SECTION 3. Procedure for Filing, Evaluation and Approval. - The following procedures shall be followed in the submission, evaluation and approval of the Statement of Compliance and Compliance Plan:

(a) The Reporting Entity shall obtain from the ERC the electronic copy of the Templates for the Statement of Compliance, the Specific and Detailed Compliance Plan, and the Summary of Compliance Plan;

(b) After its self-assessment and preparation of Compliance Plan, the Reporting Entity shall submit three (3) certified hard copies and three (3) electronic copies of the duly accomplished Statement of Compliance, Specific and Detailed Compliance Plan, and Summary of Compliance Plan to the ERC at its Main Office located at San Miguel Avenue, Pasig City. Upon filing, the Reporting Entity shall pay application fees in such amount that shall be determined and prescribed by the ERC.

(c) Within sixty (60) days upon receipt of the Statement of Compliance and Compliance Plan, the ERC shall notify the Reporting Entity of its action. The Statement of Compliance and Compliance Plan shall be initially evaluated by ERC to check whether or not the documents are complete and in accordance with the prescribed formats. If the submission is complete or is substantially complete, the ERC shall proceed with the full evaluation of the Statement of Compliance and Compliance Plan and set the date of the initial hearing for the approval of the compliance plan. Otherwise, ERC shall return the submission to the Reporting Entity with an order to complete its submittals to the ERC;

(d) The Compliance Plan of the Reporting Entity shall undergo public hearings. Notices of the public hearings shall be published in a newspaper of general circulation in the country and/or shall be released in the ERC website at www.erc.gov.ph;

(e) The ERC shall verify the information provided in the Statement of Compliance to determine the degree or level of compliance or non-compliance of the Reporting Entity and whether or not the Compliance Plan merits an approval of the ERC;

(f) The ERC shall either approve the Statement of Compliance and Compliance Plan or return them with required revisions; and

(g) Submission of the revised Statement of Compliance and Compliance Plan shall follow all the procedures specified in this section of the Guidelines.

Article III

Reportorial Requirements and Monitoring

The ERC, upon its approval of the Statement of Compliance and Compliance Plan, shall require the Transmission Utility to submit regular reports on the implementation of the activities and projects under the Compliance Plan. The frequency of submission of the said reports shall depend on the project timetable and shall be determined by the ERC. The Transmission Utility shall report to the ERC the actual activities and associated actual costs incurred in the implementation of compliance activities and/or projects.

The ERC shall monitor the compliance of the Distribution Utilities with the terms and conditions of the approved Compliance Plan.

Article IV

Administrative Sanctions

A penalty shall be imposed upon any person who has been found to have committed a violation of any of the provisions of these Guidelines pursuant to the "Guidelines to Govern the Imposition of Administrative Sanctions in the Form of Fines and Penalties pursuant to Section 46 of R.A. 9136".

Article V

Separability

If for any reason, any provision of these Guidelines is declared unconstitutional or invalid by final judgment of a competent court, the other parts or provisions hereof which were not affected thereby shall continue to be in full force and effect.

Article VI

Effectivity

These Guidelines shall take effect immediately upon publication in a newspaper of general circulation in the country, and/or upon posting electronically.

Adopted: 29 January 2003

(SGD.) LETICIA V. IBAY

Acting Chairman

(SGD.) MARY ANNE B. COLAYCO

(SGD.) OLIVER B. BUTALID

Commissioner

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(SGD.) CARLOS R. ALINDADA

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