

[**ERC COMPLIANCE OF GRID OWNER AND OPERATOR, January 24, 2005**]

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

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