

PROVIDING POLICIES FOR THE EFFECTIVE UTILIZATION OF ANCILLARY SERVICES IN THE GRID THROUGH CAUSER PAYS MECHANISM

Updates on the Development of Policy



Background

- Currently, the costs of all the AS are passed on to the loads or customers
- DOE noted the insufficiency of AS in the grid, and frequent occurrences of Forced Outages of the generating units and transmission components



Policy Objectives

- To establish a policy or mechanism in order to provide more transparency and fair cost recovery on the utilization of Ancillary Services (AS)
- To provide accountability to the electric power industry participants that cause the need for AS, through “Causer Pays Mechanism”
- To supplement the recent DOE-approved Price Determination Methodology (PDM) for the New Market Management System (NMMS)



Other Jurisdictions

Type of Reserves	Singapore	New Zealand	Australia
Primary Reserve (currently Contingency Reserve)	Contingency Reserve (10 min - 30 Min) Cost Recovery: Generation Companies (at least 10MW generating unit) -Runway Model/Reserve Responsibility Share	Under frequency Cost Recovery: Event Causer (either Grid Owner, Generation Company, or other participant) -Fixed Formula (\$1,250 per MW)	Frequency Control AS Cost Recovery : Event Causer (either Gen or Load) -Run-way Model/Contribution Factor
Secondary Reserve (currently Regulating Reserve)	Primary Reserve (8sec response -30sec sustaining) Cost Recovery: Grid Users (Load and 1st 5MWh of Gen)	Frequency Keeping Cost Recovery : Customers	Frequency Control AS Cost Recovery : Event Causer
Tertiary Reserve (support to Secondary)	Secondary Reserve (30sec response -10 minutes) Cost Recovery: Grid Users (Load and 1st 5MWh of Gen)	Not Applicable	Frequency Control AS – Cost Recovery : Event Causer
Reactive Support	Contracted by EMC Cost Recovery : market participants	Cost Recovery: Distributors	Cost Recovery: Customers
Black-Start	Contracted by EMC Cost Recovery : market participants	Black-Start Cost Recovery : Grid Owner	System Restart AS Cost Recovery: 50% GenCos, 50% Customers

Proposed Policy: Causer Pays Mechanism

Type of Reserves	Current Cost Recovery Philippines	Proposed Cost Recovery
Primary Reserve (currently Contingency Reserve)		<ul style="list-style-type: none"> • Cost Recovery: Generation Company (at least 5MW generating unit)
Secondary Reserve (currently Regulating Reserve)		<ul style="list-style-type: none"> -Run-way Model/Reserve Responsibility Share • Cost Recovery: Grid Users
Tertiary Reserve (support to Secondary)		<ul style="list-style-type: none"> • Cost Recovery: Customers • Cost Recovery: Grid Users
Reactive Support		<ul style="list-style-type: none"> • Cost Recovery: Event Causer (Distributor or NGCP)
Black-Start		<ul style="list-style-type: none"> • Cost Recovery: Grid Users



ACTIVITIES HELD FOR THE DEVELOPMENT OF POLICY

DATE	ACTIVITY
13 February 2018	Meeting with Market Operator and System Operator
23 February 2018	Follow-up Meeting with Market Operator and System Operator
28 February 2018	Focus Group Discussion with Generation Companies and Distribution Utilities of Mindanao (N Hotel, Cagayan de Oro)
06 March 2018	Focus Group Discussion with Generation Companies and Distribution Utilities of Visayas (Parklane, Cebu City)
12 March 2018	Focus Group Discussion with Generation Companies and Distribution Utilities of Luzon (The Legend Villas, Mandaluyong)
16 March 2018	Meeting with ERC, DMC, and GMC
02 April 2018	Meeting with ERC, DMC, and GMC
03 April 2018	Public Consultation: Providing updates on the policy (Ace Hotel and Suites, Pasig)



Comments/Recommendations:

- Include the System Operator/NGCP in the cost recovery mechanism for AS;
- Harmonize existing regulatory issuances such as Ancillary Services Procurement Plan and Price Determination Methodology with the proposed policy on CPM;
- For the System Operator, Performance Based Regulation may not be sufficient to address issues on reliability;



Comments/Recommendations:

- For generators, there may be need to consider the provisions of the existing power supply contracts in the implementation of CPM;
- Clarification on the difference of replacement power and ancillary services to avoid double penalty
- Include cost recovery of Must Run Units and Automatic Load Dropping in the CPM; and
- De-centralized Procurement of Ancillary Services.



Way Forward

- Continue in-depth study on the proper mechanism to govern the CPM
- Collaborate with ERC to harmonize relevant issuances affecting AS
- Further consultation with affected stakeholders



THANK YOU



FOR COMMENTS AND
SUGGESTIONS, EMAIL US AT:

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