

**NATIONAL TRANSMISSION CORPORATION
Accomplishment Report for CY 2012**

Concession Contract Management Group (CCMG)
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I. INSPECTION AND MONITORING OF TRANSMISSION ASSETS

The inspections focused on the compliance of NGCP with the Concession Agreement (CA), the Philippine Grid Code, and other applicable laws and regulations.

A. Existing Transmission Facilities. TRANSCO Inspection Teams conducted verification inspections in all 20 NGCP districts in the Philippines – North Luzon (7), South Luzon (3), Visayas (4), and Mindanao (6). The Teams recorded a total of 2,216 observations, which were submitted to NGCP for appropriate reply/comment and drawing up of action plans.

B. Projects Under Construction (PUCs). PUCs refer to the 42 transmission projects listed in Schedule 2 and defined under Section 4.02 of the CA. The CA specifies that NGCP shall manage the construction and completion of all PUCs that have not been commissioned and placed in service in accordance with the Construction Management Agreement. Upon completion, PUCs shall immediately form part of the transmission assets owned by TRANSCO.

As of December 31, 2012, TRANSCO conducted 36 inspections of various PUCs to assess accomplishments and possible changes/deviations from the project schedules and deadlines as stipulated in the corresponding PUC contracts/ agreements. The construction and equipment installation methods of the concessionaire and/or its contractors were also checked to verify compliance with industry and manufacturers' standards.

Common observations cited were associated with civil related works, steel structures and equipment, delays in delivery and completion, and ROW issues, totaling 168 observations, 105 of which were addressed by NGCP as of December 2012. Tabulated below is the summary status of the 42 PUCs:

Status of Projects	As of January 15, 2009	As of December 31, 2012
Completed	8	28
Under Construction	10	11
Tendering Stage	11	1
Pre-construction Stage	13	2

C. New Projects. New projects initiated by NGCP in the fulfillment of its responsibilities as the Concessionaire as guided by the Transmission Development Plan (TDP) will form part of the transmission grid and will be

included in TRANSCO's transmission assets. Below is the status of the new projects being undertaken by NGCP as of December 31, 2012:

Projects	Start	Target	Status
2-90 MVAR Power Shunt Reactor @ Kadampat & San Jose Substation	June 2009	Oct. 2010	Energized: Kadampat – Jan. 24, 2011 San Jose – Dec. 30, 2010
San Esteban-Laoag 230 kV Transmission Project - Stage 1 Stage 2	Nov. 2010 Sept. 2012	Dec. 2012 June 2014	97% completed On-going checking of manufacture's drawings
Binga-San Manuel 230 kV Transmission Project (Stage 1)	Mar. 2011	Oct. 2013	54% completed
Replacement Program for San Jose Substation 500 kV Power Transformer	June 2009	Oct. 2010	Energized: Sept. 2010
Doña Imelda (Araneta) Substation	July 2009	July 2010	Energized on Sept. 21, 2010
Taytay (Dolores) Substation	Oct. 2009	June 2010	Energized on May 9, 2010
Dasmariñas EHV S/S Exp. Project (Stage 1)	Sept. 2011	Feb. 2013	8% completed
Tayabas S/S Exp. Project 1	June 2011	Dec. 2012	97% completed
Lumban-Bay 230 kV T/L Project Transmission Line Substation	Dec. 2011 Dec. 2011	June 2013 Mar. 2013	13% completed 18% completed
Static Var Compensator (SVC) for Bislig & Sta. Clara (Naga) S/S	Sept. 2010	Dec. 2011	Energized on July 8, 2012
Luzon S/S Expansion Project 2	Dec. 2011	Mar. 2013	4% completed
Luzon S/S Expansion Project 3	Dec. 2011	Mar. 2013	1% completed
Luzon S/S Reliability Project 1	July 2011	Sept. 2013	On-going checking of manufacture's drawings
Northeastern Transmission Development Project	July 2012	Apr. 2013	On-going checking of manufacture's drawings
Visayas S/S Reliability Project 1	Dec. 2010	Dec. 2012	87% completed.
Visayas S/S Expansion Project 1	Apr. 2011	Dec. 2012	95% completed.
Ormoc-Maasin 138 kV T/L Project	June 2012	Aug. 2013	On-going checking of manufacture's drawings
Mindanao Regional Control Center Building	Oct. 2010	Sept. 2011	Inaugurated on May 24, 2012

D. Review and Evaluation of the Transmission Development Plan (TDP).

TransCo reviewed and evaluated the 2012 TDP prepared by NGCP and submitted to DOE for approval. NGCP has the primary responsibility for preparing the TDP pursuant to the CA and RA 9511.

E. Monitoring and Evaluation of Transmission Reliability. TransCo recorded and monitored grid reliability information, evaluated the Concessionaire's (NGCP) system disturbance analysis reports, specifically, the forced outage events of transmission systems nationwide.

F. Technical Studies. TransCo conducted fifteen (15) technical studies, seminars, and technical evaluations as requested by DOE, PEMC, GMC, NPC, NREB, MinDA and NEA. Topics included right-of-way width studies

(later presented to local and international fora), variable renewable energy, power reliability indices, interconnection feasibility studies, and power systems modeling.

G. Participation in DOE-led Task Forces. TRANSCO participated in the following DOE-led Task Forces: WESM Meters Compliance to WESM Rules, Retail Competition Open Access (RCOA), Interim Mindanao Electricity Market (IMEM), Mindanao Power Supply Monitoring, NAPOCOR Off-Grid Operations, and PEMC Technical Committee.

H. Monitoring of NGCP's Procurement of Industrial All Risks (Insurance) Coverage for TRANSCO's Assets. TRANSCO monitored NGCP's procurement of insurance coverage for the transmission assets through GSIS. As the asset owner, TRANSCO is co-assured even as payment of insurance premiums is NGCP's responsibility. The current Industrial All Risk Policy covers the period August 31, 2012 to August 31, 2013.

II. REGULATORY COMPLIANCE MONITORING

A. Follow Up and Monitoring of Pending Applications with the ERC. The Energy Regulatory Commission (ERC), in its Decision dated July 6, 2011 approved TRANSCO's application filed on December 5, 2008 docketed as ERC Case No. 2008-061RC: Force Majeure (FM) Event Regulated FM Pass-through for Mindanao Tower Sabotage. ERC authorized TRANSCO to collect the FME pass-through costs from the Mindanao Grid customers for twenty-four (24) months and was likewise directed to pay the ERC-computed permit fee. On December 2, 2011, TRANSCO filed a *Motion for Clarification* (MC) on the case but at the same time settled the payment of the required permit fee to the ERC. Pending ERC's action on the MC, a follow-up *Motion to Resolve*, the case was again filed with the ERC on November 9, 2012.

Still pending with ERC is ERC Case No. 2008-041RC entitled, "In the Matter of the Application for the Approval of the Ancillary Services Procurement Agreement (ASPA) between the TRANSCO and the NPC for the Panit-an Modular Diesel Power Plant." ERC issued a Decision on May 16, 2011 approving the ASPA thereby authorizing TRANSCO/NGCP to recover the costs relative to the ASPA for the period June 2008 to June 2009. In compliance with this ERC directive, TRANSCO and NGCP jointly filed a *Compliance and Motion* on November 27, 2012 and submitted two (2) computations of the Ancillary Service cost and the proposed recovery scheme for ERC's approval.

B. Monitoring of Environmental Compliance of NGCP Nationwide. The TRANSCO Asset Inspection Team looked into the environmental compliance of NGCP in Luzon, Visayas and Mindanao. The team counterchecked the availability and validity of relevant environmental permits and ensured that copies of the same are maintained in the concerned NGCP sites and the TRANSCO Data Room, where applicable.

- C. Monitoring of Updates on Rate Cases Filed by NGCP with the ERC and Participation in ERC Hearings and Public Consultations.** While ERC is the regulator and the NGCP is the sole regulated entity, TRANSCO continued monitoring and studying NGCP's rate cases as these involve the use of TRANSCO assets. TRANSCO likewise attended relevant regulatory hearings pertaining to other applications of NGCP. In some instances, TRANSCO filed for intervention.
- D. Technical, Legal and Financial Assessment of NGCP's Compliance with the CA.** This activity was jointly conducted by TRANSCO and PSALM Corporation. During the conduct of the assessment, the performance of NGCP vis-à-vis its obligations under the various provisions of the CA was evaluated. NGCP's attention was called on those provisions which have not been complied with, as noted by the team.
- E. Participation in the ERC Caravan on Retail Competition and Open Access Activities (RCOA).** Starting July 2011, TRANSCO has participated and joined the ERC Caravan on Competitive Retail Electricity Market (CREM) also known as Retail Competition and Open Access (RCOA), which gives all electricity end-users in Luzon and Visayas with an average monthly peak demand of one (1) MW and above for the 12 months preceding 26 December 2011 the right to choose their own electricity suppliers.

The DOE, in its Circular No. 2011-06-0006 created a Steering Committee composed of three (3) technical working groups (TWG) to evaluate the readiness, preparations, and identification of issues that need to be addressed prior to the implementation of the RCOA. One of the working groups created is the TWG-Technical Assessment, headed by the TRANSCO President and composed of members from several agencies, which is tasked to evaluate the preparations for implementation and sufficiency of ERC rules and guidelines with respect to the technical aspect of the same, among others. TRANSCO's Concession Contract Management Group acts as the secretariat for the said TWG.

During the last quarter of 2012, TRANSCO participated in a series of public consultations conducted jointly by the DOE, ERC and PEMC (as CRA/CRB) on the proposed retail market rules. As of December 2012, the ERC has issued the Transitory Rules for the implementation of RCOA in line with its declaration of Open Access, which commenced on December 26, 2012.

- F. Preparation for New Role as Administrator of the Feed-in Tariff (FIT) All Fund.** Republic Act No. 9513, otherwise known as the Renewable Energy Act (RE Act), was promulgated in 2008. One of the non-fiscal incentives granted to RE Developers is the FIT, a guaranteed rate that an eligible RE Developer is entitled to for twenty (20) years, adjusted for inflation and changes in foreign exchange. The "FIT Rules" was initially released by the ERC under Resolution No. 16 (series of 2010) and was further amended by ERC Resolution No. 15 (series of 2012), which also designated TRANSCO as the FIT Allowance Fund Administrator.

Subsequently, TRANSCO has started undertaking preparatory activities to enable itself to be ready to assume this new responsibility including participation in National Renewable Energy Board (NREB) meetings.

III. DIVESTMENT OF SUB-TRANSMISSION ASSETS

In compliance with the mandate of EPIRA and the guidelines set by the ERC, TRANSCO signed a total of four (4) sale contracts with distribution utilities (DUs) in 2012. This is on top of the six (6) DUs' waivers on the acquisition of subtransmission assets. As of December 31, 2012, TRANSCO has signed a total 105 sale contracts with 75 DUs/electric cooperatives/ consortia. These sales cover an aggregate length of about 3,900 ckt-kms of sub-transmission lines and about 35,500 sub-transmission structures and 865 MVA of substation capacity. Of the 105 sale contracts, 45 contracts have been approved by the ERC as of year-end 2012 posting in the ERC website. The rest of the sale contracts are for ERC filing, evaluation or approval.

Legal, Right Of Way And Land Management Services Group (LRLMSG)

I. HANDLING RIGHT-OF-WAY (ROW) CLAIMS AND CASES

TRANSCO continued handling right-of-way (ROW) claims and cases involving existing transmission lines, substations and other transmission-related facilities which accrued prior to the turnover of the transmission function to NGCP.

II. PROFILING OF EXISTING SUBSTATIONS

TRANSCO's ROW group completed the profiling of all 129 existing substations involving the following activities: identification of construction/commissioning dates, total area covered by the facilities, identification of locations or areas traversed/affected, and determination of acquisition cost and current BIR zonal values.

III. VERIFICATION SURVEY OF TRANSMISSION LINES

Verification/validation surveys of about 51.07 kilometers of transmission lines in North and South Luzon, Visayas and Mindanao were also undertaken in 2012. This activity is necessary to determine whether a particular property is traversed by a transmission line and the actual affected area thereof. This is one of the requirements in the processing of compensation claims.

IV. VALIDATION OF ROW CLAIMS

For CY 2012, ROW claims of 121 claimants were validated/verified. Validation entailed the determination of whether or not there are existing right-of-way documentations covering the affected property, validation of ownership of the claimants, conduct of verification surveys to determine whether the properties are affected, and if in the affirmative, determination of the areas affected and establishing the appropriate valuations of the properties.

The settlement of ROW claims and cases contributed to the delivery of reliable and efficient electric power by protecting the transmission assets. The impact to the power grid is the safe operation and maintenance of transmission lines nationwide.

UTILITY MANAGEMENT DEPARTMENT

Management and Operation of Power Systems at PEZA and AFAB. TRANSCO's Utility Management Department (UMD) continued to manage the electric power systems of the two public economic zones of Philippine Economic Zone Authority (PEZA) in Cavite and Baguio City as well as the Authority of Freeport Area of Bataan (AFAB). The UMD performed preventive maintenance of electrical equipment to reduce frequency of power interruptions and conducted monthly energy audits. It also conducted billing meter testing, calibration and upgrade of instrument transformers and power billing meters, and substation operation and maintenance.