

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

**IN THE MATTER OF THE
APPLICATION FOR
AUTHORITY TO DEVELOP
AND OWN DEDICATED POINT-
TO-POINT LIMITED
FACILITIES TO CONNECT THE
LAL-LO SOLAR POWER PLANT
PROJECT TO THE 69/230KV
LAL-LO (MAGAPIT)
SUBSTATION OF THE
NATIONAL GRID
CORPORATION OF THE
PHILIPPINES (NGCP), WITH
PRAYER FOR THE ISSUANCE
OF A PROVISIONAL
AUTHORITY OR INTERIM
RELIEF**

ERC CASE NO. 2022-022 MC

**NATURES RENEWABLE
ENERGY DEVT.
CORPORATION (NAREDCO),
Applicant.
X-----X**

**Promulgated:
October 21, 2025**

DECISION

For resolution before the Commission is the *Application* dated 23 June 2022, filed by Natures Renewable Energy Development Corporation (NAREDCO) on 25 August 2022, seeking the Commission's approval for the authority to develop and own dedicated point-to-point limited facilities to connect its 100MW_{AC} Lal-lo Solar Power Project (Lal-lo SPP) to the Luzon Grid through the 69kV Lal-lo (Magapit) Substation of the National Grid Corporation of the Philippines (NGCP), with prayer for the issuance of a provisional authority or interim relief.

FACTUAL ANTECEDENTS

On 07 September 2022, the Commission issued an *Order* and *Notice of Virtual Hearing*, both of even date, for determination of compliance with the jurisdictional requirements and expository presentation on 04 November 2022, and the Pre-trial Conference and presentation of evidence on 11 November 2022.

On 28 October 2022, NAREDCO filed its *Notice of Compliance [Re: Jurisdictional Requirements per Order dated 07 September 2022]* of even date. On the same day, NAREDCO filed its *Pre-trial Brief* of even date, attaching thereto a copy of its expository presentation as well as the *Judicial Affidavit of Katherine Rose F. Lacio*.

During the 04 November 2022 hearing, only NAREDCO appeared. In the said hearing, NAREDCO presented its proof of compliance with the Commission's publication and posting of notice requirements.

The Commission found NAREDCO's submissions compliant with jurisdictional requirements and declared that it acquired jurisdiction over the instant *Application*.

Thereafter, NAREDCO explained in detail its *Application*, through an expository presentation. The Project Manager of NAREDCO's Lal-lo Solar Power Project, Ms. Katherine Rose Lacio (Ms. Lacio),¹ explained under oath, the following aspects of the *Application*: (1) nature of the case; (2) NAREDCO's company profile; (3) the legal basis of the *Application*; (4) details of the connection scheme; (5) estimated interconnection costs; (6) the solar plant's compliance with Section 9 of the EPIRA; (7) the connection options; (8) the relevant dates; (9) the construction progress; and (10) the prayer for issuance of provisional authority or interim relief.

At the end of the expository presentation, the Commission propounded clarificatory questions. NAREDCO also presented Mark Albert B. Canlas, to answer technical questions, under oath.

Upon motion of the Applicant, the Commission declared an Order of General Default considering the absence of any intervenor or oppositor. Thereafter, the expository presentation was terminated.

¹ Exhibit "FF" of NAREDCO's Pre-trial Brief dated 28 October 2022.

During the 11 November 2022 hearing, the Commission proceeded with the Pre-Trial Conference. With an Order of General Default already declared during the last hearing, NAREDCO moved for the adoption of its *Pre-Trial Brief* dated 28 October 2022. The Commission took note of the stipulated facts, issues, and markings stated in the *Pre-Trial Brief* dated 28 October 2022, as well as the other matters discussed by NAREDCO.

Thereafter, the hearing proceeded with NAREDCO's presentation of evidence, during which it presented Ms. Lacio as its witness. Ms. Lacio identified her Judicial Affidavit and all other documents attached thereto. She likewise confirmed the veracity and truthfulness of all her answers to the questions propounded in her Judicial Affidavit and affirmed the authenticity of all the documents she had identified therein.

At the end of the direct examination, the Commission propounded questions relative to their testimony, and directed NAREDCO to submit relevant documents in support of the instant *Application* within fifteen (15) days from the date of the hearing and its *Formal Offer of Evidence* (FOE) within an additional ten (10) days from the fifteenth day.

On 28 November 2022, NAREDCO filed its *Notice of Compliance with Manifestation [Re: Directives during the 11 November 2022 Hearing]*.

On 06 December 2022, NAREDCO filed its FOE.

On 25 January 2024, NAREDCO filed a *Notice of Compliance with Supplemental Formal Offer of Evidence and Urgent Motion to Resolve*.

On 20 March 2025, NAREDCO filed a *Reiteratory Motion for Urgent Resolution*.

The Commission found the exhibits contained in the NAREDCO's FOE and Supplemental FOE to be relevant and material in the resolution of the instant case. Thus, the Commission admitted the same and declared the instant *Application* submitted for resolution.

ISSUES

The issues for the Commission's resolution are the following:

1. Whether or not the Commission should approve the instant *Application* and authorize NAREDCO to develop and own the subject facilities to connect its 100 MW_{AC} Lal-lo SPP to the Grid through the 69/230kV Lal-lo (Magapit) Substation of the NGCP; and
2. How the associated cost should be treated or recovered should the subject assets be required for competitive purposes, and ownership of the same is transferred to the NGCP, as the National Transmission Corporation's (TRANSCO) concessionaire.

THE COMMISSION'S RULING

After due deliberation, thorough evaluation of all the evidence submitted, and appreciation of all the information gathered, the Commission, pursuant to its regulatory powers, hereby resolves the issues presented, as follows:

1. The prayer for the authority of NAREDCO to develop and own the facilities to connect its 100MW_{AC} Lal-lo SPP to the Grid through the 69/230kV Lal-lo (Magapit) Substation of NGCP is **APPROVED**, subject to certain conditions; and
2. In case the subject assets shall be required for competitive purposes, the ownership of the same shall be transferred to NGCP using the fair market price of the said facilities, subject to optimization.

DISCUSSION

In the determination and evaluation of the merits of the *Application*, the Commission focused its evaluation on the following aspects: (1) the subject project; (2) the legal basis of NAREDCO's authority to develop and own the dedicated point-to-point limited transmission facilities; (3) the technical capability of NAREDCO to develop the subject facilities; (4) the operation and maintenance of the dedicated point-to-point limited facilities; and (5) the mode of

recovery of cost in case the subject facilities are required for competitive purposes and ownership of the same is transferred to NGCP.

1. The Subject Project

1.1 The Power Plant

NAREDCO is engaged in the development, construction, and ownership of the 100MW_{AC} Lal-lo SPP located in Lal-lo, Cagayan. The purpose of the proposed dedicated point-to-point limited transmission facilities (subject facilities) is to connect the said power plant to the grid via direct connection to the Lal-lo 69/230kV Substation of NGCP.

1.2 The Subject Facilities

NAREDCO and the subject facilities were issued the following permits:

Table 1. Permits issued to NAREDCO
for the 100MW_{AC} Lal-lo SPP and the subject facilities

Issuing Government Agency	Type of Permit	Permit Reference No.	Date Issued
Department of Energy (DOE)	Certificate of Registration (COR) and Solar Energy Service Contract (SESC)	SESC 2016-03-294	24 June 2016
Department of Environment and Natural Resources (DENR)	Environmental Compliance Certificate (ECC)	ECC- R02-1711-0020	06 December 2017
	Amended ECC	ECC- R02-1711-0020A	01 June 2022

1.2.1 Technical Configuration

The components of the said subject facilities are the following:

A. First Facility

- (1) 2 x 75/90MVA Take-off Substation, including protection and telecommunication equipment; and

- (2) 3 km, double circuit 69kV transmission line using 410 mm² TACSR conductor.

B. Second Facility

- (3) Assets installed at the 69kV bus of the Lal-lo Substation of NGCP.

1.2.2 Single Line Diagram

Figure 1 shows the Single Line Diagram (SLD) of the connection of 100MW_{AC} Lal-lo SPP to the Grid through the Lal-lo 69/230kV Substation of the NGCP with indicated project components. The said connection scheme was validated during the ocular inspection on 16-20 September 2024.²

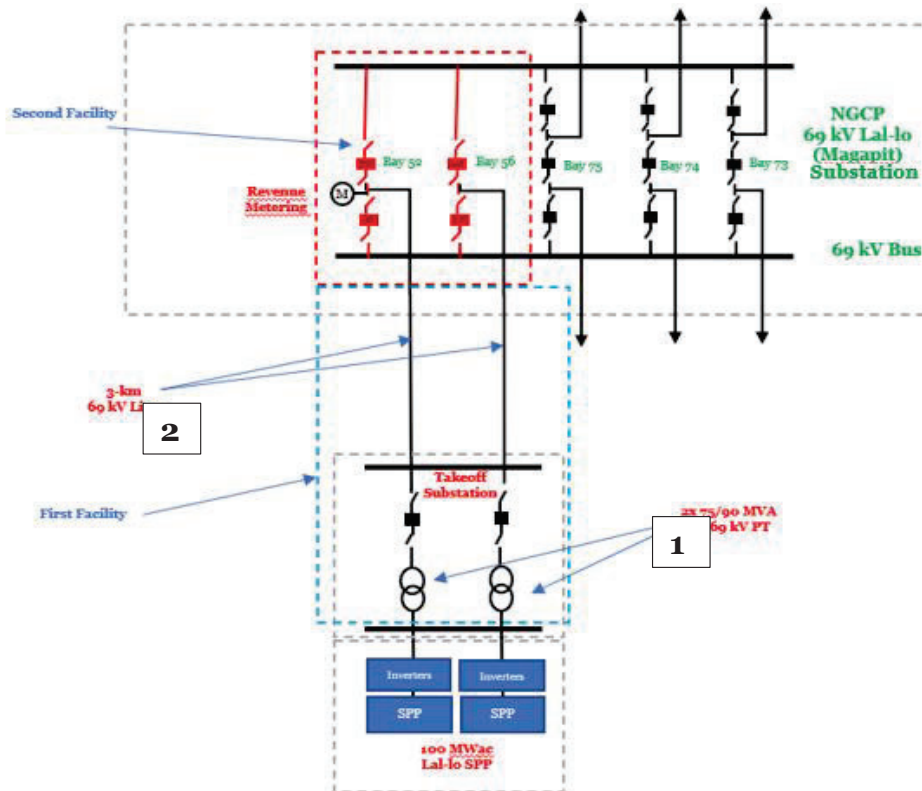


Figure 1. Single Line Diagram of NAREDCO's 100MW_{AC} Lal-lo SPP Connection Scheme

² Inspected by MOS.

2. The Legal Basis of NAREDCO's Authority to Develop and Own the Dedicated Point-to-Point Limited Facilities

Section 9 of the EPIRA states:

Section 9. xxx

A generation company may develop and own or operate dedicated point-to-point limited transmission facilities **that are consistent with the Transmission Development Plan (TDP): Provided, that such facilities are required only for the purpose of connecting to the transmission system, and are used solely by the generating facility, subject to prior authorization by the [Energy Regulatory Commission (ERC)]: xxx.**"

(Emphasis and underscoring supplied.)

The abovementioned provision requires that the point-to-point limited transmission facilities are consistent with the Transmission Development Plan (TDP). At the time of the filing of the *Application*, the latest approved TDP by the DOE was the 2016-2040 TDP. Based on the Commission's verification, NAREDCO's 100MW_{ac} Lal-lo SPP is not included in the said TDP.

However, in lieu of the approved TDP, NAREDCO submitted a letter issued by NGCP dated 05 May 2022,³ stating that the Project is included in the formulation of the 2022-2040 TDP as indicative power plant project.

On 23 December 2022, the DOE approved the 2022-2040 TDP which included the Lal-lo SPP. Moreover, the Lal-lo is likewise included in the latest approved 2024-2050 TDP issued by the DOE on 13 February 2025.

Aside from the requirement that the subject point-to-point facilities should be consistent with the TDP, NAREDCO must likewise comply with the following conditions required under Section 9 of EPIRA: (1) such facilities are required only for the purpose of connecting to the transmission system; (2) the same

³ Annex "P" of the Application.

will be used solely by the generating facility; and (3) the project has been authorized by the Commission.

2.1 Necessity of the Subject Project to Connect NAREDCO’s Lal-lo SPP to the Luzon Grid

As of April 2025, the actual system peak demand of the Luzon Grid is 19,101 MW.⁴ The capacity of Lal-lo will help address the increasing energy demand and the same is consistent with the Philippine Government’s call to accelerate the exploration and development of renewable energy resources under Republic Act No. 9513, or the Renewable Energy Act of 2008.

NAREDCO’s 100 MW_{AC} Lal-lo SPP is not covered by the Feed-in-Tariff (FIT) System. Its generated energy is intended to be sold through the Wholesale Electricity Spot Market (WESM).

With regard to its application for Certificate of Compliance (COC), NAREDCO filed the same on 29 August 2024. Subsequently, on 08 October 2024, the Commission granted a Provisional Authority to Operate (PAO) to NAREDCO. Thereafter, on 30 September 2025, the Commission issued the Certificate of Compliance (COC) to NAREDCO. The commercial operation of Lal-lo SPP commenced in October 2024.

⁴ The Generator List from the DOE provides that the total installed and dependable capacities in Luzon, Visayas, and Mindanao as of April 2025 are 30,875 MW and 27,050MW, respectively.

Year	Grid	Capacity (MW)		Peak Demand (MW)	Operating Margin	
		Installed	Dependable		MW	%
2025 (April)	Luzon	22,445	19,778	13,839	5,939	30
	Visayas	3,815	3,252	2,654	598	18
	Mindanao	4,615	4,020	2,608	1412	35
		30,875	27,050	19,101	7,949	29

The operating margin as of April 2025 was 7,949 MW, with a reserve of 29% assuming no plant outage, be it planned or unplanned. It bears emphasizing that the operating margin provides for flexibility in maintaining the efficiency and reliability of the power system. This will also allow the system to respond to variations in supply and demand. The additional capacities, however, should be consistent with the provisions of the Philippine Power Development Plan and the TDP. As mentioned above, Lal-lo SPP is included in the latest-approved TDP.

For NAREDCO to continue the commercial operations, the Lal-lo SPP should remain connected to the grid. Thus, the subject facilities are necessary to enable the said connection and to allow NAREDCO to supply power to the grid.

2.2 Functions of the Subject Facilities

The second parameter required under Section 9 of the EPIRA is that the subject facilities must be a dedicated point-to-point limited transmission facility or shall be used solely by the generating facility.

In determining whether the subject facilities are compliant with the second parameter under the EPIRA, the Commission referred to the definition of Connection Assets provided in the Commission's Resolution No. 23, Series of 2016:⁵

Connection Assets are those assets that are put in place primarily to connect a Customer/s to the Grid and used for purposes of Transmission Connection Services for the conveyance of electricity which **if taken out of the System, will only affect the Customer connected to it and will have minimal effect on the Grid, or other connected Customers.** (*Emphasis supplied.*)

Based on the foregoing definition, dedicated point-point limited facilities function similarly as Connection Assets.

Considering the foregoing definition of Connection Assets, the Commission, upon evaluation, finds that the assets for the *First Facility* to be constructed by NAREDCO to connect its Lal-lo SPP to the Lal-lo 69/230kV Substation of the NGCP are dedicated point-to-point limited transmission facilities (Connection Assets), because if these assets were to be removed or cut from the system, only the Lal-lo SPP of NAREDCO will be disconnected. Hence, the second parameter required under Section 9 of EPIRA is met.

⁵ Entitled, "Resolution Adopting the Amended Rules on the Definition and Boundaries of Connection Assets for Customers of Transmission Provider".

As a dedicated limited transmission facility, NAREDCO is authorized to develop and own the *First Facility*.

On the other hand, the assets installed by NAREDCO for the *Second Facility* are not considered dedicated point-to-point limited transmission facilities or connection assets, rather, these are transmission assets. As shown in Figure 1, these assets are already inside the NGCP Lal-lo Substation, which is a Transmission Asset under the Commission's Resolution No. 23, Series of 2016. Hence, NAREDCO shall not be authorized to develop and own the said facilities, considering that the said assets will not be functioning as a dedicated point-to-point transmission facility. Considering that the construction of the assets for *Second Facility* has already been completed by NAREDCO, the ownership and operation of the same shall be immediately transferred to NGCP, subject to the directives as contained in this *Decision*.

2.3 Project Cost Assessment

Based on the *Application*, the total cost for the subject project amounts to **PhP692,043,563.38**. The breakdown of the submitted cost is shown in Table 2:

Table 2. Submitted Cost Breakdown

A	Take-off Substation	Amount (PhP)
1	General Requirements	69,577,189.78
2	Power Transformers (2 Units)	92,043,563.39
3	HV Equipment	33,465,491.71
4	Substation SCADA, Telecom, Protection, Monitoring & Controls	16,147,503.69
5	Fiber Optic Communication System	4,393,504.80
6	Hardware System	2,494,800.00
7	Substation Protection System	34,431,465.68
8	Substation Installation Works	53,381,969.66
9	Civil Works for NAREDCO Substation	38,494,174.96
Sub-Total (PhP)		344,429,663.67
B	Transmission Line	

1	410 mm ² , TACSR for Overhead Transmission Lines	7,708,440.90
2	Steel Poles	119,987,466.92
3	Foundation Works (Complete Furnish, Supply, Construct Including Furnishing of All clearing, benching, Plants, Labor Equipment and Materials of Steel Pole Foundations, dewatering and site reinstatement)	42,193,738.06
4	Line Materials	36,422,247.27
Sub-Total (PhP)		206,311,893.15
C	Interconnection Facilities at NGCP's Lal-lo 69 kV Substation	
1	Civil Works for Lal-lo Substation	4,270,188.86
2	Supply of 69 kV Equipment Steel Structure	1,798,568.75
3	Supply of Additional HV Equipment for Lal-lo Substation for Bay 52	8,665,261.71
4	Secondary Equipment for the Interconnection Facilities at NGCP Lal-lo 69 kV Substation	77,949,725.73
5	Expansion Bay (East Side of Bay 52)	37,736,776.61
6	Erection/Installation of Steel Structures	10,881,484.90
Sub-Total (PhP)		141,302,006.56
Grand Total (PhP)		692,043,563.38

The costs indicated herein shall be used only for the purpose of determining the permit fee.

It should be emphasized that if the assets herein considered as dedicated point-to-point limited transmission facilities were to be eventually required for competitive purposes, the ownership of the same shall be transferred to NGCP. It is further emphasized that the above costs, which was used as basis for determining the permit fee, do not necessarily constitute the fair market value that will be used as a basis for payment for the subject assets by NGCP.

2.4 Project Status

Table 3 shows the status of the implementation of the power plant and the subject facilities.

Table 3. Status of Implementation

Description	Start of Construction	Date of Completion
Power Plant	September 2022	14 February 2024
Subject Facility		
First Facility (Connection Assets)	September 2022	14 February 2024
Second Facility (Transmission Assets)	December 2022	14 February 2024

Based on the *Application* and submission of updated relevant dates, the development of the subject facilities already commenced and has been completed. During the ocular inspection conducted on 16-20 September 2024, the Commission, through its technical personnel, confirmed that the construction of these facilities was already completed.

While the Commission, in this case, has opted to exercise regulatory forbearance, such action must not be construed as condonation of non-compliance. The statutory requirement of prior authorization from the Commission before the development, ownership, or operation of dedicated point-to-point facilities is indispensable and non-negotiable. It exists to safeguard the integrity and security of the Grid, to ensure coordinated system planning, and to prevent the unchecked proliferation of unauthorized facilities that may compromise system reliability.

Accordingly, the Commission reiterates, in the strongest terms, that all generation companies and Grid Users intending to undertake similar projects must strictly obtain prior authority from the Commission before proceeding with the development and construction of the dedicated point-to-point facilities.

3. Technical Capability of NAREDCO to Develop the Subject Facilities.

3.1 System Impact Study (SIS) and Facility Study (FS)

In June 2019, NGCP conducted a SIS to determine the technical feasibility of the connection of the 100 MW_{AC} Lal-lo SPP of NAREDCO to the Luzon Grid.

The excerpts from the submitted SIS are as follows:

X X X

Thermal Assessment

The capacity of the 2x100MVA 230/69kV Transformer to be installed at Lal-lo Substation is sufficient to transmit the full capacity of the proposed solar project.

However, the simulation result shows that during N-1 condition, prior to the entry of the proposed solar project, the Santiago – Bayombong - Ambuklao 230kV Transmission Line will be overloaded up to 136% during peak load scenario and will reach up to 168% upon entry of the proposed solar project. This overloading could not be attributed only to the connection of the proposed solar project but due to the simultaneous maximum generation dispatch of existing and proposed power plants in Cagayan and Cordillera areas. To mitigate this overloading issue, the total dispatch of the existing and proposed power plants in the area must be limited to 409MW only.

In TDP 2019-2040, the identified project to address the said N-1 violation is the Santiago - Nagsaag 500kV Transmission Line Project. This project aims to serve as a new transmission backbone to support the generation developments in the area. For year 2024, when the Santiago - Nagsaag 500kV Transmission Line is considered in place, the simulation result shows that the overloading along the Santiago-Bayombong-Ambuklao 230kV Transmission Lines will be addressed.

Voltage Assessment

No voltage violations were identified prior to and upon entry of the proposed solar project during normal and N-1 conditions. The voltage levels of the monitored substations are within the 0.95 and 1.05 p.u. limit.

Short Circuit Assessment

As regards short-circuit, the simulation result indicates that upon connection of the project, the resulting short-circuit current in the 69kV and 230 kV buses remained relatively unchanged. The values calculated are within the interrupting capacity of the installed power circuit breakers (PCB) in the area.

Stability Assessment

Dynamic stability simulation results show that with the project, no stability problems were identified in the system

following a disturbance (three phase faults) during normal fault clearing time. However, during delayed fault clearing along Santiago - Bayombong 230kV line, the system becomes unstable. This is an existing condition and is not caused by the entry of the project. Likewise, this condition will be addressed by Santiago - Nagsaag 500kV Transmission Line Project of NGCP.

Frequency Assessment

The results of frequency assessment show that the loss of the Solar Project while supplying full capacity to the grid will not cause the frequency of the system to drop below 59.2Hz which will trigger Automatic Load Dropping (ALD) during peak load condition.

Conclusions

Overall, the capacity of the Lal-lo Substation is sufficient to transmit the full capacity of the 100MW Lal-lo Solar Project. However, the proposed solar project together with the existing and other proposed power plants within the Cagayan and Cordillera areas will introduce an N-1 overloading along Santiago – Bayombong - Ambuklao 230kV Transmission Line that will entail a generation curtailment of the power plants in the area. This curtailment is necessary while waiting for the completion of the proposed Santiago - Nagsaag 500kV Transmission Line. This grid reinforcement will ensure that the existing power plant including other proposed power plants in the area can be dispatched in full without constraint.

The Commission notes that the submitted SIS did not indicate any validity period. However, it is worth emphasizing that NGCP granted a Final Certificate of Approval to Connect (FCATC) to NAREDCO on 25 June 2024, and the Commission has likewise issued a Certificate of Compliance (COC), confirming compliance with applicable requirements.

NGCP, in its SIS, determined that the simultaneous maximum dispatch of existing and other proposed generating plants located in the Cagayan Valley Region will result in overloading of the Santiago-Bayombong and Bayombong-Ambuklao 230kV Transmission Lines during a single-outage contingency or N-1 condition. This overloading concern will be addressed by the completion of the Nagsaag-Santiago 500kV Transmission Line Project of NGCP.

The Nagsaag-Santiago 500kV Transmission Line Project was included in NGCP's application for the approval of its Capital Expenditure (CAPEX) projects, docketed under ERC Case No. 2021-003 RC, which was subsequently resolved on 14 May 2025.⁶ Based on the Transmission Project Status Report (TPSR) submitted by NGCP as of 31 August 2025, the Nagsaag-Santiago 500 kV Transmission Line Project is in the pre-construction stage and expected to be completed by October 2031.⁷

In order to maintain the stability of the grid and to avoid overloading of the Luzon Grid, particularly in the northern area, the generated power of the subject plant must be dispatched, subject to curtailment during N-1 condition, until the completion of the Nagsaag-Santiago 500kV Transmission Line Project.

In January 2020, a FS was conducted for the connection of the Lal-lo SPP. Thereafter, on 11 August 2020, NGCP reviewed the said FS and enumerated the requirements that must be considered prior to the implementation of the Lal-lo SPP.

However, in a meeting held between NAREDCO and NGCP on 08 November 2021, NGCP instructed NAREDCO to submit a Supplemental Facilities Study (SFS) to update, among others, NAREDCO's connection of one of its double circuits to Bay 52 while the remaining second circuit connection will be consummated upon NGCP's completion of the expansion of Lal-lo Substation's 69kV Bay.

Consequently, a SFS was conducted. Thereafter, NGCP issued a review report for the said SFS dated 08 April 2022. In the said review report, NGCP enumerated the requirements that must be considered prior to the implementation of the Lal-lo SPP, including the expansion at the NGCP's Lal-lo Substation, which shall be considered as Transmission Assets.

The SIS, FS Report and SFS serve as the basis of the technical design and specifications of the subject facilities in the instant *Application*.

⁶ Entitled, In the Matter of the Application for the Approval of the Implementation of Capital Expenditure Projects for Luzon, Visayas and Mindanao (Group 3) - from 2021-2025 and Beyond, with Prayer for the Issuance of Provisional Authority.

⁷ In the Commission's *Order* dated 14 May 2025 under ERC Case No. 2021-003 RC, NGCP was directed to complete the project on or before 30 November 2030.

Moreover, NAREDCO engaged the services of Energy & Building Applications Technologies Corporation (EBATECH Corp.) for the construction and development of the subject facilities. EBATECH Corp. is a construction and engineering company engaged in the design, supply, installation, testing, and commissioning of electrical facilities, electric power distribution, power substation and efficient energy utilization. Some of EBATECH Corp.'s projects are NGCP's 69kV Alangan Feeder Expansion and Interconnection Project at Bro. Luz, Alangan, Limay Bataan, 69kV NGCP Malita Feeder Expansion and Interconnection Project at Malita, Davao, and 69kV NGCP Ubay Feeder Expansion and Interconnection Project at Ubay, Bohol.

Thus, the foregoing contractor engaged by NAREDCO is deemed to possess the technical capability and competence to construct and develop the subject facilities.

3.2 Compliance with the Technical Requirements

NAREDCO, based on its submissions, including the Single Line Diagram in Figure 1, claims that the development of the facility complied with the provisions of the PGC and the requirements of NGCP.

As a generator seeking connection to the Grid, NAREDCO must comply with the standards, among others, as provided in PGC.⁸

In compliance with GCR 4.4.1.1.3 of the PGC and the requirements of NGCP, the connection point, which is located at the Lal-lo 69 kV Substation is controlled by a circuit breaker. In addition, the connection point is equipped with disconnect switches, surge arresters, instrument transformers, protective relays, and their accessories, which are compliant with the standards of the PGC. This was verified during the ocular inspection.

Likewise, NAREDCO constructed a take-off substation which is equipped with 2 x 75/90MVA power transformers. The said transformer is used to step up the voltage from 33kV to 69kV. The other facilities installed by NAREDCO include surge

⁸ ERC Resolution No. 22, Series of 2016, entitled, "A Resolution Approving the Publication of the Approved Philippine Grid Code 2016 Edition".

arresters, instrument transformers, protective relays, and their accessories at the said substation, which is in accordance with the standards of the PGC.

NAREDCO complied with the standards on equipment grounding. NAREDCO provided a telecommunication system for the purpose of communication, control, and monitoring between the substations during normal and emergency conditions, which are compliant with the standards of the PGC.

The Commission underscores the need for the subject facilities' compliance with the standards imposed by the DOE, the Commission, and the System Operator, among others, as well as with pertinent codes, rules, and regulations.

Based on the Single Line Diagram and Commission's verification during the ocular inspection, the metering point of NAREDCO's Lal-lo SPP is located at the connection point, which is at the 69 kV Bus at the NGCP's Lal-lo Substation. The Commission finds that the same is in accordance with GRM 9.2.1.1 of the PGC.

**4. Operation of the Dedicated
Point-To-Point Limited
Transmission Facilities**

The Commission notes that while NAREDCO applied for authority to develop and own the dedicated point-to-point limited facilities, NAREDCO manifested its intent to engage NGCP for the operation, service, and maintenance of the connection facility that will connect its plant to the Grid.

Consistent with the previous rulings on the matter, the Commission resolves that the dedicated point-to-point limited facilities should be operated by the NGCP. As the concessionaire of TRANSCO, NGCP is mandated under Section 9(c) of the EPIRA to ensure and maintain the reliability, adequacy, security, stability, and integrity of the nationwide electrical grid.

Moreover, NGCP was granted by the Congress of the Philippines the exclusive franchise to operate and maintain the

transmission system pursuant to its Legislative Franchise under Republic Act No. 9511.⁹

Thus, the Commission has consistently ruled that dedicated point-to-point limited facilities should be operated and maintained by the NGCP because there should be an assurance that the subject facility will be operated without adverse effect on the reliability of the Grid.

The only exception recognized in the EPIRA is when a generation company acquires prior approval from the Commission to operate such dedicated point-to-point limited facility. This exception, however, is bound by numerous strict limitations, one of which is that the generation company applying for such authority should be able to prove that it is capable to operate a point-to-point facility, and that the operation of the said facility is in the best interest of the consumers. However, none of these conditions are present in this case.

In view of the foregoing, the Commission resolves that the operation and maintenance of the subject facilities shall be through NGCP, to ensure and maintain the reliability, adequacy, security, stability, and integrity of the power system.

Furthermore, the NGCP shall undertake the operation, service, and maintenance of the dedicated facility involving, among others, periodic inspection of the dedicated point-to-point limited facilities and regular assessment of poles and wire conditions, subject to applicable charges to NAREDCO.

**5. The Mode of Recovery of Cost
in Case the Subject Facilities
are Transferred to NGCP**

As previously discussed, the assets (*First Facility*) connecting NAREDCO's Lal-lo SPP to the 69kV Lal-lo Substation, are considered dedicated point-to-point transmission facilities or Connection Assets to NAREDCO.

⁹ Entitled, "An Act Granting the National Grid Corporation of the Philippines a Franchise to Engage in the Business of Conveying or Transmitting Electricity through High Voltage Back-Bone System of Interconnected Transmission Lines, Substations and Related Facilities, and for Other Purposes".

If these assets shall be required for competitive purposes, or shall be used to connect any other user to the grid, the ownership of the same shall be immediately transferred to NGCP. In such a case, NGCP shall pay NAREDCO using the fair market price of the said facilities, subject to optimization.

On the other hand, considering that the assets (*Second Facility*) installed by NAREDCO at the NGCP Lal-lo Substation do not qualify as dedicated point-to-point limited transmission facility, as it functions as a Transmission Asset, the same shall be transferred to NGCP immediately, and NGCP shall pay NAREDCO using the fair market price of the subject facilities, subject to optimization.

6. Payment of Permit Fee

Section 40 of the Public Service Act, as amended,¹⁰ provides the legal basis for the collection of permit fees:

SEC 40. Administrative Fees and Charges. — Administrative Agencies may collect from any public service, including any public utility, reasonable fees and charges, and impose appropriate penalties and fines as provided by law: Provided, that such fees, charges, penalties and fines may be adjusted to its present value every five (5) years using the Consumer Price Index (CPI) as published by the Philippine Statistics Authority (PSA).

Thus, based on the project cost of the dedicated point-to-point facilities as determined by the Commission, and pursuant to the schedule of fees and charges provided of the Commission,¹¹ the total amount of permit fee is **PhP5,190,326.73**, computed as follows:

$$\frac{\text{PhP692,043,563.38}}{\text{PhP100.00}} \times \text{PhP0.75} = \text{PhP5,190,326.73}$$

The permit fee shall be considered in the determination of the fair market price, in the event that the dedicated point-to-point limited facilities are later required for competitive purposes or if the same will be used to connect any other user to

¹⁰ C.A. No. 146, as amended by R.A. 11659.

¹¹ ERC Resolution No. 21, Series of 2007, entitled, "A Resolution Approving the Revised Schedule of ERC Fees and Charges".

the grid, and ownership of the same is consequently transferred to the NGCP.

A perusal of the evidence presented herein shows that the approval of the instant *Application* for authority to develop and own the dedicated point-to-point limited transmission facilities to connect its 100MW_{AC} Lal-lo SPP to the Grid through NGCP's Lal-lo (Magapit) 69/230kV Substation will redound to the benefit of the electricity consumers in terms of continuous, quality, reliable, and efficient power supply as mandated by Section 2 of the EPIRA.

WHEREFORE, the foregoing premises considered, the *Application* of Natures Renewable Energy Development Corporation (NAREDCO) to develop and own dedicated point-to-point limited facilities to connect its 100MW_{AC} Lal-lo Solar Power Project (Lal-lo SPP) to the Luzon Grid via Direct Connection to the Lal-lo (Magapit) 69/230kV Substation of the National Grid Corporation of the Philippines (NGCP), is hereby **RESOLVED** as follows:

1. NAREDCO is hereby **AUTHORIZED** to develop and own the dedicated point-to-point limited transmission facilities to connect its 100MW_{AC} Lal-lo SPP to the Luzon Grid through the NGCP's 69/230kV Lal-lo (Magapit) Substation, subject to the following conditions:
 - 1.1. The generating energy of Lal-lo SPP shall be subject to generation curtailment and appropriate dispatch prioritization during N-1 condition until the completion of the proposed Santiago - Nagsaag 500 kV Transmission Line;
 - 1.2. The dedicated point-to-point limited transmission facilities shall be used solely by the generating facility;
 - 1.3. The subject facilities shall be developed and constructed in accordance with the System Impact Study (SIS), Facility Study (FS), Supplemental Facility Study (SFS) and NGCP's requirements listed on the FS review report which shall be complied with by NAREDCO and NGCP prior to the commercial operation of Lal-lo SPP so as not to result in the degradation of NGCP's transmission system;

- 1.4. The metering point shall be at the connection point, in accordance with the PGC; and
- 1.5. Should any portion of the dedicated point-to-point limited transmission facilities be required for competitive purposes or to connect with any other user, the ownership of the same shall be transferred immediately to NGCP. NGCP shall then pay NAREDCO using the fair market price of the subject facilities, but subject to optimization. The following shall be complied with by NGCP and NAREDCO:
 - 1.5.1 The transfer of the assets, as the case may be, shall be effected on the same day that another user is physically connected. A report on such transfer shall be submitted to the Commission within thirty (30) days from the subject physical connection by another user to the facility.
 - 1.5.2 NGCP and NAREDCO shall ensure the completion of the transactions and requirements for the legal transfer of ownership of the subject asset no later than one (1) year from the physical connection of another user to the facility. A report on such legal transfer of ownership shall be submitted to the Commission within thirty (30) days from the subject physical connection by another user to the facility.
 - 1.5.3 Non-compliance with the above directives as provided in 1.5 and its sub-clauses, and other pertinent provisions of this *Decision* shall merit the issuance of a *Show Cause Order*, and subject to penalties as may be imposed by the Commission. This is without prejudice to the Commission's continuing evaluation and issuance of a corresponding Show Cause Order, where warranted.
2. NAREDCO is **NOT AUTHORIZED** to own the assets that were installed at the Lal-lo Substation, which are not dedicated point-to-point limited transmission facilities.

These assets shall be immediately turned over to NGCP. NGCP shall pay NAREDCO at a fair market price, subject to optimization;

3. NGCP is hereby **DIRECTED** to operate and maintain the subject dedicated point-to-point limited facilities to ensure and maintain the reliability, adequacy, security, stability, and integrity of the nationwide electrical grid, subject to applicable charges to NAREDCO;

NAREDCO is **DIRECTED** to submit a copy of the executed Operation and Maintenance Agreement between NAREDCO and NGCP for the subject facilities within (30) days from its execution;

4. NGCP is hereby **DIRECTED** to expedite the construction of the Nagsaag - Santiago 500kV Transmission Line Project; and
5. NAREDCO is hereby **DIRECTED** to pay, and remit to the Commission the full amount of **PhP5,190,326.73, within fifteen (15) calendar days** from receipt of the *Decision* resolving the instant application, as payment for the permit fee, pursuant to Section 40 of Public Service Act, as amended, and the Commission's Revised Schedule of Fees and Charges. The permit fee computed herein shall be considered in the determination of the fair market price of the assets in the event that these assets are transferred to NGCP.

RELATIVE TO THE FOREGOING, NAREDCO is hereby **DIRECTED** to submit a *Compliance Report* showing its *Compliance* or *Compliance Plan* with all the directives of the Commission **within thirty (30) calendar days** from receipt hereof.

FURTHER, the resolution of the instant case shall be without prejudice to NAREDCO's compliance with the Certificate of Compliance (COC) requirements of the Commission and other government agencies' requirements, rules, and regulations.

FINALLY, this *Decision* shall be without prejudice to any administrative action that the Commission may undertake against NAREDCO for its violation of Section 9 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA).

SO ORDERED.

Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


FLORESINDA G. BALDO-DIGAL
Commissioner


MARKO ROMEO L. FUENTES
Commissioner


PARIS G. REAL
Commissioner


LS:JPM/JGGW/MCCG


ROS: LCE/MMM/JCB/AJMO

**Deliberated and approved during the 17 October 2025 Ad hoc Meeting.*

Copy Furnished:

1. Natures Renewable Energy Devt. Corporation (NAREDCO)
Applicant
Penthouse, Bldg. III, Sta. Lucia East Grand Mall,
Marcos Highway corner Felix Avenue,
Cainta, Rizal
2. Diccion Law Firm
Counsel of Applicant NAREDCO
Unit 1708 Jollibee Plaza Building
F. Ortigas Jr. Road, Ortigas Center, Pasig City
Email Address: diccionlawfirm@diccionlaw.com
diccionlawfirm08@gmail.com
3. Office of the Solicitor General (OSG)
134 Amorsolo Street, Legaspi Village, Makati City
Email Address: docket@osg.gov.ph
4. Commission on Audit (COA)
Commonwealth Avenue, Quezon City
Email Address: citizensdesk@coa.gov.ph
5. Senate Committee on Energy
GSIS Building, Roxas Boulevard, Pasay City
Email Address: senateenergycommittee@gmail.com
6. House Committee on Energy
Batasan Hills, Quezon City
Email Address: committee.energy@house.gov.ph
7. Office of the Governor
Province of Cagayan
8. Office of the Sangguiniang Panlalawigan
Province of Cagayan
9. Office of the Municipal Mayor
Lal-lo, Province of Cagayan
10. Office of the Sangguniang Bayan
Lal-lo, Province of Cagayan
11. Regulatory Operations Service (ROS)
Energy Regulatory Commission
14th Floor, Exquadra Tower
1 Jade Drive, Ortigas Center
Barangay San Antonio, Pasig City