

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

**IN THE MATTER OF THE
APPLICATION FOR
AUTHORITY TO DEVELOP,
OWN, AND OPERATE
DEDICATED POINT-TO-
POINT FACILITIES TO
CONNECT THE PETRON
REFINERY SOLID FUEL-
FIRED BOILER PROJECT TO
THE HERMOSA-BATAAN
COMBINED CYCLE POWER
PLANT LINE 3 SUBSTATION**

ERC CASE NO. 2024-056 MC

PETRON CORPORATION,
Applicant.
X-----X

Promulgated:
January 22, 2025

ORDER

On 17 December 2024, Petron Corporation (PETRON) filed through the Energy Virtual One-Stop Shop (EVOSS) portal, an *Application*, dated 03 December 2024, seeking the Commission's approval for the authority to develop, own, and operate dedicated point-to-point facilities to connect the PETRON Refinery solid fuel-fired boiler project to the Hermosa-Bataan combined cycle power plant line 3 substation.

The pertinent allegations of the *Application* are hereunder quoted as follows:

A. Introduction

1. PETRON is a corporation duly organized and validly existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at San Miguel Corp. Head Office Complex, 40 San Miguel Avenue, Mandaluyong City. It may be served with order and other legal processes through the undersigned counsel.
2. PETRON is in the business of, among others, purchasing, creating, generating, or otherwise acquiring, using, selling,

supplying, or otherwise disposing of electric current and electric, steam and water power of every kind and description, and selling, supplying or otherwise disposing of light, heat, and power of every kind and description. Its Certificate of Incorporation, Articles of Incorporation, and Bylaws are attached to this Application as Annex "A".

3. PETRON's history is traced to 1933 when Socony Vacuum Oil Company of New York and Standard Oil Company of New Jersey merged to form the Standard Vacuum Oil Company ("Stanvac"). After suspending operations in World War II, Stanvac promptly resumed its operations in 1945 and helped rebuild a newly-independent nation.
4. In 1957, Stanvac started constructing a refinery in the province of Limay, Bataan to meet the country's growing fuel needs. At the time of its inauguration in 1961, it had a refining capacity of 25,000 barrels of crude oil per day. At the time, this was the most modern refining facility in South East Asia. The end of Standard Oil and Socony Vacuum's partnership in 1962 gave birth to Esso Philippines.
5. PETRON was incorporated under the Corporation Code of the Philippines on December 15, 1966, as Esso Philippines, Inc. ("Esso Philippines").
6. On December 21, 1973, the Philippine National Oil company ("PNOC"), a government-owned and controlled corporation, acquired all of the shares in Esso Philippines and the company was renamed Petrophil Corporation.
7. On November 5, 1985, Petrophil Corporation and Bataan Refinery corporation (formerly the Standard Vacuum Refining Corporation) were merged with Petrophil as the surviving corporation. Petrophil later changed its corporate name to PETRON.
8. On March 4, 1994, PNOC sold 40% of its shares in PETRON to Aramco Overseas Company B.V., a wholly owned corporation of Saudi Arabian Oil Company ("SAUDI ARAMCO"). On September 7, 1994, 20% of PETRON's shares were listed with the Philippine Stock Exchange in the biggest Initial Public Offering ("IPO") in the Philippines.
9. In April 2011, Petron Bataan Refinery ("PBR") celebrated its 50th anniversary with the launch of its Upgrade Project dubbed the Refinery Master Plan Phase 2 ("RMP-2"). To meet the steam requirements of this project and consequently provide electricity to the refinery, the 140,000 MW (4x35,000 MW) Refinery Solid Fuel-Fired Boiler ("RSFFB") Power Plant (the "Project") was constructed and commissioned in the years 2013 and 2014.
10. In order to convey the electricity generated by the RSFFB to the consumers, PETRON connects to the National Grid Corporation of the Philippines ("NGCP")'s Hermosa-Bataan

Combined Cycle Power Plant Line 3 Substation in Limay, Bataan (“BCCPP”). For this purpose, PETRON maintains 2.5 km, 34.5 kilovolt double-circuit line (“Connection Asset”) from the plant site to the BCCPP Substation, which is owned and operated by NGCP.

11. Section 9 of Republic Act (“RA”) 9136 or the Electric Power Industry Reform Act (“EPIRA”) of 2011 expressly provides that:

“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 ERC: Provided, further, That in the event that such assets are required for competitive purposes, ownership of the same shall be transferred to the TRANSCO at a fair market price: Provided, finally, That in the case of disagreement on the fair market price, the ERC shall determine the fair market value of the asset.”

12. Furthermore, Section 5, Rule 5 of the Implementing Rules and Regulations of EPIRA provides that:

“Section 5. Dedicated Point-to-Point Limited Transmission Facility of a Generation Company.

(a) Subject to prior authorization from ERC, TRANSCO or its Buyer or Concessionaire may allow a Generation Company to develop, own and/or operate dedicated point-to-point limited transmission facilities: Provided, That:

- (i) Such dedicated point-to-point limited transmission facilities are required only for the purpose of connecting to the Grid which will be used solely by the Generation Facility, and are not used to serve End-users or Suppliers directly;
- (ii) The facilities are included and consistent with the TDP as certified by TRANSCO or its Buyer or Concessionaire; and
- (iii) Any other documents that may be required by the ERC.

(b) In the event that such assets are required for competitive purposes, ownership of the same shall be transferred to the TRANSCO at a fair market price. In

case of disagreement on the fair market price, the ERC shall determine the fair market value of such asset, either directly or through such dispute resolution mechanisms as ERC may specify.”

B. Allegations in Support of Application

13. On May 31, 2022 and May 23, 2024, PETRON was issued a Certificate of Endorsement by the Department of Energy (“DOE”) (attached as Annex “B-series”) to certify that the 44.400 MW (2 x 22.200 MW) RSFFB and the 140.000 MW (4 x 35.000 MW) RSFFB, respectively, are consistent with the Power Development Plan of the government.
14. An assessment of the impact of the RSFFB on the BCCPP Substation was conducted by NGCP.
15. In September 2012, System Impact Studies (“SIS”) (attached as Annex “C”) were conducted by NGCP for the construction of the 140.000 MW (4 x 35.000 MW) RSFFB Phase 1 and Phase 2, and the current 2.5 km 34.5 kV double circuit transmission line connecting the RSFFB to NGCPs BCCPP Substation using PETRON’s 2x50 MVA, 230/34.5kV step-up transformer installed in the said substation. Overall, the connection was deemed technically feasible.
16. In August 2020, a second SIS (attached as Annex “D”) was conducted by NGCP in consideration of the construction and connection of the 44.400 (2 x 22.200 MW) RSFFB Phase 3 Project to the Luzon Grid via the connection of RSFFB Phase 1 and Phase 2 to the BCCPP Substation. The SIS deemed the proposed connection to the connection to NGCP’s BCCPP Substation as acceptable, as stated in the Final Certificate of Approval to Connect issued to Petron, in turn attached as Annex “E”.

THE CONNECTION ASSET IS FINANCIALLY FEASSIBLE, AND PETRON HAS THE FINANCIAL CAPABILITY TO DEVELOP, OWN, AND OPERATE THE CONNECTION ASSET

17. The Connection Asset is financially feasible. The actual cost for the Connection Asset was Php314,316,870.96 Million Pesos, inclusive of value added tax. The cost of the Connection Asset was part of the overall cost of the Project.¹ The Project, including the Connection Asset, was funded through loans and equity.
18. PETRON’s 2022 and 2023 Audited Financial Statements (attached as Annex “F-Series”), duly attested schedule of liabilities (attached as Annex “G-series”), and five (5) year financial plan spanning to 2028 (attached as Annex “H”) show

¹ A copy of the Joint Certification by PETRON is attached hereto as Annex R.

that PETRON has sufficient funds on hand to undertake the construction, development, operation, and maintenance of the entire Project.

19. PETRON carefully studied four options for the project and the line Connection Asset: a) Option A: Construction of New 34.5 kV Transmission Line and Switchyard Facilities to serve as connection point of the RSFFB to the 230 kV grid of NGCP, which at the time had an estimated cost of Php 250 million and a more definitive schedule of implementation where the commissioning of RSFFB can be commitment; b) Option B: Use of 230 kV TEAM Energy Transmission Line and Switchyard inside RSFFB area which will entail about Php 540 million and an indefinite schedule of implementation since it will be dependent on NGCP's negotiation with Team Energy; and d) Option D: Construction of New 230 kV Line Dedicated for RSFFB which will entail PhP 420 million, exclusive of lot/right-of-way acquisition, and an indefinite schedule as it requires lot/right-of-way acquisition for the new transmission line and tower structures.
20. PETRON selected Option A considering this option is more economical and viable in order to convey the electric power generated by the Project to the public whilst ensuring the safe operation of the assets. A summary of the options analysis is attached thereto as Annex "I".

**THE CONNECTION ASSET IS
TECHNICALLY FEASIBLE, AND
PETRON HAS THE TECHNICAL
CAPABILITY TO DEVELOP,
OPERATE, AND MAINTAIN THE
CONNECTION ASSET**

21. The SIS shows that the Connection Asset is technically feasible. PETRON, by itself, and/or its subsidiaries and affiliates, have the technical capability to develop, construct, operate, and maintain the Connection Asset.
22. PETRON has long been involved in the business of refining crude oil and the marketing and distribution of refined petroleum products. Necessarily, this includes refineries that can also generate power. In line with this, PETRON has commissioned and uses the RSFFB to generate such power, and is able to operate and maintain such.
23. PETRON has the experience, technical expertise, and resources necessary to undertake the commitments specified in its agreements with the DOE or NGCP, including those involving the development, operation and/or maintenance of the Project, including the Connection Asset.
24. The operation and maintenance of the Connection Asset can be carried out by personnel belonging to RSFFB Operations and Maintenance Group. These personnel are under the supervision and direction of Mr. Daniel R. Malabanan, as the

Manager of PETRON-Refinery Technical Services Division Electrical Engineering, Mr. Gerald A. Santayana, as the Manager of PETRON-RSFFB Plant Services and Logistics, and Mr. Juanito L. Mateo, as the Officer-in-Charge of PETRON-Refinery Utilities and RSFFB.

PETRON SHOULD BE GRANTED AUTHORITY TO DEVELOP, OWN AND OPERATE ASSET THE CONNECTION ASSET

25. The SIS shows that the Connection Asset is technically feasible. PETRON, by itself, and/or with its subsidiaries and affiliates, have the technical capability to develop, construct, operate, and maintain the Connection Asset.
26. Pursuant to Section 9 of the EPIRA, PETRON hereby applies with the Honorable Commission for authority to develop, own, and operate the Connection Asset.
27. The Connection Asset of PETRON is solely for the use of PETRON’s RSFFB, and to allow delivery of excess power to the Luzon Grid and to receive immediate back-up power in case of loss or tripping of the RSFFB. The removal of such Connection Asset from the transmission system will not affect the Luzon Grid.
28. The single line diagram (attached as Annex “J”) of the proposed interconnection shows that the Connection Asset will be exclusively used by the Project.
29. PETRON endeavors that the Connection Asset complies with the existing rules and regulations, particularly the 2016 Philippine Grid Code, and undertakes to comply with all such rules and regulations, with such undertaking attached as Annex “K”.

SUPPORTING AND RELATED DOCUMENTS

30. In further support of the instant application, the Applicant most respectfully submits to the Honorable Commission, the following documents:

Annex	Document
A	Certificate of Incorporation, Articles of Incorporation, and By-laws of PETRON Corporation
B-series	DOE Certificate of Endorsement
C	September 2012 System Impact Study
D	August 2020 System Impact Study
E	Final certificate of Approval to Connect
F-series	a. 2022 Audited Financial Statements b. 2023 Audited Financial Statements

G-series*	Schedule of Liabilities
H*	Five Year Financial Plan
I*	Options Analysis
J*	Single Line Diagram
K	Undertaking to comply with the 2016 Philippine Grid Code
L	Latest General Information Sheet
M	Excerpts of the Power Development Plan
N	Excerpts of the Transmission Development Plan
O	Connection Agreement
P	Project Rationale
Q	Facilities Study
R*	Joint Certification on the Cost of the Connection Asset
S*	Project Schedule
T	Relevant Dates
U	Connection Asset Design

**Subject to motion for confidential treatment of information*

**Motion for Confidential Treatment of Information and
Allegations in Support of the Prayer for Confidential
Treatment of Information**

31. The Honorable Commission may, upon request of a party and determining that the disclosure of information requested to be treated as confidential information is justified, treat certain information submitted to it as confidential. Applicant is bound by confidentiality agreements prohibiting the disclosure of any business, technical, marketing, operational, organizational, financial or other information and trade secrets and other confidential documents, papers and information, as well as bound by data privacy law and rules as regards confidentiality of personal information of personnel or individuals.

32. Accordingly, the Applicant respectfully requests before the Honorable Commission that Annexes “G-series”, “H”, “I”, “J”, “R”, and “S” attached hereto not be disclosed and be treated as confidential in accordance with Rule 4 of the ERC Rules. Annexes “G-series”, “H”, “I”, “J”, “R”, and “S” attached hereto contain confidential information critical to the business operation of the Applicant, including trade secrets and business calculations, assumptions and projections, as well as personal employee information which may be covered by the Data Privacy Act.

PRAYER

WHEREFORE, Applicant PETRON most respectfully prays that this Honorable Commission:

1. Issue an order declaring confidential annexes, and the information therein, as confidential information, within the purview of Rule 4 of the ERC Rules, thereby

directing the same to be treated with confidentiality and be protected from public disclosure; and

2. Issue a final order authorizing PETRON to operate and maintain the Connection Asset until such time said project is otherwise re-classified, owned, operated, and maintained by NGCP.

Other reliefs as may be appropriate under the circumstances are likewise prayed for.

Finding the said *Application* to be sufficient in form and with the required fees having been paid, the Commission hereby sets the same for hearing for determination of compliance with the jurisdictional requirements, expository presentation, and Pre-trial Conference² on **20 February 2025 (Thursday) at two o'clock in the afternoon (2:00 P.M.)**, through **MS Teams Application** as the online platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020³ and Resolution No. 01, Series of 2021⁴ (ERC Revised Rules of Practice and Procedure).

RELATIVE THERETO, PETRON is hereby directed to:

- 1) Cause the publication of the attached *Notice of Virtual Hearing* once (1x) in a newspaper of nationwide circulation in the Philippines at its own expense, at least ten (10) days before the date of the scheduled initial hearing;
- 2) Furnish with copies of this *Order* and the attached *Notice of Virtual Hearing* the Offices of the Provincial Governor, the Mayors, and the Local Government Unit (LGU) Legislative Bodies of the areas affected by the project for the appropriate posting thereof on their respective bulletin boards;

² In the Commission's *Advisory* dated 26 July 2023, the Commission adopted the Summary Proceedings in accordance with Rule 17 of the Commission's Revised Rules of Practice and Procedure (ERC Revised RPP) in the filing, processing and evaluation of the applications for authority to develop and own or operate dedicated point-point limited transmission facilities, in the following instances: (1) Applications without intervenor, or uncontested applications; and (2) Applications with intervenors, provided all parties have agreed to subject the application to summary proceedings. Under the said summary proceedings and in accordance with Rule 17 of the ERC Revised RPP, the Applicant's presentation of evidence is through the submission and offering of the affidavits of its witnesses and other pieces of evidence within the time allowed by the Commission.

³ A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.

⁴ A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

- 3) Inform the consumers within the affected area, by any other means available and appropriate, of the filing of the *Application*, its reasons therefor, and of the scheduled virtual hearings thereon;
- 4) Furnish with copies of this *Order* and the attached *Notice of Virtual Hearing*, the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested if they so desire to send their duly authorized representatives and attend the scheduled hearings; and
- 5) Furnish with copies of the *Application* and its attachments, except those subject of a motion for confidential treatment of information, all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

No later than ten (10) calendar days prior to the date of the initial virtual hearing, PETRON must submit to the Commission through the EVOSS portal and via electronic mail (e-mail) at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph, the scanned copies of its written compliance with the aforementioned jurisdictional requirements attaching the following methodically arranged and duly marked documents:

- 1) The evidence of publication of the attached *Notice of Virtual Hearing* consisting of affidavit of the Editor or Business Manager of the newspaper where the said *Notice of Virtual Hearing* was published, and the complete issue of the said newspaper;
- 2) The evidence of actual posting of this *Order* and the attached *Notice of Virtual Hearing* consisting of certifications issued to that effect, signed by the aforementioned Governor, Mayor, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by SMGP to inform the consumers within the affected area of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon;

- 4) The evidence of receipt of copies of this *Order* and the attached *Notice of Virtual Hearing* by the OSG, the COA, and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the *Application* and its attachments, except those subject of a motion for confidential treatment of information, by all those making requests therefor, if any; and
- 6) Such other proofs of compliance with the requirements of the Commission.

Moreover, PETRON is hereby required to post on its bulletin boards, the scanned copies of the foregoing jurisdictional requirements, together with the newspaper publication and certifications issued by the concerned Offices of the Governor, Mayor, and LGU legislative bodies, and to submit proof of posting thereof.

Applicant PETRON and all interested parties are also required to submit via e-mail at doCKET@erc.ph, copy furnish the Legal Service through legal@erc.ph, **at least five (5) calendar days** before the date of the scheduled virtual hearing and Pre-Trial Conference, their respective Pre-Trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefor, which should also be attached to the Pre-Trial Brief; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-Trial Brief.

Applicant PETRON must ensure that all the documents or exhibits proposed to be presented have already been duly submitted to the Commission **at least five (5) calendar days** before the date of the scheduled virtual hearing and Pre-Trial Conference pursuant to the preceding paragraph.

Failure of PETRON to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing.

Applicant PETRON must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, the nature of the *Application*. Relevant information and pertinent details substantiating the reasons and justifications for the *Application* must be cited in support thereof.

Applicant PETRON is hereby directed to file a copy of its Expository Presentation via e-mail at doCKET@erc.ph, copy furnish the Legal Service through legal@erc.ph, **at least five (5) calendar days** prior to the scheduled virtual hearing. PETRON shall also be required, upon the request of any stakeholder, to provide an advance copy of its expository presentation, **at least five (5) calendar days** prior to the scheduled virtual hearing.

Applicant PETRON is further directed to submit, through personal service, registered mail, or ordinary mail/private courier, one (1) set of the original or certified true hard copies of its Jurisdictional Compliance, Expository Presentation, Pre-Trial Brief, and Judicial Affidavits of witnesses, **within five (5) working days** from the date that the same were electronically submitted, as reflected in the acknowledgment receipt e-mail sent by the Commission.

Moreover, NGCP is hereby impleaded as a necessary party to this *Application*. Accordingly, NGCP is hereby directed to submit its **Verified Comment** via e-mail at doCKET@erc.ph, copy furnish the Legal Service through legal@erc.ph, **at least five (5) calendar days** prior the date of the scheduled virtual hearing.

NGCP is further directed to submit, through personal service, registered mail, or ordinary mail/private courier, one (1) set of the original or certified true hard copies of its **Verified Comment**, **within five (5) working days** from the date that the same were electronically submitted, as reflected in the acknowledgment receipt e-mail sent by the Commission.

Finally, Applicant PETRON and NGCP, including their respective authorized representatives and witnesses, are hereby directed to provide the Commission, thru legal.virtualhearings@erc.ph, their e-mail addresses upon receipt of this *Order*. The Commission will send the access link to the aforementioned hearing platform within five (5) working days prior to the scheduled hearing.

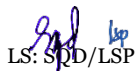
SO ORDERED.

Pasig City, 22 January 2025.

FOR AND BY AUTHORITY
OF THE COMMISSION:



KRISHA MARIE T. BUELA
Director III, Legal Service


LS: SDD/LSP

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Copy Furnished:

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7. Office of the City Mayor
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8. Office of the Local Government Unit (LGU) Legislative Body
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11. Office of the Municipal Mayor
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