



Republic of the Philippines
DEPARTMENT OF ENERGY

DEPARTMENT CIRCULAR NO. _____

**ADOPTING FURTHER AMENDMENTS TO THE WHOLESALE ELECTRICITY SPOT
MARKET (WESM) MARKET MANUAL ON BILLING AND SETTLEMENT**

**(Provisions on Additional Compensation Formula During Market
Intervention/Suspension)**

WHEREAS, Sections 30 and 37(f) of the Electric Power Industry Reform Act (EPIRA) provides that the DOE, jointly with the electric power industry participants, shall establish the Wholesale Electricity Spot Market (WESM) and formulate the detailed rules governing the operations thereof;

WHEREAS, on 28 June 2002, the DOE, with the endorsement of the electric power industry participants, promulgated the WESM Rules through Department Circular (DC) No. DC2002-06-003;

WHEREAS, any changes, amendments, and modifications to the WESM Rules including its Market Manuals shall be undertaken in accordance with the provisions of Chapter 8 thereof;

WHEREAS, on 25 June 2021, the DOE issued DC2021-06-0015 entitled “Declaring the Commercial Operations of Enhanced Wholesale Electricity Spot Market (WESM) Design and Providing Further Policies” which enhanced the design and operation of the market from one hour to a five-minute dispatch trading interval;

WHEREAS, in line with the implementation of these enhancements to WESM design and operations, the ERC approved the pricing and settlement formula to be applied in the five-minute dispatch interval market, the Energy Regulatory Commission (ERC) approved the Price Determination Methodology (PDM) for the enhanced WESM design and operations thru its Decision on ERC Case No. 2017-042RC;

WHEREAS, in accordance with the ERC Case No. 2017-042, Section 8.3 of the WESM Manual on Price Determination Methodology and Section 10 of the WESM Manual on Billing and Settlement provide the procedures and formulae in the processing of additional compensation claims and recovery, and the conditions when a Trading Participant is entitled to additional compensation. These conditions are as follows:

- During Market Suspension or Market Intervention;
- Designated as constrain-on or must-run unit;
- Scheduled and dispatched as constrained-on unit during price substitution methodology; and
- Scheduled and dispatched when price mitigation measure is imposed by ERC;

WHEREAS, on 25 May 2022, the Independent Electricity Market Operator of the Philippines (IEMOP) submitted proposed amendments to the WESM Manual on Billing and Settlement which aims to:

- i. reflect the formula for the calculation of additional compensation amount and specify the recovery process for additional compensation across all claim categories based on the External Auditor's recommendations from the (Supplemental) Audit of PDM-related Enhancements to the New Market Management System (NMM) and Central Registration and Settlement System (CRSS); and
- ii. simplify the process in determining System Operator (SO) dispatch instructions during market intervention/suspension and include further condition on the calculation of quantity eligible for additional compensation during administered pricing.

WHEREAS, on 01 December 2022, the PEM Board-approved amendments to the WESM Manual on Billing and Settlement were submitted to the DOE for final approval, in compliance with Chapter 8 of the WESM Rules;

NOW THEREFORE, after careful review of the PEM Board-approved proposal and the comments and recommendations received on the same, the DOE, pursuant to its authority under the EPIRA and the WESM Rules, hereby adopts, issues, and promulgates the following amendments to the WESM Rules and various Market Manuals:

Section 1. Amendments to the WESM Manual on Billing and Settlement. The WESM Manual on Billing and Settlement, and its provisions are hereby amended to read as:

10.3. Quantity Eligible for Additional Compensation

10.3.3 The scheduled generation of a generating unit that filed a claim for additional compensation shall be calculated using the following formulas:

- a) If due to declaration of *market suspension* or *market intervention*,

$$SG_{g,i} = \frac{DI_{g,i}}{12}$$

xxx xxx xxx

Where:

$SG_{g,i}$ refers to the scheduled generation of *generating unit g* for *dispatch interval i*

xxx xxx xxx

D_{g,i} refers to the most recent dispatch instruction from the System Operator received by generating unit g for dispatch interval i. In cases where there is no System Operator dispatch instruction issued for generating unit g at dispatch interval i during market intervention or market suspension, then its gross energy settlement quantity at dispatch interval i shall be used.

10.4. Billing and Settlement of Additional Compensation

10.4.1 Using the formula below, the *Market Operator* shall determine the additional compensation claim amount in accordance with the claim category conditions on quantity eligible for additional compensation as set out in Section 10.3 of this Manual.

$$ACA_{g,i} = ACQ_{g,i} \times [Approved\ Rate_{g,i} - FEDP_{g,i}]$$

Where:

ACA_{g,i} refers to the additional compensation amount of generating unit g for dispatch interval i

ACQ_{g,i} refers to the additional compensation quantity or volume of generating unit g for dispatch interval i

Approved

Rate_{g,i} refers to the approved rate of generating unit g at dispatch interval i based on the evaluation of the claim

FEDP_{g,i} refers to the final energy dispatch price of generating unit g at certain dispatch interval i

10.4.2 The *Market Operator* shall determine the share in the additional compensation amount of each *Trading Participant* in accordance with the provisions under Section 8.3 of the Price Determination Methodology Manual. For each claim category, the additional compensation amount shall be pro-rated among the customers in the same region based on *gross energy settlement quantities* in accordance with the following formula

$$Allocation_{c,i} = ACR_{R,i} \times \frac{GESQ_{c,i}}{\sum_{c \in R} GESQ_{c,i}}$$

Where:

Allocation c,i refers to the amount recovered for customer c at dispatch interval i

ACR R,i refers to the Additional Compensation Claim for region R at dispatch interval i

GESQ c,i refers to the gross energy settlement quantity for customer c at dispatch interval i

$\sum_{c \in R} \text{GESQ}_{c,i}$ refers to the total gross energy settlement quantity in region R at dispatch interval i

10.4.3 The *Market Operator* shall calculate the possible rate impact to each *WESM Customer* of each approved claim in accordance with the following formula:

xxx xxx xxx

10.4.4 The approved claim of each *Trading Participant* covering each *billing period* and for each claim category shall be billed on the *billing period* immediately following the approval of the claim and payments shall be collected as follows:

xxx xxx xxx

10.4.5 The *Market Operator* shall collect payments for the approved claim within the following timeframe –

xxx xxx xxx

10.4.6 The collected amounts from staggered payments shall be pro-rated to the *Trading Participants* which the payment is due.

xxx xxx xxx

10.4.7 The payment for additional compensation of customers that have switched to a different *Direct WESM Member* shall be billed to the current *Direct WESM Member* provided that the bill shall reflect the period of consumption and the corresponding *Direct WESM Member* during the period of the additional compensation event under claim.

xxx xxx xxx

10.4.8 The *Market Operator* shall publish the following data relating to issued additional compensation statements for the information of customers, subject to the provisions of the *Market Operator Information Disclosure and Confidentiality Manual*:

- a. The aggregate approved and issued additional compensation claim amount, in PhP, per region, including the total number of trading intervals; and
- b. The estimated rate impact to customers, in PhP/MWh, computed by dividing the aggregate approved additional compensation claim amount by the aggregate gross energy settlement quantity of customers per region.

Said publication shall be done in the *Market Information Website* no later than 30 business days after the issuance of settlement statements containing the additional compensation settlement amounts. The *Market Operator* shall likewise submit the said data to the Energy Regulatory Commission.

Section 5. Separability Clause. If for any reason, any section or provision of this Circular is declared unconstitutional or invalid, such parts not affected shall remain valid and subsisting.

Section 6. Repealing Clause. Except insofar as may be manifestly inconsistent herewith, nothing in this Circular shall be construed as to repeal any mechanisms already existing or responsibilities already provided for under existing rules.

Section 7. Effectivity. This Circular shall take effect immediately following its complete publication in at least two (2) newspapers of general circulation and shall remain in effect until otherwise revoked.

Issued this ____ 2023 at the DOE, Energy Center, Rizal Drive, Bonifacio Global City, Taguig City, Metro Manila.

RAPHAEL P. M. LOTILLA
Secretary