



Republic of the Philippines
DEPARTMENT OF ENERGY
(Kagawaran ng Enerhiya)

Department Circular No. _____

**DECLARING THE COMMERCIAL OPERATION OF THE
WHOLESALE ELECTRICITY SPOT MARKET (WESM) IN THE MINDANAO GRID**

WHEREAS, Republic Act No. 9136 entitled “Electric Power Industry Reform Act of 2001” otherwise known as EPIRA, declares the policy of the State, among others, to ensure the quality, reliability, security, and affordability of the supply of electric power; and to ensure transparent and reasonable prices of electricity in a regime of free and fair competition and full public accountability to achieve greater operational and economic efficiency and enhance the competitiveness of Philippine products in the global market;

WHEREAS, EPIRA provides that the Department of Energy (DOE) shall:

- a. Ensure the reliability, quality and security of supply of electric power;
- b. Jointly with the electric power industry participants, establish the Wholesale Electricity Spot Market (WESM) and formulate the detailed rules governing the operations thereof;
- c. Develop policies and procedures and, as appropriate, promote a system of energy development incentives to enable and encourage electric power industry participants to provide adequate capacity to meet demand including, among others, reserve requirements;
- d. Integrate the Transmission Development Plan, prepared and submitted by the National Transmission Corporation, to the Power Development Plan.

WHEREAS, on 28 June 2002, the DOE promulgated Department Circular (“DC”) DC2002-06-0003 or the WESM Rules;

WHEREAS, on 04 May 2017, the DOE promulgated DC2017-05-0009, “Declaring the Launch of the WESM in Mindanao and Providing for Transition Guidelines” effective 26 June 2017 to provide sufficient time for the Market Operator (“MO”), System Operator (“SO”), and WESM Participants to prepare and familiarize themselves in WESM operations;

WHEREAS, on 25 June 2021, the DOE promulgated DC2021-06-0015, “Declaring the Commercial Operations of Enhanced Wholesale Electricity Spot Market (WESM) Design and Providing Further Policies” which provides for implementation of WESM Central Scheduling (WCS) for Mindanao in transition to the commercial operations for the WESM;

WHEREAS, on 24 July 2021, the DOE issued an Advisory extending the implementation of WCS in Mindanao grid, in light of the pending registration of WESM

Mindanao Participants, until further notice on the DOE's declaration of the actual commercial operations date of the WESM in Mindanao;

WHEREAS, pursuant to the Transmission Development Plan as on several meetings, it was discussed that the WESM in Mindanao should be implemented ahead of the operations of the Mindanao-Visayas Interconnection Project (MVIP), since creating a new mechanism for settlement, other than the WESM Mindanao, will require amendments to the Price Determination Methodology (PDM), and enhancements to the current software which will entail additional cost and time.

WHEREAS, sixty-eight (68) out of the one hundred one (101) expected participants in Mindanao have completed registration in the WESM based on 15 November 2022 registration update from the MO;

WHEREAS, the remaining requirements of the unregistered participants will not necessarily impede registration and the commercial operations of the WESM in Mindanao including the Lanao del Sur Electric Cooperative, Inc. (LASURECO) and Maguindanao Electric Cooperative, Inc. (MAGELCO) have commenced registration in the WESM, thus the recommendation to declare the WESM Mindanao Commercial Operation Date;

NOW, THEREFORE, from the foregoing premises and pursuant to its authority under the EPIRA and the WESM Rules, the DOE hereby declares the following:

Section 1. Declaration of Commercial Operation of the WESM in the Mindanao Grid. The DOE hereby declares 26 December 2022 as the Commercial Operation Date (COD) of the WESM in Mindanao. For this purpose, the scheduling and dispatch of capacities in Mindanao shall be based on the schedules generated by the Market Operator in accordance with the WESM Rules and the relevant MarketManuals, and as otherwise provided herein.

Section 2. Compliance to WESM Registration Requirements. Electric Power Industry Participants and entities mandated to become WESM Members shall ensure completion of their WESM registration no later than 15 December 2022. For this purpose, the Market Operator shall facilitate registration considering the following:

- a. Full compliance to installation of main meters;
- b. Full compliance to submission of Direct WESM Member Counterparty Confirmation for those participants registering as Indirect WESM Member;
- c. Participants with pending requirements, other than the above stated, are deemed registered, provided, full compliance shall be observed no later than 25 March 2023 or as otherwise specified herein;

Section 3. Non-Compliance to WESM Registration. The Market Operator shall be authorized to initiate the process for disconnection of all Electric Power Industry Participants and entities mandated to register in the WESM but unable to comply with Section 2(a) or 2(b), as applicable. In such case, the Market Operator shall notify the relevant Network Service Provider (NSP) of the disconnection no later than three (3)

days before the COD, to be implemented by the NSP at least one (1) day before the COD.

Section 4. Compliance with Real-time Monitoring Requirements and Scheduling of Embedded Generators. Embedded Generators which lack requirements specific to Real-time Monitoring shall be allowed to register and participate in the WESM, subject to their submission of a compliance plan on the complete installation of Real-time Monitoring requirements within two weeks from the effectivity of this Circular, and furnish copies thereof to the DOE and ERC. The timeline in the compliance plan for the completion of the Real-time Monitoring requirements shall not be more than three (3) months from the Actual Commercial Operations Date. Pending the completion of the Real-time Monitoring requirements, the Market Operator and the System Operator shall implement interim procedures for updating of the real-time monitoring of concerned generating units as provided in Annex B.

Immediately after the lapse of the three (3) month period cited above, the System Operator shall submit the status of the Real-time Monitoring requirements to the Market Operator, the DOE, and the ERC.

Section 5. Relaxation of Prudential Requirements (PR). The posting of PR by WESM Mindanao Trading Participants shall be relaxed for three (3) months subject to Section 1 of this DC. For this purpose, the following shall be observed:

- 5.1 The Mindanao WESM Trading Participants shall be allowed to post the required PR within the three (3) month relaxation period.
- 5.2 For each of the spot transactions during the period of relaxation of the posting of PR, the concerned Mindanao WESM Trading Participants shall ensure timely settlement of its monthly bills with the MO. Otherwise, interest shall apply in accordance with the applicable provisions of WESM Rules and Market Manuals.
- 5.3 The Mindanao Trading Participants under Direct WESM Membership who are unable to post the required PR within the three (3) month relaxation period shall update its registration status to Indirect WESM Membership no later than fifteen (15) days prior to the lapse of the said period and shall comply with other requirements pursuant to the WESM Rules. Otherwise, applicable sanctions and/or penalties shall be imposed in accordance with the applicable provisions of WESM Rules and Market Manuals.

Section 6. Relaxation of Dispatch Conformance Standards (DCS). The compliance to DCS shall be relaxed for the first three (3) months subject to Section 1 of this DC. For this purpose:

- 6.1 The WESM Trading participants in Mindanao shall be exempted from sanctions and penalties in case of breach of DCS provided under the WESM Dispatch Protocol during the first three (3) months of the COD. Notwithstanding, the Enforcement and Compliance Office (ECO) shall continue to monitor the observance of the DCS by the Trading Participants for the purpose of evaluation of the initial commercial operation of the WESM in Mindanao.

All Trading Participants shall ensure full compliance to all other obligation under

the WESM Rules and Market Manuals.

Upon the lapse of the three (3) month relaxation period, the Trading Participants shall ensure full compliance to DCS in accordance with the applicable provisions of WESM Rules and Market Manuals.

Section 7. Transitory Provisions. Until the energization of the MVIP, the settlement for transactions of the participants located in Mindanao shall be separate from the market in Luzon and Visayas.

Section 8. Responsibilities of the National Electrification Administration, Power Sector Assets and Liabilities Management Corporation (PSALM), WESM Governance Arm, System Operator and Network Service Providers

For the smooth transition to and effective implementation of the commercial operation of WESM Mindanao, the following entities are mandated to:

8.1 National Electrification Administration (NEA)

- 8.1.1 Shall ensure and render the necessary assistance to Electric Cooperatives in the completion of their registration in the WESM in the accordance with the provisions of this Circular, the WESM Rules and other relevant issuances;
- 8.1.2 Coordinate with relevant entities as necessary, to fulfill compliance of the ECs to the financial and technical requirements relative to WESM registration;
- 8.1.3 Assist Electric Cooperatives, particularly those who are unable to post the necessary prudential security, in securing supply contract and a Direct WESM Member counterparty. For this purpose, the NEA shall render continuing assistance to Lanao Del Sur Electric Cooperative, Inc. (LASURECO) and the Maguindanao Electric Cooperative, Inc. particularly in entering into a contract for supply electrical energy with PSALM and compliance to the terms and conditions on the same;
- 8.1.4 Subject to compliance with the registration requirements and posting of sufficient prudential guarantee, the NEA may recommend the registration of both ECs as Direct WESM Members;
- 8.1.5 Formulate and implement action plans for addressing viability problems of ECs to ensure continuous supply of electricity to member-consumer -owners.

8.1 Power Sector Assets and Liabilities Management Corporation (PSALM)

- 8.1.6 Facilitate completion of the contract for supply of electrical energy with LASURECO and MAGELCO, in accordance with the following:
 - 8.1.6.1 The energy withdrawal of both ECs shall exclusively be allocated to the energy output of PSALM-owned plants within the Bangsamoro Area;
 - 8.1.6.2 PSALM determination of the amount of energy to be allocated for each time period in accordance with the payments made by the two ECs;
 - 8.1.6.3 Register and fulfill the obligations of a Direct WESM Member Counterparty to both ECs, Provided, that its exposure shall only be limited to the generation of PSALM-owned plants in the Bangsamoro area;
 - 8.1.6.4 All energy withdrawn by LASURECO and MAGELCO shall

be declared as bilateral contract quantity in the WESM. For this purpose, PSALM in coordination with the System Operator and Market Operator shall closely monitor the energy withdrawals and payments of the two ECs and as necessary, immediately inform the System Operator and the Market Operator on any action needed to mitigate effects of non-payment of both ECs to PSALM operations and the WESM.

- 8.1.6.5 PSALM may issue the disconnection notice to any customers in accordance with the provisions of signed CSEEs, the WESM Rules and other applicable policies.

8.2 Independent Electricity Market Operator of the Philippines (IEMOP)

- 8.2.1 Ensure compliance of WESM Mindanao participants to the registration requirements and undertake action necessary to address non-compliance in accordance with the provisions of this circular, the WESM Rules and Market Manuals;
- 8.2.2 Recommend procedures necessary to implement the provisions of this circular ensure smooth transition and operation of the WESM Mindanao; and
- 8.2.3 Ensure availability and applicability of all systems and procedures for the successful conduct of electricity trading in Mindanao.

8.3 WESM Governance Arm

- 8.3.1 Monitor and evaluate the initial implementation of the WESM in Mindanao and recommend measures to address policy issues that may arise during the initial implementation thereof;
- 8.3.2 Monitor and ensure compliance of WESM Members to the WESM Rules and Market Manuals and impose sanctions and penalties in accordance with the provisions thereof; and
- 8.3.3 Facilitate review and endorsement of proposals for changes to the WESM Rules and Market Manuals, as needed for the efficient operations of WESM Mindanao; and

8.4 National Grid Corporation of the Philippines (NGCP)

- 8.4.1 In coordination with the WESM Members, implement the necessary upgrading, correction or installation of relevant equipments for the monitoring of various facilities' compliance to real-time schedule and dispatch;
- 8.4.2 Identify and implement the necessary and appropriate arrangement for the exclusive allocation of PSALM capacities in the Bangsamoro area to LASURECO and MAGELCO
- 8.4.3 implement disconnection of non-complying Mindanao Trading Participants upon notification by the relevant generator, the WESM Governance Arm or the Market Operator, as the case may be, subject to existing processes and guidelines on disconnection; and
- 8.4.4 Seek regulatory approval on the required facility compliance of LASURECO and MAGELCO in accordance with the provisions of this circular.

Section 9. Regulatory Support. The ERC shall ensure the provision of support in the regulatory requirements and approvals consistent with the policies set forth under this Circular and in accordance with existing laws and procedures.

Section 10. Separability. If any provision of this Circular is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

Section 11. Effectivity and Publication. This Circular shall be effective immediately upon its publication in two (2) newspapers of general circulation. Copiesthereof shall be filed with the University of the Philippines Law Center – Office of National Administrative Register (UPLC-ONAR).

Issued on _____ 2022 at the Energy Center, Rizal Drive, Bonifacio Global City, Taguig City.

RAPHAEL P. M. LOTILLA
Secretary