



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

## **ADOPTING FURTHER AMENDMENTS TO THE WHOLESALE ELECTRICITY SPOT MARKET (WESM) RULES AND MARKET MANUALS**

### **(PROVISIONS ON PENALTY FRAMEWORK FOR TEST AND COMMISSIONING)**

**WHEREAS**, Section 30 and 37(f) of the Republic Act No. 9136 or the Electric Power Industry Reform Act (EPIRA) of 2001 mandates the Department of Energy (DOE) to supervise the restructuring of the electricity industry, and in addition thereto, 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 and formulate the detailed rules governing the operations thereof*; and c) *monitor private sector activities relative to energy projects to attain the goals of the restructuring, privatization, and modernization of the electric power sector as provided for under existing laws*;

**WHEREAS**, on 28 June 2002, the DOE, with the endorsement of the electric power industry participants, promulgated the WESM Rules through Department Circular No. DC2002-06-0003;

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

**WHEREAS**, on 03 June 2021, the DOE promulgated Department Circular No. DC2021-06-0013 entitled "Adopting a General Framework Governing the Test and Commissioning of Generation Facilities for Ensuring Readiness to Deliver Energy to the Grid or Distribution Network", which provided clear-cut procedures and timelines on the conduct of test and commissioning;

**WHEREAS**, Section 9 of the said DC mandated the Governance Arm to propose changes to the WESM Rules and relevant Market Manuals in accordance with the enforcement and compliance to the policy provided in the subject Circular, and to recommend to the DOE and the Energy Regulatory Commission (ERC) possible sanctions and other measures that will promote compliance of concerned stakeholders to the policies stated in the same Circular;

**WHEREAS**, in adherence to the DOE's directive, on 05 May 2022 the Governance Arm submitted to the RCC its proposed amendments to the WESM Manuals regarding Penalty Framework for Test and Commissioning which sought to provide the penalty mechanism for the following acts or omission of a Trading Participant with facility or plant whose test and commissioning period has expired;

**WHEREAS**, on 16 June 2022, the DOE issued Department Circular No. DC2022-05-0015 to supplement the Department Circular No. DC2021-06-0013, allowing power plants to continue to inject energy to the grid after successful completion of the test and commissioning process to support the anticipated increase in demand particularly during the summer period;

**WHEREAS**, the Rules Change Committee (RCC) in consultation with the Market Surveillance Committee (MSC) and Compliance Committee (CC) deliberated on the proposal, considering the comments received from interested parties and harmonizing with the DOE DC2022-05-0015, after which was finalized and submitted to the PEM Board;

**WHEREAS**, in a letter dated 02 December 2022, the *PEM Board* submitted the proposal for the DOE's final approval, in compliance with Chapter 8 of the WESM Rules;

**WHEREAS**, on \_\_\_\_\_, the DOE posted on its website the draft Department Circular on the abovementioned proposed amendments to solicit further comments from the market participants and other interested parties;

**NOW, THEREFORE**, pursuant to its authority and mandate under the EPIRA and its IRR, and after due consideration of the inputs and recommendations from various stakeholders, the DOE hereby issues, adopts, and promulgates the following:

**Section 1. Amendments to the WESM Rules.** The following provisions of the WESM Rules are hereby amended to read as:

#### 3.5.5 Generation Offers and Data

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3.5.5.4 Each *Generation Company* shall submit *check data* to be used by the *Market Operator*, in accordance with Clause 3.5.12, to assist in determining the validity of any *generation offer* which may be submitted by the scheduled generator.

3.5.5.5 Each *Non-Scheduled Generation Company* shall submit a standing nomination of *loading levels* for each of its *non-scheduled generating units* for each *dispatch interval* on each *trading day* of the week in accordance with the *timetable*. The standing nomination of *loading levels* shall apply until revised or updated by the *Non-Scheduled Generation Company*.

3.5.5.6 *Generation Companies* shall provide to the *Market Operator* and the *System Operator* standing *projected outputs* in respect of their *must dispatch generating units* and *priority dispatch generating units* for each *dispatch interval* in each *trading day* of the week in accordance with the relevant *Market Manuals* and provisions of the *Grid Code*. The standing *projected outputs* shall apply until revised or updated by the relevant *Generation Company*.

3.5.5.7 A *Trading Participant* who fails to submit *projected outputs* for its *must dispatch generating unit* or *priority dispatch generating unit* as provided under Clause 3.5.5.6 may be liable for sanctions imposed under Clause 7.2.

3.5.5.8 Each *Generation Company* shall submit check data to be used by the *Market Operator*, in accordance with the relevant *Market Manuals*, to assist in determining the validity of any projected output submitted in respect of a *must*

*dispatch generating unit* or a *priority dispatch generating unit* under Clause 3.5.5.6.

3.5.5.9 *Must dispatch generating units* shall comply with forecast accuracy standards, in respect of their *projected outputs* submitted under Clause 3.5.5.6, consistent with the *Grid Code*.

3.5.5.10 The *Enforcement and Compliance Office* shall evaluate annually the forecast accuracy standards complied with by *must dispatch generating units* in accordance with Clause 3.5.5.9.

3.5.5.11 A *Trading Participant* who fails to meet the requisite forecast accuracy standards set out in accordance with Clause 3.5.5.9 in respect of *projected outputs* for a *must dispatch generating unit* submitted under Clause 3.5.5.6 may be liable for sanctions imposed under Clause 7.2.

3.5.5.12 The *Enforcement and Compliance Office* shall report to the *PEM Board* and the *DOE* the monthly and annual compliance of each *must dispatch generating unit* to the forecast accuracy standards with respect to its *projected outputs*.

3.5.5.13 The *Market Operator* shall report to the *PEM Board* and the *DOE* the monthly and annual compliance of each *must dispatch generating unit* to the forecast accuracy standards with respect to its *projected outputs*.

3.5.5.14 Each *Generation Company* that has secured a Final Certificate of Approval to Connect for completing the conduct of test and commissioning but with pending issuance of Certificate of Compliance from the *ERC* shall submit, as applicable:

- a) standing nomination of *loading levels* for each of its *scheduled generating units, battery energy storage systems, and pumped-storage units*; or
- b) *projected outputs* in respect of its *must dispatch generating units* and *priority dispatch generating units*

The *Generation Company* shall submit its nomination of *loading levels* or *projected outputs* for each *dispatch interval* on each *trading day* of the week in accordance with the *timetable*. The standing nomination of *loading levels* and *projected outputs* shall apply until revised or updated by the *Generation Company*.

3.5.5.15 A *Generation Company* that has secured a Final Certificate of Approval to Connect for completing the conduct of *test and commissioning* but with pending issuance of Certificate of Compliance from the *ERC* for its *must dispatch generating unit* shall comply with the forecast accuracy standards in respect of its *projected outputs* which shall be evaluated by the *Enforcement and Compliance Office*, in accordance with Clauses 3.5.5.8 to 3.5.5.12.

### 3.8.4 Dispatched Trading Participants

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3.8.4.5 A *generating unit* that has secured a Final Certificate of Approval to Connect for completing the conduct of *test and commissioning* but with pending issuance of Certificate of Compliance from the ERC shall likewise comply with the obligations, as applicable, of dispatched *Trading Participants* prescribed in Clause 3.8.4.

### 3.8.6 Sanctions of Trading Participants

Any *Trading Participant*, including those that have secured a Final Certificate of Approval to Connect for completing the conduct of *test and commissioning* but with pending issuance of Certificate of Compliance from the *ERC*, that (a) does not comply with the *dispatch conformance standards* or (b) consistently fails to use its reasonable endeavors to comply with the *dispatch instructions* issued by the *System Operator* under Clauses 3.8.3, 6.3 and 6.5, shall be liable to sanctions imposed under Clause 7.2.

**Section 2. Amendments to the Market Manual on Registration, Suspension, and De-registration Criteria and Procedures.** The following provisions of the Market Manual on Registration, Suspension, and De-registration Criteria and Procedures are hereby amended to read as:

#### 2.5.4.4 Generation Registered Capacities

A *Generation Company* shall include in its application for registration the *maximum stable load (Pmax)*, the *minimum stable load (Pmin)*, the *ramp up rate*, and the *ramp down rate* of each *generating unit* or aggregated *generating units* that are included in its application.

For *Generation Companies* applying for *Test and Commissioning* registration, the information on the generating unit parameters provided to the *Market Operator* shall be consistent with that contained in the ERC Form 7 (General Plant Description), duly received by the *ERC*. For *Generation Companies* applying for Commercial Operations registration, the information on *generating unit* parameters provided to the *Market Operator* shall be consistent with that contained in the *Certificate of Compliance* or the Provisional Authority to Operate issued by the *ERC*, as well as submissions made to the *ERC* in relation to the issuance thereof. If the *generating unit* is a *battery energy storage system*, the *Generation Company* shall include the generating unit's energy storage efficiency and maximum storage capacity in its Application. If the *generating unit* is a *pumped-storage unit*, the *Generation Company* shall include the generating unit's maximum pump load.

The *Generation Company* shall also provide information on the location of the real-time monitoring facility where the *Pmin*, *Pmax* and *ramp up/down rates* were certified against (i.e., gross generation, or net of station use). Should the location represent the gross generation output of the generating system, the *Generation Company* shall comply with the procedures provided for under Section 2.5.4.5 of this *Market Manual*.

## 2.5.6.1 Submission and Preliminary Assessment of Applications

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- h.) Participant Interface Access. During the *Test and Commissioning* Registration phase, the *Applicant* may subscribe to and allow the *Market Operator* to apply or install a method employing encryption in its computers to provide secure access to the *Market Management System*. The *Applicant* shall have read-only access to the *Market Management System* for its facility during the *Test and Commissioning* phase to enable the *Trading Participant* to view its generating unit's schedules. Full access for its facility will only be enabled by the *Market Operator* no later than eight (8) calendar days from approval of the *Applicant's* Commercial Operations registration, or from the date of effectivity of the Final Certificate of Approval to Connect if the ERC is yet to issue the Certificate of Compliance.

## 2.5.7.3 Guidelines for Test and Commissioning Registration

- a) The *WESM Member* shall be allowed to declare bilateral contract quantities for its generating unit and be entitled to WESM payments for its generated output only:
  - i. within the *test and commissioning* period indicated in the valid Provisional Certificate of Approval to Connect issued by the *Network Service Provider* or until completion of the conduct of *test and commissioning*, if completed earlier; or
  - ii. when the *WESM Member* is issued a Final Certificate of Approval to Connect by the *Network Service Provider* pending the issuance of the Certificate of Compliance by the Energy Regulatory Commission unless the latter issues an Order for the immediate disconnection of the *generating unit* from the Grid.

In the absence of the requirement or condition set forth in this section, except for its own station use, generation beyond the authorized period to operate shall not be allowed. Neither shall such generation be declared as a bilateral contract quantity nor shall it be entitled to WESM payments. Any net surplus as a result of injected energy from unauthorized *test and commissioning* activity or operation will be treated in accordance with *WESM Rules* Clause 3.13.16. However, the *WESM Member* shall still be charged for all withdrawals from the grid or distribution network, as the case may be.

- b.) Dispatch of a *generating unit* to which the Final Certificate of Approval to Connect has been released but with pending issuance of COC shall be in accordance with the following:



- i.) For its *must dispatch generating units*, the *Generation Company* shall submit *projected output* to the *Market Operator* and comply with the applicable forecast accuracy standards; and
- ii.) For *scheduled generating units*, *priority dispatch generating units*, and *energy storage systems*, the *Generation Company* shall submit to the *Market Operator* its day-ahead nomination and shall comply with the applicable *dispatch conformance standards*.

*Projected output* and day-ahead nominations shall be submitted through the *Market Operator's Market Participant Interface*, which, as necessary, may be revised by the *Generation Company* near real-time.

Compliance of *generating units* referred to in these guidelines with the forecast accuracy standards and *dispatch conformance standards*, as applicable, shall be monitored by the *Enforcement and Compliance Office* and non-compliance shall be subject to the imposition of financial penalties.

- c.) The *Market Operator* shall notify the *WESM Member*, copy furnished the *System Operator*, of the expiration of its Provisional CATC fifteen (15) calendar days prior to the date of expiry. The *System Operator* shall no longer impose over-riding constraints on the generating unit once the test and commissioning period ends.
- d.) The *WESM Member* may submit an extended Provisional Certificate Approval to Connect to the *Market Operator* and *System Operator* for the extension of its *test and commissioning* period within three (3) working days prior to the original expiry date. Any unauthorized generation shall not be allowed to be declared as a bilateral contract quantity and shall not be entitled to *WESM* payments in accordance with Section 2.5.7.3(a). In case of failure to submit the extended PCATC to the *Market Operator* within three (3) working days prior to the original expiry date, the PCATC shall be deemed without effect after the expiry date.
- e.) The *Network Service Provider* shall immediately inform the *Market Operator* of any suspended validity of PCATC due to failure of the *generating facility* to satisfy the grid connectivity parameters required by the PGC. Suspended PCATC shall observe Section 2.5.7.3 (a). Notwithstanding the suspension of the PCATC, an Extended PCATC shall be submitted within three (3) working days prior to original expiry of PCATC. Should the PCATC expire while the *WESM Member* is in the process of satisfying the grid connectivity parameters required by PGC or PDC, the process for the conduct of *Test and Commissioning* shall be reset.
- f.) In case of changes in the capacity and capabilities of the generating unit arising from the results of *test and commissioning*, the *WESM Member* shall immediately inform the *Market Operator* for the purpose of updating its registration details subject to provisions of Section 3.3 of this Manual.
- g.) The *Network Service Provider* of a generating unit shall furnish the ERC and *Market Operator* a copy of the Final Certificate of Approval to Connect within three (3) calendar days from issuance thereof to the relevant *WESM Member*.

- h.) The *WESM Member* shall submit to the *Market Operator* an application for Commercial Operations Registration of its *generating unit* within three (3) working days from the date of receipt of its Certificate of Compliance or Provisional Authority to Operate from the *ERC*, provided that this shall not apply to embedded generation companies that are allowed to register on a voluntary basis and have opted not to register in the *WESM*.

Furthermore, the *WESM Member* shall likewise furnish the *System Operator* with the said submission. The said notification shall include the date of effectivity of the Certificate of Compliance or the Provisional Authority to Operate and the estimated or target date of commercial operation of the *WESM Member*.

- i.) The *Market Operator* shall submit a monthly report on the status of *generating units* on *Test and Commissioning* to the Enforcement and Compliance Office indicating information such as, but not limited to:
- i.) whether a *WESM Member* has been duly notified of the impending expiration of its Provisional Certificate of Authority to Connect;
  - ii.) Whether a *WESM Member* is given a Final Certificate of Authority to Connect, Certificate of Compliance, or the Provisional Authority to Operate, including the effectivity date/s, if such is known to the *Market Operator*, and
  - iii.) any relevant information affecting the obligations set forth in paragraphs (a), (d), and (h) of this Section for its appropriate enforcement action.

An investigation may likewise be initiated *motu proprio* by the Enforcement and Compliance Office as may be authorized under Section 7.2.1 of the Enforcement and Compliance Manual.

### 3.3.1 Registered Capacities

3.3.1.1. The *Trading Participant* wishing to change the registered capacities and/or ramp rates of its generating unit/s shall make a request in writing to the *Market Operator*. Such changes shall be in accordance with the latest Certificate of Compliance (COC), any ERC-certified document, or the Generating Unit Capability Test issued by *NGCP*.

3.3.1.2. Request for changes submitted by the *Trading Participant*, in connection with the registered capacities and/or ramp rates of its *generating units* shall be approved by the *Market Operator* on the basis of the latest Certificate of Compliance, any ERC-certified document, or Generating Unit Capability Test issued by *NGCP*.

3.3.1.3 The *Market Operator* shall notify the *PEM Board*, *ERC* and *DOE* of any changes in the registered capacities and/or ramp rates of *generating units* in the *WESM*.

**Section 3. Amendments to the Market Manual on Dispatch Protocol.** The following provisions of the Market Manual on Dispatch Protocol are hereby amended to read as:

2.1.2 The following words and phrases as used in this *Market Manual* shall have the following meaning:

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- dd. *Self-scheduled nomination*. Nominations of *loading levels* by Non-Scheduled *Generation Companies*, and *projected outputs* of *Generation Companies* with *must dispatch generating units* and *priority dispatch generating units*, and *loading levels* or *projected outputs* of *generating units*, as applicable, that has been issued with a Final Certificate of Approval to Connect for completing conduct of test and commissioning but with pending issuance of COC by the *ERC*.

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6.4.1 The *self-scheduled nominations*, bids, and offers that can be submitted in the *WESM* are as follows:

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d. *Self-scheduled nominations*

- i. Schedule of *loading levels* (i.e. energy quantities only) for *non-scheduled generating units* of non-scheduled *Generation Companies*;
- ii. *Projected output* (i.e. energy quantities only) of *Generation Companies* with *must dispatch generating units* and *priority dispatch generating units*; and
- iii. Schedule of *loading levels* or *projected output* (i.e., energy quantities only) of *generating units*, as applicable, that has been issued with a Final Certificate of Approval to Connect for completing the conduct of test and commissioning but with pending issuance of COC by the *ERC*

### 11.3 Responsibilities

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11.3.4 A *Trading Participant* that has been released with Final Certificate of Approval to Connect for completing the conduct of test and commissioning but with pending issuance of Certificate of Compliance from the *ERC* for its *generating units* shall likewise comply with *dispatch schedules* issued by the *Market Operator*, the *dispatch instructions* issued by the *System Operator* to their facilities operating on *AGC* mode, and the re- dispatch instructions issued to them by the *System Operator*, if any.

### 11.5 Dispatch of Must and Priority Dispatch Generating Units

11.5.1 A *must dispatch generating unit* shall generate at its *maximum available output*



at all times unless the *Market Operator* or *System Operator* has instructed the *generating unit* to restrict output. This shall likewise apply to *must dispatch generating units* that has secured Final Certificate of Approval to Connect for completing the conduct of test and commissioning but with pending issuance of Certificate of Compliance from the *ERC*.

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## 12.1 Background

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12.1.5 *Scheduled generating units, battery energy storage systems, pumped storage units, must dispatch generating units and priority dispatch generating units* that has Final Certificate of Approval to Connect for completing the conduct of test and commissioning but with pending issuance of Certificate of Compliance from the *ERC* shall likewise operate in accordance with Sections 12.1.1 and 12.1.3, as applicable, and as prescribed in Chapter 3 of the *WESM Rules*.

## 12.4. Compliance with Dispatch Schedules and Instructions

### 12.4.1 Compliance by the *Scheduled Generating Units* and *Priority Dispatch Generating Units*

- a. All *scheduled generating units* and *priority dispatch generating units* comply with their respective *dispatch schedules*. This obligation shall also apply to *scheduled generating units* and *priority dispatch generating units* with Final Certificate of Approval to Connect after completing the conduct of test and commissioning but with pending issuance of Certificate of Compliance from the *ERC*. In complying with their *dispatch schedules*, said *generating units* shall generate in accordance with *dispatch conformance standards* prescribed in Section 12.5 of this Dispatch Protocol. In the case of a *priority dispatch generating unit*, compliance with the *dispatch conformance standards* shall also apply in cases where its *dispatch schedule* was restricted pursuant to *WESM Rules* Clauses 3.6.1.7 and 3.6.1.8 because of a potential system security contingency.

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### 12.4.2 Compliance by the Must Dispatch Generating Units

- a. A *must dispatch generating unit* shall generate at its *maximum available output* at all times, unless it has been instructed to restrict its output by the *Market Operator* or *System Operator*. This obligation shall also apply to *must dispatch generating units* with Final Certificate of Approval to Connect after completing the conduct of test and commissioning but with pending issuance of Certificate of Compliance from the *ERC*.

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**Section 4. Amendments to the Market Penalty Manual.** Attached as Appendix A are the amendments to the provisions of the WESM Penalty Manual.

**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.** Any department circular or issuance, contrary to or inconsistent with this Circular is hereby repealed, modified, or amended accordingly.

**Section 7. Effectivity.** This Circular shall take effect fifteen (15) days following its complete publication in at least two (2) newspapers of general circulation and shall remain in effect until otherwise revoked. Copies of this Circular shall be filed with the University of the Philippines Law Center – Office of National Administrative Register (UPLC-ONAR).

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

**RAPHAEL P. M. LOTILLA**  
Secretary

**Appendix A. Amendments to the Penalty Manual.** The following provisions of the Market Manual on Penalty Manual are hereby amended to read as:

Section 4 - Table 1. Frequency of Occurrence Matrix

Frequency	Isolated Occurrence	Repetitive or Recurring Occurrence	
	Level 1	Level 2	Level 3
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One-time requirement with the timeline set for compliance	N/A	Exceeding 3 business days but not more than 30 days unless a different time frame is provided in the relevant Market Rules or Manuals. In such case, the count of 30- day period shall be reckoned from lapse of the period provided by the said Market Rules or Manuals.	Exceeding 30 business days unless a different time frame is expressly provided in the relevant Market Rules or Manuals.

Section 5 - Table 2. Schedule of Breach and Penalties

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
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<p>13</p>	<p>Failure of the registered WESM Member to apply for Commercial Operations Registration after receiving the Certificate of Compliance (COC) or the Provisional Authority to Operate (PAO), whichever is earlier.</p> <p>The failure to apply for Commercial Operations Registration is considered without just cause when the inaction, deferment, or delay on the part the WESM Member has no basis in fact or in law, or the cause/s for such failure is/are not established to have been beyond its control.</p>	<p>Section 2.5.7.3 (g) and (h) of the Registration Manual</p>	<ul style="list-style-type: none"> <li>• Level 1- N/A</li> <li>• Level 2 - Financial Penalties</li> <li>• Level 3 – Escalated Financial Penalties</li> <li>• Level 4 - Suspension/ Deregistration/ Disconnection</li> </ul>	<p>P10,000 for the first day of default/ delay plus P1,000 for each day of continuing breach/violation</p> <p>The penalty computation will continue until compliance by the concerned WESM Member with respect to its commercial operation registration or the actual deregistration in the WESM (if Level 4 penalty is imposed), as the case may be.</p>	<p>Additional P2,000 for each day of continuing breach/violation</p> <p>The penalty computation will continue until compliance by the concerned WESM Member with respect to its commercial operation registration or the actual deregistration in the WESM (if Level 4 penalty is imposed), as the case may be.</p>
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14	Generation after expiry of authorized test and commissioning period unless otherwise authorized by law, relevant Market Rules and/or Market Manuals.	Section 2.5.7.3 (a) (c) and (h) of the Registration Manual	<ul style="list-style-type: none"> <li>• Level 1- Non-Compliance Letter / Reprimand</li> <li>• Level 2 - Financial Penalties</li> <li>• Level 3 – Escalated Financial Penalties</li> </ul>	<p>For each count of breach: P100/MWh x GESQ (MWh)</p> <p>P100 – pre-set penalty amount</p> <p>GESQ – refers to the gross energy settlement quantity of generating unit as defined in Clause 3.13.6 of the WESM Rules.</p>	<p>For each breach: P200/MWh x GESQ (MWh)</p> <p>P200 – pre-set penalty amount</p> <p>GESQ – refers to the gross energy settlement quantity of generating unit as defined in Clause 3.13.6 of the WESM Rules.</p>
15	Failure to comply with express mandatory provisions of the <i>Market Rules</i> , that are not otherwise covered in other identified <i>breach</i> , but which expressly provide for imposition of <i>penalties</i> .				



