



Republic of the Philippines  
DEPARTMENT OF ENERGY

Department Circular No. \_\_\_\_\_

**PRESCRIBING REVISED GUIDELINES FOR DISCONNECTION OF  
ELECTRIC POWER INDUSTRY PARTICIPANTS**

**WHEREAS**, Section 2 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 ("EPIRA"), declared as a policy of the State 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; and to protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power;

**WHEREAS**, Section 37 of the EPIRA provides that the Department of Energy ("DOE") is mandated to supervise the restructuring of the electricity industry; formulate rules and regulations as may be necessary to implement the objectives of the EPIRA; and exercise such other powers as may be necessary or incidental to attain the objectives of the EPIRA;

**WHEREAS**, the DOE is mandated under the EPIRA to establish the Wholesale Electricity Spot Market ("WESM") that will facilitate a transparent, competitive, and reliable electricity market in the country and to organize and establish the appropriate market design and governance structure of the WESM;

**WHEREAS**, on 06 May 2010, the DOE issued Department Circular DC2010-05-006 entitled "Terminating the Default Wholesale Supplier Arrangement for the Philippine WESM and Declaring a Disconnection Policy."

**WHEREAS**, on 23 August 2010, the subsequent Department Circular DC2010-08-0010 entitled "Prescribing the Implementing Rules and Procedures for Department Circular No. DC2010-05-0006, entitled "Terminating the Default Wholesale Supplier Arrangement for the Philippine WESM and Declaring a Disconnection Policy" was issued.

**WHEREAS**, the DOE deems the need to prescribed revised guidelines on the Disconnection Policy prior to the Commercial Operations of the Enhanced WESM Design in Luzon and Visayas, and WESM in Mindanao;

**WHEREAS**, the proposed revised guidelines aim to mainly align the provisions of above Circulars to the current rules;

49 **WHEREAS**, the DOE posted the DC2010-08-0010 in the DOE website to solicit  
50 comments from the stakeholders, giving them until 27 November 2019 to submit  
51 comments on the matter;

52  
53 **WHEREAS**, the National Grid Corporation of the Philippines, Philippine Electricity  
54 Market Corporation, SPC Power Corporation and SPC Island Power Corporation  
55 submitted comments to the posting;

56  
57 **WHEREAS**, the DOE, in cognizance of the need to amend the Department Circular  
58 No. DC2010-08-0010, conducted a series of Focus Group Discussion (FGD) soliciting  
59 critical issues and concerns that would effectively enforce the disconnection process.  
60 FGDs were conducted on the following date:

Date	Venue
11 November 2019	The Legend Villas, Mandaluyong City
14 November 2019	Cebu Parklane Hotel, Cebu City
21 November 2019	The Royal Mandaya Hotel, Davao City

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63 **NOW, THEREFORE**, from the foregoing premises and pursuant to its authority under  
64 the EPIRA and the WESM Rules, the DOE hereby adopts, issues, and promulgates  
65 the following revised guidelines governing the Disconnection Policy:

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67 **Section 1. Guiding Principles.** The following principles shall be adopted in the  
68 disconnection process:

- 69
- 70 1.1 Unauthorized withdrawal of electricity as well as unmetered and unbilled  
71 consumptions of facilities connected to the grid should be minimized, if not  
72 avoided, existing leakages in the electric power systems;
  - 73
  - 74 1.2 No person or entity shall be allowed to inject or withdraw electricity from the  
75 grid unless that person or entity is a registered member of the WESM;
  - 76
  - 77 1.3 The Electric Power Industry Participants shall operate within the framework  
78 of the EPIRA and its IRR, PGC, PDC, OATS Rules, WESM Rules and  
79 Market Manuals, PEC and other pertinent issuances by the DOE and  
80 Energy Regulatory Commission (ERC);
  - 81
  - 82 1.4 The Electric Power Industry Participants shall comply to their existing  
83 contracts in a timely manner specifically on the required financial and  
84 technical obligations;
  - 85
  - 86 1.5 Any attempt to obstruct the disconnection process, such as political  
87 intervention, should be avoided with the objective of mutually addressing  
88 the welfare of disconnected entities and the competitiveness of WESM;
  - 89

90 1.6 All remedies available, including disputes, should have been exhausted  
91 prior to the request for Disconnection; and  
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93 1.7 The Disconnection of an entity shall be dependent on the submission of SO  
94 report subjecting the technical impact of the disconnection.  
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96 **Section 2. Definition of Terms.** The terms as used in this Circular shall have their  
97 respective meanings as follows:  
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99 2.1 **“Connection Agreement”** refers to an agreement between a User and the  
100 Transmission Network Provider (or the Distribution Utility), which specifies  
101 the terms and conditions pertaining to the connection of the User System or  
102 Equipment to a new Connection Point in the Grid (or the Distribution  
103 System);  
104

105 2.2 **“Critical Care Patient Space (Category 1)”** refers to space in which a  
106 failure of equipment or a system is likely to cause major injury or death of  
107 patients, staff, or visitors.  
108

109 2.3 **“Direct WESM Member”** A qualified person or entity that wishes to trade  
110 directly in the WESM.  
111

112 2.4 **“Distribution Utility”** or **“DU”** refers to any EC, private corporation,  
113 government owned utility or existing local government unit which has an  
114 exclusive franchise to operate a distribution system in accordance with the  
115 EPIRA;  
116

117 2.5 **“Electric Power Industry Participant”** refers to any person or entity  
118 engaged in the generation, transmission, distribution or supply of electricity.  
119

120 2.6 **“Embedded Generator”** or **“EG”** refers to generating units that are  
121 indirectly connected to the Grid through the distribution system that supplies  
122 power to its host DU or the Grid;  
123

124 2.7 **“Essential Electrical System”** refers to a system comprised of alternate  
125 sources of power and all connected distribution systems and ancillary  
126 equipment, designed to ensure continuity of electrical power to designated  
127 areas and functions of a health care facility during disruption of normal  
128 power sources.  
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130 2.8 **“General Care Patient Space (Category 2)”** refers to space in which a  
131 failure of equipment or a system is likely to cause minor injury to patients,  
132 staff, or visitors.  
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- 135 2.9 **“Generation Company”** refers to any person or entity authorized by the  
136 ERC to operate facilities used in the generation of electricity;  
137
- 138 2.10 **“Implementation Review Committee”** refers to the committee tasked to  
139 formulate the implementing rules and regulations of DOE Circular No.  
140 DC2010-05-006 and oversee its implementation;  
141
- 142 2.11 **“Independent Power Producer Administrator”** or **“IPPA”** refers to  
143 qualified independent entities appointed by PSALM who shall administer,  
144 conserve and manage the contracted energy output of NPC IPPs, including  
145 the selling of the contracted energy output of these contracts and offering  
146 Ancillary Services, where applicable;  
147
- 148 2.12 **“Indirect WESM Member”** refers to a person or an entity who wishes to  
149 indirectly trade in the spot market through a direct WESM Member;  
150
- 151 2.13 **“Market Operator”** refers to the entity responsible for the operation of the  
152 WESM in accordance with the WESM Rules;  
153
- 154 2.14 **“Metering Service Agreement”** or **“MSA”** refers to the agreement that  
155 defines the responsibilities and obligations of the MSP and the Metered  
156 Entity in relation to the provision of metering facilities, equipment and  
157 service as provided under the Open Access Transmission Service (OATS)  
158 Rules, the PGC;  
159
- 160 2.15 **“Metering Service Provider”** or **“MSP”** refers to a person or entity  
161 authorized by the ERC to provide metering services and registered with the  
162 Market Operator in accordance with the WESM Rules;  
163
- 164 2.16 **“Notice of Disconnection”** refers to a notice issued by SO as defined in  
165 this Circular, informing any Electric Power Industry Participants of its  
166 impending disconnection from the grid or network in accordance with the  
167 provisions of its PSA and this Circular;  
168
- 169 2.17 **“Notice of Reconnection”** refers to a notice issued by SO as defined in this  
170 Implementing Rules and Procedures, informing any Electric Power Industry  
171 Participants of its reconnection from the grid or network in accordance with  
172 the provisions of its PSA and this Circular;  
173
- 174 2.18 **“Power Supply Agreement”** or **“PSA”** refers to the contract for the supply  
175 of electricity between the Generation Company, Independent Power  
176 Producer Administrator (IPPA), WA, and the EPC. It may be in the form of

177 Transition Supply Contract (TSC), Contract for the Supply of Electric Energy  
178 (CSEE) or bilateral contract;  
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180 2.19 **“Philippine Distribution Code” or “PDC”** refers to a set of rules,  
181 requirements, procedures, and standards governing Distribution Utilities  
182 and Users in the operation, maintenance, and development of their  
183 Distribution Systems. It also defines and establishes the relationship of the  
184 Distribution Systems with the facilities or installations of the parties  
185 connected thereto;  
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187 2.20 **“Philippine Grid Code” or “PGC”** refers to the set of rules, requirements,  
188 procedures, and standards to ensure the safe, reliable, secured and efficient  
189 operation, maintenance, and development of the Grid and its related  
190 facilities;  
191

192 2.21 **“Political Intervention”** refers to an action taken by a political entity  
193 suggesting to prevent the disconnection of a delinquent Electric Power  
194 Industry Participant;  
195

196 2.22 **“Restructuring Agreement”** refers to a contract or agreement entered into  
197 by PSALM and Electric Power Industry Participant wherein the latter agrees  
198 to pay its arrearages to PSALM through monthly instalments inclusive of  
199 interest pursuant to Section 3.2 of the Department Circular No. DC2010-05-  
200 0006 and in accordance with Section 4.1.3 of this Circular;  
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202 2.23 **“System Operator” or “SO”** refers to the party responsible for generation  
203 Dispatch, or the implementation of the generation Dispatch Schedule of the  
204 Market Operator, the provision of Ancillary Services, and operation to  
205 ensure safety, Power Quality, Stability, Reliability and Security of the Grid;  
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207 2.24 **“Transmission Network Provider” or “TNP”** refers to a party that is  
208 responsible for maintaining adequate Grid capacity in accordance with the  
209 provisions of the Philippine Grid Code;  
210

211 2.25 **“Transmission Service Agreement” or “TSA”** refers to the agreement  
212 entered into by the Transmission Provider and user of the facility that  
213 specifies the terms and conditions of the transmission service by the  
214 Transmission Provider and the availment of such service by the  
215 Transmission Customer; also serves as the Connection Agreement;  
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217 2.26 **“Wholesale Electricity Spot Market” or “WESM”** refers to the electricity  
218 market established by the DOE in accordance with the EPIRA.  
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221 **Section 3. Scope of Coverage.** This Circular shall apply to the following entities:  
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- 223 a. Generation Companies;
  - 224 i. Grid Connected Generation Companies
  - 225 ii. Embedded Generators (EG)
- 226 b. Distribution Utilities (DU);
  - 227 i. Private Investor Owned Utilities
  - 228 ii. Electric Cooperatives
  - 229 iii. Economic Zones Power Distribution Enterprise
- 230 c. Directly Connected Customers (DCC);
- 231 d. Metering Service Providers (MSP);
- 232 e. Transmission Network Provider (TNP);
- 233 f. System Operator (SO); and
- 234 g. Market Operator (MO)

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236 Off grid Electric Power Industry Participants are excluded from the scope of the  
237 application of this Circular.

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239 Disconnection for the End-Users connected to Distribution System shall be  
240 governed by applicable issuances by the ERC.

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242 **Section 4. Disconnection Process.** The following shall govern the process of  
243 Disconnection:

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245 4.1 Grounds and Conditions for Disconnection

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247 The SO shall issue a Notice of Disconnection to an Electric Power Industry  
248 Participant upon request for disconnection by the requesting party/ies and  
249 on the basis of the grounds indicated below:

250  
251 4.1.1 MO

252  
253 The MO shall recommend the disconnection of Electric Power Industry  
254 Participants under any of the following circumstances:

- 255 a. Non-registration in the WESM fifteen (15) days after the prescribed  
256 period of Testing and Commissioning with no valid certification from  
257 the ERC to extend conduct thereof;
  - 258 b. Suspension and deregistration as a WESM Member under the WESM  
259 Rules and Market Manuals;
  - 260 c. Failure of DUs and DCCs to settle or satisfy their financial obligations  
261 with the MO;
  - 262 d. Failure of a Generation Company to submit forecasted output with  
263 respect to its must-dispatch generating units over a period of thirty  
264 (30) days; and
  - 265 e. Failure of a DU or DCC which is an indirect WESM Member to register  
266 as Direct WESM Member upon termination/expiration of its PSA with  
267 a Generation Company;
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#### 4.1.2 MSP

The MSP shall recommend the disconnection of Electric Power Industry Participants under any of the following circumstances:

- a. Failure to comply with the required financial or technical obligations with the MSP in accordance with PGC, OATS Rules and their MSA;
- b. Objection of an Electric Power Industry Participant to install metering installations in accordance with the requirements of the WESM Rules and Manuals, the PGC and the PDC, as applicable; and
- c. Objection of an Electric Power Industry Participant participating in the WESM to have metering services provided by an authorized WESM Metering Service Provider.

#### 4.1.3 TNP

The TNP shall recommend the disconnection of Electric Power Industry Participants under any of the following circumstances:

- a. Failure to comply with the required financial or technical obligations with the TNP in accordance with the PGC, OATS Rules and their TSA and CA; and
- b. Continuous conduct of Testing and Commissioning beyond the maximum allowable period as prescribed by the DOE and/or ERC.

#### 4.1.4 PSALM

The PSALM shall recommend the disconnection of Electric Power Industry Participants under any of the following circumstances:

- a. Non-compliance of DU or DCC on its financial obligations with PSALM as provided under their PSAs or any existing contracts for the supply of electricity and Restructuring Agreement; and
- b. Non-remittance of Universal Charge collected from its customers in a timely manner in accordance with the PSALM's Guidelines and Procedure Governing Remittance and Disbursement of the Universal Charge.

#### 4.1.5 Generation Companies

The Generation Companies shall recommend the disconnection of Electric Power Industry Participants upon failure of the DU or DCC to comply with the required financial and technical obligations to the Generation Company or IPPA in accordance with their PSA.

#### 4.1.6 National Transmission Corporation (TransCo)

The TransCo shall recommend the disconnection of Electric Power Industry Participants in the case of failure of the following to remit FIT-

319 All collections for more than two (2) successive Billing Period,

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321 a. Non-remittance by DU of FIT-All collections; and

322 b. Non-payment by DCC of FIT-All payments through SO.

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#### 324 4.1.7 DOE or ERC

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326 The DOE or ERC may recommend the disconnection of Electric Power  
327 Industry Participants under any of the following circumstances:

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329 a. Repeated non-compliance/s of Electric Power Industry Participants on  
330 policies and guidelines issued by the DOE or the ERC to include DOE  
331 Department Circulars and Orders, PGC, PDC, and other applicable  
332 ERC issuances; and

333 b. Failure of a Generation Companies to renew its Provisional Authority  
334 to Operate or Certificate of Compliance upon expiration or revocation.

#### 335 4.2 Procedures for the Execution of the Request to Disconnection

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337 4.2.1 The DOE, ERC, MO, TNP, MSP, TransCo, PSALM, and Generation  
338 Companies, as the requesting party, shall submit a letter-request,  
339 including the proof or basis for disconnection, to SO for the issuance of  
340 the Notice of Disconnection in accordance with the Section 4 of this  
341 Circular.

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343 4.2.2 The SO shall issue a Notice of Disconnection to the subject entity upon  
344 receipt of the letter-request from the requesting party. The SO shall  
345 advise the requesting party and the subject entity of the schedule of the  
346 disconnection.

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348 4.2.3 Within seven (7) days after the receipt of the Notice of the  
349 Disconnection by the subject entity, the SO shall submit a report on the  
350 impact of the disconnection to the requesting party and the IRC.

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352 a. If the disconnection is feasible to be implemented, the SO may  
353 execute the said Notice of Disconnection after the seven (7) day  
354 period.

355 b. If the disconnection cannot be implemented after the seven (7) day  
356 period due to technical reasons, the SO shall advise the requesting  
357 party prior the end of the seven (7) day period, the date on when it  
358 can affect the actual disconnection including the specific technical  
359 reasons.

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361 In case the 7th day falls on a Friday, weekends or a holiday, the  
362 disconnection shall be executed on the next working day.

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364 4.2.4 The requesting party issuing the letter-request for Disconnection shall  
365 hold SO free and harmless from any kinds of legal suits that may arise  
366 or shall indemnify SO from any damages SO may have suffered in



367 relation to the issuance of the Notice of Disconnection.

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369 The issuance of the Notice of Disconnection by the requesting party  
370 shall be the last resort option. Thus, it is encouraged that both the  
371 requesting party and the subject entity for disconnection have  
372 exhausted all remedies available.

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374 The Notice of Disconnection and Letter-Request shall follow the formats  
375 provided under Appendix A and Appendix B hereof.

#### 376 4.3 Remedial Actions to Stay or Defer the Disconnection

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378 The implementation of the disconnection may be deferred if any of the  
379 following conditions are present:

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381 4.3.1 Recalled Notice of Disconnection by the requesting party as a result of  
382 a compliance of subject entity within seven (7) days prior to the  
383 scheduled disconnection date. The requesting party shall immediately  
384 inform SO of the recall using the pro-forma Request for Disconnection  
385 Recall in Appendix C prior to the scheduled disconnection date in order  
386 for the SO to defer the execution of such disconnection; and

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388 4.3.2 Provision of proof of non-receipt of the Notice of Disconnection. In such  
389 case, the execution of the Notice of Disconnection may be deferred for  
390 up to seven (7) days from the actual receipt of the Notice of  
391 Disconnection.

#### 392 4.4 Exemption to Disconnection

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394 Hospitals and other health care facilities with critical care (Category 1) and  
395 general care (Category 2) patient spaces, shall be exempted from the  
396 disconnection imposed on its DU, provided that they will have a dedicated  
397 feeder connection for alternate source of power.

398

399 The sequence of steps of disconnection process set out in the Section 4 of this  
400 Circular is shown in Appendix D.

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402 **Section 5. Reconnection Process.** The following shall govern the process of  
403 reconnection:

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405 5.1 The subject entity shall submit pertinent proof of compliance/s to the  
406 requesting party to lift the ground for disconnection.

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408 5.2 The requesting party wishing for a reconnection of the subject entity, upon  
409 the submission of compliance/s, shall submit a letter-request to SO and IRC  
410 for the execution of the Request for Reconnection in Appendix E.

411 5.3 Within two (2) days after the receipt of the letter-request from requesting  
412 party, the SO shall issue a Notice of Reconnection. The SO shall submit a  
413 report on the impact of the reconnection to the requesting party and the IRC.

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- a. If the reconnection is feasible to be implemented, the SO may execute the said Notice of Reconnection after the two (2) day period.
- b. If the reconnection cannot be implemented after the two (2) day period due to technical reasons, the SO shall advise the requesting party prior the end of the two (2) day period, the date on when it can affect the actual reconnection including the specific technical reasons.

421 The sequence of steps of reconnection process set out in the Section 4 of this Circular  
422 is shown in Appendix F.

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**Section 6. Additional Responsibilities of IRC.** The IRC shall:

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- 6.1 Ensure the smooth implementation of disconnection policy pursuant to the standards set forth in the WESM Rules and Market Manuals, PGC, PDC, OATS Rules, and other applicable ERC Resolutions.

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**Section 7. Additional Responsibilities of SO.** The SO shall:

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- 7.1 Ensure that the process of disconnection is in accordance with the WESM Rules and Market Manuals, PGC, PDC, OATS Rules, and other applicable ERC Resolutions

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- 7.2 Submit regular reports to the IRC with respect to the impact of disconnection to Grid operations.

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- 7.3 In coordination with the MO, MSPs and TNPs, establish a protocol for the smooth implementation of this Circular.

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- 7.4 Inform MO any changes in the power system resulting from disconnection or reconnection that may affect the WESM Market Network Model.

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**Section 8. Additional Responsibilities of MO.** The MO shall:

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- 8.1 In coordination with the SO, ensure that the Market Network Model to reflect changes in the power system resulting from disconnection or reconnection.

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**Section 9. Additional Responsibilities of DUs.** The DU shall:

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- 9.1 Ensure to have an Essential Electrical System that comprised of the following:

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- a. Minimum of two independent sources of power: a normal source generally supplying the electrical system and one or more alternate source/s when the normal source is interrupted; and
- b. Physical separation of the feeders of the alternate source and from

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458 the feeders of the normal electrical source to prevent possible  
459 simultaneous interruption.

460 **Section 10. Regulatory Support.** The ERC shall ensure the provision of support in  
461 the regulatory requirements and approvals consistent with the policies set forth under  
462 this Circular and in accordance with existing laws and procedures. It shall also  
463 formulate guidelines or revise existing guidelines, as necessary, to support the  
464 implementation of this Circular.

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466 **Section 11. Separability.** If any provision of this Circular is declared invalid or  
467 unconstitutional, the other provisions not affected thereby shall remain valid and  
468 subsisting.

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470 **Section 12. Repealing Clause.** All issuances inconsistent with the provisions of this  
471 Circular are hereby repealed or amended accordingly.

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473 **Section 13. Effectivity.** This Circular shall take effect fifteen (15) days following its  
474 publication in two (2) newspapers of general circulation. Copies thereof shall be filed  
475 with the University of the Philippines Law Center – Office of National Administrative  
476 Register (UPLC-ONAR).

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478 Issued on \_\_\_\_\_ at the Energy Center, Rizal Drive, Bonifacio Global City,  
479 Taguig City.

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**ALFONSO G. CUSI**  
Secretary