



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

6
7 **DEPARTMENT CIRCULAR NO. _____**

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9
10 **DECLARING THE COMMERCIAL OPERATION OF ENHANCED**
11 **WHOLESALE ELECTRICITY SPOT MARKET (WESM) DESIGN AND**
12 **OPERATIONS (EWDO) AND PROVIDING FURTHER POLICIES**

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15 **WHEREAS**, Section 30 and 37 of the Electric Power Industry Reform Act of 2001
16 ("EPIRA") provides that the Department of Energy ("DOE"), jointly with the electric
17 power industry participants, shall establish the WESM and formulate the detailed rules
18 governing the operations thereof;

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20 **WHEREAS**, the DOE, on 28 June 2002, pursuant to its mandate, in consultation with
21 the electric power industry participants, promulgated Department Circular ("DC")
22 2002-06-0003 or the WESM Rules and established the WESM;

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24 **WHEREAS**, the DOE, on 23 October 2015, issued DC 2015-10-0015 providing the
25 policies for further enhancement of the WESM Design and Operations;

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27 **WHEREAS**, the DOE, on 04 May 2017, issued the DC 2017-05-0009 "Declaring the
28 Launch of the WESM in Mindanao and Providing for Transition Guidelines" effective
29 26 June 2017 to provide sufficient time for the Market Operator ("MO"), System
30 Operator ("SO") and WESM Participants to prepare and familiarize themselves in
31 WESM operations;

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33 **WHEREAS**, the Energy Regulatory Commission (ERC), on 20 August 2020, approved
34 the Price Determination Methodology for the EWDO;

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36 **WHEREAS**, on --- May 2021, the Philippine Electricity Market Corporation submitted
37 to the DOE a certification on the readiness of the Luzon, Visayas and Mindanao Grids
38 to the implementation of EWDO based on readiness criteria pursuant to DC2017-05-
39 0009; and

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41 **WHEREAS**, the conditions for the commercial operation of EWDO in Luzon, Visayas,
42 and Mindanao have been met however, the DOE deemed it necessary to provide
43 additional support to ensure efficient transition of the Trading Participants.

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45 **NOW, THEREFORE**, from the foregoing premises and pursuant to its authority under
46 the EPIRA and the WESM Rules, the DOE hereby adopts, issues, and promulgates
47 the following:

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49 **Section 1. Declaration of Commercial Operation Date of the EWDO.** The DOE

50 hereby declares the commercial operation of the EWDO effective 26 June 2021
51 (“Commercial Operation Date”) in the Luzon, Visayas, and Mindanao.

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53 As for WESM Mindanao, the MO, SO and the Governance Arm shall submit their
54 evaluation of the LLDO, with recommendation if another Commercial Operation Date
55 is necessary, to the DOE for its evaluation and approval not later than five (5) days
56 from the Commercial Operation Date.

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58 **Section 2. Relaxation of Prudential Requirements (“PR”).** The posting of PR
59 shall be relaxed for the first three (3) months from the Commercial Operation Date of
60 EWDO in Mindanao. For this purpose, the following shall be observed:

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62 2.1. The Mindanao WESM Trading Participants shall be allowed to post the
63 required PR within three (3) months from the Commercial Operation Date.

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65 2.2. For each of the spot transactions during the period of relaxation of the posting
66 of PR as stated in Section 2.1, the concerned Mindanao WESM Trading
67 Participants shall ensure timely settlement of its monthly bills with the MO.
68 Otherwise, interest shall apply in accordance with the applicable provisions
69 of WESM Rules and Market Manuals.

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71 2.3. Prior to the lapse of the three (3) month relaxation period, the Mindanao
72 Trading Participants who may not be able to post the required PR may opt
73 to change its registration status to Indirect WESM Membership and transact
74 in the WESM through its Direct WESM Member counterparty. Otherwise,
75 applicable sanctions and/or penalties shall be imposed in accordance with
76 the applicable provisions of WESM Rules and Market Manuals.

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78 **Section 3. Relaxation of Compliance to Dispatch Conformance Standards.**

79 The compliance to Dispatch Conformance Standards shall be relaxed for the first
80 three (3) months from Commercial Operation Date of EWDO in Luzon, Visayas, and
81 Mindanao. For this purpose:

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83 3.1. The WESM Trading Participants in Luzon, Visayas, and Mindanao shall be
84 exempted from sanctions and penalties in case of breach of Dispatch
85 Conformance Standards provided under the WESM Dispatch protocol during
86 the first three (3) months of the commercial operation of EWDO.
87 Notwithstanding, the Enforcement and Compliance Office (ECO) shall
88 continue to monitor the observance of Dispatch Conformance Standards by
89 the Trading Participants for the purpose of evaluation of the initial
90 commercial operation of EWDO.

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92 All Trading Participants shall ensure full compliance to all other obligations
93 under the WESM Rules and Market Manuals.

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95 3.2. Upon the lapse of the three (3) month period, the Trading Participants shall
96 ensure full compliance to Dispatch Conformance Standards in accordance
97 with the applicable provisions of WESM Rules and Market Manuals.

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99 **Section 4. Assignment of Metering Service Provider (MSP) for Embedded**
100 **Generators.** The host Distribution Utility (DU) of Embedded Generators may provide
101 metering services to Embedded Generators operating within their franchise area
102 subject to authorization by the ERC. Provided, that the DU acting as MSP shall ensure
103 compliance to the applicable provisions of the WESM Rules and Market Manuals to
104 include metering standards and timely submission of metering data among others.
105 Provided, further, that upon their registration to the WESM, the DU-MSP shall be
106 regularly subject to the conduct of MSP audit undertaken by the PEM Audit
107 Committee.

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109 **Section 5. Compliance to WESM Registration.** Subject to Section 2, all Trading
110 Participants shall ensure completion of their WESM registration prior to Commercial
111 Operation Date. Otherwise, applicable sanctions and/or penalties shall be imposed
112 in accordance with the applicable provisions of WESM Rules and Market Manuals
113 and other relevant issuances of the DOE.

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115 **Section 6. Regulatory Support.** The ERC shall ensure the provision of support in
116 the regulatory requirements and approvals consistent with the policies set forth under
117 this Circular and in accordance with existing laws and procedures. It shall impose
118 penalties for any violation to this Circular.

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120 **Section 7. Separability.** If any provision of this Circular is declared invalid or
121 unconstitutional, the other provisions not affected thereby shall remain valid and
122 subsisting.

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124 **Section 8. Repealing Clause.** All issuances inconsistent with the provisions of this
125 Circular are hereby repealed or amended accordingly.

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127 **Section 9. Effectivity.** This Circular shall take effect fifteen (15) days following its
128 publication in two (2) newspapers of general circulation. Copies thereof shall be filed
129 with the University of the Philippines Law Center – Office of National Administrative
130 Register (UPLC-ONAR).

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

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138 **ALFONSO G. CUSI**
139 Secretary