



Republic of the Philippines  
DEPARTMENT OF ENERGY

Department Circular No. DC2019 - \_\_\_ - \_\_\_\_\_

**ADOPTING A GENERAL FRAMEWORK GOVERNING THE PROVISION AND  
UTILIZATION OF ANCILLARY SERVICES IN THE GRID**

**WHEREAS**, Section 2 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), declared the Policy of the State among others:

“xxx xxx

- b) *To ensure the quality, reliability, security and affordability of the supply of electric power;*
- c) *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;*
- d) *To enhance the inflow of private capital and broaden the ownership base of the power generation, transmission and distribution sectors;*
- e) *To ensure fair and non-discriminatory treatment of public and private sector entities in the process of restructuring the electric power industry;*
- f) *To protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power;*

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- j) *Establish a strong and purely independent regulatory body and system to ensure consumer protection and enhance the competitive operation of the electricity market.*

xxx xxx”

**WHEREAS**, Section 37 of the EPIRA further mandates the Department of Energy (DOE) to supervise the restructuring of the electricity industry, and in addition thereto:

“xxx xxx

- a) *Formulate policies for the planning and implementation of a comprehensive program for the efficient supply and economical use of energy consistent with the approved national economic plan and with the policies on environmental protection and conservation and maintenance of ecological balance, and provide a mechanism for the integration, rationalization, and coordination of the various energy programs of the Government;*

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52 d) *Ensure the reliability, quality and security of supply of electric power;*

53

54 e) *Following the restructuring of the electricity sector, the DOE shall, among*  
55 *others:*

56 *i. Encourage private sector investments in the electricity sector and promote*  
57 *development of indigenous and Renewable Energy (RE) sources;*

58 *ii. Facilitate and encourage reforms in the structure and operations of*  
59 *Distribution Utilities (DU) for greater efficiency and lower cost;*

60 *iii. In consultation with other government agencies, promote a system of*  
61 *incentives to encourage industry participants, including new generating*  
62 *companies and End-Users to provide adequate and reliable electric supply*

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66 f) *Jointly with the electric power industry participants, establish the Wholesale*  
67 *Electricity Spot Market (WESM) and formulate the detailed rules governing the*  
68 *operations thereof;*

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72 h) *Exercise supervision and control over all government activities relative to*  
73 *energy projects in order to attain the goals embodied in Section 2 of RA 7638;*

74 i) *Develop policies and procedures and, as appropriate, promote a system of*  
75 *energy development incentives to enable and encourage electric power*  
76 *industry participants to provide adequate capacity to meet demand including,*  
77 *among others, reserve requirements;*

78 j) *Monitor private sector activities relative to energy projects in order to attain the*  
79 *goals of the restructuring, privatization, and modernization of the electric power*  
80 *sector as provided for under existing laws: Provided, That the Department shall*  
81 *endeavor to provide for an environment conducive to free and active private*  
82 *sector participation and investment in all energy activities;*

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86 p) *Formulate such rules and regulations as may be necessary to implement the*  
87 *objectives of EPIRA; and*

88 q) *Exercise such other powers as may be necessary or incidental to attain the*  
89 *objectives of EPIRA.*

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91 xxx xxx”

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93 **WHEREAS**, Ancillary Services (AS), as defined in the EPIRA, are services that are  
94 necessary to support the transmission of capacity and energy from resources to loads  
95 while maintaining reliable operation of the transmission system in accordance with  
96 good utility practice and the Grid Code;

97

98 **WHEREAS**, Department Circular No. DC2015-10-0015, provided policies and guiding  
99 principles for further enhancements of the WESM Design and Operations, including the  
100 co-optimization of energy and reserves on the Market Dispatch Optimization Model  
101 (MDOM);  
102

103 **WHEREAS**, the Energy Regulatory Commission (ERC), through Resolution No. 22,  
104 Series of 2016, approved the publication of the revised Philippine Grid Code (PGC),  
105 which changed the classification of reserves from Contingency Reserve, Regulating  
106 Reserve, and Dispatchable Reserve into Primary Reserve, Secondary Reserve, and  
107 Tertiary Reserve, respectively, to set the hierarchy of deployment of reserves for  
108 specific events;  
109

110 **WHEREAS**, in 2018, the DOE laid the groundwork for establishing an equitable cost  
111 recovery mechanism for the utilization of AS through the conduct of focus group  
112 discussions and public consultations on the Causer Pays Mechanism (CPM);  
113

114 **WHEREAS**, the abovementioned developments to the WESM and the PGC, as well  
115 as the discussions on the CPM, put into light various operational and commercial issues  
116 on AS and brought about the need to update other related guidelines;  
117

118 **WHEREAS**, there is a need to harmonize ancillary service-related issuances and  
119 address various issues through a general framework;  
120

121 **NOW, THEREFORE**, from the foregoing premises and pursuant to its authority under  
122 the EPIRA and the WESM Rules, the DOE hereby adopts, issues, and promulgates  
123 the following policies governing AS:  
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125 **Section 1. Guiding Principles.** To ensure the reliability, quality, and security of  
126 supply of electric power, any policy or guideline relevant to AS shall adhere to the  
127 following principles:

- 128 1.1 Safe and reliable operation of the Grid taking into account the entry of  
129 emerging technologies and the intermittency of Variable Renewable Energy  
130 generating resources;  
131
- 132 1.2 Cost-effective planning for the expansion, rehabilitation, repair, and  
133 maintenance of the Transmission systems and facilities;  
134
- 135 1.3 Sufficiency of the necessary services to allow seamless operation of the Grid,  
136 which includes, among others, AS;  
137
- 138 1.4 Harmonization of the guidelines, rules, and regulations concerning the  
139 operation of the Grid;  
140
- 141 1.5 Proper accountability among concerned entities in the efficient and  
142 transparent operation of the Grid in accordance with the PGC and other  
143 relevant issuances that may be promulgated by the DOE and the ERC;  
144
- 145 1.6 Transparent and cost-effective procurement of AS taking into account  
146 compliance to reserve requirements of each grid in accordance with the PGC;

- 147 1.7 Transparent and equitable allocation of cost for the utilization of AS taking into  
148 account each grid user's responsibility and contribution in maintaining the  
149 reliability of the grid;  
150
- 151 1.8 Co-optimization of energy and reserves in the WESM, through central  
152 dispatch and the commercial operation of the WESM Reserve Market as  
153 declared by the DOE; and  
154
- 155 1.9 Transparent accreditation process for determining capability of resources  
156 capable of providing AS, to include among others, generating units, energy  
157 storage systems, and interruptible loads.  
158

159 **Section 2. Procurement of Ancillary Services.** The System Operator (SO) shall  
160 ensure optimal procurement of AS taking into consideration the following:

- 161 2.1 Prior to the implementation of the Reserve Market, the procurement of AS  
162 through contracts shall adhere to the following guidelines:  
163
- 164 2.1.1 All reserve categories (Primary, Secondary and Tertiary Reserves)  
165 shall be procured through contracts provided that a competitive  
166 selection process shall be undertaken for this purpose;  
167
- 168 2.1.2 Reactive Power Support and Black Start AS shall be procured through  
169 contracts only;  
170
- 171 2.2 Upon the implementation of the Reserve Market, the procurement of AS shall  
172 adhere to the following guidelines:  
173
- 174 2.2.1 Reserve categories such as Primary, Secondary and Tertiary  
175 Reserves shall participate in the Reserve Market. Notwithstanding,  
176 such reserve categories shall be procured through contracts and/or the  
177 Reserve Market;  
178
- 179 2.2.2 Reactive Power Support and Black Start AS shall be procured through  
180 contracts only; and  
181
- 182 2.2.3 All reserve categories under Section 2.2.1 shall be subject to central  
183 scheduling and dispatch of the Market Operator (MO) and SO;  
184

185 **Section 3. Creation and Composition of the Ancillary Services – Technical**  
186 **Working Group (AS-TWG).** There is hereby created the AS-TWG characterized by  
187 the following:

188 3.1 The AS-TWG shall be composed of the following:  
189

190 Chairman: Department of Energy  
191 Energy Regulatory Commission  
192

193 Members: National Transmission Corporation  
194 National Grid Corporation of the Philippines  
195 Philippine Electricity Market Corporation/Independent Electricity

196 Market Operator of the Philippines

197  
198 Secretariat: DOE Electric Power Industry Management Bureau

- 199  
200 3.2 The AS-TWG may invite other entities as resource persons to assist them in  
201 the fulfilment of the mandates stated in this Circular;  
202  
203 3.3 The AS-TWG shall have the following functions:  
204  
205 3.3.1 Assist the DOE and ERC in implementing the provisions of this  
206 Circular;  
207  
208 3.3.2 Render technical assistance and advice to the DOE and ERC in  
209 developing further policies on AS;  
210  
211 3.3.3 Develop technical specifications and testing procedures for the  
212 accreditation process of AS providers;  
213  
214 3.3.4 Develop procedure for the selection of third-party AS accreditor;  
215  
216 3.3.5 Review the methodology for determining the required level for each AS  
217 category and recommend revisions to the DOE and ERC as  
218 necessary; and  
219  
220 3.3.6 Participate in other activities relevant to AS such as fora, IECs, and  
221 consultations.  
222

223 **Section 4. Responsibilities of the Generation Companies.** The Generation  
224 Companies shall:

- 225 4.1 Undergo testing for AS capability during application for Certificate of  
226 Compliance (COC) for Generation Companies and annually during the validity  
227 of COC;  
228  
229 4.2 Ensure compliance with its responsibilities in maintaining grid reliability  
230 pursuant to the PGC and other relevant issuances of the DOE and the ERC,  
231 which may include among others, the following:  
232  
233 4.2.1 Provision of Primary Response through governor control, and as  
234 necessary, upgrade or reconfigure their generating units to ensure  
235 compliance to this requirement;  
236  
237 4.2.2 Compliance to energy and reserve schedule and dispatch instructions  
238 issued by the MO and SO respectively; and  
239  
240 4.2.3 When the Grid is operating under Emergency or Extreme State as  
241 described in the PGC, the AS Provider shall ensure compliance to the  
242 dispatch instructions issued by the SO regardless of their contracting  
243 arrangements.

244 **Section 5. Responsibilities of the Market Operator.** The MO shall:

- 245
- 246 5.1 Assist the DOE in establishing the criteria for the commercial operation of the
- 247 Reserve Market and in assessing readiness based on the same;
- 248
- 249 5.2 Ensure completion of the software certification of the NMMS;
- 250
- 251 5.3 Coordinate with the SO and other WESM Participants for the preparation and
- 252 completion of procedures necessary for the efficient operation of the Reserve
- 253 Market;
- 254
- 255 5.4 Ensure readiness and availability of the necessary interfaces with the SO and
- 256 WESM Participants;
- 257
- 258 5.5 Seek the approval of the ERC of the pricing and cost recovery mechanism for
- 259 reserves traded in the Reserve Market to be incorporated in the WESM Price
- 260 Determination Methodology;
- 261
- 262 5.6 Review and provide recommendation to the DOE and ERC on the appropriate
- 263 mitigating measures for pricing of reserves in the Reserve Market such as
- 264 offer or price cap and floor; and
- 265
- 266 5.7 Assist in all activities relating to the implementation of the Reserve Market, as
- 267 may be necessary, or as may be directed by the DOE.
- 268

269 **Section 6. Responsibilities of the System Operator.** The SO shall:

- 270 6.1 Maintain grid reliability through central dispatch of energy and AS in
- 271 accordance with the PGC, WESM Dispatch Protocol, and other relevant
- 272 issuances;
- 273
- 274 6.2 Submit regular reports to the DOE with respect to the compliance of
- 275 generators to the Primary Response and AS requirement of the Grid;
- 276
- 277 6.3 Ensure prudent and least-cost contracting of AS considering optimal mix of
- 278 contracts and Reserve Market sourcing and solicitation of offers from various
- 279 AS providers;
- 280
- 281 6.4 Assist the DOE and the MO in establishing the criteria for the commercial
- 282 operation and in assessing readiness of the Reserve Market;
- 283
- 284 6.5 Coordinate with the MO and other WESM Participants for the preparation and
- 285 completion of procedures necessary for the efficient operation of the Reserve
- 286 Market; and
- 287
- 288 6.6 Assist in all activities relating to the implementation of the Reserve Market, as
- 289 may be necessary, or as may be directed by the DOE;
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291 **Section 7. Regulatory Support.** The ERC shall review all pertinent rules and

292 regulations relevant to the implementation of the policies stated under this Circular

293 and promulgate guidelines on the same.

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295 **Section 8. Separability.** If for any reason, any section or provision of this Circular is  
296 declared unconstitutional or invalid, the other parts or provisions hereof which are not  
297 affected thereby shall continue to be in full force and effect.

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299 **Section 9. Repealing Clause.** Except insofar as may be manifestly inconsistent  
300 herewith, nothing in this Circular shall be construed as to repeal any of the  
301 mechanisms already existing or responsibilities already provided for under existing  
302 rules.

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304 **Section 10. Effectivity and Publication.** This Circular shall take effect immediately  
305 upon its publication in at least two (2) newspapers of general circulation, and shall  
306 remain in effect until otherwise revoked.

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308 Issued on \_\_\_\_\_ 2019 at the Energy Center, Rizal Drive, Bonifacio Global City,  
309 Taguig City.

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