



Republic of the Philippines  
**DEPARTMENT OF ENERGY**

**DEPARTMENT CIRCULAR NO. \_\_\_\_\_**

**ADOPTING FURTHER AMENDMENTS TO THE WHOLESALE ELECTRICITY SPOT MARKET (WESM) RULES AND FORECAST ACCURACY STANDARD (FAS) MANUAL ON MATTERS RELATING TO PROCEEDINGS AND ACTIONS**

**WHEREAS**, Sections 30 and 37(f) of the Electric Power Industry Reform Act (EPIRA) provides that the DOE, jointly with the electric power industry participants, shall establish the Wholesale Electricity Spot Market (WESM) and formulate the detailed rules governing the operations thereof;

**WHEREAS**, on 28 June 2002, the DOE, with the endorsement of the electric power industry participants, promulgated the WESM Rules through Department Circular (DC) No. DC2002-06-003;

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

**WHEREAS**, pursuant to DOE DC No. DC2021-03-0004 (DC2021-03-0004), the Forecast Accuracy Standards (FAS) monitoring was transferred from the Market Operator to the Governance Arm under the Enforcement and Compliance Office (ECO);

**WHEREAS**, DC2021-03-0004 provided a transition period and that the sanction for the non-compliance with FAS shall be implemented upon the commercial operation of the enhanced WESM design and operations;

**WHEREAS**, in accordance with the WESM Rules 3.5.5.9 and Section 3 of the WESM Manual on procedures for the Monitoring of forecast Accuracy Standards for Must Dispatch Generating Units ("FAS Manual"), the ECO shall:

1. Evaluate annually the compliance of each must dispatch generating unit to the FAS; and
2. Report to the PEM Board and the DOE its evaluation on the annual compliance of each must dispatch generating unit to the FAS with respect to each must dispatch generating unit's

**WHEREAS**, on 10 November 2022, the Philippine Electricity Market Corporation (PEMC) submitted proposed urgent amendments to the WESM Rules and FAS Manual on matters relating to enforcement proceedings and actions;

**WHEREAS**, the proposed amendments aim to:

1. Address the gap between the FAS Manual and interim procedures;

2. Ensure compliance with the requirements set forth in the DOE DC2022-05-0015;
3. Define with more clarity the reference data for the calculation of the forecast percentage error and other terms used in the Manual;
4. Address some unique conditions, situations, or circumstances affecting the compliance of must dispatch generating units;
5. Give considerations or exemptions for plants with limited participation); and
6. Add due process provisions

**WHEREAS**, the proposed urgent amendment was approved by the RCC and PEM Board and updated WESM Rules and FAS Manual were posted in the PEMC website on 24 November 2022 which shall remain in effect for a period of not more than six (6) months from posting or until a general amendment on the same matter has been approved by the DOE, whichever comes first;

**WHEREAS**, after several RCC deliberations the proposed general amendment on WESM Rules and FAS Manual was approved by the RCC and PEM Board on 19 May 2023;

**WHEREAS**, on 06 July 2023, the PEM Board-approved amendments to the WESM Rules and various Manuals were submitted to the DOE for final approval, in compliance with Chapter 8 of the WESM Rules;

**WHEREAS**, the DOE, to ensure transparency and consistency with the objectives of the EPIRA and the WESM, conducted in-person public consultations on the said proposed amendments;

**WHEREAS**, the DOE reviewed and finalized the said PEM Board-approved proposals and made revisions thereto, taking into consideration the comments and recommendations received from the stakeholders;

**NOW THEREFORE**, after careful review of the PEM Board-approved proposal and the comments and recommendations received on the same, the DOE, pursuant to its authority under the EPIRA and the WESM Rules, hereby adopts, issues, and promulgates the following amendments to the WESM Rules and FAS Manual on Matters Relating to Enforcement Proceedings and Actions.

**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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3.5.5.10 A *Trading Participant* who fails to meet the requisite forecast accuracy standards set out in accordance with Clause 3.5.5.8 based on an annual assessment and results shall be liable for sanctions imposed under Clause 7.2 and the *WESM Penalty Manual*.

3.5.5.11. The *Enforcement and Compliance Office* shall report to the *PEM Board*, the *Compliance Committee*, 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*.

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#### 7.2.10 Exemption

Unless otherwise provided in the relevant *Market Manual*, all *WESM Members* shall be exempted from an investigation and imposition of sanctions for probable *breach* that are committed –

- (a) Within the first one (1) month of membership in the *WESM* by said *WESM Member*; or
- (b) Within the first one (1) month of the issuance of a new provision of the *WESM Rules* or a new *Market Manual*, or an amendment thereto, with respect to such new provisions, *Market Manual* or amendment, if non-compliance with the same amounts to a *breach*; or
- (c) Within the period prescribed in the other *Market Manual*.

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## Chapter 11

### GLOSSARY

**Must Dispatch Generating Unit.** A *Generating Unit* or *Generating System* certified by the *DOE* as must dispatch generating unit under Clause 2.3.1.5 and is registered as such in the *WESM* by the *Market Operator*.

**Section 2. Amendments to the WESM Manual on Procedures for the Monitoring of Forecast Accuracy Standards for Must Dispatch Generating Units (FAS Manual).** The following provisions of the *WESM FAS Manual* are hereby amended:

#### SECTION 1 INTRODUCTION

##### 1.1 Background

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1.1.3 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*.

1.1.4 A *Generation Company* that has an *expansion unit* shall likewise comply with the forecast accuracy standards following the parameters set forth in Section 4.2.8 of this Manual.

1.1.5 A Trading Participant referred to in Sections 1.1.2, 1.1.3, and 1.1.4 hereof, which fails to meet the requisite forecast accuracy standards based on an annual assessment and results, shall be liable for sanctions imposed under Clause 7.2 of the WESM Rules and the WESM Penalty Manual.

1.1.6 Moreover, the *Enforcement and Compliance Office* is required by the *WESM Rules* to report to the *PEM Board*, the *Compliance Committee*, and the *DOE* the annual compliance of each *must dispatch generating unit* to the forecast accuracy standards with respect to its projected outputs.

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## SECTION 2 DEFINITIONS, REFERENCES AND INTERPRETATION

### 2.1 DEFINITIONS

#### 2.1.2. Glossary

- a) **Expansion Unit.** It shall refer to the expanded capacity of a must-dispatch generating unit or that built in phases and is designed to have the same plant substation and revenue meter as the existing capacity unit.
- b) **Forecast Accuracy Standards Report.** Reports which are prepared and issued by the *Enforcement and Compliance Office*, as prescribed in Section 4.4 of this Manual.
- c) **Forecast Percentage Error (FPE).** Error (in %) of the *projected output* submitted by a *must dispatch generating unit* with respect to its maximum *metered quantity* over a *billing period* as dependable capacity and calculated in accordance with Section 4.2.3.
- d) **Initial loading.** Loading (in MW) for the beginning of the *dispatch interval* assumed in, or estimated by, the dispatch optimization performed prior to the beginning of that *dispatch interval*.
- e) **Mean Absolute Percentage Error (MAPE).** x x x
- f) **Percentile 95 of the Forecasting Error (PERC95).** It shall mean that 95% of all the FPEs during the period should not exceed the standard set forth in Section 4.1.1 of this Manual.
- g) **Projected quantity.** x x x
- h) **Transition Period.** The period referred to in Section 4.5 of this Manual.

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## SECTION 3 RESPONSIBILITIES

### 3.1 ENFORCEMENT AND COMPLIANCE OFFICE

3.1.1 The *Enforcement and Compliance Office* shall assess, evaluate and issue the cumulative results of *MAPE* and *PERC95* to each *must dispatch generating unit* on a monthly and annual basis in accordance with the procedures set forth in Section 4.4 hereof.

The *Enforcement and Compliance Office* shall, for this purpose, establish a detailed process or procedure of compliance monitoring and assessment and prescribe a reply format or template that may be accomplished by the *Generation Company* as part of the monitoring process.

3.1.2 The *Enforcement and Compliance Office* shall report to the *PEM Board*, the *Compliance Committee*, and the *DOE* its evaluation on the annual compliance of each *must dispatch generating unit* to the forecast accuracy standards as set forth in Section 4.4.6 of this Manual.

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### 3.4 Generation Companies

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3.4.3 *Generation companies* shall coordinate with the *Enforcement and Compliance Office* for matters, data, or information necessary to establish, validate, and verify the incidents or circumstances referred to in Section 4.3, and such other matters, data, or information relative to the calculation of *MAPE* and *PERC95*.

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### 3.5 Market Operator

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3.5.2 *Operator* shall provide to the *Enforcement and Compliance Office* all the market data and information, including the SO-validated individual and aggregated forecast data, necessary for the calculation of *MAPE* and *PERC95* and for verification or validation of data, when necessary.

## SECTION 4 FORECAST ACCURACY STANDARDS, PROCEDURES, AND SANCTIONS

### 4.1 Standards

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4.1.2 The *MAPE* and *PERC95* of each *must dispatch generating unit* shall be calculated every *billing period* in cumulative results and shall be reported to each *Generation Company* within the timeline prescribed in Section 4.4 hereof. Subject to the provisions of Section 4.6 of this Manual, the annual cumulative results covering the period 26<sup>th</sup> of December of a year and ending on the 25<sup>th</sup> of December of the succeeding year shall be determined with finality by the *Enforcement and Compliance Office* within the period prescribed in Section 4.4.6 of this Manual.

4.1.3 Subject to Sections 4.5 and 4.6 of this *Market Manual*, the *Generation Companies* of the *must dispatch generating units* which fail to meet the requisite forecast accuracy standards based on the annual Forecast Accuracy Standards Report shall be considered in breach of Section 4.1.1 of this *Market Manual* and shall be liable for sanctions imposed under Clause 7.2 of the *WESM Rules*, and in accordance with the *WESM Penalty Manual*.

## 4.2 CALCULATIONS

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4.2.6 A one hundred (100) percent FPE shall be imposed to a *must dispatch generating unit* for non-submission of projected output. The non-submission of projected output referred to in this section shall exclude submission of zero (0) MW nomination or cancellation of nomination based on the zero projection or load profile of the *must dispatch generating unit*.

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4.2.6 For generating plants with *expansion unit* that is either on test and commissioning or in actual operation, as may be allowed by the rules, but is awaiting the issuance of the *Certificate of Compliance* or the Provisional Authority to Operate, the calculation set forth in Appendix B of this Manual shall apply.

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## 4.3 EXCLUSIONS AND OTHER BASIS FOR RECALCULATION

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4.3.2 Any variance in the market data used in the calculation of *MAPE* and/or *PERC95* that may be discovered during the monitoring and assessment must be properly addressed, validated, and verified within the prescribed timeline. The *Generation Company* shall provide adequate supporting

documents to substantiate any claim of data variance. Only those data that have been proven and verified to be inaccurate, inconsistent, or erroneous shall be Considered in the recalculation of the results.

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#### 4.4 MONITORING, REPORTING, AND REVIEW

- 4.4.1 The *Enforcement and Compliance Office* shall monitor the compliance of the *Generation Company* of each *must dispatch generating unit*, calculate the MAPE and PERC95 and issue the *Preliminary Forecast Accuracy Standards Reports* including the data used in the calculation within 30 business days from the end of the calendar month of the covered monitoring period. For instance, the *Preliminary Forecast Accuracy Standards Report* for September billing period shall be issued not later than 30 October.
- 4.4.2 The *Generation Company* shall provide a reply or confirmation of the MAPE and PERC95 results, as the case may be, to the *Enforcement and Compliance Office* within fifteen (15) *business days* from receipt of the *Preliminary Forecast Accuracy Standards Report*. If any of the circumstances fall within the exclusions and data variance under Section 4.3 of this *Market Manual*, the *Generation Company* shall likewise provide and submit the documents or proof thereof as a basis for recalculation of the results.
- 4.4.3 The *Enforcement and Compliance Office* shall assess, validate, and verify the responses and documents submitted by the *Generation Company*. It may also consult the *Market Operator*, the *System Operator*, or the *Metering Service Provider*, as necessary, to ascertain the truthfulness of the claim or allegations of the *Generation Company*. The *Enforcement and Compliance Office* shall perform the recalculation, as may be appropriate.
- 4.4.4 The *Enforcement and Compliance Office* shall issue the *Final Forecast Accuracy Standards Report* within seventy (70) business days from the end of the calendar month of the covered monitoring period regardless of whether a reply or confirmation is submitted by the concerned *Generation Company* or whether a recalculation of the results was performed for a particular *must dispatch generating unit*.
- 4.4.5 The *Enforcement and Compliance Office* shall submit a consolidated monthly report to the *PEM Board*, the *Compliance Committee*, and the *DOE* containing the status of the compliance of each *must dispatch generating unit* to the *forecast accuracy standards* as of the most recent *Billing Period* based on the *Final Forecast Accuracy Standards Report* within the same timeline provided in Section 4.4.4 of this Manual.

4.4.6 The *Enforcement and Compliance Office* shall likewise submit an annual consolidated report to the *PEM Board*, the *Compliance Committee*, and the *DOE* on or before 31 March of the year following the covered monitoring period.

4.4.7 The *Market Operator* or the *Enforcement and Compliance Office*, in consultation with the System Operator, shall review annually the forecast accuracy standards set in Section 4.1 and shall provide a recommendation to the *PEM Board* and the *DOE*.

#### 4.5 TRANSITION PERIOD

4.5.1 A *transition period* shall be six (6) months from the commercial operation of the enhanced *WESM* design and operations unless extended by the *DOE* through appropriate issuance.

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4.5.3 Before the end of the *transition period*, the *Enforcement and Compliance Office* shall submit to the *DOE* and other Concerned government agencies a report on the compliance of *must dispatch generating units* to the forecast accuracy standards, and it shall inform the *must dispatch generating units* on their performance with respect to the forecast accuracy standards.

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#### 4.6 PENALTIES AND SANCTIONS

4.6.1 One *breach* is counted for each category of forecast accuracy standard that was not complied with based on the *Annual Forecast Accuracy Standards Report*. The breach of *MAPE* and *PERC95* shall be counted as separate breach even if they occur on the same period subject to penalty under Clause 7.2 of the *WESM Rules* and the relevant provisions of *WESM Penalty Manual*.

4.6.2 The *Generation Company* with *must dispatch generating unit* that is in operation for less than a year and is found in breach of *MAPE* or *PERC95*, shall be:

- a) imposed a penalty in proportion to the number of months in operation during the covered monitoring year. For instance, the plant commenced operation on 26 March, the financial penalty to be imposed shall be in proportion to the nine (9) billing months over the twelve (12) month-period.
- b) exempted from liability, if it commences operation within three (3) months prior to the end of the covered monitoring year.

A *must dispatch generating unit* shall be considered in operation, for purposes of this Section, upon commencement of its operation or



participation in the WESM either by virtue of the Final Certificate of Approval to Connect or the commercial operation registration in the WESM, whichever is applicable.

## SECTION 5 AMENDMENT, PUBLICATION AND EFFECTIVITY

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### 5.3 EFFECTIVITY

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5.3.2 The amendments made herein and approved pursuant to the *Procedures for Changes to the WESM Rules, Retail Rules and Market Manuals* shall have a retroactive effect from the beginning of the year that the said amendments are approved, unless the application thereof becomes inequitable and impracticable under the circumstances. For avoidance of doubt, the amended provisions that are given retroactive effect shall be indicated in the PEM Board resolution and/or DOE issuance approving or promulgating them.

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## SECTION 6 APPENDICES

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### APPENDIX B – FPE Computation for MDGU with Expansion Unit

#### 1. During Test and Commissioning (T&C) of the Expansion Unit.

- a. For intervals where T&C is conducted on the plant or facility's expansion unit, the following conditions shall apply for purposes of computing the FPE of the whole facility:
  - If Projected Quantity (PQ)<sup>1</sup> ≤ Combined MQ<sup>2</sup> = 0 FPE
  - If PQ > Combined MQ = 100 FPE
- b. For intervals where the plant is operating without the expansion unit under T&C, although during the T&C period, as indicated in the Provisional Certificate of Authority to Connect (PCATC), the formula for FPE, as referred to in Section 4.2.3 of the FAS Manual, shall be applied.

Note: The ECO shall require the MDGU to submit proof of actual T&C schedule or activity of the expansion unit on certain dispatch intervals.

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<sup>1</sup> Calculated under Section 4.2.4 of the FAS Manual

<sup>2</sup> The combined metered quantity shall refer to the sum of the metered quantity of the existing capacity unit and that of the expansion unit.

2. After issuance of the FCATC and upon its Market effectivity date as determined by the Market Operator but the updated Pmax including the additional MW capacity of the expansion unit is not yet reflected in the WESM Registration and the Market Management System (MMS), thus, resulting in the inability of the MDGU to submit nominations for the said expansion unit, the following FPE shall be imposed –

a. If the nomination or the submitted projected output (in MW) is equal to the current registered capacity, the following conditions shall apply for purposes of computing FPE:

- If  $PQ \leq \text{Combined MQ} = 0$  FPE
- If  $PQ > \text{Combined MQ} = 100$  FPE

b. If the nomination or the submitted projected output (in MW) is less than the current registered capacity, the formula for FPE, as referred to in Section 4.2.3 of the FAS Manual, shall be applied.

Note: The ECO shall require the MDGU to submit a copy of the FCATC. It shall also be determined or confirmed with the MDGU if it intends to continue to operate already pursuant to Section 4.4.5 of the DOE DC2022-05-0015<sup>3</sup> while awaiting the issuance of the Certificate of Compliance (COC) or Provisional Authority to Operate (PAO) from the Energy Regulatory Commission.

c. Once the plant's Pmax registration is already updated to include the facility's expansion unit, the formula for FPE, as referred to in Section 4.2.3 of the FAS Manual, shall be applied.

**Section 8. 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 9. Repealing Clause.** Except insofar as may be manifestly inconsistent herewith, nothing in this Circular shall be construed as to repeal any mechanisms already existing or responsibilities already provided for under existing rules.

**Section 10. 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.

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

**RAPHAEL P. M. LOTILLA**  
Secretary

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<sup>3</sup> "Supplementing Department Circular No. DC2021-06-0013 on the Framework Governing the Test and Commissioning of Generation Facilities for Ensuring Readiness to Deliver Energy to the Grid or Distribution Network." Published in DOE Website in June 2022.