



Republic of the Philippines
DEPARTMENT OF ENERGY

DEPARTMENT CIRCULAR NO. _____

**ADOPTING FURTHER AMENDMENTS TO THE WHOLESALE ELECTRICITY
SPOT MARKET (WESM) RULES AND WESM REGISTRATION MANUAL**

(Provisions on Preferential Dispatch of Renewable Energy Generating Units)

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, on 05 October 2022, the DOE promulgated the DC2022-10-0031 entitled “Declaring All Renewable Energy Resources as Preferential Dispatch Generating Units in the Wholesale Electricity Spot Market Amending for this Purpose Department Circular No. DC2015-03-0001” that, among others, amends the definition of Priority Dispatch to expand to “all qualified and registered RE plants that are not Must Dispatch such as biomass, geothermal, and impounding hydro plants... taking into consideration their contractual obligations with their respective customers;”

WHEREAS, in compliance with Section 6.1 of the said 2022 DOE Circular, the Independent Electricity Market Operator of the Philippines (IEMOP) submitted to the Rules Change Committee (RCC) on 23 December 2022 proposed urgent amendments to the (i) WESM Rules and (ii) WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures to implement the provisions of the DOE Circular;

WHEREAS, the proposal seeks to:

1. amend the classification of priority dispatch generating units to include all biomass plants (with FiT certificate or none), geothermal, and impounding hydro plants;
2. provide that controllable generating units involving biomass, geothermal and impounding hydro plants that are currently registered as providers of ancillary services should be registered as scheduled generating units in view of the principles of co-optimizing its energy and reserve capacities through market offers for the upcoming reserve market; and

3. define projected output for hydropower and geothermal plants classified as priority dispatch generating units;

WHEREAS, the proposed urgent amendments were approved by the RCC and the PEM Board on 25 January 2023¹ and immediately took effect beginning 27 January 2023 for six (6) months, or until the general proposal version is promulgated by the DOE, whichever is earlier;

WHEREAS, the proposal was posted in the PEMC website as general proposed amendments on 03 February 2023 to solicit comments from WESM Members and interested parties, and, following the 30-working day commenting period, received comments from the National Grid Corporation of the Philippines and Millennium Energy, Inc./Panasia Energy, Inc.;

WHEREAS, the RCC deliberated on the proposal considering the comments received, and adopted changes to the general proposed amendments;

WHEREAS, on 26 July 2023, the PEM Board approved the proposed amendments, and extended the effectivity of the implementation of the urgent amendment for another six (6) months pursuant to Section 7.4 (g) of the WESM Manual on Procedures for Changes to the WESM Rules, Retail Rules and Market Manuals;

WHEREAS, on 31 July 2023, the PEM Board-approved amendments to the WESM Rules and WESM Registration Manual 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 Manual on Billing and Settlement.

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

2.3. Categories of WESM Member

2.3.1 Generation Companies

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2.3.1.5. A *generating unit* or group of *generating units* connected at a common connection point that is *intermittent renewable energy resource*-based, whether or

not under the *Feed-In Tariff system*, such as wind, solar, run-of-river hydro or ocean energy with the corresponding *DOE certification* shall be classified as a *must dispatch generating unit*, but may at its option be classified as a *scheduled generating unit* or a *non-scheduled generating unit* subject to Clause 2.3.1.4.

2.3.1.6 A *generating unit* or group of *generating units* connected at a common connection point that are qualified renewable energy plants that are not *must dispatch*, such as those using either geothermal energy or biomass as fuel or is an impounding hydro plant, and is not providing *frequency control ancillary services* that is under the *Feed-In Tariff system*, with the corresponding *Feed-In Tariff Certificate of Compliance* shall be classified as a *priority dispatch generating unit*, but may at its option be classified as a *scheduled generating unit* or a *non-scheduled generating unit* subject to Clause 2.3.1.4.

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Glossary

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Frequency Control Ancillary Services. Ancillary services used by the System Operator to maintain the frequency of the grid within the limits prescribed by the Grid Code by the timely use of reserves and demand control.

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Priority Dispatch. Registered renewable energy plants that are not *Must Dispatch* such as biomass, geothermal, and impounding hydro plants, which are given preference in the dispatch scheduling process.

Projected Output. The *loading level* nominated by a *Generation Company* for its *must dispatch generating units* or *priority dispatch generating units* at the end of a *dispatch interval*. *Projected output* of a *must dispatch generating unit* shall indicate its forecasted output. In the case of a *priority dispatch generating unit*, *projected output* shall refer to its *available capacity*, as defined in the WESM Rules or Market Manual.

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Section 2. Amendments to the WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures. The following provisions of the WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures Issue are hereby amended:

Section 2 Registration

2.5. Registration of Direct WESM Members and Trading Participants

2.5.4. Other Considerations

2.5.4.1. Generation Unit Classification

- a) An *Applicant* wishing to register as *Generation Company* shall, upon application, classify each of the *generating unit* or group of *generating units* which form part of the generating system it owns or operates or controls or from which it otherwise sources electricity as either –

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(iv) A *priority dispatch generating unit* for a *generating unit* or group of *generating units* connected at a common connection point that are qualified renewable energy plants that are not *must dispatch*, such as those using either geothermal energy or biomass as fuel or is an impounding hydro plant and is not providing *frequency control ancillary services*. However, the *Generation Company* may also elect to have such unit/s classified as *scheduled generating unit/s* or *non-scheduled generating unit/s* subject to this Section.

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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