



Republic of the Philippines
DEPARTMENT OF ENERGY

DEPARTMENT CIRCULAR NO. DC _____

**ADOPTING FURTHER AMENDMENTS TO THE WESM RULES
(Categories of WESM Member)**

WHEREAS, Section 37 of the Republic Act No. 9136, otherwise known as "The Electric Power Industry Reform Act of 2001" (or EPIRA), provides that the Department of Energy (DOE) is mandated to, among others, supervise the restructuring of the electric power 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, Section 37 of the EPIRA also 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, upon the joint endorsement of the electric power industry participants, promulgated the WESM Rules through Department Circular No. 2002-06-003;

WHEREAS, on 30 September 2013, the DOE, during the 86th PEMC Board Meeting recognized the issues and gaps on the market participant's compliance with the WESM Rules and Market Manuals arising from the registration of a WESM Trading Participant which generating capacity is 1) associated with National Power Corporation - Independent Power Producer (NPC-IPP) energy contracts; and, 2) has an assigned plant operator other than the registered Trading Participant;

WHEREAS, as a result of the DOE Electric Power Industry Management Bureau (EPIMB) thoroughly study and review of the WESM Rules and Market Manuals, the DOE deems it necessary to define and clarify the responsibilities of the Generation Companies, Independent Power Producer Administrators (IPP Administrators) and Plant Operators in the WESM;

NOW THEREFORE, for and in consideration of the foregoing premises, the DOE, in pursuit of its supervisory functions vested to it by the EPIRA, hereby issues, adopts and promulgates the following amendment to the WESM Rules:

Section 1. Amendment to the WESM Rules.

1.1 Clause 2.2.1 under Scope of Application is amended to read-

2.2.1 Scope of Application

Other than the *Market Operator*, the *WESM Rules* apply to:

(a) *System Operator*;

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- (g) Bulk consumers/End-users;
- (h) IPP Administrator;
- (i) Plant Operator;
- (j) Network Service Provider; and
- (k) Other similar entities authorized by the ERC to become members of the WESM.

All of which are WESM Participants.

1.2 Clause 2.3 under Categories of WESM Member is amended to read-

2.3.1 Generation Company

2.3.1.1 A Generation Company with facilities connected to a transmission or distribution system shall register with the Market Operator as a WESM member.

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2.3.1.8 In case a Generation Company designates and contracts a Plant Operator, the Generation Company and its Plant Operator shall register with the Market Operator under this category.

2.3.1.9 The Plant Operator shall have the following responsibilities, including but not limited to:

- (a) comply with the registration requirements in accordance with these rules to include Wholesale Operations Agreement, as applicable;
- (b) continuously communicate with their respective Trading Participants the maximum available capacity of the generating plant, ramp rates and other necessary information, which may require by the Trading Participants, to be used in declaring the offer capacity with the Market Operator;
- (c) comply with the scheduling and dispatch procedures described in Chapter 3, within the dispatch tolerances specified in accordance with Clause 2.3.3.5;
- (d) advise immediately the System Operator and Market Operator of any circumstances which threaten a significant probability of material adverse change in the state of their facilities in accordance with Clause 3.5.11.6;
- (e) establish and maintain its own internal safety procedures, consistent with the emergency procedures established under Clause 6.4; and
- (f) inform the Market Operator of expiration and termination of its contract with the Generation Company.

The Plant Operator should be made liable of a sanction imposed under Clause 7.2.

2.3.1.10 In case of Generation Company which Generating Plant is subject of an NPC-IPP contract being managed by an IPPA, the IPP shall register as a WESM Member under this category provided that a WESM Operations Agreement (WOA) with the IPPA shall be entered into and submitted to the Market Operator at the time of registration.

The IPP or Generation Company party to the NPC-IPP contracts shall perform all the obligations of a Generation Company as provided for under the WESM Rules.

2.3.1.11 The IPP or Generation Company party to the NPC-IPP contracts shall support the IPPA in complying with the registration requirements under Clause 2.3.3.

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2.3.3 Trading Participant

2.3.3.1 A *Trading Participant* is a person or an entity registered with the *Market Operator* as either:

- (a) A *Customer*;
- (b) A *Generation Company*; or
- (c) An *IPP Administrator*,

and may be registered either as a *Direct WESM Member* or an *Indirect WESM Member* in respect of its activities relating to trading in the spot market subject to compliance with the relevant prerequisites set out in Clauses 2.3 and 2.4.

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2.3.3.3 A person or an entity shall not undertake activities or participate in or in relation to the spot market unless the person or entity is a *Direct WESM Member* registered as a *Customer* or *Generation Company* or *IPP Administrator* with the *Market Operator*.

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2.3.3.10 A *Generation Company*, which is a party to an NPC-IPP contract being managed by PSALM or an IPPA, shall not be registered as a *Trading Participant* with respect to the *Generating Plant* covered in the NPC-IPP contracts. PSALM or the respective *IPP Administrator* shall register as a *Trading Participant* for the capacity or contracted energy output of NPC-IPP contracts.

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2.3.7 System Operator

The *System operator* of the TRANSCO shall register with the *Market Operator* as a *System operator*.

2.3.8 IPP Administrator

2.3.8.1 All IPPA shall register with the *Market Operator* as an *IPP Administrator*.

2.3.8.2 The IPPA shall perform all the obligations of the *Trading Participant* provided for under the *WESM Rules*.

1.3 Glossary Chapter 11 is amended to include the following definitions: -

"*Generation Company*" A person or entity authorized by the ERC to operate facilities used in the generation of electricity.

"*Generating Plant*" A facility, consisting of one or more *Generating Units*, where electric Energy is produced from some other form of Energy by means of a suitable apparatus.

"Independent Power Producer" or "IPP" An existing power generating entity which is not owned by NPC.

"IPP Administrator" refers to qualified independent entities appointed by PSALM who shall administer, conserve and manage the contracted energy output of NPC-IPP contracts, including selling the contracted energy output of these contracts and offering Ancillary Services, where applicable.

"Plant Operator" refers to an entity contracted by a Generation Company to operate and maintain its Generating Plant.

"National Power Corporation or NPC" refers to the government corporation created under Republic Act No. 6395, as amended.

"Power Sector Assets and Liabilities Management Corporation" or "PSALM Corp." or "PSALM" refers to the corporation created pursuant to Section 49 of the Act.

"Trading Participant" A Customer, Generation Company or IPP Administrator.

"WESM Operations Agreement (WOA)" is an agreement of responsibilities among the IPP, Plant Operator and the IPPA defining their respective roles and obligations in the WESM, as parties to a registered generating plant, which shall include compliance with the WESM Rules and Market Manuals.

Section 2. 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 3. Effectivity. This Circular shall take into effect fifteen (15) days from its publication in at least two (2) newspapers of general circulation and shall remain in effect unless otherwise revoked.

Issued this ____ December 2014 at the DOE, Energy Center, Rizal Drive, Bonifacio Global City, Taguig City, Metro Manila.

CARLOS JERICHO L. PETILLA
Secretary