
MEMORANDUM

FOR : OIC DIRECTOR JERRY P. RITUAL, ITMS

FROM : DIRECTOR MYLENE C. CAPONGCOL, EPIMB

SUBJECT : REQUEST FOR POSTING OF "CALL FOR COMMENTS" FOR THE DRAFT DEPARTMENT CIRCULAR PROMULGATING THE WESM INDUSTRY CODE OF ETHICS

DATE : 5 FEBRUARY 2015

In line with DOE's mandate for the continuous development of the Wholesale Electricity Spot Market (WESM), the DOE deems it necessary to establish the WESM Industry Code of Ethics. The WESM Industry Code of Ethics sets forth a general code of conduct that shall be observed by all WESM members and participants in order to promote healthy and sustainable competition, and foster a transparent and level playing field, in the WESM pursuant to the EPIRA.

In this regard, we would like to request the posting of Call for Comments for the said Code of Ethics in the DOE website for stakeholders' comments and recommendations. We request that the Call for Comments should be posted to appear as follows:

"CALL FOR COMMENTS:

The Department of Energy (DOE) is formulating a Wholesale Electricity Spot Market (WESM) Industry Code of Ethics that will set forth a general code to be observed by all WESM members and participants. Hence, DOE is hereby requesting all interested parties to submit their comments on the attached draft Department Circular adopting an Industry Code of Ethics for the Wholesale Electricity Spot Market (WESM). The general principles and objectives of the said WESM Industry Code of Ethics are: (1) accountability; (2) compliance; (3) transparency; (4) level playing field; and (5) general welfare in the electricity market.

Comments/recommendations will be accepted on or before February 13, 2015 to the following e-mails and/or fax numbers:

1. mycaps@doe.gov.ph
2. iexconde@gmail.com
3. ning.baltazar@gmail.com
4. fbbinondo@yahoo.com
5. 840-1773
6. 840-2120

A public consultation will be conducted on this matter on the following dates: 16 March 2015 in Luzon and 19 March 2015 in Visayas.

Thank you. "

We highly appreciate the ITMS immediate action on this request.

Thank you.

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DEPARTMENT CIRCULAR NO. DC-2015-_____
ADOPTING AN INDUSTRY CODE OF ETHICS
FOR THE WHOLESALE ELECTRICITY SPOT MARKET (WESM)

WHEREAS, the Department of Energy (the "DOE") is mandated under Section 30 of Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" or "EPIRA", to establish the Wholesale Electricity Spot Market (WESM) that will facilitate a transparent, competitive, and reliable electricity market in the country;

WHEREAS, on 21 June 2006, the DOE issued Department Circular No. 2006-06-008 declaring the start of commercial operations of the WESM in the Luzon grid;

WHEREAS, commercial operations of the WESM in Luzon commenced on 26 June 2006;

WHEREAS, on 26 November 2010, the DOE issued Department Circular No. 2010-11-0012 declaring the start of commercial operations of the WESM in the Visayas grid and its integration with the Luzon grid;

WHEREAS, commercial operations of the WESM in Visayas commenced on 26 December 2010;

WHEREAS, the WESM rules require all WESM participants to comply with the WESM Rules and applicable laws or regulations of the Philippines;

WHEREAS, since the start of WESM commercial operations, there are no written guidelines to lead participants in conducting their actions in accordance with the primary values set forth in the EPIRA and other acceptable ethical standards;

WHEREAS, Section 37 (p) of the Electric Power Industry Reform Act of 2001 (EPIRA) empowers the Department of Energy (DOE) to formulate such rules and regulations as may be necessary to implement the objectives of the Act, which includes ensuring 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;

WHEREAS, good market governance dictates that an Industry Code of Ethics detailing the best practices of wholesale spot market trading for electricity be promulgated;

WHEREAS, the initial drafting of the proposed WESM Industry Code of Ethics was conducted with proper discussions, consultations and interviews with WESM stakeholders;

WHEREAS, WESM stakeholders generally support in principle the adoption of a WESM Industry Code of Ethics to guide their daily market trading activities;

WHEREAS, the WESM Industry Code of Ethics will aid in having an economically sustainable market where all market participants benefit by protecting WESM's financial integrity;

WHEREAS, the WESM Industry Code of Ethics is intended to steer participants in making ethical choices;

WHEREAS, the WESM Industry Code of Ethics sets forth a general code of conduct that shall be observed by all WESM members and participants in order to promote healthy and sustainable competition, and foster a transparent and level playing field, in the WESM pursuant to the EPIRA;

NOW THEREFORE, pursuant to its authority under the EPIRA and its IRR, the DOE hereby adopts and promulgates a WESM Industry Code of Ethics, as hereto attached:

I. THE WESM INDUSTRY CODE OF ETHICS

The Wholesale Electricity Spot Market (WESM) Industry Code of Ethics is essential in fostering a transparent and level playing field in the electricity market. Fairness promotes healthy and sustainable competition. The Code reminds electricity industry stakeholders of the need for professionalism and integrity in the electricity market which in turn are essential for maintaining strong public and investors' confidence in the WESM.

WESM Participants, WESM Members, the Market Operator, the System Operator, and the Philippine Electricity Market Corporation (PEMC) shall abide by this Code and possess continuing awareness of its significant provisions. Further, all shall:

- Act with professionalism, integrity, fairness and competence in all dealings;
- Refrain from anti-competitive practices in any form;
- Act with prudence in all forms of communication that will impact market outcomes;
- Place the common welfare of the electricity industry stakeholders above self-interests;
- Aspire to preserve and improve the WESM including all its processes and instrumentalities at all times;
- Uphold all the applicable laws and rules governing the WESM including Department of Energy policy issuances and Energy Regulatory Commission regulatory issuances;

- Promote a culture of compliance to the market rules within and outside of the WESM Participants' and the WESM Members' organizations;
- Observe a professional, honest and credible composure when representing the industry;
- Avoid entering into any kind of agreement and transaction that will create actual and potential conflicts of interest;
- Inhibit from capitalizing on insider information at the expense of fellow trading participants and the WESM itself whether consummated within or outside of the WESM;
- Respect the confidentiality of market information as provided for in the laws and rules of the WESM;
- Disclose to the market all WESM Participant, WESM Member, Market Operator and System Operator level information as required by and in accordance to existing laws, market rules, policy circulars and regulatory edicts as well as any similar future promulgations;
- Honor all financial obligations to other trading participants as a vital element of their participation and responsibilities to the WESM;
- Report all observed unlawful and unethical activities of WESM Participants, WESM Members, the Market Operator and the System Operator;
- Participate actively in all periodic WESM audits that requires cooperation from WESM Participants, WESM Members, the Market Operator and the System Operator;
- Maintain awareness of the corresponding accountabilities of a WESM PARTICIPANT, WESM Member, the Market Operator and the System Operator;
- Strive for advancement in the industry through continuing education and trainings either individually or collectively;
- Finally, all WESM Participants, WESM Members, the Market Operator, the System Operator, and the Philippine Electricity Market Corporation (PEMC) are aware of, and truly understand the provisions of this Code, and warrant that they shall comply with the Code's provisions as they undertake their daily WESM activities. All of these are being done for a better, fair and efficient WESM.

II. EFFECTIVITY

This Department Circular shall take effect ___(___) days following its publication in two (2) newspaper of general circulation.

Signed this ___ day of ___ 2015 at the DOE, Energy Center, Merritt Road, Fort Bonifacio, Taguig City, Metro Manila.

CARLOS JERICO L. PETILLA
Secretary