

Comments from Mindanao Coalition of Power Consumers

Reference	Issue	Response
<p>The Proposed Wholesale Electricity Spot Market in Mindanao, Part 3 (received 13 February 2017)</p>	<p>1. How much reduction in rates paid by power consumers can be expected from the establishment of a WESM in Mindanao compared to a scenario in which there is no WESM but rules and protocols are established to ensure least-cost dispatch by the System Operator of the Mindanao grid?</p>	<p>The power rates of the consumers, with or without WESM, largely depend on the power supply portfolio of their respective franchised DUs. WESM is an option for sourcing power supply and that it will work to their advantage depending on their bidding strategy. In case of DUs which are fully contracted, their rates will be based on the bilateral contracts as approved by ERC, if they opt to have their power suppliers nominate to the WESM their requirement. For DUs which are not fully contracted, the cost of energy sourced thru the WESM will depend on the market clearing prices and WESM exposure.</p>
	<p>2. How can the market operator prevent collusion among generating companies in Mindanao that would be inevitable because there are only five generating companies in Mindanao that supply significant amounts of electric energy, and there are only two generating companies (the Aboitiz Group and the Alcantara Group) that own significant capacities of diesel generating plants, which will be used to supply peaking energy?</p>	<p>With the WESM, there is greater transparency. It reflects the behaviors of the WESM Trading Participants. In relation to collusion, there are several governance committees such as the Market Surveillance Committee (MSC) and Enforcement and Compliance Officer (ECO) to monitor and investigate anti-competitive behaviors of the industry participants, respectively.</p> <p>Also, the ERC monitors and requires PEMC to submit monthly reports. These reports indicate the behavior of every participants in the market including standards and mitigating measures to prevent anti-competitive behavior. The pricing used in the WESM is the Pricing Determination Methodology (PDM) which is approved by the ERC.</p>

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	<p>3. The DOE is claiming that the establishment of a WESM in Mindanao will ensure that adequate capacities of power plants will be installed by the private sector in the years to come. What will prevent adequate capacities of power plants from being installed in Mindanao if there is no WESM?</p>	<p>The DOE is pushing to establish Mindanao WESM in pursuit of its mandate of ensuring availability of power supply at all times. There may be excess capacity in Mindanao at this time but to be able to sustain such situation, continuous private sector investment interests in power generation must be sustained. These investments will be encouraged if the proponents see the opportunities of securing bilateral contracts or there will be a venue or mechanism like WESM to sell their power outputs.</p>
	<p>4. If there is no positive economic benefit for power consumers in Mindanao from the establishment of a WESM, and only an increase in the rates that consumers will pay, why is the DOE even thinking about establishing a WESM in Mindanao?</p> <p>5. If the WESM will result only in increased rates being paid by consumers and in high prices for intermediate and peaking power that will be passed on to the consumers, why has the DOE launched this initiative to establish a WESM in Mindanao?</p>	<p>In the series of public consultations conducted by the DOE, together with the Energy Family, the following benefits of the WESM was presented including, but not limited to:</p> <ul style="list-style-type: none"> • Continue momentum in investments in new capacities and promote competition • Provide order thru central dispatching and scheduling • Promote efficiency in electricity industry operations • Increase transparency in procurement of power supply of the Distribution Utilities (DUs) which is a pass-on cost to the Consumers • Provide a venue for a DU to manage its

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		<p data-bbox="1251 238 1885 378">nomination or prioritization of its contracted capacities including imbalances. Therefore, the reduction in rates will depend on how the DU manages its power supply portfolio</p> <ul data-bbox="1205 423 1898 522" style="list-style-type: none"> <li data-bbox="1205 423 1898 522">• Implement priority dispatch for RE in the market, as provided in the Renewable Energy Law
	<p data-bbox="499 570 1010 670">6. What is the legal justification for extending the Philippine WESM to Mindanao?</p>	<p data-bbox="1157 548 1898 688">Pursuant to Section 37 (f) of the EPIRA, the DOE is mandated to establish the wholesale electricity spot market. Mindanao is not excluded from the coverage of the said provision.</p>
	<p data-bbox="499 732 1121 976">7. Why is the PEMC being considered as market operator for the proposed WESM in Mindanao when the PEMC was supposed to be replaced as market operator of the WESM by the organization of an Independent Market Operator in 2007?</p>	<p data-bbox="1157 768 1898 943">Regardless whether an Independent Market Operator (IMO) or autonomous group market operator (AGMO), PEMC has gained the experience and capacity to perform the functions of a Market Operator.</p>