



Republic of the Philippines
DEPARTMENT OF ENERGY

Department Circular No. DC2012-03-0004

**DIRECTING COMPLIANCE WITH THE ELECTRIC POWER INDUSTRY
REFORM ACT OF 2001 (EPIRA) TO ADDRESS THE POWER SUPPLY
SITUATION INCLUDING THE RATIONALIZATION OF THE AVAILABLE
CAPACITIES IN THE MINDANAO GRID**

WHEREAS, pursuant to the declared policy of the State under Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), the Department of Energy (DOE) is mandated to ensure the reliability, quality and security of supply of electric power;

WHEREAS, the DOE issued DC 2003-12-011 dated 05 December 2003 reiterating the policy of the State that all distribution utilities must take cognizance and assume full responsibility to forecast, assure and contract for the supply of electric power in their respective franchise areas to meet their obligations as a distribution utility;

WHEREAS, the DOE likewise issued DC-2010-03-0003 on 26 February 2010 directing the Distribution Utilities to ensure that the power requirements within their franchise areas are adequately covered by supply contracts;

WHEREAS, the National Grid Corporation of the Philippines (NGCP), since January 2012 has been issuing a "red" alert status in the Mindanao grid due to current generation deficiencies, ranging from 50 MW to 300 MW, brought about by various constraints in optimizing available capacities which resulted in rotating brownouts in various parts of the region;

WHEREAS, the Transition Supply Contracts (TSCs) between Power Sector Assets and Liabilities Management Corporation (PSALM) and its customers, which expired on 25 August 2011, were renewed until 31 December 2012, at proportionately reduced levels from the previous ones, taking into consideration the available generation capacity of PSALM contracts and assets;

WHEREAS, PSALM through the National Power Corporation (NPC) has prepared the Load-to-Maintain Matrix, and confirmed by NGCP which serves as the basis for load curtailment;

WHEREAS, it has been observed that several customers are not complying with the Load-to-Maintain schedules by withdrawing from the grid over and above their Load-to-Maintain levels to the prejudice of other customers and threatens the security of the grid;

WHEREAS, to ensure security of the grid, there is a need to implement sanctions including disconnection where technically feasible for failure to comply with the dispatch protocols including Load-to-Maintain matrix;

WHEREAS, after a series of focused group discussions, consultations and meetings with relevant electric power industry participants in Mindanao and concerned energy agencies, the DOE has determined the urgent need to come up with a framework that will optimize and rationalize the utilization of all available generation capacities in Mindanao, including a provision for the reserve requirements in order to meet the demand for electricity in Mindanao region;

NOW THEREFORE, premises considered, the DOE hereby declares as follow:

SECTION 1. Scope and Application. This Circular shall apply to all agencies and entities named herein and all electric power industry participants in Mindanao, including generation companies, distribution utilities - private investor-owned utilities, Electric Cooperatives (ECs) and other customers.

SECTION 2. Responsibilities. Pursuant to their respective mandates and functions under the EPIRA and its implementing Rules and Regulations, the Philippine Grid Code (PGC), the Philippine Distribution Code and other relevant laws, rules, and issuances, the following are enjoined to extend their full cooperation and action, the actions and measures provided for in this Circular, to address the power supply situation in Mindanao:

- (a.) **National Grid Corporation of the Philippines (NGCP).** The NGCP is hereby directed to perform its obligations of ensuring and maintaining the reliability, adequacy, security, stability and integrity of the nationwide electricity grid in accordance with the performance standards for the operations and maintenance of the grid, as set forth in the Philippine Grid Code.

(b.) **Power Sector Assets and Liabilities Management Corporation (PSALM) and National Power Corporation (NPC).** PSALM and NPC having control of total installed capacities of 982.1 MW of hydro and 518.1 MW thermal power plants shall:

- i. fully utilize all available capacities of all power plants in the Mindanao region for energy purposes taking into consideration the fluctuating demand requirements of large industrial users in the Mindanao region;
- ii. implement measures to increase PSALM/NPC plants' generation output, including but not limited to:
 - a. immediate implementation of selective dredging and flushing of Agus and Pulangi rivers, as applicable;
 - b. maximize available contractual stipulations in existing agreements; and
 - c. complete and accomplish on time all scheduled maintenance services and repairs of generating units in an efficient and cost-effective manner.
- iii. allocate equitably the available capacity at any given point in time to their customers;
- iv. provide timely information dissemination (week-ahead and/or day-ahead) to the stakeholders of the load-to-maintain schedules and any changes thereon.

Towards this end, PSALM and NPC shall immediately comply with the herein directives immediately upon the effectivity of this Circular.

(c.) **National Electrification Administration (NEA).** Consistent with its statutory obligations, NEA is directed to provide all the necessary assistance to ECs to include:

- i. ensure that ECs have properly forecasted and assured the contracts for the supply of electric power in their respective franchise areas to meet their obligations as distribution utilities;

- ii. ensure the implementation of default minimum nominations of power supply contracted by ECs;
- iii. ensure the signing/execution of the revised nomination protocol;
- iv. ensure compliance of ECs with the Load-to-Maintain Matrix schedules prepared by NPC and confirmed by NGCP;
- v. facilitate the negotiation/execution of power supply contracts with other power suppliers of ECs with power supply deficiency; and
- vi. assist the ECs in the conduct of information and education campaign on the power supply situation and the roles and mandates of ECs.

Within thirty (30) days from effectivity of this Circular, NEA shall ensure that the revised nomination protocol are signed and additional power supply contracts from available capacities in the grid other than those of the generating facilities of PSALM are entered into by the ECs.

(d.) **Electric Power Industry Participants.** All electric power industry participants are hereby enjoined to provide full cooperation and to take all appropriate action and compliance to the protocol to be established to ensure that the objectives set out in this Circular are attained.

- i. All private investor-owned utilities and ECs, including industrial/commercial loads, shall promote demand side management and likewise optimize the use of embedded generating facilities;
- ii. All government facilities and installations shall comply with the Government Energy Management Program;
- iii. Private companies and industrial users shall endeavor to expand and implement their respective energy efficiency programs; and
- iv. All generators and customers shall agree on a dispatch protocol to be the basis for their compliance.

In the performance of its obligations, NGCP is hereby directed to:

- i. use any and all available capacities to maintain load-generation balance including the minimum reserve requirements that may be determined in consideration of the available supply;
- ii. monitor closely the compliance by all customers to the Load-to-Maintain matrix and report to the DOE all instances of non-compliance;
- iii. issue a generation deficiency level notice for customers to implement voluntary load curtailment based on the Load-to-Maintain Matrix consistent with this Circular;
- iv. upon the DOE's directive, disconnect customers that are not compliant with the Load-to-Maintain Matrix considering that such action will prejudice others that are compliant and likewise impairs the integrity of the grid;
- v. ensure that its transmission facilities are well-maintained so that no available generating capacity is further constrained; and
- vi. closely coordinate with NPC to harmonize available generation capacity as nominated to ensure optimum dispatch.

Upon the effectivity of this Circular, the NGCP shall immediately comply with the directives set out in this Circular and shall continue to dispatch all available capacities to meet the power requirement of Mindanao.

NGCP is directed to closely coordinate with the Power Sector Assets and Liabilities Management Corporation (PSALM), TransCo, the National Power Corporation (NPC), pertinent contracting parties for such capacity and the DOE to ensure that all pre-requisites and conditions for the utilization of the available capacities are complied with and completed.

Section 3. Monitoring, Enforcement and Compliance. The DOE, through the Electric Power Industry Management Bureau, shall monitor the compliance of all Generation Companies, Distribution Utilities and the NGCP. Likewise, the DOE in consultation with the Energy Regulatory Commission (ERC), shall formulate and implement enforcement and penalty mechanisms in cases of non-compliance to this Circular by Generation Companies, Distribution Utilities and the NGCP.

Section 4. Regulatory Support. The ERC is requested to support the enforcement of the regulatory requirements to implement the measures identified herein and, when necessary, the imposition of fines and penalties in order to address the power situation in Mindanao, in accordance with existing laws and procedures.

Section 5. Lead Agency. The DOE shall be the lead agency in ensuring that all plans and programs are properly carried out to achieve the objectives of this Circular.

Section 6. Effectivity. This Circular shall take effect immediately and will remain in effect until otherwise revoked by the DOE.

Done this MAR 19 2012, Taguig City, Metro Manila, Philippines.



JOSE RENE D. ALMENDRAS

Secretary



Republic of the Philippines
DEPARTMENT OF ENERGY

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