



Republic of the Philippines
DEPARTMENT OF ENERGY

DEPARTMENT CIRCULAR NO. DC 2022 - 03 - 0009

ADOPTING FURTHER AMENDMENTS TO THE WHOLESALE ELECTRICITY SPOT MARKET (WESM) RULES AND WESM REGISTRATION MANUAL (PROVISIONS FOR DE-REGISTRATION AND CESSATION OF REGISTRATION)

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 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, Chapter 2 of the WESM Rules and WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures ("Registration Manual") provide the guidelines and procedures for the registration, suspension and de-registration by the Market Operator of WESM Members;

WHEREAS, the market operations audit for the period 26 June 2015 – 25 December 2019 (7th MO Audit) finds that the Market Operator does not immediately publish the notice of cessation of registration of a WESM Member in view of the need to validate such notice;

WHEREAS, on 23 May 2021, to address the said findings, the Independent Electricity Market Operator of the Philippines (IEMOP) submitted proposed amendments to the WESM Rules and Registration Manual to enhance the process of de-registering WESM Members that has recently become ineligible for membership, and to provide a validation period for cessation requests;

WHEREAS, on 16 April 2021, the RCC during its 177th Regular Meeting, approved the publication of the proposal for solicitation of comments from all WESM Members and interested parties until 02 June 2021;

WHEREAS, on 18 June 2021, the RCC during its 180th Regular Meeting, deliberated the proposal giving due course to the comments and recommendations received from Governance Arm, WESM Technical Committee (TC), AC Energy, Aboitiz Power, and Meralco, and thereafter approved for endorsement to the PEM Board;

WHEREAS, after due evaluation and deliberation, the PEM Board approved for endorsement to the DOE the above stated RCC proposal;

WHEREAS, on 01 October 2021, the PEM Board-approved amendments to the WESM Rules and Market Manual on Registration were submitted to the DOE for final approval, in compliance with Chapter 8 of the WESM Rules;

WHEREAS, to ensure transparency and consistency with the objectives of the EPIRA and the WESM, conducted virtual public consultations on the said proposed amendments on various dates as follows;

Date	Leg	Platform
15 November 2021	Luzon	Microsoft Teams
17 November 2021	Visayas and Mindanao	Microsoft Teams

WHEREAS, the DOE reviewed and finalized the said PEM Board-approved proposals, made revisions thereto taking into consideration the comments and recommendations received from the public consultations;

NOW THEREFORE, pursuant to its authority under the EPIRA and the WESM Rules, the DOE hereby adopts, issues, and promulgates the following amendments to the WESM Rules and various Market Manuals:

Section 1. Amendments to the WESM Rules. The following provisions in the WESM Rules are hereby amended:

a. Clause 2.3.3.9 (Trading Participant) under Categories of WESM Member is amended to read as –

"2.3.3.9 Trading Participant

If at any time a *Trading Participant* ceases to be eligible to be registered as a *Trading Participant* in accordance with Clause 2.3.3.4, that *Trading Participant* shall inform the *Market Operator* accordingly and, as soon as practicable after the *Market Operator* becomes aware that a *Trading Participant* is no longer eligible to be registered, the *Market Operator* shall:

- a. issue a suspension notice in respect of that *Trading Participant* in accordance with Clause 3.15.8; or
- b. coordinate with relevant external parties for confirmation of ineligibility in accordance with the relevant Market Manual."

b. Clause 2.6.3 (Notifying all WESM members) under Ceasing to Be a WESM Member is amended to read as –

"2.6.3. Notifying all WESM members

On receipt of a notice with proof of disconnection, as applicable, under Clause 2.6.1, the *Market Operator* shall confirm the cessation and notify the relevant *WESM Member*. After such notification, the *Market Operator* shall notify all *WESM members* that the person or entity who gave the notice shall cease to be registered as a *WESM member* in the relevant category and the date on which that will occur."

Section 2. Amendments to the WESM Registration Manual. The following provisions in the WESM Registration Manual are hereby amended:

a. Section 2.9.4 (Cessation of eligibility) under Continuing Compliance is amended to read as –

"2.9.4 Subject to Clause 2.9.5, as soon as practicable, after the *Market Operator* becomes aware that a *WESM Member* no longer meets any one of the membership criteria or requirement, the *Market Operator* shall issue a suspension notice in respect to that *WESM Member*. The suspension shall continue until the *WESM Member* is able to rectify or remedy the non-compliance or the defect to the satisfaction of the *Market Operator*. The *Market Operator* may, at its discretion, prescribe a period within which the noncompliance or defect is to be remedied. The failure of the *WESM Member* to remedy or rectify the defect is a ground for deregistration. Suspension and deregistration shall be implemented in accordance with the conditions and procedures set forth in the *WESM Rules* and this Manual. Non-compliance with prudential requirements shall be governed by relevant provisions of the *WESM Rules* and relevant *Market Manuals*."

b. New Clauses 2.9.5 to 2.9.8 under Continuing Compliance are added to read as:

"2.9.5 If a *Trading Participant* fails to submit a valid interconnection agreement with a *Network Service Provider*, the *Market Operator* shall coordinate with its respective *Network Service Provider* to check if the registered *Trading Participant* continues to be connected to the *transmission system* or *distribution system*.

2.9.6 A *Network Service Provider* that receives a notice from the *Market Operator* under Section 2.9.5 shall provide the information to the *Market Operator* within fifteen (15) calendar days from the receipt of the notice.

2.9.7 Upon receipt of confirmation from the *Network Services Provider* that the registered *Trading Participant* is no longer connected to their power system, the *Market Operator* shall notify the *Trading Participant* to submit a notice of cessation.

2.9.8 Upon the receipt of the notice from the *Market Operator*, the registered *Trading Participant* shall initiate cessation of its registration within fifteen (15) calendar days. If the *Market Operator* does not receive a notice of cessation within fifteen (15) calendar days, the *Market Operator* shall initiate the de-registration of the *Trading Participant*."

c. Section 4.2.3 Non-compliance with the membership criteria or requirement is amended to read as –

"4.2.3 The *Market Operator* has determined that the *WESM Member* is no longer compliant with any one or all of the criteria and requirements for continuing membership in the WESM and is incapable of rectifying the defect or fails to rectify the defect despite notice from the *Market Operator* subject to Section 2.9.5."

d. Section 5.2.3.1 Cessation of Registration is amended to read as –

"5.2.3.1 Upon receipt of the notice with proof of disconnection, as applicable, from the *WESM Member*, the *Market Operator* shall confirm the cessation and notify the relevant *WESM Member*. After such notification, the *Market Operator* shall issue a Notice of Cessation to all *WESM Members* stating the cessation of registration of the relevant *WESM Member*, the category in which it ceases its registration, and the effective date of cessation."

e. Sections 5.4.1.4 and 5.4.1.5 under Initiation of Deregistration Procedures are amended to read as –

"5.4.1.4 For *WESM Members* that have been disconnected from the grid at the instance of parties other than the *Market Operator* pursuant to prevailing rules and regulations on disconnection, upon receipt by the *Market Operator* of a copy of the order or notice of disconnection and the report from the relevant *Network Service Provider* confirming that the *WESM Member* has actually been disconnected from the grid and after the *WESM Member* failed to initiate cessation of its membership in accordance to Section 2.9.8.

5.4.1.5 For *WESM Members* registered under Metering Service Provider Category, upon submission by the *Market Operator* or the relevant *WESM* governance unit to the PEM Board of its report that said *Metering Services Provider* –

- a) Has committed material breach and that it failed to remedy the breach within seven (7) business days after notice of the breach; or
- b) Has committed an unethical act or behavior."

f. Section 5.4.2.1 Issuance of Notice of De-registration and Disconnection is amended to read as –

"5.4.2.1 After fifteen (15) calendar days from receipt or submission of the document/s specified in the foregoing section, the *Market Operator* shall issue a Deregistration Notice to the *WESM Member* sought to be deregistered. The Deregistration Notice shall be in writing and shall include the ground/s for deregistration; date of effectivity of the deregistration; and notice that the *WESM Member* subject to deregistration shall still be liable for its outstanding obligations to the WESM."

Section 3. 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 4. Effectivity. This Circular shall take effect fifteen (15) days following its complete publication in two (2) newspapers of general circulation. Copies thereof shall be filed with the University of the Philippines Law Center – Office of National Administrative Register (UPLC-ONAR).

Issued on MAR 17 2022 at the Energy Center, Rizal Drive, Bonifacio Global City, Taguig City.

ALFONSO G. CUSI
Secretary



Republic of the Philippines
DEPARTMENT OF ENERGY
(Kagawaran ng Enerhiya)

DEPARTMENT CIRCULAR NO. DC 2022 - 03 - 0010

ADOPTING FURTHER AMENDMENTS TO THE MARKET MANUAL ON REGISTRATION, SUSPENSION AND DE-REGISTRATION CRITERIA AND PROCEDURES TO CLARIFY BILATERAL CONTRACTS ACCOUNTED FOR IN SETTLEMENTS

WHEREAS, Sections 30 and 37(f) of the Electric Power Industry Reform Act (EPIRA) provides that the Department of Energy (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 No. DC2002-06-0003;

WHEREAS, any changes, amendments, and modifications to the WESM Rules, Retail Rules and their Market Manuals shall be undertaken in accordance with the provisions of Chapter 8 of the WESM Rules;

WHEREAS, on 17 February 2020, the Independent Electricity Market Operator of the Philippines (IEMOP) submitted to the Rules Change Committee (RCC) the proposed amendments to the Market Manual on Registration, Suspension and De-registration Criteria and Procedures to allow other types of bilateral contract transactions to be accounted for in settlements in the WESM;

WHEREAS, on 27 May 2020 and 08 June 2020, the PEM Board approved the proposal and the Philippine Electricity Market Corporation (PEMC) formally endorsed the said proposal to the DOE, respectively;

WHEREAS, on 30 July 2020, the said proposal was posted in the DOE website to solicit comments from the stakeholders and other interested parties;

WHEREAS, various meetings were conducted between the DOE and IEMOP to clarify the intent of the proposal;

WHEREAS, in a letter dated 17 March 2021, the DOE remanded the proposal to the PEM Board recommending the proponent to revisit the proposal and enhance the same to provide clear limitation to its scope and address potential implications on the competitiveness and security of the supply in the market as the present proposal limits the Market Operator's knowledge as to whether an actual contract for replacement power really exists between generators while the supply customers can declare corresponding bilateral contract quantities;

WHEREAS, on 18 June 2021, during its 180th RCC Regular Meeting, the RCC deliberated the proposal considering the comments received from its posting in the PEMC website of the revised proposal;

WHEREAS, on 16 July 2021, during its 181st RCC Regular Meeting, the RCC approved Resolution No. 2021-12 entitled "Revisions to RCC Resolution 2020-09 on the Proposed Amendments to the Registration, Suspension and De-Registration Criteria and Procedures to Clarify Bilateral Contracts Accounted for in Settlements";

WHEREAS, on 25 August 2021, after due evaluation and deliberation, the PEM Board during its 39th Regular Meeting approved for endorsement to the DOE the above stated proposal;

WHEREAS, on 01 October 2021, the PEM Board submitted the revised proposal to the DOE, seeking the latter's consideration, approval and promulgation of the proposed amendments;

WHEREAS, on 25 October 2021, the DOE posted the draft Department Circular adopting the proposed amendments in the DOE website to solicit comments from the market participants and other interested parties;

WHEREAS, on 15 and 17 November 2021, the DOE conducted nationwide virtual public consultations on the abovementioned proposed amendments to solicit inputs and consider comments of stakeholders in the finalization of the same;

NOW THEREFORE, after careful review of the proposal and the comments and recommendations received on the same, having find the same consistent with the objectives of the EPIRA and the WESM Rules, the DOE, pursuant to its authority, hereby adopts, issues, and promulgates the following amendments to the WESM Manual on Registration, Suspension and Deregistration Criteria and Procedures:

Section 1. Amendments to the Market Manual on Registration, Suspension and Deregistration Criteria and Procedures. The Market Manual on Registration, Suspension and Deregistration Criteria and Procedures Issue No. 10.0 is hereby amended as follows:

a. Section 3.5.1.2 under Section 3.5.1 (Enrolment) is hereby amended to read as:

"3.5.1.2 The notice to the *Market Operator* shall include the following –

- (a) details on the duration of the supply contract;
- (b) desired effective date on which the bilateral contract transactions are to be accounted for in the WESM settlements. To the extent practicable, the effective date shall coincide with the start of a WESM billing month;
- (c) identification of the *market trading node* or *nodes* associated with the supply contract whose *final energy dispatch price* will be used as reference for the supply contract during settlements;
- (d) indication whether the *bilateral contract quantities* submitted by the selling participant would require confirmation by the buying participant in accordance with the billing and settlement timetable;
- (e) confirmation by the *supply customer* of the notice and the foregoing information;
- (f) for *Replacement Power Arrangements* between *Generation Companies*, copy of the supply contract; and
- (g) for supply to an *Indirect WESM Member* through its *Direct WESM Member* that is a *Generation Company*, written confirmation by the *Indirect WESM Member* of the notice and the foregoing information."

b. Section 3.5.1.5 under Section 3.5.1 (Enrolment) is hereby added to read as:

"3.5.1.5 *Generation Companies* may register other *Generation Companies* or *Customer Trading Participants*, except for *Contestable Customers*, as *Supply Customers*. A *Generation Company* can only enroll another *Generation Company* as a *Supply Customer* if:

- (a) the *Generation Companies* have entered into a *Replacement Power Arrangement*; or
- (b) the *Generation Company* acting as the *Supply Customer* is the designated *Direct WESM Member* of an *Indirect WESM Member* that has a contract with the enrolling *Generation Company*."

c. Appendix A – Glossary of Terms is amended to include and define the following terms:

"xxx xxx xxx"

Replacement Power Arrangement – agreement entered by a *generation company* with another *generation company* for delivery of electricity by the purchasing *generation company* to its customers when its power plant is on outage or supply deration due to seasonal dependency or resource intermittency.

"xxx xxx xxx"

Supply Customer – *Customers* or *Generation Companies* that purchase electricity under any power supply agreement, *replacement power arrangement* or contract with a *Generation Company* or *Retail Electricity Supplier*.

"xxx xxx xxx"

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. Repealing Clause. All issuances inconsistent with the provisions of this Circular are hereby repealed or amended accordingly.

Section 4. 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. Copies hereof shall be filed with the University of the Philippines Law Center – Office of National Administrative Register (UPLC-ONAR).

Issued on MAR 17 2022 at the Energy Center, Rizal Drive, Bonifacio Global City, Taguig City, Metro Manila.

ALFONSO G. CUSI
Secretary

