



Republic of the Philippines  
**DEPARTMENT OF ENERGY**

DEPARTMENT CIRCULAR NO. DC2018-06-0017

**ADOPTING FURTHER AMENDMENTS TO THE WHOLESALE ELECTRICITY  
SPOT MARKET (WESM) RULES AND MARKET MANUALS  
(Transitory Provisions for the Implementation of WESM in Mindanao)**

**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**, on 04 May 2017, the DOE declared the launching of WESM in Mindanao and provided transition guidelines through Department Circular No. DC2017-05-0009;

**WHEREAS**, on 02 February 2018, the Philippine Electricity Market Corporation (PEMC) presented to the Rules Change Committee (RCC), during the latter's 137<sup>th</sup> RCC Meeting, the Proposed Amendments to the WESM Rules and WESM Manuals regarding Transitory Provisions for the Pre-Integration of WESM Mindanao;

**WHEREAS**, the PEMC's proposal aims to add transitory provisions specifying that Luzon-Visayas and Mindanao will be treated as independent settlement regions in the WESM until the Luzon-Visayas and Mindanao grids are physically interconnected;

**WHEREAS**, on 05 March 2018, the RCC approved the publication of the said proposal in the WESM website to solicit comments from market participants and other interested parties;

**WHEREAS**, on 06 April 2018, the RCC during its 139<sup>th</sup> RCC Meeting deliberated on the said proposal giving due course to the comments received from market participants and the DOE, which thereafter, provisionally approved the proposal as amended;

**WHEREAS**, on 25 April 2018, the RCC finalized and approved the proposal for endorsement to the PEM Board through RCC Resolution No. 2018-01;

**WHEREAS**, on 03 May 2018, after due evaluation and deliberation, the PEM Board during its 134<sup>th</sup> PEM Board Meeting approved for endorsement to the DOE the above stated RCC proposal;

**WHEREAS**, on 09 May 2018, the PEM Board-approved amendments to the WESM Rules and its Market Manuals were submitted to the DOE for final approval, in compliance with Chapter 8 of the WESM Rules;

**WHEREAS**, the DOE considers the said PEM Board-approved proposals consistent with the objectives of the WESM and adopted the same with minor revisions;

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

**Section 1. Amendments to the WESM Rules.** The following provisions in the WESM Rules promulgated by the DOE through Department Circular No. DC2016-10-0014 for the enhancements to WESM design and operations are hereby amended:

(a) New Clause 10.5 under Transitory Provisions is added to read as –

“10.5 PRIOR TO INTERCONNECTION OF MINDANAO

The following provisions shall be applicable until the Mindanao *grid* has been interconnected with the Luzon and Visayas *grids* as declared by the DOE.

For this chapter, the Luzon and Visayas *grids* shall be considered as one settlement region and the Mindanao *grid* as another settlement region.”

(b) New Clause 10.5.1 under Prior to Interconnection of Mindanao is added to read as –

“10.5.1 Submission of Bilateral Contract Data for Energy

When submitting *bilateral contract* data in accordance with Clause 3.13.1, a selling *Trading Participant* may only submit data for buying *Trading Participants* with *market trading nodes* in the same settlement region.”

(c) New Clause 10.5.2 and its sub-clauses under Prior to Interconnection of Mindanao are added to read as –

“10.5.2 Treatment of Remaining Settlement Surplus

10.5.2.1 The *Market Operator* shall calculate the *net settlement surplus* provided under Clause 3.13.12.1 separately for each settlement region.

10.5.2.2 The *net settlement surplus* of each settlement region shall be utilized for or flowed back to the *Trading Participants* from each settlement region in accordance with the approved relevant *Market Manuals* and regulatory issuances.”

- (d) New Clause 10.5.3 and its sub-clauses under Prior to Interconnection of Mindanao are added to read as –

“10.5.3 Payment to Trading Participants

10.5.3.1 The *Market Operator* shall calculate the maximum total payment provided under Clause 3.14.7 separately for each settlement region.

10.5.3.2 If the total payments actually received or drawn from the prudential security by the *Market Operator* for a particular *billing period* is insufficient to pay for the total amounts payable to the *WESM Members*, the total payments received and drawn shall be distributed and paid to the relevant *WESM Members* in proportion to the amount payable to them for that *billing period*.”

- (e) New Clause 10.5.4 under Prior to Interconnection of Mindanao is amended to read as –

“10.5.4 Administered Price

During instances when *market suspension* or *market intervention* is declared for the whole system, the *Market Operator* shall calculate *administered prices* provided under Clause 6.2.3 for each settlement region separately in accordance with the *ERC*-approved methodology.”

## **Section 2. Amendments to the WESM Market Manual on Billing and Settlement.**

The following provisions in the Billing and Settlement Manual are hereby amended:

- (a) Section 5.2.4 under Payment of Settlement Amount is amended to read as –

“5.2.4 If the total payments actually received or drawn from the prudential security by the *Market Operator* for a particular *billing period* is insufficient to pay for the total amounts payable to the *WESM Members*, the total payments received and drawn shall be distributed and paid to the relevant *WESM Members* in proportion to the amount payable to them for that *billing period*. Prior to the interconnection of the Mindanao *grid* with the Luzon and Visayas *grids*, total payments actually received or drawn from the prudential security shall be determined and distributed separately for each settlement region. For this purpose, the Luzon and Visayas *grids* shall be considered as one settlement region and the Mindanao *grid* as another settlement region.”

- (b) New Section 9.1.9 under Declaration for Energy Transactions is added to read as –

“9.1.9 Prior to the interconnection of the Mindanao *grid* with the Luzon and Visayas *grids*, a selling *Trading Participant* may only declare *bilateral contract*

data for buying *Trading Participants* from the same settlement region. A selling *Trading Participant* and a buying *Trading Participant* shall be deemed to be from the same settlement region if both *Trading Participants* have *market trading nodes* from the same settlement region. In addition, the *market trading nodes* specified under Section 9.1.2(a) and 9.1.2(c) should be in the same settlement region as the selling and buying *Trading Participants*. For this purpose, the Luzon and Visayas *grids* shall be considered as one single settlement region and the Mindanao *grid* as another settlement region.”

**Section 3. Amendments to the WESM Market Manual on Price Determination Methodology.** The following provisions in the Price Determination Methodology Manual are hereby amended:

- (a) New Section 10.3 under Amendment, Publication and Effectivity is added to read as –

“10.3 PROVISIONS PRIOR TO INTERCONNECTION OF MINDANAO

For *WESM settlements* to reflect the actual physical transactions in Luzon, Visayas, and Mindanao, calculations and procedures on administered price determination methodology and *net settlement surplus* as identified in Appendix D shall be performed per settlement region until the interconnection of Luzon/Visayas and Mindanao.”

- (b) New Appendix D in connection with the provisions prior to interconnection of Mindanao is added to the Market Manual on Price Determination Methodology, and presented as Annex to this Circular.

**Section 4. 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 5. Effectivity.** This Circular shall take effect 15 days following its complete publication in at least two (2) newspapers of general circulation and shall remain in effect until otherwise revoked.

Issued this \_\_\_\_ June 2018 at the DOE, Energy Center, Rizal Drive, Bonifacio Global City, Taguig City, Metro Manila.

  
ALFONSO G. CUSI  
Secretary



JUN 26 2018

## APPENDIX

### APPENDIX D – PROVISIONS PRIOR TO INTERCONNECTION OF MINDANAO

#### SECTION 1 SCOPE

- 1.1 For this Appendix, the Luzon-Visayas settlement region shall refer to the combined Luzon and Visayas *grids* while the Mindanao settlement region shall refer to the Mindanao *grid*.
- 1.2 This appendix specifies the relevant calculations under the administered price determination methodology under Section 7 that will be performed per settlement region prior to the interconnection of the Mindanao *grid* to the Luzon and Visayas *grids*<sup>1</sup>.
- 1.3 This appendix specifies the relevant calculations used to determine and allocate the *net settlement surplus* under Section 9 that will be performed per settlement region prior to the interconnection of the Mindanao *grid* to the Luzon and Visayas *grids*<sup>2</sup>.
- 1.4 Other calculations provided in Section 7 or Section 9 that do not appear in this appendix will be applied as provided in those Sections even prior to the interconnection of the Mindanao *grid* to the Luzon and Visayas *grids*.

#### SECTION 2 GENERATOR ENERGY ADMINISTERED PRICE

- 2.1 In reference to Section 7.2.6, when a *generator* resource does not have *final nodal energy dispatch prices* in the preceding four (4) most recent similar *trading days* and similar *dispatch intervals*, the *energy administered price* for that *generator* resource for a *dispatch interval* shall be calculated considering the positive *snapshot quantities* during the same *dispatch interval* of *generator* resources from the same settlement region (Luzon/Visayas or Mindanao) as the subject *generator* resource.

#### SECTION 3 CUSTOMER ENERGY ADMINISTERED PRICE

- 3.1 In reference to Section 7.3.1, the *energy administered price* for all *customer* resources for a *dispatch interval* shall be calculated considering the positive *snapshot quantities* of all *generator* resources and *snapshot quantities* of all *customer* resources from the same settlement region (Luzon/Visayas or Mindanao).

---

<sup>1</sup> WESM Rules Clause 10.5.4

<sup>2</sup> WESM Rules Clause 10.5.2

**SECTION 4 CALCULATION OF NET SETTLEMENT SURPLUS**

- 4.1 In reference to Section 9.2.1, the *net settlement surplus* amount shall be calculated per *dispatch interval* and settlement region (Luzon/Visayas or Mindanao) using the total amounts to be collected and paid from the same settlement region.
- 4.2 In reference to Section 9.4.2, the amount to be returned to a *Trading Participant* for a *settlement interval* shall be equal to the ratio of the *Trading Participant's* loss and congestion charges to the total loss and congestion charges of all *Trading Participants* in the settlement region where the subject *Trading Participant* is located, multiplied by the total *net settlement surplus* amount for the same settlement region.
- 4.3 In reference to Section 9.4.2 (c), the line loss and congestion price for a *dispatch interval* for each resource shall consider the lowest aggregated marginal loss cost and marginal congestion cost within the same settlement region.
- 4.4 In reference to Section 9.4.3, when the *nodal energy dispatch prices* of all resources in a settlement region in a *dispatch interval* were not determined using the *market dispatch optimization model* in accordance with *WESM Rules* Clause 3.6, the *net settlement surplus* for that settlement region for that *dispatch interval* shall be allocated to *customer* resources within the same settlement region on a pro-rata basis depending on each *customer* resource's share in the total *gross energy settlement quantity*, as determined under *WESM Rules* Clause 3.13.6, of all customer resources from that settlement region.