



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

DEPARTMENT CIRCULAR NO. DC 2022 - 12 - 0039

**DECLARING THE COMMERCIAL OPERATION OF THE WHOLESALE  
ELECTRICITY SPOT MARKET (WESM) IN THE MINDANAO GRID**

**WHEREAS**, Republic Act No. 9136 titled, "Electric Power Industry Reform Act of 2001" or the EPIRA, declares the policy of the State, among others, to ensure the quality, reliability, security, and affordability of the supply of electric power and to ensure 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**, the EPIRA provides that the Department of Energy (DOE) shall:

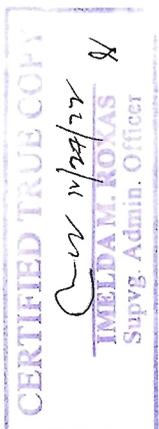
- a. Ensure the reliability, quality, and security of supply of electric power;
- b. Jointly with the electric power industry participants, establish the Wholesale Electricity Spot Market (WESM) and formulate the detailed rules governing the operations thereof;
- c. Develop policies and procedures, as appropriate, and promote a system of energy development incentives to enable and encourage electric power industry participants to provide adequate capacity to meet demand including, among others, reserve requirements; and
- d. Integrate the Transmission Development Plan (TDP) to the Power Development Plan.

**WHEREAS**, on 28 June 2002, the DOE promulgated Department Circular ("DC") No. DC2002-06-0003 or the WESM Rules;

**WHEREAS**, on 04 May 2017, the DOE promulgated DC No. DC2017-05-0009 titled, "Declaring the Launch of the WESM in Mindanao and Providing for Transition Guidelines" effective 26 June 2017 to provide sufficient time for the Market Operator ("MO"), System Operator ("SO"), and WESM Participants to prepare and familiarize themselves in WESM operations;

**WHEREAS**, on 25 June 2021, the DOE promulgated DC No. DC2021-06-0015 titled, "Declaring the Commercial Operations of Enhanced Wholesale Electricity Spot Market (WESM) Design and Providing Further Policies" which provides for implementation of WESM Central Scheduling (WCS) for Mindanao in transition to the commercial operations for the WESM;

**WHEREAS**, on 24 July 2021, the DOE issued an Advisory extending the implementation of WCS in the Mindanao Grid in light of the pending registration of WESM Mindanao Participants, until further notice on the DOE's declaration of the actual Commercial Operation Date (COD) of the WESM in Mindanao;



**WHEREAS**, pursuant to the TDP, the Mindanao-Visayas Interconnection Project (MVIP) is expected to be completed by March 2023, the commercial operation of which necessitates the implementation of WESM in Mindanao to allow the efficient transfer and settlement of electricity exchanges through the Mindanao-Visayas Interconnection;

**WHEREAS**, based on 24 November 2022 registration update from the MO, sixty-nine (69) out of the one hundred one (101) expected participants in Mindanao have completed registration in the WESM;

**WHEREAS**, the remaining requirements of the unregistered participants, including the Lanao del Sur Electric Cooperative, Inc. (LASURECO) and Maguindanao Electric Cooperative, Inc. (MAGELCO), need not necessarily impede the commercial operations of the WESM in Mindanao;

**WHEREAS**, the commercial operation of WESM Mindanao and the MVIP is expected to improve the reliability of electric power supply not only in the Mindanao Grid but also in the Luzon and Visayas Grids;

**NOW THEREFORE**, from the foregoing premises and pursuant to its authority under the EPIRA and the WESM Rules, the DOE hereby declares the following:

**Section 1. Declaration of Commercial Operation of the WESM in the Mindanao Grid.** The DOE hereby declares 26 January 2023 as the COD of the WESM in Mindanao. For this purpose, the scheduling and dispatch of capacities in Mindanao shall be based on the schedules generated by the MO in accordance with the WESM Rules and the relevant Market Manuals, and as otherwise provided herein.

**Section 2. Compliance with WESM Registration Requirements.** All Mindanao Electric Power Industry Participants and entities mandated to become WESM Members shall ensure completion of their WESM registration not later than 15 January 2023. For this purpose, the MO shall facilitate registration in the WESM considering the following:

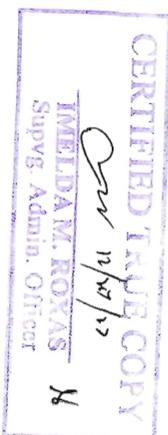
2.1 Full compliance with the requirement to install main meters, including the submission of the following duly executed supporting documents:

- i. Metering Installation Registration Form (MIRF); and
- ii. Single Line Diagram

2.2 Full compliance with the requirement to submit Direct WESM Member Counterparty Confirmation for those participants registering as Indirect WESM Member, subject to the provisions of Section 8.2 for LASURECO and MAGELCO;

2.3 Participants with pending requirements, other than those specified under Sections 2.1 and 2.2, are deemed registered, provided that full compliance shall be observed not later than 25 April 2023 or as otherwise specified herein.

**Section 3. Non-Compliance with WESM Registration Requirements.** The MO, subject to the provisions of Section 8.2 for LASURECO and MAGELCO, shall be authorized to initiate the process of disconnection of all Mindanao Electric Power Industry Participants and entities mandated to register in the WESM but are unable to



comply with Section 2.1 or 2.2, as applicable. In such case, the MO shall issue a notice and request for disconnection to the relevant Network Service Provider (NSP) and the non-complying participant at least seven (7) days prior to the implementation of the disconnection. The disconnection shall be implemented by the NSP at least one (1) calendar day before the COD.

In case the Participants referred to in Section 2.3 fail to comply with the pending requirements within the timeline set therein, the process for suspension, disconnection or cessation under the relevant provisions of the WESM Rules, market manuals and amendments thereto, shall be followed.

**Section 4. Compliance with Real-time Monitoring Requirements and Scheduling of Generators.** Generators which lack requirements specific to Real-time Monitoring shall submit their respective compliance plans for the completion of the installation of Real-time Monitoring requirements to the MO and SO, furnishing copies to the DOE and the Energy Regulatory Commission (ERC), within two (2) weeks from the effectivity of this Circular. The timeline in the compliance plan for the completion of the Real-time Monitoring requirements shall not be more than three (3) months from the Actual COD. In the event that: (a) the Generator fails to submit the compliance plan within the stated deadline; or (b) the Generator is unable to complete this requirement within the timeline set in the submitted compliance plan, the SO shall initiate the disconnection of the concerned Generator and inform the MO of such disconnection. Upon receipt of such notice of disconnection, the MO shall initiate the process for suspension, or cessation in accordance with the relevant provisions of the WESM Rules, market manuals, and amendments.

Pending the completion of the Real-time Monitoring requirements, the MO and the SO shall implement interim procedures for updating of the real-time monitoring of concerned generating units as provided in Annex A of this Circular.

Immediately upon the start of the Commercial Operations, the SO shall submit a monthly status report on the compliance with the Real-time Monitoring requirements to the MO, the DOE, and the ERC.

**Section 5. Relaxation of Prudential Requirements (PR).** The posting of PR by WESM Mindanao Trading Participants shall be relaxed for the first three (3) billing months following the COD, subject to Section 1 of this DC. For this purpose, the following shall be observed:

- 5.1. The Mindanao WESM Trading Participants shall be allowed to post the required PR within the three (3) billing month's relaxation period or not later than 25 April 2023.
- 5.2 For each of the spot transactions during the period of relaxation of the posting of PR, the concerned Mindanao WESM Trading Participants shall ensure timely settlement of its monthly bills with the MO in accordance with the WESM timetable provided under the WESM Rules and Market Manuals. Otherwise, interest shall apply in accordance with the applicable provisions of WESM Rules and Market Manuals.
- 5.3 The Mindanao Trading Participants under Direct WESM Membership which are unable to post the required PR within the three (3) - billing months relaxation period shall update its registration status to Indirect



WESM Membership not later than fifteen (15) days prior to the lapse of said period and shall comply with other requirements pursuant to the WESM Rules. For clarity, the lapse of the relaxation period shall be 26 April 2023. Otherwise, applicable sanctions and/or penalties shall be imposed in accordance with the relevant provisions of WESM Rules and Market Manuals.

**Section 6. Relaxation of Dispatch Conformance Standards (DCS).** The compliance with DCS shall be relaxed for the first three (3) billing months following the COD subject to Section 1 of this DC. For this purpose:

- 6.1 The WESM Trading Participants in Mindanao shall be exempted from sanctions and penalties in case of breach of DCS provided under the WESM Dispatch Protocol during the first three (3) billing months of the COD. Notwithstanding, the Enforcement and Compliance Office (ECO) shall continue to monitor the observance of the DCS by the Trading Participants for the purpose of evaluation of the initial commercial operation of the WESM in Mindanao;
- 6.2 All Trading Participants shall ensure full compliance with all other obligations under the WESM Rules and Market Manuals; and
- 6.3 Starting 26 April 2023, all concerned WESM Mindanao Trading Participants shall ensure full compliance with the DCS in accordance with the applicable provisions of the WESM Rules and Market Manuals.



**Section 7. Transitory Provisions.** Until the energization of the MVIP, the settlement for transactions of the participants located in Mindanao shall be separate from the market in Luzon and Visayas.

**Section 8. Responsibilities of the National Electrification Administration, Power Sector Assets and Liabilities Management Corporation, WESM Governance Arm, Market Operator, System Operator, and Network Service Providers**

For the smooth transition to and effective implementation of the commercial operation of WESM Mindanao, the following entities are mandated to:

**8.1 National Electrification Administration (NEA)**

- 8.1.1. Ensure and render the necessary assistance to Electric Cooperatives (ECs) in the completion of their registration in the WESM in accordance with the provisions of this Circular, the WESM Rules and other relevant issuances;
- 8.1.2. Coordinate with relevant entities, as necessary, to fulfill compliance of the ECs with the financial and technical requirements relative to WESM registration;

Assist ECs, particularly those which are unable to post the necessary prudential requirements, in securing supply contract and a Direct WESM Member counterparty. For this purpose, the NEA shall render continuing assistance to LASURECO and MAGELCO, particularly in facilitating

arrangements for timely payments of their obligations with PSALM and/or their other suppliers, if any;

- 8.1.3. Formulate and implement action plans for addressing viability problems of ECs to ensure continuous supply of electricity to member-consumer-owners.

## 8.2 Power Sector Assets and Liabilities Management Corporation (PSALM)

In addition to its obligations under relevant laws, rules and other issuances, PSALM shall continue to fully supply LASURECO and MAGELCO, in accordance with the following:

- 8.2.1 PSALM shall fulfill the obligations of a Direct WESM Member Counterparty to LASURECO and MAGELCO.
- 8.2.2 All energy withdrawals of LASURECO and MAGELCO shall be exclusively allocated to the energy output of PSALM-owned plants within the Bangsamoro Area (i.e., Agus 1 and 2 Hydroelectric Power Plants (HEPPs)), and should be declared as bilateral contract quantity by and with PSALM. This notwithstanding, the energy output of Agus 1 and 2 HEPPs in excess of the allocation to LASURECO and MAGELCO, shall continue to be allocated by PSALM to other customers;
- 8.2.3 PSALM may determine the amount of energy allocation for LASURECO and MAGELCO for each billing period which may be based on the actual payments made by the two (2) ECs for the current power bills, provided that all energy withdrawn by both ECs are accounted for as bilateral contract quantity with PSALM;
- 8.2.4 All energy withdrawn by LASURECO and MAGELCO shall be declared as bilateral contract quantity in the WESM for the account of PSALM until the cessation of this arrangement as provided in this Circular. For this purpose, PSALM, in coordination with the SO and MO, shall closely monitor the energy withdrawals and payments of the two (2) ECs taking into consideration its allocation of energy output to its other customers as provided under Section 8.2.2 and as necessary, immediately inform the NSP, SO, and the MO on any action needed to mitigate effects of non-payment of both ECs to PSALM operations and the WESM;
- 8.2.5 In case the energy withdrawn by either or both ECs exceed the available capacity of Agus 1 and 2 HEPPs, inform MO and SO to implement measures to prevent the ECs in further withdrawing energy, otherwise PSALM may issue a Notice of Disconnection from the Grid for these two (2) ECs which should be implemented by the SO/Transmission Network Provider (TNP) not later than one (1) day from receipt of such notice from PSALM. The SO/TNP shall immediately inform the MO of such disconnection. PSALM shall continue to be accountable for all WESM transactions of the two (2) ECs until the effectivity of the actual disconnection from the Grid as communicated by the SO to the MO;



8.2.6 PSALM may issue the Notice of Disconnection to any of its indirect WESM counterparty in accordance with the provisions of the WESM Rules, this Circular, and other applicable policies; and

8.2.7 This arrangement under Section 8.2 shall cease at the end of the one (1) year- period which shall be on 26 January 2024, subject to notification by PSALM to the MO and SO of the disconnection of LASURECO and MAGELCO. The disconnection from the grid of the two (2) ECs should be implemented by the SO/TNP not later than one (1) day from receipt of such notice from PSALM. The SO/TNP shall immediately inform the MO of such disconnection. Upon notice by PSALM, the MO shall immediately implement the removal of PSALM as the Direct WESM Member Counterparty.

Notwithstanding, PSALM shall continue to be liable for all the energy withdrawn by MAGELCO and LASURECO within the said one (1) year period and until the actual disconnection of the two (2) ECs upon PSALM's issuance of the Notice of Disconnection as provided herein.

### 8.3 Independent Electricity Market Operator of the Philippines (IEMOP)

8.3.1 Ensure compliance of WESM Mindanao participants with the registration requirements and undertake action necessary to address non-compliance in accordance with the provisions of this Circular, the WESM Rules and Market Manuals;

8.3.2 Recommend procedures necessary to implement the provisions of this Circular and ensure smooth transition and operation of the WESM Mindanao;

8.3.3 Ensure availability and applicability of all systems and procedures for the successful conduct of electricity trading in Mindanao; and

8.3.4 Be authorized to adopt processes to implement the provisions of this Circular, including allowing MAGELCO and LASURECO to comply with the requirements under Section 2.3 beyond the timeline stated therein and implement the arrangement set out herein for MAGELCO and LASURECO.

### 8.4 Philippine Electricity Market Corporation (PEMC)

8.4.1 Monitor and evaluate the initial implementation of the WESM in Mindanao and recommend measures to address policy issues that may arise during the initial implementation thereof;

8.4.2 Monitor and ensure compliance of WESM Members with the WESM Rules and Market Manuals and impose sanctions and penalties in accordance with the provisions thereof subject to the relaxation period set forth in Section 6 hereof; and

8.4.3 Facilitate review and endorsement of proposals for changes in the WESM Rules and Market Manuals, as needed for the efficient operations of WESM Mindanao.



## 8.5 National Grid Corporation of the Philippines (NGCP)

- 8.5.1 In coordination with the WESM Members, implement the necessary upgrading, correction or installation of relevant equipment for the monitoring of various facilities' compliance with real-time schedule and dispatch;
- 8.5.2 Identify and implement the necessary and appropriate technical and regulatory arrangement for the exclusive allocation of PSALM capacities in the Bangsamoro Area to LASURECO and MAGELCO;
- 8.5.3 Implement disconnection of non-complying Mindanao Trading Participants upon notification by the relevant generator, the WESM Governance Arm or the MO, as the case may be, subject to existing processes and guidelines on disconnection; and
- 8.5.4 Seek regulatory approval on the required transmission facility compliance applicable to LASURECO and MAGELCO in accordance with the provisions of this Circular.

**Section 9. Regulatory Support.** The ERC shall ensure the provision of support in the regulatory requirements and approvals consistent with the policies set forth under this Circular and in accordance with existing laws and procedures.

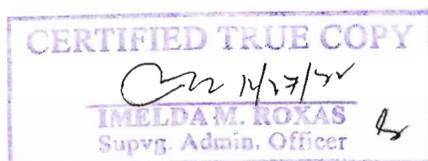
This Circular also recognizes that all generating units availing Feed-In Tariff (FIT) shall have automatic termination of their Renewable Energy Supply Agreements (RESA) with concerned Distribution Utility upon the commercial operation of WESM Mindanao, pursuant to the ERC Guidelines on the Collection of FIT Allowance.

**Section 10. Separability.** If any provision of this Circular is declared invalid or unconstitutional, the other provisions not affected shall remain valid and subsisting.

**Section 11. Repealing Clause.** Except insofar as may be manifestly inconsistent herewith, nothing in this Circular shall be construed as to repeal any mechanisms already existing or responsibilities already provided for under existing rules.

**Section 12. Effectivity and Publication.** This Circular shall take effect immediately upon its 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 \_\_\_ December 2022 at the DOE, Energy Center, Rizal Drive, Bonifacio Global City, Taguig City.



  
RAPHAEL P. M. LOTILLA  
Secretary  
DEC 23 2022

A signature in black ink above the name "RAPHAEL P. M. LOTILLA", the title "Secretary", and the date "DEC 23 2022".



## **Annex A. Protocol on the Updating of Real-Time Data**

### Scope

This protocol shall apply to Generators whose facility's real-time information (i.e., analog MW values and generator breaker status) are not automatically updated in the Energy Management System of the System Operator (SO).

### Procedures

1. The Generator shall regularly monitor its facility's MW output and breaker status. Note that the necessary MW output to be monitored shall be consistent with their WESM registration and representation in the market network model.
2. If the generating facility's MW output deviates by 1 MW, or by 1.5%, from its previous MW output, whichever is higher, then the Generator shall notify the Mindanao SO of its current MW loading.
3. If the generating facility's breaker status changes from its previous state (i.e., from CLOSED to OPEN, or vice versa), then the Generator shall notify the Mindanao SO of its new breaker status.
4. Upon receipt of new information from the Generator, the SO shall then update the analog MW value, or breaker status, of the relevant facility in their Energy Management System.
5. The Market Operator (MO) shall regularly monitor these generators' dispatch deviations (i.e., actual MW loading in comparison with their RTD schedules) as reflected in the Market Management System. If any of these generators are non-complying based on the measures set in the WESM's Dispatch Conformance Standards, then the MO shall inform the SO to coordinate with the relevant Generator.

