



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

DEPARTMENT CIRCULAR NO. DC2023-08-0024 *Qu*

**ADOPTING FURTHER AMENDMENTS TO THE WHOLESALE ELECTRICITY
SPOT MARKET (WESM) MARKET MANUAL ON BILLING AND SETTLEMENT**

**(Provisions on Additional Compensation Formula During Market
Intervention/Suspension)**

WHEREAS, Sections 30 and 37(f) of Republic Act No. 9136 or the Electric Power Industry Reform Act of 2001 (EPIRA) provide 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 (DC) 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 25 June 2021, the DOE issued DC No. DC2021-06-0015, titled "Declaring the Commercial Operations of Enhanced Wholesale Electricity Spot Market (WESM) Design and Providing Further Policies", changing the WESM trading and dispatch interval from one hour to five-minutes;

WHEREAS, to support the implementation of enhancements to the WESM design and operations, the Energy Regulatory Commission (ERC) approved the Price Determination Methodology (PDM) to be applied in the five-minute dispatch interval market through its Decision in ERC Case No. 2017-042RC;

WHEREAS, Section 8.3 of the WESM Manual on Price Determination Methodology and Section 10 of the WESM Market Manual on Billing and Settlement provide the following conditions when a Trading Participant is entitled to additional compensation:

1. During Market Suspension or Market Intervention;
2. Designated as constrain-on or must-run unit;
3. Scheduled and dispatched as constrained-on unit during price substitution methodology; and
4. Scheduled and dispatched when ERC imposes price mitigation measure.

WHEREAS, to reflect the formula for the calculation of additional compensation amount and specify the recovery process for additional compensation across all claim categories based on the External Auditor's recommendations from the (Supplemental) Audit of PDM-related Enhancements to the New Market Management System

(NMMS) and Central Registration and Settlement System (CRSS), the Independent Electricity Market Operator of the Philippines (IEMOP) submitted its proposed amendments to the WESM Market Manual on Billing and Settlement;

WHEREAS, on 01 December 2022, the PEM Board, after due process, submitted to the DOE for final approval the proposed amendments to the WESM Market Manual on Billing and Settlement to allow a just and transparent process for the recovery of additional compensation during market intervention/suspension, among others;

WHEREAS, the DOE, cognizant that the intent of the proposal is consistent with the objectives of the EPIRA and the WESM, drafted a circular to solicit comments and recommendations from interested parties, posted the same on the DOE website on 11 December 2022 and conducted public consultations as follows;

Date	Leg	Venue
09 February 2023	Luzon	The Marquis Events Place, Taguig City
16 February 2023	Visayas	Bai Hotel, Cebu City
28 February 2023	Mindanao	Acacia Hotel, Davao City

WHEREAS, the DOE reviewed and finalized the draft Circular adopting the proposed changes to the WESM Market Manual on Billing and Settlement submitted by the PEM Board, incorporating the comments and recommendations received from the stakeholders that are considered as necessary;

NOW THEREFORE, the DOE, pursuant to its authority under the EPIRA and the WESM Rules, hereby adopts, issues, and promulgates the following amendments to the WESM Manual on Billing and Settlement:

Section 1. Amendments to the WESM Market Manual on Billing and Settlement.
The following provisions of the WESM Market Manual on Billing and Settlement are hereby amended:

- a. Clause 10.3.3 under Quantity Eligible for Additional Compensation is amended to read as follows:

“10.3.3 The scheduled generation of a generating unit that filed a claim for additional compensation shall be calculated using the following formulas:

- a) If due to declaration of *market suspension or market intervention*,

$$SG_{g,i} = \frac{DI_{g,i}}{12}$$

xxx xxx xxx

Where:

$SG_{g,i}$ refers to the scheduled generation of generating unit g for dispatch interval i

xxx xxx xxx

$DI_{g,i}$ refers to the most recent dispatch instruction from the System Operator received by generating unit g for dispatch interval i . In cases where there is no System Operator dispatch instruction issued for generating unit g at dispatch interval i during market intervention or market suspension, then its gross energy settlement quantity at dispatch interval i shall be used."

- b. The new Clause 10.4.1 under Billing and Settlement of Additional Compensation is added to read as follows:

"10.4.1 Using the formula below, the Market Operator shall determine the additional compensation claim amount in accordance with the claim category conditions on quantity eligible for additional compensation as set out in Section 10.3 of this Manual.

$$ACA_{g,i} = ACQ_{g,i} \times [Approved Rate_{g,i} - FEDP_{g,i}]$$

Where:

$ACA_{g,i}$ refers to the additional compensation amount of generating unit g for dispatch interval i

$ACQ_{g,i}$ refers to the additional compensation quantity or volume of generating unit g for dispatch interval i

$Approved Rate_{g,i}$ refers to the approved rate of generating unit g at dispatch interval i based on the evaluation of the claim

$FEDP_{g,i}$ refers to the final energy dispatch price of generating unit g at certain dispatch interval i

However, if the result of the computation is a negative value caused by FEDP being higher than the approved rate, generators will not be entitled to additional compensation or payments.”

- c. The original Clause 10.4.1 under Billing and Settlement of Additional Compensation is renumbered and amended to read as follows:

“10.4.2 The Market Operator shall determine the share in the additional compensation amount of each Trading Participant in accordance with the provisions under Section 8.3 of the Price Determination Methodology Manual. For each claim category, the additional compensation amount shall be pro-rated among the customers in the same region based on gross energy settlement quantities in accordance with the following formula:

$$\text{Allocation}_{c,i} = \text{ACR}_{R,i} \times \frac{\text{GESQ}_{c,i}}{\sum_{c \in R} \text{GESQ}_{c,i}}$$

Where:

$\text{Allocation}_{c,i}$ refers to the amount recovered for customer c at dispatch interval i

$\text{ACR}_{R,i}$ refers to the Additional Compensation Claim for region R at dispatch interval i

$\text{GESQ}_{c,i}$ refers to the gross energy settlement quantity for customer c at dispatch interval i

$\sum_{c \in R} \text{GESQ}_{c,i}$ refers to the total gross energy settlement quantity for customer c at dispatch interval i

- d. The succeeding original Clauses under Billing and Settlement of Additional Compensation are renumbered as follows:

Original Clause Number	New Clause Number
10.4.2	10.4.3
10.4.3	10.4.4
10.4.4	10.4.5
10.4.6	10.4.7

- e. The new Clause 10.4.8 under Billing and Settlement of Additional Compensation is added to read as follows:

"10.4.8 The Market Operator shall publish the following data relating to issued additional compensation statements for the information of customers, subject to the provisions of the Market Operator Information Disclosure and Confidentiality Manual:

- a. The aggregate approved and issued additional compensation claim amount, in PhP, per region, including the total number of trading intervals; and
- b. The estimated rate impact to customers, in PhP/MWh, is computed by dividing the aggregate approved additional compensation claim amount by the aggregate gross energy settlement quantity of customers per region.

Said publication shall be done on the *Market Information Website* no later than 30 business days after the issuance of settlement statements containing the additional compensation settlement amounts. The *Market Operator* shall likewise submit the said data to the Energy Regulatory Commission."

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. 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 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.

Issued this ____ day of August 2023 at the DOE, Energy Center, Rizal Drive cor. 34th Street, Bonifacio Global City, Taguig City, Metro Manila.


RAPHAEL P.M. LOTILLA
Secretary



AUG 02 2023