



ADVISORY
2024-01-002-SEC

TO : WHOLESALE ELECTRICITY SPOT MARKET (WESM)
PARTICIPANTS

INDEPENDENT ELECTRICITY MARKET OPERATOR OF THE
PHILIPPINES (IEMOP)

PHILIPPINE ELECTRICITY MARKET CORPORATION (PEMC)

NATIONAL GRID CORPORATION OF THE PHILIPPINES
(NGCP)

ENERGY REGULATORY COMMISSION (ERC)

FROM : SECRETARY OF ENERGY

SUBJECT : INTERIM PRICING GUIDELINES FOR RESERVES IN THE
RESERVE MARKET

DATE : JAN 30 2024

On 26 January 2024, the Market Operator (MO) in coordination with the System Operator (SO), the Governance Arm (GA) and WESM Participants commenced the full commercial operations of the Reserve Market (RM) at dispatch interval 0005H of 26 January 2024.

On 28 January 2024, the MO submitted a report to the DOE on the results of the commercial operations of the RM following its commencement on 26 January 2024. The MO highlighted its observation on the reserve prices of the co-optimized energy and reserve market, specifically the significantly high prices for Regulation Down.

In this regard, the DOE hereby directs the MO and the GA to immediately implement the Interim Pricing Guidelines for Reserves in the WESM (Attachment) which shall form part of the Supplemental Operating Guidelines for the Commercial Operations of the RM, attached as Annex A to DOE Advisory No. 2024-01-001-SEC issued on 25 January 2024. This additional Guidelines shall be applied immediately starting from the February 2024 Billing Period until the new guidelines are promulgated by the ERC.

The MO is further directed to apply for the ERC's approval of all necessary mitigating measures for the RM.

The GA shall review the current WESM Rules and Market Manuals and submit a proposal to the WESM Rules Change Committee to integrate mitigating measures, including those provided in the Interim Pricing Guidelines for Reserves in the WESM.

Regulatory support shall be provided by the ERC on this matter by immediately acting, *motu proprio* or upon the application of the MO, to authorize the adoption and implementation of mitigating measures for the RM to ensure a level playing field and the protection of consumers.

For other concerns and clarifications, kindly coordinate directly with the Electric Power Industry Management Bureau of the DOE through telephone nos. (02) 8840-1773 and (02) 8479-2900 loc. 264/387 or email at pmdd.wesm@doe.gov.ph.

Please be guided accordingly.


RAPHAEL P.M. LOTILLA
Secretary



ATTACHMENT**INTERIM PRICING GUIDELINES FOR RESERVES IN THE WESM**

This Guidelines shall be in addition to the Supplemental Operating Guidelines attached as Annex A to DOE Advisory 2024-01-001-SEC dated 25 January 2024. It shall be effective on an interim basis until new guidelines are promulgated by the ERC.

1. Reserve Pricing for Regulation Down

The Reserve Price for Regulation Down shall be the higher price between the cleared energy offer price of a scheduled Regulation Down A/S Provider or its cleared reserve offer price. The Reserve Price shall be determined per reserve region.

$$\text{Regulation Down Price}_r = \text{Max}(\text{Cleared_Energy_Offer}_{j,r}, \text{Cleared_Reserve_Offer}_{j,r})$$

Where:

Regulation Down Price_r refers to the Regulation Down Price at region r

Cleared_Energy_Offer_{j,r} refers to the cleared energy offer price where resource j was scheduled at region r

Cleared_Reserve_Offer_{j,r} refers to the cleared reserve offer price where resource j was scheduled at region r