

RULES CHANGE COMMITTEE

Proposed Urgent Amendments to the WESM Rules and WESM Registration Manual in view of DOE DC2022-10-0031 “Declaring All Renewable Energy Resources as Preferential Dispatch Generating Units in the WESM Amending for this Purpose Department Circular No. DC2015-03-0001”

Effective Date : 09 January 2023

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WHEREAS, the DOE issued Department Circular No. DC2015-03-0001¹ dated 30 March 2015 which established the framework for the integration of must and priority dispatch generating units in the WESM that will ensure maximum injection of intermittent and Feed-in-Tariff-eligible generation while maintaining system security at all times. Section 4 of said 2015 Circular defines Must Dispatch and Priority Dispatch as follows:

- a) “Must Dispatch” is facilitated in the WESM by qualified and registered intermittent RE-based plants, whether or not under FIT system, such as wind, solar, run-of-river hydro, or ocean energy, according to the preference in the dispatch schedule whenever generation is available. The enjoyment of Must Dispatch by intermittent RE-based plants is based on the difficulty to precisely predict the availability of RE resource thereby making the energy generated variable and irregular and the availability of resource inherently uncontrollable pursuant to Section 20 of the RE Act.
- b) “Priority Dispatch” means giving preference to biomass plants, under the FIR system, in the dispatch schedule pursuant to Section 7 of the RE Act.

WHEREAS, DOE Department Circular Nos. 2016-01-0002² dated 12 January 2016, DC2017-03-0002³ dated 20 March 2017 and DC2017-04-0007⁴ dated 20 April 2017 were subsequently issued promulgating amendments to the WESM Rules and relevant WESM Manuals for the implementation of must and priority dispatch generating units in the WESM consistent with the framework provided in the cited 2015 Circular;

WHEREAS, the DOE promulgated on 05 October 2022 Department Circular No. 2022-10-0031 entitled *Declaring All Renewable Energy Resources as Preferential Dispatch Generating Units in the Wholesale Electricity Spot Market Amending for this Purpose Department Circular No. DC2015-03-0001* to, among others, “aid in accelerating the development and utilization of indigenous RE resources and reduce dependence on imported conventional energy resources”. Section 3 of said 2022 Circular amends the definition of Must and Priority Dispatch as follows:

- a) “Must Dispatch” is facilitated in the WESM for qualified and registered intermittent or variable RE-based plants, which include solar, run-of-river hydro, and ocean energy power plants, according to the preference in the dispatch schedule whenever generation is available, pursuant to Section 20 of the RE Act.

¹ DOE Department Circular No. DC2015-03-0001 entitled “Promulgating the Framework for the Implementation of Must Dispatch and Priority Dispatch of Renewable Energy Resources in the Wholesale Electricity Spot Market”.

² DOE Department Circular No. DC2016-01-0002 entitled “Adopting Further Amendments to the WESM Rules (Provisions for the Must Dispatch and Priority Dispatch Generating Units)”.

³ DOE Department Circular No. DC2017-03-0002 entitled “Adopting the Various WESM Market Manuals and Their Further Amendments for the Implementation of Must Dispatch and Priority Dispatch Generating Units in the WESM”.

⁴ DOE Department Circular No. DC2017-04-0007 entitled “Adopting the WESM Manual on Dispatch Protocol and Its Further Amendments”.

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- b) "Priority Dispatch" means giving the option or preference to all qualified and registered RE plants that are not Must Dispatch such as biomass, geothermal, and impounding hydro plants to enjoy preferential dispatch in the WESM, taking into consideration their contractual obligations with their respective customers.

WHEREAS, in accordance with Section 6.1 of the said 2022 DOE Circular mandating the Market Operator to "propose necessary amendments in the WESM Rules and Manuals to implement the dispatch of all Preferential Dispatch generating units utilizing RE resources in the WESM", the Independent Electricity Market Operator of the Philippines (IEMOP) submitted to the Rules Change Committee (RCC) on 23 December 2022 proposed urgent amendments to the (i) WESM Rules and (ii) WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures to comply with the prescribed guidelines of the DOE DC2022-10-0031;

WHEREAS, the proposal seeks to:

- 1) amend the classification of priority dispatch generating units to include all biomass plants (with FiT certificate or none), geothermal, and impounding hydro plants; and
- 2) provide that controllable generating units involving biomass, geothermal and impounding hydro plants that are currently registered as providers of ancillary services should be registered as scheduled generating units in view of the principles of co-optimizing its energy and reserve capacities through market offers for the upcoming reserve market.

WHEREAS, IEMOP submitted the proposal as urgent "to comply with the DOE directive, communicated through the PEMC President and relayed to the proponent, to fast track the process for the approval of the rules change recommendations"⁵, which rationale was consistent with the letter from the PEMC President to the RCC Chairperson dated 27 December 2022 requesting that a special meeting be convened to tackle the proposal, which urgency has been conveyed by DOE Secretary Raphael Lotilla;

WHEREAS, following the procedures for processing proposed urgent amendments specified in Section 7.2 of the WESM Manual on Procedures for Changes to the WESM and Retail Rules and Market Manuals ("Rules Change Manual"), the RCC convened a special meeting (207th Meeting) on 28 December 2022 to determine if the proposal is urgent based on the criteria set forth in Section 3.1 of the Rules Change Manual, and if so, deliberate the proposal for endorsement to the PEM Board;

WHEREAS, the RCC voted⁶ to certify the proposal as urgent considering that the proposal satisfies the criteria for urgent amendments per WESM Rules Clause 8.4.1.1 (a)(iv), which states that urgent proposals "facilitate the implementation of any regulation, circular, order or issuance of the DOE or ERC pursuant to the EPIRA";

⁵ Request for Market Rules and Manuals Amendments - Discussion Paper and Matrix of Proposed Amendments (ORCP-WR-WM-22-13)

⁶ Twelve (12) members voted to certify the proposal as urgent (4 Independent, 1 Market Operator, 1 System Operator, 2 Generation sector, 3 Distribution sector, and 1 Supply sector); none voted to not certify as urgent.

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WHEREAS, after being given an overview of the proposal and agreeing to certify it as urgent, the RCC proceeded to discuss the preliminary assessment provided by the RCC Secretariat and noted the following concerns that cause reservations in advancing the proposal:

- 1) There may be a need to study how the policy could impact market prices and competition in the WESM with potential additional capacities to be given preferential treatment in scheduling and dispatch.
- 2) Specifically, regarding impounding hydroelectric power plants (HEPP), a 2020 study⁷ submitted by the WESM Technical Committee to the DOE concluded that “(a)llowing impounding HEPPs, which were identified as pivotal suppliers, to submit projected output instead of generation offers may compromise supply security, since they will no longer be required to comply with the must-offer rule.”
- 3) There may be a need to further study the effect on system security of the preferential dispatch of biomass, hydroelectric and geothermal plants, which are larger in MW capacity than intermittent RE resources.
- 4) In the long-run, preferential dispatch generation should be decreased, not increased. Long-term policy direction should be for RE plants to take more responsibility in market participation (e.g., adoption of storage systems, improved forecasting, etc.).

WHEREAS, the RCC likewise considered the response of the DOE-Renewable Energy Management Bureau on some of the concerns raised, as follows:

- 1) The subject policy has been studied by the DOE in partnership with the Clean, Affordable and Secure Energy for Southeast Asia (CASE) Project. The study looked at price implications in the WESM across various scenarios and concluded that the preferential dispatch of biomass, hydroelectric and geothermal has the largest impact in terms of reducing the prices.
- 2) As raised during the public consultations on the subject DOE circular, the DOE recognizes that one of the major concerns regarding the policy change is the resulting bumping off of conventional plants. But the DOE has prioritized achieving the national targets in the Philippine Energy Plan and the National Renewable Energy Program of 35% RE in the power generation mix by 2030 and 50% by 2040.

WHEREAS, the RCC proceeded to deliberate on the proposed amendments to relevant provisions and agreed to make the following changes to the urgent proposal:

- 1) Further revise the definition of “priority dispatch generating units” to be more consistent with the definition stated in DOE DC2022-10-003 as regards the kinds of RE plants that may be classified as such and clarify that one of the criteria for generating units looking to be classified or re-classified as priority dispatch generating units should be that it is not currently providing ancillary services or is registered as an Ancillary Services Provider.
- 2) As recommended by PEMC, revise the definition of “projected output” in the case of geothermal and impounding hydroelectric plants classified as priority dispatch generating units to refer to their

⁷ WESM Technical Committee study entitled [“TC Study on the Request for the Reclassification of Impounding HEPP as Non-Scheduled Generating Unit”](#) (April 2020).

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maximum available capacity⁸. The objective is for them to still be assessed if their nominated loading levels indeed corresponds to their maximum available capacity, in keeping with the principle of the must-offer rule.

WHEREAS, the RCC noted that in the implementation of the proposal, the Trading Participants with registered power plants that are qualified to be reclassified from scheduled generating unit to priority dispatch generating unit may apply for reclassification of their generating units through the post-registration process, while new qualified generating units are automatically classified as priority dispatch generating units by the Market Operator unless the Trading Participant opted for their generating unit to be registered as scheduled generating unit. In either case, there is no limit in changing a plant's classification;

WHEREAS, having heard all comments raised, the RCC voted⁹ in favor of endorsing the urgent proposal, as amended, to the PEM Board for approval;

WHEREAS, during the finalization of the proposal through electronic mail exchanges on 04 to 05 January 2023, the RCC noted the following further clarifications:

- 1) IEMOP (proponent) clarified that only providers of ancillary services traded in the WESM are disqualified from being re-classified as priority dispatch generating units. This means that geothermal and hydropower plants that are contracted solely to provide Reactive Power Support Service (RPSS) and/or Black Start Service (BSS), which are ancillary services not traded in the WESM, may still opt to be re-classified as priority dispatch generating units. Further, generating units providing RPSS and/or BSS are not required to register in the WESM as Ancillary Service Providers.
- 2) PEMC clarified that the determination of "maximum available capacity"¹⁰, assessed per dispatch interval, already considers "technical constraints" particular for each individual plant that may affect their output. The definition of the term "technical constraints"¹¹ likewise mentions factors that may

⁸ Seven (7) members voted in favor of revising the definition of "Projected Output" (4 – Independent, 1 System Operator, 1 Distribution sector, 1 Supply sector); one (1) member voted to not revise the definition (1 Generation sector).

⁹ Ten (10) members voted in favor of endorsing the proposal to the PEM Board, as amended (4 Independent, 1 Market Operator, 1 System Operator, 1 Generation sector, 2 Distribution sector, 1 Supply sector); none voted to not endorse the proposal.

¹⁰ WESM Manual on Dispatch Protocol Issue 17.0, Section 2.1.2(s):

"Maximum available capacity. Equal to the registered maximum capacity (Pmax) of the (aggregate) unit less forced unit outages, scheduled unit outages, de-rated capacity due to technical constraints and weather disturbance that cause damage to the unit or that would otherwise limit its ability to inject power to the grid. For co-generation systems, the maximum available capacity is further determined by taking into account the equivalent power of the thermal energy extraction by the energy host and technical constraints." (underscoring supplied)

¹¹ WESM Manual on Dispatch Protocol Issue 17.0, Section 2.1.2(jj):

"Technical Constraint. Refers to plant equipment-related failure, limitations encountered during start-up/shutdown procedure, effects of ambient temperature and resource-related constraints due to the following: (a) water elevation and diversion requirements for domestic or irrigation use for hydro plants; (b) steam quality (chemical composition, condensable and non-condensable gases, steam pressure and temperature) for geothermal plants; (c) unavailability of fuel resources that are not within the control of the Generation Company for biomass power plants; and (d) steam flow limitations, station load, and electricity demand of its energy host, in the case of the co-generation systems." (underscoring supplied)

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affect the capacity of hydropower plants. The existing considerations for maximum available capacity for each dispatch interval, therefore, already accommodates the constraints of hydropower plants whose water utilization and generation are restricted by the reservoir rule curve, irrigation and domestic water supply requirements.

WHEREAS, given the foregoing clarifications, the RCC adopted further change in the disqualifying condition for being classified as 'priority dispatch generating unit' by replacing the term 'ancillary service' with 'reserve', which is a more accurate term defined in the WESM Rules as "ancillary services traded in the WESM";

NOW THEREFORE, we, the undersigned, on behalf of the sectors we represent, hereby resolve via electronic communication platforms, as follows:

RESOLVED, that the RCC certify as urgent IEMOP's Proposed Urgent Amendments to the WESM Rules and WESM Registration Manual in view of DOE DC2022-10-0031 "Declaring All Renewable Energy Resources as Preferential Dispatch Generating Units in the WESM Amending for this Purpose Department Circular No. DC2015-03-0001";

RESOLVED, that the RCC approve, as amended, the Proposed Urgent Amendments to the WESM Rules and WESM Registration Manual in view of DOE DC2022-10-0031 attached as Annexes A and B;

RESOLVED, that the Proposed Urgent Amendments to the WESM Rules and WESM Registration Manual in view of DOE DC2022-10-0031 are hereby endorsed to the PEM Board for approval, and subsequent transmittal of this RCC Resolution to the DOE for information;

RESOLVED FURTHER, that pursuant to Section 7.4 (f) of the Rules Change Manual, the said Proposed Urgent Amendments be posted in the PEMC website as General Amendments within ten (10) days from the PEM Board's ratification to solicit comments from WESM Members and stakeholders;

Done this 9th day of **January 2023**, via Microsoft Outlook.

Proposed Urgent Amendments to the WESM Rules and WESM Registration Manual in view of
DOE DC2022-10-0031 "Declaring All Renewable Energy Resources as Preferential Dispatch Generating
Units in the WESM Amending for this Purpose Department Circular No. DC2015-03-0001"

Approved by: THE RULES CHANGE COMMITTEE	
Independent Members:	
(signed) JESUSITO G. MORALLOS Chairperson	(signed) JOSE RODERICK F. FERNANDO
(signed) RACHEL ANGELA P. ANOSAN	(signed) JORDAN REL C. ORILLAZA
Generation Sector Members:	
(signed) DIXIE ANTHONY R. BANZON Masinloc Power Partners Co. Ltd. (MPPCL)	(signed) CHERRY A. JAVIER Aboitiz Power Corp. (APC)
(signed) CARLITO C. CLAUDIO Millennium Energy, Inc./ Panasia Energy, Inc. (MEI/PEI)	MARK D. HABANA Vivant Corporation - Philippines (Vivant)
Distribution Sector Members:	
(signed) RYAN S. MORALES Manila Electric Company (MERALCO)	(signed) VIRGILIO C. FORTICH, JR. Cebu III Electric Cooperative, Inc. (CEBECO III)

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(signed) NELSON M. DELA CRUZ Nueva Ecija II Area 1 Electric Cooperative, Inc. (NEECO II – Area 1)	(signed) ROCKY D. BAYAS San Fernando Electric Light & Power Company (SFELAPCO)
Supply Sector Member:	
(signed) LORRETO H. RIVERA TeaM (Philippines) Energy Corporation (TPEC)	
Market Operator Member:	
(signed) ISIDRO E. CACHO, JR. Independent Electricity Market Operator of the Philippines (IEMOP)	
System Operator Member:	
(signed) AMBROCIO R. ROSALES National Grid Corporation of the Philippines (NGCP)	

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WESM Rules				
Title	Section	Original Provision	Proposed Amendments	Rationale
CATEGORIES OF WESM MEMBERS 2.3.1 Generation Companies	2.3.1.5	A <i>generating unit</i> or group of <i>generating units</i> connected at a common connection point that is <i>intermittent renewable energy resource</i> -based, whether or not under the <i>Feed-In Tariff system</i> , such as wind, solar, run-of-river hydro or ocean energy with the corresponding DOE certification shall be classified as a <i>must dispatch generating unit</i> , but may at its option be classified as a <i>scheduled generating unit</i> or a <i>a non-scheduled generating unit</i> subject to Clause 2.3.1.4.	A <i>generating unit</i> or group of <i>generating units</i> connected at a common connection point that is <i>intermittent renewable energy resource</i> -based, whether or not under the <i>Feed-In Tariff system</i> , such as wind, solar, run-of-river hydro or ocean energy with the corresponding DOE certification shall be classified as a <i>must dispatch generating unit</i> , but may at its option be classified as a <i>scheduled generating unit</i> or a a non-scheduled generating unit subject to Clause 2.3.1.4.	Clerical correction.
CATEGORIES OF WESM MEMBERS 2.3.1 Generation Companies	2.3.1.6	A <i>generating unit</i> or group of <i>generating units</i> connected at a common connection point that uses biomass as fuel, that is under the <i>Feed-In Tariff system</i> , with the corresponding <i>Feed-In Tariff Certificate of Compliance</i> shall be classified as a <i>priority dispatch generating unit</i> , but may at its option be classified as a <i>scheduled generating unit</i> or a <i>a non-scheduled generating unit</i> subject to Clause 2.3.1.4.	A <i>generating unit</i> or group of <i>generating units</i> connected at a common connection point that uses <u>are qualified renewable energy plants that are not must dispatch, such as those using either geothermal energy or biomass as fuel or is an impounding hydro plant, and is not providing reserve or registered as Ancillary Services Provider</u> , that is under the Feed-In Tariff system, with the corresponding Feed In Tariff Certificate of Compliance shall be classified as a <i>priority dispatch generating unit</i> , but may at its option be classified as	To comply with DOE DC2022-10-0031, but with consideration that the generating unit is not providing reserve (i.e., ancillary services traded in the WESM) in view of the principles of co-optimizing the plant's energy and reserve capacities through market offers for the upcoming reserve market.

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WESM Rules				
Title	Section	Original Provision	Proposed Amendments	Rationale
			a scheduled generating unit or a a non-scheduled generating unit subject to Clause 2.3.1.4.	
Glossary	Glossary	Priority Dispatch. Preference to biomass plants under the Feed-In Tariff System in the dispatch schedule pursuant to Section 7 of the <i>Renewable Energy Act</i> .	Priority Dispatch. Option or Preference to <u>all qualified and registered renewable energy plants that are not eligible for Must Dispatch such as biomass, geothermal, and impounding hydro</u> plants under the Feed-In Tariff System in the dispatch schedule, pursuant to Section 7 of the Renewable Energy Act.	To be consistent with the definition of "priority dispatch" in DOE DC2022-10-0031.
Glossary	Glossary	Projected Output. The <i>loading level</i> nominated by a <i>Generation Company</i> for its <i>must dispatch generating units</i> or <i>priority dispatch generating units</i> indicating the forecasted output of its <i>must dispatch generating unit</i> or <i>priority dispatch generating unit</i> at the end of a <i>dispatch interval</i> .	Projected Output. The <i>loading level</i> nominated by a <i>Generation Company</i> for its <i>must dispatch generating units</i> or <i>priority dispatch generating units</i> indicating the forecasted output of its <i>must dispatch generating unit</i> or <i>priority dispatch generating unit</i> at the end of a <i>dispatch interval</i> . <u>In the case of geothermal or impounding hydro plant which is classified as priority dispatch generating unit, projected output shall refer to its maximum available capacity, as defined in WESM Rules or Market Manual.</u>	To maintain the requirement for geothermal and hydro plants to nominate loading levels corresponding to their maximum available capacity, in keeping with the principle of the must-offer rule.

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WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures Issue 12.1				
Title	Section	Original Provision	Proposed Amendment	Rationale
Generating Unit Classification	2.5.4.1	<p>a) An <i>Applicant</i> wishing to register as <i>Generation Company</i> shall, upon application, classify each of the <i>generating unit</i> or group of <i>generating units</i> which form part of the generating system it owns or operates or controls or from which it otherwise sources electricity as either – xxx</p> <p>(iv) A <i>priority dispatch generating unit</i> for a <i>generating unit</i> or group of <i>generating units</i> connected at a common <i>connection point</i> that uses biomass as fuel, that is under the <i>Feed-In Tariff system</i>, with the corresponding <i>Feed-In Tariff Certificate of Compliance</i> issued by the <i>ERC</i>. However, the <i>Generation Company</i> may also elect to have such unit/s classified as <i>scheduled generating unit/s</i> or <i>non-scheduled generating unit/s</i> subject to this Section.</p>	<p>a) An <i>Applicant</i> wishing to register as <i>Generation Company</i> shall, upon application, classify each of the <i>generating unit</i> or group of <i>generating units</i> which form part of the generating system it owns or operates or controls or from which it otherwise sources electricity as either – xxx</p> <p>(iv) A <i>priority dispatch generating unit</i> for a <i>generating unit</i> or group of <i>generating units</i> connected at a common connection point that uses <u>are qualified renewable energy plants that are not must dispatch, such as those using either geothermal energy or biomass as fuel or is an impounding hydro plant and is not providing reserve or registered as Ancillary Services Provider</u>, that is under the Feed-In Tariff system, with the corresponding Feed-In Tariff Certificate of Compliance issued by the ERC. However, the <i>Generation Company</i> may also elect to have such unit/s classified as <i>scheduled generating unit/s</i> or <i>non-scheduled generating unit/s</i> subject to this Section.</p>	To be consistent with the definition of “priority dispatch” in DOE DC2022-10-0031, but with consideration that the generating unit is not providing reserve (i.e., ancillary services traded in the WESM) in view of the principles of co-optimizing the plant’s energy and reserve capacities through market offers for the upcoming reserve market.