



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

**DEPARTMENT CIRCULAR NO. \_\_\_\_\_**

**ADOPTING FURTHER AMENDMENTS TO THE WHOLESALE ELECTRICITY  
SPOT MARKET (WESM) RULES AND WESM MANUAL ON THE MANAGEMENT  
OF NET SETTLEMENT SURPLUS  
(Harmonization with the ERC RESOLUTION NO. 07 SERIES OF 2019)**

**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, Retail Rules and their Market Manuals shall be undertaken in accordance with the provisions of Chapter 8 of the WESM Rules;

**WHEREAS**, on 12 February 2020, the Independent Electricity Market Operator of the Philippines (IEMOP) submitted its proposed amendments to the WESM Rules and NSS Manual to the Rules Change Committee (RCC) for the implementation of ERC Resolution No. 7, Series of 2019;

**WHEREAS**, on 20 February 2020, the Philippine Electricity Market Corporation (PEMC) also submitted proposed amendments to the WESM Rules on NSS or net settlement deficit (NSD);

**WHEREAS**, both proposals aim to harmonize the WESM Rules and NSS Manual with the ERC Resolution No. 7, Series of 2019;

**WHEREAS**, on 21 February 2020, during the 161<sup>st</sup> RCC Meeting, the RCC approved the publication of the proposal in the PEMC website to solicit comments from industry stakeholders and interested parties;

**WHEREAS**, on 24 April 2020, during its 164<sup>th</sup> RCC Meeting, the RCC deliberated on the proposal with due consideration of the comments received;

**WHEREAS**, on 15 May 2020, during its 165<sup>th</sup> RCC Meeting, the RCC further deliberated on the proposal and approved the same for endorsement to the PEM Board;

**WHEREAS**, on 27 May 2020 and 08 June 2020, PEM Board approved the proposal and PEMC formally endorsed the said proposal to the DOE, respectively.

**WHEREAS**, on -----, the DOE conducted Public Consultations on the proposed amendments to solicit further comments from the market participants and other interested parties;

**WHEREAS**, the DOE reviewed the said PEM Board-approved proposal, made minor revisions on the proposed amendments for consistency with the objectives of the WESM and the DOE policies on the enhancements of WESM design and operations;

**NOW THEREFORE**, pursuant to its authority under the EPIRA and the WESM Rules, 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 (Current Design).** The provisions in the WESM Rules (Current Design) are hereby amended:

a. Clauses 3.13.16.1 and 3.13.16.2 under Treatment of Remaining Settlement Surplus are amended to read as –

“3.13.16.1 If the transactions required by clauses 3.13.14.2 (a), (b) and (d), in aggregate, result in a surplus or deficit remaining, this will be known as the net settlement surplus or net settlement deficit.

3.13.16.2 The *net settlement surplus or net settlement deficit*:

(a) May be flowed back to the Market Participants in accordance with the procedures to be developed under 3.13.16.3, or may be used by the Market Operator to establish and support the market for Financial Transmission Rights subject to the approval of the PEM Board; and

(b) Shall be clearly accounted for and taken into account when setting the allowable charges under any regulatory instruments applying to the Market Operator and the System operator.”

b. Clauses 3.13.16.4 and 3.13.16.5 under Treatment of Remaining Settlement Surplus are added to read as –

“3.13.16.4 The calculation and flow back mechanism of net settlement surplus or deficit shall be approved by the Energy Regulatory Commission (ERC) as prescribed in its *Rules for the Distribution of Net Settlement Surplus*.

3.13.16.5 The ERC may issue changes to the flow back of the net settlement surplus or deficit to Market Participants. Such changes shall be reflected in the procedures referred to in Clause 3.13.16.3 by the Market Operator in accordance with the Rules change process in chapter 8.”

c. The definition of Net Settlement Surplus under the Glossary is amended to read as –

“Net Settlement Surplus or Net Settlement Deficit. The settlement surplus or settlement deficit remaining after all market transactions have been accounted for, including the assignment of transmission line rentals to Network Service Providers. This remainder is assumed to be attributable to economic rentals arising from other binding constraints, and accounted for in accordance with clause 3.13.16.”

**Section 2. Amendments to the WESM Rules (Enhanced Design).** The provisions in the WESM Rules (Enhanced Design) are hereby amended:

a. Clauses 3.13.12.1 and 3.13.13.2 under Treatment of Remaining Settlement Surplus are amended to read as –

“3.13.12.1 If the transactions required by Clauses 3.13.12.2 (a), (b) and (d), in aggregate, result in a surplus or deficit remaining, this will be known as the *net settlement surplus or net settlement deficit*.

3.13.12.2 The *net settlement surplus or net settlement deficit*:

(a) May be flowed back to the Market Participants in accordance with the procedures to be developed under 3.13.12.3, or may be used by the Market Operator to establish and support the market for Financial Transmission Rights subject to the approval of the PEM Board; and

(b) Shall be clearly accounted for and taken into account when setting the allowable charges under any regulatory instruments applying to the Market Operator.”

b. Clauses 3.13.12.4 and 3.13.12.5 under Treatment of Remaining Settlement Surplus are added to read as –

“3.13.12.4 The calculation and flow back mechanism of net settlement surplus or deficit shall be approved by the Energy Regulatory Commission (ERC) as prescribed in its *Rules for the Distribution of Net Settlement Surplus*.

3.13.12.5 The ERC may issue changes to the flow back of the net settlement surplus or deficit to Market Participants. Such changes shall be reflected in the procedures referred to in Clause 3.13.16.3 by the Market Operator in accordance with the Rules change process in chapter 8.”

**Section 3. Amendments to the Market Manual on the Management of Net Settlement Surplus.** The provisions in the Market Manual on the Management of Net Settlement Surplus in the attached matrix (ANNEX A) are hereby amended:

**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 fifteen (15) days following 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 on \_\_\_\_\_ 2020 at the Energy Center, Rizal Drive, Bonifacio Global City, Taguig City.

**ALFONSO G. CUSI**  
Secretary