



Republic of the Philippines
DEPARTMENT OF ENERGY

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DEPARTMENT CIRCULAR NO. DC 2010-03 - 0003
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**DIRECTING ALL POWER GENERATION COMPANIES, THE
TRANSMISSION SERVICE PROVIDER, AND ALL DISTRIBUTION
UTILITIES TO ENSURE ADEQUATE AND RELIABLE ELECTRIC POWER
SUPPLY IN THE COUNTRY**

WHEREAS, Section 5 of Republic Act No. 7638, as amended by Section 37 of Republic Act No. 9136 or the Electric Power Industry Reform Act of 2001 (EPIRA), mandates the Department of Energy (DOE) to, among others, 1) ensure the reliability, quality and supply of electric power, and 2) establish and administer programs for the exploration, transportation, marketing, distribution, utilization, conservation, stockpiling and storage of energy resources of all forms, whether conventional or non-conventional;

WHEREAS, the DOE is mandated to develop policies and procedures and, as appropriate, 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;

WHEREAS, the DOE is also mandated to monitor private sector activities relative to energy projects in order to attain the goals of the restructuring, privatization, and modernization of the electric power sector as provided for under existing laws: Provided, That the Department shall endeavor to provide for an environment conducive to free and active private sector participation and investment in all energy activities;

WHEREAS, the DOE is further enjoined to formulate and implement programs, including a system of providing incentives and penalties, for the judicious and efficient use of energy in all energy-consuming sectors of the economy;

WHEREAS, Section 6 of the EPIRA provides that the generation of electric power is a business affected with public interest and shall be competitive and open;

WHEREAS, as a result of the privatization of Government's power generation assets, the generation of electricity in Luzon is now dominated by the private sector and eventually, the same situation will occur in Visayas;

WHEREAS, a Generation Company has an obligation to meet the technical and financial operating criteria ensuring compliance with standards for among others, security, reliability, unplanned outages and provision of ancillary services and shall operate in accordance with such operational criteria;

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WHEREAS, under the EPIRA, the distribution of electricity, a business affected with public interest, is a regulated common carrier business requiring a national franchise, which franchise may be revoked by Congress upon recommendation of the DOE and/or the Energy Regulatory Commission (ERC);

WHEREAS, Section 9 of the EPIRA mandated the National Transmission Company and/or its Concessionaire, presently the National Grid Corporation of the Philippines (NGCP) among others, to provide open and non-discriminatory access to its transmission system to all electricity users, ensure and maintain the reliability, adequacy, security, stability and integrity of the nationwide electrical grid in accordance with the performance standards for the operations and maintenance of the grid as set forth in a Philippine Grid Code (PGC), and improve and expand its transmission facilities, consistent with the PGC and the Transmission Development Plan (TDP) to adequately serve generation companies, distribution utilities and suppliers requiring transmission service and/or ancillary services through the transmission system: *Provided*, That TRANSCO shall submit any plan for expansion or improvement of its facilities for approval by the ERC;

NOW, THEREFORE, from the foregoing premises and pursuant to the mandate of the DOE under the EPIRA, this Circular is hereby promulgated:

SECTION 1. Scope. This Circular shall apply to all Generation Companies and Distribution Utilities in the country as defined in the EPIRA as well as the National Transmission Corporation (TRANSCO) or its concessionaire, presently the NGCP which is also referred to as the System Operator (SO);

SECTION 2. Responsibilities of Generation Companies. Pursuant to the EPIRA, all Generation Companies shall ensure the availability of its generation facilities at all times subject only to technical constraints duly communicated to the SO in accordance with existing rules and procedures. For this purpose, Generation Companies shall have the following responsibilities:

- 2.1 All Generation Companies shall operate in accordance with their Maximum Available Capacity. For this purpose, the Maximum Available Capacity shall be equal to the registered maximum capacity of the (aggregate) unit less (1) forced unit outages, (2) scheduled unit outages, (3) de-rated capacity due to technical constraints which include (a) plant equipment-related failure and ambient temperature, (b) hydro constraints which pertains to limitation on the water elevation/turbine discharge and megawatt output of the plant and (c) geothermal constraints which pertain to capacity limitation due to steam quality (chemical composition, condensable and non-condensable gases), steam pressure and temperature variation, well blockage and limitation on steam and brine collection and disposal system.

All Generation Companies shall submit its Maximum Available Capacity and operational status on a monthly basis to the DOE-



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Electric Power Industry Management Bureau (EPIMB), with a copy furnished to the SO and the Philippine Electricity Market Corporation (PEMC);

- 2.2 Oil-based generation companies shall maintain an adequate in-country stocks of fuel equivalent to at least 15-days running inventory which includes shipments in transit. For this purpose, all oil-based generation companies shall submit to DOE-EPIMB, on a monthly basis, a report on fuel inventory based on typical load dispatch and fuel consumption;
- 2.3 Coal power plants shall ensure the required 30-day coal running inventory which includes shipments in transit. An inventory report shall be submitted to the DOE-EPIMB, on a monthly basis, based on typical load dispatch and fuel consumption schedule;
- 2.4 During the scheduled maintenance of Malampaya natural gas facilities, all affected generation companies shall maintain at least 15-days running inventory of the alternative fuel and shall operate at full capacity;
- 2.5 All generation companies with natural gas fired, geothermal and hydroelectric generating plants shall submit to the DOE a monthly report on the current status and a forecast of the energy sources of its generating plants;
- 2.6 All Generation Companies must notify and coordinate with the System Operator of any planned activity such as shutdown of its equipment in accordance with the PGC;
- 2.7 Immediately inform the DOE of any unexpected shutdown or derating of the generating facility or unit thereof. The report shall include a description of the causes of the unexpected shutdown and estimated resumption;
- 2.8 Generating Companies shall seek prior clearance from the DOE regarding any plans for deactivation or mothballing of existing generating units or facilities critical to the reliable operation of the Grid; and
- 2.8 Strictly abide by the provisions of the PGC.

SECTION 3. Responsibilities of TRANSCO and/or its concessionaire. Pursuant to its mandate under the EPIRA, TRANSCO and/or its concessionaire, presently NGCP, shall:

- 3.1 Ensure that transmission facilities pursuant to the TDP approved by the DOE are adequately provided and available for access by all electricity users in all areas of the grid. The NGCP, in the preparation of the TDP shall include all the transmission

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requirements of the generation companies, distribution utilities and suppliers. Any necessary modifications/adjustments duly endorsed and approved by the DOE shall be incorporated in the TDP by the NGCP prior to its finalization;

- 3.2 Undertake rigid evaluation of circumstances attendant prior to approval of deactivated shutdown in accordance with the criteria laid down in the System Operator Procedure Manual;
- 3.3 Submit to the DOE for consideration the Grid Operating and Maintenance Program (GOMP) including any updates and monitor the compliance of the generation companies thereof;
- 3.4 Immediately inform the DOE of any power interruptions or existence of such threats. The report shall include a description of the, magnitude, duration, causes and the areas affected, as well as the contingency or mitigating measures that were undertaken; and
- 3.5 Ensure the institutionalization of the necessary connection agreements with all the Grid Users (i.e., Generation Companies, DUs and Direct Customers) and impose all the pertinent requirements in the PGC.

SECTION 4. Responsibilities of Distribution Utilities. Distribution utilities shall:

- 4.1 Regularly submit to the DOE the prescribed Distribution Utility Development Plan (DDP) to monitor the existing, available, and future supply requirements and the PDUs Monthly Operations Report (MOR) and Monthly Financial and Statistical Report (MFSR) for ECs;
- 4.2 Comply with all the requirements of the PGC and Philippine Distribution Code (PDC) at all times and report significant load interruptions in its franchise area or any threats that may lead such events;
- 4.3 Ensure that the power requirements within their franchise areas are adequately covered by supply contracts or spot purchases from the WESM at all times; and
- 4.4 In cases of Red Alert status as declared by the System Operator, immediately submit to the DOE its manual load dropping schedule.

SECTION 5. Lead Agency. The DOE, being the agency tasked to supervise and oversee the electric power industry, shall be the lead agency in ensuring that all plans and programs to achieve the objectives of this Circular are properly carried out.

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SECTION 6. Monitoring, Enforcement and Compliance. The DOE, through EPIMB, shall monitor the compliance of all Generation Companies, all Distribution Utilities and the NGCP. The DOE, in consultation with the ERC, shall formulate and implement enforcement and penalty mechanism in cases of non-compliance to this Circular by the Generation Companies, Distribution Utilities and the NGCP.

For the purpose of monitoring and assessing the overall reliability performance of the Grid and the Grid User facilities, a Grid Reliability Task Force to undertake the necessary studies and policy recommendations to the DOE and ERC shall be created which members and specific task shall be defined in a separate Circular.

SECTION 7. Regulatory Support. The ERC shall ensure the timely recovery of generation cost of the power plants in accordance with existing laws and procedures.

SECTION 8. Linkage with other government entities. The DOE may seek assistance from other government agencies such as Bureau of Customs and National Water Resources Board in the monitoring of the fuel inventory and supply of water resources for power use.

SECTION 9. Effectivity. This Circular shall take effect immediately fifteen (15) days from its publication in a newspaper of general circulation.

Signed this ____ day of _____ 2010 at the DOE, Energy Center, Merritt Road, Fort Bonifacio, Taguig City, Metro Manila.


ANGELO T. REYES
Secretary

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