



Republic of the Philippines
DEPARTMENT OF ENERGY

DEPARTMENT CIRCULAR NO. DC 2010-08-0010 *7*

**PRESCRIBING THE IMPLEMENTING RULES AND PROCEDURES FOR
 DEPARTMENT CIRCULAR NO. DC2010-05-0006, ENTITLED "TERMINATING THE
 DEFAULT WHOLESALE SUPPLIER ARRANGEMENT FOR THE PHILIPPINE
 WHOLESALE ELECTRICITY SPOT MARKET (WESM) AND DECLARING A
 DISCONNECTION POLICY."**

WHEREAS, on 06 May 2010, after various public consultations and meetings with the relevant government agencies and stakeholders in the electric power industry, the Department of Energy (DOE) issued Circular No. 2010-05-0006, entitled "Terminating the Default Wholesale Supplier Arrangement for the Philippine Wholesale Electricity Spot Market (WESM) and Declaring a Disconnection Policy";

WHEREAS, the said DOE Circular was published on 12 May 2010 in two newspapers of general circulation and became effective last 27 May 2010;

WHEREAS, the said DOE Circular states that a disconnection policy shall be enforced within ninety (90) days from the effectivity of the DOE Circular for non-WESM members in areas where Wholesale Electricity Spot Market (WESM) is operational, while prescribing other grounds for disconnection of persons or entities pursuant to the overall intent of the EPIRA;

WHEREAS, the same DOE Circular provides that the DOE shall issue the guidelines for the disconnection of persons or entities who fail to comply with the DOE Circular";

WHEREAS, pursuant to the mandate of the DOE under Section 37(p) of the EPIRA to formulate rules and regulations as may be necessary to implement the objectives of the EPIRA and the WESM Rules, the DOE, in coordination with the National Grid Corporation of the Philippines (NGCP), National Transmission Corporation (TransCo), National Power Corporation (NPC), Power Sector Assets and Liabilities Management Corporation (PSALM), National Electrification Administration (NEA), and Philippine Electricity Market Corporation (PEMC), crafted these implementing rules and procedures to implement DOE Circular DC No. 2010-05-0006;

NOW, THEREFORE, premises considered, the DOE hereby adopts the following implementing rules and procedures for the disconnection of persons or entities who fail to comply with the DOE Circular No. DC2010-05-0006, entitled "Terminating the Default Wholesale Supplier Arrangement for the Philippine Wholesale Electricity Spot Market (WESM) and Declaring a Disconnection Policy."

Section 1. Introduction.

1.1. Rationale

The DOE is mandated under the EPIRA to, among others, ensure the reliability, quality and supply of electric power and ensure transparent and reasonable prices of electricity in a regime of free and fair competition and full public accountability

to achieve greater operational and economic efficiency. Likewise, 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.

The DOE, after consultations with the different stakeholders in the industry, finds merit in the request of the National Power Corporation (NPC) and the Power Sector Assets and Liabilities Management (PSALM) Corporation to be relieved of their obligations as Default Wholesale Supplier (DWS) in view of the significant level of privatization of NPC generating assets as well as transfer or management and control of NPC's contracted energy outputs from its independent power producers.

Further, the DOE deems it necessary to establish a disconnection policy to ensure that all electric power industry participants comply with the EPIRA, its IRRs, and all other related rules and regulations with the end goal of encouraging new power generation investments in the country. The disconnection policy likewise intends to minimize if not avoid existing leakages in the electric power systems due to unauthorized withdrawal of electricity as well as unmetered and unbilled consumptions of facilities connected to the grid.

The membership of all the electric power industry participants especially the distribution utilities in the WESM will promote a level playing field in the industry.

1.2. Objectives

This implementing rules and procedures are issued with the following objectives:

- A. To facilitate further development of market discipline with the end view of fostering competition in the power generation and supply businesses;
- B. To establish the grounds, conditions or criteria including the processes and protocols as well as the relevant procedures for disconnecting/reconnecting a person or entity from/to the grid. Towards this end, it is envisioned that the electricity end-users/customers comply with their financial obligations to their supply and service providers in a timely manner;
- C. To establish the authority and responsibilities of each of the concerned person or entity under the EPIRA and the WESM Rules and other related rules and regulations;
- D. To emphasize the need to register with the WESM and understand and comply with the WESM Rules;
- E. To formulate the guidelines for the restructuring of outstanding financial obligations and arrearages with PSALM/NPC; and

Section 2. Definition of Terms.

- 2.1 **"Connection Agreement" or "CA"** refers to the agreement between a User and the NSP, which specifies the terms and conditions pertaining to the connection of the User System or Equipment to a new Connection Point in the Grid (or the Distribution System);

- 2.2 **"Department of Energy"** or **"DOE"** refers to the government agency created pursuant to Republic Act No. 7638 whose expanded functions are provided in the EPIRA;
- 2.3 **"Direct WESM Member"** refers to a person or an entity registered with the Market Operator as provided under Clause 2.3. of the WESM Rules;
- 2.4 **"Distribution Code"** refers to a compilation of rules and regulations governing electric utilities in the operation and maintenance of their distribution systems which includes, among others, the standards for service and performance, and defines and establishes the relationship of the distribution systems with the facilities or installations of the parties connected thereto;
- 2.5 **"Distribution Utility"** or **"DU"** refers to any EC, private corporation, government owned utility or existing local government unit which has an exclusive franchise to operate a distribution system in accordance with the EPIRA;
- 2.6 **"Economic Zones"** or **"EZs"** refer to selected areas which are being developed into agro-industrial, industrial, tourist, recreational, commercial, banking, investment and financial centers. An EZ may refer to any of the following: Industrial Estates (IEs), Export Processing Zones (EPZs), Free Trade Zones (FTZs), Information Technology Parks and Tourist/Recreational Centers, such as those managed, administered, or operated by the Bases Conversion Development Authority (BCDA), Cagayan Economic Zone Authority (CEZA), Clark Development Corporation (CDC), Philippine Economic Zone Authority (PEZA), Phividec Industrial Authority (PIA), and Zamboanga City Economic Zone Authority (ZCEZA);
- 2.7 **"Electric Cooperative"** or **"EC"** refers to a DU organized pursuant to Presidential Decree No. 269, as amended, Republic Act 6939, as amended or as otherwise provided in the EPIRA;
- 2.8 **"Electric Power Customer"** or **"EPC"** is a collective term which refers to any EC, Private DU, EZs, large and other customers directly connected to the grid purchasing electric power from the EPS, for the purpose of supplying the end-users' requirements within its franchise area or for its own use;
- 2.9 **"Electric Power Service Provider"** or **"EPSP"** is a collective term which refers to any service providers such as the SO, MSP, NSP and other service providers in the electric power industry;
- 2.10 **"Electric Power Supplier"** or **"EPS"** is a collective term which refers to any Generation Company, IPPA, WA and any person or entity engage in supplying and/or selling electric power;
- 2.11 **"End-User"** refers to any person or entity requiring the supply and delivery of electricity for its own use;
- 2.12 **"Energy Regulatory Commission"** or **"ERC"** refers to the regulatory agency created under the EPIRA;

- 2.13 **"Generation Company"** refers to any person or entity authorized by the ERC to operate facilities used in the generation of electricity;
- 2.14 **"Grid Code"** refers to the set of rules and regulations governing the safe and reliable operation, maintenance and development of the high voltage backbone transmission system and its related facilities;
- 2.15 **"Implementation Review Committee"** or **"IRC"** refers to the committee tasked to formulate the implementing rules and regulations of DOE Circular No. DC2010-05-0006 and oversee its implementation;
- 2.16 **"Independent Power Producer"** or **"IPP"** refers to an existing power generating entity which is not owned by NPC/PSALM;
- 2.17 **"Indirect WESM Member"** refers to a person or an entity who wishes to indirectly trade in the spot market through a Direct WESM member;
- 2.18 **"IPP Administrator"** or **"IPPA"** refers to qualified independent entities appointed by PSALM who shall administer, conserve and manage the contracted energy output of NPC IPPs, including the selling of the contracted energy output of these contracts and offering Ancillary Services, where applicable;
- 2.19 **"Market Operator"** or **"MO"** refers on the entity, currently the Philippine Electricity Market Corporation (PEMC), responsible for the operation of the WESM governed by the Philippine Electricity Market (PEM) Board in accordance with Clause 1.4 of the WESM Rules;
- 2.20 **"Metering Service Agreement"** or **"MSA"** refers to the agreement that defines the responsibilities and obligations of the MSP and the Metered Entity in relation to the provision of metering facilities, equipment and service as provided under the OATS Rules, the Grid Code and the WESM Rules;
- 2.21 **"Metering Service Provider"** or **"MSP"** refers to a person or entity authorized by the ERC to provide metering services and registered with the MO in that capacity in accordance with the Clause 2.3.6 of the WESM Rules;
- 2.22 **"National Electrification Administration"** or **"NEA"** refers to the government agency created under Presidential Decree No. 269, as amended, and whose additional mandate is further set forth in the EPIRA;
- 2.23 **"National Grid Corporation of the Philippines"** or **"NGCP"** refers to the corporation, by virtue of Republic Act No. 9511, granted a franchise to operate, manage and maintain, and in connection therewith, to engage in the business of conveying or transmitting electricity through high voltage back-bone system of interconnected transmission lines, substations and related facilities, systems operations, and other activities that are necessary to support the safe and reliable operation of a transmission system and to construct, install, finance, manage, improve, expand, operate, maintain, rehabilitate, repair and refurbish the nationwide transmission system of the Republic of the Philippines;
- 2.24 **"National Power Corporation"** or **"NPC"** refers to the government corporation created under Republic Act No. 6395, as amended;

- 2.25 **"National Transmission Corporation"** or **"TransCo"** refers to the corporation organized pursuant to the EPIRA;
- 2.26 **"Network Service Provider"** or **"NSP"** refers to a person who engages in the activity of owning, controlling, or operating a transmission or distribution system and who is registered with the MO in that capacity under Clause 2.3.4 of the WESM Rules;
- 2.27 **"Notice of Disconnection"** refers to a notice issued by any EPS, EPSP or the MO, as defined in this Implementing Rules and Procedures, informing any of its EPC of its impending disconnection from the grid or network in accordance with the provisions of its contracts and this Implementing Rules and Procedures;
- 2.28 **"Notice of Reconnection"** refers to a notice issued by any EPS, EPSP or the MO, as defined in this Implementing Rules and Procedures, addressed to NGCP or other NSPs, copy furnished the EPC, authorizing the reconnection of any of its EPC to the grid or network in accordance with the provisions of its contract with the EPC and this Implementing Rules and Procedures;
- 2.29 **"Open Access Transmission Services Rules"** or **"OATS Rules"** refers to regulation that governs the implementation of the Open Access Transmission Services as approved by the ERC;
- 2.30 **"Power Sector Assets and Liabilities Management Corporation"** or **"PSALM"** refers to the corporation created pursuant to EPIRA Section 49;
- 2.31 **"Power Supply Agreement"** or **"PSA"** refers to the contract for the supply of electricity between the Generation Company, IPPA, WA, and the EPC. It may be in the form of Transition Supply Contract (TSC), Contract for the Supply of Electric Energy (CSEE) or bilateral contract;
- 2.32 **"Restructuring Agreement"** refers to a contract or agreement entered into by PSALM and EPC wherein the latter agrees to pay its arrearages to PSALM through monthly installments inclusive of interest pursuant to Section 3.2 of the DOE Circular No. 2010-05-0006 and in accordance with Section 4.1(D) of this Implementing Rules and Procedures;
- 2.33 **"System Operator"** or **"SO"** refers to the party responsible for generation dispatch, the provision of ancillary services, and operation and control to ensure safety, power quality, stability, reliability and security of the grid;
- 2.34 **"Transmission Service Agreement"** or **"TSA"** refers to the agreement entered into by the Transmission Provider and user of the facility that specifies the terms and conditions of the transmission service by the Transmission Provider and the availment of such service by the Transmission Customer; also serves as the Connection Agreement;
- 2.35 **"Wholesale Aggregator"** or **"WA"** refers to a person or entity, engaged in consolidating electric power demand of the DUs and other EPCs, for the purpose of purchasing and reselling electricity on a group basis;

- 2.36 **"Wholesale Electricity Spot Market" or "WESM"** refers to the electricity market established by the DOE in accordance with the EPIRA.

Section 3. Title and Scope.

3.1 Title.

This issuance shall be referred to as the "Implementing Rules and Procedures for DOE Circular No. DC2010-05-0006, entitled "Terminating the Default Wholesale Supplier Arrangement for the Philippine WESM and Declaring a Disconnection Policy."

- 3.2 **Termination of the Default Wholesale Supply Arrangement.** The DWS Arrangement is hereby terminated upon the effectivity of this Implementing Rules and Procedures. PEMC, NPC, and PSALM are hereby directed to finalize all the settlement amounts involving the DWS Arrangement within **30 days** after the effectivity of this Implementing Rules and Procedures.

- 3.3. **Scope of Coverage.** The following shall be governed by Implementing Rules and Procedures:

A. EPCs

1. ECs directly connected to the grid;
2. Private Investor-Owned Utilities (PIOUs) directly connected to the grid;
3. Large and Other Customers directly connected to the grid;
4. WAs; and
5. EZs.

B. EPS

1. Generation Companies;
2. PSALM/NPC;
3. IPPAs; and
4. WAs;

C. EPSPs and MO

1. The MO, currently PEMC as the AGMO and Independent Market Operator (IMO) upon its appointment by the DOE
2. NGCP as the SO and MSP;
3. NSP other than the NGCP;
4. Other MSPs; and
5. Other electric power industry stakeholders given special arrangement by the NSP other than the NGCP.

- D. The Visayas and Mindanao stakeholders are exempted, in so far as WESM registration requirements are concerned. Furthermore, PSALM/NPC shall not issue any Notice of Disconnection within the ninety-(90) day transition period as prescribed in the DOE Circular No. DC2010-05-0006.

Section 4. Disconnection Process.

4.1. Grounds and Conditions for Disconnection.

The EPS, EPSP or the MO may issue a Notice of Disconnection to an EPC under any of the following circumstances:

A. MO

1. Failure of the EPC, EPS or EPSP to register in the WESM after the ninety-(90) day transition period in accordance with the registration process under the WESM Rules, the DOE Circular No. DC2010-05-0006 and other DOE issuances.

IPPs whose generating capacities are contracted with NPC are deemed WESM registered if its generating facilities are registered under any of the PSALM, NPC or the IPPA;

2. Suspension and deregistration as a WESM Member under the WESM Rules; and
3. In the case of the WA, suspension and deregistration from the WESM may result to the disconnection of its EPC.

All matters regarding the WESM Registration, Suspension and Deregistration shall be governed by the WESM Rules and Section 6 of this Implementing Rules and Procedures.

B. NGCP and NSPs Other than NGCP.

1. Failure of the EPS or EPC to comply with the required financial or technical obligations with the NGCP in accordance with their existing contracts, such as among others the TSA, CA, MSA, and the OATS Rules, Grid Code, and Distribution Code. The NGCP shall furnish the IRC and the MO a copy of the Notice of Disconnection or Notice of Reconnection issued to the EPS or EPC; and
2. In the case of NSPs other than NGCP, failure of the EPS or EPC to satisfy or settle their obligations under their existing contract with the NSP. Such NSP shall furnish the IRC and the MO a copy of the Notice of Disconnection or Notice of Reconnection issued to the EPS or EPC.

C. Generation Companies, IPPA and WA.

1. As provided under their existing contracts, failure of the EPC to comply with the required financial and technical obligations to the Generation Company, IPPA or the WA; and
2. Termination/Expiration of the existing contract of an EPC that is an Indirect WESM Member EPC unless such EPC has secured a new supply contract with other Generation Company or has renewed its existing supply contract with the Generation Company or has successfully registered in the WESM as Direct Member.

D. PSALM and NPC

1. Failure of the EPC to secure and enter into a Restructuring Agreement within the required period in accordance with DOE Circular No. 2010-05-0006;
2. Failure of the EPC to comply with its financial obligations (including non-remittance of Universal Charge) with PSALM and NPC as provided under their PSAs or any existing contracts for the supply of electricity and Restructuring Agreement; and
3. Failure of the EPC to secure a Restructuring Agreement and/or fully settle its financial obligations with PSALM and NPC even such EPC is now being assumed and turned over to the NPC successor generation companies or has expired contracts with PSALM and NPC but still continue to draw power from the grid and are still being billed by PSALM and NPC.

For the above-cited EPC with outstanding financial obligations with PSALM and NPC, PSALM shall issue the Notice of Disconnection and shall submit a letter-request to NGCP for the execution of the Notice of Disconnection in accordance with Section 4 of this Implementing Rules and Procedures.

All matters regarding the Restructuring Agreement shall be governed by the PSALM's Restructuring Policy and Section 7 of this Implementing Rules and Procedures.

4.2 Procedures for and Execution of the Request to Disconnect a Person or Entity from the Grid.

The issuance of the Notice of Disconnection by the requesting party shall be the last resort option. Thus, it is encouraged that both the requesting party and the subject person or entity for disconnection have exhausted all remedies available.

The Notice of Disconnection and Letter-Request shall follow the formats provided under Appendix A and Appendix B hereof.

- A. Any EPS or EPSP, as the requesting party, shall issue a Notice of Disconnection to the EPC and shall submit a letter-request to NGCP for the execution of the Notice of Disconnection in accordance with Section 4 of this Implementing Rules and Procedures.
- B. The MO, as the requesting party, shall issue a Notice of Disconnection to the EPC, EPS or EPSP and shall submit a letter-request to NGCP for the execution of the Notice of Disconnection in accordance with Section 4 of this Implementing Rules and Procedures.
- C. Prior to issuance of any Notice of Disconnection by the requesting party and the letter-request to NGCP for the execution of the Notice of Disconnection, the EPS, EPSP, or the MO, consistent with the provisions under their respective contracts with the subject person or entity proposed for disconnection, shall endeavor to consider and undertake the following:

1. The Notice of Disconnection is consistent with the DOE Circular No. DC2010-05-0006, the WESM Rules, the OATS Rules and this Implementing Rules and Procedures; and
 2. The Notice of Disconnection is consistent with the existing agreements or valid contract with the EPC sought to be disconnected.
- D. Within five (5) days after the receipt of the Notice of the Disconnection by the EPC and the letter-request for the execution of the Notice of Disconnection, the NGCP shall execute the said Notice of Disconnection and prepare a report to the requesting party and the IRC. The NGCP shall advise the requesting party and the EPC of the schedule of the disconnection. For this purpose, the requesting party shall provide NGCP a copy of the proof of receipt of the Notice of Disconnection immediately after the receipt of the Notice of Disconnection by the EPC.

In case the 5th day falls on a Friday, weekends or a holiday, the disconnection shall be executed on the next working day.

- E. The NGCP shall prepare a report, taking into consideration the impact of such disconnection in the power system.

In case the disconnection cannot be implemented by NGCP within the five (5) day period due to technical reasons, the NGCP shall advise the requesting party prior the end of the five (5) day period, the date on when it can affect the actual disconnection including the specific technical reason/s.

- F. The EPS, EPSP or the MO issuing the Notice of Disconnection and the letter-request shall hold NGCP free and harmless from any kinds of suits that may arise or shall indemnify NGCP from any damages NGCP may have suffered in relation to the issuance of the Notice of Disconnection.
- G. NGCP shall only implement the disconnection after all the procedures and mitigating measures have been exhausted and complied with. This Implementing Rules and Procedures is hereby declared to be a notice to all electric power industry stakeholders of NGCP's authority to undertake disconnection pursuant to their respective contracts and to this Implementing Rules and Procedures.

4.3 Remedial Actions to Stay or Defer the Disconnection.

- A. Conditions and Pre-requisites.

The implementation of the disconnection may be deferred if any of the following conditions are present:

1. Settlement/payment of the outstanding amount due and demanded, consistent with the existing agreements or valid contracts with the EPS, EPSP or the MO within five (5) days prior to the scheduled disconnection date. The requesting party shall immediately inform NGCP of the settlement/payment of the outstanding amount due and demanded by the EPC using the pro-forma Request for Disconnection Recall in Appendix C of this Implementing Rules and Procedures prior to the scheduled

disconnection date in order for the NGCP to defer the execution of such disconnection.

2. In the case of PSALM/NPC customers, execution of a Restructuring Agreement within five (5) days prior to the scheduled disconnection date. PSALM/NPC, as the requesting party shall immediately inform NGCP of the execution of a Restructuring Agreement with the EPC using the pro-forma Request for Disconnection Recall in Appendix C prior to the scheduled disconnection date in order for the NGCP to defer the execution of such disconnection;
3. Recalled Notice of Disconnection by the requesting person or entity as a result of a Special Payment Agreement entered into by the contracting parties five (5) days prior to the scheduled disconnection date. The requesting party shall immediately inform NGCP of the recall using the pro-forma Request for Disconnection Recall in Appendix C prior to the scheduled disconnection date in order for the NGCP to defer the execution of such disconnection;
4. Proof of non-receipt of the Notice of Disconnection. In such case, the execution of the Notice of Disconnection may be deferred for up to five (5) days from the actual receipt of the Notice of Disconnection; and
5. In the case of the MO, the subject person or entity have successfully registered with the WESM pursuant to Section 2.2.4.2 of the WESM Rules. The MO, as the requesting party shall immediately inform NGCP of the registration of such person or entity to the WESM using the pro-forma Request for Disconnection Recall in Appendix C prior to the scheduled disconnection date in order for the NGCP to defer the execution of such disconnection.
6. Private entities may also enter into a Restructuring Agreement, subject to their existing agreements or valid contracts.

Section 5. Reconnection Process.

5.1. Conditions and Requirements for Reconnection.

Reconnection may be effected if such disconnected person or entity has complied with any of the following:

A. MO

1. Registration with the WESM in accordance with the registration processes under the WESM Rules;
2. The suspension and deregistration of a WESM Member has been lifted in accordance with the WESM Rules;
3. The suspension and deregistration of the WESM Registered Supplier/Aggregator has been lifted in accordance with the WESM Rules, will constitute a reconnection of its customer.

B. NGCP and NSPs other than the NGCP.

1. Upon full payment of the amount due and demanded from the concerned disconnected person or entity to NGCP;
 2. If the disconnected person or entity has remedied its non-compliance, with the service contracts such as the TSA, CA, MSA; and the OATS Rules, Grid Code, and Distribution Code in a manner acceptable to the NGCP.
- C. Generation Company, IPPA and WA.
1. Upon full payment of the amount due to and demanded by the Generation Company, IPPA or the WA;
 2. If such disconnected customer has secured a new supply contract or a renewal of the existing supply contract or has registered with the WESM as Direct Member.
- D. PSALM and NPC.
1. If such disconnected customer has secured a Restructuring Agreement in accordance with PSALM's Restructuring Policy and Section 6 of this Implementing Rules and Procedures; and
 2. Upon full payment of the amount demanded by PSALM and NPC as provided under their existing contracts and Restructuring Agreement.

In all instances, reconnection of electric service shall be in accordance with the existing agreements between the Generation Companies and their buyers or off-takers and shall be subject to payment of the Reconnection Fee to NGCP and/or Other NSPs by the EPC prior to reconnection.

5.2 Request for Reconnection.

- A. Any EPS, EPSP or MO requesting for a reconnection of person or entity shall submit its Notice of Reconnection and a letter-request to NGCP and IRC for the execution of the Request for Reconnection in Appendix D.
- B. Within two (2) days after the receipt of the Notice of Reconnection, the NGCP shall execute the Notice of Reconnection and prepare a report to the requesting party and the IRC.
- C. The NGCP shall prepare a report, taking into consideration the impact of such reconnection in the power system.

In case the reconnection cannot be implemented by NGCP within the two (2) day period due to technical reasons, the NGCP shall advise the requesting party prior the end of the two (2) day period, the date on when it can affect the actual reconnection including the specific technical reason/s. Towards this end, the EPS, EPSP or the MO issuing the Notice of Reconnection shall hold NGCP free and harmless from any kinds of suits that may arise or shall indemnify NGCP from any damages NGCP may have suffered in relation to the issuance of the Notice of Reconnection.

In the case of the disconnected entity which disconnection was issued by multiple requesting parties, the reconnection will only be executed when all the requesting parties have issued a letter-request and Notice of Reconnection.

- D. In all instances, a reconnection fee shall be paid by the disconnected EPC to NGCP or other NSPs prior to reconnection.

Section 6. WESM Registration, Suspension and Deregistration Guidelines.

All matters regarding the WESM Registration, Suspension and Deregistration in Section 4.1(A) of this Implementing Rules and Procedures shall be governed by the WESM Rules and the WESM Registration, Suspension, and Deregistration Guidelines.

Appendix E of this Implementing Rules and Procedures details the provisions for WESM Registration, Suspension and Deregistration.

Section 7. Guidelines in Implementing the Restructuring of Outstanding Financial Obligations and Arrearages with PSALM and NPC.

All matters relating to the implementation of the restructuring of outstanding financial obligations and arrearages between PSALM and the EPCs under Section 4.1(D) of this Implementing Rules and Procedures shall be governed by the PSALM's Restructuring Policy and the Guidelines in the Formulation of the Restructuring Plan.

Appendix F of this Implementing Rules and Procedures details the procedures and guidelines for negotiations and entering into a Restructuring Agreement with PSALM..

Section 8. Separability Clause. If for any reason, any section or provision of this Implementing Rules and Procedures is declared unconstitutional or invalid, the other parts or provisions hereof which are not affected thereby shall continue to be in full force and effect.

Section 9. Effectivity and Publication. This Implementing Rules and Procedures shall be effective fifteen (15) days from its publication in a newspaper of general circulation. The PEMC is hereby directed to publish this Implementing Rules and Procedures in the market information website.

This Implementing Rules and Procedures shall remain in effect until otherwise revoked.

Taguig City, Philippines, _____, 2010

23 AUG 2010


JOSE RENE D. ALMENDRAS
Secretary



Republic of the Philippines
DEPARTMENT OF ENERGY

IN REPLYING PLS CITE:

SDOE10-001500



APPENDICES

APPENDIX A

PRO-FORMA NOTICE OF DISCONNECTION

(Date)

(Name of Authorized Person)

(Designation)

(Name of Entity to be disconnected)

(Address)

Subject: **NOTICE OF DISCONNECTION AND FINAL DEMAND FOR (NAME OF THE PERSON/ENTITY TO BE DISCONNECTED)**

Dear _____:

The (Name of the Requesting Party) hereby serves you this notice for failing to (Ground/s for Disconnection) amounting to (Total amount due and demanded, if applicable). In this regard, we advise you to immediately comply/settle the above requirements/amount within five (5) business days from receipt of this notice. Failure to do so shall result to the disconnection of your facility from the transmission/distribution network by the (National Grid Corporation of the Philippines (NGCP)/Name of Network Service Provider) on (Date of Disconnection). (Name of the Requesting Party) shall hold (NGCP/Name of Network Service Provider) free and harmless from any kinds of suits that may arise and shall likewise indemnify (NGCP/Name of Network Service Provider) from any damages (NGCP/(Name of Network Service Provider)) may have suffered in relation to the issuance of this Notice of Disconnection/Final Demand.

This is without prejudice to the filing of the appropriate action in court to protect our rights and interests.

Your immediate and preferential attention and action is hereby requested.

Very truly yours,

(Name and Address of the Requesting Party)

Received by:

(Name and Signature of the Recipient/Date of Receipt)

Cf: Implementation Review Committee (IRC) through the Department of Energy-Electric Power Industry Management Bureau (DCE-EPIMB)
National Grid Corporation of the Philippines-Operation and Maintenance

(PLEASE DISREGARD THIS NOTICE IF REQUIREMENT/PAYMENT HAS ALREADY BEEN COMPLIED/MADE)

APPENDIX B

PRO-FORMA
LETTER-REQUEST FOR DISCONNECTION
Disconnection Request No. (to be filled up by NGCP/NSP)

(Date)

(Name of Authorized Person)

(Designation)

(Name of Network Service Provider)

(Address)

Subject: **REQUEST FOR DISCONNECTION OF (NAME OF THE PERSON/ENTITY TO BE DISCONNECTED)**

Dear _____:

This to inform you that we served the Notice of Disconnection to (Name of the Person/Entity to be Disconnected) for failing to (Ground/s for Disconnection) amounting to (Total amount due and demanded, if applicable). The Notice of Disconnection was issued on (Date of Issuance of the Notice of Disconnection). In this regard, we request the (National Grid Corporation of the Philippines (NGCP)/Name of the Network Service Provider) to disconnect from the transmission/distribution network (Name of the Person/Entity to be Disconnected) after five (5) business days from receipt of this request. (Name of the Requesting Party) shall hold (NGCP/Name of Network Service Provider) free and harmless from any kinds of suits that may arise and shall likewise indemnify (NGCP/Name of Network Service Provider) from any damages (NGCP/(Name of Network Service Provider) may have suffered in relation to this request for Disconnection.

This is without prejudice to the filing of the appropriate action in court to protect our rights and interests.

Your immediate and preferential attention and action is hereby requested.

Very truly yours,

(Name and Address of the Requesting Party)

Received by:

(Name and Signature of the Recipient/Date of Receipt)

Cf: Implementation Review Committee (IRC) through the Department of Energy-Electric Power Industry Management Bureau (DOE-EPIMB)
National Grid Corporation of the Philippines-Operation and Maintenance

APPENDIX C

PRO-FORMA

REQUEST FOR DISCONNECTION RECALL

Reference: Disconnection Request No. (to be filled up by NGCP/NSP)

(Date)

(Name of Authorized Person)

(Designation)

(Name of Network Service Provider)

(Address)

Subject: REQUEST TO RECALL THE DISCONNECTION OF (NAME OF THE PERSON/ENTITY TO BE DISCONNECTED)

Dear _____:

This to inform you that (Name of the Person/Entity to be Disconnected) have complied/settled its obligations with (Name of the Requesting Party) within the 5 business days prescribed period. In this regard, we request the (National Grid Corporation of the Philippines (NGCP)/Name of the Network Service Provider) to recall the disconnection of (Name of the Person/Entity to be Disconnected). (Name of the Requesting Party) shall hold (NGCP/Name of Network Service Provider) free and harmless from any kinds of suits that may arise and shall likewise indemnify (NGCP/Name of Network Service Provider) from any damages (NGCP/Name of Network Service Provider) may have suffered in relation to this Request for Disconnection Recall.

This is without prejudice to the filing of the appropriate action in court to protect our rights and interests.

Your immediate and preferential attention and action is hereby requested.

Very truly yours,

(Name and Address of the Requesting Party)

Received by:

(Name and Signature of the Recipient/Date of Receipt)

Cf: (Person/Entity subject for Disconnection)

Implementation Review Committee through the Department of Energy-Electric Power Industry
Management Bureau
National Grid Corporation of the Philippines-Operation and Maintenance

APPENDIX D

PRO-FORMA REQUEST FOR RECONNECTION

Reference: Disconnection Request No. (to be filled up by NGCP/NSP)

(Date)

(Name of Authorized Person)

(Designation)

(Name of Network Service Provider)

(Address)

Subject: REQUEST FOR RECONNECTION OF (NAME OF THE PERSON/ENTITY TO BE DISCONNECTED)

Dear _____:

This to inform you that (Name of the Person/Entity to be Disconnected) have complied/settled its obligations with (Name of the Requesting Party). In this regard, we request the (National Grid Corporation of the Philippines (NGCP)/Name of the Network Service Provider) to reconnect (Name of the Person/Entity to be Disconnected) to the transmission/distribution network within 2 days from the receipt of this Request for Reconnection. (Name of the Requesting Party) pledges to pay NGCP the reconnection fee at NGCP's designated bank.

(Name of the Requesting Party) shall hold (NGCP/Name of Network Service Provider) free and harmless from any kinds of suits that may arise and shall likewise indemnify (NGCP/Name of Network Service Provider) from any damages (NGCP/Name of Network Service Provider) may have suffered in relation to this Request for Reconnection.

This is without prejudice to the filing of the appropriate action in court to protect our rights and interests.

Your immediate and preferential attention and action is hereby requested.

Very truly yours,

(Name and Address of the Requesting Party)

Received by:

(Name and Signature of the Recipient/Date of Receipt)

Cf. (Person/Entity to be reconnected)

Implementation Review Committee through the Department of Energy-Electric Power Industry
Management Bureau
National Grid Corporation of the Philippines-Operation and Maintenance

APPENDIX E

WESM REGISTRATION, SUSPENSION, AND DEREGISTRATION GUIDELINES

1. **Eligible Persons or Entities.** Pursuant to Section 30 of Republic Act No. 9136, subject to compliance with membership criteria, all generating companies, distribution utilities, suppliers, bulk consumers/users and other similar entities authorized by the Energy Regulatory Commission shall be eligible to become members of the Wholesale Electricity Spot Market.
2. **Categories of WESM Member.** Consistent with the foregoing, the Wholesale Electricity Spot Market Rules (WESM Rules) require registration with the Market Operator of the WESM of Trading Participants, Network Service Providers, Ancillary Services Providers, Metering Services Providers and the System Operator.
3. **Mandatory WESM Registration.** No person or entity shall be allowed to inject or withdraw electricity to or from the grid unless that person or entity is a registered member of the WESM, either as a Direct or Indirect WESM Member. A person or entity that shall undertake activities or participate in or in relation to the spot market shall register as a Direct Member while a person or entity that wishes to indirectly trade shall register as an Indirect Member. However, an Indirect Member may only transact through a direct WESM Member.

4. WESM Membership Criteria and Requirements

- a. An applicant for WESM Membership must meet the criteria set forth in the WESM Rules, that such applicant -
 - i. is a resident in, or is permanently established in, the Philippines;
 - ii. Is not under external administration as defined in the Corporation Code of the Philippines or under a similar form of administration under any laws applicable to the applicant in any jurisdiction;
 - iii. Is not immune from suit in respect of the obligations under the WESM Rules;
 - iv. Is capable of being sued in its own name in a court in the Philippines; and
 - v. Satisfies prudential requirements.
- b. The Market Operator shall set forth the technical, commercial and legal requirements for registration in the WESM, which are consistent with the relevant provisions of the EPIRA, the WESM Rules and other relevant rules and regulations.

5. De-registration

- a. The Market Operator may de-register a WESM Member for such grounds set forth in the WESM Rules and relevant market manuals, including but not limited to payment default and breach of the WESM Rules which the Market Operator determines is no longer capable of being rectified.
- b. The Market Operator shall de-register a WESM Member following the procedures set forth the de-registration procedures approved by the Philippine Electricity Market Board (PEM Board) pursuant to WESM Rules clause 2.8.3.
- c. A WESM Member that is de-registered shall be allowed to register again only after the lapse of the prescriptive period and upon compliance with the requirements

and procedures set forth in the de-registration procedures approved by the PEM Board

6. Suspension of WESM Members

- a. The Market Operator may issue a suspension notice to WESM Members based on the following grounds set forth in WESM Rules clause 2.7.1 -
 - i. Breach of the WESM Rules; and
 - ii. Payment default
- b. The Market Operator shall issue a suspension notice to the erring or defaulting WESM Member following procedures set forth in the WESM Rules and in relevant market manuals.
- c. Upon issuance by the Market Operator of a suspension notice, the WESM Member is suspended from participation in the spot market unless and until the Market Operator declares the suspension notice to be revoked.
- d. The Market Operator shall publish the suspension notice and the notice of revocation.

7. Obligations and Liabilities Following Suspension or De-Registration

Notwithstanding that a WESM Member has been suspended from trading in or has been de-registered from the WESM, its obligations and liabilities which arose under the WESM Rules prior to the date in which it was suspended or de-registered remain unaffected by the suspension or de-registration.

8. **Applicability of the WESM Rules and Manuals.** The criteria, grounds, guidelines and procedures for registration, de-registration, cessation and suspension of WESM Members are set forth in the WESM Rules and relevant market manuals, which may be amended from time to time. In case of conflict between the foregoing provisions and the WESM Rules, and market manuals, the WESM Rules shall prevail.

APPENDIX F

GUIDELINES FOR THE FORMULATION OF THE RESTRUCTURING PLAN

Section I. Objective

These guidelines are issued to define the procedures in formulating the restructuring plan on debts/arrearages of customers of NPC and PSALM and the criteria to be considered in the restructuring plan in compliance to DOE Circular No.DC2010-05-006 entitled "Terminating the Default Wholesale Supplier Agreement for the Philippine Wholesale Electricity Spot Market (WESM) and Declaring a Disconnection Policy".

Section II. Coverage of Restructuring

These guidelines shall be applied to the following customers of NPC and PSALM:

1. Distribution Utilities (Private Investor-Owned, Electric Cooperatives, and local government unit-owned);
2. Directly-connected Customers, including those with expired contracts with PSALM and NPC but still continue to draw power from the grid and are still being billed by PSALM and NPC;
3. Economic Zone; and
4. Other duly authorized entities engaged in the distribution of electricity.

Section III. Restructuring Plan

The restructuring plan shall be able to determine the terms and conditions to be applied to include among others, the capacity to pay of the customers of their debts/arrearages with PSALM and NPC and to ensure the timely payment of the restructured debts as well as their current accounts. The Plan should have a corresponding rehabilitation program to improve their financial and operational conditions. This is a one time restructuring of the debts/arrearages of NPC and PSALM customers as of 30 June 2010.

1. Contents of the Restructuring Plan

The Restructuring Plan to be negotiated with PSALM shall consider the following.

- a) Audited Financial Reports for the past three (3) years;
- b) Applicable Restructuring Scheme;
- c) Statement of Accounts (SOA);
- d) Projected Financial Statements;
- e) Summary of Annual Collections Report from Distribution Utilities from 2005 to present;
- f) Rehabilitation plan that will focus on adopting measures that will result to increase in collection efficiency and reduction of system loss, as well as, measures to optimize operating costs and professionalize management and staff, etc.;
- g) Other documents that will show the capacity to pay of the customer and the implementation of the mode of restructuring.

2. Mode and Date of Submission

The customers shall submit to PSALM the documents itemized in Section III not later than the following schedules:

Grid	Items 1(a) to (e)	Items 1(f) to 1(g)
Luzon	30 June 2010	15 July 2010
Visayas	15 August 2010	15 September 2010
Mindanao	30 September 2010	31 October 2010

Submission dates may change depending on the decision of PSALM, being the lead responsible agency on restructuring the debts/arrearages of NPC and PSALM customers.

Section IV. Criteria of the Restructuring Plan/Program

PSALM, subject to the approval of the PSALM Board, shall be guided and adopt the criteria hereunder to evaluate and approve the restructuring plan submitted by the customers.

1. Prioritization

PSALM shall prioritize the evaluation and approval of the restructuring plan of customers that it has already received. Thereafter, PSALM shall use the following order of prioritization in the evaluation and approval of the restructuring plan of its customer:

a) By Grid (Luzon, Visayas, Mindanao)

- Luzon to be completed within the 90-day period set by the DOE DC2010-05-0006.
- Visayas within 180 days
- Mindanao will depend on PSALM's assessment of the customers.

b) By Amount of Debts

From lowest to highest

c) By Type of Customers

Within the 90 day period set by DOE DC2010-05-0006, Luzon Indirect Member Distribution Utilities/Directly Connected Customers/Economic Zones (without existing contract with NPC/PSALM); the others depending on the assessment of PSALM.

2. Coverage of Accounts to be Restructured

PSALM shall consider the restructuring of the following accounts:

- a) Power Bill;
- b) Interests;
- c) Default Wholesale Supply Charges;
- d) VAT collected but not remitted (exclusive of interest);
- e) Universal Charge collected but not remitted; and
- f) Other receivables, which include but not limited to, utilization fees, and debit charges due to corrected meter reading.

3. Approving Authority

PSALM shall follow this hierarchy in the approval of the restructured debt of its customers.

Restructuring Period	Restructured Amount	
	≤ Php300.0 M	> Php 300.0 M
1 to 24 months	VP-Finance	President
25 to 60 months	President	President
Over 60 months	PSALM Board	PSALM Board

4. Other Considerations

- a) The approval of restructuring does not assume the cancellation of the unreconciled accounts of the customers. All reconciled differences between the restructured amount and the amount per PSALM books will be added to the monthly amortization, divided equally over the remaining restructuring period.
- b) Accounts under litigation with NPC and/or PSALM as of the effectivity of DOE DC 2010-05-006 (May 27, 2010) will not be included in the amount to be restructured. Upon final decision of the court wherein the disputed amount is indeed the accountability of the customer, the amount and corresponding interests will be added to the monthly amortization, and shall be divided equally over the remaining restructuring period.
- c) Customers with relatively sound financial status will only be allowed a maximum of twenty four (24) months restructuring period regardless of the total collectible amount. A "sound financial status" means a positive cash flow that can cover the total accountability over the restructuring period, a positive statement of operations or the customer have other means to pay the total accountability within twenty four (24) months. This will be assessed by PSALM-Treasury Department (TD) with proper coordination with customer's management.
- d) For special cases (e.g., customers proposing other payment scheme other than what PSALM is utilizing, having disputed amount with PSALM, etc.) a much detailed review shall be done. PSALM will consider the current situation of the customer and will also be flexible to the restructuring proposal of the customer for as long as the PSALM Management deems it reasonable. Approval for these special cases will be by the PSALM Board.
- e) Reasons beyond the control of the customers, particularly those who have already complied with the requirements/documents for the MOA on Restructuring but evaluation has not yet been completed by PSALM, shall be temporarily exempted from disconnection until such time that the MOA on Restructuring has been executed.

Section V. Memorandum of Agreement on Restructuring

Pursuant to Section 3.2 of DOE Circular No.DC2010-05-006, the customers identified in Section II shall either settle their arrearages or enter into a restructuring agreement with NPC and PSALM within 90 days from the effectivity of the said Circular to avoid disconnection from the grid (effectively the last day will be August 24,2010). However,

Section 2 of this Plan provides longer period of time for customers in accordance to prioritization indicated in Section IV(1).

1. The Memorandum of Agreement (MOA) to be entered into by and between PSALM and the customer shall contain, but not limited to, the following terms and conditions:

- a) Interest Rates

The restructured account shall be subject to an interest based on the Philippine Dealing System Treasury Fixing (PDSTF) rate plus 2% spread.

- b) Payment Duration (based on the capacity to pay both the restructured debt/arrearages and current account)

- c) Indicators or Measures of Customer's Performance Improvement

For monitoring purposes, the customers shall submit the agreed upon performance indicators to PSALM and NEA, every 15th of the month following the applicable month, their monthly report on their rehabilitation program highlighting the improvement in their collection efficiency, system losses, observance of cost cutting measures, professionalization of the management and staff, etc.

- d) Other Conditions

- i) Upon the failure or delay of payment of the restructured amount, the total unpaid restructured amount becomes due and demandable and shall result to disconnection from the grid, subject to the Guidelines on Disconnection Policy pursuant to DOE Circular No.DC2010-05-0006.
 - ii) Customers shall grant PSALM auditorial rights.
 - iii) Restructured account should rank *pari-passu* with other creditors.
 - iv) Customers shall not issue any cash dividend without prior approval from PSALM during the entire restructuring period.
 - v) For customers who are still supplied by PSALM/NPC, no Prompt Payment Discount shall be availed during the restructuring period.

2. The documents listed in Section III (1) shall be submitted as attachments to the MOA. For electric cooperatives (ECs), it should also include NEA-approved annual budget and the restructuring scheme or a supplemental budget if the application is submitted/being applied in the middle of the calendar year.

Section VI. Responsibilities

PSALM shall take the lead, and work jointly with NPC and NEA, in the implementation of the restructuring of debts/arrearages of customers in compliance to DOE DC 2010-05-006, to include the preparation of the pro-forma Memorandum of Agreement, list of customers according to the prioritization in this Guidelines and its corresponding timeline for the negotiations with each customer.

PSALM shall seek its Board approval of the Restructuring Policy, consistent with this Restructuring Plan.

Section VII. Timeline for Negotiation (by Customer)

PSALM shall set the timeline for negotiation for its customers with debts/arrearages.

Section VIII. Monitoring and Regular Reporting

After the execution of the MOA on Restructuring, there shall be continuous monitoring of PSALM and regular reporting of the customers of its implementation and compliance to the Rehabilitation Plan and DOE DC2010-05-0006.

In the case of the ECs, PSALM, in coordination with NEA, shall continuously share information on the developments of the power accounts receivables from ECs in settling their restructured debts/arrearages and current accounts.