



Republic of the Philippines
DEPARTMENT OF ENERGY

DEPARTMENT CIRCULAR NO. DC 2013-09-0023

**DECLARING THE LAUNCH OF THE INTERIM MINDANAO ELECTRICITY
MARKET (IMEM) AND TERMS AND CONDITIONS FOR THE
COMMENCEMENT OF THE FULL COMMERCIAL OPERATIONS OF THE
IMEM**

WHEREAS, Section 2 of Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA), declares as a policy of the state to ensure the quality, reliability, security, and affordability of the supply of electric power;

WHEREAS, Republic Act No. 7638 or the "Department of Energy Act of 1992", as amended by Section 37 of the EPIRA, authorized the Department of Energy (DOE) to exercise supervision and control over all government activities relative to energy projects and to formulate rules and regulations necessary to implement the objectives of these laws;

WHEREAS, Section 37 (i) of the EPIRA mandates the DOE 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, to address the power supply situation in Mindanao, the DOE undertook public consultations and Information, Education and Communication (IEC) Campaign on the establishment of an electricity market to encourage the transparent and efficient utilization of all available resources to alleviate the supply deficit;

WHEREAS, on 24 May 2013 and 17 September 2013, the DOE issued Department Circular Nos. DC 2013-05-0008 and DC 2013-09-0020 promulgating the Interim Mindanao Electricity Market (IMEM) Implementing Rules (the "IMEM Rules") and the IMEM Manuals respectively;

WHEREAS, on 12 August 2013, the Energy Regulatory Commission (ERC) issued an Order granting the provisional authority for the IMEM price determination methodology, subject however to the approval of an offer cap and the submission of the finalized Dispatch Protocol;

WHEREAS, the offer cap has yet to be agreed upon by the DOE, ERC and PEMC;

WHEREAS, there is an urgent need to address the supply deficit through immediate implementation of the IMEM for the general welfare of the Mindanao stakeholders;

WHEREAS, PEMC has commenced trial operations on 26 August 2013, and shall conclude the same on 25 September 2013; and

WHEREAS, after assessment of the trial operations, the DOE has determined that there is a need for the IMEM participants to fully familiarize themselves with the daily operations of the IMEM, particularly with respect to centralized scheduling and dispatch.

NOW THEREFORE, premises considered, the DOE declares as follows:

Section 1. Launch of the IMEM and Initial Commercial Operations. The DOE hereby declares the launch of the IMEM and sets the initial commercial operations on 26 September 2013.

- 1.1. Completion of Registration and Documentary Requirements.** Commencing 26 September 2013 until 02 October 2013, all participants identified under clause 2.1.1.1 and clause 2.1.1.2 of the IMEM Rules (Mandatory Participants) are hereby directed to submit an accomplished IMEM Membership Form and Market Participation Agreement.

Other documentary requirements provided in Section 2.5 of the IMEM Registration Criteria and Procedures Manual shall be completed by all participants by 15 November 2013 as a condition to the participation in the full commercial operation of the IMEM as provided in Section 2 hereof.

- 1.2. Terms of Initial Commercial Operations.** Beginning 03 October 2013 and until the declaration of full commercial operations in accordance with Section 2 of this Circular, all IMEM Members shall comply with the provisions on central scheduling and dispatch of all contracted bilateral quantities.

The central schedule and dispatch shall be implemented in the manner provided for in the IMEM Dispatch Protocol: *Provided*, That In-Day Dispatch Instructions issued by the Mindanao System Operator shall be in accordance with current practice for re-dispatch under the Capacity Nomination and Dispatch Protocol dated 22 March 2013 agreed upon by Power Sector Assets and Liabilities Corporation,

National Power Corporation, the Mindanao System Operator and Aboitiz Power Corporation - Therma Marine, Inc. as may be applicable.

To this end, the IMEM Operator shall ensure the smooth implementation of the initial commercial operations by closely coordinating with the Mindanao System Operator and IMEM Members.

All other provisions in the IMEM Dispatch Protocol and all other provisions in the IMEM Rules and IMEM Manuals shall be followed to the extent practicable, provided, that full implementation of the IMEM Rules and Manuals shall be undertaken once full commercial operations have been declared by the DOE;

1.3. Monitoring of Energy Withdrawals. The Mindanao System Operator, shall continue to perform its obligations under Section 2 of DOE Department Circular No. 2012-03-0004.

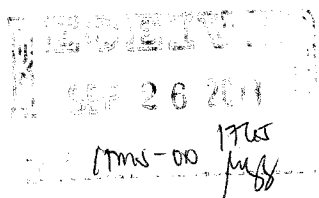
Section 2. Declaration of Full Commercial Operations. Unless otherwise declared by the DOE, full commercial operations of the IMEM shall commence on 26 November 2013, subject to the fulfillment of the following conditions:

- a) The approval of the offer cap by the DOE, ERC and PEMC; and
- b) The constitution of the IMEM Governance Committee pursuant to clause 1.4.2.2 of the IMEM Rules.

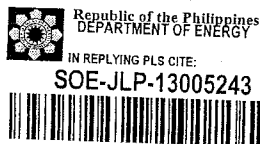
Section 3. Severability. Should any provision of this Circular or any part thereof be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect the validity or enforceability of any other provisions of this Circular.

Section 4. Effectivity. This Circular shall take effect fifteen (15) days after publication in a newspaper of general circulation and upon publication and filing with the University of the Philippines Law Center, Office of the National Administrative Register.

Issued at Taguig City, Metro Manila, Philippines.



CARLOS JERICHO L. PETILLA
Secretary



SEP 24 2013