



Republic of the Philippines
DEPARTMENT OF ENERGY

DEPARTMENT CIRCULAR NO. DC 2013-10-0024

**DIRECTING THE NATIONAL ELECTRIFICATION ADMINISTRATION TO
ASSIST THE MINDANAO ELECTRIC COOPERATIVES IN ENSURING
COMPLIANCE WITH THE PRUDENTIAL REQUIREMENTS IN THE INTERIM
MINDANAO ELECTRICITY MARKET (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 provides that the Department of Energy (DOE) exercises 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, Section 4 (g) and (n) of Presidential Decree No. 269 as amended by Section 5 of the Republic Act No. 10531 or the "National Electrification Administration Reform Act of 2013," respectively provide that the National Electrification Administration (NEA) "will provide institutional, financial and technical assistance to electric cooperatives upon the request of the electric cooperatives" and shall "serve as guarantor to qualified electric cooperatives in their transactions with various parties";

WHEREAS, on 28 June 2012, the DOE promulgated Department Circular No. DC2012-06-0007 entitled, "Directing the National Electrification Administration to Develop a Mechanism for Ensuring the Adequacy of and Compliance by the Electric Cooperatives with the Prescribed Prudential Requirements in the Wholesale Electricity Spot Market and Spearhead the Collective Petition thereof";

OCT 17 2013
1783
[Signature]

WHEREAS, due to the power supply situation in Mindanao, the DOE undertook public consultations on the establishment of an electricity market to encourage the transparent and efficient utilization of all available resources as one measure to alleviate the supply deficit in the grid;

WHEREAS, on 24 May 2013, the DOE issued Department Circular No. DC 2013-05-0008, or the Interim Mindanao Electricity Market (IMEM) Implementing Rules (the "IMEM Rules"), and directed, among others the NEA to ensure the financial and technical capability of the electric cooperatives, including but not limited to, guaranteeing their transactions in the IMEM;

WHEREAS, on 24 September 2013, the DOE Department Circular No. DC2013-09-000-0023, declared the launch and initial commercial operations of the IMEM on 26 September 2013; and

WHEREAS, the electric cooperatives may not have the means at present to provide the prudential security requirements in the IMEM.

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

Section 1. NEA Guarantee. The NEA is hereby directed to provide the necessary guarantee or financial assistance to qualified grid connected electric cooperatives in Mindanao on their purchases and transactions as required under the IMEM Rules, until such time that the regulator has considered the prudential requirements in the ECs rates. For this purpose, the NEA may impose the necessary fee or interest charges in the provision of such guarantee or financial assistance consistent with existing laws and regulations.

SECTION 2. Obligation of Electric Cooperatives. All electric cooperatives are enjoined to act in a judicious and prudent manner in procuring its power supply, including entering into the necessary power supply contracts to ensure the adequacy and continuity of electricity services and stability of prices, consistent with the obligation under paragraph 3, Section 23 the EPIRA to "supply electricity in the least cost manner to its captive market".

All grid-connected electric cooperatives shall submit a monthly update of their monthly demand and level of contracted quantities within ten (10) days from the end of each IMEM billing month, commencing 26 September 2013.

Section 3. Obligation of the IMEM Operator. Ten (10) days from the end of each IMEM billing month, PEMC as the IMEM Operator shall submit to the DOE a report on the declared bilateral contract quantities of each electric cooperative.

SECTION 4. Separability. If for any reason, any section or provisions of this Circular and its Annexes, are declared unconstitutional or invalid, such parts not affected shall remain in full force and effect.

SECTION 5. Effectivity. This Circular shall take effect fifteen (15) days after its publication in two (2) newspapers of general circulation and filing with the University of the Philippines Law Center, Office of the National Administrative Register.

Issued at Energy Center, Rizal Drive, Bonifacio Global City, Taguig City.


CARLOS JERICO L. PETILLA
Secretary



Republic of the Philippines
DEPARTMENT OF ENERGY

IN REPLYING PLS CITE:

SOE-JLP-13005524



OCT 09 2013