



Republic of the Philippines
DEPARTMENT OF ENERGY

JAN 16 2014
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DEPARTMENT CIRCULAR NO. DC2013-12-00294

**ADOPTING AN INTERIM CRITERIA FOR THE DECLARATION OF MARKET INTERVENTION
IN THE WHOLESALE ELECTRICITY SPOT MARKET**

WHEREAS, Republic Act No. 9136 or the "Electric Power Industry Reform of 2001" otherwise known as "EPIRA" declares as policy of the state, among others, to protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power;

WHEREAS, Section 37 (f) of EPIRA mandates the Department of Energy (DOE) to, among others:

- a. ensure the reliability, quality, and security of supply of electric power
- b. encourage private sector investments in the electricity sector and promote development of indigenous and renewable energy sources;
- c. promote a system of incentives to encourage electric power industry participants including new generation companies and end-users to provide adequate and reliable electric supply;
- d. jointly with the electric power industry participants, establish the wholesale electricity spot market and formulate the detailed rules governing the operations thereof; and
- e. exercise such other powers as may be necessary or incidental to attain the objectives of EPIRA;

WHEREAS, pursuant to Section 30 of EPIRA, the Energy Regulatory Commission (ERC) is empowered to suspend the operation of the wholesale electricity spot market or declare a temporary wholesale electricity spot market failure in cases of national and international security emergencies or natural calamities;

WHEREAS, on 28 June 2002, in consultation with the electric power industry participants, the Wholesale Electricity Spot Market Rules (WESM) was issued, adopted, and promulgated by the DOE;

WHEREAS, Chapter 6 of the WESM Rules provides the procedures to be followed by the Market Operator, System Operator, and WESM Participants in an emergency situation, and the circumstances and manner by which the ERC, through the Market Operator, may intervene or suspend the spot market;

WHEREAS, Clause 6.8 of the WESM Rules only provides as conditions for ERC to declare Market Suspension in cases of natural calamities, or following the official declaration of a national and international security emergency by the President of the Republic;

WHEREAS, in light of recent events, the DOE saw the need to provide for an interim measure for the Market Operator and/or System Operator's declaration of Market Intervention in order to ensure utmost consumer protection specially in times of critical situation of the supply of electric power that triggers high prices in the WESM;

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NOW THEREFORE, pursuant to its authority under the WESM Rules, the DOE hereby issues, adopts and promulgates the following:

Section 1. Declaration of Market Intervention. To temper unusual price spikes in the WESM and to protect the interest of the public, the Philippine Electricity Market Corporation (PEMC), as Market Operator, through its President has the option to declare Market Intervention in the WESM as provided for under Chapter 6 of the WESM Rules: *Provided*, That the trigger for the declaration of market intervention exists when there is a supply emergency where electricity supply capacity shortfall, is measured at 4 percent (4%) or below the total demand: *Provided further*, That the 4% trigger shall continue to be applied until the DOE determines, through the National Transmission Corporation (TransCo), the National Grid Corporation of the Philippines (NGCP) and the Grid Management Committee (GMC), that a new trigger is applicable.

This abovementioned provision emphasizes that this is an option, hence notwithstanding the occurrence of the trigger, the Market Operator, may or may not exercise Market Intervention provided herein.

Section 2. Administered Price Cap. The Administered Price Cap approved by the ERC shall continue to be used for settlements in the trading intervals where market interventions were declared, until such time that the PEMC has recommend a new formulae for approval of the ERC.

Section 3. Responsibility of the National Transmission Corporation. The TransCo, in consultation with NGCP and GMC, is hereby directed to conduct a study on the triggers for the declaration of Market Intervention in the WESM taking into consideration the impact of the actual supply-demand situation on the WESM prices.

Section 4. Responsibility of the Philippine Electricity Market Corporation. The PEMC is hereby directed to review the applicability of the formula for the Administered Price Methodology and as necessary, recommend changes for consideration of the DOE. PEMC is likewise directed to cause the filing for ERC approval of the pricing methodology as may be necessary.

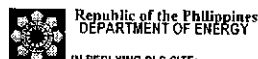
Section 5. Timelines and Reportorial Requirements. All entities so mandated by this Circular shall complete their respective deliverables within 30 (days) from the effectivity of this Circular. *Provided*, that a weekly report on the developments is submitted to the DOE.

Section 6. Separability Clause. If for any reason, any section or provision of this Circular is declared unconstitutional or invalid, such parts not affected shall remain in full force and effect.

Section 7. Effectivity. This Circular shall take into effect immediately following its publication in at least two (2) newspapers of general circulation and shall remain in effect until otherwise revoked.

Issued this _____ at the Energy Center, Bonifacio Global City, Taguig City.


CARLOS JERICO L. PETILLA
Secretary



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