



Republic of the Philippines  
**DEPARTMENT OF ENERGY**

DEPARTMENT CIRCULAR NO. DC 2014-03-0009

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**DECLARING A NEW COMMERCIAL LAUNCH DATE FOR THE  
WHOLESALE ELECTRICITY SPOT MARKET (WESM) RESERVE  
MARKET AND DIRECTING A CENTRAL SCHEDULING AND  
DISPATCH OF ENERGY AND CONTRACTED RESERVES**

**WHEREAS**, 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:

- a) ensure the reliability, quality, and security of supply of electric power;
- b) encourage power sector investments in the electricity sector and promote development of indigenous and renewable energy sources and develop policies and procedures, and;
- c) 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 30 of the EPIRA mandates the DOE to establish the Wholesale Electricity Spot Market (WESM) and, upon endorsement of electric power industry participants, promulgate the Wholesale Electricity Spot Market Rules (WESM Rules);

**WHEREAS**, Section 10.3.2.3 of the WESM Rules, the DOE is authorized to declare the commencement of the spot market for ancillary services, when applicable and reasonably feasible;

**WHEREAS**, Department Circular No. DC 2013-12-0027, issued on 02 December 2013 provides for the Commercial Launch Date of WESM Reserve Market on 26 March 2014, subject to fulfilment of certain conditions therein;

**WHEREAS**, pursuant to said Circular, the Philippine Electricity Market Corporation (PEMC) shall submit at least thirty (30) days prior to the Commercial Launch Date, a certification attesting that all systems and procedures are in place for the operation of the WESM Reserve Market, otherwise the DOE shall declare a new Commercial Launch Date;

**WHEREAS**, the same Circular states that "[i]n the event that PEMC fails to certify readiness or the DOE finds PEMC's certification deficient, PEMC or any relevant entity, as may be determined by the DOE, shall immediately rectify or remedy the deficiency" and the DOE shall declare a new Commercial Launch Date subject to receipt of a new certification from PEMC on the readiness of the Reserve Market;

**WHEREAS**, on 26 February 2014, PEMC commenced the trial operations of the Reserve Market, which lasted until 25 March 2014. For this purpose and considering that the result of the trial operations is significant in the determination of the readiness of the commercial

operation of the Reserve Market, PEMC requested to submit the formal report about two weeks prior to the end of trial operations;

**WHEREAS**, on 14 March 2014, PEMC submitted its report to the DOE stating that the WESM Reserve Market may not commercially operate on 26 March 2014 pending the regulatory approval of the Pricing and Cost Recovery Mechanism (PCRM) of the WESM Reserve Market and the completion of the registration of ancillary service providers;

**WHEREAS**, in the same report, PEMC recommended to continue with the trial operations while at the same time implement central scheduling of energy and contracted reserves in order to view all available generation capacity in the grid, and thereby take necessary policy actions to immediately address the adverse effects of an imminent supply deficiency, including but not limited to, directing certain capacities to be made available to the grid; and

**WHEREAS**, the central scheduling of energy and contracted reserves will further prepare market participants for the full commercial operation of the WESM Reserve Market.

**NOW THEREFORE**, premises considered, the DOE hereby declares the following:

**Section 1. Scope and Application.** This Circular shall apply to all electric industry participants, reserve providers with Ancillary Services Procurement Agreement (ASPA) contracts duly approved by the ERC, the PEMC and National Grid Corporation of the Philippines (NGCP) and shall be implemented in Luzon and Visayas.

**Section 2. Deferment of Commercial Launch Date.** It is hereby declared that the Commercial Launch Date, which was initially set on 26 March 2014 pursuant to Circular No. DC2013-12-0027 is hereby deferred; and the new Commercial Launch Date is hereby set to 26 May 2014, subject to the approval by the Energy Regulatory Commission (ERC) of the PCRM for the WESM Reserve Market.

**Section 3. Central Scheduling and Dispatch of Energy and Contracted Reserves.** Upon effectivity of this Circular, a central scheduling and dispatch of energy and contracted reserve capacities for WESM shall be in effect as part of the trial operations in order for the DOE to monitor all available generation capacity in both energy and reserve and to prepare the participants for the eventual commercial operation of the WESM Reserve Market.

For this purpose, NGCP and PEMC are hereby directed to convene and formulate the Central Scheduling and Dispatch of Reserves Protocol (The Protocol) within fifteen (15) days upon issuance of this Circular in order to implement the abovementioned central scheduling and dispatch of energy and contracted reserves. The Protocol, which shall be approved by the DOE, shall be guided by the following principles:

- a) The NGCP and PEMC shall observe the latest approved WESM Dispatch Protocol in determining the requirements for reserves to be traded in the WESM.
- b) The NGCP shall schedule all ASPA contracts for the reserve categories that will be traded in the WESM based on the ASPA nominations of the contracted reserve providers and the Day-Ahead Projection (DAP) prepared by the Market Operator.

- c) All scheduled ASPA providers shall submit reserve offer quantities into the WESM based on the Day-Ahead Ancillary Service Schedule determined by NGCP while observing the guidelines set forth in the Central Scheduling and Dispatch of Reserves Protocol.
- d) All scheduled ASPA contracts shall be settled in accordance with the respective provisions of their contract and no settlement of the reserves shall be settled in the WESM.

The approved Protocol shall be implemented for a limited period and shall immediately cease upon New Commercial Launch Date of the WESM Reserve Market.

**Section 4. Continuing Responsibilities.** All responsibilities of PEMC and NGCP under Circular No. DC2013-12-0027 shall subsist insofar as they are not inconsistent with this Circular. The PEMC shall submit to the DOE a report two (2) weeks prior to the New Commercial Launch Date and certification of readiness to operate the WESM Reserve Market.

**Section 5. WESM Registration of Reserve Providers under ASPA with NGCP.** In order to implement the Central Scheduling and Dispatch of WESM Reserve providers in the Market Management System (MMS), all certified reserve providers under ASPA shall be required to register with the WESM.

**Section 6. Interpretation.** Words and meanings stated in this Circular shall have the same meaning in the WESM Rules.

**Section 7. Separability Clause.** If for any reason, any section or provision of this Circular is declared unconstitutional or invalid, such parts that are not affected shall remain in full force and effect.

**Section 8. Effectivity.** This Circular shall take effect fifteen (15) days after publication in two (2) newspapers of general circulation. PEMC is directed to publish this Circular in the market information website.

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

  
CARLOS JERICHO L. PETILLA  
Secretary



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IN REPLYING PLS CITE:  
SOE-JLP-14002196



MAR 26 2014