



Republic of the Philippines  
**DEPARTMENT OF ENERGY**

DEPARTMENT CIRCULAR NO. DC2016-06-0008

**ADOPTING FURTHER AMENDMENTS TO THE WESM RULES**  
**(Provisions for Market Intervention and Suspension)**

**WHEREAS**, Sections 30 and 37(f) of the Electric Power Industry Reform Act (EPIRA) provides that the Department of Energy (DOE), jointly with the electric power industry participants, shall establish the Wholesale Electricity Spot Market (WESM) and formulate the detailed rules governing the operations thereof;

**WHEREAS**, on 28 June 2002, the DOE, jointly with the electric power industry participants, promulgated the WESM Rules through Department Circular No. DC2002-06-003;

**WHEREAS**, any changes, amendments, and modifications to the WESM Rules and its Market Manuals shall be undertaken in accordance with the provisions of Chapter 8 thereof;

**WHEREAS**, on 21 July 2015, the Rules Change Committee (RCC) received the System Operator's (SO) proposed amendments to the WESM Rules, particularly on Market Intervention and Suspension;

**WHEREAS**, the said proposal sought to align the pertinent provisions of the WESM Rules with the changes in practices in the electric power industry due to growing technical requirements and stricter implementation of the Philippine Grid Code;

**WHEREAS**, on 02 September 2015, the RCC during its 104<sup>th</sup> RCC Meeting discussed the said proposal, which thereafter approved its posting in the WESM website to solicit comments from market participants and other interested parties;

**WHEREAS**, on 03 December 2015, the RCC also received the Technical Committee's (TC) proposed amendments to the WESM Rules concerning Market Intervention and Suspension;

**WHEREAS**, on 08 December 2015, the RCC approved the posting of the TC's proposal in the WESM website to solicit comments from market participants and other interested parties;

**WHEREAS**, on 13 January 2016, the RCC during its 108<sup>th</sup> RCC Meeting deliberated on the SO's proposal giving due course to the comments received from market participants, and agreed to defer its final approval taking into consideration the TC's further proposal on the matter;

**WHEREAS**, on 03 March 2016, the RCC during its 111<sup>th</sup> RCC Meeting further deliberated on the said SO and TC's proposals giving due course to the comments received from market participants, which thereafter approved the consolidated proposal and its endorsement to the PEM Board;

WHEREAS, on 31 March 2016, after due evaluation and deliberation, the PEM Board during its 115<sup>th</sup> PEM Board Meeting approved for endorsement to the DOE the above stated RCC proposed amendments to the WESM Rules;

WHEREAS, on 08 April 2016, the above stated amendments to the WESM Rules were submitted to the DOE for final approval, in compliance with Chapter 8 of the WESM Rules; and

WHEREAS, the DOE found the abovementioned PEM Board-approved amendments to the WESM Rules consistent with the objectives of the WESM such as efficiency and transparency.

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

#### Section 1. Amendments to the WESM Rules.

- (a) Heading of Chapter 6 is amended to read -  
"CHAPTER 6  
MARKET INTERVENTION AND MARKET SUSPENSION"
- (b) Clause 6.2.1.1 under Preparation and Responses is amended to read -  
"6.2.1.1 The *System Operator* is responsible for giving directions and coordinating the actions, which are to be taken by *WESM Participants* and *Market Operator* when there is *market suspension or market intervention*."
- (c) Clause 6.2.1.2 under Preparation and Responses is amended to read -  
"6.2.1.2 *Intervention* is warranted when the *grid* or a portion of the *grid* is in the alert or *emergency state* condition as established in the *Grid Code* arising from:
  - (a) an *emergency* condition;
  - (b) a threat to *system security*; or
  - (c) an event of *force majeure*."
- (d) Clause 6.2.1.3 under Preparation and Responses is amended to read -  
"6.2.1.3 *Market intervention* may also be warranted if there are interruptions in the operations of the market software used by the *Market Operator* to support various processes in the *WESM* during the simulation of the *business continuity plan* and *disaster recovery* procedures of the *Market Operator* developed under Clause 6.8.1.1."
- (e) Clause 6.2.1.4 under Preparation and Responses is amended to read -





"6.2.1.4 During *market intervention* or *market suspension*, the *System Operator* and *Market Operator* shall coordinate their actions to restore normal operation of the *power system* and the *market*."

- (f) Clause 6.2.1.5 under Preparation and Responses is amended to read -

"6.2.1.5 WESM Participants acknowledge that:

xxx            xxx            xxx

(b) Their business interests will be subordinate to the need for the *Market Operator* and the *System Operator* to implement *emergency* procedures in accordance with the *Grid Code* and Clause 6.3.2 and to issue declarations and *emergency instructions* under Clause 6.5 in an *emergency*;

(c) Subject to Clause 6.2.1.1, the *System Operator* shall issue *emergency instructions* to all WESM members in accordance with the WESM Rules and the *Grid Code*, and shall prepare and submit a significant incident report, as soon as practicable, to the ERC, PEM Board, DOE, Grid Management Committee and the *Market Operator*."

- (g) Clause 6.2.2 under Overview is amended to read -

"6.2.2 Exemption from Liability due to Market Suspension and Market Intervention"

- (h) Clause 6.2.2.1 under Exemption from Liability due to Market Suspension and Market Intervention is amended to read -

"6.2.2.1 In the event of a *market suspension* or *market intervention*, any action of the ERC, *Market Operator*, *System Operator* or a WESM Participant in compliance with the *emergency* procedures provided in this Chapter shall not constitute a breach of the WESM Rules, except in the case of an act committed in bad faith or gross negligence, and said parties shall not be liable for any loss incurred by a WESM Participant as a result of any action taken by the *System Operator*, the *Market Operator* or the ERC under this Chapter 6."

- (i) Clause 6.2.3 under Overview is amended to read -

"6.2.3 Administered Price

During *market suspension* and *market intervention*, the *Market Operator* shall impose an *administered price* to be used as basis for settlements.

The *Market Operator* shall formulate, and update as necessary, the methodology for determining the *administered price* to be used during *market suspension* or *market intervention*. Said *administered price* and any change thereto is to be endorsed by the PEM Board for ERC approval."

- (j) Clause 6.3.1.1 under Emergency is amended to read -

"6.3.1.1 The *System Operator* shall give an *emergency instructions* when it determines the existence of a situation which has an adverse material effect on electricity supply or which poses as a significant threat to *system security*."

- (k) Clause 6.3.1.2 under Emergency is amended to read -

"6.3.1.2 An emergency condition may include:

xxx    xxx    xxx

(b) A *power system* disturbance due to an outage in the *transmission network* or *generating system*, which poses a significant threat to *system security*, for which market processes are inadequate for recovery;

(c) A significant environmental phenomenon, including weather, earthquake, floods, volcanic eruptions, tsunami, storms or fires which are likely to or are significantly affecting the *power system* operation for which market processes are also inadequate for recovery;

xxx    xxx    xxx "

- (l) Clause 6.3.1.7 under Emergency is amended to read -

"6.3.1.7 When the *System Operator* has determined that an emergency or the effect thereof has ended, the *System Operator* shall notify the *Market Operator* who in turn shall notify all *WESM Participants*, the *DOE* and the *ERC* that the *emergency* or the effect of such *emergency* has ended."

- (m) Clause 6.3.2.1 under Emergency Procedures is amended to read -

"6.3.2.1 During the period when the *power system* may be or is affected by an *emergency* condition the *System Operator* shall carry out actions, in accordance with the *Market Manual* on *system security* and *reliability*, the *Grid Code* and *Distribution Code* to:

xxx    xxx    xxx "

- (n) Clause 6.3.2.2 under Emergency Procedures is amended to read -

"6.3.2.1 *Emergency* procedures are the processes or steps to be taken by or at the direction of the *System Operator* to:

xxx    xxx    xxx

(c) Issue notifications and warnings to the *Market Operator*, the *PEM Board*, the *DOE* and the *ERC* where appropriate; and

xxx    xxx    xxx "

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- (o) Clause 6.3.2.4 under Emergency Procedures is amended to read -

"6.3.2.4 The *System Operator* in consultation with the *Market Operator* shall:

- (a) Develop and maintain appropriate *emergency* procedures in accordance with the *Grid Code* and *Distribution Code* which shall be subject to approval of the *PEM Board*; and

xxx    xxx    xxx "

- (p) Clause 6.3.2.7 under Emergency Procedures is hereby deleted.

- (q) Clause 6.5.1 under Response to an Emergency is amended to read -

"6.5.1 Instructions during Emergency Condition"

- (r) Clause 6.5.1.1 under Instructions during Emergency Condition is amended to read -

"6.5.1.1 During an *emergency* condition:

- (a) The *System Operator* shall, in coordination with the *Market Operator*, issue *emergency instructions* as it reasonably considers necessary, which may include, but need not be limited to directions to:

xxx    xxx    xxx

- (iii) Take transmission line or equipment out of service;

xxx    xxx    xxx

- (v) Curtail, shut down or otherwise vary operation or output of the generating plants;

xxx    xxx    xxx"

- (s) Clause 6.5.1.2 under Instructions during Emergency Condition is amended to read -

"6.5.1.2 When an *emergency* condition arises, the *System Operator* shall immediately notify the *ERC*, the *DOE*, *Market Operator* and *Grid Management Committee* as soon as reasonably practicable, of the commencement and nature of the emergency. The *Market Operator*, on the other hand, shall notify *WESM Participants*, as soon as reasonably practicable, of the commencement and nature of the *emergency*."



- (t) Clause 6.5.2 under Response to an Emergency is amended to read –
- “6.5.2 Market Intervention Due to Emergency Condition or Threat in System Security”
- (u) Clause 6.5.2.1 under Market Intervention Due to Emergency Condition or Threat in System Security is amended to read –
- “6.5.2.1 If the *System Operator* determines that, insufficient time exists for the *spot market* to address an *emergency* condition or eliminate threat in *system security*, the *System Operator* shall take any or all measures it considers to be reasonable and necessary to overcome the *emergency*, including but not limited to the following:
- (a) Increase or decrease the *generation* or *supply* capability such as issuance of *emergency instructions* to all available but not committed *generating units* to start-up, shutdown, cancel *generating units* on testing or recall *transmission equipment outages*;
- xxx    xxx    xxx”
- Thereafter, the *System Operator* shall report in detail to the *Market Surveillance Committee*, the *DOE*, and *ERC* regarding the actions and circumstances under which the intervention was made. The *Market Operator* shall likewise submit a report to the *PEM Board*, *DOE* and *ERC* for such incidents.”
- (v) Clause 6.6.1.1 under System Security and Reliability Guidelines is amended to read –
- “6.6.1.1 In consultation with *WESM Participants* and the *Market Operator*, the *System Operator* shall develop and periodically update the *system security* and *reliability guidelines*, subject to approval of the *PEM Board*.”
- (w) Clause 6.6.2 under System Security is amended to read –
- “6.6.2 Notice of Declaration of Market Intervention”
- (x) Clause 6.6.2.1 under Notice of Declaration of Market Intervention is amended to read –
- “6.6.2.1 Upon determination of the existence of an alert or *emergency state*, the *System Operator*, in coordination with the *Market Operator*, may declare *market intervention*.
- The *Market Operator* shall inform the *WESM Participants* of alert warning notice from the *System Operator* and/or declaration of *market intervention*.”
- (y) Clause 6.6.2.2 under Notice of Declaration of Market Intervention is amended to read –

*a*

"6.6.2.2 The *System Operator* (for grid-related events) and *Market Operator* (for market-related events) shall submit a *market intervention* report, as soon as practicable, to the *Market Surveillance Committee*, *Market Operator*, *DOE* and *ERC*, after the resumption of the *spot market*. Said report shall include the details relative to the *market intervention*, as follows:

- (a) the reason for the declaration of *market intervention*;
- (b) the number of *trading intervals* affected by the *intervention*;
- (c) the actions done to address the threat in *system security*; and
- (d) the actual *dispatch* of all *generating units* per interval affected."

- (z) Clause 6.6.2.3 under Notice of Declaration of Market Intervention is amended to read -

"6.6.2.3 Despite Clause 5.3, a *WESM Participant* shall not withhold information required by the *System Operator*. The *System Operator* may require each *WESM Participant* to provide the following:

- (a) the *Scheduled Generation Company's* plant availability to either increase or decrease generation; and
- (b) the *Customer's* ability to either increase or decrease load.

The *WESM Participant* shall comply with the instructions and provide the information required as soon as practicable."

- (aa) Clause 6.6.2.4 under Notice of Declaration of Market Intervention is amended to read -

"6.6.2.4 The *System Operator* shall treat all information provided to it by a *WESM Participant* under Clause 6.6.2.3 as *confidential information* and may only use that information for the following purposes:

xxx    xxx    xxx"

- (bb) Clause 6.6.2.5 under Notice of Declaration of Market Intervention is amended to read -

"6.6.2.5 The *System Operator*, in coordination with the *Market Operator*, shall recommend for market resumption if the *emergency* condition or threat in *system security* has ended. The *Market Operator* shall inform the *WESM Participants* of the market resumption."

- (cc) Clause 6.6.3.1 under Response to System Security Threat is amended to read -

"6.6.3.1 If the *System Operator* has identified a threat to *system security* and reasonably considers that sufficient time exists for the threat to subside without *market intervention*, the *System Operator* shall, in accordance with the procedures set out in Clause 6.6.4, facilitate a *spot market* response to overcome the threat to *system security*."

- (dd) Clause 6.6.3.2 under Response to System Security Threat is amended to read -

"6.6.3.2 If the *System Operator* has identified a threat to *system security* and it does not believe that sufficient time exists for the threat to subside without *market intervention* then the *System Operator* shall:

xxx    xxx    xxx"

- (ee) Clause 6.6.4.1 under Market Response to Threat to System Security is amended to read -

"6.6.4.1 If the *System Operator* believes that sufficient time exists for a threat to *system security* to subside without *market intervention*, the *System Operator* shall advise the *Market Operator* and those *WESM Participants* who the *System Operator* considers would be required to take action or cease taking action."

- (ff) Clause 6.6.4.2 under Market Response to Threat to System Security is amended to read -

"6.6.4.2 The action or cessation of action required under Clause 6.6.4.1 may include, but is not limited to, changes by the *Market Operator* to the pre-dispatch *schedule* affecting *scheduled generating units*, *schedule network services* and/or *scheduled load*."

- (gg) Clause 6.6.5 under System Security is amended to read -

"6.6.5 Market Intervention Due to System Security Threat"

- (hh) Clause 6.6.5.1 under Market Intervention Due to System Security Threat is amended to read -

"6.6.5.1 If the *System Operator* determines that insufficient time exists for the *spot market* to address a threat to *system security*, the *System Operator* shall take any and all measures it considers to be reasonable and necessary to overcome the threat to *system security*, including but not limited to the following:

- (a) Increase or decrease the generation or supply capability such as giving instructions to all available but not committed *generating units* to start-up, or to shut down, or recall *transmission equipment outages*;

xxx    xxx    xxx"

- (ii) Clause 6.6.5.2 under Market Intervention Due to System Security Threat is amended to read -

"6.6.5.2 Thereafter, as specified in Clause 6.6.2, the *System Operator* shall prepare a *market intervention* report to be submitted to the *Market Surveillance*

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Committee, Market Operator, DOE and ERC regarding the actions and circumstances under which the *market intervention* was made."

- (jj) Clause 6.7.1 under Force Majeure is amended to read -

"6.7.1 Force Majeure Event

A force majeure is the occurrence in a *trading interval* of an event or events in the *grid* where a *trading interval* is not within the reasonable control, directly or indirectly, of the *System Operator*, *Market Operator* and *WESM Member*, to the extent that such event, despite the exercise of the reasonable diligence, cannot be or be caused to be prevented, or removed and has resulted in a reduction in the normal capacity of part or all of the power *transmission system* during that *trading interval* and such reduction is likely to materially affect the operation of the *spot market* or materially threaten *system security*."

- (kk) Clause 6.7.2 under Force Majeure is amended to read -

"6.7.2 Events of force majeure shall include:

- (1) Major system disturbance that caused partial or system-wide blackout;
- (2) Market system hardware or software failure including that of the *System Operator* that makes it impossible to receive real-time status input data or process *market offer/bid* information to produce market schedules for real-time *dispatch* in accordance with the *WESM Rules*; and
- (3) Any other event, circumstance or occurrence in the nature of, or similar in effect to any of the foregoing."

- (ll) Clause 6.8.1 under Business Continuity Plan And Disaster Recovery Procedures Of The Market Operator is amended to read -

"6.8.1 Development, Updating and Implementation of the Business Continuity and Disaster Recovery Procedures"

- (mm) Clause 6.8.1.1 under Development, Updating and Implementation of the Business Continuity and Disaster Recovery Procedures is amended to read -

"6.8.1.1 The *Market Operator*, in coordination with the *System Operator*, shall develop, update and implement the *business continuity plan* and *disaster recovery procedures* to ensure operational continuity of the *WESM* in cases of *emergencies* and *force majeure events*.

Any changes to the *business continuity plan* and *disaster recovery procedures* as may be necessary shall be approved by the *PEM Board*."

- (nn) Clause 6.8.1.2 under Development, Updating and Implementation of the Business Continuity and Disaster Recovery Procedures is hereby deleted.

- (oo) Clause 6.8.2.1 under Simulations is amended to read -

"6.8.2.1 The *Market Operator* shall regularly conduct an emergency drill to simulate the procedures set forth in the *business continuity* plan as well as the *disaster recovery* procedures to ensure the preparedness of the *Market Operator*, *System Operator* and *Trading Participants* in the event of emergencies affecting market operations. The *Market Operator*, in coordination with the *System Operator*, shall evaluate the results of the simulation exercise and shall identify deficiencies in the procedures, if any. In cases of deficiencies in the procedures, the *Market Operator* shall recommend corrective measures for approval of the *PEM Board*.

xxx      xxx      xxx"

(pp) Clause 6.8.2.2 under Simulations is amended to read -

"6.8.2.2 The *Market Operator* shall coordinate with the *System Operator* and shall inform the *Trading Participants* of the simulations at least thirty (30) days prior to the conduct of the same."

(qq) Clause 6.9.2.1 under Declaration of Market Suspension is amended to read -

"6.9.2.1 The *spot market* can only be suspended by a declaration by the *ERC* under Clause 6.9.1.1 and if the *spot market* is suspended:

- (a) The *ERC* shall notify the *Market Operator* and the *System Operator*, and
- (b) The *Market Operator* shall notify all *WESM Participants* and the *DOE*, as soon as possible."

(rr) Clause 6.9.2.3 under Declaration of Market Suspension is amended to read -

"6.9.2.3 Following a declaration by the *ERC* under Clause 6.9.1.1, the *spot market* is to remain suspended until the *ERC* notifies the *Market Operator* that *spot market* operation is to resume.

The *Market Operator* shall then coordinate with the *System Operator* in resuming *spot market* operation."

(ss) Clause 6.9.2.5 under Declaration of Market Suspension is amended to read -

"6.9.2.5 Notwithstanding a suspension of the *spot market*, the *System Operator*, in coordination with the *Market Operator*, may issue emergency instructions to *WESM Participants* in accordance with Clause 6.5.1."

(tt) Clause 6.9.4 under Market Suspension is amended to read -

"6.9.4 Market Intervention Report"

- (uu) Clause 6.9.4.1 under Market Intervention Report is amended to read –
- “6.9.4.1 Upon the occurrence of one or more of the following events:
- (a) a *market intervention*;
- xxx    xxx    xxx”
- (vv) Clause 6.9.4.2 under Market Intervention Report is amended to read –
- “6.9.4.2 A copy of the report prepared under Clause 6.9.4.1 shall be provided to:
- (a) the *PEM Board*;
- (b) the *Market Operator*;
- (c) the *ERC* and the *DOE*; and
- (d) *WESM Participants* and interested persons on request.
- (ww) Clause 6.9.5.1 under Market Suspension Report is amended to read –
- “6.9.5.1 Within ten (10) *business days* following a declaration by the *ERC* under Clause 6.9.1.1, the *Market Surveillance Committee*, upon directive from the *PEM Board*, shall investigate the circumstances of that event and prepare a report to assess the:
- xxx    xxx    xxx
- (b) appropriateness of actions taken by the *Market Operator* or the *System Operator* in relation to the event or events which occurred; and
- xxx    xxx    xxx”
- (xx) The definition of the term “Administered Price” under Glossary Chapter 11 is amended to read–
- “Administered Price. A price imposed by the Market Operator to the *Trading Participants* during *market suspension* and *market intervention* to be used for settlements, which price is determined in accordance with the methodology developed and published by the Market Operator and approved by the *ERC*.”
- (yy) The term “Emergency Directions” under Glossary Chapter 11 is amended to read–
- “Emergency Instructions. Instructions issued by the *System Operator* in an *emergency* under Clause 6.5.1.”
- (zz) The term “Intervention” under Glossary Chapter 11 is amended to read–
- “Market Intervention. A measure taken by the *System Operator* when the *grid* is in the alert or emergency state as established in the *Grid Code* arising from a threat to *system security*, *force majeure event* or *emergency*, or by the *Market*

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*Operator in relation to the simulation or implementation of the business continuity or disaster recovery procedures developed in accordance with Clause 6.8.1. During such event, the administered price shall be used for settlements."*

(aaa) Glossary Chapter 11 is amended to include the following definition of terms--

"Emergency State. The grid shall be considered in the emergency state when:

- (a) Single Outage Contingency (N-1) Criterion is not met. Imminent threat in system security would exist should a credible n-1 contingency occur that would result in the cascading outages of lines and equipment if not corrected immediately.
- (b) There is generation deficiency or operating margin is zero.
- (c) Grid transmission voltage is outside the limits of -10% or +10% of the nominal value.
- (d) The loading levels of all transmission lines and substation equipment are beyond the threshold as set by the Grid Code.
- (e) The grid frequency is beyond the limits of 59.4Hz and 60.6Hz"

Normal State. The grid operating condition when:

- (a) The operating margin is sufficient;
- (b) System frequency is within the limits as set in the *Grid Code*;
- (c) Voltages at all connection points are within the limits of 0.95 and 1.05 of the nominal value;
- (d) The loading levels of all transmission lines and transformers are below the limit as set in the *Grid Code*;
- (e) The grid configuration is such that any potential fault current can be interrupted and the faulted equipment can be isolated from the grid;
- (f) The static and dynamic stability of the power system is maintained; and
- (g) The Single Outage Contingency (N-1) Criterion is met."

**Section 3. Separability Clause.** If for any reason, any section or provision of this Circular is declared unconstitutional or invalid, such parts not affected shall remain valid and subsisting.

**Section 4. Effectivity.** This Circular shall take effect upon publication in at least two (2) newspapers of general circulation and shall remain in effect until otherwise revoked.

Issued this \_\_\_\_ June 2016 at the DOE, Energy Center, Rizal Drive, Bonifacio Global City, Taguig City, Metro Manila.

  
ZENAIDA Y. MONSADA  
Secretary



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