



Republic of the Philippines
DEPARTMENT OF ENERGY
(Kagawaran ng Enerhiya)

DEPARTMENT CIRCULAR NO. _____

ADOPTING FURTHER AMENDMENTS TO THE WHOLESALE ELECTRICITY SPOT MARKET (WESM) MARKET MANUAL ON BILLING AND SETTLEMENT

(Provisions to Harmonize with the ERC Directives on Additional Compensation Process)

WHEREAS, Sections 30 and 37(f) of the Electric Power Industry Reform Act (EPIRA) provides that the 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, with the endorsement of 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 including its Market Manuals shall be undertaken in accordance with the provisions of Chapter 8 thereof;

WHEREAS, on 23 October 2015, the Department of Energy adopted enhancements to WESM design and operations which include among others the change from a 1-hour dispatch interval to a 5-minute dispatch interval;

WHEREAS, the Market Operator was tasked to propose changes to the WESM Rules and Market Manuals, and ensure upgrading of the Market Management System and other systems which are necessary for the implementation of the enhancements to WESM design and operations;

WHEREAS, among the preparations made for the implementation of the enhanced market design, on 29 December 2020, the Energy Regulatory Commission (ERC) promulgated its decision dated 29 August 2020 on ERC Case No. 2017-042RC approving the Price Determination Methodology (PDM) for the enhanced WESM design and operations;

WHEREAS, in line with the implementation of the enhancements to WESM design and operations, the ERC approved the pricing and settlement formula to be applied in the five-minute dispatch interval market and provided further guidelines in the processing of additional compensation claims;

WHEREAS, on 16 April 2021, the Market Operator (Independent Electricity Market Operator of the Philippines or IEMOP) submitted to the Rules Change Committee (RCC) the proposed urgent amendments to the WESM Manual on Billing and Settlement Issue 6.1 (BSM) in view of the forthcoming implementation of the enhanced WESM design and operations on 26 June 2021 (“Go-Live Date”);

WHEREAS, the proposal seeks to harmonize the BSM with the abovementioned ERC Decision on ERC Case No. 2017-042RC, provide supplementary guidelines on the additional compensation process in the BSM and consistently apply the guidelines to the different pricing or dispatch conditions eligible for additional compensation;

WHEREAS, the urgent proposal was approved on 28 April 2021, after which the revised WESM Rules and WESM Manuals reflecting the urgent amendments were posted in the PEMC website on 29 April 2021 for provisional implementation within a period of no more than six (6) months. The WESM Manual on Billing and Settlement Issue 6.1 took effect on the commencement date of the enhanced market design and operations on 26 June 2021;

WHEREAS, following the process for urgent proposals, the IEMOP on 28 June 2021 re-submitted to the RCC the PEM Board-approved urgent proposed amendments as a general proposal to be processed as such, for final approval and promulgation of the DOE;

WHEREAS, the RCC finalized the proposal on 21 October 2021 and approved its endorsement to the PEM Board which was eventually approved and submitted to the DOE on 29 November 2021, for final approval, in compliance with Chapter 8 of the WESM Rules;

NOW THEREFORE, after careful review of the PEM Board-approved proposal and the comments and recommendations received on the same, the DOE, pursuant to its authority under the EPIRA and the WESM Rules, hereby adopts, issues, and promulgates the following amendments to the WESM Rules and various Market Manuals:

Section 1. Amendments to the WESM Manual on Billing and Settlement. The provisions in the WESM Manual on Billing and Settlement Issue 6.1 are hereby amended:

a. Original Section 10.1 (Criteria for Additional Compensation) is renumbered and amended to read as –

“10.1.1 In accordance with Section 8.3 of the Price Determination Methodology Manual, Trading Participants may be entitled to additional compensation when the cost incurred in complying with the dispatch instruction are not sufficiently covered by the trading amounts, related to settlement intervals with dispatch intervals under any of the following conditions:

a) *Market suspension or Market Intervention; or*

b) *When the Trading Participant has a generating unit that is designated as must run unit or constrain-on generating unit as shown in the Dispatch Instruction Report submitted by the System Operator to the Market*

Operator in accordance with the *WESM Rules* or relevant *market manual*; or

- c) When the *Trading Participant* has a *generating unit* that was scheduled and dispatched as a *constrained-on generator* in *dispatch intervals* when price substitution methodology due to congestion was applied; or
- d) A *Trading Participant* has a *generating unit* that was scheduled and dispatched in *dispatch intervals* when price mitigation measure imposed by the *ERC* or other competent government agency was applied may also be entitled to additional compensation in accordance with and subject to the conditions set out in the issuance of the *ERC* or the competent government agency that imposed the price mitigation measure. In case of conflict between the provisions of this *Market Manual* and said issuances in respect to payment of compensation to affected *Trading Participants*, the latter issuances shall prevail.

b. Additional Section 10.1.2 is added to read as –

“10.1.2 In the event that two (2) or more of the conditions occur in the same dispatch interval and a *Trading Participant* is entitled to additional compensation due to more than one condition, the *Trading Participant* and the *Market Operator* shall adhere with the procedures and timelines of the condition with the highest priority based on the following hierarchy:

- a) Claim category in Section 10.1.1(a)
- b) Claim category in Section 10.1.1(d)
- c) Claim category in Section 10.1.1(c)
- d) Claim category in Section 10.1.1(b)

c. Original Sections 10.2.1 to 10.2.4 (Filing of Claims) are amended to read as –

“10.2.1 *Trading Participants* shall submit the written claim for additional compensation within the allowable timeframe and basis of computation, as follows:

- a) *Market suspension or market intervention* – not later than fourteen (14) working days after the and issuance of the *WESM* final statement bill and settlement data.
- b) *Must-run unit or constrain-on generating unit* – within one (1) year from the time the affected *Trading Participant* complied with dispatch instructions as *MRU* or *constrain-on generating unit*;

- c) *Constrained-on generators* in *dispatch intervals* when the price substitution methodology due to congestion was applied – not later than fourteen (14) *working days* after the issuance of the WESM final statement bill and settlement data.
- d) *Qualified Trading Participants* in *dispatch intervals* when price mitigation measure was applied – not later than fourteen (14) *working days* after the issuance of the WESM final statement bill and settlement data.

Any claims not filed within such period shall be deemed waived.

10.2.2. Within a maximum period of sixty (60) business days from the Market Operator's receipt of the written claim, Trading Participants shall submit the complete documentation that provides sufficient proof regarding the costs incurred, which are limited to fuel cost and variable operating and maintenance costs, which may include start-up and shut down cost. Below is the non-exhaustive list of requirement documents in filing claims for additional compensation:

- a) *Market suspension, market intervention, must-run unit or constrain-on generating unit* –
 - i. Certified correct Fuel Consumption and Inventory Report;
 - ii. Purchase Invoices, Official Receipts and other supporting documents; and
 - iii. ERC-approved rate or List of Variable Operation and Maintenance Costs supported by photocopies of invoices/receipts.
- b) *Constrained-on generators* in *dispatch intervals* when the price substitution methodology due to congestion was applied or *qualified Trading Participants* in *dispatch intervals* when price mitigation measure was applied, unless a different set of requirements is set out in the relevant issuance of the ERC or competent agency imposing the price mitigation measure, –
 - i. Actual fuel consumption and inventory report, duly certified by the Vice President of Finance of the power plant applying for additional compensation;
 - ii. Purchase Invoices, Official Receipts and other supporting documents; and
 - iii. List of Variable Operation and Maintenance Costs supported by photocopies of invoices/receipts.

The *Trading Participant* shall also ensure that any data or document required from the *System Operator* or other *WESM Service Providers*, as may be applicable, shall be submitted to the *Market Operator* within the same sixty-*business day* period.

The *Market Operator* may allow submission of electronic or scanned copy of documents, provided that physical copy of the required documents shall also be submitted. Final validation shall be done only after receipt of the physical copy of the documents within the same sixty-*business day* period.

Any data or document submitted after the prescribed period shall not be used by the *Market Operator* as basis for additional compensation.

10.2.3 The *Market Operator* shall determine validity of the claim and the costs incurred based on the aforementioned supporting documents.

10.2.4 The *Market Operator* shall inform the requesting *Trading Participant* of the approval or disapproval of the claim within the following periods reckoned from receipt of the complete documents from the *Trading Participant*:

- a) For claims under the claim category in Section 10.1.1 (a), (b), and (c) - within fourteen (14) *working days*;
- b) For claims under the claim category in Section 10.1.1 (d) - within thirty (30) *business days*, unless a different period is set out in the relevant issuance of the *ERC* or competent agency imposing the price mitigation measure.

If the claim or part of the claim is approved, the approved portion of the claim shall be allocated and billed in accordance with Sections 10.4.3 and 10.4.4.

If the claim or part of the claim is disapproved, the *Trading Participant* may seek due recourse in accordance with pertinent *WESM Rules* and *Market Manuals*.

d. New Section 10.3 (Quantity Eligible for Additional Compensation) and its Sub-Sections are added to read as -

“10.3 Quantity Eligible for Additional Compensation

10.3.1 For claims due to designation as must run units, the Market Operator shall determine the must-run unit quantity or volume that shall be eligible for additional compensation in accordance with the relevant provision under Section 8.3 of the Price Determination Methodology Manual and Section 17 of the Dispatch Protocol Manual.

10.3.2 For claims due to market suspension, market intervention, designation as constrain-on units, implementation of price substitution methodology, or imposition of price mitigation measures unless a different formula is set out in the relevant issuance of the *ERC* or competent agency imposing the price mitigation measure, the *Market Operator* shall determine the volume that shall be eligible for additional compensation in accordance with the following formula:

- a) If the actual generation of the *generating unit*, $GESQ_{g,i}$, is less than or equal to its scheduled generation plus the allowable deviation, $SG_{g,i} + \text{Max}[1, (1.5\% \times SG_{g,i})]$,

$$\underline{ACQ_{g,i} = GESQ_{g,i} - \sum_{b \in B} BCQ_{g,b,i} - ASIE_{g,i}}$$

- b) If the actual generation of the generating unit is more than its scheduled generation plus the allowable deviation,

$$\underline{ACQ_{g,i} = SG_{g,i} - \sum_{b \in B} BCQ_{g,b,i} - ASIE_{g,i}}$$

Where:

$ACQ_{g,i}$ refers to the additional compensation quantity of *generating unit g* for *dispatch interval i*

$GESQ_{g,i}$ refers to the *gross energy settlement quantity* of *generating unit g* for *dispatch interval i*

$BCQ_{g,b,i}$ refers to the *bilateral contract quantity* of *generating unit g* to *buying trading participant b* for *dispatch interval i*

B set of all *buying trading participants* that *generating unit g* has a contract with

$ASIE_{g,i}$ refers to the *ancillary services incidental energy* of *generating unit g* for *dispatch interval i*

$SG_{g,i}$ refers to the *scheduled generation* of *generating unit g* for *dispatch interval i* calculated in accordance with Section 10.3.3

10.3.3 The scheduled generation of a generating unit that filed a claim for additional compensation shall be calculated using the following formulas:

a) If due to declaration of market suspension or market intervention,

$$\underline{SG}_{g,i} = \frac{(DT_{g,i-1} + DT_{g,i})}{2} \times \frac{1}{12}$$

b) If due to designation as constrain-on unit,

$$\underline{SG}_{g,i} = \frac{(IL_{g,i} + DI_{g,i})}{2} \times \frac{1}{12}$$

c) If due to scheduling and dispatch as a constrained-on unit during price substitution methodology,

$$\underline{SG}_{g,i} = \frac{(IL_{g,i} + DT_{g,i})}{2} \times \frac{1}{12}$$

d) If due to imposition of a price mitigation measure, unless a different formula is set out in the relevant issuance of the ERC or competent agency imposing the price mitigation measure,

$$\underline{SG}_{g,i} = \frac{(IL_{g,i} + DT_{g,i})}{2} \times \frac{1}{12}$$

Where:

$SG_{g,i}$ refers to the scheduled generation of *generating unit g* for *dispatch interval i*

$DT_{g,i}$ refers to the most recent dispatch target either based on the *dispatch schedule* from the *Market Operator* or a *dispatch instruction* from the *System Operator* received by *generating unit g* for *dispatch interval i*

$DT_{g,i-1}$ refers to the most recent dispatch target either based on the *dispatch schedule* from the *Market Operator* or a *dispatch instruction* from the *System Operator* received by *generating unit g* for the immediately preceding *dispatch interval* of *dispatch interval i*

$IL_{g,i}$ refers to the initial loading of generating unit *g* as determined by the *Market Management System* for *dispatch interval i*

$DI_{g,i}$ refers to the most recent dispatch instruction from the *System Operator* received by generating unit *g* for dispatch interval *i*

10.3.4 In the event that the scheduling point of the generating unit is not at the same location as its market trading node, the Market Operator shall adjust

the scheduled generation calculated under Section 10.3.3 such that the volume shall correspond to the scheduled output of the generation unit at its market trading node. The Market Operator shall adjust the scheduled generation in accordance with the following formula:

$$\underline{SG_{n,g,i}} = \underline{SG_{sp,g,i}} \times \frac{\sum_{n \in N_g} SQ_{n,i}}{\sum_{sp \in SP_g} SQ_{sp,i}}$$

Where:

- $SG_{n,g,i}$ refers to the scheduled generation of *generating unit g* at its *market trading node n* for *dispatch interval i*
- $SG_{sp,g,i}$ refers to the scheduled generation of *generating unit g* at its *scheduling point sp* for *dispatch interval i*
- $SQ_{n,g,i}$ refers to the *snapshot quantity* at *market trading node n* for *dispatch interval i*
- $SQ_{sp,g,i}$ refers to the *snapshot quantity* at *scheduling point sp* for *dispatch interval i*
- N_g refers to the set of *market trading nodes* of the *generating units* within the *generating system* of which *generating unit g* is a member
- SP_g refers to the set of *scheduling points* of the *generating units* within the *generating system* of which *generating unit g* is a member”

- e. New Section 10.4 (Billing and Settlement of Additional Compensation) and its Sub-Sections are added to read as -

“10.4. Billing and Settlement of Additional Compensation

10.4.1 The Market Operator shall determine the share in the additional compensation amount of each Trading Participant in accordance with the provisions under Section 8.3 of the Price Determination Methodology Manual.

10.4.2 The Market Operator shall calculate the possible rate impact to each WESM Customer of each approved claim in accordance with the following formula:

$$\underline{RI_{c,ac}} = \frac{\underline{ACA_{c,ac}}}{\underline{GESQ_{c,m}}}$$

Where:

- $RI_{c,ac}$ refers to the rate impact to customer *c* of additional compensation claim *ac*
- $ACA_{c,ac}$ refers to the share in the additional compensation amount of customer *c* for additional compensation claim *ac*

GESQ_{c,m} refers to the total *gross energy settlement quantity* of customer *c* for the *billing period* *m* when the additional compensation amount *ac* will first be recovered

The customer rate impact shall be calculated for each claiming *Trading Participant* and shall cover its claim for each *billing period* and for each claim category.

10.4.3 The approved claim of each Trading Participant covering each billing period and for each claim category shall be billed on the billing period immediately following the approval of the claim and payments shall be collected as follows:

- a) If the calculated customer rate impact is less than or equal to PhP0.005/kWh – in one (1) payment on the scheduled due date of the *billing period* immediately following the approval of the claim; or
- b) If the calculated customer rate impact is more than PhP0.005/kWh – in four (4) equal installments over four (4) successive *billing periods* starting on the scheduled date of the *billing period* immediately following the approval of the claim.

10.4.4 The *Market Operator* shall collect payments for the approved claim within the following timeframe –

- a) For claims with rate impact equal or less than PhP0.005/kWh – on the due date of the *billing period* immediately following the approval of the claim; and
- b) For claims with rate impact of higher than PhP0.005/kWh – installment payment shall be collected starting from the due date of the *billing period* immediately following the approval of the claim.

It is provided, however, that if a *Trading Participant* has more than one (1) approved claim for each claim category (i.e., covering more than one (1) billing period), only one claim shall be billed in a *billing period*, starting with the earliest *billing period*. (Please refer to Annex A).

10.4.5 The collected amounts from staggered payments shall be pro-rated to the Trading Participants which the payment is due.

10.4.6 The payment for additional compensation of customers that have switched to a different Direct WESM Member shall be billed to the current Direct WESM Member provided that the bill shall reflect the period of consumption and the corresponding Direct WESM Member during the period of the additional compensation event under claim.

Section 5. 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 6. Repealing Clause. Except insofar as may be manifestly inconsistent herewith, nothing in this Circular shall be construed as to repeal any mechanisms already existing or responsibilities already provided for under existing rules.

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

Issued this ____ 2022 at the DOE, Energy Center, Rizal Drive, Bonifacio Global City, Taguig City, Metro Manila.

ALFONSO G. CUSI
Secretary