



DEPARTMENT CIRCULAR NO. DC2024-10-0030

**ADOPTING FURTHER AMENDMENTS TO THE WHOLESALE ELECTRICITY
SPOT MARKET (WESM) RULES AND WESM MANUALS ON DISPATCH
PROTOCOL AND MARKET SURVEILLANCE REGARDING REFINEMENTS TO
PROCEDURES DURING MARKET INTERVENTION/MARKET SUSPENSION**

WHEREAS, Sections 30 and 37(f) of the Electric Power Industry Reform Act (EPIRA) provide 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 (DC) 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, Clause 6.9.4 of the WESM Rules and Clause 16.3.3 of the WESM Manual on Dispatch Protocol mandate the Market Surveillance Committee to perform an assessment of the Market Intervention (MI)/Market Suspension (MS) and submit a report;

WHEREAS, the WESM Rules and WESM Manuals on Dispatch Protocol and Market Surveillance provide, among others, the responsibilities of and procedures to be followed by relevant entities during MI and MS;

WHEREAS, on 23 December 2022, the National Grid Corporation of the Philippines (NGCP) submitted proposed amendments to said WESM documents to update the System Operator's procedures for re-dispatch implementation, submission of system advisories and significant incident reports, and MI/MS.

WHEREAS, on 17 March 2023, the Market Surveillance Committee (MSC) submitted proposed amendments to said WESM documents to:

- (i) Enhance the procedures for the declaration of MI/MS and the processes thereafter to streamline the assessment undertaken by the MSC on these implementations and activities undertaken by the System Operator (SO) and Market Operator (MO); and
- (ii) Clarify the categorization of the events as Transmission System-related events or Market System-related events.

WHEREAS, on 06 June 2023 and 14 February 2024, the PEM Board-approved amendments to the WESM Rules and WESM Manuals on Dispatch Protocol and Market Surveillance were submitted to the DOE for final approval, in compliance with Chapter 8 of the WESM Rules;

WHEREAS, the DOE, to ensure transparency and consistency with the objectives of the EPIRA and the WESM, conducted public consultations on said proposed amendments;

WHEREAS, the DOE reviewed and finalized said PEM Board-approved proposals and made revisions thereto, taking into consideration the comments and recommendations received from the stakeholders;

NOW THEREFORE, after careful review of the PEM Board-approved proposals 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 WESM Manual on Dispatch Protocol:

Section 1. Amendments to the WESM Rules. The following provisions of the WESM Rules are hereby amended to read as:

6.2.1 Preparation and Responses

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6.2.1.2 Grid Security-Related Intervention by the *System Operator* 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 or a threat to *system security* as adverted to in Clause 6.5.2; or
- (b) an event of *force majeure*.

6.2.1.3 Market System-Related Intervention by the *Market Operator* may also be warranted if there is an interruption in the operations of the Market:

- (a) due to the failure of the market software to produce an implementable Real-Time Dispatch (RTD) schedule;
- (b) during the simulation of the business continuity plan and disaster recovery procedures of the Market Operator developed under Clause 6.8.1.1; or
- (c) due to an event of *force majeure*.

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6.2.2 Exemption from Liability Due to Market Suspension and Market Intervention

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.

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6.2.3 Administered Price

During *market suspension* and *market intervention*, the *Market Operator* shall impose the computed administered price as provided in the Market Manual on Price Determination Methodology, to be used as the basis for settlements.

6.3 EMERGENCIES

6.3.1 Emergency

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

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6.3.2 Emergency Procedures

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

- (a) Maintain *system security*;
- (b) Avert or reduce the effect of an *emergency*;
- (c) Issue notifications and warnings to the *Market Operator*, the *PEM Board*, the *DOE*, and the *ERC* where appropriate; and
- (d) Restore the *power system* to a satisfactory operating state immediately after an *emergency*.

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6.5 RESPONSE TO AN EMERGENCY

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6.5.2 Market Intervention due to Emergency Condition or Threat to System Security

6.5.2.1 If the *System Operator* determines that, insufficient time exists for the *spot market* to address an *emergency* condition or eliminate a threat to *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;
- (b) Disconnect one or more connection points as considered by the *System Operator* to be necessary;
- (c) Direct, in accordance with clause 6.5.1, a *Customer* to take such steps as are reasonable to immediately reduce its load;
- (d) Constrain-on or constrain-off a Generation Company; and
- (e) Require *WESM Participants* to do any reasonable act or thing, which the *System Operator* believes necessary in the circumstances.

Thereafter, the *System Operator* shall provide a report in detail in accordance with clauses 6.6.2.2 and 6.6.5.2.

6.6 SYSTEM SECURITY

6.6.1 System Security and Reliability Guidelines

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 the approval of the *PEM Board* and the subsequent promulgation of the *DOE*.

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6.6.2 Notice of Declaration of Market Intervention

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 an alert warning notice from the *System Operator* and/or declaration of *market intervention*.

If arising from a *force majeure* event, as contemplated above, that also affects the *security of the grid*, the *Market Operator* may likewise declare a Market System related-intervention, in coordination with the *System Operator*.

6.6.2.2 The *System Operator* (for grid security-related events) and *Market Operator* (for market system-related events) shall submit the final *market intervention* report, within fifteen (15) working days, 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 to *system security*;
- (d) the actual dispatch of all *generating units* per interval affected.; and
- (e) recommendation(s) to avoid the recurrence of the event,

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

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6.6.5 Market Intervention Due to System Security Threat

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6.6.5.2 Within fifteen (15) working days after market resumption, as specified in Clause 6.6.2, the *System Operator* shall prepare the final *market intervention* report to be submitted to the *Market Surveillance Committee*, *DOE*, and *ERC* regarding the actions and circumstances under which the *market intervention* was made.

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6.7 FORCE MAJEURE

6.7.1 Force Majeure Event

A *force majeure* is the occurrence of an event or events in the grid and in a dispatch interval that is/are 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 system during that dispatch interval and such reduction is likely to materially affect the operation of the spot market or materially threaten system security.

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6.9 MARKET SUSPENSION

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6.9.2 Declaration and Lifting of Market Suspension

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6.9.2.6 The *System Operator* (for grid security-related information) and *Market Operator* (for market system-related information) shall submit the final *market suspension* report, within fifteen (15) working days 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 suspension*, as follows:

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

6.9.3 Effect of Market Suspension

- 6.9.3.1 The *market price* during a *dispatch interval* in which the *ERC* has declared the *spot market* to be suspended and up to the time that the market resumes in accordance with Clause 6.9.2.4 is to be determined by the *Market Operator* in accordance with Clause 6.2.3.
- 6.9.3.2 During a *dispatch interval* in which the *spot market* is suspended, the *WESM Rules* will continue to apply with such modifications as the *Market Operator* reasonably determines to be necessary, taking into consideration the circumstances and conditions giving rise to the decision by the *ERC* to suspend the *spot market*.

6.10 MARKET INTERVENTION AND MARKET SUSPENSION REPORTORIAL REQUIREMENTS BY THE MARKET SURVEILLANCE COMMITTEE

6.10.1 Market Intervention Report

6.10.1.1 Upon the concurrence of one or more of the following events:

- (a) An event which, in the *System Operator's* reasonable opinion, is or may be a threat to *system security*;
- (b) A *force majeure* event; or
- (c) An *emergency*.

The *Market Surveillance Committee*, upon receipt of the *System Operator* (for grid security-related events) or *Market Operator* (for market system-related events) reports, shall investigate the circumstances of that event and prepare a report *Market Intervention Report* to assess:

- (a) The adequacy of the relevant provisions of the WESM Rules relevant to the event and its proposed amendments, if any;
- (b) The appropriateness of actions taken by the *System Operator* and/or the *Market Operator* in relation to the event;
- (c) The impact and possible costs incurred by *WESM Members* as a consequence of the event; and
- (d) Any finding of potential fault of any *WESM Participant* including a preliminary recommendation for further evaluation by the *PEM Audit Committee*.

6.10.1.2 A copy of the report prepared under clause 6.10.1.1 shall be provided to:

- (a) the *PEM Board*;
- (b) the *Market Operator*;
- (c) the *System Operator*;
- (d) the *ERC* and the *DOE*; and
- (e) *WESM Participants* and interested persons upon request and in accordance with the Market Manual on Information Disclosure and Confidentiality.

6.10.2 Market Suspension Report

6.10.2.1 Within ten (10) business days upon receipt of the *market suspension* report from the *Market Operator* and the *System Operator* following a declaration by the *ERC* under Clause 6.9.1.1, the *Market Surveillance Committee* shall review the circumstances of that event and prepare a *Market Suspension Report* to assess:

- (a) The adequacy of the relevant provisions of the WESM Rules relevant to the event and its proposed amendments, if any;
- (b) The appropriateness of actions taken by the *System Operator* and/or the *Market Operator* in relation to the event;
- (c) The impact and possible costs incurred by *WESM Members* as a consequence of the event; and
- (d) Any finding of potential fault of any *WESM Participant* including a preliminary recommendation for further evaluation by the *PEM Audit Committee*.

6.10.2.2 A copy of the report prepared under clause 6.10.2.1 shall be provided to:

- (a) The *PEM Board*;
- (b) The *ERC* and the *DOE* on completion of the report; and
- (c) *WESM Participants* and interested persons on request and in accordance with the Market Manual on Information Disclosure and Confidentiality.

CHAPTER 11

GLOSSARY

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Financial Year. xxx xxx xxx

Formulation. xxx xxx xxx

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Section 2. Amendments to the WESM Manual on Dispatch Protocol. The following provisions of the WESM Manual on Dispatch Protocol are hereby amended to read as:

2.1. Definitions

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2.1.2 The following words and phrases are used in this Market Manual and shall have the following meaning

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w. **National WESM Merit Order Table (WMOT).** WMOT for the interconnected grids where WESM is in operation. Upon energization of the Mindanao-Visayas Interconnection Project

x. **Normal State.** xxx xxx xxx

y. **Offer.** xxx xxx xxx

z. **Operating Margin.** xxx xxx xxx

aa. **Preferential Dispatch Units.** xxx xxx xxx

bb. **Real-Time Data.** xxx xxx xxx

cc. **Real-Time Dispatch.** xxx xxx xxx

dd. **Red Alert.** xxx xxx xxx

ee. **Regional WESM Merit Order Table (WMOT).** WMOT for each of the grids where WESM is in operation.

ff. **Regulating Reserve.** xxx xxx xxx

gg. **Security.** xxx xxx xxx

hh. **Self-scheduled Nomination.** xxx xxx xxx

ii. **Shutdown.** xxx xxx xxx

jj. **Stability.** xxx xxx xxx

kk. **Start-up.** xxx xxx xxx

ll. **System Integrity Protection Scheme (SIPS).** xxx xxx xxx

mm. **System Operator System Advisories.** xxx xxx xxx

nn. **Technical Constraint.** xxx xxx xxx

oo. **Voltage Control.** xxx xxx xxx

pp. **Voltage Instability.** xxx xxx xxx

qq. **Voltage Sag.** xxx xxx xxx

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10.1 Background

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10.1.4 The *Market Operator* prepares a *national WMOT* and *regional WMOTs* for each of the *grids* where the *WESM* is in commercial operation. The *regional WMOT* is further classified as follows:

- i. Luzon-Visayas WMOT – WMOT for interconnected Luzon-Visayas *Grid*, when the *Mindanao Grid* is in *Market Intervention* or *Suspension*, upon energization of MVIP;
- ii. Visayas-Mindanao WMOT - WMOT for interconnected Visayas-Mindanao *Grid*, when the *Luzon Grid* is in *Market Intervention* or *Suspension*, upon energization of MVIP;
- iii. Luzon WMOT - WMOT for *Luzon Grid*;
- iv. Visayas WMOT - WMOT for *Visayas Grid*; and
- v. Mindanao WMOT - WMOT for *Mindanao Grid*.

10.1.5 The *System Operator* utilizes the *national WMOT* and the *regional WMOT* as a guide in the management of capacity sharing between *grids*, where *WESM* is in commercial operation.

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11.1 Background

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11.1.4 At any given *dispatch interval*, the *System Operator* shall issue re-dispatch instructions in accordance with the *WMOT* and shall make an *out-of-merit dispatch* when the *system security* is at risk.

11.1.5 Dispatch of scheduled *reserves* shall be in accordance with Section 23 of this Manual.

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13.4 Start-up of a Generating Unit

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13.4.3 If the *start-up* will be deferred, the generators shall submit their new *outage* schedule to the *System Operator* prior to the original schedule of the *start-up* or the relevant *RTD* run. The *System Operator* shall then update the *outage* schedule accordingly and in accordance with the *WESM timetable* for submission of *outage* schedules.

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16.3 Responsibilities

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16.3.3 The *Market Surveillance Committee* shall perform an assessment and submit a report to the *PEM Board*, the *DOE*, and the *ERC* containing the following:

- a. Adequacy of the provisions of the WESM Rules relevant to the event/s which occurred;
- b. Appropriateness of actions taken by the *System Operator* and/or the *Market Operator* in relation to the event/s that occurred;
- c. Impact and possible costs incurred by the *WESM Members* as a result of responding to the event/s; and
- d. Potential breaches by *WESM Members* including a preliminary recommendation for further evaluation by the *PEM Audit Committee*.

A copy of the report shall be furnished to the *Market Operator* and the *System Operator* for their information and reference.

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16.4 Grounds for Market Intervention and Suspension

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16.4.2 **Grounds for Market Intervention.** Grid Security-related market intervention is permitted in WESM Rules Clause 6.2.1.2 when the grid or a portion of the grid is in an Alert or *Emergency* state arising from (a) an *emergency* or a threat to *system security*, or (b) an event of *force majeure*.

Market System-related intervention may also be warranted if there are interruptions in the operations of the Market:

- (a) Due to the failure of the market software to produce an implementable Real-time Dispatch (RTD) schedule;
- (b) Due to an event of force majeure; or
- (c) During the business continuity plan and disaster recovery procedures of the Market Operator developed under WESM Rules Clause 6.8.1.1.

If arising from *force majeure* events, as contemplated above that also affect the *security of the grid*, the *Market Operator* may likewise declare a *market intervention*, in coordination with the *System Operator*.

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16.5 Declaration of Market Suspension or Market Intervention

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16.5.2 Declaration of Market Intervention. *Market intervention* may be declared by the *System Operator* or the *Market Operator*, in accordance with the relevant Clauses of Chapter 6 of the WESM Rules.

- a. Where the event that may result in intervention originates from market operations or is due to market failure, the *Market Operator* shall assess the situation and immediately advise the *System Operator* of the need to intervene in the WESM.
- b. Where the event that may result in *market intervention* originates from the operation of the *System Operator* or pertains to the *grid*, the *System Operator* shall assess the situation and immediately advise the *Market Operator* of the need for *market intervention*.
- c. The *Market Operator* or the *System Operator* shall notify the *ERC* and the *DOE* that an *emergency* or *force majeure* event has occurred that may lead to *market intervention*, and if possible, the notice shall indicate the expected duration of the same. The responsibility for giving such notice shall depend on the source or origin of the event.

16.5.3 Regional Declaration of Market Intervention and Market Suspension. Where the event that gives rise to the declaration of *market intervention* occurs in one *grid* and does not affect the other *grid/s*, the *System Operator* or the *Market Operator* shall declare *market intervention* in the affected *grid* only (i.e., regional declaration). Similarly, the *System Operator* or the *Market Operator* may recommend to *ERC* the regional declaration of *market suspension*.

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16.8 Market Resumption

16.8.1 Market Resumption after a Market Suspension. If the cause of the *market suspension* is the occurrence of a natural calamity, the *Market Operator* or the *System Operator* may recommend to the *ERC* the lifting of the *market suspension* if the effects of the calamity on the market or the *grid* have already been resolved. When the *ERC* lifts the suspension of the market, the operations of the market will resume at the specific *dispatch interval* prescribed by the *ERC*, which may come from the recommendation of the *Market Operator* in coordination with the *System Operator* considering the preparations necessitated by the participants in complying with market-based instructions.

16.8.2 Market Resumption after Market Intervention. Once the conditions that triggered the *market intervention* have been resolved, the *market intervention* shall be lifted by the *System Operator* or the *Market Operator*.

- a. If the event that gave rise to the *market intervention* pertains to market failure or market operations, the *Market Operator* shall immediately notify the *System Operator* that the condition has already been resolved and initiate the lifting of the intervention.
- b. If the event that gave rise to the *market intervention* pertains to the *grid* or the operations of the *System Operator*, the *System Operator* shall immediately notify the *Market Operator* that the condition has already been resolved and that it is lifting the declaration of *market intervention*.

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16.10 Report on Market Intervention or Market Suspension

16.10.1 Within fifteen (15) working days from market resumption, the *System Operator* and/or the *Market Operator* shall prepare and submit to the *Market Surveillance Committee*, the *ERC*, and the *DOE* the final detailed report containing, as a minimum, the following information:

- a. Description of the circumstances that gave rise to the *market intervention* or *market suspension*;
- b. Steps taken to maintain operations, and, in case of *intervention*, the steps taken to correct the situation; and
- c. Conclusions and recommendations for avoiding similar *market intervention* in the future.

16.10.2 In accordance with WESM Rules Clauses 6.10, the *Market Surveillance Committee* shall render to the *PEM Board*, *DOE*, and the *ERC* a report on the *market intervention* or *market suspension* containing its assessment of the following:

- a. The adequacy of the relevant provisions of the WESM Rules in relation to the event or events that occurred;
- b. The appropriateness of the actions taken by the *System Operator* and/or the *Market Operator* in relation to the event or events that occurred;
- c. The impact and possible costs incurred by the *WESM Members* as a consequence of responding to the event or events.; and
- d. Potential breaches by *WESM Members* including a preliminary recommendation for further evaluation by the *PEM Audit Committee*.

A copy of the report shall be furnished to the *Market Operator* and the *System Operator* for their information and reference.

16.10.3 The *Market Operator* and the *System Operator* shall use Appendix H. *Market Intervention/Suspension Report Template* for the submission of their respective complete report(s) to the *Market Surveillance Committee*.

Section 3. Amendments to the WESM Manual on Market Surveillance. The following provisions of the WESM Manual on Market Surveillance are hereby amended to read as:

5.3 REVIEW OF MARKET INTERVENTION

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5.3.3 Upon receipt of the final report from the *Market Operator* and/or the *System Operator*, the *Market Surveillance Committee* shall conduct a review and shall prepare a *Market Intervention Report*, which shall include:

- a) All data and information regarding the event, including those provided by the *System Operator* or the *Market Operator*;
- b) Assessment and recommendations, as applicable, on:
 - (i) The adequacy of the provisions of the WESM Rules relevant to the event, and its proposed amendments, if any;
 - (ii) The appropriateness of actions taken by the *System Operator* and/or *Market Operator* in relation to the event;
 - (iii) The impact and possible costs incurred by *WESM Members* as a consequence of the event; and
 - (iv) Potential breaches by *WESM Members* including a preliminary recommendation for further evaluation by the *PEM Audit Committee*.

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5.3.6 The *Market Surveillance Committee's Market Intervention Report* shall be submitted to the *PEM Board* for review and approval, provided that the report shall be submitted within thirty (30) working days after the *MSC* has received the final report from the *Market Operator* and/or the *System Operator*.

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5.4 REVIEW OF MARKET SUSPENSION

5.4.1 Within ten (10) business days upon receipt of the final report from the *Market Operator* and/or *System Operator* following a declaration of Market Suspension by the *ERC* under Clause 6.9.1.1 of the *WESM Rules*, the *Market Surveillance Committee* shall review such declaration and prepare a Market Suspension Report to assess:

- a) The adequacy of the relevant provisions of the *WESM Rules* in relation to the event or events that occurred;
- b) The appropriateness of actions taken by the *System Operator* and/or the *Market Operator* in relation to the event or events that occurred;
- c) The impact and possible costs incurred by *WESM Members* as a consequence of responding to the event or events; and
- d) Potential breaches by *WESM Members* including a preliminary recommendation for further evaluation by the *PEM Audit Committee*.

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Section 4. 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 5. 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 6. Effectivity. This Circular shall take effect fifteen (15) days following its complete publication in at least two (2) newspapers of general circulation. A copy of this Circular shall be filed with the University of the Philippines Law Center – Office of the National Administrative Register.

Issued on this OCT 07 2024 at the DOE, Energy Center, Rizal Drive, Bonifacio Global City, Taguig City, Metro Manila.


RAPHAEL P.M. LOTILLA
Secretary

