

[DOE DEPARTMENT CIRCULAR NO. DC2012-03-0004, March 19, 2012]

DIRECTING COMPLIANCE WITH THE ELECTRIC POWER INDUSTRY REFORM ACT OF 2001 (EPIRA) TO ADDRESS THE POWER SUPPLY SITUATION INCLUDING THE RATIONALIZATION OF THE AVAILABLE CAPACITIES IN THE MINDANAO GRID

WHEREAS, pursuant to the declared policy of the State under Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), the Department of Energy (DOE) is mandated to ensure the reliability, quality and security of supply of electric power;

WHEREAS, the DOE issued DC 2003-12-011 dated 05 December 2003 reiterating the policy of the State that all distribution utilities must take cognizance and assume full responsibility to forecast, assure and contract for the supply of electric power in their respective franchise areas to meet their obligations as a distribution utility;

WHEREAS, the DOE likewise issued DC-2010-03-0003 on 26 February 2010 directing the distribution Utilities to ensure that the power requirements within their franchise areas are adequately covered by supply contracts;

WHEREAS, the National Grid Corporation of the Philippines (NGCP), since January 2012 has been issuing a "red" alert status in the Mindanao grid due to current generation deficiencies, ranging from 50 MW to 300 MW, brought about by various constraints in optimizing available capacities which resulted in rotating brownouts in various parts of the region;

WHEREAS, the Transition Supply Contracts (TSCs) between Power Sector Assets and Liabilities Management Corporation (PSALM) and its customers, which expired on 25 August 2011, were renewed until 31 December 2012, at proportionately reduced levels from the previous ones, taking into consideration the available generation capacity of PSALM contracts and assets;

WHEREAS, PSALM through the National Power Corporation (NPC) has prepared the Load-to-Maintain Matrix, and confirmed by NGCP which serves as the basis for load curtailment;

WHEREAS, it has been observed that several customers are not complying with the Load-to-Maintain schedules by withdrawing from the grid over and above their Load-to-Maintain levels to the prejudice of other customers and threatens the security of the grid;

WHEREAS, to ensure security of the grid, there is a need to implement sanctions including disconnection where technically feasible for failure to comply with the dispatch protocols including Load-to-Maintain matrix;

WHEREAS, after a series of focused group discussions, consultations and meetings with relevant electric power industry participants in Mindanao and concerned energy agencies, the DOE has determined the urgent need to come up with a framework that will optimize and rationalize the utilization of all available generation capacities in Mindanao, including a provision for the reserve requirements in order to meet the demand for electricity in Mindanao region;

NOW THEREFORE, premises considered, the DOE hereby declares as follow:

SECTION 1. Scope and Application. This Circular shall apply to all agencies and entities named herein and all electric power industry participants in Mindanao, including generation companies, distribution utilities – private investor-owned utilities, Electric Cooperatives (ECs) and other customers.

SECTION 2. Responsibilities. Pursuant to their respective mandates and functions under the EPIRA and its implementing rules and regulations, the Philippine Grid Code (PGC), the Philippine Distribution Code and other relevant laws, rules, and issuances, the following are enjoined to extend their full cooperation and action, the actions and measures provided for in this Circular, to address the power supply situation in Mindanao:

(a) National Grid Corporation of the Philippines (NGCP). The NGCP is hereby directed to perform its obligations of ensuring and maintaining the reliability, adequacy, security, stability and integrity of the nationwide electricity grid in accordance with the performance standards for the operations and maintenance of the grid, as set forth in the Philippine Grid Code.

In the performance of its obligations, NGCP is hereby directed to:

- i. use any and all available capacities to maintain load-generation balance including the minimum reserve requirements that may be determined in consideration of the available supply;
- ii. monitor closely the compliance by all customers to the Load-to-Maintain matrix and report to the DOE all instances of non-compliance;
- iii. issue a generation deficiency level notice for customers to implement voluntary load curtailment based on the Load-to-Maintain Matrix consistent with this Circular;
- iv. upon the DOE's directive, disconnect customers that are not compliant with the Load-to-Maintain Matrix considering that such action will prejudice others that are compliant and likewise impairs the integrity of the grid;
- v. ensure that its transmission facilities are well-maintained so that no available generating capacity is further