

[DOE DEPARTMENT CIRCULAR NO. DC2010-11-0012, November 26, 2010]

DECLARING THE COMMERCIAL OPERATION OF THE WHOLESALE ELECTRICITY SPOT MARKET (WESM) IN THE VISAYAS GRID AND ITS INTEGRATION WITH THE LUZON GRID

WHEREAS, Section 2 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 ("EPIRA"), declared as a policy of the State to ensure transparent and reasonable prices of electricity in a regime of free and fair competition and full public accountability to achieve greater operational and economic efficiency and enhance the competitiveness of Philippine products in the global market; and to protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power;

WHEREAS, Section 37 of the EPIRA provides that the Department of Energy ("DOE") is mandated to supervise the restructuring of the electricity industry; formulate rules and regulations as may be necessary to implement the objectives of the EPIRA; and exercise such other powers as may be necessary or incidental to attain the objectives of the EPIRA;

WHEREAS, the DOE is mandated under the EPIRA to establish the Wholesale Electricity Spot Market ("WESM") that will facilitate a transparent, competitive, and reliable electricity market in the country and to organize and establish the appropriate market design and governance structure of the WESM;

WHEREAS, on 28 June 2002, the DOE promulgated the WESM Rules through Department Circular No. 2002-06-003;

WHEREAS, in accordance with Rule 9 Section 3(b) of the EPIRA-IRR, on 18 November 2003, at the initiative of the DOE, the Philippine Electricity Market Corporation ("PEMC") was incorporated as a non-stock, non-profit corporation and thereafter its Board of Directors ("PEM Board") was constituted with equitable representation from electric power industry participants and chaired by the DOE, to serve as the governing arm of the WESM, which constituted the Autonomous Group Market Operator ("AGMO") tasked to undertake the preparatory work and initial operation of the WESM;

WHEREAS, the Energy Regulatory Commission ("ERC") has approved the Price Determination Methodology ("PDM") for the WESM on 20 June 2006, the Administered Price Determination Methodology ("APDM") and the Structure and Level of the Market Fees for the WESM on 22 June 2006;

WHEREAS, the Market Dispatch Optimization Model ("MDOM") has been certified as compliant with the WESM Rules by an independent auditor on 10 December 2005 prior to the commercial operation of the WESM in the Luzon grid and subsequently

on 22 July 2010 as a result of the Independent Operational Audit of the Systems and Procedures on Market Operations;

WHEREAS, on 21 June 2006, the DOE issued Circular No. 2006-06-0008 declaring the start of commercial operations of the WESM in the Luzon grid. The said Circular also provides that the commencement of the commercial operation of the WESM in the Visayas grid shall be separately declared by the DOE;

WHEREAS, PEMC has completed the Trial Operations Program ("TOP") in preparation for the commercial operation of the WESM in the Visayas grid with the Live Dispatch Operation as the final phase of the Program;

NOW, THEREFORE, from the foregoing premises, the DOE hereby declares the following:

Section 1. Commencement of the Commercial Operation of the WESM in the Visayas Grid and its Integration with the Luzon Grid.

The commercial operation of the WESM in the Visayas grid shall commence on 26 December 2010 (hereafter the Commencement Date), subject to the submission of PEMC to the DOE of a certification attesting that all systems and procedures including all interfaces with the participants and service providers necessary for the operation of the WESM in the Visayas grid are in place and pursuant with the requirements set under the WESM Rules. Specifically, the said certification shall attest that the forecasting, scheduling, dispatch, pricing, metering, and settlement processes of the WESM are fully operational in the Visayas grid.

PEMC shall submit the said certification at least five (5) days prior to the WESM Visayas commercial operation Commencement Date. Upon the receipt of the said certification, the DOE shall determine its acceptability and sufficiency and shall confirm the Commencement Date as prescribed in Section 1 of this Circular. In the event that the DOE does not find the certification acceptable, PEMC or the relevant entity should immediately rectify or remedy the deficiency and that the DOE, at its discretion, shall declare or confirm a new commencement date once it is satisfied that the deficiency is already sufficiently rectified.

Section 2. Electric Power Industry Participants Mandatory Registration with the WESM. All electric power industry participants shall register with the WESM, either as Direct or Indirect Member, prior to the Commencement Date prescribed in Section 1 of this Circular:

2.1 All persons and/or entities injecting and/or withdrawing electricity to/from the grid namely the generation companies, distribution utilities and other customers are required to register with the WESM pursuant to DOE Circular No. DC2010-08-0010 and WESM Rules Section 2.2.4.2.

2.2 Service Providers namely the system operator, network service providers, the ancillary service providers and the metering services providers are required to register with the WESM