DEPARTMENT CIRCULAR NO. __DC 2021 - 11 - 0038__

AMENDING CERTAIN PROVISIONS OF DEPARTMENT CIRCULAR NO. DC2021-03-0007 ENTITLED *"ADOPTING FURTHER AMENDMENTS TO THE WESM RULES AND MARKET MANUAL ON THE MANAGEMENT OF NET SETTLEMENT SURPLUS (HARMONIZATION WITH ERC RESOLUTION NO. 07 SERIES OF 2019)"*

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, 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, Retail Rules and their Market Manuals shall be undertaken in accordance with the provisions of Chapter 8 of the WESM Rules;

WHEREAS, on 16 March 2021, the DOE issued the Department Circular No. DC2021-03-0007, entitled "Adopting Further Amendments to the Wholesale Electricity Spot Market (WESM) Rules and Market Manual on the Management of Net Settlement Surplus (Harmonization with the Energy Regulatory Commission Resolution No. 07, Series of 2019)";

WHEREAS, on 13 May 2021, the abovementioned Department Circular was published in the newspapers, particularly in the Business World and Daily Tribune;

WHEREAS, there is a need to further align the affected provisions of the WESM Rules and the Manual on the Management of Net Settlement Surplus with ERC Resolution No. 07 Series of 2019 to ensure proper implementation of the NSS;

NOW THEREFORE, in consideration of the foregoing and pursuant to its authority under the EPIRA and the WESM Rules, the DOE hereby issues and promulgates the following amendatory provisions to the Department Circular No. DC2021-03-0007:

Section 1. Amendments to the WESM Rules. The following provisions in the WESM Rules are hereby amended:

a. Clause 3.13.12.5 (Treatment of Remaining Settlement Surplus) under Settlement Quantities and Amounts is amended to read as -

"3.13.12.5 The *ERC* may issue changes to the flow back of the *net settlement surplus* or *net settlement deficit* to the *WESM Participants*. Such changes shall be reflected in the procedures referred to in Clause 3.13.12.3 by the *Market Operator* in accordance with the rules change process in Chapter 8."

Section 2. Amendments to the WESM Market Manual on the Management of Net Settlement Surplus. The following provisions in the Market Manual on the Management of Net Settlement Surplus, promulgated under the Department Circular No. DC2021-03-0007 are hereby amended:

a. Section 5.2 (Net Settlement Deficit) and its Subsections under Methodology and Procedure are amended to read as -

"5.2 DERIVATION OF NET SETTLEMENT SURPLUS AND NET SETTLEMENT DEFICIT

xxx   xxx   xxx

5.2.2 xxx   xxx   xxx

$$TA_{Payable,P,i} \text{ or } TA_{Collectible,P,i} = TA_{Energy,P,i} + TA_{Loss,P,i} + TA_{Congestion,P,i}$$

Where:

xxx   xxx   xxx

$TA_{Loss,P,i}$ = *Trading amount* for transmission loss of *Trading Participant* P, in PhP, for *trading interval* i

xxx   xxx   xxx

5.2.4 xxx   xxx   xxx

$$NSS_{Congestion,i} \text{ or } NSD_{Congestion,i} = \sum\nolimits_{cp\epsilon CP} TA_{Congestion,cp,i} - \sum\nolimits_{pp\epsilon PP} TA_{Congestion,pp,i}$$

xxx   xxx   xxx

5.2.5 xxx   xxx   xxx

$$NSS_{NoTLCP,i} \text{ or } NSD_{NoTLCP,i} = TA_{Collectables,i} - TA_{Payables,i}$$

xxx   xxx   xxx"

b. Section 5.3 (Flow Back to the Participants) and its Subsections under Methodology and Procedure are amended to read as –

"5.3 DETERMINATION OF NET SETTLEMENT SURPLUS ALLOCATION

xxx   xxx   xxx

5.3.2 xxx   xxx   xxx

$$NSS_{Loss.P.i} = \frac{LL_{Spot.P.i} + LL_{LR.P.i}}{\sum(LL_{Spot.i} + LL_{LR.i})} \times NSS_{Loss.i}$$

xxx   xxx   xxx

5.3.3 xxx   xxx   xxx

$$NSS_{Congestion.P.i} = \frac{CC_{Spot.P.i} + CC_{LR.P.i}}{\sum(CC_{Spot.i} + CC_{LR.i})} \times NSS_{Congestion.i}$$

xxx   xxx   xxx

5.3.4 xxx   xxx   xxx

$$NSS_{NoTLCP.P.i} = \frac{MQ_{Withdrawal.P.i}}{\sum_{ww \in WW} MQ_{Withdrawal.ww.i}} \times NSS_{NoTLCP.i}$$

Where:

$NSS_{NoTLCP.P.i}$ = NSS allocation when there is no calculated transmission loss and congestion payments, in PhP, of Trading Participant P for *trading interval i*

$MQ_{Withdrawal.P.i}$ = Actual withdrawal from the grid, in MWh, of Trading Participant P for *trading interval i*

xxx   xxx   xxx""

c. Section 5.4 (Limitation of Flow Back Mechanism) and its Subsections under Methodology and Procedure are amended to read as -

"5.4 DETERMINATION OF NET SETTLEMENT DEFICIT ALLOCATION

5.4.1 The *Market Operator* shall allocate the *NSD* to 1) *Customers* who caused the deficit; and/or 2) *Customers* who received excess payment. The allocation shall be determined based on each recipient's contribution to the total NSD_{Loss} and $NSD_{Congestion}$.

5.4.2 xxx   xxx   xxx

$$NSD_{Loss,P,i} = \frac{LL_{Spot,P,i} + LL_{LR,P,i}}{\Sigma(LL_{Spot,i} + LL_{LR,i})} \times NSD_{Loss,i}$$

xxx   xxx   xxx

5.4.3 xxx   xxx   xxx

$$NSD_{Congestion,P,i} = \frac{CC_{Spot,P,i} + CC_{LR,P,i}}{\Sigma(CC_{Spot,i} + CC_{LR,i})} \times NSD_{Congestion,i}$$

Where:

xxx   xxx   xxx

$CC_{LR,P,i}$ = Congestion charge payment for line rental, in PhP, of Trading Participant P for *trading interval i*

xxx   xxx   xxx

5.4.4 xxx   xxx   xxx

$$NSD_{NoTLCP,P,i} = \frac{MQ_{Withdrawal,P,i}}{\Sigma_{WW \in WIV} MQ_{Withdrawal,WW,i}} \times NSD_{NoTLCP,i}$$

Where:

$NSD_{NoTLCP,P,i}$ = NSD allocation when there is no calculated transmission loss and congestion payments, in PhP, of Trading Participant P for *trading interval i*

$MQ_{Withdrawal,P,i}$ = Actual withdrawal from the grid, in MWh, of Trading Participant P for *trading interval i*

xxx   xxx   xxx"

Section 3. Repealing Clause. Provisions of the Department Circular No. DC2021-03-0007 not affected by this Circular shall remain in effect.

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. Effectivity. This Circular shall take effect following its complete publication in at least two (2) newspapers of general circulation and shall remain in effect until otherwise revoked. Copies thereof shall be filed with the University of the Philippines Law Center – Office of National Administrative Register (UPLC-ONAR).

Issued on NOV 09 2021 at Energy Center, Bonifacio Global City, Taguig City.

ALFONSO G. CUSI
Secretary

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DC_____ -- ADOPTING FURTHER AMENDMENTS TO THE WHOLESALE ELECTRICITY SPOT MARKET (WESM) RULES AND MARKET MANUAL ON THE MANAGEMENT OF NET SETTLEMENT SURPLUS (Harmonization with the Energy Regulatory Commission Resolution No. 07, Series of 2019)