



Republic of the Philippines
DEPARTMENT OF ENERGY

DEPARTMENT CIRCULAR NO. DC 2013-01-0001

**DIRECTING THE PHILIPPINE ELECTRICITY MARKET CORPORATION TO
DEVELOP AND IMPLEMENT AN INTERIM MINDANAO ELECTRICITY
MARKET (IMEM) AS A MEASURE TO IMMEDIATELY ADDRESS THE POWER
SUPPLY SITUATION IN MINDANAO**

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 Mindanao grid has been experiencing power supply situation, which at times result to rotating brownouts in some areas due to generation capacity deficiencies to meet the energy and ancillary services requirement;

WHEREAS, the DOE issued Department Circular No. 2010-10-0011 on 12 October 2010 and Department Circular No. 2012-03-0004 on 19 March 2012, enjoining all electric power industry participants to rationalize and maximize the available power generation capacities in the Mindanao grid to address the power situation Mindanao;

WHEREAS, as a follow up to the Mindanao Power Summit held on 13 April 2012, a series of focused group discussions, consultations and meetings with relevant electric power industry participants in Mindanao and concerned energy agencies, were spearheaded by the DOE and jointly with the attached agencies and Philippine Electricity Market Corporation (PEMC) to implement and operationalize the identified measures to address the Mindanao power supply situation;

WHEREAS, the DOE recognizes the urgent need to develop and implement a roadmap to deliver the sustainable solutions to the Mindanao power situation taking into consideration the current and future power supply and demand situation and the socio-economic, environmental and peace and order factors, among others;

WHEREAS, all stakeholders in Mindanao including the concerned government agencies, business groups and Local Government Units are enjoined to participate and cooperate in the implementation of the roadmap that contains the solutions to the electric power concerns in Mindanao;

WHEREAS, there is a need to establish a venue for transparent and efficient utilization of all available capacities particularly during periods wherein the contracted supply capacities of the load customers such as the distribution utilities and industrial customers are not enough to meet their demand, and at the same time reflecting the true cost of electric power to encourage dispatch and utilization of existing available power generating facilities and/or to attract the entry of new generating capacities in Mindanao;

WHEREAS, the PEMC, a non-stock, non-profit corporation, which was established in 2003, has been operating the wholesale electricity spot market in Luzon since June 2006 and in the Visayas since December 2010, is deemed competent to develop a market design specific to Mindanao;

NOW THEREFORE, premises considered, the DOE, hereby directs the Philippine Electricity Market Corporation (PEMC) to develop and implement an interim electricity market design for Mindanao, to be referred to as the "Interim Mindanao Electricity Market (IMEM)."

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 and other customers.

Section 2. General Principles of the Proposed Interim Mindanao Electricity Market. The Interim Mindanao Electricity Market (IMEM) shall have the following salient features:

- (a) A day-ahead market wherein market participants submit their nominations a day before the actual delivery or curtailment of energy;
- (b) All generation capacities, directly connected customers and distribution customers shall be part of a mandatory program that aims to address only the deficiency of supply in the grid;
- (c) Provides for energy efficiency incentives meant to contribute to the supply in the grid;
- (d) Provides real time imbalance correction through the use of a merit order table provided by the IMEM operator;
- (e) Provides a Merit Order Table having the same principles of the merit order table used in the Luzon and the Visayas grids;

- (f) A settlement based on a uniform pricing framework settled at the market clearing price with which the total cost shall be allocated among the IMEM participants; and
- (g) Provides for a governance framework to ensure free and fair competition and public accountability.

For this purpose, PEMC is hereby directed to provide the DOE within two (2) months from the issuance of this Circular, the IMEM Implementing Rules and timelines in accordance with the abovementioned features for the consideration and approval of the DOE.

Pending the approval of the IMEM Implementing Rules, PEMC is hereby authorized to file the necessary application with the Energy Regulatory Commission (ERC) to secure the necessary funding to fulfill its mandate subject to a cost recovery methodology to be subsequently submitted to the ERC for approval.

Section 3. 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 (PDC) and other relevant laws, rules, and issuances, the following are enjoined to extend their full cooperation and action:

- (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, while at the same time taking into consideration the current and future power supply and demand situation of Mindanao;
- (b) **National Transmission Corporation (TransCo).** TransCo shall provide the necessary technical support to DOE and PEMC to assess the power situation and to ensure compliance of NGCP to the responsibilities indicated herein;
- (c) **Power Sector Assets and Liabilities Management Corporation (PSALM) and National Power Corporation (NPC).** PSALM and NPC, having control of about 74.19% of the total power generating capacities in Mindanao, shall endeavor to sustain if not improve the generation capabilities of its power plants and to continue to fully utilize all available capacities of all power plants in the region.

In this regard, PSALM shall provide appropriate financial support on the operation and maintenance of its power plants operated by NPC, and obligations under the IPP contracted capacities, subject to existing PSALM and NPC arrangements. Meanwhile, NPC shall ensure efficient operation of the said power plants;

- (d) **National Electrification Administration (NEA).** Consistent with its statutory obligations, NEA is directed to assess the current financial and technical capability of Mindanao ECs and provide all the necessary assistance to them to prepare for the eventual implementation of IMEM particularly their roles and mandates; and
- (e) **Electric Power Industry Participants.** All electric power industry participants are hereby enjoined to provide full cooperation in this undertaking to ensure that the objectives set out in this Circular are attained.

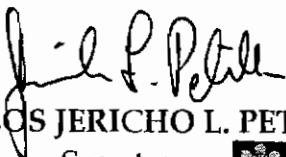
Section 4. Regulatory Support. The DOE and the ERC shall closely coordinate in order that any application filed in relation to this program shall be expeditiously acted upon.


Section 5. Policy Support and Development. The DOE, shall issue the necessary policies to support the efficient implementation of the IMEM and to undertake IEC activities in order to properly carry out and achieve the objectives of this Circular.

Section 6. No Amendment or Repeal of Existing Laws. Nothing in this Circular shall be construed as to amend, supplant, or repeal any of the mechanisms or institutions already existing or responsibilities already allocated and provided for under any existing law, rule or contract.

Section 7. Effectivity. This Circular shall take effect immediately and will remain in effect until otherwise revoked by the DOE.

Issued on **JAN 09 2013** at Energy Center, Bonifacio Global City, Taguig City.


CARLOS JERICHO L. PETILLA
Secretary

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DEPARTMENT OF ENERGY
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