



Republic of the Philippines
DEPARTMENT OF ENERGY

DEPARTMENT CIRCULAR NO. DC2014-01-0003

**DESIGNATING THE 650-MW MALAYA THERMAL POWER PLANT AS A
MUST-RUN UNIT IN THE WHOLESALE ELECTRICITY SPOT MARKET**

WHEREAS, Republic Act No. 9136 otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA) declares as policy of the State, among others, to ensure the quality, reliability, security and affordability of the supply of electric power;

WHEREAS, pursuant to Section 37 of the EPIRA, the Department of Energy (DOE) is mandated to supervise the restructuring of the electric power industry as well as among other things, to:

- (a) Formulate policies for the planning and implementation of a comprehensive program for the efficient supply and economical use of energy consistent with the approved national economic plan and with the policies on environmental protection and conservation and maintenance of ecological balance, and provide a mechanism for the integration, rationalization, and coordination of the various energy programs of the Government;
- (b) Ensure the reliability, quality and security of supply of electric power;
- (c) Jointly with the electric power industry participants, establish the wholesale electricity spot market and formulate the detailed rules governing the operations thereof; and
- (d) Formulate rules and regulations as may be necessary to implement the objectives of the EPIRA; and
- (e) Exercise such other powers, as may be necessary or incidental to attain the objectives of the EPIRA.

WHEREAS, the 650-MW Malaya Thermal Power Plant (MTPP), located in Pililia, Rizal, an oil-fired power plant, is government-owned through the Power Sector Assets and Liabilities Management Corporation (PSALM);

WHEREAS, the MTPP is consisting of two (2) generating units, MTPP1, commissioned on 20 August 1975 with a capacity of 300-MW and MTPP 2, commissioned on 21 April 1979 with a capacity of 350 MW;

WHEREAS, the MTPP is a base load plant, each unit having a capability to operate at a minimum stable load (P_{min}) of 130 MW each and capable of providing reactive power support or voltage support to the grid being strategically located in a load center;

WHEREAS, the MTPP, unlike other oil-based power plant, requires sixteen (16) hours start up before the generation units can be synchronized to the grid; and each generating unit having a ramp up and ramp down rate of three (3) MW per minute;

WHEREAS, on 28 June 2002, in consultation with the electric power industry participants, the WESM Rules was issued, adopted, and promulgated by the DOE;

WHEREAS, the WESM started its commercial operations in Luzon Grid on 26 June 2006, while the Visayas Grid was integrated effective 26 December 2010;

WHEREAS, in ensuring effective and efficient operations of the Philippine electricity market, WESM Rules and various Manuals were promulgated including the Dispatch Protocol Manual (DPM);

WHEREAS, Appendix A1, Section 4.3 of the DPM provides that each Trading Participant classified as a scheduled generation company must submit bids/offers corresponding to its maximum available capacity for each trading interval, often referred to as the Must Offer Rule (MOR);

WHEREAS, the technical limitations of the MTPP makes it difficult to comply with the MOR and be compelled to run at P_{min} level at all times, which exposes MTPP to operate at a loss since its production cost is above the normal Market Clearing Prices particularly during off-peak hours of the day;

WHEREAS, historical performance of MTPP shows that it has been utilized as Must Run Unit (MRU) during significant events such as supply shortfall, in times of system security and voltage support to the grid;

WHEREAS, on 14 August 2013, PSALM had written the DOE to declare the MTPP to be operated as a "Must Run Unit" only in times when (a) there is insufficient power supply offers in the WESM and/or (b) there is a need to provide reactive power for voltage support to address system security requirement and maintain the stability of the grid;

WHEREAS, the DOE recognizes that the MTPP was designed and previously operated as a base load plant and its distinct technical and operational characteristics make it difficult to comply with the MOR without incurring losses due to high costs of operations;

WHEREAS, the DOE further recognizes that the MTPP is not a suitable Generator Trading Participant in the WESM, but clearly manifest its importance during times of supply shortfall and system security by designating the MTPP as an MRU to ensure supply security in the grid;

NOW, THEREFORE, for and in consideration of the foregoing premises, the DOE, consistent with its mandate under the EPIRA, hereby adopts and promulgates the following:

Section 1. Designation of the 650-MW Malaya Thermal Power Plant (MTPP) as a Must-Run Unit (MRU). Pursuant to the provisions of the EPIRA, the MTPP shall be exempted from the Must Offer Rule (MOR) and shall continue to be utilized as MRU in the WESM. All existing MRU compensation and settlement process shall remain the same. The System Operator (SO) may utilize the MTPP at its maximum capability in accordance with the Market Manual on Management of MRUs.

Section 2. Additional Responsibilities of Relevant Agencies. To ensure efficient implementation of the Circular, the following are hereby directed to undertake the following:


- (a) The PEMC shall ensure that the MTPP shall be compensated under the MRU settlement in accordance with the specified schedule of the SO.
- (b) The PSALM shall: (i) ensure efficient operation of MTPP; (ii) ensure the readiness of MTPP to run as MRU upon instruction of the SO; (iii) ensure availability of fuel supply at all times by maintaining adequate daily inventory; and (iv) diligently coordinate with PEMC on the timely recovery of compensation for the operation of MTPP as MRU.

Section 3. Repealing Clause. Except insofar as may be manifestly inconsistent herewith, nothing in this Circular shall be construed as to repeal any of the mechanisms already existing or responsibilities already provided for under existing rules.

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 in full force and effect.

Section 5. Effectivity. This Circular shall take effect fifteen (15) days following its publication in at least two (2) newspaper of general circulation and shall remain in effect until otherwise revoked.

Issued at Energy Center, Bonifacio Global City, Taguig City.


CARLOS JERICO L. PETILLA
Secretary

 Republic of the Philippines
DEPARTMENT OF ENERGY

IN REPLYING PLS CITE:

SOE-JLP-14000556



JAN 22 2014