

Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



**IN THE MATTER OF THE
RESOLUTION ADOPTING
AMENDMENTS TO THE
RULES IN THE EVENT OF
MARKET SUSPENSION OR
DECLARATION OF
TEMPORARY MARKET
FAILURE AND THE
SUBSEQUENT MARKET
RESUMPTION OF THE
OPERATION OF THE
WHOLESALE ELECTRICITY
SPOT MARKET (WESM)**

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ERC CASE NO. 2017-__RM

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NOTICE

D O C K E T E D
Date: Oct 26 2017
By: [Signature]

Notice is hereby given that the draft “*Resolution Adopting Amendments to the Rules in the Event of Market Suspension or Declaration of Temporary Market Failure and the Subsequent Market Resumption of the Operation of the Wholesale Electricity Spot Market (WESM)*” is posted on the Energy Regulatory Commission (ERC) website www.erc.gov.ph for comments from the industry stakeholders.

All interested parties may submit their comments and inputs to spotmarket@erc.gov.ph within ten (10) days or until 03 November 2017. The said Resolution may be downloaded from the ERC Website or may be photocopied, at cost, during regular office hours at the ERC Main Office.

The Commission will determine the need for a conduct of a Public Consultation upon review and evaluation of all submitted comments from the industry stakeholders.

Pasig City, 19 October 2017.

FOR AND BY THE AUTHORITY
OF THE COMMISSION:

JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner

Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

RESOLUTION NO. _____, Series of 2017

A RESOLUTION ADOPTING AMENDMENTS TO THE RULES IN THE EVENT OF MARKET SUSPENSION OR DECLARATION OF TEMPORARY MARKET FAILURE AND THE SUBSEQUENT MARKET RESUMPTION OF THE OPERATION OF THE WHOLESALE ELECTRICITY SPOT MARKET (WESM)

WHEREAS, Section 30 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), provides that in case of national and international security emergencies or natural calamities, the Energy Regulatory Commission (ERC) is empowered to suspend the operation of the Wholesale Electricity Spot Market (WESM) or declare a temporary WESM failure;

WHEREAS, the Philippine Electricity Market Corporation (PEMC) was incorporated on 18 November 2003 as a non-stock, non-profit corporation and designated as the Autonomous Group Market Operator (AGMO) of the WESM;

WHEREAS, the Department of Energy (DOE), on 21 June 2006, issued Department Circular (DC) No. 2006-06-0008 declaring the start of commercial operations of the WESM in the Luzon Grid;

WHEREAS, on 11 April 2007, the ERC issued Resolution No. 15, Series of 2007 adopting the procedures in the event of market suspension or declaration of temporary market failure and the subsequent market resumption of the operation of the WESM;

WHEREAS, at the time of promulgation of the said Resolution, WESM was commercially operating in Luzon Grid only and the functions of the System Operator was still lodged with the National Transmission Corporation;

WHEREAS, the DOE, on 26 November 2010, issued DC No. 2010-11-0012 declaring the start of commercial operations of the WESM in the Visayas Grid and its integration with the Luzon Grid;

WHEREAS, the DOE, on 04 May 2017, issued DC No. 2017-05-0009 declaring the launch of WESM in the Mindanao Grid and providing for transition guidelines therefor;

WHEREAS, in the proper execution of its function pursuant to Section 30 of EPIRA, the ERC has resolved to amend the set of procedures relative to the declaration of the suspension of the WESM;

WHEREAS, the commercial operations and integration of Visayas Grid in the WESM for Luzon and the launching of WESM in the Mindanao Grid as well as the increase in capacities since 2007, impelled the ERC to amend the existing threshold levels on the criteria for declaration of market suspension;

NOW THEREFORE, after thorough and due deliberation, the ERC consistent with its mandate under the EPIRA, hereby **RESOLVES**, as it is hereby **RESOLVED**, to **APPROVE** and **ADOPT**, the set of Rules in the event of market suspension or declaration of temporary market failure and the subsequent market resumption of the operation of the WESM herein attached as Annex "A" and made an integral part of this Resolution;

This Resolution shall take effect immediately following its publication in a newspaper of general circulation in the country.

Let copies of this resolution be furnished the University of the Philippines Law Center-Office of the National Administrative Register.

Pasig City, 20 October 2017.

GLORIA VICTORIA C. YAP-TARUC
Commissioner

ALFREDO J. NON
OIC Chairman and CEO of ERC

JOSEFINA PATRICIA A. MAGPALE-ASIRIT **GERONIMO J. STA. ANA**
Commissioner Commissioner

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Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

Annex "A"

**Rules in the Event of Market Suspension or Declaration of
Temporary Market Failure and the Subsequent Market
Resumption of the Operation of the Wholesale Electricity
Spot Market**

Pursuant to Section 30 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), provides that in case of national and international security emergencies or natural calamities, the Energy Regulatory Commission (ERC) is empowered to suspend the operation of the Wholesale Electricity Spot Market (WESM) or declare a temporary WESM failure

Upon occurrence of a natural calamity or declaration of a security emergency by the President of the Republic, the ERC hereby adopts and promulgates the following Rules for this purpose:

**ARTICLE I
GENERAL PROVISIONS**

Section 1. Purpose

This document provides the procedural undertaking of the Energy Regulatory Commission (ERC) in declaring the suspension of the Wholesale Electricity Spot Market (WESM) pursuant to Section 30 of the Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 or EPIRA.

Section 2. Conditions for Market Suspension

Only the ERC is granted the authority to suspend the operations of the WESM or declare a temporary WESM failure (collectively referred to henceforth as "market suspension") as mandated under Section 30 of EPIRA in cases of:

- a. Natural calamities; or¹
- b. National and international security emergency declared by the President of the Philippines.²

A natural calamity³ is an act, event, happening or occurrence due to natural causes thus, without interference or aid from man. Some examples are flood, earthquake, storms, hurricanes, wild fires, tsunamis and volcanic eruption that will gravely affect the power system.

ARTICLE II CRITERIA AND PROCEDURES FOR MARKET SUSPENSION

Section 1. Criteria for Market Suspension

The ERC may declare the suspension of the market upon occurrence of any event, which includes, but not limited to, the following:

A. POWER INTERRUPTION			
Luzon Declaration	Visayas Declaration	System Declaration	Mindanao Declaration
Luzon Power Interruption equal to at least 33% of Luzon Demand	Visayas Power Interruption equal to at least 20% of Visayas Demand	Combined Luzon/Visayas Power Interruption equal to at least 50% of System Demand	Mindanao Power Interruption equal to at least 20% of Mindanao Demand
B. TRANSMISSION OUTAGES			
Luzon Declaration	Visayas Declaration	System Declaration	
Luzon Transmission Outages equal to at least 33% of Luzon Demand	Luzon Transmission Outages equal to at least 20% of Visayas Demand	Luzon Transmission Outages equal to at least 20% of Mindanao Demand	

¹ WESM Rules Section 6.9.1.1

² - do -

³ Republic Act No. 8185 - "Calamity shall be defined as a state of extreme distress or misfortune, produced by some adverse circumstance or event or any great misfortune or cause or loss or misery caused by natural forces."

C. GENERATOR OUTAGES			
Luzon Declaration	Visayas Declaration	System Declaration	Mindanao Declaration
Luzon Plant Outages resulting in Luzon operating margin ⁴ equivalent to or less than 4%	Visayas Plant Outages resulting in Visayas operating margin equivalent to or less than 4%	Combined Luzon/Visayas Plant Outages resulting in system operating margin equivalent to or less than 4%	Mindanao Plant Outages resulting in Mindanao operating margin equivalent to or less than 4%
D. ISLAND GRID ISOLATION⁵			
<ol style="list-style-type: none"> 1. If a part of a major grid is isolated regardless if there is outage/power interruption or none, market shall be suspended only in the isolated island grid; 2. If most parts of a major grid are isolated, the market shall be suspended in the entire grid 			

The measures and weather reports⁶ from the Philippine Atmospheric Geophysical and Astronomical Services Administration (PAGASA) and Philippine Institute of Volcanology and Seismology (PHIVOLCS), shall prompt the ERC to consider the suspension of the market during extreme weather disturbances and other natural calamities.

Section 2. National and International Security Emergency

Upon declaration by the President of the Republic of a security emergency, the ERC shall as soon as practicable, declare the Market Suspension through the procedures laid down under this Resolution:

Section 3. Procedures for Declaration of Market Suspension

- a. The ERC shall have full discretion to immediately suspend or declare a temporary market failure after it determines the existence of the condition for market suspension.
- b. In the event that any of the criteria set under Article II, Section 1-A/B/C/D hereof is breached, the National Grid of the Philippines-System Operator (NGCP-SO) shall immediately report to the ERC within one (1) hour upon breach of the threshold level either through:

⁴ As defined under the 2016 Philippine Grid Code, this refers to the available generating capacity in excess of the sum of the system demand plus losses within a specified period of time

⁵ This parameter shall be implemented upon approval and implementation of the new Market Management System (MMS) of the WESM.

⁶ Please refer to Appendix "A" as attached in these Rules.

- a. SMS to +63917-584 4843 **and** +63977-8220890; or
- b. E-mail to spotmarket@erc.gov.ph
- c. The NGCP-SO report shall be the basis of the ERC to immediately suspend the market and notify PEMC on the declaration of Market Suspension and the particular trading interval commencing thereof through the following manner:
 - a. Telephone call from the ERC-Spot Market Division, Market Operations Service (SMD-MOS) personnel to the PEMC Trading Operations Department (PEMC-TOD);
 - b. SMS to the MO-Operations Manager on-duty, indicating the commencement time and expected duration, if known, and the nature and scope of the Market Suspension; or
 - c. E-mail to PEMC-TOD at tod@wesm.ph
- d. In view of the necessity to immediately declare the suspension of the market, the manner of notification from the ERC as prescribed in Section 3-c above shall suffice.
- e. Upon receipt of the advice from ERC-SMD-MOS on the declaration of Market Suspension, the MO shall acknowledge and immediately post the same on the WESM website to notify all WESM participants of said declaration through the following means of communication, with the corresponding order of preference:
 - i. WESM System Messages Display/Trading Participant Interface
 - ii. E-mail
 - iii. Mobile Cellular Phone
 - iv. Digital Telephone System (DTS)
- f. Market Suspension shall commence immediately at the start of the dispatch interval following the ERC's declaration or at such other dispatch interval as contained in the Notice of Market Suspension. Suspension may also take effect retroactively depending on the nature and impact of the natural calamity in the system.
- g. Thereafter, the ERC shall confirm and validate the declaration through the issuance of the Order of Market Suspension to the MO with the corresponding Notice of Market Suspension duly signed by the ERC Chairman/Officer-in-Charge of the ERC/or

Oversight Commissioner indicating therein the nature and scope of the market suspension and its expected duration, if known. The said Order shall be delivered to the MO through e-mail for advance copy and by physical delivery.

ARTICLE III MEASURES DURING MARKET SUSPENSION

Section 1. Emergency Instructions

While the suspension of the market is in effect, the National Grid Corporation of the Philippines-System Operator (NGCP-SO) shall undertake emergency directions as it reasonably considers necessary pursuant to Section 6.5.1.1 of the WESM Rules. Likewise, all WESM participants are advised to adhere to the dispatch schedules/instructions issued by the SO.

Section 2. Continuous Assessment of Market Condition

During the period of suspension, the ERC-MOS shall coordinate with the MO and SO to closely monitor and assess the condition of the market. The MO and SO shall be directed to provide information and documents relevant to the status of the market, as needed.

Section 3. Pricing During Market Suspension

- a. Pursuant to Section 6.2.3 of the WESM Rules, the pricing in the WESM during Market Suspension shall be the Administered Price Determination Methodology (APDM) as approved by the Commission. In the event that the Commission approves the Price Determination Methodology for the new MMS, the APDM mechanism for the same shall be adopted and imposed during declaration of Market Suspension.
- b. Said prices shall be used for settlement purposes and determined in accordance with the APDM of the WESM.
- c. Administered prices shall be applicable only to all or part of the electric power system that is affected by the market suspension conditions.

ARTICLE IV
REPORTORIAL REQUIREMENTS

Section 1. Submission of Information during Occurrence of Natural Calamity/National and International Security Emergency

During an occurrence of a natural calamity, NGCP-SO shall start providing information to ERC-SMD-MOS upon occurrence of the following:

- a. Generator Outages in Luzon resulting in less than or equal to 10% Luzon operating margin, or Transmission Line Outages/Power Interruption in Luzon resulting to at least 20% of Luzon demand;
- b. Generator Outages in Visayas/Mindanao resulting in less than or equal to 10% Visayas/Mindanao operating margin, or Transmission Line Outages/Power Interruption in Visayas/Mindanao resulting to at least 10% of Visayas/Mindanao demand;
- c. Isolation of at least one island grid and its corresponding major grid;
- d. NGCP-SO must provide update to the ERC-SMD-MOS on the current grid condition every two (2) hours from the time of the initial submission of the above information or if there are significant changes until the grid condition improves;
- e. In the event of prolonged suspension, NGCP-SO may submit the update report and information to the ERC-SMD-MOS every twelve (12) hours thereof;
- f. The initial and subsequent information shall be submitted through email at spotmarket@erc.gov.ph copy furnished the Director of the ERC-MOS and the Chief Energy Regulation Officer of the ERC-MOS/SMD and/or by sending an SMS to the designated numbers under Article II, Section 3-b above.
- g. The NGCP-SO report and update shall be the basis of the ERC in determining the lifting of the market suspension and declare the corresponding resumption of the market.

ARTICLE V MARKET RESUMPTION

The ERC is responsible for determining when the market is to resume, upon evaluation that the condition giving rise to the suspension has ceased to exist.

Upon determination of improvement in the grid condition, the ERC may lift the market suspension and declare Market Resumption following the procedures below:

- a. Resumption of normal operations shall take place upon assessment, as determined by the ERC, that any of the triggering criteria in Article II, Section 1 have continuously been below the threshold within twenty-four (24) hours from the instance of improvement, or upon resynchronization of isolated grids.
- b. The ERC shall declare Market Resumption and immediately inform the MO, either by phone call to PEMC-TOD, email to the address designated by MO or via SMS to the MO-Operations Manager on-duty, indicating the commencement time and the ground for market resumption.
- c. Upon receipt of the ERC advice of market resumption, the MO shall immediately notify all WESM Participants of such information in the WESM website interface and through the following means of communication, with the corresponding order of preference:
 - i. System Messages Display/Trading Participant Interface
 - ii. E-mail
 - iii. Mobile Cellular Phone
 - iv. Digital Telephone System (DTS)
 - v. Commercial Telephone Lines
 - vi. Microwave radio
- d. In case of prolonged duration of national or international security emergency, the ERC may declare market resumption even prior to the lifting of the state of emergency and issue a Notice of Market Resumption when it determines that the potential grave effect of the emergency on the WESM, has abated and the conditions for the normal operation of the market (i.e. availability of power supply and demand, transmission and distribution network condition), are present.

- e. As soon as practicable, the ERC shall issue an Order of Market Resumption and the corresponding Notice of Market Resumption duly signed by the ERC Chairman/Officer-in-Charge/Oversight Commissioner indicating the commencement time and the ground for market resumption. The said Order shall be delivered to the MO through e-mail for advance copy and by physical delivery.

ARTICLE VI TERMS AND DEFINITIONS

Disturbance. An area of low-pressure in which storm conditions occur.

Earthquake. An earthquake is the vibration, sometimes violent, of the Earth's surface that follows a release of energy in the Earth's crust. This energy can be generated by a sudden dislocation of segments of the crust, by a volcanic eruption, or even by manmade explosions.

Hurricane. A tropical cyclone in the western Atlantic that has sustained wind speeds of 120 kilometers per hour or greater.

Security Emergency. Any declaration made by the President of the Republic based on Republic Act No. 6826, otherwise known as The National Emergency Powers Act

Storm. A marked disturbance in the normal state of the atmosphere. The term is often applied to a disturbance in which strong wind is the most prominent characteristic, and specifically to a wind force of 11 on the Beaufort scale. It is also used for other types of disturbance, including thunderstorms, rainstorms, snowstorms, hailstorms, dust storms, sand storms, magnetic storms.

Tsunami. Tsunamis are long-period sea waves or wave trains that are generated by the sudden displacement of water. They travel at high speed water as low broad waves and build to great heights as they approach shores. Most tsunamis are caused by fault displacements on the sea floor and of volcanic origin including volcanic or volcano-tectonic earthquakes, explosions, collapse or subsidence, landslides, lahars, pyroclastic flows or debris avalanches entering bodies of water, and atmospheric waves that couple with the sea.

Typhoon. A tropical cyclone with winds that exceed 118 kilometers per hour. The name is applied to a severe tropical cyclone in the western Pacific.

**ARTICLE VII
EFFECTIVITY**


These Rules shall take effect immediately following its publication in a newspaper of general circulation in the country.

Pasig City, 20 October 2017.

GLORIA VICTORIA C. YAP-TARUC
Commissioner

ALFREDO J. NON
OIC, Chairman and CEO of ERC

JOSEFINA PATRICIA A. MAGPALE-ASIRIT **GERONIMO J. STA. ANA**
Commissioner Commissioner

 eyg/jln/DTL