

**[DOE Department Circular No. DC2015-03-0001,
March 20, 2015]**

**PROMULGATING THE FRAMEWORK FOR THE IMPLEMENTATION
OF MUST DISPATCH AND PRIORITY DISPATCH OF RENEWABLE
ENERGY RESOURCES IN THE WHOLESALE ELECTRICITY SPOT
MARKET**

Adopted: 20 March 2015

Date Filed: 14 April 2015

WHEREAS, under Section 2 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), it is the declared policy of the State to among others, promote the utilization of indigenous and new and renewable energy resources in power generation in order to reduce dependence on imported energy, and ensure the quality, reliability, security and affordability of the supply of electric power;

WHEREAS, Section 37 of EPIRA mandates the Department of Energy (DOE) to encourage private sector investments and broaden the ownership base in the electric power industry and promote the development of indigenous and renewable energy resources;

WHEREAS, Section 2 of Republic Act No. 9513, otherwise known as the Renewable Energy Act of 2008 (RE Act), declares as a policy of the State to:

- (a) Accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy resources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy;
- (b) Increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives; and
- (c) Encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and the environment;

WHEREAS, Section 5 of the RE Act mandates the DOE as the lead agency to implement the provisions of the RE Act, while Section 37 of EPIRA empowers the DOE to supervise the restructuring of the electric power industry, in addition to its existing powers and functions;

WHEREAS, Section 7 of the RE Act provides for a feed-in tariff (FIT) system for electricity produced from wind, solar, ocean, run-of-river hydropower and biomass to accelerate the development of emerging renewable energy resources:

WHEREAS, Section 20 of the RE Act allows qualified and registered RE generating units with intermittent RE resources to be considered as "Must Dispatch" based on available energy and shall enjoy the benefit of priority dispatch;

WHEREAS, the implementation of the Must Dispatch and Priority Dispatch requires guidelines that will ensure maximum injection of intermittent and FIT- eligible generation while maintaining system security at all times;

WHEREAS, the DOE spearheaded public consultations and focused group discussions on the Guidelines for the Integration of Renewable Energy in the Wholesale Electricity Spot Market (WESM) in the following areas with the corresponding dates:

AREA	DATE
PEMC Offices, Ortigas Center, Pasig	06 March 2014
Bacolod City	04 April 2014
Mandaluyong City	11 April 2014

NOW, THEREFORE, for and in consideration of the foregoing premises, the DOE hereby declares the herein framework for the implementation of Must Dispatch and Priority Dispatch of RE resources in the WESM:

PART 1. GENERAL PROVISIONS

Section 1. Scope and Application. This Circular shall apply to all agencies and entities named herein and all electric power industry participants in the country.

Section 2. Purposes. This Circular is being issued to:

- (a) Define Must Dispatch and Priority Dispatch pursuant to the RE Act including the high-level process for the qualification, certification, and registration of generating units designated as must dispatch and priority dispatch (collectively referred to as Preferential Dispatch Generating Units), and
- (b) Provide the framework for the integration in the WESM of Preferential Dispatch Generating Units consistent with the goals of the EPIRA and the RE Act.

Section 3. Statement of Policy. Pursuant to the RE Act, intermittent RE resources including FIT-eligible generation shall be allowed to maximize injection to the grid while:

- (a) Maintaining system security at all times;
- (b) Maintaining economically efficient short-run dispatch of energy and ancillary services; and
- (c) Holding WESM participants to account for what they are able to control.

Section 4. Definition of Must Dispatch and Priority Dispatch. The terms as used in this Circular shall have their respective meanings as follows:

- (a) **"Most Dispatch"** is facilitated in the WESM by qualified and registered intermittent RE-based plants, whether or not under FIT system, such as wind, solar, run-of-river hydro, or ocean energy, according to the preference in the dispatch schedule whenever generation is available. The enjoyment of Must Dispatch by intermittent RE-based plants is based on the difficulty to precisely predict the availability of RE resource thereby melting the energy generated variable and irregular and the availability of resource inherently uncontrollable pursuant to Section 20 of the RE Act.
- (b) **"Priority Dispatch"** means giving preference to biomass plants, under the FIT system, in the dispatch schedule pursuant to Section 7 of the RE Act.

PART 2. QUALIFICATION AND REGISTRATION OF PREFERENTIAL DISPATCH GENERATING UNITS

Section 5. Qualification and Registration of Preferential Dispatch Generating Units. Pursuant to Section 26 of the RE Act, the DOE shall issue certifications to qualified RE developers who are entitled to avail of the incentives under the RE Act. Such certification together with the Certificate of Compliance (COC) issued by the Energy Regulatory Commission (ERC) for generating facilities availing of preferential dispatch shall be used for purposes of registration in the WESM.

PART 3. RESPONSIBILITIES OF THE PHILIPPINE ELECTRICITY MARKET CORPORATION (PEMC), THE NATIONAL GRID CORPORATION OF THE PHILIPPINES (NGCP) AND DISTRIBUTION UTILITIES

To ensure the efficient and effective scheduling and dispatching of the Preferential Dispatch Generating Units, the PEMC, the NGCP, and Distribution Utilities shall have the following general mandate in the implementation of this Circular:

Section 6. Responsibilities of PEMC.

- (a) Undertake the necessary amendments in the WESM Rules and pertinent Market Manuals to implement Must Dispatch and Priority Dispatch of eligible renewable energy plants in the WESM;
- (b) Formulate the procedures on the qualification and registration of Preferential Dispatch Generating Units in the WESM;
- (c) Monitor the compliance of intermittent RE generation companies on the submission of projected output for each of its generating units pursuant to the WESM Rules and on the approved forecast accuracy standards consistent with the Philippine Grid Code (PGC). The annual compliance of the RE generation companies' facilities on the forecast accuracy standards shall be reported by PEMC to the PEM Board and the DOE;
- (d) Conduct information campaigns on the implementation of Must Dispatch and Priority Dispatch in the WESM; and
- (e) Jointly with the NGCP, implement technical mitigation measures and improvements in the system in order to ensure safety and reliability of