

**[ DOE Department Circular No. DC 2015-07-0013,  
June 29, 2015 ]**

**ADOPTING FURTHER AMENDMENTS TO THE WESM RULES  
(PROCEDURE FOR CHANGES TO THE WESM RULES AND MARKET  
MANUALS)**

*Adopted: 29 June 2015*

*Date Filed: 28 July 2015*

**WHEREAS**, Section 37 of the Electric Power Industry Reform Act (EPIRA) provides that the 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, upon the joint endorsement of the electric power industry participants, promulgated the WESM Rules through Department Circular No. 2002-06-003;

**WHEREAS**, any changes, amendments, and modifications to the WESM Rules shall be undertaken in accordance with the provisions of Chapter 8 thereof;

**WHEREAS**, on 30 September 2014, the Philippine Electricity Market Corporation (PEMC) submitted to the Rules Change Committee (RCC) its proposed amendments to the WESM Rules, particularly on the procedure for changes to the WESM Rules and Market Manuals in order to clearly spell out the approval for changes to the WESM Rules;

**WHEREAS**, on 05 November 2014, the proposal was presented by PEMC to the RCC during the 94<sup>th</sup> RCC Meeting, which thereafter approved its publication in the WESM website to solicit comments from market participants and other interested parties;

**WHEREAS**, on 14 January 2015, the RCC during its 96<sup>th</sup> RCC Meeting deliberated on the proposal, with inputs from the DOE, and after giving due course to the matter, finalized and approved the said proposal for endorsement to the PEM Board;

**WHEREAS**, on 10 March 2015, after due evaluation and deliberation, the PEM Board has resolved to approve for endorsement to the DOE the above stated RCC proposed amendments to the WESM Rules;

**WHEREAS**, on 18 March 2015, the above stated amendments to the WESM Rules were submitted to the DOE for final approval, in compliance with Chapter 8 of the WESM Rules;

**WHEREAS**, the DOE thoroughly reviewed the PEM Board-approved amendments to the WESM Rules and deemed it consistent with the objectives of the WESM Rules;

**WHEREAS**, the DOE deemed it necessary to amend certain provisions of the WESM Rules to include the final approval of the Market Manuals by the DOE to address the issues on inconsistencies between the WESM Rules and Market Manuals and to promote transparency and efficient electricity market;

**NOW THEREFORE**, pursuant to its authority under the WESM Rules, the DOE hereby adopts, issues, and promulgates the following amendment' to the WESM Rules:

**Section 1. Amendments to the WESM Rules.**

(a) Clause 1.4.5.2 under Obligations of the PEM Board is amended to read –

"1.4.5.2 The following are the powers and duties of the *PEM Board*:

xxx    xxx    xxx

(f) Review and recommend changes to the *WESM Rules* and *Market Manuals*, as well as the adoption of new *Market Manuals*; and

xxx    xxx    xxx"

(b) Clause 8.1 under Chapter 8 Rules Change is amended to read –

"8.1    SCOPE OF CHAPTER 8

Proposals for changes, amendments, and modifications of the *WESM Rules* and *Market Manuals*, as well as the adoption of new *Market Manuals* shall be undertaken in accordance with the provisions of this chapter.

This chapter 8 sets out:

- (a) The composition and manner of appointment of the *Rules Change Committee*;
- (b) The procedure for effecting a change to the *WESM Rules* and *Market Manuals* ; and
- (c) The procedure for approval of a change to the *WESM Rules* and *Market Manuals* , including proposals that will result in an amendment to the *WESM Price Determination Methodology* and adoption of new *Market Manuals*."

(c) Clause 8.2 under Rules Change Committee is amended to read –

"8.2    RULES CHANGE COMMITTEE

8.2.1 Establishment of a Rules Change Committee

The *PEM Board* shall establish a *Rules Change Committee* in consultation with industry participants.

8.2.2 Composition of Rules Change Committee

8.2.2.1 The *Rules Change Committee* shall be comprised in a manner

that is consistent with the composition of the *PEM Board*, provided that the persons representing each of the sectors and other members of the *Rules Change Committee* shall not be the same persons as those who are *Directors* of the *PEM Board*.

8.2.2.2 The principles applicable to the composition and operation of the *PEM Board* as set out in *WESM Rules* Clause 1.4.2 apply also to the composition of the *Rules Change Committee*.

#### 8.2.3 Membership requirements - Rules Change Committee

Each member of the *Rules Change Committee* shall:

- (a) be appointed by the *PEM Board* in consultation with industry participants; and
- (b) not be a member of the *PEM Board*.

#### 8.2.4 Termination

The *PEM Board* may terminate the appointment of any member of the *Rules Change Committee* at any time if:

xxx xxx xxx

#### 8.2.5 Appointment for Vacated Positions

If the *PEM Board* decides to terminate the appointment of any member of the *Rules Change Committee* in accordance with *WESM Rules* Clause 8.2.4, the *PEM Board* shall appoint another representative from the same membership category to fill the vacancy in the *Rules Change Committee* as soon as practicable.

#### 8.2.6 Resignation

A member of the *Rules Change Committee* may resign by giving a written notice to the *PEM Board* thirty (30) working days before the effectivity of resignation.

#### 8.2.7 Conduct of meetings

The *Rules Change Committee* shall meet and regulate its meetings and conduct its business in a manner that is consistent with the provisions of the *WESM Rules*.

#### 8.2.8 Advice and assistance

The *Rules Change Committee* may obtain such advice or any other assistance as it deems appropriate, including, without limitation, advice or assistance from persons with experience relevant to any proposal to change the *WESM Rules* or *Market Manuals*, or to adopt a new *Market Manual*, which the *Rules Change Committee* is considering; and from *WESM members* who are likely to be affected by any proposal."

- (d) Clause 8.3 under Referral of Matters to the Rules Change Committee is amended to read –

"8.3 REFERRAL OF MATTERS TO THE RULES CHANGE COMMITTEE

### 8.3.1 Proposals for Changes to the *WESM Rules* or *Market Manuals*, or Adoption of New *Market Manuals*

The *Market Operator*, the Government, any *WESM member* or other interested parties may submit proposals for changes to the *WESM Rules* or *Market Manuals*, or for the adoption of a new *Market Manual* to the *Rules Change Committee*.

### 8.3.2 Form of submission

Proposals for a change or changes to the *WESM Rules* or *Market Manuals*, or the adoption of new *Market Manuals* shall:

- (a) be in writing and addressed to the *Rules Change Committee*;
- (b) include the name and address of the applicant;
- (c) demonstrate that the change to the *WESM Rules* or *Market Manual*, or the proposed new *Market Manual* is:
  - (1) consistent with the *WESM* objectives;
  - (2) feasible;
  - (3) not unreasonably costly to implement; and
  - (4) aimed at providing a more appropriate or better means of achieving the criteria set out in *WESM Rules* Clauses 8.3.2 (c) (1) to (c) (3), by replacing an existing provision of the *WESM Rules* or a *Market Manual*, or adopt a new *Market Manual*;
- (d) provide the reasons why a change to the *WESM Rules* or *Market Manual*, or the adoption of a proposed new *Market Manual* is necessary or desirable; and,
- (e) contain sufficient information to permit a proper consideration by the *Rules Change Committee* of those reasons, including the public benefit (if any) of making the change to the *WESM Rules* or *Market Manual*, or adopting a new *Market Manual*.

### 8.3.3 Rules Change Committee obligations

*The Rules Change Committee* shall:

- (a) keep a register of all proposals for a change in the *WESM Rules* or *Market Manuals* as well as proposals for new *Market Manuals* submitted to it; and
  - (b) give due course to the proposal in the *Rules Change Committee* meeting immediately following the *Rules Change Committee* Secretariat's receipt of a proposal or as soon as practicable."
- (e) Clause 8.4 under Consideration of Proposed Rules Change by the Rules Change Committee is amended to read –

"8.4 CONSIDERATION OF PROPOSALS TO CHANGE THE WESM RULES OR MARKET MANUALS OR TO ADOPT NEW MARKET MANUALS BY THE RULES CHANGE COMMITTEE

### 8.4.1 Rules Change Classification Procedures

8.4.1.1 Rules change proposals shall be classified as follows:

- a) Urgent Proposals refer to proposals for amendments to the WESM Rules and Market Manuals or the adoption of new Market Manuals, which require immediate action to –
- i. Avoid, reduce the risk of or mitigate the adverse effects of certain conditions on the ability of the power system to function normally;
  - ii. Avoid, reduce the risk of or mitigate the effects of the abuse of market power or anti-competitive behavior;
  - iii. Avoid, reduce the risk of or mitigate the unintended adverse effect of a *WESM Rule* (or any of its amendments) or a provision in a *Market Manual*;
  - iv. Facilitate the implementation of any regulation, circular, order or issuance of the DOE or ERC pursuant to the EPIRA, or of any issuance of the *PEM Board*.
- b) Minor Proposals are proposals for amendments to the *WESM Rules* or *Market Manuals*, which are corrections as to form such as typographical or grammatical changes, or those which are of a non-material procedural or a non-substantive nature. A proposal will not qualify as a Minor Proposal if it entails any of the following –
- i. A WESM member or the Market Operator would incur material additional costs in order to effect the change or to be compliant with the change brought about by the amendment;
  - ii. The determination of timetable (including bid and offer submission schedules, auction schedules, etc.) or prices in any of the physical or financial markets would be changed;
  - iii. The means of procurement of, and prices paid for, an ancillary service would be changed; The level or timing of information released to the WESM would be changed;
  - iv. The proposal would result in a change to the conditions for participation such that any currently authorized WESM member would no longer be authorized;
  - v. The proposal would make it unreasonably difficult for a WESM member to comply with the law, or would render an otherwise compliant WESM member non-compliant with law, or would deprive a WESM member of any right under existing law; and
  - vi. The change would introduce additional risks to the Market Operator of not being able to direct the operation of the spot market or to the System Operator of not being able to maintain system reliability in accordance with the applicable standards.
- c) General Proposals refer to proposed amendments to the *WESM Rules* or *Market Manuals*, or new *Market Manuals*, which do not otherwise qualify as either Minor Proposals or Urgent Proposals.

8.4.1.2 The proposed amendments to the *WESM Rules*, *Market Manuals*, and any amendment and/or adoption of a new *Market Manuals* shall take effect upon approval and promulgation by the DOE.