

[**DOE DEPARTMENT CIRCULAR NO. DC 2010-03-0004, March 21, 2010**]

ADOPTING FURTHER AMENDMENTS TO THE WESM RULES

Whereas, Rule 8.6 of the Wholesale Electricity Spot Market (WESM) Rules provides for the approval by the Department of Energy (DOE) of proposals for any WESM Rules changes upon endorsement by the PEM Board;

Whereas, on 24 September 2008, 8 and 14 October 2008, the Interim Rules Change Committee (IRCC) approved for submission to the PEM Board changes in the WESM Rules to address market issues in the WESM identified by the Special WESM Rules Review Committee;

Whereas, after discussion, the PEM Board resolved on 13 January 2009 to approve for endorsement to the DOE the above stated changes to the WESM Rules;

NOW THEREFORE, pursuant to its authority under the WESM Rules, the DOE hereby issues, adopts and promulgates the following amendments to the WESM Rules.

A. Amendments to the WESM Rules

1. Clause 1.3.2.3 is amended to read –

1.3.2.3. The PEM Board shall develop performance standards which monitor and provide an indication of, the Market Operator's performance with respect to:

(a) The Market Operator's responsibilities under the **Act, its Implementing Rules and Regulations (IRR), the WESM Rules, the Philippine Grid Code (the Grid Code) and all other applicable laws, rules and regulations;**

(b) The achievement of the objectives **of the Act and** the WESM; and

(c) **The standards by which the Market Operator has been selected in accordance with terms of reference and/or the contract, of its selection as an Independent Market Operator.**

Every year, the PEM Board shall publish a Market Operator Performance Report in accordance with herein clause.

The Market Operator's performance standards shall be reviewed and approved by the DOE.

2. Clause 1.5.1 is amended to read –

1.5.1 Appointment of the PEM Auditor

1.5.1.1. The PEM Board shall appoint a PEM Auditor with such skills and expertise, and on such terms and conditions, as the PEM Board reasonably deems to be appropriate, taking into consideration the nature of the obligations and functions of the PEM Auditor, as set out in clause 1.5.2 and clause 5.2.6.

1.5.1.2. The PEM Auditor shall not currently or has not been employed within one year prior to the nomination date by any Philippine electric power industry participants.

1.5.1.3 The PEM Auditor must have sufficient relevant experience in one or more of the following fields:

(a) Power industry;

(b) Economics;

(c) Risk management;

(d) Information technology and information systems; and/or

(e) In such other fields as may be relevant to and required in the performance of audits.

3. Clause 1.5.2 is amended to read –

1.5.2 Responsibilities of the Auditor

x x x

4. Clause 1.5.3 is added to read –

1.5.3 Review of WESM Rules/U>

xxx

5. Clause 3.6.2.4 is added to read –

3.6.2.4 The Market Operator, in coordination with the System Operator, and in consultation with the WESM Members shall regularly review the appropriateness and applicability of constraint violation coefficients levels in accordance with clause 10.4.11.1; and revise as maybe necessary to ensure that it reflects the actual conditions of the network. Such revisions shall be approved by the PEM Board and shall be published in accordance with the timetable.

6. Clause 3.10.5 is amended to add-

3.10.5 xxx