

[DOE DEPARTMENT CIRCULAR NO. DC 2009-01-0001, January 16, 2009]

DIRECTING DOE ATTACHED AGENCIES, ALL ELECTRIC POWER INDUSTRY PARTICIPANTS, CONSUMERS AND VARIOUS STAKEHOLDERS TO ADOPT AND IMPLEMENT CONTINGENCY MEASURES TO ENSURE ADEQUATE AND RELIABLE ELECTRIC POWER SUPPLY IN VISAYAS GRID PARTICULARLY IN THE ISLANDS OF CEBU, NEGROS AND PANAY

WHEREAS, Section 2 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 or EPIRA, declared as a policy of the State, among others, to ensure the quality, reliability, security and affordability of the supply of electric power, to protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power, and to encourage the efficient use of energy and other modalities of demand side management;

WHEREAS, pursuant to Section 37(h) of EPIRA, the Department of Energy (DOE) exercises supervision and control over all government activities relative to energy projects in order to attain the goals embodied in Section 2 of Republic Act No. 7638, known as the "Department of Energy Act of 1992", as amended by EPIRA and that the DOE is authorized under Section 5(k) thereof to formulate rules and regulations as may be necessary to implement the objectives of said R.A. No. 7638, as amended;

WHEREAS, Section 37 of EPIRA further provides for the following powers and functions of DOE, among others:

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(d) Ensure the reliability, quality and security of supply of electric power;

(e) Following the restructuring of the electricity sector, the DOE shall, among others:

(i) Encourage private sector investments in the electricity sector and promote development of indigenous and renewable energy sources;

(ii) Facilitate and encourage reforms in the structure and operations of distribution utilities for greater efficiency and lower costs;

(iii) In consultation with other government agencies, promote a system of incentives to encourage industry participants, including new generating companies and end-users to provide adequate and reliable electric supply;

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(i) Develop policies and procedures and, as appropriate, promote a system of energy development incentives to enable and encourage energy participants to provide adequate capacity to meet demand including, among others, reserve requirements

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(m) Formulate and implement programs, including a system of providing incentives and penalties, for the judicious and efficient use of energy in all energy-consuming sectors of the economy;”

WHEREAS, the cooperation of all electric power industry participants and various stakeholders is indispensable in achieving a reliable and secure supply of electricity in the country;

WHEREAS, the current power situation in the Visayas Grid demonstrated the need for additional capacity as certified by the System Operator (SO) of the National Transmission Corporation to meet the increasing demand and reserve;

WHEREAS, the new generating plants in the Visayas Grid as reported by the private proponents to the DOE are expected yet to come on stream by 2010 and 2011;

WHEREAS, the availability and adequacy of electricity in the Visayas Grid at this time is vested with public interest such that it is incumbent upon the government to take the necessary measures to ensure the continuous operation of vital industries in the region by ensuring that there will be no interruptions in the delivery of electricity;

NOW, THEREFORE, premises considered, the DOE is issuing this Circular with the objective of ensuring that the declared policies of the State under EPIRA are properly achieved and implemented:

SECTION 1. Scope and Coverage. This Circular shall apply to all DOE-attached agencies namely, the National Power Corporation (“NPC”), National Transmission Corporation (“TransCo”) through its System Operator, Power Sector Assets and Liabilities Management Corporation (PSALM), Philippine Electricity Market Corporation (PEMC), National Electrification Administration (“NEA”), Philippine National Oil Company (PNOC) and relevant Visayas stakeholders such as Distribution Utilities (DUs) including Electric Cooperatives (ECs) in the Visayas grid, Independent Power Producers (IPPs) or other power generation companies and major power users, shall collaborate in ensuring the provision of adequate and reliable supply of electric power in the Visayas Grid.

Further, this Circular provides for the power supply contingency measures in the Visayas grid to include, but not be limited to, a supply augmentation program until new generating capacities come on stream. This also serves as reiteration of the existing mandates of the agencies and industry participants under the energy sector.

SECTION 2. Responsibilities. In addition to the functions and responsibilities of the agencies and entities under their respective

charters and under existing laws, rules and regulations, they are further directed to closely coordinate with the Department and extend their full support in adopting the following measures in the Visayas Grid. The DOE, being the agency tasked to supervise and oversee the electric power industry, shall be the lead agency in ensuring that all plans and programs to achieve the purposes of this Circular are properly carried out.

NPC

(a) Ensure that all power plants including those of its contracted IPPs shall operate in accordance with the declared individual dependable capacities. All maintenance outage of power plants shall be in accordance with the Grid Operation and Maintenance Program (GOMP) under the Philippine Grid Code. A report containing the list of plants and their operational status should be submitted on a monthly basis to DOE, through the Electric Power Industry Management Bureau (DOE-EPIMB), with a copy furnished the SO and Market Operator (MO).

(b) Secure oil-based power plants/IPP's to meet the average required 30-day fuel oil inventories/supply. For this purpose, oil-based power plants/IPP's shall submit to DOE-EPIMB, on a monthly basis, a report on fuel inventory based on typical load dispatch and fuel consumption.

(c) Provide an average 45-day coal inventory in all coal power plants. For this purpose, an inventory report should be submitted to DOE-EPIMB on a monthly basis based on typical load dispatch and fuel consumption.

(d) Guarantee the readiness of all oil-based power plants for operation;

(e) Inform and update NPC customers on the power supply situation, and the corresponding load curtailment schedules.

TransCo/ National Grid Corporation of the Philippines (NGCP)

(a) Implement maintenance of major transmission line/s and substation equipment that will add to load limitation to generating plant/unit only during weekends and non-working holidays, and perform system tests and Ancillary Services certification tests only during weekends and non-working holidays. A monthly report should be submitted to DOE for this purpose.

(b) Effect load curtailment in distribution utilities (private utilities and ECs) without specific contracts or supply arrangements with NPC/PSALM and other generation companies. For this purpose, the "no contract, no connection" policy shall be strictly enforced.

(c) Ensure that the manual load dropping schedule is updated and in place.