



Republic of the Philippines
DEPARTMENT OF ENERGY

Department Circular No. DC 2013 - 05 - 0008

**PROMULGATING THE INTERIM MINDANAO ELECTRICITY MARKET
(IMEM) IMPLEMENTING RULES**

WHEREAS, Section 2 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), declares as a policy of the state to ensure the quality, reliability, security, and affordability of the supply of electric power;

WHEREAS, Republic Act No. 7638 or the "Department of Energy Act of 1992", as amended by Section 37 of the EPIRA, authorized DOE to exercise supervision and control over all government activities relative to energy projects and to formulate rules and regulations necessary to implement the objectives of these laws;

WHEREAS, Section 37 (i) of the EPIRA mandates the DOE to "[d]evelop policies and procedures and, as appropriate, promote a system of energy development incentives to enable and encourage electric power industry participants to provide adequate capacity to meet demand including, among others, reserve requirements";

WHEREAS, the Mindanao grid has been experiencing rotating brownouts due to generation capacity deficiencies to meet the energy and ancillary services requirement, ranging from 150 MW to 300 MW in 2012;

WHEREAS, after the conduct of the Mindanao Power Summit last April 2012 and a series of focused group discussions, consultations and meetings with relevant electric power industry participants in Mindanao and concerned energy agencies, the DOE came up with a roadmap to sustainable solutions to the Mindanao power situation taking into consideration the current and future power supply and demand situation and the socio-economic, environmental and peace and order factors, among others;

WHEREAS, as part of the roadmap, a market for the transparent and efficient utilization of available capacities shall be established to encourage participation of existing power generating facilities and interruptible loads, and entry of new generating capacities in Mindanao;

WHEREAS, on 9 January 2013, DOE issued Department Circular No. DC 2013-01-0001 entitled, "Directing the Philippine Electricity Market Corporation to Develop and

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Implement an Interim Mindanao Electricity Market (IMEM) as a Measure to Immediately Address the Power Supply Situation in Mindanao";

WHEREAS, pursuant to DOE Department Circular No. DC2013-01-0001, PEMC submitted to the DOE the draft IMEM Implementing Rules last 25 March 2013;

WHEREAS, the draft IMEM Implementing Rules was posted on the DOE website for comments on 25 March 2013 and was subjected to public consultation on 3, 10, and 12 April 2013 in Zamboanga, Cagayan de Oro, and Davao City respectively;

WHEREAS, the DOE also closely coordinated with PEMC and the National Grid Corporation of the Philippines (NGCP) to ensure a smooth implementation of the IMEM;

WHEREAS, during the public consultation, the DOE received no major objections to the establishment of an interim electricity market in Mindanao;

NOW THEREFORE, premises considered, the DOE hereby adopts the attached IMEM Implementing Rules and further states:

Section 1. Scope. The IMEM Implementing Rules shall apply to all Electric Power Industry Participants in Mindanao. For this purpose, an Electric Power Industry Participant refers to any person or entity engaged in the generation, transmission, or distribution of electricity in Mindanao.

Section 2. Declaration of Policy. All Electric Power Industry Participants in Mindanao are hereby enjoined to participate in the IMEM in the most judicious and efficient manner bearing in mind the higher goal of supporting the economic growth of the Mindanao grid through the provision of a safe and reliable supply of electric power pending the entry of new capacities in 2015. For this purpose, all acts detrimental to the attainment of this goal including but not limited to the commission of anti-competitive behavior that will defeat the purpose of IMEM shall be dealt with accordingly by the appropriate government agency. All entities in Section 3 tasked to implement the IMEM are enjoined to perform their responsibilities in the most diligent manner.

Section 3. Responsibilities. In addition to their responsibilities under existing laws, the following are enjoined to extend their full cooperation and action for the smooth implementation of the IMEM.

- (a) **Philippine Electricity Market Corporation (PEMC).** PEMC is hereby designated as the IMEM Operator responsible for the overall implementation of the IMEM in Mindanao.

- (b) **National Grid Corporation of the Philippines (NGCP).** Consistent with the directive under DOE Department Circular No. 2013-01-0001, the NGCP shall perform its obligation of ensuring and maintaining the reliability, adequacy, security, stability and integrity of the nationwide electricity grid in accordance with the performance standards for the operations and maintenance of the grid, as set forth in the Philippine Grid Code, while at the same time taking into consideration the current and future power supply and demand situation of Mindanao. The NGCP shall perform the obligations provided in the attached IMEM Implementing Rules and shall constantly coordinate with the IMEM Operator for the purpose.
- (c) **National Transmission Corporation (TransCo).** As the owner of the national grid, TransCo shall provide the necessary technical support to DOE and PEMC to assess the power situation and to ensure the compliance of NGCP to the responsibilities indicated herein.
- (d) **Power Sector Assets and Liabilities Management Corporation (PSALM) and National Power Corporation (NPC).** Consistent with the directive under DOE Department Circular No. 2013-01-0001, PSALM and NPC shall continue to fully utilize all available capacities of all power plants in the Mindanao region.

PSALM shall provide appropriate financial support to the NPC-owned power plants and obligations under the IPP contracted capacities, subject to existing PSALM and NPC arrangements. Meanwhile, NPC shall ensure efficient operation of the NPC-owned power plants.

- (e) **National Electrification Administration (NEA).** NEA is directed to assist in ensuring the financial and technical capability of Mindanao Electric Cooperatives (ECs) in the implementation of the IMEM, including but not limited to, by:
 - a. Guaranteeing the transactions of the ECs in the IMEM pursuant to Section 5 of Republic Act 10531 or otherwise known as "National Electrification Administration Reform Act of 2013"
 - b. Providing capacity building programs to Mindanao ECs on forecasting, contracting and all other aspects of their operations
 - c. Ensuring that ECs comply with the requirements of the IMEM Operator for their active participation in the IMEM.

- (f) **All Mindanao Distribution Utilities, Grid-Connected End-Users and Generating Facilities.** All Mindanao Distribution Utilities, Grid-Connected End-Users and Generating Facilities (other than self-generating facilities) are hereby mandated to comply with the requirements of the IMEM Operator.

Section 4. Full Accounting of Supply. To ensure transparency and maximization of available supply in Mindanao, all registered Generating Facilities are hereby mandated to fully account all of their capacities in the IMEM.

Section 5. Authority to file the Price Determination Methodology. To implement the IMEM, PEMC is hereby authorized to file with the ERC the price determination methodology developed in accordance with the IMEM Implementing Rules.

Section 6. Policy and Regulatory Support and Coordination. Pursuant to their respective mandates under the EPIRA, the DOE and the ERC shall closely coordinate in order that any policy or regulatory issue arising from the operation of the IMEM shall be jointly resolved by the DOE and ERC in consultation with the IMEM Operator.

Section 7. No amendment or repeal of existing laws. Nothing in this Circular shall be construed as to amend, supplant, or repeal any of the mechanisms or institutions already existing or responsibilities already allocated and provided for under any existing law, rule or contract.

Section 8. Effectivity. This Circular shall take effect fifteen (15) days after publication in two (2) newspapers of general circulation.

Done this _____, Energy Center, Rizal Drive, Bonifacio Global City, Taguig City.


CARLOS JERICHO L. PETILLA
Secretary

24 MAY 2013



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DEPARTMENT OF ENERGY

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