A RESOLUTION ADOPTING AMENDMENTS TO THE RULES IN THE EVENT OF MARKET SUSPENSION OR DECLARATION OF TEMPORARY MARKET FAILURE AND THE SUBSEQUENT MARKET RESUMPTION OF THE OPERATION ...

RESOLUTION NO. 12, S. OF 2018, July 12, 2018

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Adopted: 29 May 2018

Date Filed: 12 July 2018

WHEREAS, Section 30 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), provides that in cases of national and international security emergencies or natural calamities, the Energy Regulatory Commission (ERC) is empowered to suspend the operation of the Wholesale Electricity Spot Market (WESM) or declare a temporary WESM failure;

WHEREAS, the Philippine Electricity Market Corporation (PEMC) was incorporated on 18 November 2003 as a non-stock, non-profit corporation and designated as the Autonomous Group Market Operator (AGMO) of the WESM;

WHEREAS, the Department of Energy (DOE), on 21 June 2006, issued Department Circular (DC) No. 2006-06-0008 declaring the start of commercial operations of the WESM in the Luzon Grid;

WHEREAS, on 11 April 2007, the ERC issued Resolution No. 15, Series of 2007 adopting the procedures in the event of Market Suspension or declaration of temporary market failure and the subsequent market resumption of the operation of the WESM;

WHEREAS, at the time of promulgation of the said Resolution, WESM was commercially operating in Luzon Grid only and the functions of the System Operator was still lodged with the National Transmission Corporation (TransCo);

WHEREAS, the DOE, on 26 November 2010, issued DC No. 2010- 11-0012 declaring the start of commercial operations of the WESM in the Visayas Grid and its integration with the Luzon Grid;

WHEREAS, the DOE, on 04 May 2017, issued DC No. 2017-05-0009 declaring the launch of WESM in the Mindanao Grid and providing for transition guidelines therefor;

WHEREAS, in the proper execution of its function pursuant to Section 30 of EPIRA, the ERC has resolved to amend the set of procedures relative to the declaration of Market Suspension;

WHEREAS, on 26 October 2017, the draft Resolution Adopting Amendments to the Rules in the Event of Market Suspension or Declaration of Temporary Market Failure and the Subsequent Market Resumption of the Operation of the WESM (Rules for Market Suspension) was posted on the ERC website in order to solicit comments from the industry participants;

WHEREAS, the ERC in revising the draft Rules for Market Suspension considered the comments and issues

raised by the industry participants which were subsequently presented to the Grid Management Committee (GMC) during a series of discussions for its technical input and recommendations;

NOW THEREFORE, after thorough and due deliberation, the ERC consistent with its mandate under the EPIRA, hereby RESOLVES, as it is hereby RESOLVED, to APPROVE and ADOPT, the amended set of Rules in the event of Market Suspension or declaration of temporary market failure and the subsequent market resumption of the operation of the WESM herein attached as Annex "A" and made an integral part of this Resolution;

This Resolution shall take effect immediately following its publication in a newspaper of general circulation or in the Official Gazette.

Let copies of this resolution be furnished the University of the Philippines
Law Center-Office of the National Administrative Register (UPLC-ONAR).

Pasig City, 29 May 2018.

(SGD) AGNES VST DEVANADERA
Chairperson and CEO

(SGD) GLORIA VICTORIA C. YAP-TARUC
Commissioner

(SGD) ALFREDO J. NON
Commissioner

(SGD) JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner

(SGD) GERONIMO J. STA. ANA
Commissioner

Annex "A"

Rules in the Event of Market Suspensio
n or Declaration of Temporary Market Failure and the
Subsequent Market Resumption of the Operations of the
Wholesale Electricity Spot Market (WESM)

Pursuant to Section 30 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), in case of national and international security emergencies or natural calamities, the Energy Regulatory Commission (ERC) is empowered to suspend the operation of the Wholesale Electricity Spot Market (WESM) or declare a temporary WESM failure

Upon occurrence of a Natural Calamity or declaration of a national or international Security Emergency by the President of the Philippines, the ERC hereby adopts and promulgates the following Rules for this purpose:

ARTICLE I GENERAL
PROVISIONS

Section 1. Purpose

This document provides the procedural undertaking of the ERC in declaring the suspension of the operations of the WESM pursuant to Section 30 of the EPIRA.

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Section 2. Conditions for Market Suspension

Only the ERC is granted the authority to suspend the operations of the WESM or declare a temporary WESM failure (collectively referred to henceforth as “Market Suspension”) as mandated under Section 30 of EPIRA in cases of:

a. Natural Calamities; or[1]

b. National and international Security Emergency declared by the President of the Philippines pursuant to Republic Act No. 6826 and other related laws”[2]

A Natural Calamity[3] is an act, event, happening or occurrence due to natural causes thus, without interference or aid from man. Some examples are flood, earthquake, storms, hurricanes, wild fires, tsunamis, typhoons and volcanic eruption that will gravely affect the power system.

ARTICLE II
CRITERIA AND PROCEDURES FOR MARKET SUSPENSION

Section 1. Criteria for Market Suspension

The ERC, during the occurrence of any of the conditions set forth in Section 2 of Article 1, may declare Market Suspension over the affected area upon breach of any of the following criteria:

Syste m Suspensi on [4]

Reg i onal Suspensi on [5]

I sl and Grid Suspensi o n [6]

A. System Available Generating Capacity7 less Actual System Demand < Zero (0) MW

Regional Available Generating Capacity less Actual Regional Demand < Zero (0) MW

Grid under Islanding Operation with:
1. Zero (0) or one (1) Generating Plant supplying the Demand; or
2. Two (2) or more Generating Plants but Actual Demand exceeds Available Generating Capacity

B. System Pmin > Actual System Demand

Regional Pmin > Actual Regional Demand

1. Two (2) or more Generating Plants’ Total Pmin > Actual Island Demand

During extreme weather disturbances and other natural calamities, the measures and weather reports from the Philippine Atmospheric Geophysical and Astronomical Services Administration (PAGASA) and Philippine Institute of Volcanology and Seismology (PHIVOLCS) shall prompt the ERC to consider the suspension of the WESM notwithstanding the above criteria. On the other hand, the report from the National Grid Corporation of the Philippines – System Operator (NGCP-SO) on the grid condition during the occurrence of the conditions set forth in Section 2, Article I of this Rules, shall be the ERC’s basis of its decision to suspend the operations of the market.

Section 2. Procedures for Declaration of Market Suspension

2.1 Submission of Information during Occurrence of Natural Calamity/National and
International Security Emergency

1. During an existence of a Natural Calamity or National and International Security Emergency, NGCP-SO shall start providing information to ERC-Market Operations Service, Spot Market Division (ERC-MOS-SMD) upon occurrence of the following:
a. System Available Generating Capacityp[8] < sum of the required Primary and Secondary Reserves in Luzon and Visayas, and Mindanao, if applicable;

b. Regional Available Generating Capacity[9] < sum of the required Regional Primary and Secondary Reserves

c. Islanding Operation in any part of the Grid;

d. Implementation of load dropping

2. The SO must submit information including, but not limited to the following:

HVD C Avail ability:

HVD C Non-Avail ability:

Gr id Isl andi ng:

Syste m Avail able
Genera ti ng Capacity

Reg i onal Avail able
Genera ti ng Capacity

Numbe r of Avail able
Genera t ors

Pr i mary + Secondary
Reserve (Rai se)
Requi rement

Pr i mary + Secondary
Reserve (Rai se)
Requi rement

I sl and Avail able
Genera ti ng Capacity

Sys t em Pmin

Reg i onal Pmin

Genera t or/s Pmin

Ac t ual Syst em Demand

Ac t ual Regi onal Demand

Ac t ual Grid Demand

3. NGCP-SO must provide update to the ERC-MOS-SMD on the current grid condition every two (2) hours from the time of the initial submission of the above information or if there are significant changes until the condition improves;

The initial and subsequent information shall be submitted through email at spotmarket@erc.gov.ph copy

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furnished the Director of the ERC-MOS and the Chief Energy Regulation Officer of the ERC-MOS-SMD and/or by sending an SMS to +63917-584 4843 and a designated mobile number of the Chief ERO of the ERC-MOS-SMD to be provided to NGCP-SO.

4. The NGCP-SO report and update shall be the basis of the ERC in declaring the corresponding suspension and eventual resumption of the market.

2.2 Procedures upon Breach of the Criteria for Market Suspension

1. In the event that any of the criteria set under Article II, Section 1 has been triggered, NGCP-SO shall immediately report such information within one (1) hour to the ERC either through:
a. SMS to +63917-584 4843 and designated mobile number of the Chief ERO
of the ERC-MOS-SMD; or

b. E-mail to spotmarket@erc.gov.ph

2. The ERC shall have full discretion to immediately suspend market operations after it receives information that any of the criteria for Market Suspension set under Article II, Section 1 has been triggered.

3. ERC-MOS-SMD shall notify the Market Operator (MO) on the declaration of Market Suspension and the particular trading interval commencing thereof through the following manner:

a. Telephone call;

b. SMS to the MO-Operations Manager on-duty, indicating the commencement time and expected duration, if known, and the nature and scope of the Market Suspension; or

c. E-mail

4. In view of the necessity to immediately declare the Market Suspension, the manner of notification from the ERC-MOS-SMD as prescribed in Section 2.2.3 above shall suffice.

5. Upon receipt of the advice from ERC-MOS-SMD on the declaration of Market Suspension, the MO shall acknowledge and immediately post the same on the WESM website to notify all WESM participants of said declaration through the following means of communication, with the corresponding order of preference:

i. System Messages Display via Market Participant Interface ii. E-mail

iii. Call/Text message via Mobile Cellular Phone

iv. Call via Digital Telephone System (DTS), Commercial Telephone Lines

6. Market Suspension shall commence immediately at the start of the trading Interval[10] following the ERC’s declaration or at such other trading interval as contained in the Notice of Market Suspension.

7. Thereafter, the ERC shall confirm and validate the declaration through the issuance of the Order of Market Suspension to the MO with the corresponding Notice of Market Suspension duly signed by the ERC Chairman/Officer-in- Charge of the ERC/or Oversight Commissioner indicating therein the nature and scope of the Market Suspension and its expected duration, if known. The said Order shall be delivered to the MO through e-mail for advance copy, and by physical delivery not later than one week from the date of declaration.

ARTICLE III
MEASURES DURING MARKET SUSPENSION

Section 1. Emergency Instructions

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While the Market Suspension is in effect, NGCP-SO shall undertake emergency directions as it reasonably considers necessary pursuant to Section 6.3 of the WESM Rules. Likewise, all WESM participants are advised to adhere to the dispatch schedules/instructions issued by the NGCP-SO.

Section 2. Continuous Assessment of Market Condition

During the period of Market Suspension, the ERC-MOS-SMD shall coordinate with the MO and NGCP-SO to closely monitor and assess the condition of the market. The MO and NGCP-SO shall be directed to provide information and documents relevant to the status of the market, as needed.

Section 3. Pricing During Market Suspension

a. Pursuant to Section 6.2.3 of the WESM Rules, the pricing in the WESM during Market Suspension shall follow the Administered Price Determination Methodology (APDM) as approved by the ERC. In the event that the ERC approves the revised Price Determination Methodology, the APDM mechanism for the same shall be adopted and imposed during the period of Market Suspension.

b. Said prices shall be used for settlement purposes and determined in accordance with the APDM of the WESM.

c. Administered prices shall be applicable only to the area where the Market Suspension is in effect.

ARTICLE IV
CONDITIONS AND PROCEDURES FOR MARKET RESUMPTION

Section 1. Conditions for Market Resumption

The ERC is responsible for determining when the market is to resume, upon report from the NGCP-SO of any of the following:

a. The difference between System/Regional Available Generating Capacity and Actual System/Regional Demand has been above zero (0) for twenty-four (24) consecutive hours regardless if the condition giving rise to the suspension continues to exist;

b. System/Regional Demand has exceeded System/Regional Pmin for twenty-four (24) consecutive hours

c. Resynchronization of the isolated part of the grid for twenty-four (24) consecutive hours
Section 2. Procedures for Market Resumption

b. The ERC shall declare Market Resumption and immediately inform the MO, either by phone call, email or via SMS, indicating the commencement time and the ground for Market Resumption.

c. Upon receipt of the ERC advice of Market Resumption, the MO shall immediately notify all WESM Participants of such information through the following means of communication, with the corresponding order of preference:
i. System Messages Display via Market Participant Interface
ii. E-mail
iii. Call/Text message via Mobile Cellular Phone
iv. Call via Digital Telephone System (DTS), Commercial Telephone Lines, or
Microwave radio

d. As soon as practicable, the ERC shall issue an Order of Market Resumption and the corresponding Notice of Market Resumption duly signed by the ERC Chairman/Officer-in-Charge/Oversight Commissioner indicating the commencement time and the ground for Market Resumption. The said Order shall be delivered to the MO through e-mail for advance copy, and by physical delivery not later than one week after the date of the declaration.

ARTICLE V
TERMS AND DEFINITIONS

Available Capacity. The Dependable Capacity modified for equipment limitation at any time.[11]

Available Generating Capacity. The sum of the Available Capacity of all generating units connected to the grid plus the capacity of standby but readily available generating units.[12]

Actual Demand. The rate at which electric energy is being used (usually expressed in MW).[13]

Dependable Capacity. The maximum capacity, modified for ambient limitations for a specified period of time, such as month or a season.[14]

Disturbance. An area of low-pressure in which storm conditions occur.

Earthquake. An earthquake is the vibration, sometimes violent, of the Earth's surface that follows a release of energy in the Earth's crust. This energy can be generated by a sudden dislocation of segments of the crust, by a volcanic eruption, or even by manmade explosions.

Generating Plant. A facility, consisting of one or more generating units, where electric energy is produced from some other form of energy by means of a suitable apparatus.[15]

Hurricane. A tropical cyclone in the western Atlantic that has sustained wind speeds of 120 kilometers per hour or greater.

Islanding Operation. The isolated operation of certain portions of the Grid as a result of forced outages or contingency action by the System Operator.

Security Emergency. Any declaration made by the President of the Republic based on Republic Act No. 6826, otherwise known as The National Emergency Powers Act

Storm. A marked disturbance in the normal state of the atmosphere. The term is often applied to a disturbance in which strong wind is the most prominent characteristic, and specifically to a wind force of 11 on the Beaufort scale. It is also used for other types of disturbance, including thunderstorms, rainstorms, snowstorms, hailstorms, dust storms, sand storms, magnetic storms.

Tsunami. Tsunamis are long-period sea waves or wave trains that are generated by the sudden displacement of water. They travel at high speed water as low broad waves and build to great heights as they approach shores. Most tsunamis are caused by fault displacements on the sea floor and of volcanic origin including volcanic or volcano- tectonic earthquakes, explosions, collapse or subsidence, landslides, lahars, pyroclastic flows or debris avalanches entering bodies of water, and atmospheric waves that couple with the sea.

Typhoon. A tropical cyclone with winds that exceed 118 kilometers per hour. The name is applied to a severe tropical cyclone in the western Pacific.

ARTICLE VI
EFFECTIVITY

These Rules shall take effect immediately following its publication in the Official Gazette or any newspaper of general circulation in the country. All other previous issuances by the ERC on Market Suspension and Market Resumption that are inconsistent with the present Rules, including Resolution No. 15 series of 2007, are hereby amended, modified or repealed accordingly.

Pasig City, 29 May 2018.

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(SGD) AGNES VST DEVANADERA
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Commissioner

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Commissioner

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[1] WESM Rules Section 6.9.1.1

[2] -do-

[3] Republic Act No. 8185 – "Calamity shall be defined as a state of extreme distress or misfortune, produced by some adverse circumstance or event or any great misfortune or cause or loss or misery caused by natural forces."

[4] Market Suspension over Luzon and Visayas (and Mindanao, if applicable)

[5] Market Suspension in any of the regions i.e., Luzon, Visayas or Mindanao only when HVDC interconnection is not available

[6] Effectivity is upon implementation of new MMS

[7] The sum of the available capacity of all generating units connected to the grid plus the capacity of standby but readily available generating units (Philippine Grid Code of 2016). This shall include but not limited to offers of generating plants in compliance to the Must-Offer Rule (MOR); submitted projected output of Variable Renewable Energy (VRE) plants; the submitted nominations/nominated loading level of non-scheduled generating plants and the generating plants designated by the SO on security limit.

[8] Combined capacity

[9] HVDC interconnection is not available

[10] Dispatch interval upon commencement of the new MMS

[11] Philippine Grid Code 2016 Edition

[12] Ibid.

[13] Ibid.

[14] Ibid.

[15] Philippine Grid Code 2016 Edition

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