



Republic of the Philippines
DEPARTMENT OF ENERGY

DEPARTMENT CIRCULAR NO. _____

**PROVIDING POLICIES FOR THE ADOPTION OF THE WHOLESALE
ELECTRICITY SPOT MARKET (WESM) PENALTY MANUAL FOR THE
IMPLEMENTATION OF ENHANCEMENTS TO WESM DESIGN AND
OPERATIONS**

WHEREAS, Sections 30 and 37(f) 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, with the endorsement of the electric power industry participants, promulgated the WESM Rules through Department Circular No. DC2002-06-003;

WHEREAS, WESM Rules, as amended, mandates the Market Surveillance Committee (MSC) to design and regularly review penalty levels and appropriate ranges of penalties for breach of the WESM Rules;

WHEREAS, on 20 March 2017, the Enforcement and Compliance Office (ECO) submitted to the MSC its recommendations for the amendment of the WESM Financial Penalty Manual;

WHEREAS, on 24 May 2017 and 13 July 2017, the MSC and ECO discussed the proposed WESM Penalty Manual, which shall be in lieu of the WESM Financial Penalty Manual;

WHEREAS, the proposed WESM Penalty Manual aims to:

- (a) Enhance the process in determining applicable penalties by specifying the categories or types of breaches and the corresponding applicable penalty levels;
- (b) Establish penalty levels that take into consideration the nature of the breach and that are commensurate to the probable impact of the breach on the operations of the market;
- (c) Consolidate in a single document and harmonize all applicable guidelines for determining penalties to avoid confusion; and
- (d) Establish the procedures and respective obligations of responsible persons or entities with regard to the issuance of notice of penalty, remedies available to the WESM Members in case there is a finding of breach, and utilization of penalties collected;

WHEREAS, on 19 May 2017, the MSC reviewed the proposed WESM Penalty Manual and approved to conduct consultation to solicit comments and recommendations from stakeholders and interested parties;

WHEREAS, the MSC presented and discussed the proposal to the Philippine Electricity Market Corporation (PEMC) Transition Committee on 14 August 2017, 14 February 2018 and 17 May 2018, respectively;

WHEREAS, the MSC published the proposal in the WESM website on 22 May 2018 for comments of stakeholders and interested parties;

WHEREAS, the MSC presented and discussed the proposal to the Board Review Committee on 22 May 2018;

WHEREAS, the MSC presented and discussed the proposal to the PEM Board on 30 May 2018;

WHEREAS, the MSC presented and discussed the proposal to the Rules Change Committee on 01 June 2018;

WHEREAS, the ECO presented and discussed the proposal to the PIPPA, upon request, on 05 July 2018;

WHEREAS, the ECO and Market Assessment Group presented and discussed the proposal to the DOE on 30 July 2018;

WHEREAS, 01 August 2018, the MSC reviewed and deliberated on the proposal giving due course to the comments and recommendations received from the stakeholders and the DOE;

WHEREAS, 10 September 2018, the MSC finalized the proposed WESM Penalty Manual, and thereafter approved for endorsement to the DOE;

WHEREAS, 11 September 2018, the MSC-approved proposed WESM Penalty Manual was submitted to the DOE for final approval;

WHEREAS, on _____ 2019, the DOE conducted various public consultations on the said proposed WESM Penalty Manual to ensure transparency and consistency with the objectives of the EPIRA and the WESM;

WHEREAS, the DOE reviewed the said MSC-approved proposal and the comments and recommendations from the public consultation, made further revisions on the proposed amendments for consistency with the objectives of the WESM such as transparency and efficiency;

NOW THEREFORE, pursuant to its authority under the EPIRA and the WESM Rules, the DOE hereby adopts, issues, and promulgates the following WESM Penalty Manual:

Section 1. Adoption of the WESM Penalty Manual. To ensure the effective and efficient implementation of enhancements to WESM design and operations, the WESM Penalty Manual and presented as Annex A- WESM Financial Penalty Manual 2.0 to this Circular is hereby approved and adopted.

Section 2. Separability Clause. If for any reason, any section or provision of this Circular is declared unconstitutional or invalid, such parts not affected shall remain valid and subsisting.

Section 3. Effectivity. This Circular shall take effect 15 days following its complete publication in at least two (2) newspapers of general circulation and shall remain in effect until otherwise revoked.

Issued this ____ January 2019 at the DOE, Energy Center, Rizal Drive, Bonifacio Global City, Taguig City, Metro Manila.

ALFONSO G. CUSI
Secretary