



Republic of the Philippines
DEPARTMENT OF ENERGY

DEPARTMENT CIRCULAR NO. DC 2014-03-0006

DIRECTING THE OPERATION OF ALL EXISTING GENERATION CAPACITIES IN THE MINDANAO GRID

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

WHEREAS, pursuant to Section 37 of the EPIRA, the Department of Energy (DOE) is mandated to supervise the restructuring of the electric power industry as well as among other things, to:

- (a) Formulate policies for the planning and implementation of a comprehensive program for the efficient supply and economical use of energy consistent with the approved national economic plan and with the policies on environmental protection and conservation and maintenance of ecological balance, and provide a mechanism for the integration, rationalization, and coordination of the various energy programs of the Government;
- (b) Ensure the reliability, quality and security of supply of electric power;
- (c) Develop 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; and
- (d) Exercise such other powers, Formulate rules and regulations as may be necessary to implement and attain the objectives of the EPIRA.

WHEREAS, on 27 February 2014, a significant event triggered a total Mindanao system collapse and thereafter resulted to a reduced power supply capability and recorded on the average an aggregate outage of 2-8 hours for most of the DUs in the region;

WHEREAS, in the coming summer months, it is expected that there will be tight supply situation in the Mindanao Grid due to increase in the demand for electricity along with lower generation output from hydroelectric power plants thus, the need to bring out and make use of available generating units most particularly from the embedded generators and/or standby facilities of large electricity end-users;

WHEREAS, based on previous coordination with electricity end-users owning and operating standby generating facilities, concerns have been raised on the applicability of the current Certificate of Compliances (COCs); and

WHEREAS, based on the survey of the DOE, and as reconciled with the records of the Energy Regulatory Commission (ERC), there is approximately 400 MW of generating capacities from embedded generators and standby generating units in Mindanao, which may still be made available to address the supply deficit in the grid.

NOW, THEREFORE, for and in consideration of the foregoing premises, the DOE, consistent with its mandate under EPIRA, hereby declares as follows:

Section 1. Making All Generation Units Available for Use. Pursuant to the provisions of the EPIRA to ensure adequate supply of electricity in the Mindanao Grid, all existing generation companies including embedded generators and owners and operators of standby generating facilities, shall make available their generating units to augment the power supply in the Grid.

For this purpose, electricity end-users owning and operating standby generation facilities, shall apply before the ERC for a change of the COC category to cover the commercial and transactional requirements to trade available capacities for use of the Grid: *Provided*, That these generation facilities may make their capacities immediately available to the Grid upon the effectivity of this Circular: *Provided further*, That in recognition of the need to provide reasonable cost recovery for the operation of these generating units, in the interim the suggested provisional rate for such capacities may be the latest ERC-approved rates for similarly situated generation facilities such as those under the Interruptible Load Program (ILP) or the Interim Mindanao Electricity Market (IMEM) Rules: *Provided finally*, That the final compensation for the generated output and the final rates to be charged shall be approved by the ERC.

Section 2. Additional Responsibilities of Relevant Agencies. To ensure efficient implementation of this Circular, the following are hereby directed to undertake the following:

- (a) The National Grid Corporation of the Philippines (NGCP) shall coordinate the efficient dispatch of capacities taking into consideration the additional power generation from all sources.
- (b) DUs shall ensure the integration and coordination of all available supply options within their respective service areas through any or all of the following initiatives:
 - i. Implement existing arrangements under the ILP;
 - ii. Encourage all electricity end-users with standby generating units to implement provision of the Voluntary Load Curtailment, as prescribed in the IMEM Rules.
 - iii. Trigger the use of contracted embedded generation facilities.

All DUs are encouraged to implement and intensify campaign on energy efficiency and conservation measures to manage electricity demand particularly during peak hours of the day.

Section 3. Regulatory Support. The ERC shall ensure the provision of support in the regulatory requirements of this Circular as required under Section 1 of this Circular.

Section 4. Repealing Clause. Except insofar as may be manifestly inconsistent herewith, nothing in this Circular shall be construed as to repeal any of the mechanisms already existing or responsibilities already provided for under existing rules.

Section 5. Separability Clause. If for any reason, any section or provision of this Circular is declared unconstitutional or invalid, such parts not affected shall remain in full force and effect.

Section 6. Effectivity. This Circular shall take effect immediately upon its publication in at least two (2) newspaper of general circulation and shall remain in effect until otherwise revoked.

Issued at Energy Center, Bonifacio Global City, Taguig City.


CARLOS JERICO L. PETILLA
Secretary



IN REPLYING PLS CITE:

SOE-JLP-14001518



MAR 04 2014