

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City



**IN THE MATTER OF THE
APPLICATION FOR THE
ISSUANCE OF RULES ON THE
PRICE DETERMINATION
METHODOLOGY FOR THE
IMPLEMENTATION OF THE
CO-OPTIMIZED ENERGY AND
RESERVE MARKET IN THE
WHOLESALE ELECTRICITY
SPOT MARKET (WESM)**

ERC CASE NO. 2023-002 RC

**PHILIPPINE ELECTRICITY
MARKET CORPORATION
(PEMC) AND THE
INDEPENDENT ELECTRICITY
MARKET OPERATOR OF THE
PHILIPPINES, INC. (IEMOP),**
Applicants.

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Promulgated:
January 23, 2024

ORDER

For resolution before the Commission is the *Proposed Operational Pre-Requisites in the Scheduling of Frequency Control Ancillary Services in Reserve Market* attached to the *Supplemental Compliance* dated 06 December 2023 filed by Independent Electricity Market Operator of the Philippines, Inc. (IEMOP) on even date.

FACTUAL ANTECEDENTS

On 10 January 2023, IEMOP and Philippine Electricity Market Corporation (PEMC) jointly filed the instant *Application*, seeking the Commission's approval of the amended Price Determination Methodology (PDM) for the implementation of the co-optimized energy and reserve market in the Wholesale Electricity Spot Market (WESM).

On 10 February 2023, the Commission issued an *Order* and a *Notice of Public Hearing*, both of even date, setting the instant

Application for hearing on the following dates: (a) 07 March 2023 for the determination of compliance with jurisdictional requirements and expository presentation for Luzon Stakeholders; (b) 16 March 2023 for the expository presentation for the Visayas Stakeholders; (c) 23 March 2023 for the expository presentation for the Mindanao Stakeholders; (d) 11 April 2023 for the Pre-trial Conference and presentation of evidence; and (e) 18 April 2023 and 25 April 2023 for the presentation of evidence.

On 07 March 2023, the Applicants presented their compliance to the Commission's posting and publication requirements, pursuant to the *Order* dated 10 February 2023. Thereafter, the Commission acquired jurisdiction over the instant *Application*. The hearing then proceeded with the expository presentation for the Luzon stakeholders.

Subsequently, various hearings¹ for the expository presentation for Visayas and Mindanao Stakeholders, Pre-trial Conference and presentation of evidence were conducted relative to the instant case.

On 28 April 2023, the Applicants, IEMOP and PEMC filed their *Compliance with Urgent Omnibus Motion*, pursuant to the directives of the Commission during the 18 April 2023 hearing. In the said *Compliance*, Applicants attached and submitted for the Commission's consideration a document entitled "*Assessment to the Issues Raised by [National Grid Corporation of the Philippines (NGCP)] on the Commercial Operation of the Reserve Market*"² which provides the proposed Additional Constraints in the Market Dispatch Optimization Model (MDOM).

On 27 June 2023, IEMOP and PEMC filed their *Formal Offer of Evidence*, dated 26 June 2023.

In an *Order* dated 24 August 2023, the Commission granted PEMC and IEMOP interim relief to adopt and implement the proposed PDM for the co-optimized energy and reserve market in the WESM. The dispositive portion of the said *Order* is quoted, as follows:

WHEREFORE, the foregoing premises considered, PEMC and IEMOP are hereby **GRANTED INTERIM RELIEF** to adopt and implement the proposed Price Determination Methodology (PDM) for the co-optimized energy and reserve market in the

¹ The hearings were conducted on the following dates: (a) 16 March 2023; (b) 23 March 2023; (c) 11 April 2023; (d) 18 April 2023; and (e) 09 May 2023.

² Annex "F" of the *Compliance with Urgent Omnibus Motion* dated 28 April 2023.

Wholesale Electricity Spot Market (WESM), subject to the following conditions:

- a) The Final PDM shall be adopted by the Commission upon completion of its evaluation of all matters pertinent to the instant case, including the report on the results of the Trial Operations Program (TOP) for the reserve market which shall be jointly submitted by PEMC and IEMOP to the Commission, incorporating therein pertinent findings and recommendations relevant to pricing, cost recovery, settlement, among other matters material to the PDM; and
- b) Should the implementation of the PDM for the co-optimized energy and reserve market in the WESM result to over-recovery, the refund should be implemented immediately upon issuance of the Decision in the instant case.

xxx

SO ORDERED.

On 06 December 2023, IEMOP filed its *Supplemental Compliance* relative to the *Assessment to the Issues Raised by NGCP on the Commercial Operation of the Reserve Market* (contained in its *Compliance with Urgent Omnibus Motion*, dated 28 April 2023. In the said *Supplemental Compliance*, IEMOP submitted the instant *Proposed Operational Pre-Requisites in the Scheduling of Frequency Control Ancillary Services in Reserve Market* (Proposed Operational Pre-Requisites).

DISCUSSION

In the Proposed Operational Pre-Requisites, IEMOP proposed Additional Constraints to allegedly address the issues raised by NGCP on the commercial operations of Reserve Market. The Additional Constraints require conditions and parameters in the MDOM which IEMOP proposed to be included in the PDM Manual for the co-optimization of the Energy and Reserve Market in the WESM, as follows:

1. Basic Formulation for Constraint on Operational

A generator can only be scheduled for a certain reserve type if it has met the following:

- a. It has been operating with control mode m for at least x minutes (This can be an Operating Reserve condition for specific cases, such as when using Automatic

- Governor Control (AGC) and Governor Control Mode (GCM) when providing regulation service);
- b. It has been UP (online) at least x minutes (Applicable for regulation and contingency reserves. Note that the minimum uptime is configurable for each reserve type and generator); and
 - c. It has been DOWN (offline) for at least x minutes (Applicable for dispatchable reserves. Note that the minimum downtime is configurable for each reserve type and generator).
2. Inputs for Operational Pre-Requisites
- i. The following information shall be archived and used for the next horizon with respect to each AS Provider:
 - a. Scheduled Reserve Type;
 - b. Mode of operation; and
 - c. Generator Status.
 - ii. The following parameters are expected to be configured for each reserve type:
 - a. Minimum time is operating using specific control modes of operation;
 - b. Minimum uptime; and
 - c. Minimum downtime.

The Commission however finds that the conditions and parameters contained in IEMOP's *Proposed Operational Pre-Requisites* are already covered by existing protocols. Consequently, such existing protocols must be addressed and implemented by the Market Operator (MO) and System Operator (SO).

RELATIVE THERETO, IEMOP and PEMC are hereby **REMINDED** to timely comply with the requisites for the full operationalization of the reserve market pursuant to Department of Energy (DOE) Department Circular No. DC2023-09-0026.³

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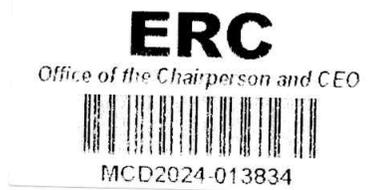
³ Entitled, "Declaring the Commercial Operations of the Reserve Market and Providing Further Policies."

FINALLY, this *Order* is hereby issued without prejudice to the Commission's evaluation and, as necessary, possible amendments to the Price Determination Methodology (PDM) that the Commission may require following receipt of the reports from IEMOP and PEMC on the results of Trial Operations Program (TOP) and the interim implementation of reserve market.

SO ORDERED.

Pasig City, 23 January 2024.

FOR AND BY AUTHORITY
OF THE COMMISSION:



Medimalanta
MONALISA C. DIMALANTA
Chairperson and CEO

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MOS: AMB/SOM

f lsp
LS: MVM/LSP

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