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REPUBLIC OF THE PHILIPPINES**)
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SENATE
P.S. RES. No. 35

RECEIVED BY: 

Introduced by Senator WIN GATCHALIAN

A RESOLUTION DIRECTING THE APPROPRIATE SENATE COMMITTEE TO CONDUCT AN INQUIRY IN AID OF LEGISLATION ON THE ISSUES SURROUNDING THE CO-EXISTENCE OF THE PHILIPPINE ELECTRICITY MARKET OPERATION (PEMC) AND THE INDEPENDENT ELECTRICITY MARKET OPERATOR OF THE PHILIPPINES(IEMOP) WITH THE END IN VIEW OF ENSURING EFFICIENCY AND TRANSPARENCY IN THE OPERATION OF THE WHOLESALE ELECTRICITY SPOT MARKET (WESM)

1 WHEREAS, it is the policy of the State to ensure "full public accountability to
2 achieve greater operational and economic efficiency and enhance the competitiveness
3 of Philippine products in the global market;¹"

4 WHEREAS, the creation of Independent Market Operator of the Philippines is
5 pursuant to Section 30 of Republic Act No. (RA) 9136 or the Electric Power Industry
6 Reform Act of 2001² which provides that "[the] wholesale electricity spot market shall
7 be implemented by a market operator." Furthermore, [t]he market operator shall be
8 an autonomous group, to be constituted by Department of Energy initially under the
9 administrative supervision of the National Transmission Corporation (TRANSCO);

10 WHEREAS, Section 30 of RA 9136 provides that and not later than one (1) year
11 after the implementation of the WESM, "an independent entity shall be formed and
12 the functions, assets and liabilities of the market operator shall be transferred to such
13 entity with the joint endorsement of the DOE and the electric power industry
14 participants;"

¹ Republic Act No. (RA) 9136, otherwise known as the Electric Power Industry Reform Act of 2001. (2001). Section 2(c).
² Approved on 8 June 2001. Effective on 26 June 2011.

1 WHEREAS, on 9 June 2003, DOE issued DOR Order No. 2003-06-006, entitled
2 "Designating the TRANSCO-MO³ to Operate the Wholesale Electricity Spot Market,"
3 designated TRANSCO-MO "as the Market Operator authorized to actually operate the
4 WESM, under the direction of the DOE, until substituted by the Independent Market
5 Operator (IMO);⁴

6 WHEREAS, on 18 November 2003, upon the initiative of DOE, the Philippine
7 Electricity Market Corporation (PEMC) was incorporated as a non-profit, non- stock
8 corporation with the primary purpose to manage, govern, and administer an electricity
9 spot market. Moreover, on April 2004, DOE, TRANSCO and PEMC entered into an
10 Operating Agreement which provided for the movement of TRANSCO-MO into PEMC;⁵

11 WHEREAS, on 15 May 2018, the Independent Market Operator of the WESM
12 (IEMOP) was incorporated as a non-stock and non-profit corporation. Moreover, on
13 19 September 2018, an Operating Agreement was signed between PEMC and IEMOP
14 which provided for the transfer to IEMOP of the operation of the WESM starting
15 September 26, 2018. This Agreement provides that IEMOP shall serve as Market
16 Operator of the WESM, while PEMC shall have governance function over IEMOP;⁶

17 WHEREAS, there are allegations of sweetheart deal⁷ on the take over by IEMOP of
18 the WESM operations as IEMOP got the deal to manage the WESM without undergoing a
19 competitive selection process. Furthermore, there are allegations that IEMOP's qualifications
20 are highly questionable;⁸

21 WHEREAS, the Energy Regulatory Commission (ERC) refuses to recognize the IEMOP
22 and thus, all rate-setting applications can only be done by the PEMC. This, in turn, has led
23 to the IEMOP filing a mandamus case against the ERC;⁹

24 WHEREAS the are issues surrounding the co-existence of both PEMC and IEMOP.
25 There are claims that the co-existence leads to two sets of staffing and that this is not
26 necessary under the RE 9136 to separate the governance and the operation of the WESM.

³ TRANSCO Market Operator

⁴ PEMC and IEMOP (2021) Submissions and Senate Committee of Energy (16th Congress).

⁵ PEMC and IEMOP (2021) Submissions and Senate Committee of Energy (16th Congress).

⁶ PEMC and IEMOP (2021) Submissions and Senate Committee of Energy (16th Congress).

⁷ Sweetheart deal is defined as "an usually good arrangement or agreement that helps someone who has a lot of influence or who knows someone important." (Merriam-Webster Dictionary. Sweetheart Deal. Available at <https://www.merriam-webster.com/dictionary/sweetheart%20deal>. Accessed on July 26, 2021).

⁸ Philstar Global. 'Power firm with P7K capital bags P100 million deal'. Available at <https://www.philstar.com/headlines/2020/01/20/1986231/power-firm-p7k-capital-bags-p100-million-deal>. Accessed on July 26, 2021.

⁹ IEMOP vs. ERC, G.R. No. 254440, Filed on 18 August 2020.

1 NOW THEREFORE BE IT RESOLVED, as it is hereby resolved, to direct the
2 appropriate Senate Committee to conduct an inquiry, in aid of legislation, on the issues
3 surrounding the co-existence of PEMC and IEMOP with the end in view of ensuring
4 efficiency and transparency in the operation of the WESM.

Adopted,



WIN GATCHALIAN