



Philippine Electricity Market Corporation

WHOLESALE ELECTRICITY SPOT MARKET RULES CHANGE COMMITTEE

RESOLUTION NO. 2014-12

Proposed Amendments to the Market Manual on the Management of Net Settlement Surplus Issue 1.0

WHEREAS, on 22 April 2014, the RCC received from the Philippine Electricity Market Corporation (PEMC) the Proposal for amendments to the Market Manual on the Management of Net Settlement Surplus (NSS) Issue 1.0 (ANNEX A);

WHEREAS, the proposal seeks to reflect the current methodology as approved by ERC Resolution No. 06 Series of 2009 for the management of net settlement surplus and to address audit findings of PA Consulting (PA) from the 2nd Independent Operational Audit;

WHEREAS, the proposal aims to adopt the PA's recommendations to improve the document, especially with regard to compliance, context, process, and governance;

WHEREAS, the proposed revisions in the Manual reflect the methodology in managing the NSS as approved by ERC Resolution No. 06 Series of 2009, where all WESM Participants who paid for the loss and congestion charges shall receive a share in the Net Settlement Surplus;

WHEREAS, a new calculation was introduced to compute for the losses and congestion charges as indicated below;

$$R_{jk} = NSS_k \times (\Sigma LLCC_{jk} / \Sigma LLCC_k)$$

Where:

- R_{jk} = rebate amount or NSS allocation for recipient j and for trading interval k
- NSS_k = the Net Settlement Surplus for the trading interval k
- $\Sigma LLCC_{jk}$ = sum of the line loss and congestion charges payments of recipient j for the trading interval k
- $\Sigma LLCC_k$ = sum of line loss and congestion charges payments of all paying WESM customers for the trading interval k
- k = hourly trading interval
- j = any WESM customer paying line loss congestion charges to which a pro-rated amount of NSS will be returned.

WHEREAS, during the 87th RCC Meeting held on 07 May 2014, the proposal was presented to the RCC and thereafter approved for publication in the WESM website to solicit comments;

WHEREAS, on 08 May 2014, the proposal was published in the WESM website, with notification email sent the following day;

WHEREAS, on 06 June 2014, MERALCO submitted its comments (ANNEX B) on the proposed amendment;

WHEREAS, during the 89th RCC Meeting held on 02 July 2014, the RCC deliberated on the matter;

WHEREAS, during the same meeting, with consideration to the comments received and the RCC's discussions on the matter, the RCC approved the proposed amendments to the Market Manual on the Management of Net Settlement Surplus Issue 1.0, as amended;

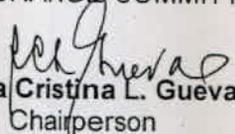
NOW THEREFORE, we, the undersigned and in behalf of the sector we represent, hereby resolve as follows:

RESOLVED, that the Proposed Amendments to Market Manual on the Management of Net Settlement Surplus Issue 1.0 is hereby adopted and approved (ANNEX C);

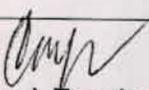
RESOLVED FURTHER, that the attached Proposed Amendments to the Market Manual on the Management of Net Settlement Surplus Issue 1.0 are hereby endorsed to the PEM Board for its approval.

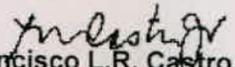
Done this 02 July 2014, Pasig City.

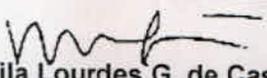
Approved by:
RULES CHANGE COMMITTEE


Rowena Cristina L. Guevara
 Chairperson
 University of the Philippines
 (UP)

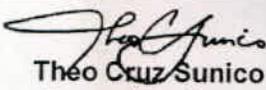
Members:

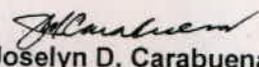

Concepcion I. Tanglao
 Independent


Francisco L.R. Castro, Jr.
 Independent
 Tensaiken Consulting

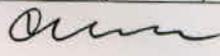

Maila Lourdes G. de Castro
 Independent

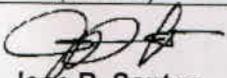

Jose Ferlino P. Raymundo
 Generation Sector
 SMC Global

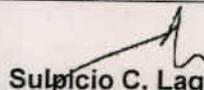

Theo Cruz Sunico
 Generation Sector
 1590 Energy Corporation
 (1590 EC)

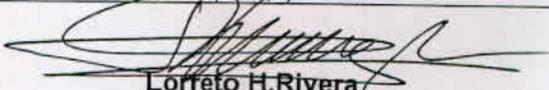

Joselyn D. Carabuena
 Generation Sector
 Power Sector Assets and Liabilities Management
 Corporation (PSALM)

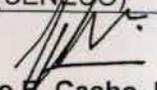

Gilbert A. Pagobo
 Distribution Sector (PDU)
 Mactan Electric Company
 (MECO)

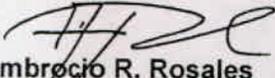

Ciprinilo C. Meneses
 Distribution Sector (PDU)
 Manila Electric Company
 (MERALCO)

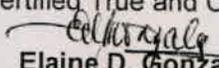

Jose P. Santos
 Distribution Sector (EC)
 Ilocos Norte Electric Cooperative, Inc.
 (INEC)


Sulpicio C. Lagarde Jr.
 Distribution Sector (EC)
 Central Negros Electric Cooperative, Inc.
 (CENECCO)


Lorreto H. Rivera
 Supply Sector
 TeaM (Philippines) Energy Corporation
 (TPEC)


Isidro E. Cacho Jr.
 Market Operator
 Philippine Electricity Market Corporation
 (PEMC).


Ambrocio R. Rosales
 Transmission Sector
 National Grid Corporation of the Philippines
 (NGCP)

Certified True and Correct:

Elaine D. Gonzales
 RCC Secretary
 PEMC