

PUBLIC

## WESM Manual

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# Billing and Settlement Manual

## Issue 5.1

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Abstract	This document contains the concept, flowchart and procedural steps in the preparation of settlement statement, payment of settlement amount, prudential requirements and suspension
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Document Identity: WESM-BS-005.1  
Issue No.: 5.1  
Reason for Issue: Reference to DOE Department Circular No. 2020-06-0014 on the new methodology for initial assessment of prudential requirements

Approval Date: 02 June 2020  
Publication Date: 17 June 2020  
Effective Date: 02 July 2020

### Document Change History

Issue No.	Proponent	Date of Effectivity	Reason for Amendment
1.0	PEMC-MO		Proposed amendment provides for the billing and settlement timetable
2.0	AES-MPPCL	11 April 2012	Changes to provide deadline for the Market Operator's issuance of final statement adjustments
3.0	PEMC	29 May 2014	Revised the level of Prudential Requirement from 63 days to 35 days and the Computation of Maximum Exposure (ME) and Actual Exposure (AE)
4.0	PEMC	09 July 2015	Compliance to Audit Findings
5.0	PEMC	15 June 2017	Implementation of Preferential Dispatch
5.1	IEMOP	02 July 2020	Reference to DOE Department Circular No. 2020-06-0014 on the new methodology for initial assessment of prudential requirements

### Document Approval

Issue No.	RCC Approval	RCC Resolution No.	PEM Board Approval	PEM Board Resolution No.	DOE Approval	DOE DC No.
1	16 May 2006	2006-15	06 June 2006	2006-20		
2	04 May 2011	2011-05	25 May 2011	2011-32		
3	08 January 2014	2014-01	05 February 2014	2014-03		
4	04 March 2015	2015-03	28 April 2015	2015-16		
5	01 June 2016	2016-07	10 November 2016	2016-30	20 March 2017	2017-03-0002
5.1	16 August 2019	2019-12	28 August 2019	2019-15-03	02 June 2020	2020-06-0014

### Reference Documents

Document ID	Document Title
	WESM Rules
	Price Determination Methodology
WESM-AP-005	Administered Price Determination Methodology
WESM-MNSS-002	Management of Net Settlement Surplus
WESM-MRU-007	Management of MRU

Document ID	Document Title
WESM-RSDCP-002	Registration, Suspension and De-registration Criteria and Procedures
WESM-MDPEPS-004	Methodology for Determining Pricing Errors and Price Substitution

AS of 26 June 2021

OBSOLETE

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**SECTION 1 INTRODUCTION****1.1 BACKGROUND**

The WESM Billing and Settlement Manual is one of manuals prepared by the Philippine Electricity Market Corporation (PEMC). This manual focuses on the billing and settlement procedures to be followed by the Market Operator (MO) and Trading Participants (TP) for preparation of settlement statements and settlement of transactions in the Wholesale Electricity Spot Market (WESM).

**1.2 PURPOSE**

This Manual implements relevant provisions from WESM Rules Sections 3.14 and 3.15. It describes the procedures which the Market Operator and Trading Participants must follow in relation to the settlement process and compliance with the prudential requirements.

**1.3 SCOPE**

This manual covers the following procedures:

- 1.3.1 Section 3 – Issuance of Settlement Statements in accordance with WESM Rules 3.14.4, 3.14.5, 3.14.8, and 3.14.9;
- 1.3.2 Section 4 – Collection and Payment of Settlement Amounts in accordance with WESM Rules 3.14.2, 3.14.3, 3.14.6, 3.14.7, and 3.14.10;
- 1.3.3 Section 5 – Payment Default in accordance with WESM Rules 3.14.11 and 3.14.12;
- 1.3.4 Section 6 – Prudential Requirement in accordance with WESM Rules 3.15; and
- 1.3.5 Section 7 – Suspension and Revocation of Suspension in accordance with WESM Rules 3.14.11.2(b) and 3.15.8.

This manual does not cover the following:

- 1.3.6 Calculation of Administered Prices, which is covered in the Administered Price Determination Methodology;
- 1.3.7 Settlement Amounts Calculation, which is covered in the Price Determination Methodology;
- 1.3.8 Net Settlement Surplus, which is covered in the Management of Settlement Surplus Manual;

- 1.3.9 Must Run Unit Calculation, which is covered in the Management of Must Run and Must Stop Units Manual;

## SECTION 2 DEFINITIONS, REFERENCES AND INTERPRETATION

### 2.1 DEFINITIONS

- 2.1.1 **Actual Exposure.** The total amount of obligation that a WESM member is required to pay on due date.
- 2.1.2 **Average Actual Market Price.** This refers to the ratio of the total spot market payment of a WESM Member, which may include spot market energy and reserve transactions and line rental trading amount for contracted quantities, to the total metered quantities net of bilateral contract quantities for each billing month.
- 2.1.3 **Billing Period.** The period of one month commencing at 00:00 hours of the twenty sixth (26th) day of each calendar month to 24:00 hours of the twenty-fifth (25th) day of the next calendar month.
- 2.1.4 **Business Day.** Any day on which the spot market is open for business.
- 2.1.5 **Credit Support Provider.** Banks, or insurance companies
- 2.1.6 **Default Event.** Any one or more of the events listed in WESM Rule 3.14.11.1.
- 2.1.7 **Default Interest Rate.** An interest rate of three percent (3%) per annum or the approved default interest by the PEM Board, in addition to the Interest Rate, to be applied to the remaining default amount.
- 2.1.8 **Default Notice.** A notice issued by the Market Operator under WESM Rule 3.14.11.2.
- 2.1.9 **EFT Facility.** An electronic funds transfer facility.
- 2.1.10 **Final Statement.** A statement issued by the Market Operator under WESM Rule 3.14.5.
- 2.1.11 **Financial Year.** A period referring to calendar year that commences on January 1 and ends on December 31 of the same year.
- 2.1.12 **FIT-All Administrator.** The National Transmission Corporation as administrator of the FIT-All Fund, as designated in Resolution No. 15, Series of 2012, amending the FIT Rules.

- 2.1.13 **Interest Rate.** In relation to any period for which an interest rate is to be determined hereunder, a rate per annum equal to the lending rate published by the Bangko Sentral ng Pilipinas (BSP) at the time of payment.
- 2.1.14 **Intending WESM member.** A person who wishes to become a WESM member and who registers with the Market Operator under WESM Rule 2.9.
- 2.1.15 **Margin Call.** An amount which the Market Operator calls to be paid by a Trading Participant in accordance with WESM Rule 3.15.10.1 to make up any anticipated shortfall between that Trading Participant's trading limit and the Market Operator's exposure in respect of that Trading Participant.
- 2.1.16 **Market Fees.** The charges imposed on all WESM members by the Market Operator to cover the cost of administering and operating the WESM, as approved by the ERC.
- 2.1.17 **Market Operator (MO).** The entity responsible for the operation of the spot market governed by the PEM Board in accordance with clause 1.4 which, for the avoidance of doubt, is the AGMO for a period of twelve months from the spot market commencement date and thereafter the entity to which the functions, assets and liabilities of the AGMO are transferred in accordance with section 30 of the Act.
- 2.1.18 **Maximum Exposure (ME).** The maximum exposure of a WESM member shall mean the computed average monthly settlement amount of the billing periods covering 26 March through 25 September prior to the end of the Financial Year multiplied by the factor 35/30 and shall set the level of security deposit that a WESM member is required to maintain.
- 2.1.19 **Market Transaction.** A sale or purchase of electricity, or other services, made through the spot market.
- 2.1.20 **Non-Working Day.** A day which is not a Working day (Weekends and holidays).
- 2.1.21 **Preliminary Statement.** A statement issued by the Market Operator under WESM Rule 3.14.4.
- 2.1.22 **Publish, Publication.** To make available information.
- 2.1.23 **Settlement.** The activity of producing bills and credit notes for WESM members in accordance with WESM Rule 3.13, and with the processes defined in WESM Rule 3.14.
- 2.1.24 **Settlement Amount.** The amount payable by or to a Trading Participant, or Network Service Provider, in respect of a billing period as determined by the Market Operator under WESM Rule 3.13.14 or WESM Rule 3.13.15.



- 2.1.25 **Settlement Statements.** Statements issued by the Market Operator that contains the settlement transactions of a WESM Member. It can either be a preliminary, final or revised statements.
- 2.1.26 **Spot market.** Has the same meaning as the WESM.
- 2.1.27 **Suspension Notice.** A notice issued by the Market Operator under WESM Rule 3.15.8.
- 2.1.28 **Trading Limit.** In respect of a Trading Participant at any time means the last trading limit set by the Market Operator for the Trading Participant under WESM Rule 3.15.9.
- 2.1.29 **Trading Participant.** A Customer or Generation Company.
- 2.1.30 **WESM member.** A person who is registered with the Market Operator in accordance with WESM Rules 2.3 and 2.4 of the WESM Rules.
- 2.1.31 **WESM Rules.** The detailed rules that govern the administration and operation of the WESM.
- 2.1.32 **Wholesale Electricity Spot Market ("WESM").** The electricity market established by the DOE in accordance with the Act.
- 2.1.33 **Working Day.** A day (excluding Saturdays and Sundays) on which banks and financial institutions are open in the city or municipality where the principal offices of the Market Operator are located.

## SECTION 3 RESPONSIBILITIES

### 3.1 MARKET OPERATOR

- 3.1.1 The **Market Operator (MO)** shall be responsible for complying with the requirements set forth in this Manual and in the WESM Rules, as follows:
- a) Preparation and issuance of preliminary, final and revised statement files and supporting data to Trading Participants;
  - b) Provision of copies of the final and revised statements and supporting data of generation companies with FIT-eligible generating units to the FIT All Administrator;
  - c) To respond to all queries by Trading Participants pertaining to settlement statements and to investigate discrepancy, if any;

- d) Collect and pay the settlement amount in the Final and Revised Statements due from/to Trading Participant;
- e) Issuance of the Default Notice and monitor payment of the default amount;
- f) Assessment of the security deposit, notification and monitoring of compliance with the Prudential Requirements; and
- g) Suspension of WESM Member.

### 3.2 TRADING PARTICIPANTS

3.2.1 The **Trading Participants (TP)** shall be responsible for complying with the requirements set forth in this Manual and in the WESM Rules, as follows:

- a) Retrieve and review settlement statement files and supporting data issued by MO. The Trading Participants shall notify MO if files are not accessible or received within the timetable and if there are discrepancies or errors;
- b) Payment of the settlement amount in the Final and Revised Statements issued by the Market Operator;
- c) Remedy default events;
- d) Provide and maintain a sufficient amount of security deposit to comply with the Prudential Requirements;
- e) Remedy or rectify suspension.

<b>SECTION 4 SETTLEMENT STATEMENTS</b>
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### 4.1 CONTENTS OF SETTLEMENT STATEMENTS AND DATA

#### 4.1.1 Settlement Quantity and Amounts

- a) The Settlement quantity billed to each Trading Participant is in accordance to WESM Rules 3.13.5, 3.13.6 and 3.13.7 (with adjustments on Bilateral Quantities).
- b) The Settlement amounts billed to each Trading Participant is in accordance to WESM Rules 3.13.14 and WESM Rules 3.13.17 (with adjustments on bilateral).

- c) For Settlement of Trading Participants with Bilateral contracts:  
For each billing period, the Market Operator shall determine the settlement amount for each trading participant with bilateral contract as the sum of the aggregate trading amounts for the trading intervals in that billing period, determined in accordance with WESM Rules 3.13.17.2 plus:
- i. Any amount payable by the Market Operator to that Trading Participant in respect of that billing period and not accounted for in WESM Rules 3.13.17.2, including payment for any ancillary services purchased on behalf of the System operator, less the sum of
  - ii. Any market fees which that Trading Participant is required to pay in respect of that billing period as determined in accordance with WESM Rules 2.10; plus
  - iii. Any other amounts payable by that Trading Participant to the Market Operator in respect of that billing period, including any ancillary services recovery charges.
- d) The aggregate trading amount for a Trading Participant for a trading interval equals the sum of:
- i. The ex-ante energy trading amounts for each market trading node for which the Trading Participant is responsible calculated in accordance with WESM Rules 3.13.7 and 3.13.8 (which will typically be positive for a Generation Company and negative for a Customer); plus
  - ii. The ex-post energy trading amounts for each market trading node for which the Trading Participant is responsible calculated in accordance with WESM Rules 3.13.7 and 3.13.9 (which will typically be positive or negative for any Trading Participant); plus
  - iii. The line rental trading amount corresponding to the quantity of bilateral contract of that Trading Participant calculated in accordance with WESM Rules 3.13.12; plus
  - iv. The reserve trading amounts for each reserve region into which that Trading Participant contributes reserve calculated in accordance with WESM Rules 3.13.10 (which will always be positive for both Generation Companies and Customers); plus
  - v. The transmission right trading amounts for each transmission right held by the WESM Participant calculated in accordance

with WESM Rules 3.13.13 (which will always be positive for both Generation Companies and Customers) plus

- vi. The reserve cost recovery charge determined for that Trading Participant with respect to any reserve cost recovery zone within which it has any facility connected calculated in accordance with the procedures developed under WESM Rules 3.3.4 (which will be positive for any Trading Participant); and
- vii. Any other ancillary service cost recovery charges determined for that Trading Participant in accordance with the procedures developed under WESM Rules 3.3.4.

- 4.1.2 **Net Settlement Surplus.** If the transactions indicated in this document, clause 4.1.1, in aggregate, results in a surplus or deficit remaining, this will be known as the net settlement surplus. This may be retained by the Market Operator, to fund deficit as a result of transactions required in WESM Rules 3.13.14, or may be flowed back to the Market Participants in accordance with the procedures to be developed under WESM Rules 3.13.16.3, or may be used by the Market Operator to establish and support the market for Financial Transmission Rights subject to the approval of the PEM Board;
- 4.1.3 **Price Substitution Adjustments.** When network congestion due to Price Substitution Methodology arises for a particular billing period, the trading intervals of the affected billing period shall be settled in reference to Section 5 of the Market Manual of Methodology for Determining Pricing Errors and Price Substitution (WESM-MDPEPS-004).
- 4.1.4 **Must Run Adjustment.** In a particular billing period where a must run generating unit was implemented for a trading interval, the settlement for the Trading Participant of the generating unit for the affected trading interval shall be in accordance to Section 9 of the Market Manual of Management of Must-Run Units (WESM-MRU-004).
- 4.1.5 The Settlement Data that are being transmitted to the Trading Participants along with the WESM Energy Bill and Market Fee Bill includes the Ex-Ante Energy Trading amounts, Ex-Post Energy Trading Amounts, Ex-Ante Quantity and Prices, Ex-Post Prices, Meter Quantity Data, Line rental trading amount of Participants with Bilateral Contract Quantity and each of the Participants Bilateral Contract Quantity. These set of information are being transmitted to the Trading Participants via email and CD copy mailed along with the Participant's Energy Bill.

## 4.2 PROCEDURES

### 4.2.1 Issuance of Preliminary Statements

- a) Within seven (7) days after the end of each billing period, the Market Operator shall give each WESM member who has engaged in market transactions in that billing period a preliminary statement which sets out the market transactions of that WESM member in that billing period and the settlement amount payable by or to that WESM member. If the seventh day falls on a Non-Working Day, the issuance of the preliminary statements shall be made during the next immediate working day<sup>1</sup>.
- b) The preliminary statements shall include supporting data for all amounts payable sufficient to enable each WESM member to audit the calculation of the amount payable by or to that WESM member<sup>2</sup>.
- c) If the WESM member reasonably believes there was an error or discrepancy in the preliminary statement given to the WESM Member by the Market Operator, the WESM member shall notify the Market Operator as soon as practicable of that error or discrepancy and the Market Operator shall review the preliminary statement<sup>3</sup>.
- d) If the Market Operator considers that a preliminary statement contains an error or discrepancy after reviewing the preliminary statement as notified by a WESM member or as independently identified by the Market Operator, the Market Operator shall ensure that correction of any error or discrepancy is reflected in the relevant final statements, provided that corrections requiring the input of an external party are received by the Market Operator at least two (2) Working Days before the deadline of the issuance of the final statements. If the Market Operator receives notice of an error, discrepancy or correction of an earlier identified error after their relevant deadlines, Market Operator shall issue revised statements in accordance to Section 4.2.4b) of this Manual.<sup>4</sup>

### 4.2.2 Issuance of Final Statements

- a) No later than eighteen (18) days after the end of each billing period, the Market Operator shall give to each WESM member who has engaged in market transactions in that billing period a final statement stating the amounts payable by the WESM member to the Market Operator or payable by the Market Operator to the WESM member in respect of the relevant billing period. If the eighteenth day falls on a Non-Working Day,

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<sup>1</sup>WESM Rules Clause 3.14.4.1

<sup>2</sup> WESM Rules Clause 3.14.4.2

<sup>3</sup>WESM Rules Clause 3.14.4.3

<sup>4</sup> WESM Rules Clause 3.14.4.4

the issuance of the final statements shall be made during the next immediate Working Day<sup>5</sup>.

- b) The final statements issued shall include supporting data for all amounts payable which shall be sufficient to enable each WESM member to audit the calculation of the amount payable by or to that WESM member<sup>6</sup>.
- c) No later than eighteen (18) days after the end of each billing period, the Market Operator shall provide the Fit All Administrator with the final statements and supporting data of generation companies with FIT Eligible Generating Units as specified in WESM Rules Clause 5.3.2 (k).

#### **4.2.3 Disputes in the Preliminary and Final Statements**

- a) If disputes arise between the WESM member and the Market Operator concerning either the preliminary statement or its supporting data, both shall use reasonable endeavors to resolve the dispute within fifteen (15) days after the end of the relevant billing period<sup>7</sup>.
- b) Dispute in respect with the final statement and its corresponding data shall be raised within twelve (12) months of the relevant billing period<sup>8</sup>.
- c) Disputes raised under the Section 4.2.3 of this Manual, shall be resolved by agreement or pursuant to the dispute resolution procedure set out in the WESM Rules Clause 7.3<sup>9</sup>.

#### **4.2.4 Issuance of Revised Statements**

- a) If any amount in the final statement has been the subject of a dispute and the dispute has been resolved or was subject of a pending case before a Court of competent jurisdiction and that said Court has already rendered a final and executory Decision, caused different payable amount as set out in the final statement, the Market Operator shall issue to each WESM Member affected, an adjustment to the final statement for the relevant billing period setting out:
  - i. The amount payable by the WESM Member to the Market Operator or the amount payable by the Market Operator to the WESM Member, and

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<sup>5</sup>WESM Rules Clause 3.14.5.1

<sup>6</sup>WESM Rules Clause 3.14.5.2

<sup>7</sup>WESM Rules Clause 3.14.8.1

<sup>8</sup> WESM Rules Clause 3.14.8.2

<sup>9</sup>WESM Rules Clause 3.14.8.3

- ii. Interest calculated on a daily basis at the interest rate for the final statement to which the adjustment relates to the payment date applicable to the revised statement issued.

The Market Operator shall issue the adjustment to the final statement not later than twelve (12) calendar months after the resolution of the dispute or receipt of the relevant final and executory Order unless parties to be billed agrees that the issuance of the particular WESM bill adjustment shall be at a later time<sup>10</sup>.

- b) If the Market Operator becomes aware of an error in an amount stated in a final statement and in the Market Operator's reasonable opinion, a WESM Member would be materially affected if a revision to the final statement was not made to correct the error, then the Market Operator shall issue the Revised Statement not later than six (6) calendar months from receipt of the Market Operator of written notice of error from the participant, or from the Market Operator's discovery of the same<sup>11</sup>.
- c) The Market Operator shall specify the time and date on which a payment of an adjustment under a revised statement issued under Section 4.2.4 of this Manual is due, which date shall be not less than ten business days and not more than fifteen business days after the issue of that revised statement<sup>12</sup>.

## **SECTION 5 COLLECTION AND PAYMENT OF SETTLEMENT AMOUNT**

### **5.1 ELECTRONIC FUND TRANSFER**

- 5.1.1 The Market Operator shall ensure that an EFT facility is provided and made available for all WESM members for the purposes of facilitating settlements and the collection and payment of all market fees<sup>13</sup>.
- 5.1.2 Unless otherwise authorized by the Market Operator, all WESM Members shall use the EFT facility provided by the Market Operator for the settlement of transactions and the payment of market fees<sup>14</sup>.
- 5.1.3 In the event the EFT system fails, the WESM Member and the Market Operator shall find other means of payment to ensure that payment is received on the due date.

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<sup>10</sup> WESM Rules Clause 3.14.9.1

<sup>11</sup> WESM Rules Clause 3.14.9.2

<sup>12</sup> WESM Rules Clause 3.14.10.1

<sup>13</sup> WESM Rules Clause 3.14.2.1

<sup>14</sup> WESM Rules Clause 3.14.2.2

## 5.2 PAYMENT OF SETTLEMENT AMOUNT

- 5.2.1 Where the settlement amount for a WESM member is a negative amount, the WESM member shall pay that amount to Market Operators accordance with Section 5.3.1 of this Manual. Where the settlement amount for a WESM member is a positive amount, Market Operator shall pay that amount to the WESM Member in accordance with Section 5.3.2 of this Manual<sup>15</sup>.
- 5.2.2 The maximum total payment which the Market Operator is required to pay in respect of any billing period is equal to the aggregate of;
- a) the total payments actually received from WESM Members in accordance with Section 5.3.1 of this Manual; plus
  - b) the total amount that the Market Operator is able to actually draw from the prudential security of the defaulting WESM Members in accordance with SECTION 7 of this Manual, if one or more WESM Members is in default; plus
  - c) other sources of funds which the PEM Board may approve to be paid to the WESM Members if the total amount drawn from the prudential security deposit of the defaulting WESM Members is insufficient to cover the defaulted amounts.
- 5.2.3 If it becomes necessary for the Market Operator to draw upon the prudential security of a defaulting WESM Member in accordance with SECTION 7 of this Manual, the corresponding payments to the WESM Members entitled to be paid shall be made only after the Market Operator is actually able to draw on the prudential security but not later than the date specified in the billing and settlement time table.
- 5.2.4 If the total payments actually received or drawn from the prudential security by the Market Operator for a particular billing period is insufficient to pay for the total amounts payable to the WESM Members, the total payments received and drawn shall be distributed and paid to the relevant WESM Members in proportion to the amount payable to them for that billing period.
- 5.2.5 The shortfall shall be paid upon collection from the defaulting WESM Member but not later than the date specified in the billing and settlement time table<sup>16</sup>.

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<sup>15</sup> WESM Rules Clause 3.14.3.1

<sup>16</sup> WESM Rules Clause 3.14.7



## **5.3 PROCEDURES**

### **5.3.1 Payment by Trading Participant**

- a) Subject to Section 5.3.4, each WESM Member shall pay to the Market Operator in cleared funds, the settlement amount (if any) stated to be payable to the Market Operator by that WESM member in that WESM member's final statement no later than 3.00 pm on the twenty-fifth day of the calendar month following the billing period, whether or not the WESM member disputes, or continues to dispute, the amount payable.

If the twenty-fifth (25th) day of the calendar month following the billing period falls on a Non-Working Day, the payment due date shall be moved to the next immediate Working Day<sup>17</sup>.

- b) After receiving payment from the WESM Member, the Market Operator shall validate and determine any discrepancy between the amount billed and the amount collected.
- c) In the event of shortfall, the Market Operator shall exercise its right to draw from the existing security deposit as discussed in Section 7.4.5 of this Manual.
- d) The amount collected and the amount drawn shall be paid by the Market Operator to the Trading Participant in accordance with Section 5.3.2 of this Manual.

### **5.3.2 Payment to the Trading Participant**

Subject to Section 5.3.4, the Market Operator shall pay to each WESM Member in cleared funds the settlement amount (if any) stated to be payable in that WESM member's final statement on the following Working Day after the Market Operator is to be paid under Section 5.3.1 of this Manual, and in accordance with the schedule set in the Appendix A of this Manual<sup>18</sup>.

### **5.3.3 Payment of Adjustment**

- a) Subject to Section 5.3.4, each WESM Member shall pay to the Market Operator in cleared funds the net amount (if any) stated to be payable by that WESM member in the revised statement issued to it under

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<sup>17</sup> WESM Rules Clause 3.14.6

<sup>18</sup> WESM Rules Clause 3.14.7

Section 4.2.4 of this Manual, no later than the time and date specified by the Market Operator pursuant to Section 4.2.4(c) of this Manual<sup>19</sup>.

- b) Subject to Section 5.3.4, the Market Operator shall pay to each WESM Member in cleared funds the net amount (if any) stated to be payable to that WESM member in the revised statement issued to it under Section 4.2.4 of this Manual, on the following Working Day on which the Market Operator is to be paid under Section 5.3.3(a) of this Manual<sup>20</sup>.

#### 5.3.4 **Payment Procedures for FIT-Eligible Generating Units**

- a) An aggregated settlement amount of all FIT-eligible generating units shall be calculated by aggregating all settlement amounts of all FIT-eligible generating units for that billing period.
- b) The Market Operator shall pay to the FIT-All Administrator in cleared funds the aggregated settlement amount as calculated in accordance with Section 5.3.4(a) on the following Working Day after the Market Operator is to be paid under Section 5.3.1 of this Manual, and in accordance with the schedule set in the Appendix A of this Manual.
- c) In the event that the aggregated settlement amount of all FIT-eligible Generating Units indicate a settlement amount payable to the Market Operator, the said aggregated settlement amount, plus interest calculated in accordance with Section 6.2.1(e), shall be offset from the amount payable to the FIT-All administrator in succeeding payment due dates following the issuance of the final settlement statement until the same is fully paid.
- d) If a revised statement is issued in accordance with Section 4.2.4, the aggregated settlement amounts for FIT-eligible generating units shall be calculated. If it results to an amount payable to the Market Operator, the amount due shall be offset from the amount payable to the FIT-All administrator in succeeding payment due dates following the issuance of the revised settlement statements until the same is fully paid. If it results to an amount payable by the Market Operator, the FIT All Administrator shall be paid in cleared funds on the following Working Day after the Market Operator is to be paid under Section 4.2.4(c) of this Manual.

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<sup>19</sup> WESM Rules Clause 3.14.10.2

<sup>20</sup> WESM Rules Clause 3.14.10.3

**SECTION 6 PAYMENT DEFAULT****6.1 DEFAULT EVENTS**

6.1.1 As stated in Section 3.14.11 of the WESM Rules, each of the following events is a default event in relation to the WESM Member:

- a) The WESM member does not pay any money due for payment by it under the WESM Rules by the appointed time on the due date<sup>21</sup>;
- b) The Market Operator does not receive payment in full of any amount claimed by the Market Operator under any credit support in respect of a WESM member, within ninety minutes after the due time for payment of that claim<sup>22</sup>;
- c) The WESM member fails to provide credit support required to be supplied under the WESM Rules by the appointed time on the due date<sup>23</sup>;
- d) It is or becomes unlawful for the WESM member to comply with any of its obligations under the WESM Rules or any other obligation owed to the Market Operator or it is claimed to be so by the WESM member<sup>24</sup>;
- e) It is or becomes unlawful for any Credit Support Provider in relation to the WESM member to comply with any of its obligations under the WESM Rules or any other obligation owed to the Market Operator or it is claimed to be so by that Credit Support Provider<sup>25</sup>;
- f) An authorization from a government authority necessary to enable the WESM member or a Credit Support Provider which has provided credit support for that WESM member to carry on their respective principal businesses or activities ceases to have full force and effect<sup>26</sup>;
- g) The WESM member or a Credit Support Provider which has provided credit support for that WESM member ceases or is likely to cease to carry on its business or a substantial part of its business<sup>27</sup>;

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<sup>21</sup> WESM Rules Clause 3.14.11.1(a)

<sup>22</sup> WESM Rules Clause 3.14.11.1(b)

<sup>23</sup> WESM Rules Clause 3.14.11.1(c)

<sup>24</sup> WESM Rules Clause 3.14.11.1(d)

<sup>25</sup> WESM Rules Clause 3.14.11.1(e)

<sup>26</sup> WESM Rules Clause 3.14.11.1(f)

<sup>27</sup> WESM Rules Clause 3.14.11.1(g)

- h) The WESM member or a Credit Support Provider which has provided arrangement (including a scheme of arrangement), composition or compromise with, or assignment for the benefit of, all or any class of their respective creditors or members, or a moratorium involving any of them<sup>28</sup>;
- i) The WESM member or a Credit Support Provider which has provided credit support for that WESM member states that it is unable to pay from its own money its debts as and when they fall due for payment<sup>29</sup>;
- j) A receiver or receiver and manager is appointed in respect of any property of the WESM member or a Credit Support Provider which has provided credit support for that WESM member<sup>30</sup>;
- k) An administrator, provisional liquidator, liquidator, trustee in bankruptcy or person having a similar or analogous function is appointed in respect of the WESM member or a Credit Support Provider which has provided credit support for that WESM member, or any action is taken to appoint any such person<sup>31</sup>;
- l) An application or order is made for the winding up or dissolution or a resolution is passed or any steps are taken to pass a resolution for the winding up or dissolution of the WESM member or a Credit Support Provider which has provided credit support for that WESM member<sup>32</sup>;
- m) The WESM member or a Credit Support Provider which has provided credit support for that WESM member dies or is dissolved unless such notice of dissolution is discharged; <sup>33</sup> and
- n) The WESM member or a Credit Support Provider which has provided credit support for that WESM member is taken to be insolvent or unable to pay its debts under any applicable legislation<sup>34</sup>.

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<sup>28</sup> WESM Rules Clause 3.14.11.1(h)

<sup>29</sup> WESM Rules Clause 3.14.11.1(i)

<sup>30</sup> WESM Rules Clause 3.14.11.1(j)

<sup>31</sup> WESM Rules Clause 3.14.11.1(k)

<sup>32</sup> WESM Rules Clause 3.14.11.1(l)

<sup>33</sup> WESM Rules Clause 3.14.11.1(m)

<sup>34</sup> WESM Rules Clause 3.14.11.1(n)

## 6.2 PROCEDURES

### 6.2.1 Default

- a) Where the default event has occurred in relation to the WESM Members, the Market Operator may issue a default notice which specifies the nature of the alleged default as soon as practicable.<sup>35</sup>
- b) The WESM Member shall remedy the default within twenty-four hours of the issuance of the default notice.
- c) If the Market Operator considers that a default event is not capable of remedy or a default event is not remedied within twenty-four (24) hours of the issue of the default notice or any later deadline agreed to in writing by the Market Operator or the Market Operator receives notice from the defaulting WESM Member that it is not likely to remedy the default specified in the default notice, then the Market Operator may issue a suspension notice in accordance with WESM Rule 3.15.8 and SECTION 8 of this Manual, under which the Market Operator notifies the defaulting WESM member that it is prohibited from participating in the spot market.<sup>36</sup>
- d) The Market Operator may immediately issue a suspension notice in accordance with Section 8 of this Manual if the Market Operator considers that the default is not capable of remedy and that failure to issue a suspension notice would be likely to expose other WESM members to greater risk, and to notify in writing the appropriate regulatory and administrative bodies concerned of such suspension. If it has not already done so, make a claim upon any credit support held in respect of the WESM member for such amount as the Market Operator determines represents the amount of any money actually or contingently owing by the WESM member to the Market Operator pursuant to the WESM Rules.
- e) The Trading Participant shall remit the overdue amount to the Market Operator. Such overdue amount shall bear the default interest rate reckoned from the first day such amount is due and payable, up to and including the date on which payment is made, with interest computed based on a 360-day year<sup>37</sup>. The default interest rate is equivalent to the BSP lending rate on date of payment plus 3% will accrue to the remaining unpaid amount until the full payment is received.

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<sup>35</sup> WESM Rules Clause 3.14.11.2(a)(1)

<sup>36</sup> WESM Rules Clause 3.14.11.3

<sup>37</sup> WESM Rules Clause 3.14.12

- f) The amount collected from the defaulting Trading Participant, including the default interest, shall be paid by the Market Operator to the Trading Participants in accordance with Section 5.3.2 of this Manual.

## **SECTION 7 PRUDENTIAL REQUIREMENTS**

### **7.1 PURPOSE OF PRUDENTIAL REQUIREMENTS**

The purpose of the prudential requirements is to ensure the effective operation of the spot market by providing a level of comfort that WESM members will meet their obligations to make payments as required under the WESM Rules.<sup>38</sup>

### **7.2 PROVISIONS OF SECURITY**

- 7.2.1 Subject to Section 7.2.2 of this manual, a WESM member wishing to participate in Market Transactions shall provide and maintain a security complying with the requirements of Section 7.2 of this manual.<sup>39</sup>
- 7.2.2 The Market Operator may exempt a WESM Member from the requirement to provide a security, if:
- a) The Market Operator believes it is likely that the amount payable by the Market Operator to that WESM Member under the WESM Rules will consistently exceed the amount payable to the Market Operator by that WESM Member under the WESM Rules in respect of that period; or
  - b) The Market Operator believes it is unlikely that the WESM Member will be required to pay any amounts to the Market Operator<sup>40</sup>
- 7.2.3 The Market Operator may vary or cancel the exemption given pursuant to Sections 7.2.1 and 7.2.2 of this Manual, at any time, by giving written notice of the variation or cancellation of the exemption to the WESM member.<sup>41</sup>
- 7.2.4 If, under Section 7.2.2 of this Manual, the Market Operator has exempted a Trading Participant from the requirement to provide a security for a period; then the Market Operator shall not set a Trading Limit for that WESM Member for that period during which that exemption applies.<sup>42</sup>

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<sup>38</sup> WESM Rules Clause 3.15.1

<sup>39</sup> WESM Rule Clause 3.15.2.1

<sup>40</sup> WESM Rule Clause 3.15.2.2

<sup>41</sup> WESM Rule Clause 3.15.2.3

<sup>42</sup> WESM Rule Clause 3.15.9.7

- 7.2.5 A WESM Member who is exempt from providing a security deposit shall be required to pay the total negative settlement amount due, if any, within three (3) working days before the due date as provided under Section 5.3.1 of this Manual.<sup>43</sup>
- 7.2.6 Failure to comply with Section 7.2.5 of this Manual shall be a ground for the cancellation of exemption and said failure shall cause the WESM Member to be assessed and be required to put up prudential requirement. Upon written request of the WESM Member, the Market Operator may lift the cancellation of exemption from prudential requirement, provided that the WESM Member;
- a) has settled all its outstanding obligations including interest, if any; and
  - b) has no record of default in payment for non-compliance with the PR for the immediately preceding six (6) billing periods from the cancellation of exemption<sup>44</sup>
- 7.2.7 If a WESM Member that is exempt from Prudential Requirement under Section 7.2.2 of this Manual becomes a net buyer and fails to pay its obligations, the prudential security that shall be imposed pursuant to Section 7.2.6 of this Manual shall be computed based on:
- a) The average of the previous six (6) negative settlement amounts for the past twelve (12) consecutive billing periods; or,
  - b) In the absence of the previous six (6) negative settlement amounts, the average of the available negative settlement amounts for the past twelve (12) consecutive billing periods.<sup>45</sup>

### 7.3 FORMS OF SECURITY

- 7.3.1 The security provided by a WESM Member under SECTION 7 of this manual shall either be in accordance with the following hierarchy of preferred forms of security:
- a) Cash; or
  - b) Another immediate, irrevocable and unconditional commitment in a form and from a bank or other institution acceptable to the Market Operator; or,

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<sup>43</sup> WESM Rule Clause 3.15.2.4

<sup>44</sup> WESM Rule Clause 3.15.2.5

<sup>45</sup> WESM Rule Clause 3.15.4.1

- c) Surety bond issued by a surety or insurance company duly accredited by the Office of the Insurance Commissioner of the Philippines.
- d) Such other forms of security guarantee as may be acceptable and allowed by the Market Operator.

7.3.2 Provided, however, that in all cases where the security deposit provided is other than in the form of Cash, the following conditions shall apply in determining whether or not the Market Operator will allow such alternative form of security:

- a) A security deposit other than Cash may be allowed by the Market Operator only in the event it is determined that the amount of default can be immediately drawn on due date from such form of security; and
- b) Said WESM Member proposing to post a security deposit in a form other than Cash has no record of default in payment or non-compliance with the PR for the immediately preceding six (6) billing periods.<sup>46</sup>

## 7.4 PROCEDURES

### 7.4.1 Initial Assessment of Prudential Requirement<sup>47</sup>

- a) The intending WESM Member shall submit the information of its expected trading transactions in the WESM based on the total demand and bilateral contract.
- b) Using available historical data, the Market Operator shall determine the initial Prudential Requirement of a new WESM Member corresponding to the portion of its demand that is not covered by its bilateral contracts, or ten percent (10%) of its total demand, whichever is higher, multiplied by the Average Actual Market Price of the previous twelve (12) billing periods.<sup>48</sup>
- c) Subject to 7.2.4 of this Manual, the Market Operator shall set a trading limit for each WESM member who participates in market transactions.<sup>49</sup>

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<sup>46</sup>WESM Rule Clause 3.15.3

<sup>47</sup>DOE Department Circular No. 2020-06-0014 dated 02 June 2020 shall be applied, as appropriate, for the initial assessment of prudential requirement for Luzon and Visayas WESM upon the effectivity of said Circular on 02 July 2020.

<sup>48</sup>WESM Rule Clause 3.15.4

<sup>49</sup>WESM Rule Clause 3.15.9.1



The trading limit for a WESM member, at any time, shall be equal to the total value of the security, including Interest Rate, if any, provided by the WESM member to the Market Operator.<sup>50</sup>

- d) The Market Operator shall notify the WESM Member, of the required security based on the established Trading Limit as soon as practicable.
- e) The WESM Member shall provide the required security deposit in the form acceptable to the Market Operator as part of the requirements that the WESM Member must comply before participating in the Spot Market.
- f) The Market Operator shall confirm receipt of the security deposit provided by the WESM Member as soon as practicable.

#### **7.4.2 Assessment of Actual Exposure and Margin Call**

- a) The Market Operator shall review, on a monthly basis, its actual exposure to each WESM member in respect of previous billing periods in accordance with the WESM Rules.<sup>51</sup>
- b) In calculating the Market Operator's actual exposure to a WESM member under Section 7.4.2 c) of this Manual, the Market Operator shall take into account:
  - i. Outstanding settlement amounts for the WESM member in respect of previous billing periods; and
  - ii. Settlement amounts for the WESM member for the billing period that will be due on the period in which the review occurs based on the available settlement statement.<sup>52</sup>
- c) If the Market Operator calculates that its exposure to a WESM member exceeds the WESM member's trading limit, then the Market Operator shall make a Margin Call on that WESM member by notice to the WESM member in writing (Margin Call Notice).<sup>53</sup>
- d) If the Market Operator makes a Margin Call on a WESM member under Section 7.4.2 c) of this Manual, then the WESM member must satisfy the Margin Call by providing the amount of shortfall within three (3) working days from receipt of the Margin Call Notice by either:

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<sup>50</sup> WESM Rule Clause 3.15.9.3

<sup>51</sup> WESM Rule Clause 3.15.10.1

<sup>52</sup> WESM Rule Clause 3.15.10.2

<sup>53</sup> WESM Rule Clause 3.15.11.1

- i. Providing to the Market Operator an additional security or securities complying with the requirements of the WESM Rule Clause 3.15, or
  - ii. Prepaying the amount payable or which will become payable.<sup>54</sup>
- e) For the purposes of this Manual, a prepayment under Section 7.4.2 d) is taken to relate to the earliest billing period in respect of which the relevant WESM member owes the Market Operator an amount of money under the WESM Rules and if, the amount the WESM Member owes under the WESM Rules in respect of that billing period is less than the amount of the prepayment, then the excess is taken to relate to the billing period occurring immediately after the earliest billing period in respect of which the relevant WESM Member owes the Market Operator an amount of money under the WESM Rules in chronological order until there is no excess.
- f) If a WESM member fails to satisfy a margin call by providing additional security or making a prepayment under Section 7.4.2 d) of this Manual, then the Market Operator shall issue the WESM member a Suspension Notice in writing in accordance with WESM Rule 3.15.8 and SECTION 8 of this Manual.<sup>55</sup>

#### 7.4.3 Assessment of Maximum Exposure

- a) Prior to the end of each Financial Year, the Market Operator shall determine and provide written confirmation to each WESM member of its Maximum Exposure to the Market Operator in respect of a billing period in the following Financial Year. The amount of security to be provided by each WESM member pursuant to Section 7.2.1 and 7.2.2 of this Manual shall be equivalent to the Maximum Exposure.<sup>56</sup>
- b) The Market Operator may review its method of determination of a WESM member's Maximum Exposure at any time, provided that any change to a WESM member's Maximum Exposure will apply no earlier than thirty (30) days following receipt of written notification from the Market Operator by a WESM member of that change, or such earlier period agreed to in writing by the PEM Board.<sup>57</sup>
- c) After receipt of the written confirmation, the WESM Member shall determine if the calculated amount by the Market Operator is equivalent to its expected Maximum Exposure in the following financial year.

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<sup>54</sup> WESM Rule Clause 3.15.11.2(b)

<sup>55</sup> WESM Rule Clause 3.15.11.3

<sup>56</sup> WESM Rule Clause 3.15.4.1

<sup>57</sup> WESM Rule Clause 3.15.4.2

- d) The WESM Member shall provide additional security to Market Operator to cover its Maximum Exposure.
- e) Each WESM member shall ensure that at all times the aggregate undrawn and unclaimed amounts of current and valid security held by the Market Operator in respect of that WESM member is not less than that WESM member's Maximum Exposure.<sup>58</sup>
- f) To diminish the possibility of incurring a Margin Call under Section 7.4.2a) of this Manual, a WESM member may provide a security or securities in accordance with Section 7.3 of this Manual for an aggregate amount that exceeds its Maximum Exposure.

If said additional security or securities is not in the form of Cash, the WESM member shall secure the prior written determination and approval of the Market Operator.<sup>59</sup>

- g) The WESM Member may request for a recalculation of Maximum Exposure if it disagrees with the amount of Maximum Exposure calculated by the Market Operator.
- h) Upon the request of a WESM Member, the Market Operator may consider a replacement month within the 26th March to 25th September billing periods, having the same number of calendar days if:
  - i. There is a disagreement between the Market Operator and the WESM Member on the Final Statement during the months covered in the computation of the Maximum Exposure; or
  - ii. There is a positive settlement amount in any billing period in the computation of the Maximum Exposure.<sup>60</sup>
- i) If there is a change in the bilateral contract of a WESM Member, the Maximum Exposure shall be computed based on the settlement amounts estimated by the Market Operator using the Average Actual Market Price based on the billing period of 26th March to 25th September. In no case shall the Maximum Exposure be less than ten percent (10%) of the total demand multiplied by the Average Actual Market Price.
- j) If the Market Operator determines that the security provided by a WESM member is below the assessed Maximum Exposure, the Market Operator shall require such WESM member to increase its security deposit up to the level of its Maximum Exposure within three (3) working days after the receipt of the written notification of the annual assessment.

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<sup>58</sup> WESM Rule Clause 3.15.4.3

<sup>59</sup> WESM Rule Clause 3.15.4.4

<sup>60</sup> WESM Rule Clause 3.15.4.1

If the WESM member fails to comply within the prescribed date or any later date agreed to in writing with the Market Operator, then the Market Operator shall issue a default notice in accordance with SECTION 6 of this Manual.<sup>61</sup>

#### 7.4.4 Replacement of Security

- a) The WESM member shall deliver to the Market Operator, at least ten (10) working days prior to the time at which that existing security is due to expire or terminate, if:
  - i. An existing security provided by a WESM member under this Section 7 of this Manual is due to expire or terminate; and
  - ii. After that security expires or terminates, the maximum amount which the Market Operator will be entitled to be paid in aggregate under any remaining security or securities provided by the WESM member under this Section 7 of this Manual will be less than WESM member's Maximum Exposure.
- b) The amount of Replacement security shall be:
  - i. of sufficient value to enable the WESM member to comply with Section 7.4.3e) of this Manual;
  - ii. Compliant with the requirements of this SECTION 7 of this Manual; and
  - iii. Shall take effect no later than the date on which the existing security is due to expire or terminate.<sup>62</sup>
- c) The WESM member is deemed to be in default and the Market Operator shall give the WESM member a Suspension Notice in accordance with Section 8 of this Manual, if:
  - i. A WESM member fails to comply with Section 7.4.4 a) of this Manual; and,
  - ii. A WESM member does not remedy that failure within three (3) working days after being notified by the Market Operator of the failure.<sup>63</sup>
- d) If the Market Operator determines that a WESM Member is not qualified to provide a non-cash security deposit (i.e., Stand-by Letter of Credit, Surety Bond), the Market Operator shall inform in writing that WESM

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<sup>61</sup> WESM Rule Clause 3.15.4.1

<sup>62</sup> WESM Rule Clause 3.15.5.1

<sup>63</sup> WESM Rule Clause 3.15.5.2

Member to change its existing security deposit to Cash at any time or before the expiry date of the existing non-cash security.

#### 7.4.5 Drawdown of Security

- a) The Market Operator shall exercise its right to draw from the existing security deposit of the WESM Member in the event of shortfall in payment as discussed in Section 7.4.5 c) of this Manual. The amount drawn plus the amount collected, if any, shall be paid by the Market Operator to the Trading Participant, in accordance with Section 5.3.2 of this Manual.
- b) The Market Operator shall notify a WESM member, in writing, once the Market Operator exercises its rights in accordance with SECTION 7 of this Manual under a security provided by said WESM member<sup>64</sup>.
- c) If, as a result of the Market Operator exercising its rights under a security provided by a WESM member under SECTION 7 of this Manual, the maximum amount which the Market Operator is entitled to be paid under the security or securities provided by the WESM member under this SECTION 7 of this Manual is less than the WESM member's Maximum Exposure, then, within three (3) working days from receipt of the written notice under Section b) of this Manual, the WESM member shall provide an additional security to ensure that, at all times, it complies with the requirements of the WESM Rule 3.15.<sup>65</sup>
- d) If a WESM member fails to comply with Section 7.4.5 c) of this Manual, within the time period referred to in that clause, then the Market Operator shall give the WESM member a suspension notice in accordance with Section 8.1.1a) of this Manual.<sup>66</sup>

#### 7.4.6 Refund of Security

- a) Upon written request from the WESM Member, the Market Operator shall refund the prudential security under the following conditions:
  - i. If the Market Operator has lifted the cancellation of exemption after the WESM Member complied with its obligations under Section 7.2.6 of this Manual; or

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<sup>64</sup> WESM Rule Clause 3.15.6.1

<sup>65</sup> WESM Rule Clause 3.15.6.2

<sup>66</sup> WESM Rule Clause 3.15.6.3

- ii. If the security deposit of a WESM Member consistently exceeds the Maximum Exposure in previous six (6) consecutive billing periods.<sup>67</sup>
- b) The refund of security deposit shall be allowed by the Market Operator after the assessment of the amount of refund, provided that the WESM Member has no record of default and non-compliance with the Prudential Requirement in previous six (6) consecutive billing periods.<sup>68</sup> The amount of refund shall not be more than the excess of existing security deposit over the Maximum Exposure.

## SECTION 8 SUSPENSION AND REVOCATION

### 8.1 PROCEDURES

#### 8.1.1 Suspension

- a) The Market Operator shall issue a Suspension Notice to WESM Member after the Market Operator determines that the WESM Member is incapable to rectify the default event and fails to continue to satisfy the Prudential Requirements in accordance with Section 8.1.1 of this Manual.
- b) As soon as practicable after a Suspension Notice is issued by the Market Operator, the Market Operator shall publish the suspension notice in the WESM website and in a newspaper of general circulation and shall notify in writing the ERC, the DOE and National Electrification Administration of such suspension<sup>69</sup>.
- c) Upon receipt of Suspension Notice, the WESM Member shall remedy or rectify the grounds of suspension.
- d) A WESM member shall comply with a suspension notice issued to it under the WESM Rules, if:
  - i. The Market Operator has issued a Suspension Notice to a WESM member due to a default event and in the Market Operator's reasonable determination, the WESM member is incapable of rectifying the default event for any reason; or,
  - ii. The Market Operator has issued a suspension notice to a WESM member due to a failure by the WESM member to continue to satisfy the Prudential Requirements and in the Market Operator's

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<sup>67</sup>WESM Rule Clause 3.15.7

<sup>68</sup>WESM Rule Clause 3.15.7

<sup>69</sup> WESM Rules Clause 3.15.8.1

reasonable determination, the WESM member is incapable of rectifying that failure for any reason,<sup>70</sup>

- e) The Market Operator, in either case, shall deregister that WESM member as soon as practicable and promptly publish a notice of that fact in accordance with Registration, Suspension and De-registration Criteria and Procedures
- f) In the event of suspension, all the settlement statements issued to such WESM member, including an estimate of the accrued trading amounts, shall become immediately due and demandable<sup>71</sup>.
- g) From the time that the Market Operator issues a written Suspension Notice to a WESM member under the WESM Rules, the WESM member is ineligible to participate in the spot market, until such time as the Market Operator notifies the WESM member and all other relevant WESM members, in writing, that the Suspension Notice has been revoked<sup>72</sup>.

#### 8.1.2 Revocation of Suspension

- a) The Market Operator shall revoke Suspension Notice and issue a Revocation Notice if:
  - i. In the case of a default event, the default event is remedied; or
  - ii. In the case of a failure to maintain compliance with prudential requirements under SECTION 7 of this Manual, that failure has been remedied; and
  - iii. There are no other circumstances in existence, which would entitle the Market Operator to issue a Suspension Notice.

The Market Operator shall not revoke a Suspension Notice more than one month after it was issued<sup>73</sup>.

- b) If a suspension notice is revoked, the Market Operator shall publicize that fact in the same manner in which the suspension notice was publicized in accordance with Section 8.1.1b) of this Manual<sup>74</sup>.

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<sup>70</sup> WESM Rules Clause 3.15.8.6

<sup>71</sup> WESM Rules Clause 3.15.11.3

<sup>72</sup> WESM Rules Clause 3.15.8.4

<sup>73</sup> WESM Rules Clause 3.15.8.2

<sup>74</sup> WESM Rules Clause 3.15.8.3

<b>SECTION 9 AMENDMENT, PUBLICATION AND EFFECTIVITY</b>
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**9.1 AMENDMENTS**

Any amendments to this Manual shall be approved by the DOE, following the procedures for changes to Market Manual set out in the WESM Rules and in the relevant Market Manual.

**9.2 PUBLICATION AND EFFECTIVITY**

This Market Manual, as it may be amended from time to time, shall be published in the market information website maintained by the Market Operator.

This Market Manual or any amendments thereto shall become effective upon approval of the DOE in accordance with the WESM Rules Clause 8.6.4. The date of effectivity shall be indicated in this document.

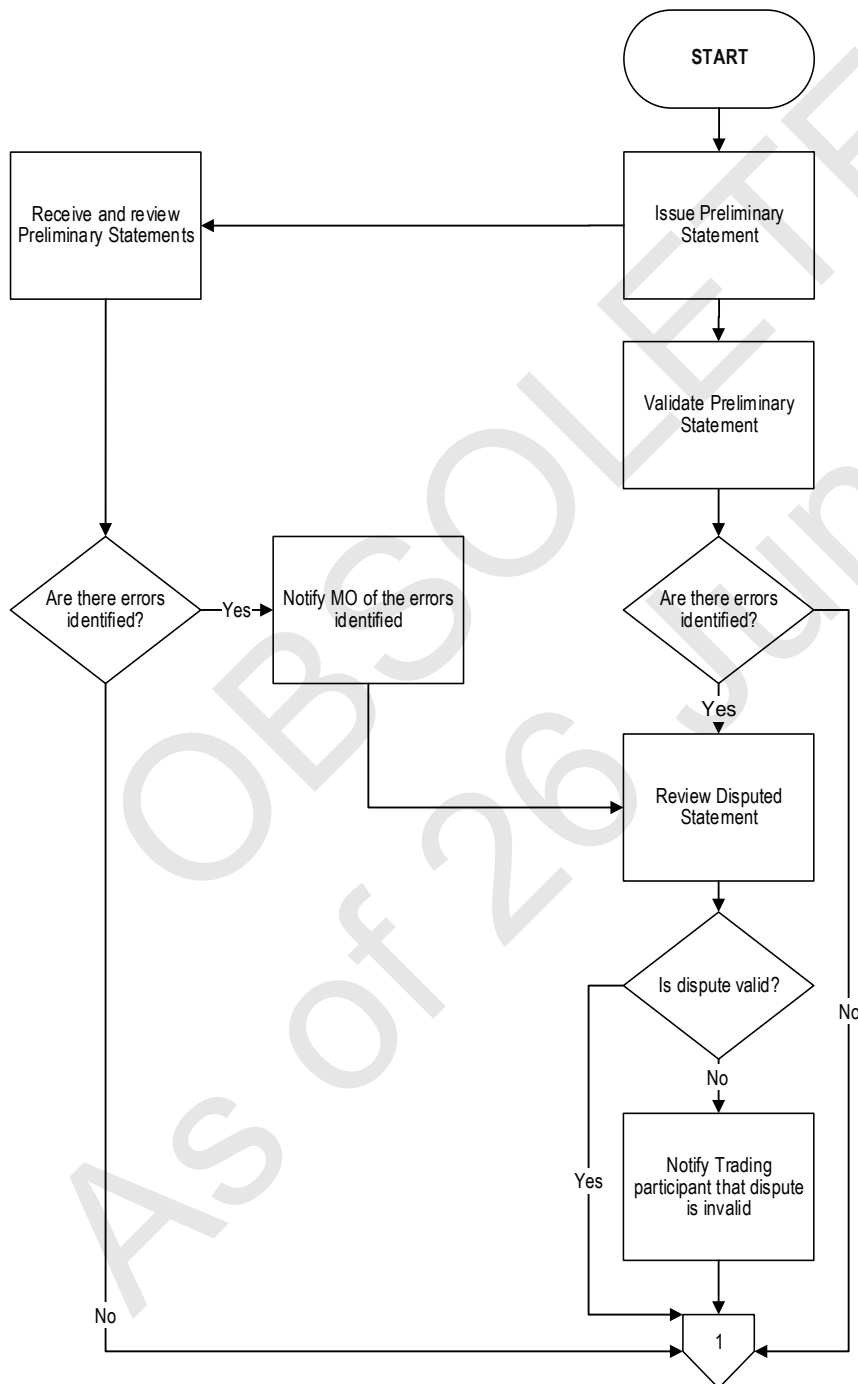


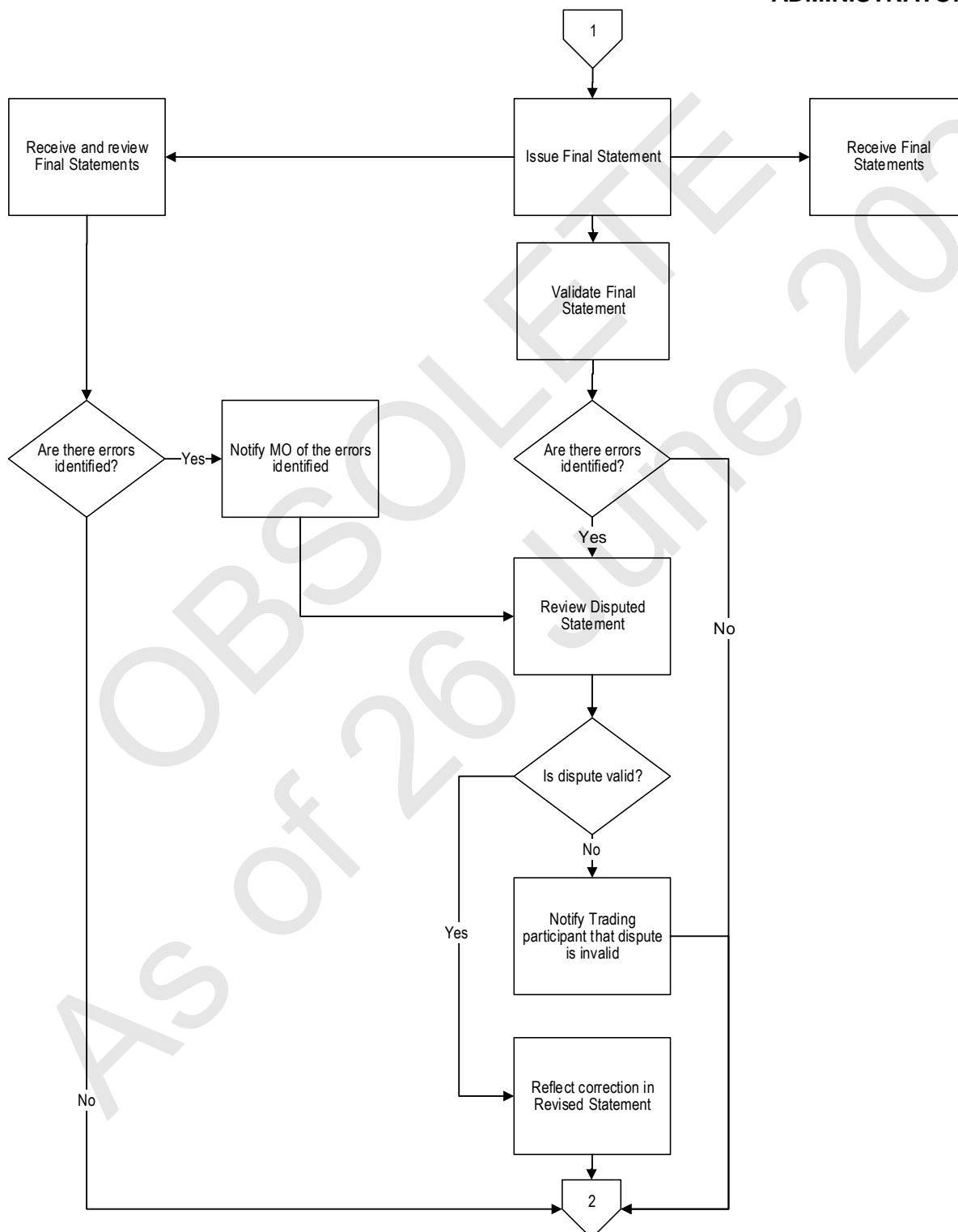
**SECTION 10 APPENDICES**

Appendix A **BILLING AND SETTLEMENT TIMETABLE**

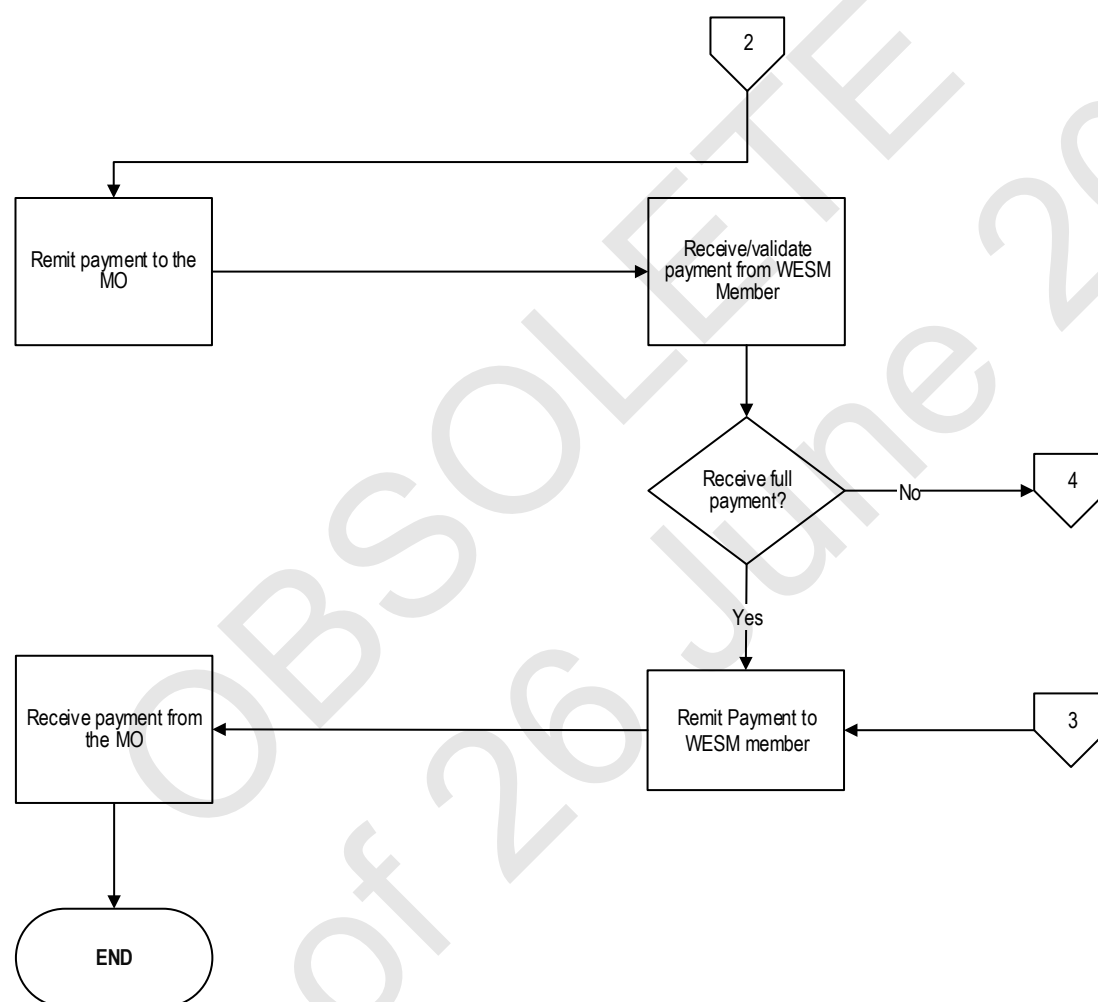
PROCEDURES	TIMETABLE
<b>Issuance of Preliminary Statement.</b>	Within 7 business days after the end of each billing period. If the seventh day falls on a non-working day, the issuance of the preliminary statements shall be made during the next immediate working day.
<b>Resolution of Dispute to Preliminary Statement.</b>	Within 15 business days (15) after the end of each relevant billing period.
<b>Error in the Preliminary Statement.</b>	Corrections to error or discrepancy of the preliminary statement requiring input from external party to be included in the issuance of final statement should be received by the Market Operator at least two working days before the issuance of the final statement.
<b>Issuance of Final Statement.</b>	Within 18 business days after the end of each billing period. If the eighteenth day falls on a non-working day, the issuance of the preliminary statements shall be made during the next immediate working day.
<b>Issuance of Revised Statement</b>	Shall not be more than six (6) months from receipt of the Market Operator of written notice of error from the participant or from the discovery of the Market Operator of the same.  No later than twelve months from the resolution of dispute or receipt of the final and executory Order unless parties to be billed agrees that the issuance of the relevant statement will be on a later time
<b>Payment by Trading Participants</b>	No later than 3.00 pm on the twenty-fifth day of the calendar month following the billing period. If the twenty-fifth day of the calendar month following the billing period falls on a <i>Non-Working Day</i> , the payment due date shall be moved to the next immediate <i>Working Day</i> .
<b>Payment to Trading Participants</b>	On the following <i>Working Day</i> after the <i>Market Operator</i> is to be paid by Trading Participants.
<b>Payment of Adjustments by Trading Participants</b>	By no later than the time and date specified by <i>the Market Operator</i> , which date shall be not less than ten <i>business days</i> and not more than fifteen <i>business days</i> after the issue of that revised statement

PROCEDURES	TIMETABLE
<b>Payment of Adjustments to Trading Participants</b>	On the following <i>Working Day</i> on which the <i>Market Operator</i> is to be paid by the Trading Participants of the adjustments.
<b>Issuance of Default Notice</b>	As soon as practicable
<b>Remedy to Default</b>	Within 24 hours of the issue of the default notice or any later deadline agreed to in writing by the <i>Market Operator</i>
<b>Issuance of written confirmation of Maximum Exposure in respect of a billing period in the following Financial year</b>	Prior to the end of each <i>Financial Year</i>
<b>Compliance with the Maximum Exposure</b>	Within three (3) <i>working days</i> after the receipt of the written notification of the annual assessment.
<b>Replacement of Expired Security</b>	At least ten (10) <i>working days</i> prior to the time at which that existing security is due to expire or terminate.
<b>Issuance of Drawdown Notice</b>	As soon as practicable.
<b>Replenishment of the drawn security deposit</b>	Within three (3) <i>working days</i> from receipt of the written notice under Clause 3.15.6.1
<b>Monitoring of Actual Exposure (Margin Call)</b>	On a monthly basis after the issuance of the Preliminary Statement
<b>Response Time to Margin Call</b>	Within three (3) <i>working days</i> from receipt of the Margin Call Notice
<b>Issuance of Suspension Notice</b>	After failure of TP to comply with the default or prudential requirement and MO considers that the failure is incapable of remedy.
<b>Publication of Suspension Notice</b>	As soon as practicable after a Suspension Notice is issued

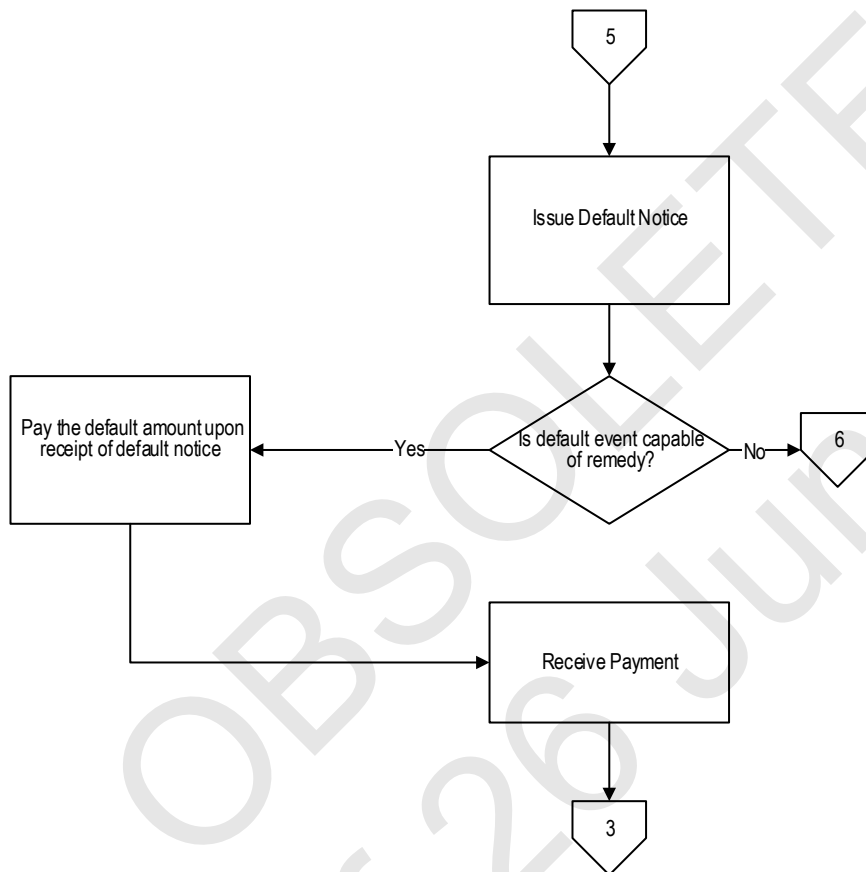
Appendix B **ISSUANCE OF PRELIMINARY STATEMENT FLOWCHART**
**WESM MEMBER**
**MARKET OPERATOR**


Appendix C **ISSUANCE OF FINAL & REVISED STATEMENT FLOWCHART**
**WESM MEMBER**
**MARKET OPERATOR**
**FIT-ALL  
ADMINISTRATOR**


## Appendix D

**PAYMENT BY TRADING PARTICIPANT FLOWCHART**
**WESM MEMBER**
**MARKET OPERATOR**


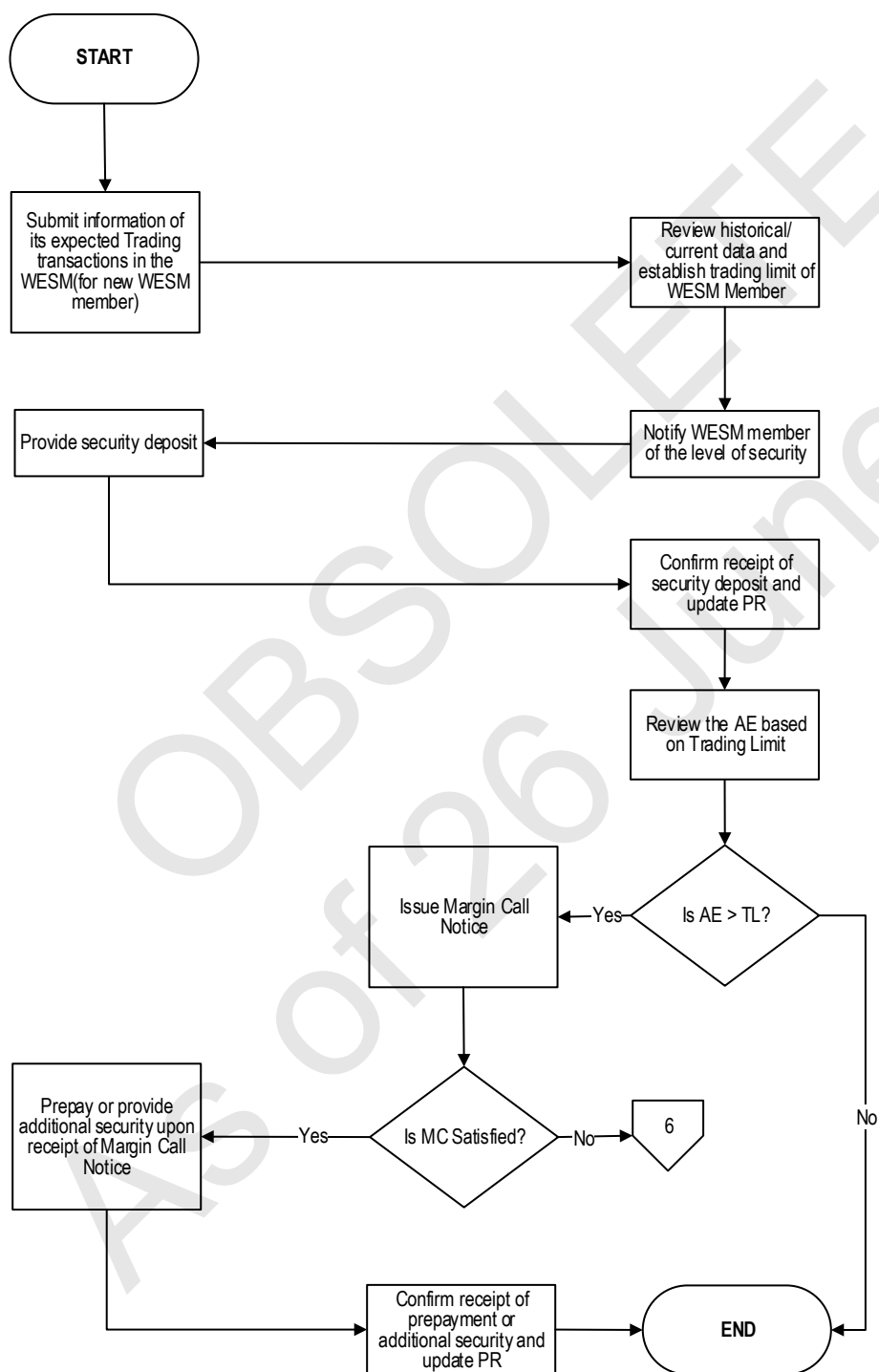
## Appendix E

**DEFAULT FLOWCHART****WESM MEMBER****MARKET OPERATOR**

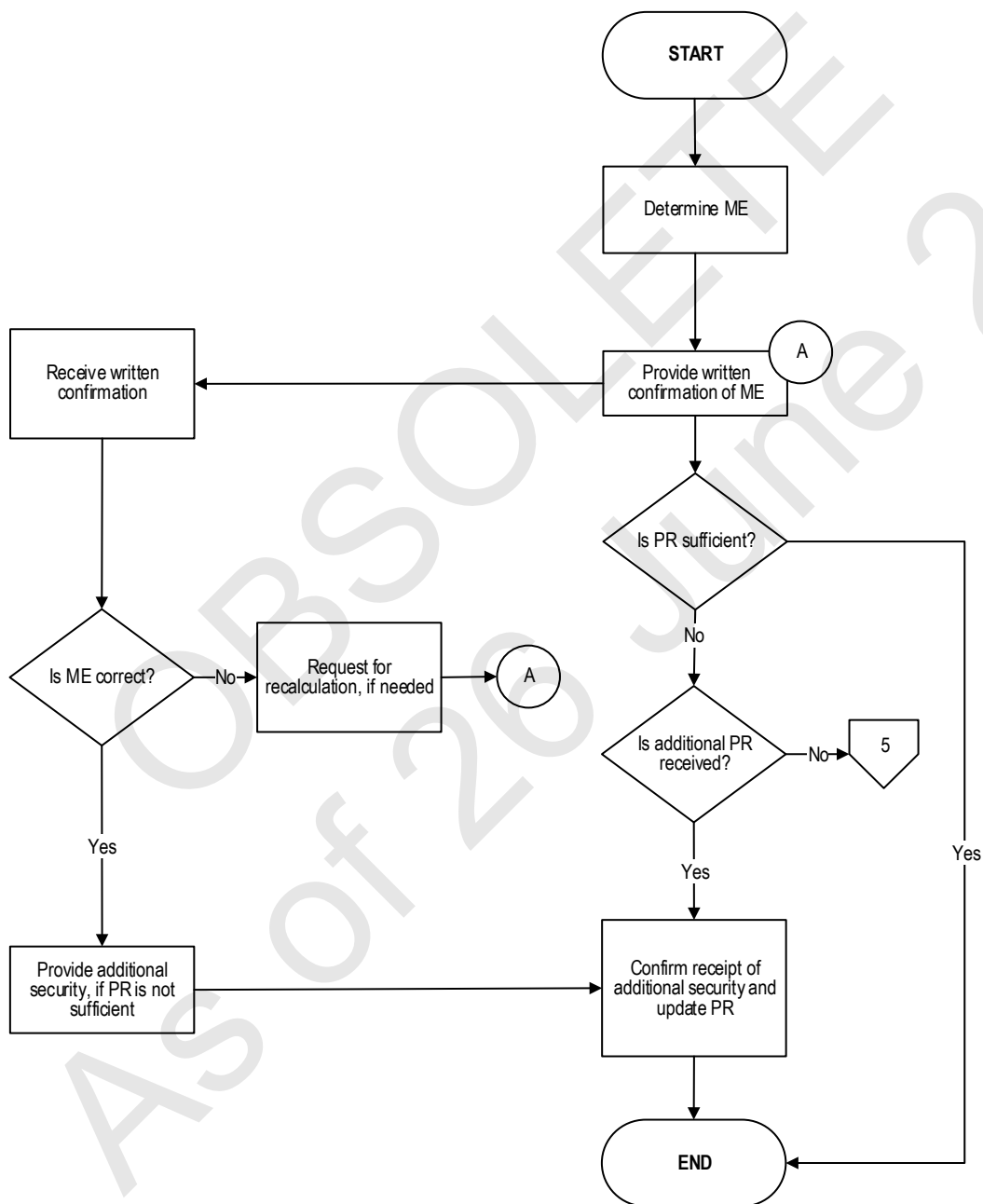
## Appendix F INITIAL PR AND MARGIN CALL FLOWCHART

## WESM MEMBER

## MARKET OPERATOR

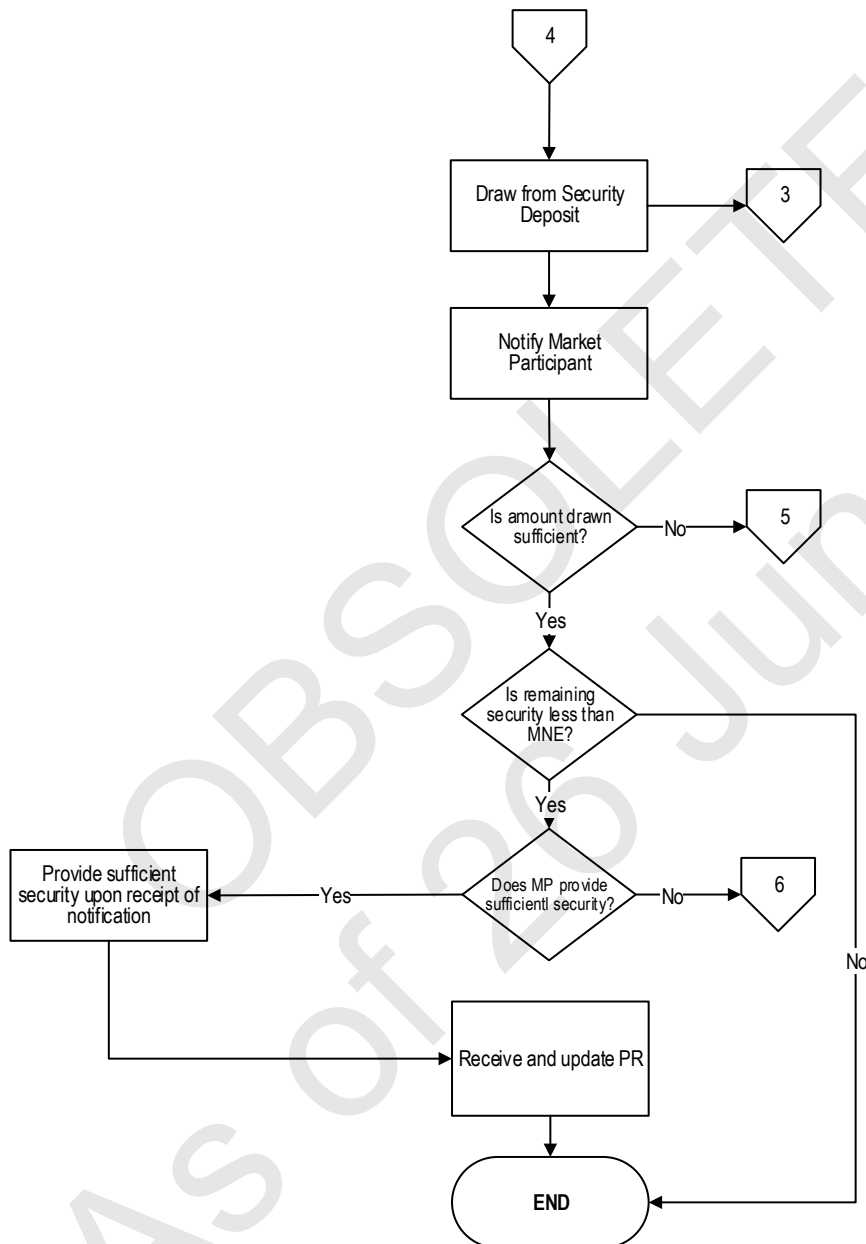


## Appendix G

**MAXIMUM NET EXPOSURE FLOWCHART**
**WESM MEMBER**
**MARKET OPERATOR**




## Appendix H

**DRAWDOWN FLOWCHART**
**WESM MEMBER**
**MARKET OPERATOR**


## Appendix I

**SUSPENSION FLOWCHART****WESM MEMBER****MARKET OPERATOR**