

**MEETING MINUTES**

Subject/Purpose : 200<sup>th</sup> Rules Change Committee Meeting (Caucus)  
 Date & Time : 01 September 2022, 09:00 AM  
 Venue : Online via Microsoft Teams  
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**ATTENDEES**

| No. | Name                       | Designation/Position        | Department/Company |
|-----|----------------------------|-----------------------------|--------------------|
| 1   | Jesusito G. Morillos       | Member, Independent         | RCC                |
| 2   | Fernando Martin Y. Roxas   | Member, Independent         | RCC                |
| 3   | Jose Roderick F. Fernando  | Member, Independent         | RCC                |
| 4   | Cherry A. Javier           | Member, Generation Sector   | RCC                |
| 5   | Carlito C. Claudio         | Member, Generation Sector   | RCC                |
| 6   | Ryan S. Morales            | Member, Distribution Sector | RCC                |
| 7   | Lorreto H. Rivera          | Member, Supply Sector       | RCC                |
| 8   | Isidro E. Cacho, Jr.       | Member, Market Operator     | RCC                |
| 9   | Elvin Hayes E. Nidea       | Chief Governance Officer    | PEMC               |
| 10  | John Mark S. Catriz        | RCC Secretariat             | PEMC               |
| 11  | Karen A. Varquez           | RCC Secretariat             | PEMC               |
| 12  | Divine Gayle C. Cruz       | RCC Secretariat             | PEMC               |
| 13  | Dianne L. De Guzman        | RCC Secretariat             | PEMC               |
| 14  | Kathleen R. Estigoy        | RCC Secretariat             | PEMC               |
| 15  | Ria Crizette B. Alegre     | OCGO Executive Assistant    | PEMC               |
| 16  | Luningning G. Baltazar     | Observer                    | DOE                |
| 17  | Melanie Papa               | Observer                    | DOE                |
| 18  | Mari Josephine C. Enriquez | Observer                    | DOE                |
| 19  | Marvin Jay A. Masanda      | Observer                    | DOE                |
| 20  | Jhannelyn D. Marasigan     | Observer                    | DOE                |
| 21  | Karen Anne H. Siruma       | Proponent                   | IEMOP              |
| 22  | Arjon B. Valencia          | Proponent                   | IEMOP              |
| 23  | Edward I. Olmedo           | Proponent                   | IEMOP              |



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| Agenda   | Agreements / Action Taken / Action Required   |
|--|---|
| I. Call to Order   | <ul style="list-style-type: none"> <li>The meeting was conducted via Microsoft Teams and was called to order at 09:01 AM.</li> <li>The meeting was presided by Atty. Jesusito G. Morillos (Independent).</li> </ul>   |
| II. Determination of Quorum  | There were 8 principal members present during the caucus.   |
| III. Adoption of Agenda  | The RCC caucus members approved the agenda as submitted.  |
| IV. Matters Arising from Previous Meeting  |   |
| <p>Proposed Amendments to the WESM Manual on Billing and Settlement regarding Additional Compensation by IEMOP</p> | <p><u>Presenter:</u><br/>           Ms. Karen Siruma (IEMOP)<br/>           Mr. Edward I. Olmedo (IEMOP)<br/>           Mr. Arjon Valencia (IEMOP)</p> <p><u>Material:</u> Annex – Summary of Proposed Amendments</p> <p><u>Action Requested:</u> For discussion</p> <p><u>Proceedings:</u></p> <p><i>Background:</i></p> <ul style="list-style-type: none"> <li>For the benefit of the caucus, IEMOP provided again an overview of the proposal (see Annex), and supplemented with further explanations:               <ul style="list-style-type: none"> <li>Atty. Morillos (Independent) asked if there will be security concerns for the grid if there is neither RTD schedule nor System Operator (SO) dispatch instruction during market intervention or suspension (“MI/MS”) and generators are still allowed to inject to the grid. Mr. Olmedo (IEMOP) responded that upon declaration of MI/MS, the generators are expected, per Dispatch Protocol, to maintain their loading levels prior the declaration. Afterwards, the SO shall take over and issue dispatch instructions (i.e., require plants to increase or decrease their loading). Non-compliance to the SO’s dispatch instruction shall be reported to the Market Operator (MO).</li> <li>Mr. Olmedo explained that additional compensation may be claimed arising from various pricing conditions/corrections, and from re-dispatch of individual generators by the SO (i.e., tapped as MRU or MOT/constrain-on).</li> </ul> </li> </ul> |

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|        | <p>○ Mr. Olmedo stated that the usual reasons for declaring market intervention is when the MO can no longer generate RTD schedule due to hardware or software problems, or if the SO cannot implement the RTD schedule produced by the MO due to grid conditions.</p> <p><i>Discussion on Proposal:</i></p> <ul style="list-style-type: none"> <li>On the proposed scheduled generation quantity formula during MI/MS, PEMC suggested to still require the SO to submit dispatch instruction report at a later time if there is no dispatch instruction issued and only use MQ in the calculation if the SO fails to submit the report within the prescribed timeline. Ms. De Guzman (Secretariat) further explained that PEMC's intent for this comment is to enforce the SO's obligation to submit dispatch instruction reports as prescribed in Section 14.4.2 of the Dispatch Protocol Manual. IEMOP disagreed with PEMC's suggestion since, as Mr. Olmedo explained, it would defeat the purpose of the proposal which is to reduce IEMOP's time for processing additional compensation claims. He added that although the ERC directed to incorporate in the calculation of additional compensation quantities the SO's dispatch instruction, said ERC directive is within the context of other pricing conditions such as during implementation of secondary price cap or price substitution due to congestion. Mr. Olmedo elaborated that the 5-minute MQ already represents scheduled quantity for an interval regardless of whether the dispatch arose from the SO's instruction or by generators maintaining their latest loading level.</li> </ul> <p>As for MEI/PEI's suggestion for the MO to use by order of priority the SO's dispatch instruction, RTD schedule and MQ as last resort, Mr. Olmedo reiterated that RTD schedules during MI/MS are no longer implementable and invalid, otherwise MI/MS does not need to be declared. Again, directly using MQ when there is no SO dispatch instruction as basis for determination of scheduled generation quantity will make the process simpler and more efficient.</p> <ul style="list-style-type: none"> <li>Mr. Olmedo explained that if a Market Participant (MP) thinks that the resulting final energy dispatch price (FEDP) does not sufficiently compensate its cost of generation attributed to</li> </ul> |

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|        | <p>various pricing conditions at that time (e.g., MI/MS, constrained-on), it may apply for additional compensation. It shall submit required documents to the MO indicating its rates. The MO shall then evaluate the MP's documents to determine the eligible quantity for additional compensation and the approved rate to be applied to that quantity. However, the processing of additional compensation claims comes after the release of preliminary and final settlement statements. If the MP is already paid via normal settlement mechanism (i.e., via FEDP), the difference between the FEDP and the approved rate is supposedly the additional compensation to that eligible generator (peso per MW). The approved rate shall be applied to the additional compensation quantity (i.e., power delivered by the plant less bilateral contract quantity and ancillary service incidental energy).</p> <p>Mr. Olmedo further stated that the ERC wanted to impose a cap for additional compensation quantity arising from MI/MS to prevent generators from forcefully generating more power in those situations, hence its directive to consider dispatch instruction in the determination of additional compensation quantity. For example, if the generator delivered 10 MW but the SO only instructed it to generate 8 MW, then the additional compensation quantity must only be 8 MW as it violated SO instruction. On the other hand, if the SO instructs the generator to deliver 12 MW but it only generated 10 MW, then that generator should only be compensated for 10 MW.</p> <p>As to the proposed formula, Mr. Olmedo stated that although RTD schedule can still be used during secondary price cap and price substitution, it can no longer be used during MI/MS so the proposed formula no longer considers RTD schedule but only the latest SO dispatch instruction. Based on current procedures, if a generator's RTD schedule is 6 MW but it delivered 8 MW during MI/MS based on its last loading level, and in the absence of SO dispatch instruction, the generator will only be paid for the 6 MW per its RTD schedule. This is another reason for proposing to remove RTD schedule in the formula for scheduled generation. Further, using the MQ which already reflects a generator's last loading level and actual generation shall relieve the SO from the burden of issuing dispatch instructions for every 5-min interval for the duration of</p> |

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|        | <p>MI/MS. This is tedious if the MI/MS lasts for a long period (e.g., 1 month).</p> <ul style="list-style-type: none"> <li>• Mr. Claudio (MEI/PEI) countered that even if market suspension is declared but the grid is still intact (e.g., during national state of emergency), there is a possibility that RTD schedule is still implementable. In this case, the current formula for scheduled generation, in which RTD schedule is considered, can still be used. Mr. Claudio proposed to leave the current formula as it is to cover instances when RTD schedule is still implementable, otherwise, use IEMOP's proposed formula that primarily consider SO dispatch instruction and MQ as an alternative.</li> <li>• PEMC inquired what MO's treatment will be if a generator's FEDP is greater than the MO-approved rate. Mr. Olmedo responded that in such case, the generator will no longer be granted additional compensation since the FEDP, determined through the MO's regular settlement run process, should already be sufficient payment and there is no eligible additional compensation quantity. This determination is already included in the MO's validation process.</li> <li>• Mr. Claudio and Mr. Joebet del Rosario (MERALCO) inquired what are the instances when there are no SO dispatch instructions. Atty. Morillos, however, commented that matters regarding the SO's submission of dispatch instructions such as the possible reasons of their non-submission may be best addressed in the Dispatch Protocol Manual that is not the subject of the instant proposal. Considering that the IEMOP does not see the need to amend the Dispatch Protocol Manual for this proposal, Atty. Morillos recommended that MERALCO be the one to propose amendments to it that it deems necessary.</li> </ul> <p><i>SPC/SIPC concerns:</i></p> <ul style="list-style-type: none"> <li>• Regarding SPC/SIPC's concern of being re-dispatched but compensated at WESM price lower than its offer price, Mr. Olmedo explained that their concern should already be resolved since the current market regime already allows claiming for additional compensation for constrain-on</li> </ul> |

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|        | <p>generators (i.e., MOT), unlike in the previous 1-hour market. He expounded that during the previous 1-hour market design, the MO generates separate MOT for Luzon and Visayas grids since they operate asynchronously. This meant that whatever supply or security problem one grid has cannot be addressed by generators from the other. However, prices were still determined based on the principle of a single market across Luzon and Visayas although there are two grids. Hence, there were situations when re-dispatches in one grid/region were not properly compensated. With the transition to a 5-minute market and with it the corresponding changes to the Price Determination Methodology, the mechanism to claim for additional compensation arising from being constrained-on was put in place. Further, there are already procedures whereby generators can raise any discrepancy they find from the SO report on re-dispatches, which is used as basis for claiming additional compensation.</p> <ul style="list-style-type: none"> <li>• Mr. Arcenal (SPC/SIPC) also raised the issue when their plants had actual generation as reflected in their MQ but was unable to claim for additional compensation since the additional compensation volume determined by the MO came out as less than or equal to 0. SPC/SIPC's plant was not issued an RTD schedule but was instructed by the SO to run, but this instruction was not reported by the SO to the MO. As a merchant diesel plant, additional compensation matters to offset fuel costs. Atty. Morallos inquired if this is an isolated case to which Mr. Olmedo clarified that it was. The event described by SPC/SIPC occurred during the beginning of the implementation of the 5-minute market. The SO did not properly indicate the dispatch instruction value at that time, but this was eventually corrected. The MO has a procedure to validate the SO's dispatch instruction value to ensure quality and accuracy of the data. Mr. Olmedo stated that the event should no longer happen going forward since the participants themselves have the opportunity to validate the SO's dispatch instruction values. If amendments are needed, then it should be proposed for the Dispatch Protocol Manual and not in the subject proposal to revise the Billing and Settlement Manual.</li> <li>• Mr. Arcenal also brought up the matter of customers from an isolated grid paying for additional compensation for the additional power used to meet the demand of the rest of the</li> </ul> |



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|                 | <p>region. He stated that this allocation seems unfair considering the customers in an island grid did not benefit from that additional capacity, thus they should be excluded from paying the additional compensation. The MO previously informed SPC/SIPC that the computation for the allocation is region-wide. To this concern Mr. Olmedo remarked that the inverse of such situation has in fact happened before during Typhoon Odette, whereby the Bohol grid was left under market suspension while the rest of the region returned to normal pricing condition. In any case, he stated that revising the mechanism for allocation will require amendments, first and foremost, to the Price Determination Methodology and the rest of the other relevant Manuals will follow suit.</p> <ul style="list-style-type: none"> <li>Ms. Varquez (Secretariat) recommended SPC/SIPC to initiate rules changes to facilitate discussions on their objectives, similar with what MEI/PEI did with a previous proposal.</li> </ul> |
| IX. Adjournment | The meeting was adjourned at 12:23 PM.  |

Prepared by:

DIVINE GAYLE C. CRUZ  
 Specialist, Rules Review Division  
 Market Assessment Group

Reviewed by:

KAREN A. VARQUEZ  
 Manager, Rules Review Division  
 Market Assessment Group

Noted by:

JOHN MARK S. CATRIZ  
 Head, Market Assessment Group



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Approved by:

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JESUSITO G. MORALLOS  
Member, Independent

FERNANDO MARTIN Y. ROXAS  
Member, Independent

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JOSE RODERICK F. FERNANDO  
Member, Independent

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CHERRY A. JAVIER  
Member, Generation Sector  
Aboitiz Power Corp. (APC)

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CARLITO C. CLAUDIO  
Member, Generation Sector  
Millennium Energy, Inc. / Panasia Energy, Inc.  
(MEI/PEI)

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RYAN S. MORALES  
Member, Distribution Sector  
Manila Electric Company (MERALCO)

A handwritten signature in black ink, appearing to be 'L. Rivera', written in a cursive style.

LORRETO H. RIVERA  
Member, Supply Sector  
TeaM (Philippines) Energy Corporation (TPEC)

A handwritten signature in black ink, appearing to be 'I. Cacho, Jr.', written in a cursive style.

ISIDRO E. CACHO, JR.  
Member, Market Operator  
Independent Electricity Market Operator of the  
Philippines (IEMOP)

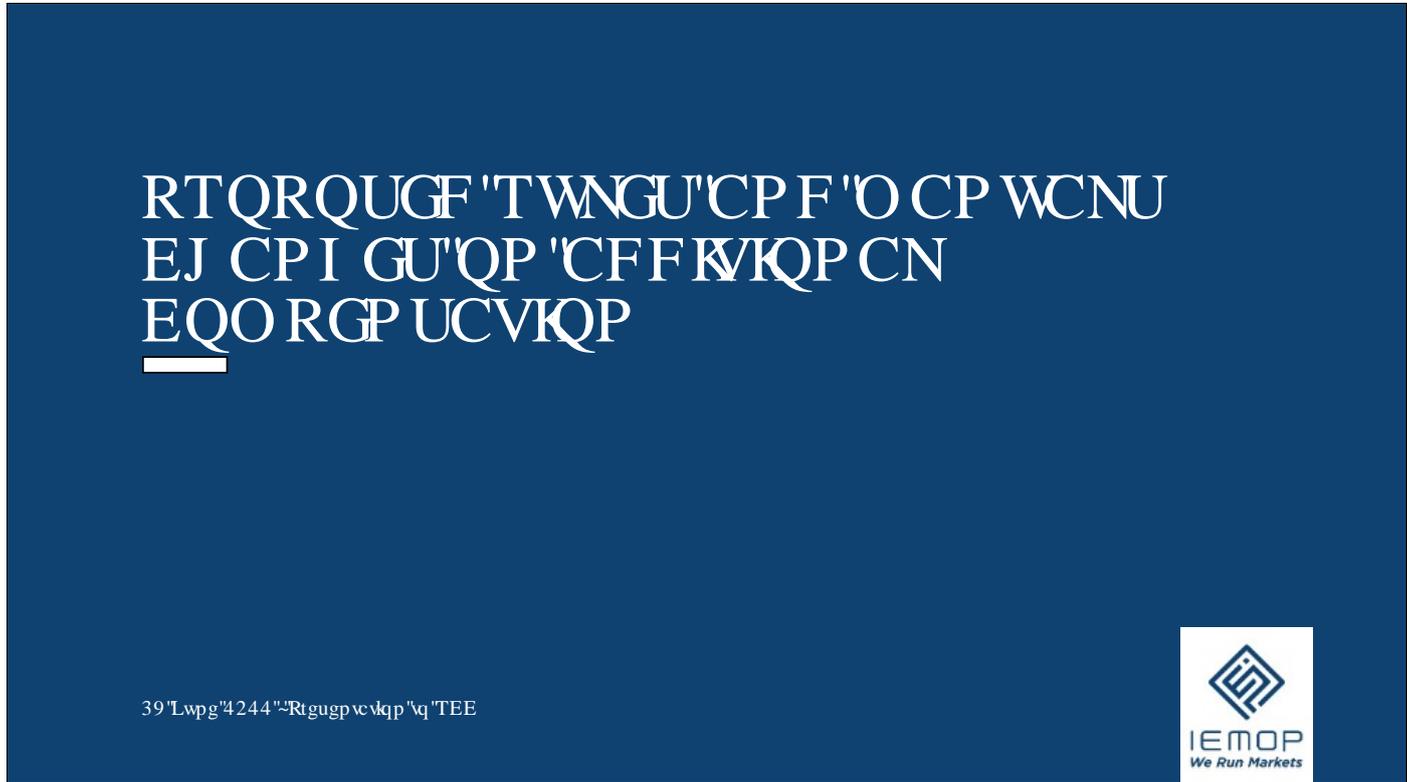
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## ANNEX – Summary of Proposed Amendments



### RATIONALE OF THE PROPOSAL

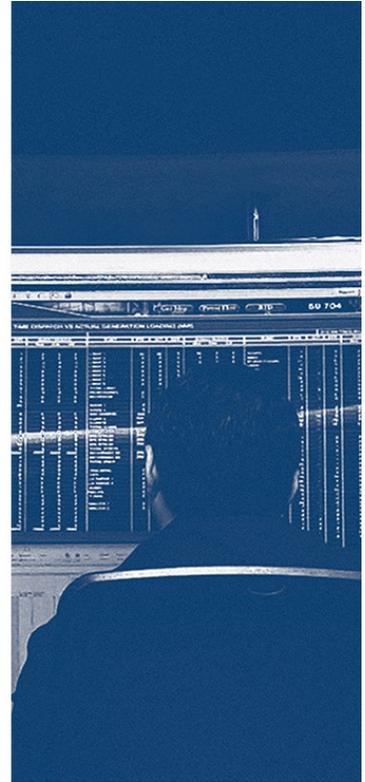
| Proposed Changes   | Rationale   |
|--|---|
| I. Reflect Audit Recommendations from Intelligent Energy Systems' (IES) Supplemental Audit of PDM related Enhancements on CRSS <ol style="list-style-type: none"> <li>1. Reflect the formula for additional compensation claim amount included in the Business Requirements Document (BRD)</li> <li>2. Specify the recovery process of additional compensation for claim categories other than Must Runt Unit (MRU)</li> </ol> | Already being implemented by IEMOP through internal business procedures but not yet reflected in the WESM Manual  |
| II. Introduce a new condition on the Calculation of Quantity Eligible for Additional Compensation during Administered Pricing <ol style="list-style-type: none"> <li>3. If there is no SO Dispatch Instruction for claims due to market intervention and/or market suspension, use the metered quantity in the calculation of additional compensation quantity</li> </ol>  | <ul style="list-style-type: none"> <li>• IEMOP's initiative in view of recent observations</li> <li>• Process improvement on generator's eligibility for additional compensation claim</li> </ul> |



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## DCEM TQWPF

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Philippine Electricity  
Market Corporation

Proposed Amendments on Additional Compensation 08

## PROPOSED AMENDMENTS- PART I

1. Reflect the formula for additional compensation claim amount included in the Business Requirements Document

| Title   | Section | Pro/ision | Proposed Amendment  |
|---|---------|-----------|---|
| Billing and Settlement of Additional Compensation | 10.4    | (new)     | <p>10.4.1. Using the formula below, the Market Operator shall determine the additional compensation claim amount in accordance with the claim category conditions on quantity eligible for additional compensation as set out in Section 10.3 of this Manual</p> $ACA_{g,i} = ACQ_{g,i} \times [Approved\ Rate_{g,i} - FEDP_{g,i}]$ <p>Where:</p> <p><u>ACA<sub>g,i</sub></u> refers to the additional compensation amount of generating unit g for dispatch interval i</p> <p><u>ACQ<sub>g,i</sub></u> refers to the additional compensation quantity or volume of generating unit g for dispatch interval i</p> <p>Approved <u>Rate<sub>g,i</sub></u> refers to the approved rate of generating unit g at dispatch interval i based on the evaluation of the claim</p> <p><u>FEDP<sub>g,i</sub></u> refers to the final energy dispatch price of generating unit g at certain dispatch interval i</p> |

Proposed Amendments on Additional Compensation 9

## PROPOSED AMENDMENTS- PART I

2. Specify the recovery of additional compensation for claim categories other than Must Run Unit (MRU)

### CURRENT

Recovery process **explicit** in the following claim category:

- o Must Run Unit (MRU)

IES noted that the PDM ruling only applies to additional compensation related to MRU and there is no similar clause for other pricing conditions

### PROPOSED

Recovery process **across all claim categories to be made explicit/specified:**

- o Must Run Unit (MRU)
- o **Market Intervention (Administered Pricing)**
- o **Imposition of Secondary Price Cap (SEC)**
- o **Constrained-on Generators (Price Substitution Methodology)**
- o **Constrain-on Generators (Merit Order Table)**

$$Allocation_{c,i} = ACR_{R,i} \times \frac{GESQ_{c,i}}{\sum_{c \in R} GESQ_{c,i}}$$

Where:

Allocation<sub>c,i</sub> refers to the amount recovered for customer c at interval i

ACR<sub>R,i</sub> refers to the Additional Compensation Claim for region R at interval i

GESQ<sub>c,i</sub> refers to the Gross energy settlement quantity for customer c at interval i

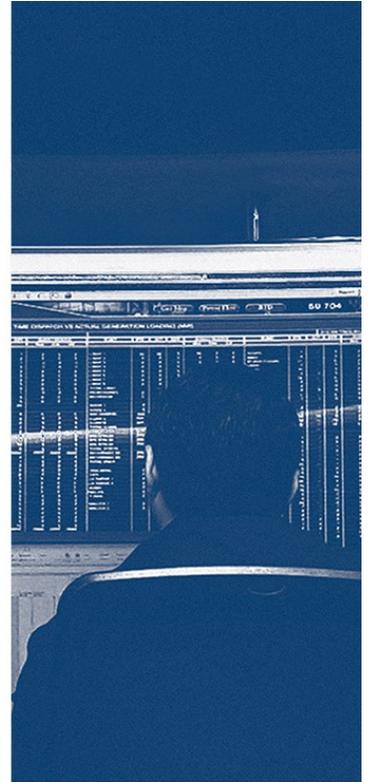
$\sum_{c \in R} GESQ_{c,i}$  refers to the total Gross Energy Settlement Quantity in region R at interval i



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## DCEM TQWPF

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Philippine Electricity  
Market Corporation

Proposed Amendments on Additional Compensation 12

**PROPOSED AMENDMENTS- PART II**

| PRICING CONDITION | ADDITIONAL COMPENSATION QUANTITY (ACQ)  | SCHEDULED GENERATION                         | ISSUE  | PROPOSED REVISION  |
|-------------------|---|--|--|--|
| AP                | If [GESQ] <= [SG + Deviation] Then<br><u>GESQ</u> – BCQ – ASIE<br>Else  | Based on SO Instruction or Dispatch Schedule | Not all Generators have Dispatch Instruction from SO | If there is no SO Dispatch Instruction, use metered quantity |
| SEC               | <u>SG</u> – BCQ – ASIE  | Based on SO Instruction or Dispatch Schedule | None   | --   |
| PSM               | Where:  | Based on SO Instruction or Dispatch Schedule | None   | --   |
| MOT               | GESQ Gross Energy Settlement Quantity<br>BCQ Bilateral Contract Quantity<br>ASIE Ancillary Service Incidental Energy<br>SG Scheduled Generation | Based on SO Instruction or Dispatch Schedule | None   | --   |

Proposed Amendments on Additional Compensation 13

**PROPOSED AMENDMENTS- PART II****CURRENT**

If [GESQ] <= [SG + Deviation] Then  
 ACQ = GESQ – BCQ – ASIE  
 Else,  
 ACQ = SG – BCQ – ASIE

**PROPOSED**

- If [GESQ] <= [SG + Deviation] Then  
 ACQ = GESQ – BCQ – ASIE  
 Else,  
 ACQ = SG – BCQ – ASIE
- If there is no SO Dispatch Instruction:  
 ACQ = GESQ – BCQ – ASIE

Where:  
 ACQ Additional Compensation Quantity  
 GESQ Gross Energy Settlement Quantity  
 BCQ Bilateral Contract Quantity  
 ASIE Ancillary Service Incidental Energy  
 SG Scheduled Generation