

1                   **MINUTES OF THE 72<sup>nd</sup> MEETING OF THE RULES CHANGE COMMITTEE**

2  
3           Date               :       06 March 2013  
4           Time               :       9:00 A.M.  
5           Venue              :       PEMC Office  
6                                18th Floor, PEM Board Room, Robinsons-Equitable Tower  
7                                Ortigas Center, Pasig City  
8  
9

10 **MEMBERS PRESENT:**

11 Rowena Cristina L. Guevara           -       Chairperson/Independent – UP  
12 Epictetus E. Patalinghug           -       Independent – UP  
13 Francisco L.R. Castro Jr.           -       Independent – Tensaiken Consulting  
14 Maila Lourdes G. de Castro           -       Independent –  
15 Cherry Aquino-Javier               -       Generation Sector – AES  
16 Cynthia R. Encarnacion           -       Generation Sector – NPC  
17 Liberty Z. Dumlao                -       Generation Sector – PSALM  
18 Ralph T. Crisologo               -       Generation Sector – SNAP  
19 Ciprinilo C. Meneses               -       Distribution Sector – MERALCO  
20 Augusto D. Sarmiento               -       Distribution Sector – DECORP  
21 Jose P. Santos                    -       Distribution Sector – INEC  
22 Sulpicio C. Lagarde Jr.           -       Distribution Sector – CENECO  
23 Conrado D. Pecjo                  -       Supply Sector – Angeles Power, Inc.  
24

25 **MEMBERS NOT PRESENT:**

26 Raul Joseph G. Seludo               -       System Operator – NGCP  
27 Robinson P. Descanzo               -       Market Operator – PEMC  
28

29 **ALTERNATE MEMBER PRESENT:**

30 Isidro E. Cacho                    -       Market Operator – PEMC  
31

32 **OBSERVERS PRESENT:**

33 Joseph Isabelo P. Tomas II           -       ERC  
34 Ferdinand B. Binondo               -       DOE  
35

36 **SECRETARIAT**

37 Geraldine A. Rodriguez           -       PEMC – MAG  
38 Shalom Grace A. Tomas-Llamzon   -       PEMC – MAG  
39

40 **OTHERS PRESENT:**

41  
42 Ma. Lourdes S. San Andres           -       PEMC – Legal  
43 Ermelindo R. Bugaoisan           -       NGCP  
44 Fidel D. Dagsaan Jr.               -       NGCP  
45 F.A.M. Dimaandal                  -       NGCP  
46 Zigfred Nino C. Viray               -       PEMC – CPC  
47 Eric Nino U. Louis                  -       PEMC – CPC  
48 Julius Eleazar A. Bunyi            -       PEMC – CPC  
49 Ariston P. Martinez                -       PEMC – CSD  
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51  
52 After determining the presence of a quorum, the 72<sup>nd</sup> RCC meeting was called to order by  
53 Chairperson Dr. Rowena Cristina L. Guevara at about 9:10 A.M.  
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**1. Adoption of the Proposed Agenda**

The Proposed Agenda for the 72<sup>nd</sup> RCC Meeting was approved, as presented.

**2. Review, Correction and Approval of the Minutes of the 71<sup>st</sup> RCC Meeting**

The Minutes of the 71<sup>st</sup> RCC Meeting was approved, as presented.

Dr. Guevara noted that as verified, the existing Rule provides for generators under testing and commissioning to be dispatched as Must Run Units (MRU) and are covered by the payment mechanism on Generator Price Index (GPI). It was further noted that the RCC submitted a proposal on the matter on 29 June 2012 to revise the payment mode for generators under testing and commissioning from the current GPI coverage to settlement as price takers.

**3. Business Arising from the Previous Meeting**

**A. Proposed Rules Change on the Segregation of Line Rental**

Dr. Guevara opened the discussion on line rental with the presentation of Mr. Meneses of the "Tutorial on the Double Charging of Line Loss".

Mr. Meneses presented the tutorial by way of an illustration on Line Loss & Line Rental, providing explanation on the 'Embedded Cost of Line Loss in NPC Rates' vis-a-vis the 'WESM Line Rental' cost and the double-charged line loss amounts. Mr. Meneses explained that prior to the WESM, MERALCO already had to pay an embedded cost of line loss energy in the amount of P298.00 to the generator (NPC in the given example) for a 10,000 kwh (example quantity used for illustration purposes) contracted capacity. Mr. Meneses explained that with the advent of the WESM, based on an example assuming no congestion, MERALCO still pays NPC P298.00 for line loss energy that was not supplied by NPC and additionally pays PEMC P596.00 line rental for the line loss energy supplied by merchant generators. Mr. Meneses further informed the RCC that WESM is not concerned with the terms of the bilateral contracts between MERALCO and NPC and simply computes the Line Rental based on the Bilateral Contract Quantity (BCQ) volume multiplied by the difference in the prices in the two nodes, the receiving and the sending node.

Mr. Meneses said that if the actual loss is less than 2.98%, upon remittance of the payment for line rental by the generator to PEMC MERALCO should be reimbursed for the excess payment. On the other hand, if the actual loss is greater than 2.98%, MERALCO will then shoulder the incremental amount.

Ms. Encarnacion countered the presentation by explaining the following about the nature of MERALCO's contractual obligation as expressed in its Transition Supply Contract (TSC) with NPC:

- MERALCO made use of only the nominated quantity and not the metered quantity, as the case is for all other distribution utilities. If the contracted capacity is 10,000 MW, NPC will deliver the exact volume to MERALCO which shall also be the basis for payment regardless of the actual metered quantity (MQ), the latter being not known to NPC.
- The nodal pricing in the WESM does not apply to MERALCO which is the reason why line losses cannot be determined based on actual MQ. NPC later



found-out that it is only PEMC which distributes the volume of energy flow to the 33 nodes of MERALCO. Cited as an example was when NPC-Angat HEP's generated 15 MWh was distributed/assigned to MERALCO's Tayabas node. Also mentioned as another "peculiar" example were instances when the market outcome showed negative BCQ amounts. It was explained that generators will naturally not declare negative BCQ and the odd scenario was merely the effect of the "manual spreading" of quantities into the several nodes of MERALCO to balance the energy delivered with the line loss.

- While the 2.98%, is applied as the fixed time-of-use (TOU) rate, the same applies regardless of the node used and regardless of resource-whether the generator is NPC's power barges or any one of its hydro-electric plants.
- MERALCO has requested for the extension of its contract with NPC, which goes to show that MERALCO is satisfied with the terms of its NPC contract.

Mr. Meneses clarified that MERALCO entered into contract with NPC on the assumption that it will be the generator which will generate the transmission loss energy. However, Mr. Meneses has noted from the example he provided that in the WESM-era when MERALCO asks for 9,702kwh, NPC will also generate 9,702 kwh but MERALCO will still be effectively charged by virtue of the TOU rates for the 10,000 kwh.

Ms. Javier clarified that the TOU rate refers to energy delivered; thus, if 10,000 kwh is the amount nominated, then, the same is deemed delivered. She expressed that in the example of MERALCO, the nominated quantity should be 9,702 kwh, which shall be the quantity to be delivered by the generator following the TSC provision. However, Ms. Javier explained that the 9,702 kwh does not necessarily correspond to the MQ of MERALCO, which could either be higher or lower. She expounded the scenario that MERALCO can even take advantage of a lower MQ, which is not known to its generator, considering that it can sell the excess between its nominated and metered quantities to the market during intervals when WESM prices are higher than its bilateral contract rate. Ms. Encarnacion and Mr. Crisologo supported the statement of Ms. Javier.

Additionally, Ms. Encarnacion opined that WESM's line rental computation should no longer include contracted capacities. She further expressed that customers should all be required to become direct WESM members since it is the generators which shoulder the indirect members' line rental in the WESM.

On the RCC-proposed Manual on the Segregation of Line Rental which was submitted and consequently approved by the PEM Board in August 2011, Ms. Encarnacion recalled that the four (4) generator sector representatives did not sign the RCC Resolution endorsing the same to the PEM Board, the reason being that the generators are not aware of how PEMC derived the formula on the transmission loss factor. It was noted that the said Manual has been submitted to the ERC for Decision.

Ms. Encarnacion went-on to present/discuss her group's input on the Segregation of Line Rental.

The following plan of action was thereafter submitted for the Committee's consideration:

- To request the PEMC-billing and settlement to present the actual application of the formula submitted to ERC; and



- To request NGCP to further explain the System Loss.

On Plan of Action #1, Ms. Encarnacion inquired with PEMC on whether or not PEMC has already made use of the line rental formula which it proposed and submitted to the ERC. She explained that considering that the formula originated from PEMC, it is assumed that the same is feasible/practicable. Atty. Dumlao added that PEMC by now, should have prepared the data needed/conducted the necessary simulations, so that once the ERC Decision is promulgated, it will simply be a matter of implementation on the part of PEMC.

Mr. Cacho explained that to enable PEMC to apply the subject formula as proposed to the ERC, it is necessary to enhance/upgrade the Market Management System (MMS). Dr. Guevara replied that with PEMC's submission of the formula to the RCC, it was presumed that the same is feasible without any enhancement to the system.

Mr. Cacho clarified that the current MMS does not have the facility to store the hourly data in its database and that the corresponding upgrade to the system based from the quotation provided by the Asea Brown Boveri (ABB) amounts to more than PhP25 Million.

Atty. San Andres stated that the formula can be implemented once the ERC Decision is issued. She explained however that the constraint on its implementation points to operational requirements. She informed the RCC that she will verify/review the concern and come-up with an update on these operational concerns by the next RCC Meeting.

On Plan of Action #2, Ms. Encarnacion stated that NGCP-SO is not paying their substation use and housing facility consumption. She explained that in view of this, NGCP's administrative losses add-up to the additional losses being charged from the grid users. Mr. Bugaoisan replied that the NGCP is already in the process of putting-up meters. He added that he will inquire on the progress of the same with the NGCP-Revenue Regulatory Affairs (RRA) Department. He requested the RCC to officially write a letter to the NGCP-Metering Services Division, requesting for the presentation on the computation of system loss.

Mr. Sarmiento inquired on the actual System Loss (SL) in the Luzon Grid. He expressed that there must be a corresponding reduction in the SL, considering the significant CAPEX improvement in the system, based on the NGCP's Transmission Development Plan (TDP). Mr. Bugaoisan replied that for Luzon, the SL decreased to 2.46% from 2.98%. He also explained that NGCP's SL computation has changed since at present, the basis for NGCP's computation is only the actual energy that comes in and out of its station. For the Visayas, Mr. Bugaoisan stated that the unofficial SL data also decreased from 3.87% to 3.69%.

Mr. Sarmiento further inquired whether NGCP's company/station use is metered and included in the computation of SL. He cited as example the case of DUs which kwh consumption is being metered and paid as part of its ERC-approved Operating Expenditures (OPEX). Mr. Bugaoisan answered affirmatively, noting that the SL computation includes technical, non-technical and administrative components.

Ms. Javier for her part clarified whether the NGCP is paying the generators for the SL rate being charged from NGCP customers. She stated that MPPCL does not receive payment. Mr. Bugaoisan stated that while he is aware that it is the generators who should get paid, it may be best to await the NGCP's presentation in the next meeting for the response to the said inquiry.



1 Ms. Javier, responding to the earlier statement of Mr. Bugaoisan that the NGCP is  
2 currently in the process of putting-up metering facilities in its substations, expressed  
3 that NGCP may consider using the MMS data on the transmission line loss instead of  
4 putting-up the said meters since ideally, NGCP's data on SL and the WESM data on  
5 the transmission line loss should be the same.

6  
7 Ms. Encarnacion also brought forward the group recommendation for "PEMC to  
8 implement outright the segregation of line rental trading amount into line loss and  
9 congestion or otherwise suspend temporarily the charging of Line Rental Trading  
10 Amount charges". Dr. Guevara clarified that RCC recommendations are made only in  
11 the form of rules change proposals. At best, she stated that the RCC can officially  
12 inquire from PEMC the status of the implementation.

13  
14 Mr. Lagarde added that the line rental formula as the same is applied in Luzon should  
15 not be applied in the Visayas, considering the radial design of the transmission system  
16 in the region.

17  
18 Ms. Javier countered that the issue in Visayas is more on the congestion cost. She  
19 explained that the congestion cost in Luzon is limited to a factor of 1.2 only whereas the  
20 congestion in the Visayas transmission system could be limitless due to its radial  
21 design. She stated that Panay has the highest price since it has the most congestion  
22 but there would be no means to mitigate the high price because the price substitution  
23 mechanism (PSM) is not applicable in the Visayas, owing to its limitless congestion.

24  
25 Mr. Crisologo expressed disagreement with the statement of Mr. Lagarde, stating that  
26 the WESM pricing mechanism works even in a radial set-up. He explained that the  
27 whole WESM design has been studied, not only for the Luzon but for the Visayas grid  
28 as well. He stated that while the argument may be partially correct, the way forward is  
29 merely to modify/correct the system in settlement.

30  
31 Mr. Cacho for his part clarified that there is separate application of the PSM in the  
32 Luzon and Visayas.

33  
34 Dr. Guevara then inquired on which sector is supposed to initiate the rules change  
35 proposal to address this concern. Mr. Lagarde stated that he will accordingly propose  
36 the necessary rules change.

37  
38 After its lengthy discussion on the matter, acting upon the group's plan of action, the  
39 RCC agreed as follows:

- 40
- 41 • To request from the PEMC Billing and Settlements Division to present and  
42 discuss in the next RCC Meeting the PEMC-proposed formula on the  
43 segregation of line rental and to provide sample computations making-use of  
44 the same. Basis for the computation shall be the PEMC submitted-proposed  
45 New Manual on the Segregation of Line Rental to the ERC, following the ERC  
46 Order dated 07 March 2011 requiring PEMC to submit an alternative  
47 methodology for the segregation of line rental into congestion cost and line  
48 losses.
  - 49
  - 50 • To request the NGCP-Metering Services Group to present and discuss in the  
51 next RCC Meeting the NGCP's System Loss computation for the Luzon and  
52 Visayas grids.
  - 53
  - 54 • To request from Mr. Cacho a presentation on the total generation MQ which  
55 were settled in the market and the total customer MQ, as these were monthly



published in the market information website. Additionally, the RCC also requested for data on the actual transmission losses as monitored in the market. The end view is to validate/compare the NGCP-published system losses with the above-identified market data.

At this juncture, Dr. Guevara, having clarified that the group composed of Ms. Encarnacion, Atty. Dumlao, Mr. Sarmiento, Mr. Meneses, Mr. Lagarde, Mr. Santos and Mr. Pecjo is the RCC-designated Subcommittee to study and review the pertinent rules on line rental, requested the group to submit its proposed amendments to the RCC during its May 2013 Meeting, following the MO and SO's respective presentations on line rental in the April 2013 RCC Meeting. She added that the group should be able to meet and finalize the rules change proposal before the scheduled May 2013 Meeting to allow the RCC to focus its discussion on the proposed rules change and not anymore on issues which should have been threshed-out/firmed-up in the RCC Subcommittee level.

#### **B. Proposed Changes to the WESM Rules on Trading Amount and Line Rental Computation**

The RCC noted that the presentation by the EC Sector representatives on the subject was merged/consolidated with the presentation of the NPC-PSALM representatives.

The RCC further noted that the two groups have been officially merged to form the RCC Subcommittee on Line Rental.

#### **C. Review of the Rules Change Manual**

The RCC agreed to defer its discussion on the subject for the next RCC Meeting in April 2013.

#### **D. Comments from PEMC: Proposed Rules Change on the Cancellation of Offers**

Mr. Cacho presented the "Operational Assessment of the Proposed Amendments to Appendix A.1 of the Dispatch Protocol Manual", responding to the RCC's request during its 70th Meeting on 16 January 2013 for PEMC to submit to the RCC its recommendations, consistent with its position that the proposal on the cancellation of offers is impracticable/not feasible at this time. It was recalled that Dr. Guevara during the said meeting ruled that it may be best to consider PEMC's recommendation since implementation of the proposal falls upon its responsibility.

The RCC, having noted the presentation made, expressed the following observations, particularly on PEMC's way forward on the engagement of Consultant to study Pmin and associated Market Issues:

- The Study, if pursued, can be done by local consultants considering that they are better in touch with the intricacies and peculiarities of the power industry in the Philippines.
- RCC's proposal on the cancellation of offers underwent a year-long process of discussion within the RCC and as such, also deserves to be given due course.

Mr. Castro opined that the Study can instead cover other pressing market issues such as line rental, which the RCC has not yet completely taken up and for which, no rules



change proposal has yet been crafted. The RCC concurred with his opinion. Atty. San Andres stated that she will elevate the concern on line rental to PEMC Management for further study.

Dr. Guevara recalled that the RCC previously discussed the comments on the proposal by the other governance committees, namely, the Market Surveillance Committee (MSC) and the Technical Committee (TC) which both disagreed with the proposed cancellation of offers. She stated that it may be the best way forward to attempt to reconcile the positions of the 3 Governance Committees and firm-up the RCC's position in its endorsement of the proposal for the PEM Board's approval.

The RCC, after its discussion on the matter, agreed to proceed with the submission to PEM Board of the RCC-proposed amendment, as originally worded and approved by the RCC in its previous meetings. However, having noted the suggestion of Dr. Guevara, the body agreed to subject its approval to the result of the consultative meeting with the MSC and TC to possibly harmonize the RCC's position with those of the other governance committees.

In support of the motion to proceed with the original proposed amendment, it was discussed that operational concerns on the implementation of the proposal can best be addressed through an IRR or through another similar support structure.

#### **E. PEMC Presentation on the RCOA**

Mr. Louis and Mr. Bunyi of the PEMC-Corporate Planning and Communications Department (CPC) made the following clarifications on the RCOA in response to the generator sectors' initial review of the retail rules as expressed in the 71st RCC Meeting held on 16 February 2013:

- On the registration requirements for contestable customers with multiple delivery points, Mr. Louis clarified that the registration of contestable customers will be on a per-metering-facility basis. Responding to the query of Ms. Javier, it was further clarified that payment shall also be on a per-metering-facility basis.
- On the Switch request for contestable customer with outstanding obligations to current suppliers, Mr. Louis explained that based on the retail rules, the same should be settled externally between the incumbent supplier and the contestable customer with the outstanding obligation. It was also clarified that for as long as the new supplier will be able to submit the switch request form, duly-accomplished and signed by the customer, together with supporting documents, PEMC will approve the switch request based on the retail rules.

Ms. Javier commented that it should be considered to consult/confirm with the old supplier if the customer still has payable amounts. Mr. Louis replied that there is a pending proposal to include in the form a line for the signature of the old supplier.

- On the RES trading limits and declaration of Bilateral Contract Quantities (BCQ), Mr. Bunyi initially responded by explaining that the RES shall be responsible for the aggregated prudential requirements (PR) of its Contestable Customers that are Indirect WESM Members while Contestable Customers who are Direct WESM Members shall be responsible for their PR.

*gpc*



Ms. Javier explained that essentially, the risk exposure and the accountability of the RES in the market is not entirely captured in the Retail Rules. Mr. Bunyi clarified that the RES should declare the generator from which it shall source its equivalent contracted capacity with a contestable customer, to ensure that it is truthfully implementing/enforcing the terms of its bilateral contract. Otherwise, Mr. Bunyi stated that the WESM exposure of the RES will certainly increase.

Ms. Javier countered that such scenario will eventually expose the generator to more risk particularly at the instance of default of any contestable customer. Mr. Bunyi replied that the said scenario will be considered in the further review of the rules.

Ms. Javier also raised in the discussion the possible scenario when a generator on contract with a RES went on outage. She inquired on what will happen if the RES is contracted with only one generator which is on outage, given the requirement that BCQ declarations require the attendant declaration of the delivery and sending nodes. Ms. Javier suggested if it may be considered to allow the provision of pseudo-nodes for the RES to provide authority for the RES to declare for the contestable customer in the same manner that generators can declare for the RES, unlike the current set-up where the generator declares directly for the contestable customer.

Ms. Javier summed-up the recommendations of the generator sector representatives as follows: (1) to consider registering all contestable customers as indirect WESM members at the onset of the retail market, while firming-up the retail market design and (2) to provide for a mechanism/structure which will enable the RES to declare its own BCQs or to allow the putting-up of pseudo-nodes for the RES.

Ms. Javier further inquired on what further steps can be done to enhance the current rules and address pressing concerns on the retail market design, even before the retail market starts.

Dr. Guevara at this juncture encouraged the generator sector to write its concerns directly to the DOE and PEMC. She stated that if the concerns will come from the sector as a whole, there must be no reason why the same cannot be given due course.

#### 4. New Business

Issues/ Topics Discussed	Remarks	Agreement/ Action Item
<b>A. Proposed Amendment on the Definition of Financial Year</b>	<ul style="list-style-type: none"> <li>PEMC, through its Finance Division represented by Mr. Ariston Martinez, presented before the RCC the proposed amendment on the definition of Financial Year in order to harmonize what is written in the Rules with the current practice being observed.</li> </ul>	<ul style="list-style-type: none"> <li>Upon presentation of the proposed amendment, the RCC approved the posting/publication of the proposal in the market information website as submitted, in order to solicit comments from interested parties.</li> </ul>
<b>B. PEM Board Update</b>	<ul style="list-style-type: none"> <li>Ms. Javier updated the RCC of the PEM Board's 28 February 2013 approval of the RCC recommendation on its review of the Rules Change Manual to remove from Section 10 the requirement on the publication of Advisories on Amendments, since</li> </ul>	<ul style="list-style-type: none"> <li>The RCC noted the information provided.</li> </ul>



Issues/ Topics Discussed	Remarks	Agreement/ Action Item
	approved amendments, specifically on the WESM Rules are already embodied in DOE Circulars.	


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3 **5. Next Meeting**

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5 The RCC agreed that its next meeting will be on 03 April 2013, 9:00 A.M.  
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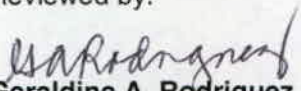
7 **6. Adjournment**

8  
9 There being no other matter to be discussed, the meeting was adjourned at around  
10 2:30 P.M.  
11

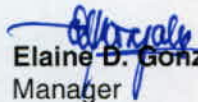
12  
13 Prepared by:

14   
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16 **Shalom Grace T. Llamzon**  
17 Market Governance Analyst  
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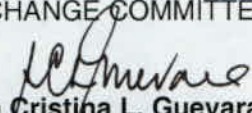

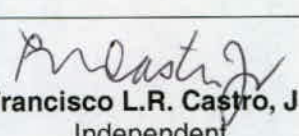

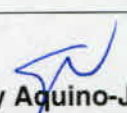
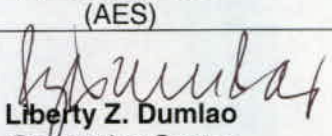

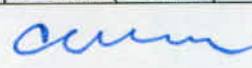
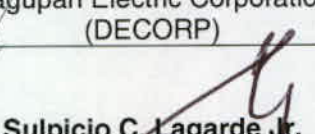
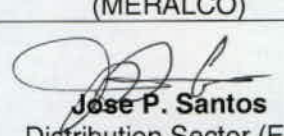
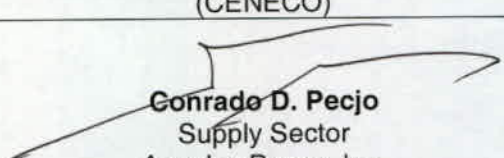

19  
20 Reviewed by:

21   
22  
23 **Geraldine A. Rodriguez**  
24 Assistant Manager  
25 Market Governance and Administration

Noted by:

  
**Elaine D. Gonzales**  
Manager  
Market Data and Analysis



<p>Approved by: RULES CHANGE COMMITTEE</p> <p> <b>Rowena Cristina L. Guevara</b> Chairperson Independent University of the Philippines (UP)</p>	
Members:	
<p> <b>Epictetus E. Patalinghug</b> Independent University of the Philippines (UP)</p>	<p> <b>Francisco L.R. Castro, Jr.</b> Independent Tensaiken Consulting</p>
<p> <b>Maifa Lourdes G. de Castro</b> Independent</p>	<p> <b>Cherry Aquino-Javier</b> Generation Sector AES Philippines (AES)</p>
<p><b>Cynthia R. Encarnacion</b> Generation Sector National Power Corporation (NAPOCOR)</p>	<p> <b>Liberty Z. Dumlao</b> Generation Sector Power Sector Assets and Liabilities Management Corporation (PSALM)</p>
<p> <b>Augusto D. Sarmiento</b> Distribution Sector (PDU) Dagupan Electric Corporation (DECORP)</p>	<p> <b>Ciprinilo C. Meneses</b> Distribution Sector (PDU) Manila Electric Company (MERALCO)</p>
<p> <b>Sulpicio C. Lagarde Jr.</b> Distribution Sector (EC) Central Negros Electric Cooperative, Inc. (CENECO)</p>	<p> <b>Jose P. Santos</b> Distribution Sector (EC) Ilocos Norte Electric Cooperative, Inc. (INEC)</p>
<p> <b>Conrado D. Pecjo</b> Supply Sector Angeles Power, Inc.</p>	
<p><b>Raul Joseph G. Seludo</b> Transmission Sector National Grid Corporation of the Philippines (NGCP)</p>	<p> <b>Robinson P. Descanzo</b> Market Operator Philippine Electricity Market Corporation (PEMC)</p>



**Attachments:**

- (1) MERALCO's Tutorial on the Double Charging of Line Loss
- (2) PEMC's Clarifications on RCOA Generator Issues
- (3) PEMC's Assessment of the Proposed Amendments to Appendix A.1 of the Dispatch Protocol Manual (Proposed Cancellation of Offers)

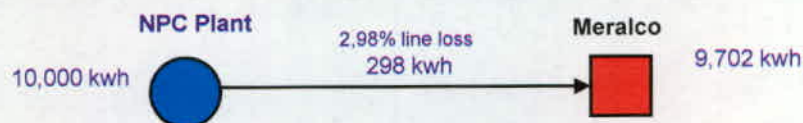
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## Tutorial on the Double Charging of Line Loss

### Illustration: Line Loss & Line Rental

#### 1. Embedded Cost of Line Loss in NPC Rates



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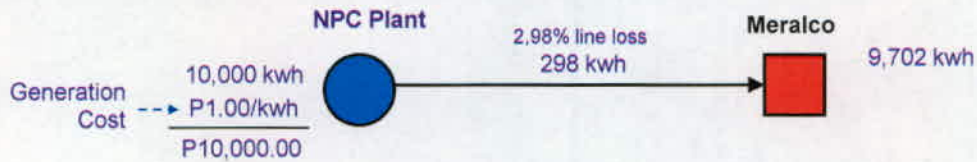


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## Illustration: Line Loss & Line Rental

**MERALCO**  
Ang liwanag ng bukas

### 1. Embedded Cost of Line Loss in NPC Rates

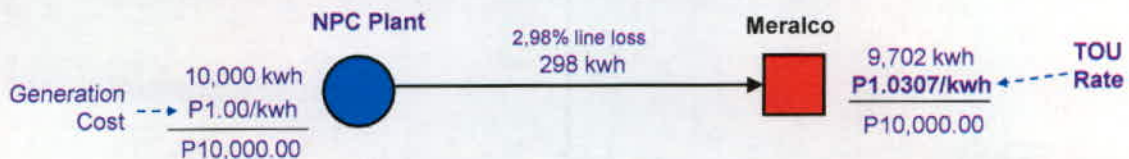


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## Illustration: Line Loss & Line Rental

**MERALCO**  
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### 1. Embedded Cost of Line Loss in NPC Rates



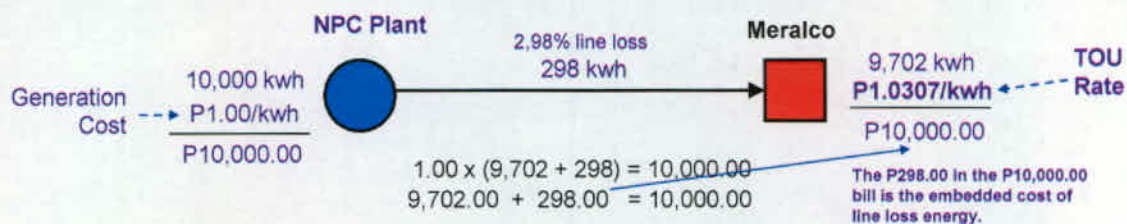


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## Illustration: Line Loss & Line Rental

**MERALCO**  
Ang liwanag ng bukas

### 1. Embedded Cost of Line Loss in NPC Rates



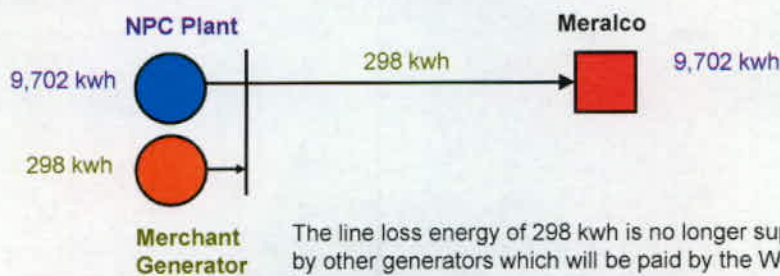
## Illustration: Line Loss & Line Rental



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**MERALCO**  
Ang liwanag ng bukas

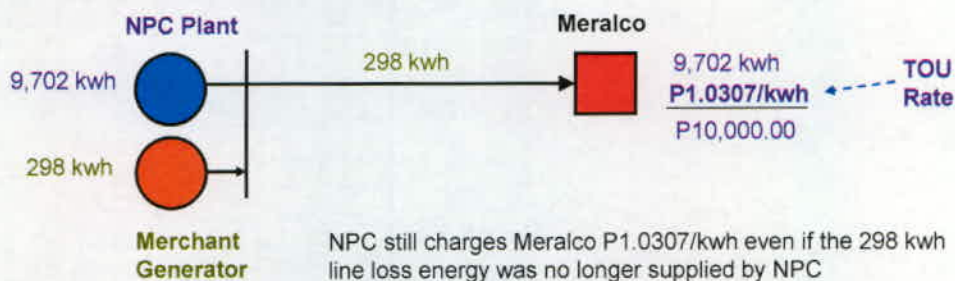
### 2. WESM Line Rental (assuming no congestion)





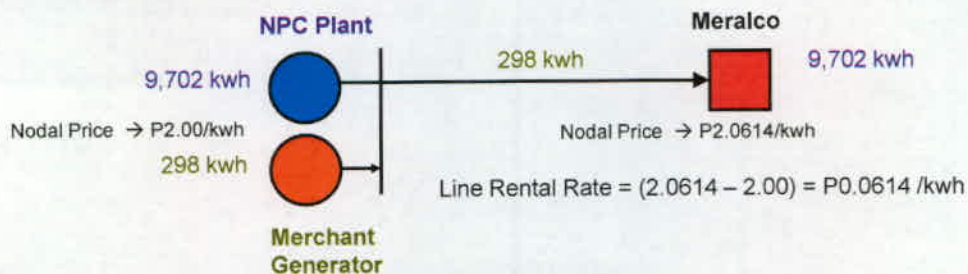
## Illustration: Line Loss & Line Rental

### 2. WESM Line Rental (assuming no congestion)



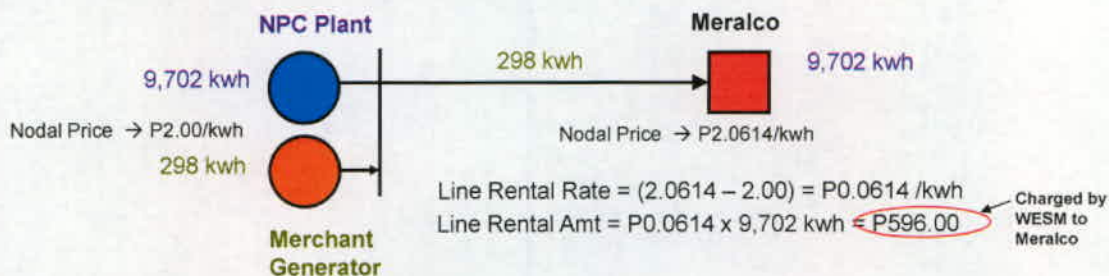
## Illustration: Line Loss & Line Rental

### 2. WESM Line Rental (assuming no congestion)



## Illustration: Line Loss & Line Rental

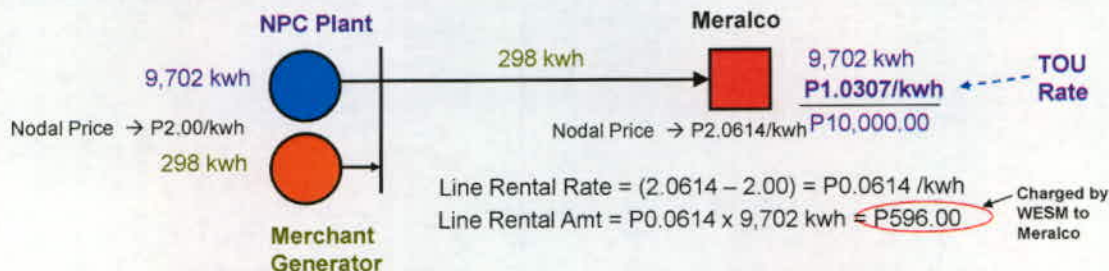
### 2. WESM Line Rental (assuming no congestion)



PEMC charges Meralco P596.00 for line rental for the 9,702 kwh supplied by NPC to Meralco.

## Illustration: Line Loss & Line Rental

### 2. WESM Line Rental (assuming no congestion)



NPC still charges Meralco P10,000.00 which includes P298.00 for line loss energy.

PEMC charges Meralco P596.00 for line rental for the 9,702 kwh supplied by NPC to Meralco.

*gsk*



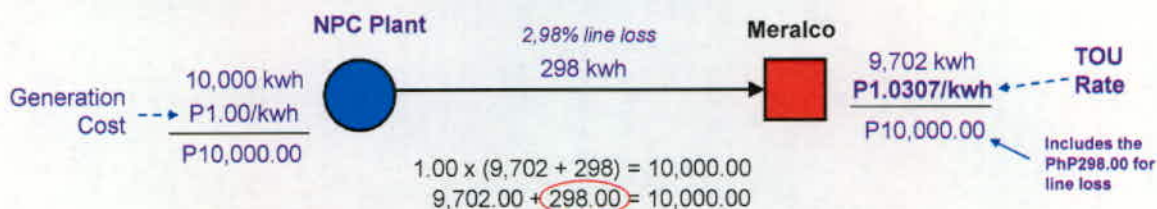


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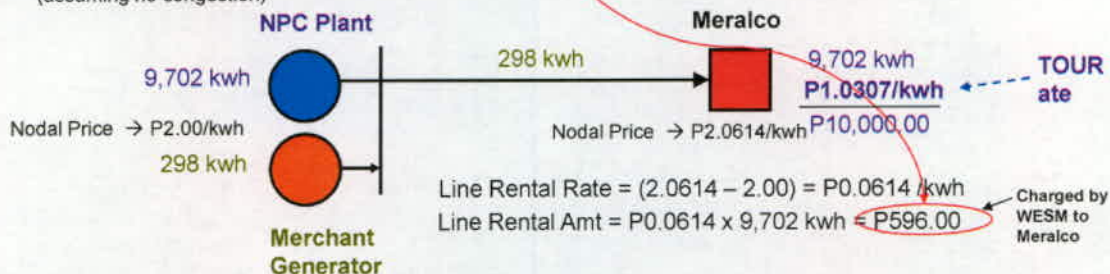
## Illustration: Line Loss & Line Rental

### 1. Embedded Cost of Line Loss in NPC Rates



### 2. WESM Line Rental

(assuming no congestion)



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## Line Loss Provision in the TSC

TRANSITION SUPPLY CONTRACT  
Page 6 of 12

### SECTION SIX -CHARGES AND ADJUSTMENTS

- 6.1 The Contract Energy Charge shall be the ERC-approved NPC's time-of-use (TOU) generation rate, plus adjustments in the NPC's tariff such as, but not limited to, Deferred Accounting Adjustment (DAA) and the Incremental Currency Exchange Rate Adjustments (ICERA), the R.A. 9136 Mandatory Rate Reduction Adjustment, and an adjustment to reflect the incremental increase or decrease in the actual transmission line cost (charged in the WESM line rental cost) from the transmission line cost embedded in the ERC-approved TOU rate. Pertinent document relative to the Contract Energy Charge is attached as Annex II.

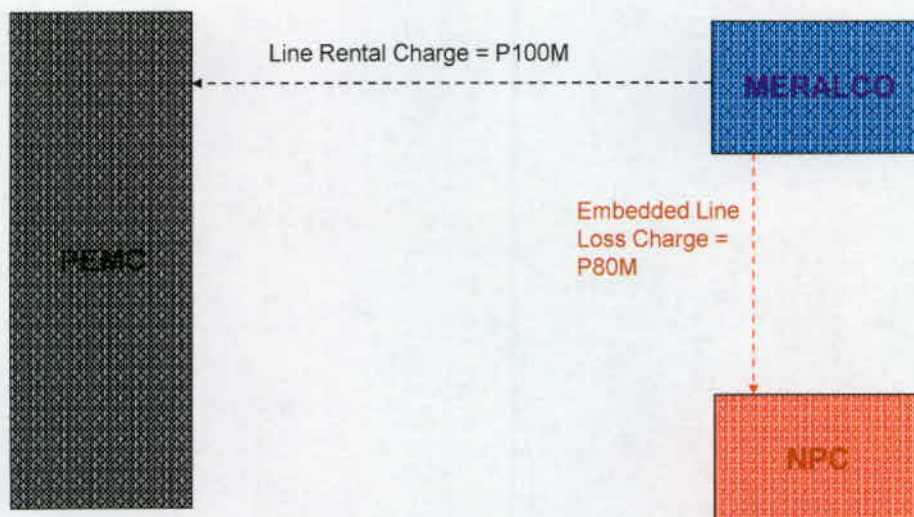
Illustration of how  
this should be  
implemented:

Cost of Line Loss in the WESM (million Pesos)	Cost of Line Loss in the TSC (million Pesos)	Amount to be Collected/(Refunded) by NPC from/(to) Meralco (million Pesos)
100.00	80.00	20.00
100.00	100.00	-
100.00	130.00	(30.00)

\* 2.98%

## How the Offsetting Mechanism Should Work\*

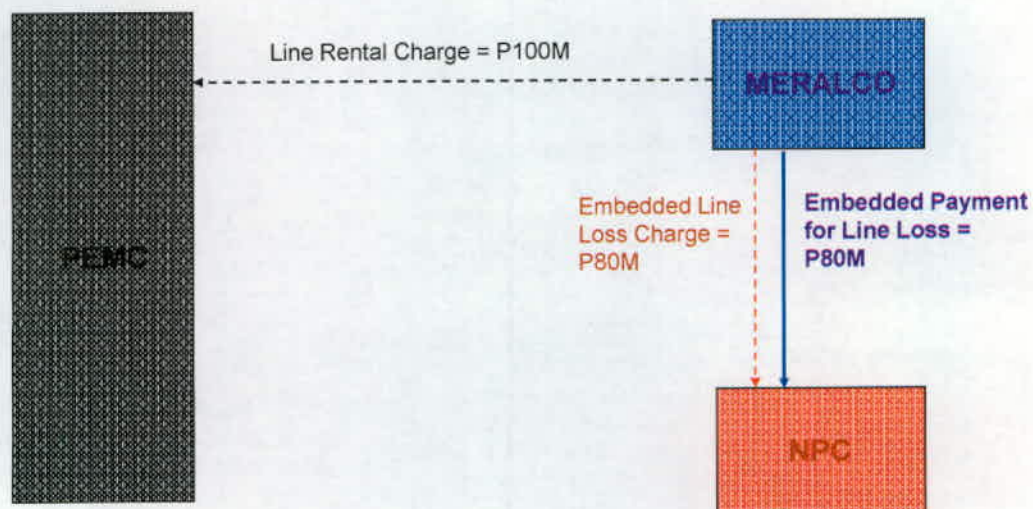
Case A - Actual line loss > 2.98%



\* Assuming No Congestion

## How the Offsetting Mechanism Should Work\*

Case A - Actual line loss > 2.98%



\* Assuming No Congestion

*Handwritten signature*



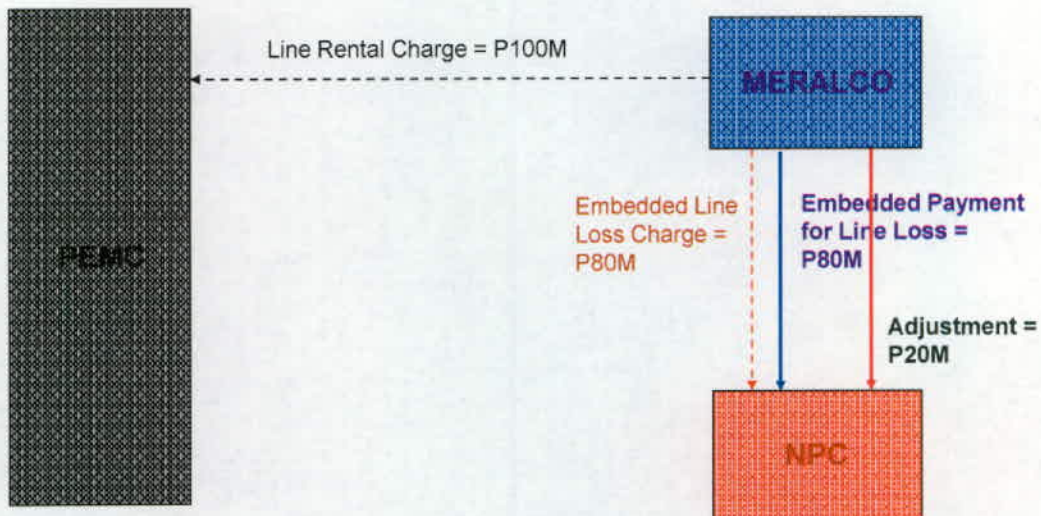


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## How the Offsetting Mechanism Should Work\*

Case A - Actual line loss > 2.98%

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\* Assuming No Congestion

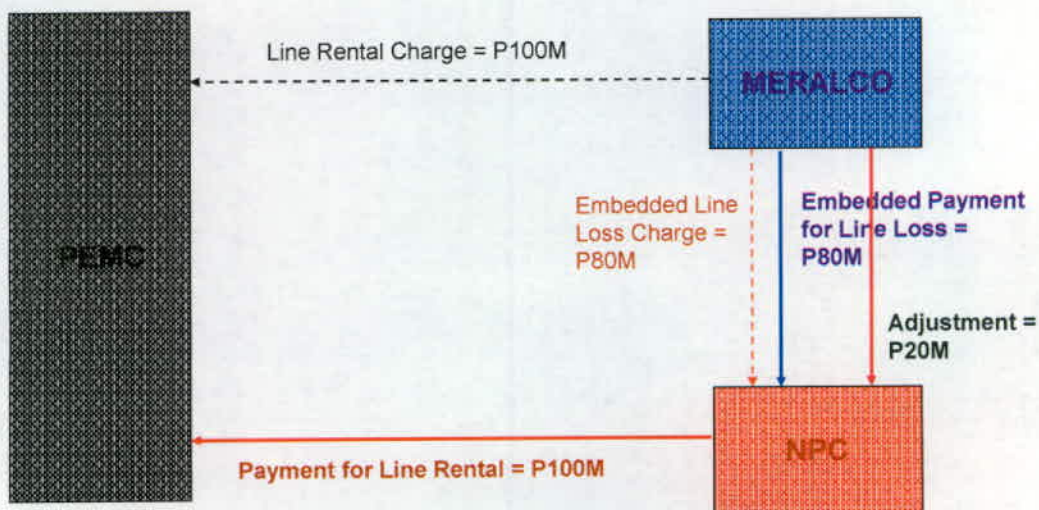


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## How the Offsetting Mechanism Should Work\*

Case A - Actual line loss > 2.98%

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\* Assuming No Congestion

*gsk*

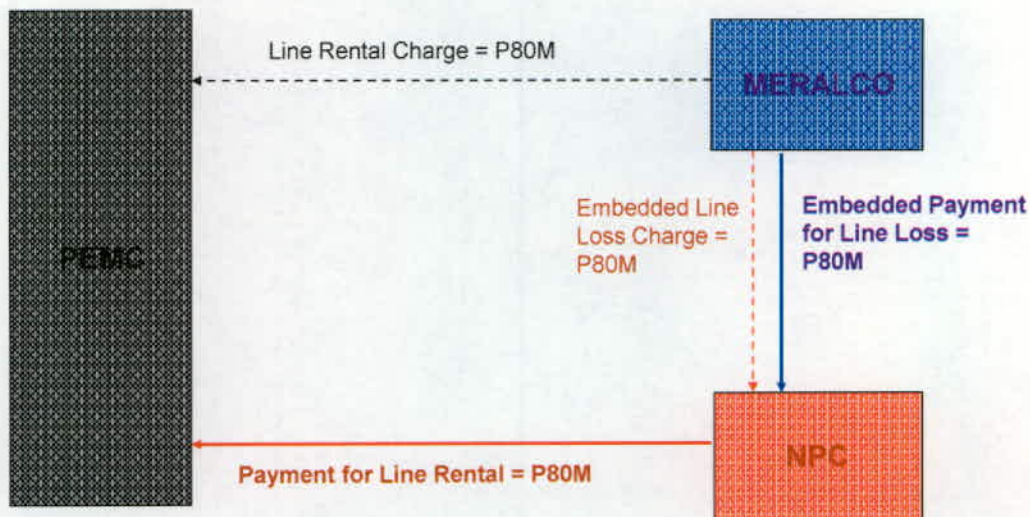


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## How the Offsetting Mechanism Should Work\*

Case B - Actual line loss = 2.98%

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\* Assuming No Congestion

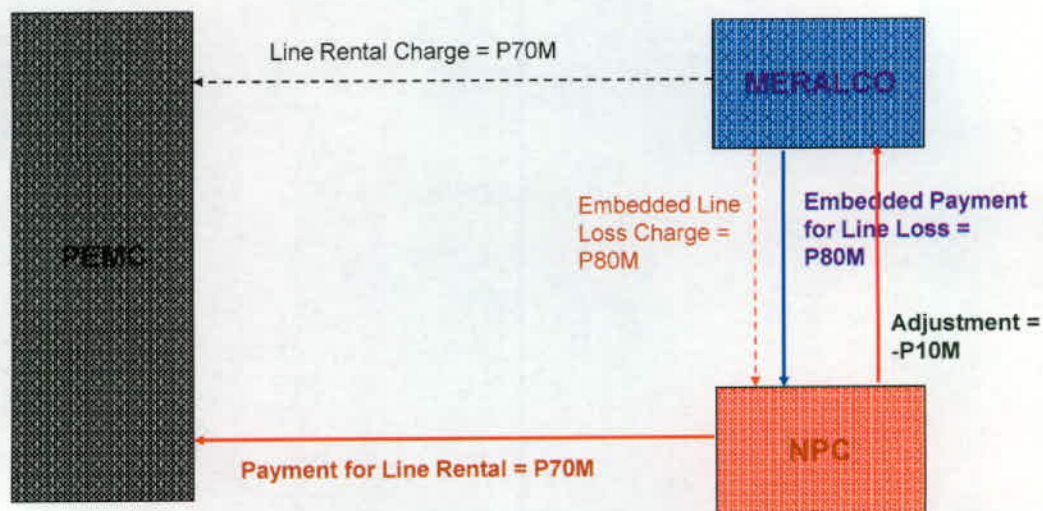


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## How the Offsetting Mechanism Should Work\*

Case C - Actual line loss < 2.98%

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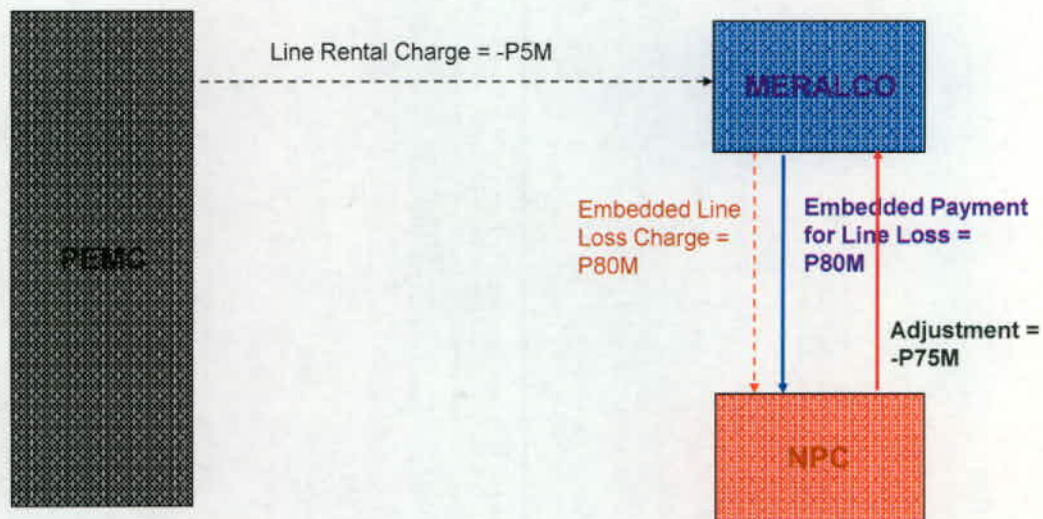


\* Assuming No Congestion



## How the Offsetting Mechanism Should Work\*

Case D - Actual line loss << 2.98%



\* Assuming No Congestion

Thank you

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## **RCOA Issues Discussion**

*Presentation to the  
Rules Change Committee  
6 March 2013*

### **Items for Discussion**

- Registration Requirements for CCs with multiple delivery points
- Switch request for CC with outstanding obligations with incumbent Supplier
- Trading limits of RES with CCs
- Generator BCQ declaration to CCs without them having contractual obligations
- Continuous supply obligations of RES to CC versus generator obligation to RES



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# REGISTRATION REQUIREMENTS AND SWITCH REQUEST



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## List of Registration Requirements for WESM Membership of Contestable Customers

Document	Direct	Indirect	Type of copy	No. of copies
RCOA Application Form for Direct / Indirect Membership of Contestable Customer	√	√	signed original copy	Two (2)
Market Participation Agreement for Direct / Indirect Member – Contestable Customer	√	√	signed original copy	Five (5)
Valid Retail Supply Contract	√	√	signed original copy	One (1)
SEC Certificate of Incorporation	√	√	certified true copy	One (1)
Articles of Incorporation	√	√	certified true copy	One (1)
By-laws	√	√	certified true copy	One (1)
Secretary's Certificate/Board Resolution authorizing participation in the WESM as Direct/Indirect Member and designating signatories	√	√	notarized original copy	One (1)

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## List of Registration Requirements for WESM Membership of Contestable Customers

Document	Direct	Indirect	Type of copy	No. of copies
Secretary's Certificate/Board Resolution designating a Billing/Settlement contact and bank details for collection	√	x	notarized original copy	One (1)
Settlement Information Sheet containing authorized bank details and Billing/Settlement contact	√	x	notarized original copy	One (1)
Proof of Prudential Security (Letter of Credit, Surety Bond, Bank Guarantee, Guarantee by other institutions, Cash deposit)	√	√ (To be provided by the Direct WESM Member Counterparty)	original copy	One (1)
ERC Certificate of Contestability	√	√	certified true copy	One (1)
Valid Wheeling Service Agreement	√	√	certified true copy	One (1)
Valid Metering Services Agreement	√	√	certified true copy	One (1)

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## List of Registration Requirements for WESM Membership of Contestable Customers

Document	Direct	Indirect	Type of copy	No. of copies
Metering Installation Registration Form	√	√	signed original copy	One (1)
Single Line Diagram	√	√	certified true copy	One (1)
ERC Certification of meter test results	√	√	certified true copy	One (1)
Test and calibration reports of instrument transformers and meters	√	√	certified true copy	One (1)
Load Profile (Forecast, Historical data, including maximum and minimum hourly demand)	√	√	certified true copy & electronic copy (in CD)	One (1) each

Note: Additional documents or information may also be requested depending on the results of the initial assessment.

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## Switch Request Form

### ❖ CONTRACT INFORMATION

- New Supplier and Contestable Customer
  - Name of Company
  - Category
    - New Supplier : Regular RES, Local RES, or SOLR
    - Contestable Customer : Direct or Indirect
  - Direct WESM Member Counterparty (Y/N)
  - Main Contact Person – Position/Designation
  - Contact Details
  - Duration of Contract – Start and End Date/Interval
  - Contract Level / Volume

## Switch Request Form

### ❖ PREVIOUS RETAIL SUPPLY ARRANGEMENT/S

- Incumbent Supplier
- Contract Expiration / Termination Date / Interval

### ❖ CERTIFICATION AND CONFIRMATION OF COUNTERPARTIES

- Signatures from the New Supplier, Contestable Customer, and Direct WESM Member Counterparty (if applicable)

### ❖ DOCUMENTS SUBMITTED

- Signed original copy of Retail Supply Contract
- Certified true copy of Wheeling Service Agreement (*for switch to a new Direct WESM Member Counterparty*)
- Certified true copy of Metering Services Agreement

### ❖ PEMC PARTICIPANT SUPPORT SECTION

- Date when form was received and completed
- Distribution to BSM and Finance – Date and Recipient
- Date when form was printed and scanned

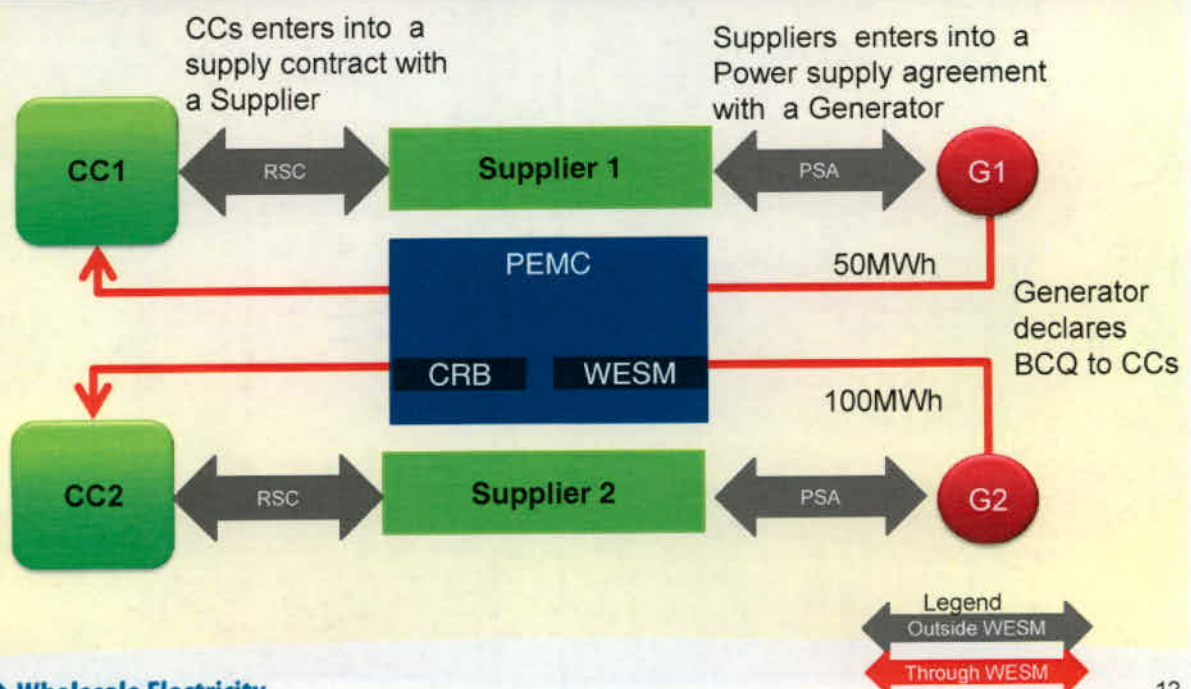
## RES TRADING LIMITS AND BCQ DECLARATION



## RES Trading Limits

- Suppliers (RES) shall be responsible for the aggregated prudential requirements of its Contestable Customers that are Indirect WESM Members
- Contestable Customers who are Direct WESM Members shall be responsible for their prudential requirements

## BCQ Declaration Protocol



## Enrolment of Supply Contracts

- Suppliers, as Direct WESM Members, can always purchase from the WESM
- Suppliers are required to enrol their bilateral contracts with generators ([Retail Rules clause 2.3.3.1](#))
- Suppliers are responsible for the management of their retail supply transactions in behalf of their contestable customers

## Enrolment of bilateral contracts

- 2.3.3.1 No later than thirty days before the effectivity of their contracts, Contestable Customers and Suppliers that have entered into bilateral power supply contracts with Generation Companies registered in the WESM and wish those bilateral contracts to be accounted for in WESM settlements shall enrol those contracts with the Market Operator in accordance with the customer enrolment procedures in the WESM.





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**Thank You!**

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# Assessment of the Proposed Amendments to Appendix A.1 of the Dispatch Protocol Manual (Proposed Cancellation of Offers)

February 2013

## Operational Assessment



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# Background

- ❑ The Rules Change Committee (RCC) proposes revisions on Section 4.5 (Revision and Cancellation of Bids) in Appendix A.1 of the Dispatch Protocol Manual
  - To address PA Findings on mandatory dispatch of generators at Pmin causing generators to be non-compliant with "must-offer" rule
  - Address existing problems
    - Power plants with high variable costs are not economically feasible to run all the time; and
    - Forcing these plants to run will incur additional cost for their Pmin. Pmin under WESM rules are price takers, thus fuel costs for their Pmin are unrecoverable



# RCC Rationale

- ❑ Currently, there are existing problems with the implementation of the must offer rules, in which:
  - Power plants with high variable costs are not economically feasible to run all the time; and
  - Forcing these plants to run will incur additional cost for their Pmin. Pmin under the WESM rules are price takers, thus fuel costs for their Pmin are unrecoverable
- ❑ The RCC has already tackled alternative proposals such as the use of a secondary Pmin, however it was found to be not feasible. Thus, provisions for cancellation are now being looked at
- ❑ RCC believes that the proposed provision for cancellation shall result to the following
  - High cost power plants will not be forced to run if they are not needed by the system; and
  - Efficient use of resources



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## Proposed Manual Change

1. Trading Participants may opt to cancel their daily or "converted" standing bids/offers for a particular trading interval if the generating unit is included in the list of the generating units that may opt to cancel which MO shall provide.
2. The MO shall publish list of generating units per interval that may opt to cancel upon the following conditions:
  - a. total generation offers is 10% above hourly demand ("Supply Threshold") for all trading intervals for the specific day;
  - b. the generation units are the most expensive units, following the MOT results of 1200H DAP; and
  - c. after deducting Pmin of the generating units, total offer is still more than demand.
3. MO shall further evaluate Supply Threshold and recommend changes if necessary.



## Proposed Manual Change

4. Cancellation of bids/offers shall be made within the period provided in the WESM timetable. Cancelled bids/offers may, however, be revoked or revised likewise within the period provided in the WESM timetable for submission of bids/offers
5. If upon cancellation of a generating unit, SO finds that the generating unit is needed for system reliability, then the generating unit shall be scheduled as an MRU, as provided for in the MRU Manual



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## Guiding Principles of the Proposal

- ❑ Generators must have default offers for the accuracy of Day Ahead Projection (DAP), which will be used by MO and SO in assessing system security and reliability concerns;
- ❑ MO will be the entity responsible in providing the hourly projected system demand, hourly offers and other pertinent data in the MMS system messages for transparency;
- ❑ MO to publish in the system messages if the threshold to cancel is reached and the Trading Participants (TPs) that are allowed to cancel their bids/offers



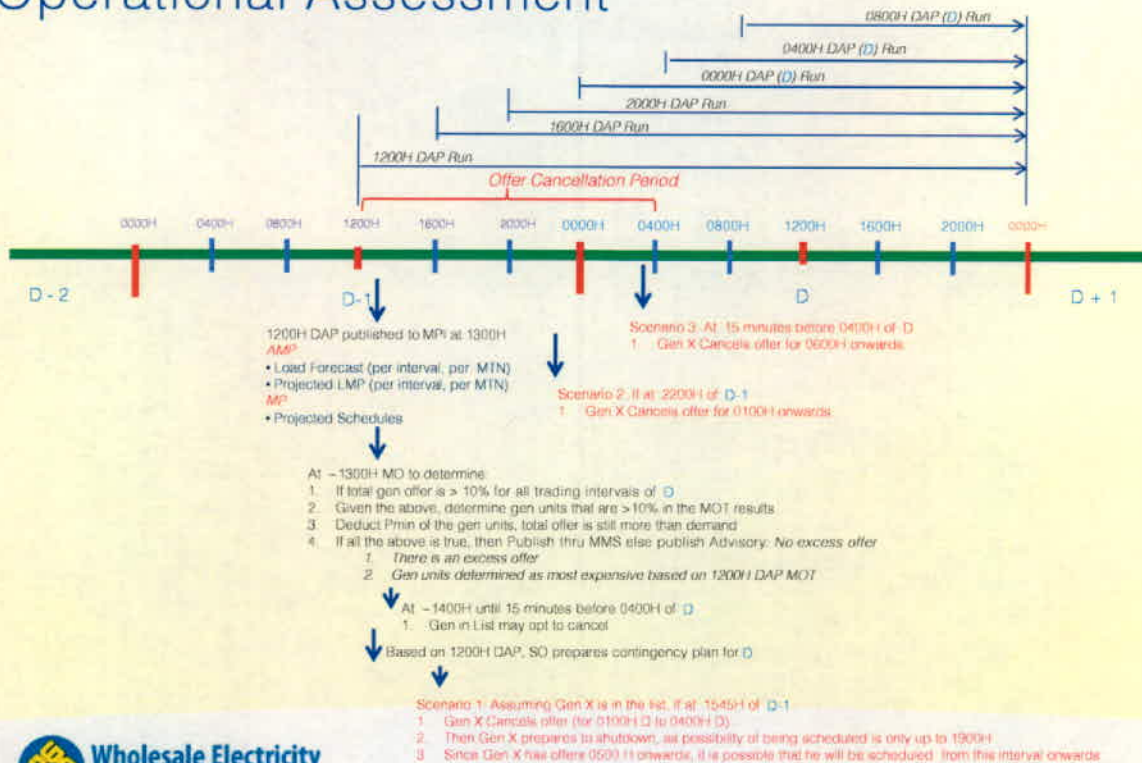
## Guiding Principles of the Proposal

- ❑ The proposal notes that "the threshold to be used is generator offers 10% above hourly demand. The cancellation time will be from 1200H DAP (d-1) until fifteen (15) minutes before the 0400H DAP (d) run only"
- ❑ The proposal also notes the following steps for cancellation
  - If threshold is reached, then MO to inform thru the MMS that:
    - a. there is an excess offer
    - b. most expensive (by the result of MOT) plants that may opt to cancel offers;
  - The most expensive may opt to cancel their offers only before 0400H DAP, so that SO and MO may have an overview of supply situation for the day on the 0400H run;
  - Cancellation of offers shall be done thru the MMS and should already be reflected in the next DAP run;
  - If after the cancellation, SO finds that the plant needs to run due to other reasons (system reliability), then that particular plant should be a MRU; and
  - Generators which cancelled their bids may opt to rebid anytime.



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## Operational Assessment



## Issues and Concerns

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# Operational Concerns and Feasibility

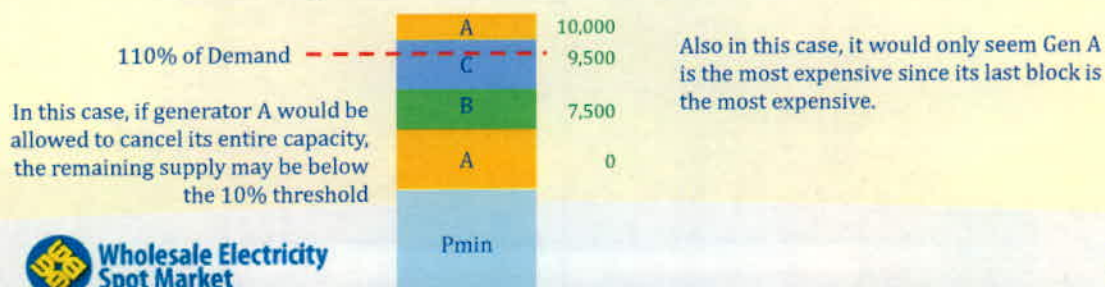
- ❑ Changes to the MMS-MPI are required to fully operate such a proposal for cancellation
  - Publication of hourly demand and offers for every DAP run
  - Restriction to allow only qualified generators to cancel offers
- ❑ System Enhancements to automate
  - Determine the most expensive plant
  - Publish qualified generators for cancellation
- ❑ Assessment of Supply and Demand typically uses the 1200H and 1600H DAP run
  - If cancellation, happens beyond this point, then as pointed out by SO they will require, DAP runs considering all cancellation scenarios. The current MMS has no capability to perform such actions. MMS enhancement needs to be provided.



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# Operational Concerns and Feasibility

- ❑ Use of the Merit Order Table (MOT) as reference for cancellation
  - It is only stated that generators that are the most expensive based on the MOT would be allowed to cancel
  - However, generators offer quantities using offer blocks that are pairs of prices with corresponding quantities
  - Hence, it should be clear how to identify the "most expensive" generators based on MOT
  - It should also be noted that there may be cases where the supply threshold is beyond 10%, but when the "most expensive" generator cancels its offer, the supply threshold will then be below 10%
  - PEMC already noted concerns on qualifying generators for cancellation on the November 2012 RCC meeting.



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# Operational Concerns and Feasibility

- ❑ There is no clear provision for cancellation upon the integration of the reserve market into the commercial operations of WESM
  - There should be consideration of reserve requirement on the cancellation of offers
  - Once the co-optimization of energy and reserve is in effect in WESM, the treatment for cancellation would be entirely different and complex given the varying schedules it may produce to meet the energy and reserve requirements
- ❑ How should the MOT be treated?
  - What MOT should be used? System-Wide? Or Per Grid?



## Wayforward

- ❑ Engagement of Consultant to study Pmin and associated Market Issues



# End of Presentation