

**MINUTES OF THE 77th MEETING OF THE RULES CHANGE COMMITTEE**

<b>Meeting Date &amp; Time:</b>	07 August 2013 – 09:15 AM to 3:45 PM	
<b>Meeting Venue:</b>	PEMC Board Room, 18 <sup>th</sup> Floor, Robinsons Equitable Tower Ortigas Center, Pasig City	
<b>Attendance List</b>		
<b>In-Attendance</b>	<b>Not In-Attendance</b>	
<b>Rules Change Committee Members</b>		
Rowena Cristina L. Guevara --Chairperson/ Independent --UP		
Francisco L. R. Castro Jr. --Independent --Tensaiken Consulting		
Maila Lourdes G. De Castro --Independent		
Concepcion I. Tanglao --Independent		
Joselyn D. Carabuena --Generation -- PSALM		
Jose Ferlino P. Raymundo --Generation -- SMEC		
Theo Cruz Sunico --Generation -- 1590 EC		
Ciprinilo C. Meneses--MERALCO		
Gilbert A. Pagobo --Distribution --MECO		
Jose P. Santos --Distribution --INEC		
Sulpicio C. Lagarde Jr. --Distribution --CENECO		
Lorreto Hilario-Rivera --Supply --Team Energy Corporation		
Isidro E. Cacho -- Market Operator --PEMC		
Ambrocio R. Rosales --System Operator --NGCP		
<b>Rules Change Committee Alternate Members</b>		
Edwin N. Mosa -- Market Operator -- PEMC		
Beatriz Irina Denise C. Alazas -- Generation --PSALM		
Jinky Rose L. Go -- Generation -- SMEC		
<b>PEMC – Market Assessment Group (MAG)</b>		
Chrysanthus S. Heruela		
Geraldine A. Rodriguez		
Romellen C. Salazar		
<b>PEMC – Legal</b>		
Caryl Miriam Y. Lopez-Mateo		
<b>PEMC – Finance</b>		
Marissa P. Gandia		
<b>PEMC – ISTD</b>		
Patrick Fernandez		
<b>DOE Observer(s)</b>		
Ferdinand B. Binondo		

*Mendi*

**Others Present**

Ernesto Padilla -- Generation -- Team Energy

There being a quorum, - Dr. Rowena Cristina L. Guevara called the meeting to order at around 9:15 AM.

1 Before proceeding with the Agenda items, Dr. Guevara acknowledged the newly-appointed  
2 members of the RCC, as follows:

- 3  
4 Joselyn Carabuena--PSALM, Principal  
5 Jose Ferlino P. Raymundo--San Miguel Energy Corporation (SMEC), Principal  
6 Theo Cruz Sunico--1590 Energy Corporation (1590 EC), Principal  
7 Gilbert A. Pagobo--Mactan Electric Company (MECO), Principal  
8 Lorreto Hilario-Rivera--Team Energy Corporation, Principal  
9 Beatriz Irina Denise C. Alazas--PSALM, Alternate  
10 Jinky Rose L. Go--SMEC, Alternate

Likewise, the following were also acknowledged for their re-appointment to their position as RCC members:

- Mr. Ciprinilo Meneses--MERALCO, Principal  
Mr. Morales--MERALCO, Alternate  
Mr. Jose Santos--INEC, Principal  
Mr. Alimbuyugen--INEC, Alternate

11 The newly-appointed members were welcomed to the RCC by Chair Guevara. The new  
12 members were asked to introduce themselves after which the other attendees to the meeting  
13 also introduced themselves.

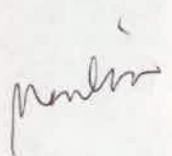
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15 **1. Adoption of the Proposed Agenda**

16 The Proposed Agenda for the 77th RCC Meeting was approved, as presented.  
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19  
20 **2. Review, Correction, and Approval of the Minutes of the 75th RCC Meeting**

21 The Minutes of the 76th RCC Meeting was approved, as amended. Corrections  
22 made are as follows:  
23

- 24  
25 • On page 15, lines 34-36:  
26



1 "...She stated the need to quantify the variation, in order to show that both  
2 the generators and consumers have certain levels of sophistication."  
3 (13:40)

- 4  
5 • On page 17, line 41:

6  
7 "Dr. Guevara commented that the failure of PEMC and MERALCO to  
8 exchange information may result has resulted in the inefficiency in the  
9 market."

- 10  
11 • On 17, lines 44-45 (line 42)

12  
13 "Mr. Cacho expressed that what is required in the proper modeling of the  
14 MNM is not a single-line diagram but the network parameters and real-time  
15 information (snapshot) of MERALCO "

16  
17 Relative to the above correction, Mr. Cacho expressed that the data required  
18 by the MO is data that is processed and integrated by the NGCP. Thus, it was  
19 noted by Dr. Dr. Dr. Guevara that the process of submission should be from  
20 MERALCO to NGCP, then NGCP to MO.

- 21  
22 • On page 18, line 7:

23  
24 "..Mr Binondo responded that the DOE already discussed the matter and  
25 intended to write MERALCO."

- 26  
27  
28 • On page 18, line 21:

29  
30 " Dr. Guevara commented that giving to the Generators part of the NSS may  
31 is not be appropriate,..."

32  
33  
34 Noting the corrections above, the Minutes of the 76th RCC Meeting was approved,  
35 as amended.

36  
37 Following the approval of the Minutes of the 76th RCC Meeting, Mr. Ciprinilo  
38 Meneses, who was not present during the last meeting, gave his comments on the  
39 Minutes, as follows:

- 40  
41 • On the PEMC-BSM's presentation on the matter on Line Rental and SSLA,  
42 which touched on the issue of MERALCO's BCQ declaration

43  
44 Mr. Meneses clarified on the supposed "non-compliance" of MERALCO with  
45 respect to its BCQ declaration as reflected in the PEMC-BSM's presentation.  
46 He stated that there is simply no way that MERALCO can declare its BCQ on  
47 a per trading node basis, stating that such is not supported by the PEMC's  
48 online facilities. He explained that the WESM Billing and Settlement System  
49 (WBSS)--PEMC's online facility--does not provide an option to MERALCO to  
50 choose its nodes.

51  
*Meneses*

- On page 15, lines 28-30, on the supposed proposal of Mr. Meneses that MERALCO be treated as a load end transformer as stated by Mr. Ambrocio Rosales

Mr. Meneses clarified that there is no need to propose this as it is already currently being done, stating further that his proposal is actually to minimize imposing the N-1 condition on just one major delivery point and not simultaneously on all six of them.

Similarly, on the discussion on the matter of the Net Settlement Surplus (NSS), Dr. Guevara inquired from Mr. Isidro Cacho whether generators receive NSS. Mr. Cacho confirmed that indeed, the generators are receiving such.

The RCC agreed for the above comments to be treated as *comments on the approved Minutes of the 76th RCC meeting*, which shall be reflected in the Minutes of the 77th RCC Meeting.

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

- o **Proposed Amendments to WESM Rules and Dispatch Protocol Manual on "Submission of Bids and Offers based on Reasonable Estimate: Comments received from SNAP"**

Relative to the RCC's proposed amendments on the above subject, the RCC discussed the comments received from the SN Aboitiz Power (SNAP) on Clause 3.5.11.5 of the WESM Rules, as follows:

*"With respect to item b, the provision of reasons when offer cancellation is involved is not currently supported in the existing interface (WESM MMS-MPI)."*

Mr. Cacho stated in relation to SNAP's comment, that PEMC has already coordinated with Asea Brown Boveri (ABB) and requested for the necessary enhancements in the MPI that would allow for the feature in the Market Participants Interface (MPI) to support the proposed amendment. He added that such request included the incorporation of a prompt whenever there is a change in offer that is not equal to the registered capacity, as recommended by the Market Surveillance Committee (MSC). With regard to the timeline of its implementation, Mr. Cacho said he cannot give an exact date, but, estimated that this may be available by the end of the year.

Noting that the MPI enhancement, cannot be implemented immediately upon approval of the amendment, Dr. Dr. Guevara inquired from PEMC whether the RCC can propose to the PEM Board an amendment that is not yet implementable, emphasizing on the feasibility criteria of rules changes.

Mr. Cacho responded that the RCC can perhaps include a clause in its proposal that would reflect that said amendment is subject to the modification of the MPI.

Atty. Caryl Lopez-Mateo stated, however, that while the RCC can actually proceed with its proposal, her concern was more on the RCC assuring the PEM Board that such enhancement in the MPI can actually be implemented. She, thus, suggested

*Meneses*



1 getting feedback from the ABB whether the required MPI enhancement can be done,  
2 so that when the proposal goes to the PEM Board, it can plan the approval and  
3 transmittal to the DOE to coincide with the change in the MPI.  
4

5 Mr. Chrysanthus Heruela opined that the RCC can still proceed with its proposal, as  
6 the PEM Board-approved amendment will be used as basis for the request for any  
7 required IT development related to the amendment. He also stated that PEMC, for its  
8 part, can request from the ERC for incorporation in the market fees the budget that  
9 would support the implementation of such proposal.  
10

11 Noting the above suggestions, the RCC passed a Resolution approving the  
12 submission to the PEM Board of the proposed amendments to the WESM Rules and  
13 the Dispatch Protocol Manual on the submission of bids and offers based on  
14 "Reasonable Estimate." The RCC likewise agreed to reflect in the Resolution that the  
15 implementation of said amendment is subject to the modification of the Market  
16 Participants' Interface, in order to respond to the comment submitted by SNAP.  
17

18  
19 **o Proposed Amendments to the WESM Rules and BS Manual on Prudential  
20 Requirements**

21 **• Comments on Proposed Amendments to WESM Rules on PR**

22  
23 The RCC discussed the comments received from the SNAP, San Miguel Group, and  
24 MPPCL relative to the proposed amendments to the WESM Rules and the Billing  
25 and Settlement Manual on PR, as posted in the public information website.  
26

27  
28 Following are the discussions relative to the comments received by the RCC from  
29 the generators:  
30

31 **➤ On 3.15.3:**

32  
33 **MPPCL Comment: "Security other than cash may be allowed provided that the  
34 same is in immediately available funds under template instruments prepared  
35 by PEMC (e.g., Standby Letter of Credit) for uniformity and ease in calling the  
36 said non cash security."**  
37

38 RCC Discussion:

39  
40 The RCC noted PEMC's preference for cash as the primary form of security.  
41

42 Mr. Gilbert Pagobo inquired whether it is possible to make the provisions on the  
43 security deposit consistent with the principle under the Distribution Services and  
44 Open Access Rules (DSOAR) which states that if a Customer diligently pays its dues  
45 before due date within a 36-month period, the deposit shall be returned to that  
46 Customer. Mr. Meneses responded that this may not be possible since the DSOAR is  
47 applicable only to the DU system and that PEMC has its own Rules in this regard.  
48 Dr. Guevara added that probably, the basis of PEMC's proposal is its actual  
49 experience in dealing with security deposits, which led the same to impose cash as a  
50 primary form of security. Ms. Marissa Gandia of PEMC-Finance added further that  
51 the suggestion of Mr. Pagobo may not be possible because the purpose of  
52 prudential security deposit under the WESM Rules is different from that of the DUs.

*Meneses*



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Mr. Francisco Castro stated that when the proposal was published for comments, he noted that there were already reactions from the Generators to bring back the prudential requirement equivalent to 70 days.

Dr. Guevara commented that certain compromises must be made relative to the matter so that all players in the WESM can be satisfied. Relatedly, Mr. Meneses commented that balance in protecting both sides--generators and customers--must be achieved in this regard.

Noting the comments and discussion, the RCC agreed to retain the RCC proposal.

➤ On 3.15.4.1:

**MPPCL comment:**

"The ME of a WESM member shall be computed as the Average Monthly Settlement Amount (AmSA) of the billing periods covering 26 March through 25 September prior to the end of the financial year. The amount of security to be provided by each WESM Member pursuant to clauses 3.15.2.1 and 3.15.2.2 shall be equivalent to the ME multiplied by the factor  $(35-70/30)$ ."

**San Miguel's comment:**

"The ME should be equivalent to seventy (70) days to cover the lag between the billing period and the date of payment, and in case the WESM member defaults, when disconnection is effected."

**APC's comment:**

"The ME should be defined as an amount in relation to the highest number of days of exposure, which is the amount the Trading Participant is liable to pay WESM upon any event of its default.

Please see attached visual presentation (page at the end of this document) of the maximum exposure. Please note that it will take at least 70 days to effect disconnection of a customer. Thus, the generator is exposed to the market by at least 70 days also.

We would like to propose the following:

Subject to clause 3.15.2.2, 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 (ME) to the Market Operator in respect of a billing period in the following financial year.

The ME of a WESM member shall be computed as seventy (70) multiplied by the Average Daily Settlement Amount (AdSA) of the billing

1 periods covering 26 March through 25 September prior to the end of the  
2 financial year. The amount of security to be provided by each WESM  
3 Member pursuant to clauses 3.15.2.1 and 3.15.2.2 shall be equivalent to  
4 the ME multiplied by the factor (35/70).

5  
6 If there is a disputed bill or change in BCQ during the months covered  
7 in the computation of the ME, a WESM member may request a month  
8 within the 26th March to 25th September billing periods (the  
9 "Replacement Month") to be considered twice in the computation of the  
10 ME; provided that the Replacement Month shall have the same number  
11 of calendar days as the month during which the disputed bill or change  
12 in BCQ occurred.

13  
14 If there is a change in BCQ due to either termination of supply contract  
15 or an additional supply contract, MO shall immediately recompute the  
16 WESM member's ME and the WESM member shall update the amount of  
17 the security based on the recomputed ME no later than the first day of  
18 the immediately succeeding Billing Period."

19  
20 RCC discussion:

21  
22 The RCC noted the comments but recalled that there has already been a directive  
23 from the PEM Board to reduce the number of days for the PR coverage to 35 days.

24  
25 Mr. Cacho clarified what "average actual market price" mentioned in the RCC's  
26 proposal under 3.15.4.1 refers to. He said that the same has no definition under the  
27 Rules. He added that when the proposal was drafted, the average actual market  
28 price pertained to the Total Trading Amount divided by the Spot Quantity. He  
29 explained further that on the part of PEMC, this is the Total Amount paid by the  
30 Customer divided by the Metered Quantity (MQ) or the Spot Quantity.

31  
32 Noting the comment of Mr. Cacho, the RCC agreed to retain the RCC proposal and  
33 to include the meaning of average actual market price as another sentence under the  
34 section.

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37 ➤ On 3.15.4.2:

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39 **MPPCL Comment:**

40  
41 " Please reconcile based on the edit made with clause 3.15.4.1  
42 qualifying the period to update the security on the revised ME."

43  
44 **APC Comment:**

45  
46 "Please see proposed edit on clause 3.1.5.4.2 to reconcile with clause  
47 3.1.5.4.1 qualifying the period to update the security based on the  
48 revised ME:"

49  
50 "The Market Operator may review its determination of a WESM  
51 member's maximum exposure at any time, provided that, without

*Member*

1 prejudice to Clause 3.15.4.1, any change to a WESM member's  
2 maximum exposure will apply no earlier than thirty days following  
3 notification by the Market Operator to that WESM member of that  
4 change or such earlier period agreed by the PEM Board."  
5

6 The RCC noted the comments of the TPs above, but pointed out to their  
7 inconsistency with the 35-day PEM Board directive, thereby, agreeing to retain the  
8 RCC proposal as posted.  
9

10  
11 > On 3.15.4.3:

12  
13 **MPPCL comment:**

14  
15 "Each *WESM member* shall ensure that at all times the aggregate undrawn  
16 and unclaimed amounts of current and valid security held by the *Market*  
17 *Operator* in respect of that *WESM member* is not less than that *WESM*  
18 *member's* maximum exposure ME multiplied by 70 days/30 days, which  
19 corresponds to the WESM Member's total billed but unpaid settlement  
20 amount."  
21

22 **APC comment:**

23  
24 "Each *WESM member* shall ensure that at all times the aggregate undrawn  
25 and unclaimed amounts of current and valid security held by the *Market*  
26 *Operator* in respect of that *WESM member* is not less than that *WESM*  
27 *member's* maximum exposure ME multiplied by 35 days/70 days, which  
28 corresponds to the WESM Member's total billed but unpaid settlement  
29 amount."  
30

31 The RCC noted that the comments above support the suggestion stated in the  
32 previous sections which are not consistent with the 35-day PEM Board directive. The  
33 RCC thereby agreed to retain the RCC proposal relative to this section.  
34

35  
36 > On 3.15.4.4:

37  
38 **APC comment:**

39  
40 "To diminish the possibility of incurring a margin call under clause 3.15.10, a  
41 *WESM member* may in its absolute discretion provide to the Market  
42 Operator a security or securities in accordance with clause 3.15.3 for an  
43 aggregate amount that exceeds its maximum exposure ME the amount of  
44 security required under Clause 3.15.4.1.  
45

46 If said additional security or securities is not in the form of Cash, the  
47 WESM member shall secure the prior written determination and  
48 approval of the Market Operator."  
49

50 **San Miguel comment:**  
51

*Mendon*

1                   **"To diminish the possibility of incurring a margin call under clause**  
2                   **3.15.10 the Market Operator shall determine whether a WESM member**  
3                   **must provide a security or securities in accordance with clause 3.15.3**  
4                   **for an aggregate amount that exceeds its ME."**  
5

6                   Relative to the comment of San Miguel, Atty. Jinky Go, the official alternate of SMEC,  
7                   emphasized that San Miguel's proposal to make it mandatory for MO to determine  
8                   the need for additional security for the amount that exceeds the ME is aimed at  
9                   promoting discipline among WESM members. She added that through the proposal,  
10                  the MO would have a stronger position relative to the determination of the securities  
11                  described above.

12  
13                  Ms. Gandia responded that the Prudential Requirement has already been defined to  
14                  be equivalent to ME of 35 days. If the MO shall require the participants to provide  
15                  beyond the ME, this would mean for the Customers providing prudential security  
16                  deposit of more than 35 days, which boils down to the question of "up to how  
17                  much?"

18  
19                  Mr. Lagarde added that the margin call is not the own making of the DUs. He  
20                  expressed that most of the time, such is a result of congestion in the transmission,  
21                  which results in the bilateral contracted volume of the DUs not being delivered due to  
22                  the failure in the NGCP's facilities, effectively triggering high market prices. Thus, he  
23                  agreed that "may" should be used instead of "shall".

24  
25                  Dr. Guevara for her part expressed that the word "shall" means the MO will actually  
26                  require more days for PR coverage over the 35 days which is not consistent with  
27                  the PEM Board directive.

28  
29                  Ms. Joselyn Carabuena stated that perhaps, the rationale for the proposed RCC  
30                  provision is for the WESM members that already anticipate an increase in its  
31                  exposure, to voluntarily post additional security deposit to avoid a margin call. . This  
32                  is probably the reason for the discretion given to the WESM member--the fact that it  
33                  anticipates bigger consumption that it used to, rather than a spike in prices triggered  
34                  by other factors, to put up additional security in order to avoid a margin call.

35  
36                  Following the discussion on the matter, the RCC in the end agreed to retain the RCC  
37                  proposal.

38  
39  
40                  ➤ On 3.15.5.1:

41  
42                  **APC and MPPCL comment:**

43  
44                  **"If: a) An existing security provided by a WESM member under this clause**  
45                  **3.15 is due to expire or terminate; and,**

46  
47                  **b) After that security expires or terminates, the maximum amount which**  
48                  **the Market Operator will be entitled to be paid in aggregate under any**  
49                  **remaining security or securities provided by the WESM member under**  
50                  **this clause 3.15 will be less than WESM member's maximum exposure ME**  
51                  **the required securities under clause 3.15.4.3"**  
52

*Mendoza*



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The RCC agreed to retain its original provision since the APC and MPPCL proposal above runs counter with the 35-day PEM Board directive.

➤ On 3.15.5.2:

**APC comment:**

" We would like to be clarified on the basis of "3 days" instead of 24 hours."

**MPPCL comment:**

" We propose as follows:"

**"b) That WESM member does not remedy that failure within two (2) business days inclusive of the day of being notified by the Market Operator of the failure," XXX**

**RCC discussion:**

Atty. Maila De Castro noted that the "days" in the provision is unqualified whether as working days or business days or regular days. Atty. Lopez-Mateo responded that the same refers to working days. In which case, Atty. De Castro suggested looking into the definition of working days in order to determine the intention of the proposal. Mr. Ferdinand Binondo stated that the definition of working day is "day excluding Saturdays and Sundays on which banks and financial institutions are open in the city or municipality where the principal offices of the MO are located."

Noting the above, Dr. Guevara stated that the bottom-line of the number of days in the proposal is to account for the days for which banks are closed, whether on weekends or on holidays.

Following the discussion, the RCC agreed to retain 3 working days as reflected in the RCC proposal.

➤ On 3.15.6.2:

**APC comment:**

" We would like to be clarified on the basis of "3 days" instead of 24 hours.

Also please see proposal as follows:"

"If, as a result of the *Market Operator* exercising its rights under a security provided by a *WESM member* under this clause 3.15, the maximum amount which the *Market Operator* is entitled to be paid under the security or securities provided by the *WESM member* under this clause 3.15 is less than the *WESM member's* maximum exposure ME, required securities under clause 3.15.4.3, then, within 24 hours of receiving a notice under clause

*Member*

1 3.15.6.1, the *WESM member* shall provide an additional security to ensure  
2 that at all times, it complies with the requirements of this clause 3.15."  
3

4 **MPPCL comment:**

5  
6 "We propose similar construct as in Sec 3.15.5.2 – two (2) business days  
7 inclusive of the day of receipt of written notice."  
8

9 The RCC noted this Section should be consistent with the previous clause 3.15.5.2.  
10 Thus, the RCC agreed to retain its proposal on clause 3.15.6.2 consistent with what  
11 the RCC has agreed upon under clause 3.15.5.2.  
12

13  
14 ➤ On 3.15.6.3:

15  
16 **APC comment:**

17 " Please see proposed edit to be consistent with the revised language of  
18 clause 3.15.5.2.  
19

20  
21 "If a WESM member fails to comply with clause 3.15.6.2 within the time  
22 period referred to in that clause, then **the WESM member shall be deemed**  
23 **to be in default** and the Market Operator shall give the WESM member a  
24 suspension notice in accordance with clause 3.15.7."  
25

26  
27 **RCC discussion:**

28  
29 Atty. Lopez-Mateo noted that there is another section in the WESM Rules which  
30 defines the terms of default. She expressed that there is no problem introducing a  
31 new term "deemed in default" for as long as it is properly defined in the WESM  
32 Rules. Further, she stated that with regard to actual event of default, there are  
33 several grounds for such, but the actual default for this purpose is the non-payment  
34 of Customer, thus, the phrase "deemed in default" is no longer necessary in this  
35 case, since the clause refers to actual default. Thus, she suggested retaining the  
36 RCC proposal.  
37

38 Noting the above comments, the RCC agreed to retain the RCC proposal.  
39

40 On a related matter, Mr. Lagarde raised that it already happened twice that CENECO  
41 made its payment at 10:59AM on a Friday, which fell before the cut-off time of  
42 11:00AM. The remittance from the bank (BDO Bacolod) was received by PEMC the  
43 following Monday, and for which, CENECO was charged 2 days interest. He pointed  
44 out that, it was PEMC that appointed the bank for the purpose of payment, therefore,  
45 it is PEMC's responsibility to ensure that the system relative to payment works  
46 effectively for the Trading Participants.  
47

48 In response to Mr. Lagarde's sentiments, Ms. Gandia clarified that payment is  
49 considered given only upon PEMC's receipt of the same rather than upon payment of  
50 the WESM member.  
51

*Mendoza*

1 In relation to the last statement of Mr. Lagarde, Mr. Heruela clarified that it was the  
2 PEM Board which appointed and approved the bank. He also emphasized that the  
3 provisions being discussed are relative to the changes in the WESM Rules. He  
4 therefore commented that with regard to the issue on the appointment of banks, the  
5 same has to be incorporated in the Manual rather than the Rules.

6  
7 On a final note, Dr. Guevara stated that at the moment, the RCC may not be the  
8 venue to address the concerns raised by Mr. Lagarde.

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11 ➤ On 3.15.7.2:

12  
13 **APC comment:**

14  
15 " Please see proposed edits to incorporate additional conditions for the  
16 WESM member's default to be considered as remedied:

17  
18 "The *Market Operator* shall revoke a suspension notice if:

- 19  
20 a) In the case of a default event, **(i) the default event is remedied, (ii) a**  
21 **security in an amount equivalent to the full value of the ME is posted,**  
22 **and (iii) all WESM settlement amounts, whether billed or unbilled, up to**  
23 **the time of disconnection are fully paid; or,**  
24 b) In the case of a failure to maintain compliance with *prudential requirements*  
25 under this clause 3.15, that failure has been remedied; and,  
26 c) There are no other circumstances in existence, which would entitle the *Market*  
27 *Operator* to issue a suspension notice,

28  
29 ~~except that~~ "The *Market Operator* shall not revoke a suspension notice  
30 more than one **(1)** month after it was issued."

31  
32 Noting that the proposed amendment by APC above implies that the unbilled portion  
33 will be included in the payment of the billed portion by the one in default, which Ms.  
34 Gandia stated is not possible because the unbilled portion has a different due date,  
35 the RCC agreed to maintain its proposal.

36  
37  
38 ➤ On 3.15.7.4:

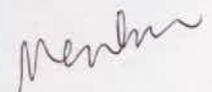
39  
40 **San Miguel comment:**

41  
42 "From the time the WESM Member receives a written notice of suspension  
43 issued by the Market Operator xxxx"

44  
45 **How can the MO impose this on Indirect WESM members?"**

46  
47 Mr. Gilbert Pagobo commented that the indirect member will always be a  
48 responsibility of the direct member. Relatedly, Atty. Lopez-Mateo responded to the  
49 inquiry above that given that the indirect member has no direct dealings in the  
50 WESM, then the MO cannot impose a written notice on them.

51  
52 The RCC then agreed to retain its proposal.





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➤ On 3.15.7.5:

**MPPCL comment:**

"We propose that WESM members who will not comply with the suspension notice be given a penalty in the form of increase in PR of 90/30 days of ME."

**RCC Discussion:**

Atty. Lopez-Mateo explained that under the DOE policy, suspension notice is a ground for disconnection. Once a suspension notice is issued, PEMC submits its request for disconnection with the NGCP. Upon the former's receipt of such request and verification that the Participant has similarly received the same, the NGCP will have 5 working days to implement the disconnection. At the same time, the disconnection policy also provides time for the Trading Participant to remedy the suspension notice between that 5 working days.

Mr. Rosales commented that once the NGCP receives the request for disconnection, it immediately implements the same.

Mr. Lagarde likewise commented that there is no need to add 60 days relative to PR since it will only increase the exposure of the generator. He opined that once the PR is exceeded by the ME, disconnection must be immediately implemented.

Noting the above, the RCC agreed to retain its proposal as posted.

➤ On 3.15.7.6:

**San Miguel comment:**

" delete also "reasonable" – the member is either in default or not."

**RCC discussion:**

Mr. Jose Raymundo stated, relative to San Miguel's comment, that the word reasonable in the section seems vague.

Atty. De Castro clarified the phrase reasonable determination justifies rectifying the event, and is not about whether the member is in default or not. It is about if the member can rectify the event or not. She explained that it was previously recommended to retain the phrase in the proposal because, otherwise, the determination can be unreasonable.

Upon obtaining majority votes in favor of retaining "reasonable" in the clause, the RCC agreed to retain the original provision.

➤ On 3.15.8.3:

*Mendon*

1           **APC comment:**

2  
3           " The trading limit definition shall be amended as follows:"

4  
5           "The Trading Limit for a *WESM member*, at any time, ~~shall not be greater~~  
6           ~~than 95% be 200% equal to of the~~ total value of the security, ~~including~~  
7           interest rate, if any, provided by the *WESM Member* to the *Market Operator*  
8           under clauses 3.15.3 (a) to (c), Notwithstanding clauses 3.15.7.2 (a) and  
9           3.15.7.7."

10  
11           **MPPCL comment:**

12  
13           "Agree as long as the proposal of MPPCL for the Security deposit under  
14           clause 3.15.4.1 is carried. Otherwise we propose a 75% trading limit if  
15           amount of security deposit is lower."

16  
17           Noting that the above comments effectively increase the 35-day PR, the RCC agreed  
18           to retain its proposal.

19  
20  
21           ➤ On 3.15.9.1:

22  
23           **APC comment:**

24  
25           "We would like to kindly recommend that determination of actual exposure be  
26           done daily. The monthly actual exposure of a Trading Participant will equal at  
27           least 60 days already. Clauses 3.15.9.2 up to 3.15.9.4 should remain the  
28           same as the original provisions.

29  
30           Also , please reword clause 3.15.9.1 to:

31  
32           At the end of eEach trading day, the *Market Operator* shall review, its actual  
33           exposure to each *WESM member* in respect of previous billing periods under  
34           the in accordance with the WESM Rules"

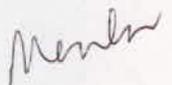
35  
36  
37           **MPPCL comment:**

38  
39           "We propose that:"

40  
41           ~~¶~~The *Market Operator* shall review, on a monthly basis, its actual  
42           exposure to each *WESM member* in respect of previous billing periods  
43           under the in accordance with the WESM Rules. In the event that the actual  
44           exposure is greater than the security limit the Market Operator shall ask the  
45           Trading Participant for a prepayment."

46  
47           The RCC noted that daily determination of actual exposure is not feasible. Thus, the  
48           RCC agreed to retain its proposal

49  
50  
51           ➤ On 3.15.10.1:



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**San Miguel comment:**

" The MO should issue the margin call notice within one (1) day from the time the WESM member exceeds its trading limit."

The RCC noted that margin call notice is in fact issued in advance, 3 days to be precise. Therefore, the RCC agreed to retain its proposal.

➤ On 3.15.10.3:

**San Miguel comment:**

"The written margin call notice is acceptable, but our concern is the timing – the WESM member in question is already exceeding its trading limits and is also given three (3) days to satisfy the margin call, in the meantime, there is no cover for the trading amounts above the trading limit and the trading amounts during the 3-day period given to the member to settle the margin call. We propose that the margin call is settled no later than two (2) working days from receipt of the written notice of margin call:

"A margin call under clause 3.15.10.2 must be satisfied within two (2) working days from receipt of the Margin Call Notice."

The RCC already resolved that margin call should be settled within 3 working days. Thus, the RCC agreed to retain its proposal.

➤ On 3.15.10.5:

**San Miguel comment:**

"This should include accrued trading amounts: "

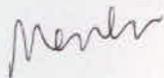
"In the event of suspension, all the settlement statements issued to such WESM member, including an estimate of the accrued trading amounts, shall become immediately due and demandable."

**APC comment:**

"If a *WESM member* fails to satisfy a margin call by providing additional security or making a prepayment under clause 3.15.10.2 **in relation to clause 3.15.10.3**, then the *Market Operator* shall **give issue** the *WESM member* a suspension notice **in writing**.

In the event of suspension, all the settlement statements issued to such *WESM member* shall become immediately due and demandable, as well as all unbilled amounts, if any, upon receipt by the *WESM member* of the corresponding settlement statement."

Highlights of RCC Discussion:



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- ✓ Load customers continue to get power from the grid until disconnection is implemented
- ✓ The above comment from San Miguel suggests settlement of the unbilled trading amount.
- ✓ The context of the above comment is not under a normal condition since it already involves suspension.
- ✓ PEMC cannot operationalize the suggestion to include in the settlement the unbilled trading amount, since quantity and price of the unbilled portion is not yet available until the billing is issued. Ms. Gandia stated that PEMC can only provide an estimate relative to the unbilled portion. However, she emphasized that the trading amount that is unbilled falls under a different due date.
- ✓ Atty. Lopez-Mateo commented that suspension can be lifted, and because lifting suspension as soon as possible should be the aim at all times, a room for compromise should be considered, assuming that the Customer intends to pay. And since there is a preliminary statement that has been the basis for suspension, payment of the Customer should also be based on that preliminary statement which would aid in the immediate lifting of suspension. Ms. Gandia explained further that the ground for suspension is what should be remedied, in which case, the non-compliance with PR and non-payment of settlement amount.

Noting the apprehension of generators of not getting paid in the worst case that the grounds for suspension mentioned by PEMC-Finance were not remedied, the RCC agreed to insert "**including an estimate of the accrued trading amount**" in the provision," with emphasis on "estimate" in recognition that PEMC may not be able to make available the actual trading amount of the accrued unbilled portion. Thus, the proposed amendment would read as follows:

*XXX "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."*

➤ On the Glossary:

**Interest Rates**

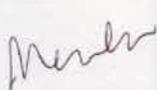
**San Miguel comment:**

**"The BSP lending rate may change from day to day. How will the annual interest rate be computed?"**

**MPPC comment:**

**"Bangko Sentral ng Pilipinas publishes at its website the prevailing "91-day T-bill Rate". We propose to use the correct reference and not the term "lending rate."**

Ms. Gandia clarified that the proposal of PEMC as endorsed by the RCC refers to the one approved by the Bangko Sentral. She explained that the annual rate is computed





1 using the published lending rate at the time of payment since rates change on a daily  
2 basis.

3  
4 Noting the explanation provided by the PEMC-Finance, the RCC agreed to retain its  
5 proposal.

6  
7  
8 **Default Interest**

9  
10 **APC comment:**

11  
12 **"Default interest. An interest rate of 2% per annum above the interest rate. An**  
13 **interest rate of three percent (3%) per annum above the Interest Rate, or such**  
14 **default interest rate as may be approved by the PEM Board."**

- 15  
16  
17 ✓ Clarification was sought on whether the default interest is applied on portion  
18 that was not secured by the PR or the entire settlement amount.  
19 ✓ Ms. Carabuena commented that default interest in the definition appears to  
20 be that in addition to the regular rate of 3%, thus, the wordings should be  
21 made clearer.  
22 ✓ Ms. Gandia stated that currently, what PEMC does, is to compute the default  
23 interest rate equivalent to interest rate last month, plus the penalty.  
24

25 Following the discussion, and as suggested by Atty. De Castro, the RCC agreed to  
26 insert in its original provision the phrase "to be applied to the remaining default  
27 amount." Thus, the wordings of this clause would read as follows:

28  
29 **"Default interest. An interest rate of 2% per annum above the interest rate. An**  
30 **interest rate of three percent (3%) per annum above the interest rate or the**  
31 **approved default interest by the PEM Board, in addition to the interest rate, to**  
32 **be applied to the remaining default amount."**

33  
34  
35 **Maximum Exposure**

36  
37  
38 **APC comment:**

39  
40 **"Maximum Exposure. The highest amount which the Trading Participant**  
41 **is liable to pay WESM upon any event of default, which is equal to**  
42 **seventy (70) multiplied by the Average Daily Settlement Amount (AdSA)**  
43 **of the billing periods covering 26 March through 25 September prior to**  
44 **the end of the financial year."**

45  
46 The RCC recognized the suggestion of the generators on the 70 days, but noted that  
47 the PEM Board already directed the adoption of the 35 days. Thus, the RCC agreed  
48 to retain its original proposal.  
49  
50

1                   • **Comments on Proposed Amendments to the Billing and Settlement**  
2                   **Manual on Prudential Requirement**

3  
4                   As a general comment, San Miguel suggested on the BSM Manual to replace  
5                   "Trading Participant" with "WESM member" to be consistent with the amendments to  
6                   the WESM Rules on Prudential Requirements.

7  
8                   Mr. Meneses commented that NGCP, for one, is not a Trading Participant but a  
9                   WESM Member. Thus, "WESM Member" would be a more encompassing term that  
10                  would qualify the SO, for instance.

11  
12                  Noting the above, the RCC agreed to incorporate the comments of San Miguel on the  
13                  BS Manual for the replacement of "Trading Participant" with "WESM member"  
14                  relative to the RCC's proposed revisions.

15  
16                  Below are the discussions which followed relative to the other comments of San  
17                  Miguel on the proposed amendments to the Billing and Settlement Manual.

18  
19  
20                  ➤ **On Section 4.2: "Please clarify how the security deposit will be**  
21                  **adjusted if the settlement amounts moves also from month to month."**

22  
23                  The RCC noted that it was already previously clarified by the PEMC-Finance that  
24                  security deposit is computed at the end of the year based on average.

25  
26  
27                  ➤ **On Section 4.4: " We propose that the margin call is satisfied within**  
28                  **two (2) business days from receipt of the written margin call notice. The**  
29                  **notice of margin call should indicate the date when the margin call**  
30                  **should be satisfied, otherwise the WESM member will be automatically**  
31                  **be suspended if it fails to satisfy the margin call on that date, without**  
32                  **the need for the issuance of a written notice of suspension."**

33  
34                  The RCC noted that this was already addressed in earlier discussions on the matter.

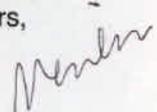
35  
36  
37                  ➤ **On Section 4.5 (Flowchart for Assessment and Monitoring of**  
38                  **Prudential Requirements):**

39  
40                  **" The flow chart appears to be applicable to new WESM Members. There**  
41                  **should be another monitoring process for the existing WESM Members.**

42  
43                  **The WESM member should already post the prudential requirement after**  
44                  **Step 2, before actual trading.**

45  
46                  **Likewise, after step 9, there should be payment of the additional**  
47                  **security deposit."**

48  
49                  In relation to Step 1 of the flow chart under 4.5, the RCC noted that the same is  
50                  applicable only to the new WESM members, and that for existing WESM members,



1 the process should start at Step 2. The RCC then agreed to amend the flowchart, to  
2 insert in Step 1 that the same is applicable only to new WESM members.  
3  
4

5 **➤ On Section 5.2 (Flowchart for Suspension of a WESM Member):**  
6

7  
8 "There is no 'STEP 3' but there are two "STEP 5". re-number  
9

10 **We propose:**

11 **Step 1 – Issue a written suspension notice to WESM Member**

12 **Step 2 – WESM Member receives the suspension notice**

13 **Step 3A – WESM Member rectifies the grounds for suspension**

14 **Step 4A – MO confirms that the grounds for suspension have been  
15 rectified**

16 **Step 5A – MO revokes suspension notice**

17 **Step 6 – WESM Member receives revocation notice**  
18

19 **If grounds for suspension are not rectified**

20 **Step 3B – WESM member does not rectify the grounds for suspension**

21 **Step 4B- MO publishes the suspension in a newspaper of general  
22 circulation and in the WESM website**

23 **Step 5B – MO commences de-registration and/or disconnection"**  
24

25 Dr. Guevara agreed that in the flow chart under Section 5.2 , there is no 'STEP 3"  
26 but there are two "STEP 5". This should be corrected and renumbered accordingly.  
27

28 Following the RCC's discussion on the matter, the RCC approved the proposed  
29 amendments to the WESM Rules and the Billing and Settlement Manual on  
30 Prudential Requirements, as amended.  
31

32 The RCC likewise passed the Resolution adopting the proposed amendments  
33 relative to PR as discussed by the RCC, subject to receipt of further comments until  
34 the deadline of submission of the same set on August 15. In the absence of any  
35 further comments by the deadline, the Secretariat was instructed to facilitate the  
36 submission of the same to the PEM Board for approval.  
37

38  
39 **o RCC Action Plan re: DOE Directives re Proposed Amendments to PEN  
40 Manual**  
41

- 42  
43 **• Additional Simulation using other numbers for the trading nodes relative to  
44 PEN**  
45

46 For the benefit of the newly-appointed members of the RCC, Mr. Cacho presented  
47 the background of the subject proposal using the same presentation previously made  
48 by the PEMC-TOD. Mr. Cacho's presentation included an explanation of the concept  
49 of local PEN, the reasons for declaring such, and the methodology used by the  
50 PEMC-TOD in choosing the 5 nearest trading nodes based on TLF, among others.  
51

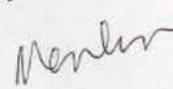
After which, Mr. Cacho proceeded with the presentation of the additional simulation performed by TOD in relation to using the different numbers for the trading nodes as previously requested by the RCC which aimed to show that regardless of the number of trading nodes, the resulting prices would have minimal differences. Results of the simulation as presented by Mr. Cacho are as follows:

RESOURCE_ID	PRICE (WITH CVC) <sup>1</sup>	TLF	PRICE (MANUAL) <sup>2</sup>
2ZAPOT_T1L 1	651,747.50	0.9526	2,007.40
NO. OF NODES	PRICE SUBSTITUTE <sup>3</sup>	ACCURACY <sup>4</sup>	
2	2,007.09	0.0154%	
5	2,007.44	0.0022%	
10	2,007.70	0.0149%	
15	2,007.69	0.0143%	
20	2,007.47	0.0034%	
25	2,007.66	0.0131%	
30	<b>2,007.84</b>	0.0218%	

1. Price reflective of Contingency CVC
2. Manually obtained value from MMS through OFFLINE re-run, in which Contingency was disabled
3. Local PEN Price Substitute
4. Accuracy of Local PEN Price Substitute with respect to manually obtained value

Below are the highlights of the discussion which followed the presentation made by Mr. Cacho:

- In relation to the imposition of contingency, Mr. Rosales clarified that the imposition of such by the NGCP-SO is based on the requirements of the Philippine Grid Code and the WESM Rules for them to provide a contingency list.
- Mr. Cacho explained that there are two reasons for declaring a pricing error: congestion and non-congestion related. He stated that for those related to congestion, the Price Substitution Mechanism (PSM) is applied. As for the non-congestion related pricing error, he said that it is included in the N-1 contingency.
- Relative to the methodology used by PEMC-TOD, Mr. Meneses commented that a more appropriate solution in determining the 5 nearest nodes is by getting the top five Transmission Loss Factors (TLF), with the assumption that the marginal plant is in Zapote. He explained that the methodology used by the PEMC-TOD is correct, assuming that the nodes used fall under a single transmission line. But this may not be applicable for points that are physically close but are very far electrically. He thus, suggested performing another simulation that considers the top five TLFs, but assuming that that the marginal plant is in Zapote. He added that with the methodology he is proposing, different TLFs will be determined in the different nodes, and these, then, will be sorted from highest to lowest-- the top five of which will then be the closest. He clarified however, that the simulation being requested is only



1 for the purpose of checking what would be the resulting price as this is not  
2 feasible in actual implementation because there is no plant in Zapote.

- 3 > Mr. Cacho noted that the simulation being requested by Mr. Meneses can be  
4 done, but its actual implementation is not feasible. He stated further that the  
5 proposal of Mr. Meneses is possible only in a zonal pricing system.  
6 > Mr. Rosales, for his part, suggested another methodology using the nearest  
7 nodes based on TLF but considering only the 5 geographically nearest nodes.  
8 > Mr. Binondo inquired from the MO on how fast the local PEN price  
9 substitution can be produced once it gets implemented. Mr. Cacho responded  
10 that the local PEN can be produced right after the trading interval. He  
11 explained that PEMC is already putting up a system that will make available  
12 the data to support such. With regard to the process, he explained that an  
13 advisory will be made through the MPI informing the market of the price, the  
14 same to be posted in the public information website.

15  
16 Dr. Guevara commented that the result of PEMC's simulation using its proposed  
17 methodology already showed very minimal differences in terms of price. However,  
18 with due consideration to the comments and suggestions given by both Mr. Rosales  
19 and Mr. Meneses, on the need for additional simulations, Dr. Guevara agreed to  
20 make way for the suggestions made by the two parties, as follows:

21  
22 a) Simulation using the nearest nodes based on TLF but considering only the 5  
23 geographically nearest nodes as suggested by Mr. Rosales; and

24  
25 b) Simulation using top five Transmission Loss Factor (TLF), with the assumption  
26 that the marginal plant is in Zapote as suggested by Mr. Meneses.

27  
28 In relation to the above, Dr. Guevara requested Mr. Binondo to update the DOE  
29 regarding the recent developments on the RCC's discussion relative to local PEN,  
30 which request Mr. Binondo accordingly noted.

- 31  
32  
33 • RCC Proposed Amendments to the WESM Rules relative to PEN

34  
35 Mr. Castro explained that the sub-committee on Local PEN introduced new sections  
36 in the WESM Rules relative to the RCC's proposal on the PEN Manual. Following are  
37 the initial inputs of the PEN Sub-committee relative to the proposed amendments to  
38 the WESM Rules, as presented by Mr. Castro:

39  
40  
41  
42 **PROPOSED WESM RULES CHANGES**

43  
44 **3.9.6 Pricing Error Notice**

45 If, as a result of *load shedding*, no *ex-ante prices* can be determined or  
46 communicated within the timeframe specified in the timetable, or the calculated  
47 prices are believed to be in error, the *Market Operator* shall, as soon as possible,  
48 issue a *pricing error notice* in accordance with clause 3.10.5 **At the commencement**  
49 **of each trading interval in which the load forecast has been adjusted to**  
50 **account for possible load shedding, or as soon as possible thereafter, the**  
51 **Market Operator shall issue a pricing error notice, in accordance with clause**  
52 **3.10.5.**

*Menlon*

1  
2 **3.10.5 Pricing Error Notice**

3 In the event where no *ex-ante prices* can be determined or communicated within the  
4 timeframe specified by the *timetable*, or the calculated prices are believed to be in  
5 error, as a result of load shedding ~~occurrence of constraints violation coefficients~~, or  
6 for any other reason:

7  
8 (a) The *Market Operator* may ~~as soon as possible after the end of a trading interval~~  
9 issue a *pricing error notice*, in which case ~~ex-post quantities and the~~ the *ex-post*  
10 *prices* determined according to clause 3.10.7 shall also serve as ~~ex-ante quantities~~  
11 ~~and ex-ante prices~~. ~~If no ex-post prices can be determined or the calculated~~  
12 ~~prices are believed to be in error as a result of the imposition or relaxation of~~  
13 ~~constraints pursuant to clause 3.5.13.1, the Market Operator shall re-run the~~  
14 ~~Market Dispatch Optimization Model.~~

15  
16 ~~The Market Operator shall develop and publish the procedures for the~~  
17 ~~determination of the market re-run prices. Such procedures shall provide the~~  
18 ~~criteria and conditions for the market re-run and the timetable for~~  
19 ~~implementation.~~

20  
21  
22 (b) If no *pricing error notice* is issued within the time specified in the ~~foregoing~~  
23 ~~paragraph, timetable after the start of a trading interval,~~ the *ex-post prices and*  
24 ~~quantities~~ shall serve as *ex-ante prices* and ~~quantities~~ shall stand irrespective of the  
25 outcome of any subsequent investigations or resolution of any dispute.

26  
27 c) ~~Should the pricing error also include reserves, the reserve quantity and price~~  
28 ~~determined in the ex-post run shall serve as the reserve quantity and prices.~~

29  
30  
31 **New Provision: Localized Non-Congestion Pricing Error Event. Pricing Error**  
32 **Notices shall be issued for an event occurring under the following**  
33 **circumstances:**

- 34  
35 **1. If a contingency constraint violation manifests on a load-end transformer; or**  
36 **2. If other types of pricing error occur simultaneously with a localized non-**  
37 **congestion pricing error in the same region.**

38  
39  
40 **3.10.6 Determination of Ex-Post Nodal Energy Price**

41 The *ex-post nodal energy price* for each *market trading node* shall be determined as  
42 the *shadow price* on the *energy balance equation* ~~or equivalent mathematical~~  
43 ~~formulation~~ for that *market trading node*, formed in accordance with clause 3.6.1.4  
44 (c), in an *ex-post dispatch optimization* performed, in accordance with the *timetable*,  
45 to determine target *dispatch levels* for the end of that *trading interval*, assuming:

46  
47 (a) The *plant status* ~~at the end of~~ ~~for the beginning of that~~ *trading interval* as  
48 determined for the ~~ex-post ex-ante~~ *dispatch optimization* or, if load shedding  
49 occurred in ~~that the previous~~ *trading interval*; as indicated ~~in by~~ the targets  
50 determined by the *ex-post dispatch* for ~~that the previous~~ *trading interval*;



1 (b) The *generation offers* which applied at the beginning of ~~that the~~ *trading interval*;

2  
3  
4 (c) The *unrestrained load* determined from *metering data*, or estimated, at the end of  
5 that after the occurrence of the *trading interval*, to apply at each *market network*  
6 *node* ~~for that~~ on average, over the *trading interval*;

7  
8 (d) A *market network* configuration and *network* state which the *Market Operator*, in  
9 consultation with the *System Operator*, in its reasonable opinion determines to best  
10 represent network conditions pertaining for the duration of the *trading interval*, as  
11 provided for by the procedures developed under clause 3.10.7; and

12  
13 (e) Any relevant constraints recommended by the *System Operator* to represent  
14 *system security* conditions or actual *generation* performance over the *trading interval*,  
15 as provided for by the procedures developed under clause 3.10.7.

16  
17  
18 **3.10.7 Procedures for Ex-Post Nodal Energy Price**

19 The *Market Operator*, in consultation with *WESM* participants, and subject to  
20 approval by the *PEM Board*, shall develop and publish the procedures to be  
21 employed in clauses 3.10.6 (d) and (e) in establishing the *network* configuration and  
22 other *constraints* to be assumed for the determination of *ex-post nodal energy prices*  
23 for circumstances in which *power system* conditions materially change during the  
24 *trading interval*, with a view to ensuring that:

25  
26 (a) Consistency is maintained between the *market network* configuration and state  
27 determined in accordance with clause 3.10.6 (d), any *constraints* determined in  
28 accordance with clause 3.10.6 (e) and the *unrestrained net loads* measured or  
29 estimated for each *market network node* in accordance with clause 3.10.6 (c); and

30  
31 (b) The *ex-post prices* produced in accordance with clause 3.10.6,  
32 properly and fairly represent average conditions over the *trading*  
33 *interval*.

34  
35 In the event that a localized non-congestion pricing error is issued to market  
36 trading nodes, its price shall be substituted with the figure determined by the  
37 approved method specified in the Pricing Error Issuance and Market Re-Run  
38 Procedure Manual.

39  
40  
41 **PROPOSED CHANGES TO PRICING ERROR ISSUANCE AND MARKET RE-RUN**  
42 **PROCEDURE MANUAL**

43  
44 Additional paragraph under Section 3.2: Pricing Error due to erroneous results (PEN  
45 cases in exception to PSM)

46  
47 “Localized Non-Congestion Pricing Error Event. Pricing Error Notices shall be  
48 issued for an event occurring under the following circumstances:

49  
50 1. If a contingency constraint violation manifests on a load-end transformer; or



1 **2. If other types of pricing error occur simultaneously with a localized non-**  
2 **congestion pricing error in the same region."**

3  
4 *< note: this is the same texts inserted in WESM Rule 3.10.5 >*

5  
6  
7 **Additional paragraph under Section 5.0: PRICING ERROR AND MARKET RE-RUN**  
8 **PROCEDURE**

9  
10  
11 **"5.3 Computation Method for Localized Non-Congestion Pricing Error Event**

12  
13 **5.3.1 In the event that a localized non-congestion pricing error is issued to**  
14 **market trading nodes, its price shall be substituted by the weighted average of**  
15 **[ five / ten / fifteen / twenty – whichever number we decide later on ] market**  
16 **trading nodes (MTN) defined as loads in the same region that are now affected**  
17 **by a localized contingency CVC (constraint violation coefficient);**

18  
19 **5.3.2 The [ five / ten / fifteen / twenty ] nearest nodes, and their corresponding**  
20 **significance, shall be based on the Transmission Loss Factors;**

21  
22 **5.3.3 The weighted average of the [ five / ten / fifteen / twenty ] nearest nodes**  
23 **shall be based on the weighted significance of the nearest nodes.**

24  
25 **5.3.4 Criteria for selection of [ five / ten / fifteen / twenty ] nearest nodes.**  
26 **< enumerate the algorithm here >**

27  
28 Computation formula. *< enumerate the formulas used here >*  
29

30  
31  
32 In relation to the above proposal, clarifications below were made by the RCC:

- 33  
34 ✓ Mr. Cacho inquired on whether the provision on "Localized Non-Congestion  
35 Pricing Error Event" will be inserted as item (c) under 3.10.5.  
36  
37 ✓ In response to the above, Mr. Castro said that items (a) and (b) will be placed  
38 under a new sub-section 3.5.10.1 while the "Localized Non-Congestion  
39 Pricing Error Event" will be inserted as 3.10.5.2.  
40  
41 ✓ Atty. De Castro expressed that 3.5.10.1 (a) uses the ex-ante prices. She then  
42 inquired on what price would be used for 3.5.10.2. Mr. Castro responded that  
43 this will be addressed in the succeeding sections. He suggested putting a  
44 note in this section regarding how the price is determined.  
45  
46 ✓ On 3.10.7, Mr. Cacho commented that the proposal of Mr. Castro pertains to  
47 the determination of price in the ex-post. He clarified that the price  
48 substitution is done for the ex-ante. He then suggested putting everything in  
49 the ex-ante realm because the price substitute and the price being substituted  
50 is in the ex-ante and not in the ex-post. In the current process, the default



1 mechanism is to declare a pricing error in the ex-ante and substitute a price  
2 from the ex-post.

- 3  
4 ✓ Dr. Guevara recapped the proposed amendments in the Manual as presented  
5 by Mr. Castro to cover as follows: 1) insertion of provisions on localized non-  
6 congestion pricing error event; 2) pricing methodology; and 3) computation of  
7 price. Relatively, Mr. Castro stated that the computations will be detailed in  
8 the Manual.

9  
10 Noting the above comments by Mr. Cacho on how the provision will be inserted in the  
11 WESM Rules, Dr. Guevara requested the members of the RCC to review further the  
12 proposed amendments and for the sub-committee on PEN to discuss with the PEMC  
13 on how the provisions will be formulated in the Manual change.

14  
15 Ms. Rodriguez stated that as a matter of procedure, submission to the DOE will be  
16 made as an update on the DOE Directives. Likewise, the RCC's process of a 30-day  
17 posting of the proposed amendments and submission to the PEM Board shall be  
18 observed once the RCC has finalized its proposed amendments to the WESM Rules  
19 and the PEN Manual.

20  
21 Noting that the additional simulation from PEMC-TOD would be the basis for the  
22 finalization of the proposed amendments to the WESM Rules and the PEN Manual,  
23 the RCC deferred further discussion on the matter in the next meeting.

24  
25 The RCC likewise agreed that after the two simulations have been performed and  
26 deliberated upon by the RCC in its next meeting, members of the RCC shall refrain  
27 from making additional requests for simulations. Likewise, the RCC should already  
28 be able to determine after its next deliberation on the matter, an exact timeline on  
29 when its proposal will be finalized and submitted.

- 30  
31  
32 • Incorporation of the DOE Proposed changes to the PGC re MRU for possible  
33 to the GMC

34  
35 Dr. Guevara requested the DOE to make clarifications relative to the process of  
36 submission by the RCC of its proposed amendments to the Philippine Grid Code  
37 before proceeding with the discussion on the matter. Mr. Binondo responded that per  
38 the DOE directive, the RCC proposal shall be submitted to the DOE, and the DOE  
39 will be the one to raise it to the Grid Management Committee (GMC).

40  
41 Highlights of the discussion on the matter are as follows:

- 42  
43 ✓ One scenario for out of merit relative to MRU is when the SO calls an  
44 available generator to run or increase its output, based on the merit order  
45 table. But, considering its low ramp rate, the SO calls another generator from  
46 the merit order table that has a higher ramp rate (e.g hydro plants) order table  
47 but not necessarily following the merit order table.  
48 ✓ Scheduling of ancillary service is done day-ahead. Certified providers of  
49 ancillary submit their nominations to SO, and based on the requirements, will  
50 be scheduled for the day. Once submitted, the nomination of ancillary cannot  
51 be changed as in the case of RTD. All approved ancillary service shall be  
52 exhausted by the generator.

- 1 ✓ Mr. Rosales suggested incorporating constrained-on and constrained-off in  
2 the MRU/MSU definition. He likewise suggested that SO be spared as causer  
3 for MSU because there are several reason for calling a generator as such.  
4 ✓ The RCC agreed to use the term exhausted to replace depleted.  
5 ✓ Mr. Binondo stated that previously, he already suggested including in the  
6 MRU definition the constrained-on. However, he noted that the same is part  
7 of the WESM settlement system. He explained that for instance there is a  
8 demand forecast of 6,000MW, but the actual demand was increased to  
9 6,300MW, in which case, MO will constrain on some generators to increase  
10 their output, but the increased capacity will not be paid as MRU because it is  
11 part of the regular increase in demand.  
12 ✓ Mr. Meneses added that the price substitution methodology (PSM) specifically  
13 states that constraining on is an MO call rather than an SO call--it is just a  
14 normal operation of the PSM principle. In fact, the SO need not make any call  
15 in this regard. It will just do a re-run and then do a price substitution. In order  
16 to apply the PSM, you have to constrain on and off some generators.  
17 ✓ Mr. Cacho raised the issue on intra-hour variations in the RTD. He explained  
18 that if the trading intervals can be shortened, the schedules will be optimized,  
19 thereby, eliminating the need for MRU.  
20 ✓ Dr. Guevara commented that the MRU and MSU definitions should no longer  
21 be changed since that RCC already made an agreement relative to their  
22 definitions. She clarified however, that the constrained-on and constrained-off  
23 principles can still be put somewhere else in the Grid Code as a separate  
24 provision.  
25 ✓ Mr. Rosales explained that the intention of SO for its proposal to include the  
26 constrained-on and -off in the MRU and MSU definitions is to ensure that the  
27 term MSU is used correctly. He then suggested that the definition of must  
28 stop unit be crafted such that all scenarios related to MSU are captured.  
29 ✓ Dr. Guevara expressed that while there are certain improvements in the Grid  
30 Code which the SO would like to introduce, the RCC proposal must limit itself  
31 to the Directives of the DOE. SO, for its part, can similarly make its proposal  
32 thru the RCC or directly to the GMC in order for its concerns to be addressed  
33 separately from the DOE directives.  
34 ✓ Mr. Rosales posed the question: how will a generator that is non-compliant  
35 with the MSU be treated if the same does not cause threat in the grid  
36 security? Mr. Binondo responded that these generators should not be paid.  
37 Mr. Rosales countered that while this should be the case, currently, they still  
38 get paid despite being non-compliant. He then asked if the same treatment  
39 should be given to generators that are non-compliant to RTD. Mr. Binondo  
40 responded that these generators get paid but are reported to the Market  
41 Surveillance Committee. Mr. Rosales clarified that what he is suggesting is to  
42 have a separate provision on how to treat generators that are non-compliant  
43 with the MSU.  
44 ✓ On the above discussion, Mr. Meneses opined that the issues being raised  
45 should be dealt with in the MRU/MSU Manual and not in the Grid Code, since  
46 the Manual is similar to implementing Rules and Regulations that lay down  
47 the details of such Rules, while the Grid Code is comparable to a law which  
48 provisions are generally stated.  
49 ✓ In order to put things into perspective, Mr. Cacho explained that the off-shoot  
50 of imposing security limit is the over-riding constraints, which led to the  
51 formulation of the MRU Manual. Part of the manual, he stated, are provisions  
52 on market intervention and suspension, which made mention to the terms

*Meneses*

1 "constrained-on" and "constrained-off." The procedures on the MRU, on the  
2 other hand, were referred to the Dispatch Protocol Manual., which manual  
3 includes systems security and reliability guidelines consistent with the PGC.  
4 He added that only under the conditions that the ancillary is depleted or  
5 exhausted is the MRU utilized. He related these to the suggestion of Mr.  
6 Rosales to capture all aspects of MSU, rather limiting MSU to excess  
7 generation, which he opined should be included under the Chapter on Grid  
8 Operations in the Grid Code where frequency control is tackled.

- 9 ✓ At this point, Mr. Rosales emphasized that what the SO is trying to request  
10 from the RCC is be given consideration regarding its proposal not to limit the  
11 MSU to excess generation.
- 12 ✓ Mr. Raymundo agreed on the suggestion of Mr. Rosales, stating that, based  
13 on their experience, there are instances that they experience loss of loads  
14 during typhoons or generator trippings. Thus, he said that the scenarios for  
15 MSU should not be limited to excess generation caused by non-compliance  
16 by generators, since there are other considerable causes for such.

17  
18 Noting the many issues raised regarding the matter on the MRU and MSU, Dr.  
19 Guevara deferred the discussion to the sub-committee to resolve these issues, and  
20 requested the same to present the final version of the proposal to the RCC during its  
21 next meeting. Dr. Guevara however reminded the sub-committee to limit the  
22 proposed revisions with the DOE Directives on MRU.

23  
24 Mr. Cacho opined that relative to the 6th DOE directive that the cost of MRU/MSU  
25 be accounted under Ancillary services, it seems that the intention is to ensure clear  
26 provisions in the Grid to support that aspect. Dr. likewise deferred the discussion of  
27 this to the sub-committee.

28  
29 Before closing the discussion on the matter, new volunteers to join the MRU sub-  
30 committee chaired by Atty. De Castro, were identified, as follows: Ms. Carabuena,  
31 Mr. Raymundo, and Mr. Pagobo. The sub-committee agreed to meet on 13 August  
32 2013 at 10:00 AM.

- 33  
34  
35 • Corresponding Proposed Changes to the WESM Rules on the MRU

36  
37 The discussion on the corresponding proposed changes to the WESM Rules on the  
38 MRU was likewise deferred to the MRU sub-committee, with an agreement to  
39 present the proposal to the RCC in its next meeting.

- 40  
41  
42 ○ Updates from PEMC re the 2013 RCC Work Plan

43  
44  
45 In relation to the Work Plan, Mr. Cacho requested to be given time to update the  
46 same based on the re-commitment of PEMC relative to some items on the same.

47  
48 Noting the above, Dr. Guevara requested that the RCC be furnished copy of the  
49 Work plan thru the Secretariat, once this was completed.

50  
51  
52 **4. New Business**

*Member*

1  
2           o **Proposed Amendments to WESM Rules in relation to Implementation of**  
3           **MO of Business Continuity Plan (BCP) and Disaster Recovery**  
4

5           Atty. Lopez-Mateo presented to the RCC the PEMC's proposed amendments to the  
6           WESM Rules in relation to the implementation of the Market Operator of Business  
7           Continuity Plan and Disaster Recovery Procedure. The presentation of the proposed  
8           amendments is of two parts--Background/Rationale and the proposed amendments.  
9

10          Highlights of the presentation are as follows:

- 11  
12           ✓ Under Clause 1.2.2 of the WESM Rules, one of the purposes of the WESM  
13           Rules is to provide an efficient, transparent, and reliable spot market.  
14           ✓ Continuity of service entails ensuring a reliable business continuity plan  
15           (BCP) and an effective disaster recovery procedure (DRP). Such plans and  
16           procedure also entail regular testing for effectiveness. This is likewise  
17           required of PEMC in its ISO 27001 compliance.  
18           ✓ While the Market Operator has developed a BCP and DRP, it cannot test the  
19           switch over to the back-up site since it may affect market operations.  
20

21          Relatively, the PEMC proposed to include/capture the following in the WESM Rules:

- 22  
23           ✓ obligation of the MO to maintain BCP and DRP  
24           ✓ obligation to notify the Trading Participants and System Operator prior to the  
25           conduct of simulations  
26           ✓ obligation of the MO to do all measures to mitigate impact on WESM  
27           ✓ simulation of the BCP and DRP as grounds for Market Intervention (MI)  
28

29          The discussion below followed the presentation made by Atty. Lopez-Mateo relative  
30          to the proposal:

- 31  
32           ✓ Atty. Lopez-Mateo stated that while PEMC already developed the BCP and  
33           DRP, its simulation cannot be conducted because part of it entails switchover  
34           to the backup site, which will consequently result in no market schedule for  
35           about 2-3 hours.  
36           ✓ Mr. Cacho noted that the switchover takes hours instead of milliseconds as  
37           the ideal case because of the limitations of the MMS. But it is hoped that the  
38           same will be addressed in the new MMS.  
39           ✓ Mr. Castro noted the use of Trading Participants in the PEMC's proposed  
40           amendments. Atty. Lopez-Mateo responded that this is so, because of the  
41           definition of the Trading Participant in the WESM as buyer or seller, which is  
42           either the generator or load customer. Atty. Lopez-Mateo emphasized that the  
43           proposal would be relevant only to those WESM participants who will be  
44           affected by the lack of schedule and price.  
45           ✓ Dr. Guevara inquired whether the SO will be affected by the scenario  
46           described in the previous bullet. Mr. Rosales responded that the SO can still  
47           dispatch even without schedule such as those during Market Intervention.  
48           Therefore, he said that the lack of schedule will have no effect in the SO.  
49           Additionally, he clarified that in this case, while the MI is SO declared, the  
50           same is initiated by the MO. He stated that SO-initiated MIs are related to grid  
51           security, and those related to the MMS are MO-initiated.

- 1 ✓ Atty. Lopez-Mateo explained that in the proposal, the MO basically expanded  
2 the scope of Chapter 6 of the WESM Rules, to include the mention of the  
3 BCP and the DRP as grounds for market intervention.
- 4 ✓ Mr. Patrick Fernandez of the PEMC-ISTD explained that the simulation  
5 relative to the BCP and DRP is not limited to testing. The simulation, as he  
6 explained, would also include the readiness of the back-up site of the MO,  
7 which would affect at least one trading interval because of the need to switch  
8 off the database to enable transfer of operations from the main site to the  
9 backup site. He likewise explained that during actual occurrence of a disaster,  
10 loss of data is possible to happen and although the system is synchronizing in  
11 real time, due to its certain limitations, the data in the main site is not  
12 necessarily exactly the same as that in the back up site, as it takes a while for  
13 the data in the main site to synchronize with the backup site.
- 14 ✓ Mr. Fernandez further explained that the off-site has a hardware that is a  
15 replica of that in the main site.
- 16 ✓ Mr. Rosales commented on the need to declare market intervention. He  
17 expressed the huge impact of a market intervention even for a single trading  
18 interval. He inquired whether bids and offers can be viewed from the back up  
19 site instead during testing in order to avoid declaring a market intervention. In  
20 response, Mr. Fernandez said that part of the objective of PEMC is to test the  
21 readiness of the backup site. He explained that there is primary and  
22 secondary data sets, which are classified as being either passive or active  
23 data. He said that when there is a need to conduct a test to check whether  
24 the database is working, the backup site becomes the primary site, and the  
25 main site becomes the secondary site.
- 26 ✓ Dr. Guevara emphasized that the flaw is a very basic problem that should be  
27 addressed in the development of the new MMS. Mr. Fernandez stated relative  
28 to the comments that when this was asked from the vendor, PEMC was  
29 informed that at least 150 giga bytes bandwidth is required in order for such  
30 enhancement to be implemented which, at the moment, cannot be supported  
31 by the hardware.

32  
33 Noting the presentation and discussion that followed, the RCC agreed to endorse the  
34 proposal as presented, and likewise approved its posting in the public information  
35 website.

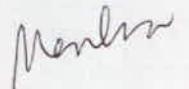
## 36 37 38 **5. Other Matters**

### 39 40 1. Appointment of new WESM Governance Committee Members

41  
42 As this matter has been discussed at the onset of the meeting, the RCC  
43 went on with the next agenda item.

### 44 45 2. WESM Annual Participants Meeting-August 30, 2013

46  
47 The members were informed about PEMC's invitation to the RCC to the forthcoming  
48 WESM Annual Participants' meeting this 30 August 2013. Ms. Rodriguez informed  
49 the members that there will be an oath taking of newly-appointed members during  
50 the said affair.

51  
52  


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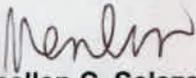
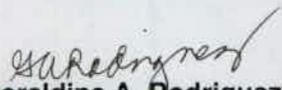
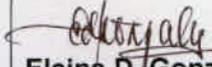
**6. Next Meeting**

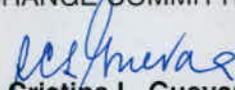
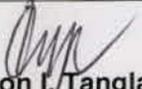
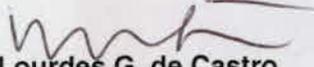
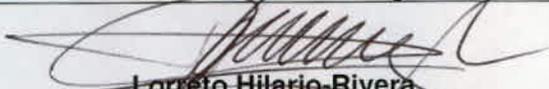
The RCC members were reminded of the dates of succeeding meetings, as follows:

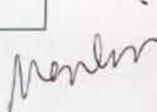
- 04 September 2013, 9AM
- 02 October 2013, 9AM
- 06 November 2013, 9AM
- 04 December 2013, 9AM

**7. Adjournment**

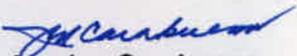
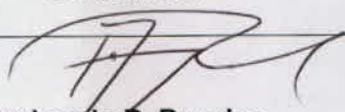
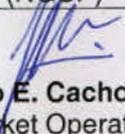
There being no other matter to be discussed, the meeting was adjourned at around 3:45 PM.

Prepared By:	Reviewed By:	Noted By:
		
<b>Romellen C. Salazar</b>	<b>Geraldine A. Rodriguez</b>	<b>Elaine D. Gonzales</b>
<i>Analyst – Market Governance Administration Unit</i>	<i>Assistant Manager – Market Governance Administration Unit</i>	<i>Manager – Market Data and Analysis Division</i>
<b>Market Assessment Group</b>	<b>Market Assessment Group</b>	<b>Market Assessment Group</b>

Approved by: RULES CHANGE COMMITTEE   <b>Rowena Cristina L. Guevara</b> Chairperson Independent University of the Philippines (UP)	
Members:	
 <b>Concepcion I. Tanglao</b> Independent	 <b>Francisco L.R. Castro, Jr.</b> Independent Tensaiken Consulting
 <b>Maila Lourdes G. de Castro</b> Independent	 <b>Loreto Hilario-Rivera</b> Supply Sector Team Energy Corporation





 <b>Jose P. Santos</b> Distribution Sector (EC) Ilocos Norte Electric Cooperative, Inc. (INEC)	 <b>Ciprinilo C. Meneses</b> Distribution Sector (PDU) Manila Electric Company (MERALCO)
 <b>Sulpicio C. Lagarde Jr.</b> Distribution Sector (EC) Central Negros Electric Cooperative, Inc. (CENECO)	 <b>Gilbert A. Pagobo</b> Distribution Sector Mactan Electric Company (MECO)
 <b>Jose Ferlino P. Raymundo</b> Generation Sector SMC Global	 <b>Joselyn Carabuena</b> Generation Sector Power Sector Assets and Liabilities Management Corporation (PSALM)
 <b>Ambrocio R. Rosales</b> Transmission Sector National Grid Corporation of the Philippines (NGCP)	<b>Theo Cruz Sunico</b> Generation Sector 1590 Energy Corporation
 <b>Isidro E. Cacho, Jr.</b> Market Operator Philippine Electricity Market Corporation (PEMC)	

*Meneses*



Attachments:

- i. Result of Simulations Using Different Numbers of Trading Nodes for the TLF
- ii. Presentation on the Proposed Amendments to WESM Rules regarding the Market Operator's Business Continuity Plan (BCP) and Disaster Recovery Procedures (DRP)

*Mendoza*

### Result of Simulations Using Different Numbers of Nodes for the TLF

RESOURCE_ID	PRICE (WITH CVC)1	TLF	PRICE (MANUAL)2
2ZAPOT_T1L1	651,747.50	0.9526	2,007.40
NO. OF NODES	PRICE SUBSTITUTE3	ACCURACY4	
2	2,007.09	0.0154%	
5	2,007.44	0.0022%	
10	2,007.70	0.0149%	
15	2,007.69	0.0143%	
20	2,007.47	0.0034%	
25	2,007.66	0.0131%	
30	2,007.84	0.0218%	

1. Price reflective of Contingency CVC
2. Manually obtained value from MMS through OFFLINE re-run, in which Contingency was disabled
3. Local PEN Price Substitute
4. Accuracy of Local PEN Price Substitute with respect to manually obtained value

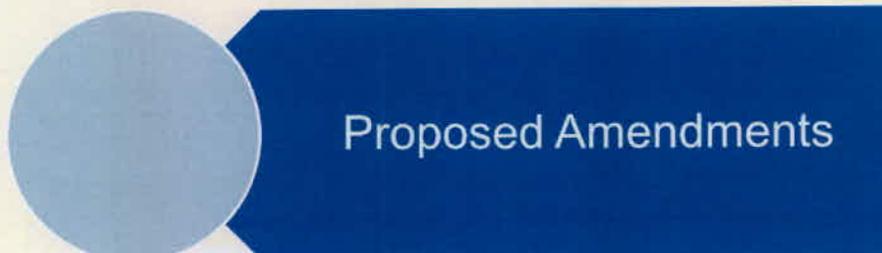
*Manish*

# Amendments to Chapter 6 of the WESM Rules

Philippine Electricity Market  
Corporation  
7 August 2013

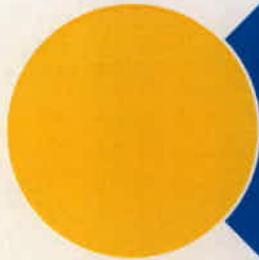


## OUTLINE

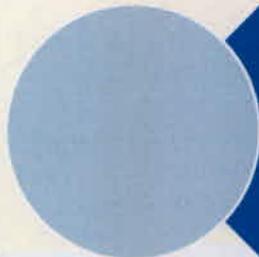


*Manila*

## OUTLINE



Background/Rationale



Proposed Amendments



## Background/Rationale

- Under Clause 1.2.2 of the WESM Rules, one of the purposes of the WESM Rules is to provide an efficient, competitive, transparent and reliable spot market.
- Continuity of service entails ensuring a reliable business continuity plan (BCP) and an effective disaster recovery procedure (DRP). Such plans and procedure also entails regular testing for effectiveness. This is also required of PEMC in its ISO 27001 compliance
- While the Market Operator has developed a BCP and DRP, it cannot test the switchover to the back-up site since it may affect market operations.



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# Proposed Amendments

- Include the obligation of the Market Operator to maintain BCP and DRP
- Include the obligation to notify the Trading Participants and System Operator prior to the conduct of the simulations
- Include the obligation of the Market Operator to do all measures to mitigate impact on WESM
- Include the simulation of the BCP and DRP as grounds for Market Intervention



**Thank you!**



*Merlin*