

MINUTES OF THE 77th MEETING OF THE RULES CHANGE COMMITTEE

| | |
|---|--|
| Meeting Date & Time: | 07 August 2013 – 09:15 AM to 3:45 PM |
| Meeting Venue: | PEMC Board Room, 18 th Floor, Robinsons Equitable Tower Ortigas Center, Pasig City |
| Attendance List | |
| In-Attendance | Not In-Attendance |
| Rules Change Committee Members 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 | |
| Rules Change Committee Alternate Members Edwin N. Mosa -- Market Operator -- PEMC Beatriz Irina Denise C. Alazas -- Generation --PSALM Jinky Rose L. Go -- Generation -- SMEC | |
| PEMC – Market Assessment Group (MAG) Chrysanthus S. Heruela Geraldine A. Rodriguez Romellen C. Salazar | |
| PEMC – Legal Caryl Miriam Y. Lopez-Mateo | |
| PEMC – Finance Marissa P. Gandia | |
| PEMC – ISTD Patrick Fernandez | |
| DOE Observer(s) 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.

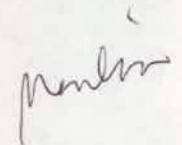
14
15 **1. Adoption of the Proposed Agenda**

16 The Proposed Agenda for the 77th RCC Meeting was approved, as presented.
17
18

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 • On page 18, line 21:

28

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

31

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

- **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

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

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

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

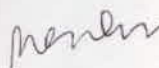
30
31 ➤ On 3.15.3:

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.





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

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).

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

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

RCC discussion:

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

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

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

➤ On 3.15.4.2:

MPPCL Comment:

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

APC Comment:

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

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

menlon

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



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.

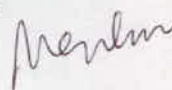
35
36 Following the discussion on the matter, the RCC in the end agreed to retain the RCC
37 proposal.

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



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



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

MPPCL comment:

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

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

➤ On 3.15.6.3:

APC comment:

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

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

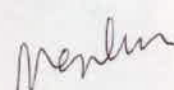
RCC discussion:

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

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

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

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



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.

9
10
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:

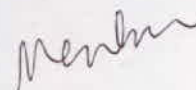
39
40 **San Miguel comment:**

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.



➤ 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."

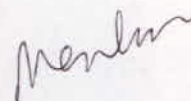
RCC discussion:

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:



1 **APC comment:**

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

3
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:

1
2 **San Miguel comment:**
3

4 " The MO should issue the margin call notice within one (1) day from the time
5 the WESM member exceeds its trading limit."
6

7 The RCC noted that margin call notice is in fact issued in advance, 3 days to be
8 precise. Therefore, the RCC agreed to retain its proposal.
9

10
11 ➤ On 3.15.10.3:
12

13 **San Miguel comment:**
14

15 "The written margin call notice is acceptable, but our concern is the timing –
16 the WESM member in question is already exceeding its trading limits and is
17 also given three (3) days to satisfy the margin call, in the meantime, there is
18 no cover for the trading amounts above the trading limit and the trading
19 amounts during the 3-day period given to the member to settle the margin
20 call. We propose that the margin call is settled no later than two (2) working
21 days from receipt of the written notice of margin call:
22

23 "A margin call under clause 3.15.10.2 must be satisfied within two (2) working
24 days from receipt of the Margin Call Notice."
25

26 The RCC already resolved that margin call should be settled within 3 working days.
27 Thus, the RCC agreed to retain its proposal.
28

29
30 ➤ On 3.15.10.5:
31

32 **San Miguel comment:**
33

34 "This should include accrued trading amounts: "
35

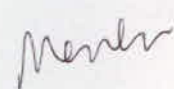
36 "In the event of suspension, all the settlement statements issued to such
37 WESM member, including an estimate of the accrued trading amounts, shall
38 become immediately due and demandable."
39

40 **APC comment:**
41

42 "If a *WESM member* fails to satisfy a margin call by providing additional
43 security or making a prepayment under clause 3.15.10.2 **in relation to**
44 **clause 3.15.10.3**, then the *Market Operator* shall **give issue** the *WESM*
45 *member* a suspension notice **in writing**.
46

47 In the event of suspension, all the settlement statements issued to such
48 WESM member shall become immediately due and demandable, as well as
49 all unbilled amounts, if any, upon receipt by the WESM member of the
50 corresponding settlement statement."
51

52 Highlights of RCC Discussion:



- ✓ 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

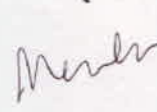
San Miguel comment:

"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.

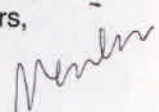
35
36
37 ➤ **On Section 4.5 (Flowchart for Assessment and Monitoring of**
38 **Prudential Requirements):**

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,





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

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

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

We propose:

Step 1 – Issue a written suspension notice to WESM Member

Step 2 – WESM Member receives the suspension notice

Step 3A – WESM Member rectifies the grounds for suspension

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

Step 5A – MO revokes suspension notice

Step 6 – WESM Member receives revocation notice

If grounds for suspension are not rectified

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

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

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

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

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

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

○ **RCC Action Plan re: DOE Directives re Proposed Amendments to PEN Manual**

- Additional Simulation using other numbers for the trading nodes relative to PEN

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

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) ¹ | TLF | PRICE (MANUAL) ² |
|-----------------|----------------------------------|-----------------------|-----------------------------|
| 2ZAPOT_T1L 1 | 651,747.50 | 0.9526 | 2,007.40 |
| NO. OF NODES | PRICE SUBSTITUTE ³ | ACCURACY ⁴ | |
| 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

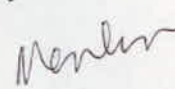
2. Manually obtained value from MMS through OFFLINE re-run, in which Contingency was disabled

3. Local PEN Price Substitute

4. Accuracy of Local PEN Price Substitute with respect to manually obtained value

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 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





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

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

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

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

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

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

- RCC Proposed Amendments to the WESM Rules relative to PEN

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

PROPOSED WESM RULES CHANGES

3.9.6 Pricing Error Notice

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

Penlon

3.10.5 Pricing Error Notice

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

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

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

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

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

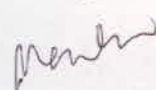
New Provision: Localized Non-Congestion Pricing Error Event. Pricing Error Notices shall be issued for an event occurring under the following circumstances:

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

3.10.6 Determination of Ex-Post Nodal Energy Price

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

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



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

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

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

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

3.10.7 Procedures for Ex-Post Nodal Energy Price

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

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

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

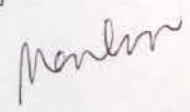
In the event that a localized non-congestion pricing error is issued to market trading nodes, its price shall be substituted with the figure determined by the approved method specified in the Pricing Error Issuance and Market Re-Run Procedure Manual.

PROPOSED CHANGES TO PRICING ERROR ISSUANCE AND MARKET RE-RUN PROCEDURE MANUAL

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

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

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





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

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

Additional paragraph under Section 5.0: PRICING ERROR AND MARKET RE-RUN PROCEDURE

"5.3 Computation Method for Localized Non-Congestion Pricing Error Event

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

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

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

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

Computation formula. *< enumerate the formulas used here >* "

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

- ✓ Mr. Cacho inquired on whether the provision on "Localized Non-Congestion Pricing Error Event" will be inserted as item (c) under 3.10.5.
- ✓ In response to the above, Mr. Castro said that items (a) and (b) will be placed under a new sub-section 3.5.10.1 while the "Localized Non-Congestion Pricing Error Event" will be inserted as 3.10.5.2.
- ✓ Atty. De Castro expressed that 3.5.10.1 (a) uses the ex-ante prices. She then inquired on what price would be used for 3.5.10.2. Mr. Castro responded that this will be addressed in the succeeding sections. He suggested putting a note in this section regarding how the price is determined.
- ✓ On 3.10.7, Mr. Cacho commented that the proposal of Mr. Castro pertains to the determination of price in the ex-post. He clarified that the price substitution is done for the ex-ante. He then suggested putting everything in the ex-ante realm because the price substitute and the price being substituted 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.

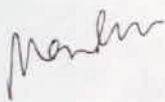
20
21 Noting that the additional simulation from PEMC-TOD would be the basis for the
22 finalization of the proposed amendments to the WESM Rules and the PEN Manual,
23 the RCC deferred further discussion on the matter in the next meeting.

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.
- 



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

Meneses



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

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

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

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

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

- Corresponding Proposed Changes to the WESM Rules on the MRU

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

o Updates from PEMC re the 2013 RCC Work Plan

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

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

4. New Business



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.

Merlin

- 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

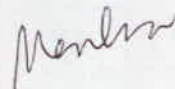
37 **5. Other Matters**

38 **1. Appointment of new WESM Governance Committee Members**

39
40
41 As this matter has been discussed at the onset of the meeting, the RCC
42 went on with the next agenda item.
43

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

45
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



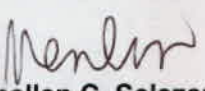
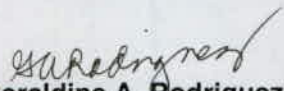
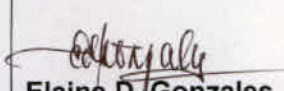
6. Next Meeting

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

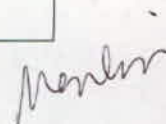
- 04 September 2013, 9AM
- 02 October 2013, 9AM
- 06 November 2013, 9AM
- 04 December 2013, 9AM

7. Adjournment

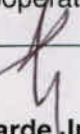


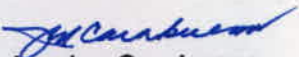
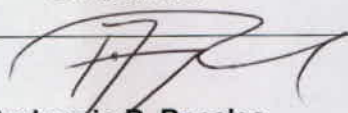

There being no other matter to be discussed, the meeting was adjourned at around 3:45 PM.

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

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





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

Menes



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)

Manila

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

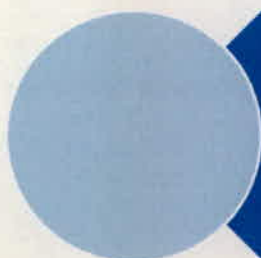
Manish

Amendments to Chapter 6 of the WESM Rules

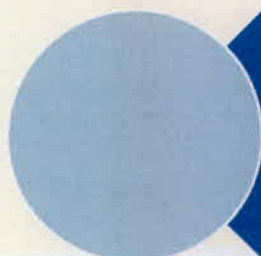
Philippine Electricity Market
Corporation
7 August 2013



OUTLINE



Background/Rationale



Proposed Amendments

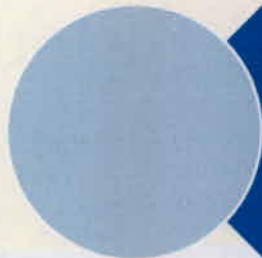


Manila

OUTLINE



Background/Rationale



Proposed Amendments



Wholesale Electricity
Spot Market

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.



Wholesale Electricity
Spot Market

manila

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



Wholesale Electricity
Spot Market

Thank you!



Wholesale Electricity
Spot Market

Merlin