

**WHOLESALE ELECTRICITY SPOT MARKET
RULES CHANGE COMMITTEE**

RESOLUTION NO. 2011-05

**Proposed Amendments to the WESM Rules and Billing & Settlement Manual
on the Validity Period of Final Statement Adjustments**

WHEREAS, the WESM Rules and Billing & Settlement Manual (the "Manual") sets out that revised final statements shall be issued to market participants affected by resolved disputes or errors from final statements;

WHEREAS, there is a need to amend both the WESM Rules and the Manual to specify a certain validity period for the issuance of final statement adjustments;

WHEREAS, on 24 February 2011, the AES-Masinloc Power Partners Company Ltd. (AES-MPPCL) submitted to the Rules Change Committee (RCC) its proposed amendments to the WESM Rules and Manual, specifying a validity period within which the Market Operator (MO) shall issue the final statement adjustments;

WHEREAS, during the 45th RCC Meeting on 09 March 2011, the proposed amendments were presented to the RCC, for discussion and approval;

WHEREAS, as agreed upon by the RCC during the said 45th Meeting, the proposed amendments were published in the WESM website on 10 March 2011 to solicit comments from the market participants and other interested parties;

WHEREAS, during the period of publication, there were no comments received from the market participants and other interested parties;

WHEREAS, during the 46th RCC Meeting on 06 April 2011, the RCC further deliberated and subsequently provisionally approved the proposed amendments, subject to the comments of the Philippine Electricity Market Corporation (PEMC);

WHEREAS, during the 47th RCC Meeting on 04 May 2011, the PEMC presented its recommended revisions to the proposed amendments;




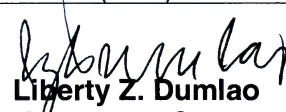
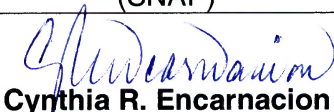
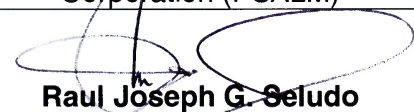
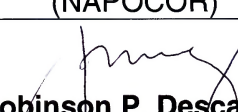

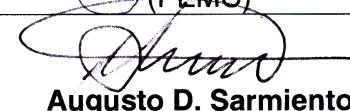
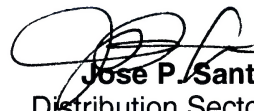


WHEREAS, during the said 47th Meeting, the RCC approved the proposed amendments, incorporating the comments of the RCC and PEMC;

NOW THEREFORE, we, the undersigned and in behalf of the sector we represent, hereby resolve as follows:

RESOLVED, that the proposed amendments to the WESM Rules (attached as Annex "A") and Billing & Settlement Manual (attached as Annex "B"), as revised by the RCC, are adopted and approved in full; and

RESOLVED FINALLY, that the proposed amendments to the WESM Rules and Billing & Settlement Manual be endorsed to the PEM Board for approval.

Done this 04 May 2011, Pasig City.

<p>Approved by:</p> <p>RULES CHANGE COMMITTEE</p> <p> Epictetus E. Pataringhug Acting Chairperson Independent University of the Philippines (UP)</p>	
<p>Members:</p>	
<p> Cherry Aquino-Javier Generation Sector AES Philippines (AES)</p>	<p> Ralph T. Crisologo Generation Sector SN Aboitiz Power (SNAP)</p>
<p> Liberty Z. Dumlao Generation Sector Power Sector Assets and Liabilities Management Corporation (PSALM)</p>	<p> Cynthia R. Encarnacion Generation Sector National Power Corporation (NAPOCOR)</p>
<p> Raul Joseph G. Seludo Transmission Sector National Grid Corporation of the Philippines (NGCP)</p>	<p> Robinson P. Descanzo Market Operator Philippine Electricity Market Corporation (PEMC)</p>
<p> Ciprinilo C. Meneses Distribution Sector (PDU) Manila Electric Company (MERALCO)</p>	<p> Augusto D. Sarmiento Distribution Sector (PDU) Dagupan Electric Corporation (DECORP)</p>
<p> Jose P. Santos Distribution Sector (EC) Ilocos Norte Electric Cooperative (INEC)</p>	<p> Conrado D. Pecjo Supply Sector Angeles Power, Inc.</p>
	<p>Certified True and Correct:</p> <p> Elaine D. Gonzales RCC Secretary PEMC</p>

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Proposed Changes to the WESM Rules on the Validity Period for the Issuance of Final Statement Adjustments
RCC/WESM-WR-11/04

Original Provision	AES-MPPCL Proposed Amendment		RCC-Approved Proposed Amendment	
	On 16 February 2011	Rationale		Remarks
3.14.9 Settlement Revisions 3.14.9.1 If an amount in a <i>final statement</i> issued under clause 3.14.5: (a) Has been the subject of a dispute and the dispute has been resolved in any way which causes the amount payable to differ from the amount payable as set out in the <i>final statement</i> ; or (b) Has been identified as being in error in accordance with clause 3.14.9.2 and the correct amount has been determined by the <i>Market Operator</i> , (c) The <i>Market Operator</i> shall issue to each <i>WESM Member</i> affected by the resolution of the dispute or the correction of the error a revised statement for the relevant <i>billing period</i> setting out: (d) The amount payable by the <i>WESM member</i> to the <i>Market Operator</i> or the amount payable by	3.14.9 Settlement Revisions 3.14.9.1 If an amount in a <i>final statement</i> issued under clause 3.14.5: (a) Has been the subject of a dispute and the dispute has been resolved in any way which causes the amount payable to differ from the amount payable as set out in the <i>final statement</i> ; or (b) Has been identified as being in error in accordance with clause 3.14.9.2 and the correct amount has been determined by the <i>Market Operator</i> , (c) The <i>Market Operator</i> shall issue to each <i>WESM Member</i> affected by the resolution of the dispute or the correction of the error a revised statement for the relevant <i>billing period</i> setting out: (d) The amount payable by the <i>WESM member</i> to the <i>Market Operator</i> or the amount payable by the	The Market Operator should have a deadline on issuing adjustments to final statements. We believe that 12 calendar months from resolving the issue is enough time for the adjustments to be billed by the Market Operator. Other modification to this section is the inclusion of issues concerning pending ERC Orders, which we believe is currently happening and should be included in the Rules.	3.14.9 Settlement Revisions 3.14.9.1 If an amount in a <i>final statement</i> issued under clause 3.14.5: (a) Has been the subject of a dispute and the dispute has been resolved in any way which causes the amount payable to differ from the amount payable as set out in the <i>final statement</i> ; or (b) Has been identified as being in error in accordance with clause 3.14.9.2 and the correct amount has been determined by the <i>Market Operator</i> , (c) The <i>Market Operator</i> shall issue to each <i>WESM Member</i> affected by the resolution of the dispute or the correction of the error a revised statement for the relevant <i>billing period</i> setting out: (d) The amount payable by the <i>WESM member</i> to the <i>Market Operator</i> or the amount payable by the	-Approved, as amended-

<p>the <i>Market Operator</i> to the <i>WESM Member</i>, and</p> <p>(e) The adjustment to the <i>final statement</i> as agreed or determined plus interest calculated on a daily basis at the interest rate for the period from the payment date applicable to the <i>final statement</i> to which the adjustment relates to the <i>payment date</i> applicable to the revised statement issued under this clause 3.14.9.1.</p>	<p>Market Operator to the WESM Member, and</p> <p>(e) The adjustment to the final statement as agreed or determined plus interest calculated on a daily basis at the interest rate for the period from the payment date applicable to the final statement to which the adjustment relates to the payment date applicable to the revised statement issued under this clause 3.14.9.1.</p>		<p>Market Operator to the WESM Member, and</p> <p>(e) The adjustment to the final statement as agreed or determined plus interest calculated on a daily basis at the interest rate for the period from the payment date applicable to the final statement to which the adjustment relates to the payment date applicable to the revised statement issued under this clause 3.14.9.1.</p>	
	<p>(b) <u>was incomplete due to a pending ERC Case concerning the Price Determination Methodology/other related cases and that the ERC has already rendered a Decision; and</u></p> <p><u>If any of the abovementioned cases has caused a different amount payable as set out in the final statement, the Market Operator shall issue to each WESM Member affected, an adjustment to the final statement for the relevant billing period setting out:</u></p>		<p>(b) <u>was subject incomplete due to of a pending case before the Court of competent jurisdiction ERC Case concerning the Price Determination Methodology/other related cases and that the ERC and that said Court has already rendered a final and executory Decision; and</u></p> <p><u>If any of the abovementioned cases has caused a different amount payable as set out in the final statement, the Market Operator shall issue to each WESM Member affected, an</u></p>	<ul style="list-style-type: none"> Revised to cover all cases and not just limit to ERC-related cases. Deleted the word "incomplete" to reflect that the amount is subject to the outcome of a pending case.

	<p>(a) <u>The amount payable by the WESM Member to the Market Operator or the amount payable by the Market Operator to the WESM Member, and</u></p> <p>(b) <u>interest calculated on a daily basis at the interest rate for the <i>final statement</i> to which the adjustment relates to the payment date applicable to the revised statement issued under this clause 3.14.9.1</u></p> <p><u>The Market Operator shall issue the adjustment to the <i>final statement</i> not later than 12 calendar months after the resolution of the dispute or the issuance of the relevant ERC Order unless parties to be billed agrees that the issuance of the particular WESM bill adjustment shall be at a later time.</u></p>		<p><u>adjustment to the <i>final statement</i> for the relevant billing period setting out:</u></p> <p>(a) <u>The amount payable by the WESM Member to the Market Operator or the amount payable by the Market Operator to the WESM Member, and</u></p> <p>(b) <u>interest calculated on a daily basis at the interest rate for the <i>final statement</i> to which the adjustment relates to the payment date applicable to the revised statement issued under this clause 3.14.9.1</u></p> <p><u>The Market Operator shall issue the adjustment to the <i>final statement</i> not later than 12 calendar months after the resolution of the dispute or receipt of the issuance of the relevant ERC final and executory Order unless parties to be billed agrees that the issuance of the particular WESM bill adjustment shall be at a later time.</u></p>	<ul style="list-style-type: none"> Revised to change the reckoning of the 12-month period from issuance of the order to receipt of the order, since the period should toll only when the party is informed. Deleted "ERC" and replaced with "final and executory" to be consistent with revised Section 3.14.9.1 (b).
3.14.9.2 If the <i>Market Operator</i> becomes aware of an error in an	3.14.9.2 If the <i>Market Operator</i> becomes aware of an error in an	The Market Operator should have a deadline on issuing	3.14.9.2 If the <i>Market Operator</i> becomes aware of an error in an	-Approved, as amended-

<p>amount stated in a <i>final statement</i> issued under clause 3.14.5 and, in the <i>Market Operator's</i> reasonable opinion, a <i>WESM Member</i> would be materially affected if a revision to the <i>final statement</i> was not made to correct the error, then the <i>Market Operator</i> shall issue revised statements for the relevant billing period in accordance with clause 3.14.9.1.</p>	<p>amount stated in a <i>final statement</i> issued under clause 3.14.5 and, in the <i>Market Operator's</i> reasonable opinion, a <i>WESM Member</i> would be materially affected if a revision to the <i>final statement</i> was not made to correct the error, then the <i>Market Operator</i> shall issue revised statements <u>adjustments to the final statement</u> for the relevant billing period in accordance with clause 3.14.9.1. <u>not later than 12 calendar months after the identification of the error unless the main party to be billed agrees that the issuance of the particular WESM bill adjustment shall be at a later time. The Market Operator shall take into account all relevant WESM Rules, Manuals and data in order to resolve the error and avoid the matter to be elevated to a dispute.</u></p> <p><u>Non-issuance of Market Operator of an adjustment to the final statement within 12 calendar months after the identification of the error would mean that the error has been resolved by the Market Operator without any need of issuing an adjustment to the</u></p>	<p>adjustments to final statements. From the WESM Rules, "<i>disputes in respect of final statements or the supporting data provided with them in accordance with 3.14.5 shall be raised within twelve months of the relevant billing period</i>". Thus, we also believe that 12 calendar months from identifying the error is enough time for the adjustments to be billed by the Market Operator.</p>	<p>amount stated in a <i>final statement</i> issued under clause 3.14.5 and, in the <i>Market Operator's</i> reasonable opinion, a <i>WESM Member</i> would be materially affected if a revision to the <i>final statement</i> was not made to correct the error, then the <i>Market Operator</i> shall issue <u>the Revised Statement</u> revised statements <u>adjustments to the final statement</u> for the relevant billing period in accordance with clause 3.14.9.1. <u>not later than six (6) 12 calendar months from receipt of the Market Operator of written notice of error from the participant, or from the Market Operator's discovery of the same. after the identification of the error unless the main party to be billed agrees that the issuance of the particular WESM bill adjustment shall be at a later time. The Market Operator shall take into account all relevant WESM Rules, Manuals and data in order to resolve the error and avoid the matter to be elevated to a dispute.</u></p> <p><u>Non-issuance of Market Operator of an adjustment to the final statement within 12 calendar months after the identification of the error would mean that the error has been</u></p>	<ul style="list-style-type: none"> Revised to reduce the proposed 12 months within which the MO shall issue the Revised Statement to 6 months. This is applicable only for errors that do not develop into disputes. Revised to clarify that the reckoning of the 6-month period is from the receipt of the Market Operator of written notice of error from the participant. The phrase "discovery of the same" was added to account for the possibility that the Market Operator becomes aware of an error on its own.
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	<u>relevant final statement.</u>		<u>resolved by the Market Operator without any need of issuing an adjustment to the relevant final statement.</u>	
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Proposed Changes to the Billing and Settlement Manual on the Validity Period for the Issuance of Final Statement Adjustments
RCC/WESM-WM-11/05

Original Provision	AES-MPPCL Proposed Amendment		RCC-Approved Proposed Amendment	
	On 16 February 2011	Rationale		Remarks
<p>2.8 Final Statement</p> <p align="center">xxx</p> <p>The final statement contains:</p> <p>all the information in the preliminary statement that were not subject to disagreement between the Market Participant and the Market Operator,</p> <p>any adjustments resulting from a disagreement or complaint submitted by the market participants that was found valid and was resolved prior to the date of issuance of final statement. It shall appear as either an increase or decrease in the amounts payable to or by the market participants.</p> <p>Errors may also arise in respect of final statements or the supporting data thereto. Disputes in respect of final statement shall be raised within twelve months of the relevant billing period and shall be resolved by agreement or pursuant to the dispute</p>	<p>2.8 Final Statement</p> <p align="center">xxx</p> <p>The final statement contains:</p> <p>(a) All the information in the preliminary statement that were not subject to disagreement between the Market Participant and the Market Operator, and</p> <p>(b) Any adjustments resulting from a disagreement or complaint submitted by the market participants that was found valid and was resolved prior to the date of issuance of final statement. It shall appear as either an increase or decrease in the amounts payable to or by the market participants.</p> <p>Errors may also arise in respect of final statements or the supporting data thereto. Disputes Errors in respect of final statement shall be raised within twelve (12) months of the</p>	<p>The Market Operator should have a deadline on issuing adjustments to final statements. Since errors should be identified within 12 months, then it is also reasonable that the Revised Statement should be issued not later than 12 months after the identification of errors.</p> <p>Cases for adjustments were also identified i.e. errors, cases in court and disputes as adopted from the WESM Rules.</p> <p>Other modifications in this Section are only on the format and insertion of numbering.</p>	<p>2.8 Final Statement</p> <p align="center">xxx</p> <p>The final statement contains:</p> <p>(a) All the information in the preliminary statement that were not subject to disagreement between the Market Participant and the Market Operator, and</p> <p>(b) Any adjustments resulting from a disagreement or complaint submitted by the market participants that was found valid and was resolved prior to the date of issuance of final statement. It shall appear as either an increase or decrease in the amounts payable to or by the market participants.</p> <p>Errors may also arise in respect of final statements or the supporting data thereto. Disputes Errors in respect of final statement shall be raised within twelve (12) months of the</p>	<p>-Approved, as amended-</p> <p>• Deleted the first sentence as this is already implied in the succeeding paragraphs.</p>

<p>resolution procedures set out in WESM Rules (clause 7.3).</p> <p>If the dispute in the Final Statement has been resolved in any way which causes the amount payable to differ from the amount payable as set out in the issued Final Statement or if the correct amount has been determined, the Market Operator shall issue to each WESM member affected by the resolution of the dispute or the correction of the error a Revised Statement for the relevant billing period setting out:</p> <p>The amount payable by the WESM Member to the Market Operator or the amount payable by the Market Operator to the WESM Member; and</p> <p>The adjustment to the final statement as agreed or determined plus interest calculated on a daily basis at the interest rate for the period from which the adjustment relates to the payment date applicable to the Revised Statement issued. The rate of interest is equal to the prevailing 91-day Treasury Bill rate.</p> <p>The Market Operator shall</p>	<p>relevant billing period and shall be resolved by agreement or pursuant to the dispute resolution procedures set out in WESM Rules (clause 7.3).</p> <p><u>Errors that develop into disputes shall be resolved by agreement or pursuant to the dispute resolution procedures set out in the WESM Rules (clause 7.3).</u></p> <p><u>For errors that do not develop into disputes, the Market Operator shall issue the Revised Statement not later than twelve (12) calendar months after the identification of the error unless the participant with the said erroneous data agrees that the deadline would be extended. Non-issuance by the Market Operator of a Revised Statement within twelve (12) calendar months after the identification of the error would mean that the error has been resolved by the Market Operator without any need of issuing a Revised Statement.</u></p> <p><u>The final statement shall also be adjusted depending on the result of resolved cases in the</u></p>		<p>relevant billing period and shall be resolved by agreement or pursuant to the dispute resolution procedures set out in WESM Rules (clause 7.3).</p> <p><u>Errors that develop into disputes shall be resolved by agreement or pursuant to the dispute resolution procedures set out in the WESM Rules (clause 7.3).</u></p> <p><u>For errors that do not develop into disputes, the Market Operator shall issue the Revised Statement not later than twelve (12) six (6) calendar months after receipt of written notice from the participant of the error, or from the Market Operator's discovery of the same. For the avoidance of doubt, no revisions shall be made by the Market Operator beyond the period specified. the identification of the written notice error unless the participant with the said erroneous data agrees that the deadline would be extended. Non-issuance by the Market Operator of a Revised Statement within twelve (12) calendar months after the identification of the error would</u></p>	<ul style="list-style-type: none"> • Revised to reduce the proposed 12 months within which the MO shall issue the Revised Statement to 6 months. This is applicable only for errors that do not develop into disputes. • Deleted second sentence due to inconsistency with the first. • Revised to clarify that the reckoning of the six-month period is from receipt of the written notice or from the time of the discovery. This revision is also consistent with the revisions in the WESM Rules.
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<p>specify the time and date on which a payment of an adjustment under a revised statement issued is due, which date shall be not less than ten business days and not more than fifteen business days after the issuance of that Revised Statement.</p>	<p><u>Courts, including but not limited to cases in the ERC.</u></p> <p><u>Disputes arising from issues other than that specified above shall also be resolved by agreement or pursuant to the dispute resolution procedures set out in WESM Rules (clause 7.3).</u></p>		<p>mean that the error has been resolved by the Market Operator without any need of issuing a Revised Statement.</p> <p><u>The final statement shall also be adjusted depending on the result of resolved cases in the Courts, including but not limited to cases in the ERC.</u></p>	
<p>By no later than this time and date specified in the Revised Statement, the full net amount of the adjustment, if any, shall be paid in cleared funds or refunded by the Market Participant to the market Operator.</p>	<p><u>For any case identified under Section 2.8 of this Manual which caused a different amount payable as set out in the final statement, the Market Operator shall issue to each WESM Member affected within twelve (12) calendar months a Revised Statement for the relevant billing period setting out:</u></p> <p>If the dispute in the Final Statement has been resolved in any way which causes the amount payable to differ from the amount payable as set out in the issued Final Statement or if the correct amount has been determined, the Market Operator shall issue to each WESM member affected by the resolution of the dispute or the correction of the error a <u>Revised Statement</u> for the relevant billing period setting</p>		<p><u>Disputes arising from issues other than that specified above shall also be resolved by agreement or pursuant to the dispute resolution procedures set out in WESM Rules (clause 7.3).</u></p> <p><u>For any case all cases identified under Section 2.8 of this Manual, except for errors that do not develop into disputes, which caused a different amount payable as set out in the final statement, the Market Operator shall issue to each WESM Member affected within twelve (12) calendar months from the resolution of the dispute or receipt of the final and executory order or decision, a Revised Statement for the relevant billing period setting out:</u></p>	<ul style="list-style-type: none"> • Revised to clarify that the Market Operator shall issue the Revised Statement within 12 calendar months for all cases except for errors that do not develop into disputes. • Revised to clarify the reckoning point for the 12-month period.

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	<p>out:</p> <p>The amount payable by the WESM Member to the Market Operator or the amount payable by the Market Operator to the WESM Member; and</p> <p>(a) The adjustment to the final statement as agreed or determined; plus and</p> <p>(b) interest calculated on a daily basis at the interest rate for the period from which the adjustment relates to the payment date applicable to the Revised Statement issued. The rate of interest is equal to the prevailing 91-day Treasury Bill rate.</p>		<p>If the dispute in the Final Statement has been resolved in any way which causes the amount payable to differ from the amount payable as set out in the issued Final Statement or if the correct amount has been determined, the Market Operator shall issue to each WESM member affected by the resolution of the dispute or the correction of the error a Revised Statement for the relevant billing period setting out:</p>	
	<p>The Market Operator shall specify the time and date on which a payment of an adjustment under a revised statement issued is due, which date shall be not less than ten business days and not more than fifteen business days after the issuance of that Revised Statement.</p> <p>By no later than this time and date specified in the Revised Statement, the full net amount of the adjustment, if any, shall be</p>		<p>The amount payable by the WESM Member to the Market Operator or the amount payable by the Market Operator to the WESM Member; and</p> <p>(a) The adjustment to the final statement as agreed or determined; plus and</p> <p>(b) interest calculated on a daily basis at the interest rate for the period from which the adjustment relates to the payment date applicable to the Revised Statement issued. The rate of interest is equal to the prevailing 91-day Treasury Bill rate.</p> <p>The Market Operator shall</p>	

	paid in cleared funds or refunded by the Market Participant to the market Operator.		<p>specify the time and date on which a payment of an adjustment under a revised statement issued is due, which date shall be not less than ten business days and not more than fifteen business days after the issuance of that Revised Statement.</p> <p>By no later than this time and date specified in the Revised Statement, the full net amount of the adjustment, if any, shall be paid in cleared funds or refunded by the Market Participant to the market Operator.</p>	