

## RULES CHANGE COMMITTEE

### Proposed Amendments to the WESM Manuals to Include Pricing Error Notice Event as Pricing Condition Category for Claiming Additional Compensation

Effective Date : 17 June 2022

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**WHEREAS**, in accordance with the ERC Case No. 2017-042, Section 8.3 of the WESM Manual on Price Determination Methodology and Section 10 of the WESM Manual on Billing and Settlement provide conditions when a Trading Participant is entitled to additional compensation. These conditions are as follows:

- Market Suspension or Market Intervention;
- Designation as constrain-on unit;
- Scheduling and dispatching as constrained-on unit during price substitution methodology; and
- Imposition of price mitigation measures;

**WHEREAS**, as provided under Section 6.3 of the WESM Manual on Constraint Violation Coefficients and Market Re-runs, the Market Operator issues pricing error notice (PEN) and executes a manual pricing re-run when market prices are in error due to incorrect, inconsistent, or inappropriate input data;

**WHEREAS**, during the manual pricing re-run, the resulting re-calculated market prices can possibly become lower than the initial market prices and the offer prices of dispatched Trading Participants;

**WHEREAS**, the Panasia Energy, Inc. / Millennium Energy, Inc. (PEI/MEI) submitted to the Rules Change Committee (RCC) on 10 January 2022 the Proposed Amendments to the WESM Manuals to include Pricing Error Notice (PEN) Event as Pricing Condition Category for Claiming Additional Compensation;

**WHEREAS**, the subject proposal intends to provide additional compensation to qualified Trading Participants whose generating units were scheduled and dispatched in dispatch intervals in which a pricing error notice (PEN) was issued and a manual pricing re-rerun was performed by the Market Operator. The proposed additional compensation intends to mitigate financial losses and allow full recovery of production costs of qualified Trading Participants;

**WHEREAS**, the summary of the proposal is as follows:

WESM Manual	Section	Proposed Change
Price Determination Methodology	Additional Compensation	Include pricing error notice as another criterion wherein the Market Operator performed manual pricing re-run
Billing and Settlement	Criteria for Additional Compensation	Include pricing error notice as another criterion wherein the Market Operator performed manual pricing re-run
	Filing of Claims	Include qualified Trading Participants affected by above-mentioned pricing error
	Quantity Eligible for Additional Compensation	Specify the quantity eligible for additional compensation for qualified Trading Participants affected by above-mentioned pricing error

**WHEREAS**, the RCC initially took up the proposal during its 189<sup>th</sup> Regular Meeting last 21 January 2022 and approved the same for publication to solicit comments from the stakeholders. Following the 30-day commenting period, comments were received from Technical Committee (TC), Philippine Electricity Market Corporation (PEMC), Independent Electricity Market Operator of the Philippines (IEMOP), Global Business Power/Meralco Gen (GBP/MGEN), and Aboitiz Power Corporation (APC);

**WHEREAS**, during 192<sup>nd</sup> and 195<sup>th</sup> Regular Meetings, the RCC decided to defer the deliberation of comments due to time constraint and prioritization of other proposals;

**WHEREAS**, during its 196<sup>th</sup> Meeting on 20 May 2022, the RCC deliberated the comments received and agreed on the following:

- On GBP/MGen's comments/ suggestion on the inclusion of a condition when the System Operator constrains-off a Trading Participant which resulted to capacity displacement – it was recommended for GBP/MGen to submit another rules change proposal to address their concern as this is a significant change and is outside the scope/ topic of the proposal;
- On PEMC's comments of possible double compensation recovery if the generating unit is dispatched to provide reserve service - considered the proponent's explanation that only the spot energy is eligible for additional compensation and the IEMOP's confirmation that there will be no double recovery since incidental energy attributed to a Trading Participant's compliance to the SO's reserve dispatch instructions are netted out from the quantities considered for additional compensation;
- IEMOP confirmed the occurrence of PEN at an average of 2.15% of the total trading intervals for the last 7 months (June 2021 to January 2022). Though there have been occurrences that the re-run price becomes lower than the offer price, no trading participant was given additional compensation due to lack of regulatory basis; and
- Considering that the proposed changes also amend the WESM Manual on Price Determination Methodology - noted that the proposal shall also be subject to the ERC's approval once approved by the DOE;

**WHEREAS**, during the same meeting, the RCC requested further information to provide some idea on possible financial impact to consumers, for information of the PEM Board and DOE, in particular:

- Proponent to submit sample calculation using the formula  $SG_{g,i} = (IL_{g,i} + DT_{g,i})/2 \times 1/12$ , showing estimate on the financial impact for PEI/MEI for the 6-month sample period with PEN for 2021; and
- IEMOP to provide estimates on financial impact of monthly additional compensation for MEI/PEI based on their data.

**WHEREAS**, during its 197<sup>th</sup> meeting on 17 June 2022, the RCC discussed the additional information from the proponent and IEMOP and approved the proposal, and related queries raised, as follows:

- IEMOP presented the estimated recovery rates based on the data on additional compensation in accordance with the subject proposal for the period July 2021 to December 2021 by MEI/PEI. To reflect a closer estimate to the total recovery rate, which includes possible additional compensation for other affected generators, the RCC requested IEMOP to provide revised recovery rates considering the estimated number of affected generators and cost data from MEI/PEI. This information will provide an estimated impact of the proposal to the end-users, for the reference of the PEM Board, DOE and ERC;

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- Noting that the proposal addresses the effect of the pricing errors requiring manual pricing re-runs, the RCC discussed the causes of such pricing errors and agreed to request WESM Technical Committee (TC) to conduct a study on the following:
  - Sources of input errors; and
  - Reduction of input errors to reduce PENs;

**WHEREAS**, on the same meeting, the RCC approved the proposal, as revised, for submission to PEM Board;

**NOW THEREFORE**, we, the undersigned, on behalf of the sectors we represent, hereby resolve via electronic communication platforms, as follows:

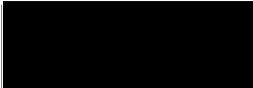
**RESOLVED**, that RCC approved the Proposed Amendments to the WESM Manuals to Include Pricing Error Notice Event as Pricing Condition Category for Claiming Additional Compensation attached as Annex A and sample computation of scheduled generation using the formula attached as Annex B;

**RESOLVED FURTHER**, that the said Proposed Amendments to the WESM Manuals to Include Pricing Error Notice Event as Pricing Condition Category for Claiming Additional Compensation, are hereby endorsed to the PEM Board for approval and for submission to DOE and ERC for consideration.

Done this 17<sup>th</sup> day of **June 2022**, *via* Microsoft Teams.

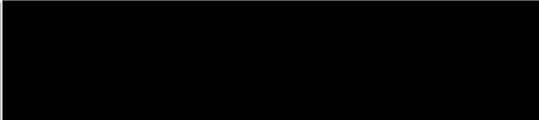


Proposed Amendments to the WESM Manuals to Include Pricing Error Notice Event as Pricing Condition Category for Claiming Additional Compensation

<p>Approved by: <b>THE RULES CHANGE COMMITTEE</b></p>	
<p>Independent Members:</p>	
 <b>CONCEPCION I. TANGLAO</b> Chairperson	 <b>JESUSITO G. MORALLOS</b>
 <b>FERNANDO MARTIN Y. ROXAS</b>	 <b>JOSE RODERICK F. FERNANDO</b>
<p>Generation Sector Members:</p>	
 <b>DIXIE ANTHONY R. BANZON</b> Masinloc Power Partners Co. Ltd. (MPPCL)	 <b>CHERRY A. JAVIER</b> Aboitiz Power Corp. (APC)
 <b>CARLITO C. CLAUDIO</b> Millennium Energy, Inc./ Pansia Energy, Inc. (MEI/PEI)	 <b>MARK D. HABANA</b> Vivant Corporation - Philippines (Vivant)
<p>Distribution Sector Members:</p>	
 <b>RYAN S. MORALES</b> Manila Electric Company (MERALCO)	 <b>RICARDO G. GUMALAL</b> Iligan Light and Power, Inc. (ILPI)
 <b>VIRGILIO C. FORTICH, JR.</b> Cebu III Electric Cooperative, Inc. (CEBECO III)	 <b>NELSON M. DELACRUZ</b> Nueva Ecija II Area 1 Electric Cooperative, Inc. (NEECO II – Area 1)



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<b>Supply Sector Member:</b>
 <b>LORRETO H. RIVERA</b> TeaM (Philippines) Energy Corporation (TPEC)
<b>Market Operator Member:</b>
 <b>ISIDRO E. CACHO, JR.</b> Independent Electricity Market Operator of the Philippines (IEMOP)
<b>System Operator Member:</b>
 <b>AMBROCIO R. ROSALES</b> National Grid Corporation of the Philippines (NGCP)



A. WESM Manual on Price Determination Methodology Issue 3.0				
Title	Clause	Provision	Proposed Amendment	Rationale
Additional Compensation	8.3	8.3.1 A <i>Trading Participant</i> may be entitled to additional compensation when the costs incurred in complying with <i>dispatch</i> instructions are not sufficiently covered by the <i>trading amounts</i> related to <i>settlement intervals</i> with <i>dispatch intervals</i> under any of the following conditions: xxx	8.3.1 A <i>Trading Participant</i> may be entitled to additional compensation when the costs incurred in complying with <i>dispatch</i> instructions are not sufficiently covered by the <i>trading amounts</i> related to <i>settlement intervals</i> with <i>dispatch intervals</i> under any of the following conditions: xxx <b><u>e. When a <i>Trading Participant</i> was scheduled and dispatched in dispatch intervals in which a pricing error notice was issued and a manual pricing re-rerun was performed by the Market Operator in accordance with Section 5.3.1, but the resulting market re-run prices were lower than the initial nodal energy dispatch prices.</u></b>	Add another condition wherein a <i>Trading Participant</i> may be entitled to additional compensation <b>when the trading amounts it has received or will receive in dispatch intervals tagged with pricing error and applied with market pricing re-run are not sufficient to cover its production costs.</b>



<b>B. WESM Manual on Billing and Settlement</b>				
Title	Clause	Provision	Proposed Amendment	Rationale
Criteria for Additional Compensation	10.1	10.1.1 In accordance with Section 8.3 of the Price Determination Methodology Manual, Trading Participants may be entitled to additional compensation when the cost incurred in complying with the <i>dispatch instruction</i> are not sufficiently covered by the trading amounts related to settlement intervals with dispatch intervals under any of the following conditions: xxx	10.1.1 In accordance with Section 8.3 of the Price Determination Methodology Manual, Trading Participants may be entitled to additional compensation when the cost incurred in complying with the <i>dispatch instruction</i> are not sufficiently covered by the trading amounts related to settlement intervals with dispatch intervals under any of the following conditions:  a) xxx b) xxx c) xxx d) xxx e) <b><u>A Trading Participant has a generating unit that was scheduled and dispatched in dispatch intervals in which a pricing error notice was issued and a manual pricing re-run was performed by the Market Operator.</u></b>	Add another condition wherein a Trading Participant may be entitled to additional compensation when the trading amounts it has received or will receive in dispatch intervals tagged with pricing error and applied with market pricing re-run are not sufficient to cover its production costs.
Criteria for Additional Compensation	10.1	10.1.2 In the event that two (2) or more of the conditions occur in the same <i>dispatch interval</i> and a <i>Trading Participant</i> is entitled to additional compensation due to more than one condition, the <i>Trading Participant</i> and the <i>Market Operator</i> shall adhere with the procedures and timelines of the condition with the highest priority based on the following hierarchy: xxx	10.1.2 In the event that two (2) or more of the conditions occur in the same <i>dispatch interval</i> and a <i>Trading Participant</i> is entitled to additional compensation due to more than one condition, the <i>Trading Participant</i> and the <i>Market Operator</i> shall adhere with the procedures and timelines of the condition with the highest priority based on the following hierarchy:  a) xxx b) xxx c) xxx d) xxx e) <b><u>Claim Category in Section 10.1.1(e)</u></b>	Include the condition specified under the new Section 10.1.1(e) in the prioritization hierarchy.
Filing of Claims	10.2	10.2.1 <i>Trading Participants</i> shall submit the written claim for additional compensation within the allowable timeframe, as follows: Xxx	10.2.1 <i>Trading Participants</i> shall submit the written claim for additional compensation within the allowable timeframe, as follows:  a) xxx b) xxx c) xxx d) xxx e) <b><u>Qualified Trading Participants in dispatch intervals in which a pricing error notice was issued and a manual pricing re-run was performed by the Market Operator – not later than fourteen (14) working days after the posting of the market re-run prices by the Market Operator.</u></b>  xxx	Include qualified Trading Participants specified under the new Section 10.1.1(e) in those required to submit the written claim for additional compensation within the allowable timeframe.

B. WESM Manual on Billing and Settlement				
Title	Clause	Provision	Proposed Amendment	Rationale
Filing of Claims	10.2	<p>10.2.2 Within a maximum period of sixty (60) <i>business days</i> from the <i>Market Operator's</i> receipt of the written claim, <i>Trading Participants</i> shall submit the complete documentation that provides sufficient proof regarding the costs incurred, which are limited to fuel cost and variable operating and maintenance costs, which may include start-up and shut down cost. Below is the non-exhaustive list of requirement documents in filing claims for additional compensation:</p> <p>Xxx</p> <p>b) <i>Constrained-on generators</i> in <i>dispatch intervals</i> when the price substitution methodology due to congestion was applied, or qualified <i>Trading Participants</i> in <i>dispatch intervals</i> when price mitigation measure was applied, unless a different set of requirements is set out in the relevant issuance of the <i>ERC</i> or competent agency imposing the price mitigation measure –</p> <ol style="list-style-type: none"> <li>i. Actual fuel consumption and inventory report, duly certified by the Vice President of Finance of the power plant applying for additional compensation;</li> <li>ii. Purchase Invoices, Official Receipts and other supporting documents; and</li> <li>iii. List of Variable Operation and Maintenance Costs supported by photocopies of invoices/receipts.</li> </ol> <p>Xxx</p>	<p>10.2.2 Within a maximum period of sixty (60) <i>business days</i> from the <i>Market Operator's</i> receipt of the written claim, <i>Trading Participants</i> shall submit the complete documentation that provides sufficient proof regarding the costs incurred, which are limited to fuel cost and variable operating and maintenance costs, which may include start-up and shut down cost. Below is the non-exhaustive list of requirement documents in filing claims for additional compensation:</p> <p>a) <del>Market suspension, market intervention, must-run unit or constrain-on generating unit</del> – <b>For Claim category in Section 10.1.1(a) and (b) –</b></p> <p>xxx</p> <p>b) <del>Constrained-on generators in dispatch intervals when the price substitution methodology due to congestion was applied or qualified Trading Participants in dispatch intervals when price mitigation measure was applied, unless a different set of requirements is set out in the relevant issuance of the ERC or competent agency imposing the price mitigation measure,</del> <b>For Claim category in Section 10.1.1(c), (d) and (e) –</b></p> <p>xxx</p>	<p>Include qualified Trading Participants specified under the new Section 10.1.1(e) in those required to submit complete documentation in filing claims for additional compensation.</p>
Filing of Claims	10.2	<p>10.2.4 The <i>Market Operator</i> shall inform the requesting <i>Trading Participant</i> of the approval or disapproval of the claim within the following periods reckoned from receipt of the complete documents from the <i>Trading Participant</i>:</p> <p>a) For claims under the claim category in Section 10.1.1 (a), (b), and (c) - within fourteen (14) <i>working days</i>;</p> <p>xxx</p>	<p>10.2.4 The <i>Market Operator</i> shall inform the requesting <i>Trading Participant</i> of the approval or disapproval of the claim within the following periods reckoned from receipt of the complete documents from the <i>Trading Participant</i>:</p> <p>a) For claims under the claim category in Section 10.1.1 (a), (b), and (c), <b>and (e)</b> - within fourteen (14) <i>working days</i>;</p> <p>xxx</p>	<p>Include qualified Trading Participants specified under the new Section 10.1.1(e) in those whom the Market Operator will inform regarding the approval or disapproval of claims for additional compensation within the stipulated period.</p>
Quantity Eligible for Additional Compensation	10.3	<p>10.3.2 For claims due to <i>market suspension, market intervention, designation as constrain-on units, implementation of price substitution methodology, or imposition of price mitigation measures unless a different formula is set out in the relevant issuance of the ERC or competent agency imposing the price mitigation measure, the Market Operator</i> shall determine the volume that shall be eligible for additional compensation in accordance with the following formula:</p> <p>xxx</p>	<p>10.3.2 For claims due to <i>market suspension, market intervention, designation as constrain-on units, implementation of price substitution methodology, or imposition of price mitigation measures unless a different formula is set out in the relevant issuance of the ERC or competent agency imposing the price mitigation measure, or issuance of pricing error notice and conduct of manual pricing re-run, the Market Operator</i> shall determine the volume that shall be eligible for additional compensation in accordance with the following formula:</p> <p>xxx</p>	<p>Include claims due to pricing error and market pricing re-run in the determination by the Market Operator of the <b>volume eligible for additional compensation.</b></p>

**B. WESM Manual on Billing and Settlement**

Title	Clause	Provision	Proposed Amendment	Rationale
Quantity Eligible for Additional Compensation	10.3	10.3.3 The scheduled generation of a <i>generating unit</i> that filed a claim for additional compensation shall be calculated using the following formulas: Xxx	10.3.3 The scheduled generation of a <i>generating unit</i> that filed a claim for additional compensation shall be calculated using the following formulas:  a) xxx b) xxx c) xxx d) xxx e) <b><u>If due to pricing error and manual pricing re-run,</u></b>  $SG_{g,i} \frac{(IL_{g,i} + DT_{g,i})}{2} \times \frac{1}{12}$  xxx	Specify the formula that will be used for the calculation of the scheduled generation of a generating unit that filed for additional compensation due to pricing error and market pricing re-run.



**Sample Computation of Scheduled Generation**

A. Using the formula:

Generating unit: Limay 1

Dispatch interval: 1400 H

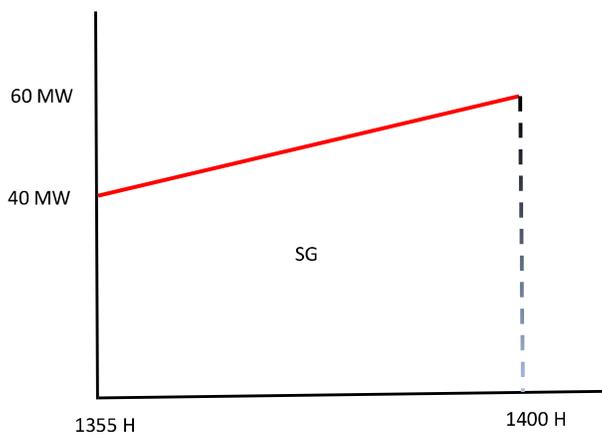
Initial load (IL) at 1355 H = 40 MW

RTD schedule (DT) = 60 MW

Scheduled generation SG based on the proposed formula:

$$\begin{aligned} \text{SG} &= \frac{(\text{IL} + \text{DT})}{2} \times \frac{1}{12} \\ &= \frac{(40 + 60)}{2} \times \frac{1}{12} \\ &= 4.167 \text{ MWh} \end{aligned}$$

B. Graphical Illustration:



SG is the area under the trapezoid.

$$\begin{aligned} \text{SG} &= \frac{1}{2}(40 + 60) \times (5/60) \\ &= 4.167 \text{ MWh} \end{aligned}$$