

## RULES CHANGE COMMITTEE

### Proposed Amendments to the WESM Manual on Billing and Settlement regarding Additional Compensation Formula

Effective Date : 21 October 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 the procedures and formulae in the processing of additional compensation claims and recovery, and the conditions when a Trading Participant is entitled to additional compensation. These conditions are as follows:

- During Market Suspension or Market Intervention;
- Designated as constrain-on or must-run unit;
- Scheduled and dispatched as constrained-on unit during price substitution methodology; and
- Scheduled and dispatched when price mitigation measure is imposed by ERC;

**WHEREAS**, on 25 May 2022, the Independent Electricity Market Operator of the Philippines (IEMOP) submitted proposed amendments to the WESM Manual on Billing and Settlement are proposed to:

- (i) reflect the formula for the calculation of additional compensation amount and specify the recovery process for additional compensation across all claim categories based on the External Auditor's recommendations from the (Supplemental) Audit of PDM-related Enhancements to NMMS and CRSS; and
- (ii) simplify the process in determining SO dispatch instructions during market intervention/suspension and include further condition on the calculation of quantity eligible for additional compensation during administered pricing.

**WHEREAS**, the proposed amendments aim to address the following:

- a) IES recommendations to (1) reflect in the WESM Manual the calculation of the additional compensation claim amount specified in the Business Requirements Document (BRD<sup>1</sup>), and (2) include in the WESM Manual the recovery method for claims other than MRU since the current recovery process is based on the recovery process for MRU in the PDM Manual Clause 8.3.4 (c).
- b) The current ERC-approved methodology, in cases where there are no specific dispatch instructions from SO, the most recent Real-Time Dispatch (RTD) schedule will be used for calculating additional compensation claims. However, during the 26 June 2021 market intervention/suspension due to Typhoon Odette, the generated RTD schedules were largely infeasible to implement as the real time data that was available then were erratic and erroneous. In addition, noting that the market suspension lasted for about a month, the latest available accurate RTD schedules were about a month-old already.

**WHEREAS**, the above-mentioned issues were presented by IEMOP, as the proponent, during the 197<sup>th</sup> RCC meeting on 17 June 2022. The summary of the proposal is as follows:

<sup>1</sup> CRSS Enhancement: Additional Compensation Business Requirements Document, BRD-2010-010.2011.003

## Proposed Amendments to the WESM Manual on Billing and Settlement regarding Additional Compensation

WESM Manual	Proposed Amendment	Rationale
Billing and Settlement Issue 9.1	<ul style="list-style-type: none"> <li>• Reflect the formula for additional compensation claim amount included in the Business Requirements Document (BRD)</li> <li>• Specify the recovery process of additional compensation for claim categories other than MRU</li> </ul>	Reflect Audit Recommendations from Intelligent Energy Systems' (IES) Supplemental Audit of PDM-related Enhancements on CRSS
	If there is no SO Dispatch Instruction for claims due to market intervention and/or market suspension, use the metered quantity in the calculation of additional compensation quantity	To simplify the process in determining SO dispatch instructions during market intervention/suspension.

**WHEREAS**, on the same meeting, the RCC approved to publish the proposal for solicitation of comments;

**WHEREAS**, following the 30-day commenting period from 21 June 2022 to 02 August 2022, comments were received from Meralco, Panasia Energy Inc./Millennium Energy Inc. (PEI/MEI), SPC Power Corporation/SPC Island Power Corporation (SPC/SIPC); and Philippine Electricity Market Corporation (PEMC);

**WHEREAS**, during 199<sup>th</sup> meeting on 19 August 2022, the RCC decided to conduct a caucus on the proposal in accordance with the recently approved changes to the RCC's Internal Rules<sup>2</sup> and agreed on the members<sup>3</sup> of the caucus;

**WHEREAS**, during its 200<sup>th</sup> meeting on 01 September 2022, the RCC caucus members deliberated the proposal with due consideration of the comments received, the corresponding response from the proponent, the PEM Board's deliberation of the proposal on over-riding constraints criteria by the National Power Corporation (NPC) that was earlier endorsed by the RCC<sup>4</sup>, and the inputs from the body on the criteria, processes, and issues on MRU, over-riding constraints, and additional compensation. The RCC caucus members then agreed to:

- Provisionally approve the proposal, subject to the approval by the RCC en banc during its next regular meeting;
- Note matters for consideration by the RCC that impact the proposal and may be considered either for integration in the proposal or submission as another proposal by the interested parties, as follows:
  - Comments from Meralco and PEMC regarding specific circumstances when the System Operator has no dispatch instruction to generation facilities during market intervention or market suspension, and the enforcement of the SO's responsibility to provide data on dispatch instruction under the Dispatch Protocol. These directly impact the data to be used for determining scheduled generation, which is the subject of IEMOP's proposal.

<sup>2</sup> [RCC Resolution No. 2022-10: Amendments to Rules Change Committee Internal Rules Issue 6.0](#)

<sup>3</sup> Independent – Atty. Jesusito Morillos and Mr. Fernando Roxas, Generation – Ms. Cherry Javier, Distribution – Mr. Virgilio Fortich, Supply – Ms. Loretto Rivera

<sup>4</sup> [RCC Resolution No. 2022-09: Proposed Amendments to the WESM Manual on Dispatch Protocol regarding Non-security Over-riding Constraints](#)

Proposed Amendments to the WESM Manual on Billing and Settlement regarding Additional Compensation

- Input from SPC/SIPC regarding the discrepancy between data from the generation facility instructed to be re-dispatched and from the Visayas System Operator's dispatch instruction report. This directly impacts the Market Operator's approval or disapproval of additional compensation claims from the concerned generation facility.
- Concern raised by SPC/SIPC regarding the allowable recoverable costs through additional compensation for MRUs on top of fuel and variable operating and maintenance costs. This was noted by the body as a matter not covered by IEMOP's proposal.

**WHEREAS**, during its 201<sup>st</sup> meeting on 16 September 2022, noting the need to continue the line-by-line review, the RCC further discussed the proposal, and agreed to:

- Adopt IEMOP's proposed wording in Section 10.3.3 (scheduled generation of a generating unit that filed a claim for additional compensation) in consideration of the following:
  - The System Operator assured that they are closely monitoring the security of the grid and will be reporting any non-compliance to dispatch instructions;
  - Generators are expected to maintain current actual loading unless otherwise instructed by the System Operator during intervals with frequency that are beyond the grid frequency threshold;
  - In view of the foregoing, the Market Operator confirms that the metered quantity closely reflects the supposed dispatch instruction to maintain loading;
  - The proposal benefits the generators because it simplifies the documentary requirement of a Dispatch Instruction Report when there has not been any during market intervention/suspension;
- On proposed Section 10.4.2, the following were considered:
  - IEMOP recognized the comments of Meralco specifically on the publication of information to enable the customer to validate the amount of additional compensation that has been charged to it. The RCC requested IEMOP to craft wordings on the publication of information that is acceptable and compliance with the disclosure and confidentiality requirements.
  - IEMOP emphasized that there's no explicit process on appealing or motion for reconsideration in filing for additional compensation. However, it was suggested that this may be a subject of another rules change proposal by concerned Trading Participants.
- Moving forward, the RCC noted Mr. Morales' suggestion, as a general practice, to request sample calculations or computations from proponents in cases wherein there are proposed changes to certain formulas.

**WHEREAS**, during its 202<sup>nd</sup> meeting on 21 October 2022, the RCC continued its deliberation on the proposal, where:

- The IEMOP presented a simulation on the use of metered quantity for additional compensation during Market Intervention/Suspension (attached as Annex B). It was noted that the rate impact is around Php/kWh 0.001417 in the July 2022 billing month due to the increase in the additional compensation quantity.
- The RCC agreed to adopt IEMOP's proposed Section 10.4.8 regarding the publication in the Market Information Website of data relating to issued additional compensation statements for the information of customers no later than 30 business days after the issuance of settlement statements containing the additional compensation settlement amounts, subject to the

Proposed Amendments to the WESM Manual on Billing and Settlement regarding Additional Compensation provisions of Market Operator Information Disclosure and Confidentiality Manual. The Market Operator shall likewise submit the said data to the Energy Regulatory Commission.

**WHEREAS**, on the same meeting, the RCC approved the proposal, 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:

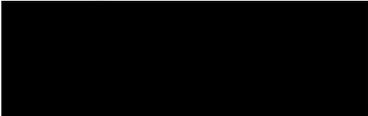
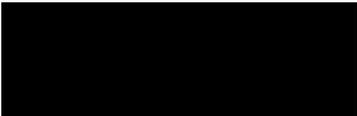
**RESOLVED**, that RCC approved the Proposed Amendments to the WESM Manual on Billing and Settlement regarding Additional Compensation attached as Annex A;

**RESOLVED FURTHER**, that the said Proposed Amendments to the WESM Manual on Billing and Settlement regarding Additional Compensation, are hereby endorsed to the PEM Board for approval and for submission to DOE for approval and guidance whether to submit the proposal to ERC for further approval.

Done this **21<sup>st</sup>** day of **October 2022**, via Microsoft Teams.



## Proposed Amendments to the WESM Manual on Billing and Settlement regarding Additional Compensation

Approved by: <b>THE RULES CHANGE COMMITTEE</b>	
Independent Members:	
 <b>CONCEPCION I. TANGLAO</b> Chairperson	 <b>JESUSITO G. MORALLOS</b>
 <b>JOSE RODERICK F. FERNANDO</b>	(vacant)
Generation Sector Members:	
 <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)	 <del>MARK D. HABANA</del> Vivant Corporation - Philippines (Vivant)
Distribution Sector Members:	
 <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. DELA CRUZ</b> Nueva Ecija II Area 1 Electric Cooperative, Inc. (NEECO II – Area 1)

Proposed Amendments to the WESM Manual on Billing and Settlement regarding Additional Compensation

<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 Billing and Settlement Issue 11.1				
Title	Clause	Provision	Proposed Amendment	Rationale
Quantity Eligible for Additional Compensation	10.3	<p>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:</p> <p>a) If due to declaration of <i>market suspension</i> or <i>market intervention</i>,</p> $SG_{g,i} = \frac{(DT_{g,i-1} + DT_{g,i})}{2} \times \frac{1}{12}$ <p>xxxx Where: xxxx <i>DT<sub>g,i</sub></i> refers to the most recent <i>dispatch instruction</i> from the <i>System Operator</i> received by <i>generating unit g</i> for <i>dispatch interval i</i></p>	<p>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:</p> <p>a) If due to declaration of <i>market suspension</i> or <i>market intervention</i>,</p> $SG_{g,i} = \frac{(DT_{g,i-1} + DT_{g,i})}{2} \times \frac{1}{12}$ $SG_{g,i} = \frac{DI_{g,i}}{12}$ <p>xxxx Where: xxxx <i>DI<sub>g,i</sub></i> refers to the most recent <i>dispatch instruction</i> from the <i>System Operator</i> received by <i>generating unit g</i> for <i>dispatch interval i</i>. <b><u>In cases where there is no System Operator dispatch instruction issued for generating unit g at dispatch interval i during market intervention or market suspension, then its gross energy settlement quantity at dispatch interval i shall be used.</u></b></p>	<p>To simplify the process in determining SO dispatch instructions during market intervention/ suspension and include further condition on the calculation of quantity eligible for additional compensation during administered pricing in light of recent observations in market suspension during Typhoon Odette.</p>
Billing and Settlement of Additional Compensation	10.4	(new)	<p><b><u>10.4.1. Using the formula below, the Market Operator shall determine the additional compensation claim amount in accordance with the claim category conditions on quantity eligible for additional compensation as set out in Section 10.3 of this Manual</u></b></p> $ACA_{g,i} = ACQ_{g,i} \times [Approved Rate_{g,i} - FEDP_{g,i}]$ <p><b><u>Where:</u></b>  <b><u>ACA<sub>g,i</sub></u></b> refers to the additional compensation amount of <i>generating unit g</i> for <i>dispatch interval i</i>  <b><u>ACQ<sub>g,i</sub></u></b> refers to the additional compensation quantity or volume of <i>generating unit g</i> for <i>dispatch interval i</i>  <b><u>Approved Rate<sub>g,i</sub></u></b> refers to the approved rate of <i>generating unit g</i> at <i>dispatch interval i</i> based on the <b><u>evaluation of the claim</u></b>  <b><u>FEDP<sub>g,i</sub></u></b> refers to the <b><u>final energy dispatch price of generating unit g</u></b> at certain <i>dispatch interval i</i></p>	<p>To reflect in the WESM Manual the formula for the calculation of the additional compensation claim amount in line with the general principle stated in Section 8.3.1 of the WESM Manual on Price Determination Methodology and as stated in the Business Requirement Document of the CRSS. This proposed change is part of IES' recommendation in their audit report for completeness of the formula and process of the billing and settlement of additional compensation.</p>

A. WESM Manual on Billing and Settlement Issue 11.1				
Title	Clause	Provision	Proposed Amendment	Rationale
Billing and Settlement of Additional Compensation	10.4	10.4.1 The <i>Market Operator</i> shall determine the share in the additional compensation amount of each <i>Trading Participant</i> in accordance with the provisions under Section 8.3 of the Price Determination Methodology Manual.	<p>40.4.1– <b>10.4.2</b> The <i>Market Operator</i> shall determine the share in the additional compensation amount of each <i>Trading Participant</i> in accordance with the provisions under Section 8.3 of the Price Determination Methodology Manual. <b><u>For each claim category, the additional compensation amount shall be pro-rated among the customers in the same region based on gross energy settlement quantities in accordance with the following formula</u></b></p> $\text{Allocation}_{c,i} = \text{ACR}_{R,i} \times \frac{\text{GESQ}_{c,i}}{\sum_{c \in R} \text{GESQ}_{c,i}}$ <p><b>Where:</b>  <u>Allocation<sub>c,i</sub></u> refers to the amount recovered for customer c at dispatch interval i  <u>ACR<sub>R,i</sub></u> refers to the Additional Compensation Claim for region R at dispatch interval i  <u>GESQ<sub>c,i</sub></u> refers to the gross energy settlement quantity for customer c at dispatch interval i  <u>∑<sub>c ∈ R</sub> GESQ<sub>c,i</sub></u> refers to the total gross energy settlement quantity in region R at dispatch interval i</p>	<p>To specify the process of recovery of additional compensation for claims other than MRU as recommended by IES. This process of recovery of additional compensation is also reflected in Section 8.3 of the PDM for MRU.</p> <p>Renumbering due to insertion of new clause.</p>
Billing and Settlement of Additional Compensation	10.4	10.4.2 The <i>Market Operator</i> shall calculate the possible rate impact to each <i>WESM Customer</i> of each approved claim in accordance with the following formula: xxxx	40.4.2 <b>10.4.3</b> The <i>Market Operator</i> shall calculate the possible rate impact to each <i>WESM Customer</i> of each approved claim in accordance with the following formula: xxxx	Renumbering due to insertion of new clause.
Billing and Settlement of Additional Compensation	10.4	10.4.3 The approved claim of each <i>Trading Participant</i> covering each <i>billing period</i> and for each claim category shall be billed on the <i>billing period</i> immediately following the approval of the claim and payments shall be collected as follows: xxxx	40.4.3 <b>10.4.4</b> The approved claim of each <i>Trading Participant</i> covering each <i>billing period</i> and for each claim category shall be billed on the <i>billing period</i> immediately following the approval of the claim and payments shall be collected as follows: xxxx	Renumbering due to insertion of new clause.
Billing and Settlement of Additional Compensation	10.4	10.4.4 The <i>Market Operator</i> shall collect payments for the approved claim within the following timeframe – xxxx	40.4.4 <b>10.4.5</b> The <i>Market Operator</i> shall collect payments for the approved claim within the following timeframe – xxxx	Renumbering due to insertion of new clause.
Billing and Settlement of Additional Compensation	10.4	10.4.5 The collected amounts from staggered payments shall be pro-rated to the <i>Trading Participants</i> which the payment is due.	40.4.5 <b>10.4.6</b> The collected amounts from staggered payments shall be pro-rated to the <i>Trading Participants</i> which the payment is due.	Renumbering due to insertion of new clause.

A. WESM Manual on Billing and Settlement Issue 11.1				
Title	Clause	Provision	Proposed Amendment	Rationale
Billing and Settlement of Additional Compensation	10.4	10.4.6 The payment for additional compensation of customers that have switched to a different <i>Direct WESM Member</i> shall be billed to the current <i>Direct WESM Member</i> provided that the bill shall reflect the period of consumption and the corresponding <i>Direct WESM Member</i> during the period of the additional compensation event under claim.	40.4.6 <b>10.4.7</b> The payment for additional compensation of customers that have switched to a different <i>Direct WESM Member</i> shall be billed to the current <i>Direct WESM Member</i> provided that the bill shall reflect the period of consumption and the corresponding <i>Direct WESM Member</i> during the period of the additional compensation event under claim.	Renumbering due to insertion of new clause.
Billing and Settlement of Additional Compensation	10.4		<p><b><u>10.4.8 The Market Operator shall publish the following data relating to issued additional compensation statements for the information of customers, subject to the provisions of the Market Operator Information Disclosure and Confidentiality Manual:</u></b></p> <ol style="list-style-type: none"> <li><b><u>1. The aggregate approved and issued additional compensation claim amount, in PhP, per region, including the total number of trading intervals; and</u></b></li> <li><b><u>2. The estimated rate impact to customers, in PhP/MWh, computed by dividing the aggregate approved additional compensation claim amount by the aggregate gross energy settlement quantity of customers per region.</u></b></li> </ol> <p><b><u>Said publication shall be done in the Market Information Website no later than 30 business days after the issuance of settlement statements containing the additional compensation settlement amounts. The Market Operator shall likewise submit the said data to the Energy Regulatory Commission.</u></b></p>	To provide provision for the publication of information so that the customers can validate the amount of additional compensation that has been charged to it

# Simulation on Use of MQ for Additional Compensation During Market Intervention/Suspension

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19 October 2022



# Background

## Current Determination of Additional Compensation Quantity

□ Based on WESM Billing and Settlement Manual Section 10.3

Compensation Type	Pre-Condition on Determining AddComp Qty	Formula to be Used
Designation as Must-Run Unit	None	ACQ = <b>GESQ</b> - BCQ - ASIE
Due To Administered Price Due To Secondary Price Cap Due To PSM for Congestion Designation as Constrain-on Generation (MOT)	If GESQ <= (SG + Allowable Upward Deviation)	ACQ = <b>GESQ</b> - BCQ - ASIE
	If GESQ > (SG + Allowable Upward Deviation)	ACQ = <b>SG</b> - BCQ - ASIE

Where:

**ACQ** refers to the Additional Compensation Quantity

**GESQ** refers to the Gross Energy Settlement Quantity (or metered quantity)

**BCQ** refers to the sum of Bilateral Contract Quantity

**ASIE** refers to the Ancillary Service Incidental Energy

**SG** refers to Scheduled Generation



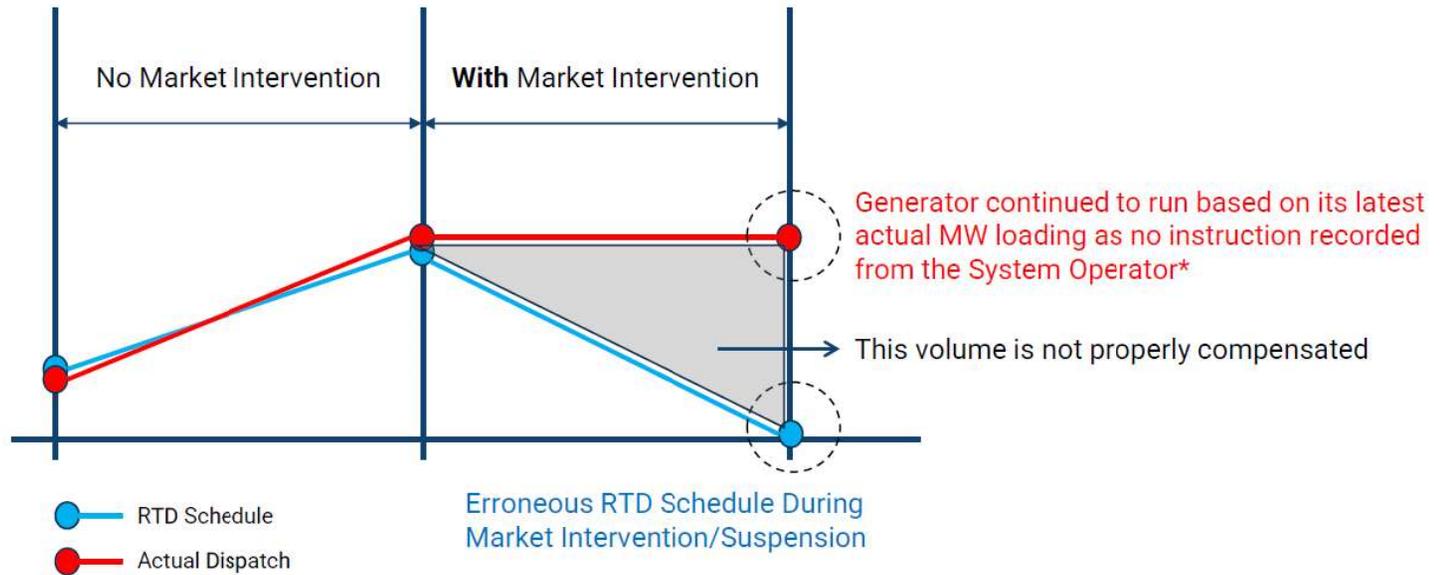
During Use of Administered Prices (i.e., Market Intervention or Market Suspension)

- Scheduled Generation is computed based on the most recent dispatch target
  - ✓ **Dispatch Target is based on RTD schedule from the Market Operator (MMS), or a dispatch instruction from the System Operator**



# Background

## Issue During Market Intervention / Suspension



\*SO expects all generators to continue to run based on latest actual MW loading during MI or MS. SO will only issue dispatch instructions to select generators to ensure continued balance of supply and demand

# Simulation

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- ❑ RCC requested IEMOP to simulate impact of IEMOP proposal where:
  - The objective is to avoid use of RTD during MI or MS, hence, AddComp Quantity shall be
    - SO Dispatch Instruction, if there is any, or
    - GESQ (or MQ)
  
- ❑ Generally, the AddComp Quantity is expected to increase, thus, the Additional Compensation shall increase
  
- ❑ The following formula was used to compute for the expected increase in WESM rate (in P/kWh) should the proposal be implemented

$$\text{Rate Increase for Each Month} = \frac{\sum_{i=1}^n \sum_{k=1}^o (\text{New AddComp Qty}_{k,i} - \text{Old AddComp Qty}_{k,i}) \times (\text{Approved Rate}_{k,i} - \text{FEDP}_{k,i})}{\text{Total Spot Quantity for the Month}}$$

Where:

*New AddComp Qty<sub>k,i</sub>* refers to the New Additional Compensation Quantity (based on proposal) of generator k at dispatch interval i

*Old AddComp Qty<sub>k,i</sub>* refers to the Old Additional Compensation Quantity (status quo) of generator k at dispatch interval i

*Approved Rate<sub>k,i</sub>* refers to the approved rate for additional compensation of generator k at dispatch interval i

*FEDP<sub>k,i</sub>* refers to the WESM final energy dispatch price of generator k at dispatch interval i

*Total Spot Quantity for the Month* refers to the total kWh spot quantity recorded for the month



# Simulation Results

Billing Month	No. of 5-minute Intervals with AP		No. of Generator Claims for Each Affected 5-minute Interval with AP		Expected WESM Rate Increase Due to Proposal (Luzon-Visayas), P/kWh*	Remarks
	Luzon	Visayas	Luzon	Visayas		
Jul-2021	1	1	7	--	None	MQ <= SchedGen, hence, AddComp Qty = MQ
Aug-2021	4	83	1	210	0.000483	
Sep-2021	1	4	--	--	None	No Claims made for AP
Oct-2021	--	203	--	538	0.000188	
Nov-2021	--	--	--	--	None	No Market Intervention/Suspension
Dec-2021	19	2644	11	3583	0.003356	
Jan-2022	0	8928	--	10097	0.028906	
Feb-2022	1	4573	--	1	None	Few Claims
Mar-2022	--	--	--	--	None	No Market Intervention/Suspension
Apr-2022	4	17	12	16	None	MQ <= SchedGen, hence, AddComp Qty = MQ
May-2022	19	19	--	22	None	MQ <= SchedGen, hence, AddComp Qty = MQ
Jun-2022	13	13	13	66	None	MQ <= SchedGen, hence, AddComp Qty = MQ
Jul-2022	4	173	--	1375	0.001417	



