



RULES CHANGE COMMITTEE

Revisions to RCC Resolution 2020-09 on the Proposed Amendments to the Registration, Suspension and De-Registration Criteria and Procedures to Clarify Bilateral Contracts Accounted for in Settlements

Effective Date : 16 July 2021

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WHEREAS, the WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures for Improvements to De-registration and Cessation Procedures and the Procedures for Changes to the WESM Rules, Retail Rules and Market Manuals (“Registration Manual”) provide the guidelines and procedures for the registration, including the enrolment of bilateral power supply contract customers to be accounted for in the WESM settlements;

WHEREAS, the RCC, on 21 May 2020 through its Resolution No. 2020-09, approved as amended, the proposal of the Independent Market Operator of the Philippines (IEMOP) to amend the WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures to clarify bilateral contracts accounted for in settlement, and endorsed the proposal to the PEM Board for approval;

WHEREAS, the PEM Board, on 27 May 2020 through its Resolution No. 2020-24-07, approved the proposal, and on 08 June 2020, submitted the proposal to the DOE for approval in accordance with WESM Rules;

WHEREAS, through a letter to the PEM Board dated 17 March 2021, the DOE recognized the good intent of the proposal allowing other types of bilateral contract transactions to be accounted for in WESM settlements while eliminating the involuntary sharing of commercially sensitive information during the process of accounting Bilateral Contract Quantities (BCQs) in the following cases:

- a) Generation Company supplier of a Retail Electricity Supplier (RES) and the latter’s Direct WESM Member Contestable Customer (CC); and
- b) Generator 1 (GEN 1) and the corresponding Customer of Generator 2 (GEN 2) in case the GEN 2 has replacement power contract with GEN 1.

WHEREAS, in same letter, the DOE pointed out that Case (a) is already an existing process wherein the generator Company’s declaration of BCQ for each Customer is being confirmed by the latter. Meanwhile, Case (b) caters to a new process intending to address BCQ declaration of the following:

- i. Generation Company to a Generation Company and/or supply customers; and
- ii. Supplier to a CC.

WHEREAS, the DOE expressed concern that the proposal, which in effect categorizes a Generation Company as a Supply Customer, may need to be clarified further since there is no existing policy to date that supports this arrangement. The proposal may have implications on the competitiveness and security of the supply in the market considering that the Market Operator will not be privy as to whether an actual contract for replacement power really exists between generators while the supply customers can declare corresponding BCQs;

WHEREAS, the DOE recommended that the proponent revisit the proposal providing clear limitation on the scope relative to replacement power provision of the GEN 1 to GEN 2;

WHEREAS, the RCC and IEMOP, on 27 March 2021 received a letter from PEM Board dated 25 March 2021, requesting their coordination to develop revisions on the proposal addressing the DOE's concerns;

WHEREAS, during its 177th Regular Meeting on 16 April 2021, IEMOP presented revisions to its initial proposal, which they have initially discussed with the DOE on 29 March 2021, providing the following additional provisions:

- 1) Submission of a copy of contract for replacement power declarations by generators;
- 2) Confirmation of Indirect WESM Member if contract enrollment is for its secondary supply;
- 3) New defined term, "Replacement Power Arrangement" to refer to an agreement entered into by a generation company with another generation company for the delivery of electricity by the purchasing generation company to its customers when its power plant is on outage; and
- 4) Definition of Supply Customer, under the Registration Manual, is amended to also cover generation companies that have power supply agreements / replacement power arrangements / contracts;

WHEREAS, having deemed the proposed further revisions are substantial changes to what was originally endorsed to the DOE, the RCC approved the publication of the proposal for solicitation of comments from all WESM Members and interested parties until 07 June 2021;

WHEREAS, during its 30-day commenting period, comments were received from Philippine Electricity Market Corporation (PEMC) and WESM Technical Committee (TC);

WHEREAS, during its 180th Regular Meeting on 18 June 2021, the RCC deliberated the proposal and considered the comments received, including PEMC's recommendation to retain the provision regarding the submission of copy of supply contracts as a documentary requirement for registration as this can be used as reference for validation of bilateral contract quantity enrollment. PEMC also emphasized that absence of a validation procedure may allow inconsistency on the enrolled BCQ vis-a-vis the approved power supply agreement (PSA) by the ERC, which may pose effects up to the settlement processes in the WESM;

WHEREAS, the RCC, while noting PEMC's recommendation, retained the deletion of the same due to the following comments from the body:

- The parties agree on the terms of their supply contract and that the MO is not privy to the PSA of the parties. It is not for the MO to enforce the terms of the PSA, but it should be the parties themselves;
- The participants are bound by their contracts and there should not be any issue as long as the participant properly settle the market exposure;
- There are already wholesale and retail counter-party forms being submitted to the MO when a participant registers its bilateral contracts to be accounted in its transactions. These already contain necessary information that could be used to validate contracts between Trading Participants;
- The MO does not currently have the obligation to validate BCQ declaration against the PSA; and
- The deletion was already approved by the PEM Board in its first approval of the proposal;

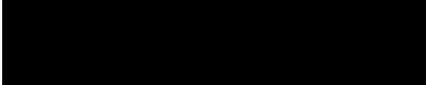
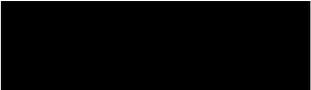
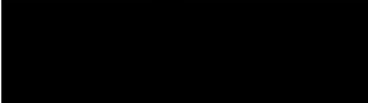
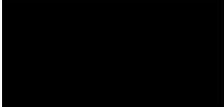
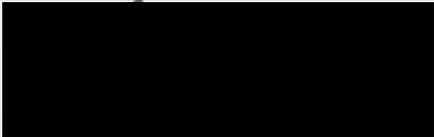
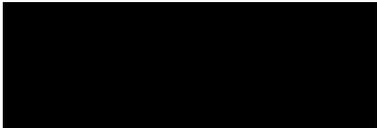
WHEREAS, in the same meeting, the RCC approved the proposed amendments to the WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures to clarify bilateral contracts accounted for in settlement and its endorsement to the PEM Board;

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 Registration, Suspension and De-Registration Criteria and Procedures to clarify bilateral contracts accounted for in settlement attached as Annex A;

RESOLVED FURTHER, that the said proposed amendments to the WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures to clarify bilateral contracts accounted for in settlement are hereby endorsed to the PEM Board for approval and for submission to DOE for consideration.

Done this **16th** day of **July 2021**, Pasig City.

<p>Approved by: THE RULES CHANGE COMMITTEE</p>	
<p>Independent Members:</p>	
 Maila Lourdes G. de Castro Chairperson	 Francisco L.R. Castro, Jr.
 Allan C. Nerves	 Concepcion I. Tanglao
<p>Generation Sector Members:</p>	
 Dixie Anthony R. Banzon Masinloc Power Partners Co. Ltd. (MPPCL)	 Cherry A. Javier Aboitiz Power Corp. (APC)
 Carlito C. Claudio Millennium Energy, Inc./ Pansia Energy, Inc. (MEI/PEI)	Mark D. Habana Vivant Corporation - Philippines (Vivant)
<p>Distribution Sector Members:</p>	
 Virgilio C. Fortich, Jr. Cebu III Electric Cooperative, Inc. (CEBECO III)	 Ryan S. Morales Manila Electric Company (MERALCO)
 Ricardo G. Gumalal Iligan Light and Power, Inc. (ILPI)	 Nelson M. Dela Cruz Nueva Ecija II Area 1 Electric Cooperative, Inc. (NEECO II – Area 1)



Supply Sector Member:
 Lorreto H. Rivera Team (Philippines) Energy Corporation (TPEC)
Market Operator Member:
 Isidro E. Cacho, Jr. Independent Electricity Market Operator of the Philippines (IEMOP)
System Operator Member:
 Ambrocio R. Rosales National Grid Corporation of the Philippines (NGCP)



Revisions to RCC Resolution 2020-09 on the Proposed Amendments to the Registration, Suspension and De-Registration Criteria and Procedures to Clarify Bilateral Contracts Accounted for in Settlements

A. WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures to Clarify Bilateral Contracts accounted for in Settlement

Clause	Original Provision	PEM Board-approved Amendment	Proposed Revised Amendment (in red)	Revised Rationale (in red)
3.5.1.2 ENROLMENT AND DE-LISTING OF SUPPLY CUSTOMERS - Enrolment	The notice to the <i>Market Operator</i> shall include the following - a) details on the duration of the supply contract, b) desired effective date on which the bilateral contract transactions are to be accounted for in the WESM settlements. To the extent practicable, the effective date shall coincide with the start of a WESM billing month. c) identification of the <i>Trading Participant</i> that shall be responsible for the payment of line rental trading amounts and for the net settlement surplus/deficit allocations, d) copy of the supply contract; and e) written confirmation by the supply customer of the notice and the foregoing information.	The notice to the <i>Market Operator</i> shall include the following - a) details on the duration of the supply contract, b) desired effective date on which the bilateral contract transactions are to be accounted for in the WESM settlements. To the extent practicable, the effective date shall coincide with the start of a WESM billing month. c) identification of the <u><i>market trading node or nodes associated with the supply contract whose final energy dispatch price will be used as reference for the supply contract during settlements</i></u> Trading Participant that shall be responsible for the payment of line rental trading	The notice to the <i>Market Operator</i> shall include the following - a) details on the duration of the supply contract, b) desired effective date on which the bilateral contract transactions are to be accounted for in the WESM settlements. To the extent practicable, the effective date shall coincide with the start of a WESM billing month. c) identification of the <u><i>market trading node or nodes associated with the supply contract whose final energy dispatch price will be used as reference for the supply contract during settlements</i></u> Trading Participant that shall be responsible for the payment of line rental trading amounts and for the net settlement surplus/deficit allocations, d) <u><i>indication whether the bilateral contract quantities submitted by the selling</i></u>	To harmonize with the WESM Manual on Billing & Settlement Issue 6.0 where the market trading node/s that serve/s as the delivery point of the contract are enrolled with the Market Operator, and the trading participants are provided the option whether or not to perform daily confirmation. It is also proposed that a copy of the supply contract not be required anymore since validation is achieved by the confirmation of the customer. For enrollment of contract between two generation companies, only two conditions are proposed to be allowed – 1) replacement power and 2) secondary supply of an indirect WESM member.

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Clause	Original Provision	PEM Board-approved Amendment	Proposed Revised Amendment (in red)	Revised Rationale (in red)
		<p>amounts and for the net settlement surplus/deficit allocations;</p> <p>d) <u>indication whether the <i>bilateral contract quantities</i> submitted by the selling participant would require confirmation by the buying participant in accordance with the billing and settlement timetable</u> copy of the supply contract; <u>and</u></p> <p>e) written confirmation by the supply customer of the notice and the foregoing information.</p>	<p><u>participant would require confirmation by the buying participant in accordance with the billing and settlement timetable</u> copy of the supply contract; <u>and</u></p> <p>e) written confirmation by the supply customer of the notice and the foregoing information;</p> <p><u>f) for replacement power arrangements between Generation Companies, copy of the supply contract; and</u></p> <p><u>g) for supply to an Indirect WESM Member through its Direct WESM Member that is a Generation Company, written confirmation by the Indirect WESM Member of the notice and the foregoing information.</u></p>	<p>Each condition has their respective requirements to validate that the contract falls under the proposed conditions.</p>
<p><u>3.5.1.5</u></p> <p>ENROLMENT AND DE-LISTING OF SUPPLY CUSTOMERS - Enrolment</p>	<p>(new)</p>	<p><u>Generation Companies may register other Generation Companies or Customer Trading Participants, except for Contestable Customers, as supply customers.</u></p>	<p><u>Generation Companies may register other Generation Companies or Customer Trading Participants, except for Contestable Customers, as supply customers. A Generation Company can only enroll another</u></p>	<p>For consistency with Section 4.1 of DOE DC2012-05-0005 that contestable customers shall only deal with suppliers.</p> <p>The proposal will allow Generator 1 to declare its</p>

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Clause	Original Provision	PEM Board-approved Amendment	Proposed Revised Amendment (in red)	Revised Rationale (in red)
			<p><u>Generation Company as a supply customer if:</u> a) <u>the Generation Companies have entered into a replacement power arrangement; or</u> b) <u>the Generation Company acting as the supply customer is the designated Direct WESM Member of an Indirect WESM Member that has a contract with the enrolling Generation Company.</u></p>	<p>BCQ with Generator 2 in the WESM. In the scenario that Gen 2, the buyer-generator, declares for its customer only a portion of the replacement power it bought from Gen 1, the seller-generator, it is assumed that Gen 2 will just sell the remaining energy in the spot market.</p> <p>For enrollment of contract between two generation companies, only two conditions are proposed to be allowed – 1) replacement power and 2) secondary supply of an indirect WESM member.</p>
APPENDIX A – GLOSSARY OF TERMS	(new)		<p><u>Replacement Power Arrangement – agreement entered into by a generation company with another generation company for the delivery of electricity by the purchasing generation company to its customers when its power plant is on outage</u></p>	<p>To provide definition of replacement power arrangement, which is one of the proposed conditions for allowing generator-to-generator contract declarations in the WESM</p>

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Clause	Original Provision	PEM Board-approved Amendment	Proposed Revised Amendment (in red)	Revised Rationale (in red)
APPENDIX A – GLOSSARY OF TERMS	Supply Customer – Customers connected to the grid that are being supplied electricity by Generation Companies or Wholesale Aggregators under any power supply agreement or contract	Supply Customer -Customers connected to the grid that are being supplied electricity by Generation Companies or Wholesale Aggregators under any power supply agreement or contract.	Supply Customer – <u>Customers or Generation Companies connected to the grid that are being supplied electricity by Generation Companies or Wholesale Aggregators that purchase electricity under any power supply agreement, replacement power arrangement or contract with a Generation Company or Retail Electricity Supplier</u>	To clarify that supply customers referred to in this manual covers WESM and retail customers and generation companies that have power supply agreements / replacement power arrangements / contracts

