

## RULES CHANGE COMMITTEE

### Proposed Amendments to the WESM Rules and WESM Manuals on Bilateral Contract Quantity (BCQ) Declaration

Effective Date : 20 November 2020

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**WHEREAS**, the WESM Rules, WESM Manual on Billing and Settlement Issue 6.1, and WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures Issue 5.2 provide detailed procedures on the enrolment, declaration, confirmation and nullification of energy transactions in the spot market;

**WHEREAS**, during the Parallel Operations Program (POP) for the enhanced WESM design and operations (EWDO), it was observed by Pagbilao Energy Corp. (PEC) that confirmation and nullification will only be done if the seller Trading Participant (TP) submits bilateral contract quantity (BCQ) declaration. Thus, if no submission was made, there is nothing to confirm nor nullify by the buyer TP and such scenario may have a financial impact to the TPs;

**WHEREAS**, PEC submitted to the Rules Change Committee (RCC) on 06 July 2020 the Proposed Amendments to the WESM Manual on Billing and Settlement regarding Bilateral Contract Quantity Declaration, to provide procedures covering said scenario of non-submission, non-confirmation and nullification by the Trading Participant of bilateral contract quantities, all resulting to bilateral contract declarations not being accounted during settlement;

**WHEREAS**, pursuant to Procedures for Changes to the WESM and Retail Rules and Market Manuals Section 6.1.1, the RCC gave due course to the proposal and determined that the same satisfies the criteria for rules change during its 167<sup>th</sup> Regular Meeting held on 17 July 2020;

**WHEREAS**, following the required publication of the proposal in PEMC website, the RCC discussed the proposed amendments and comments received from PEMC, Shell Energy Philippines (SEPh) and Independent Electricity Market Operator of the Philippines (IEMOP) during the 169<sup>th</sup> RCC Meeting held on 18 September 2020. It was pointed out that the proposal has significant amendments also to the WESM Rules and WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures, which include the definition of Standing Bilateral Contract Declaration, its enrolment during registration, and the settlement using of Standing Bilateral Contract Declaration. Thus, the RCC agreed that proponent will provide additional proposed amendments and illustration on timeline related to the proposal;

**WHEREAS**, during the 170<sup>th</sup> RCC Meeting held on 16 October 2020, the RCC deliberated the additional proposed amendments to the WESM Rules and WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures Issue 5.2;

**WHEREAS**, during the 171<sup>st</sup> RCC Meeting held on 20 November 2020, the RCC continued the deliberation of comments received to the proposed amendments, wherein the IEMOP confirmed the need for the enhancements to the Central Registration and Settlement System (CRSS) for the implementation of the proposal initially estimated at Eight Hundred Thousand Pesos (PhP 800,000), and development timeline of approximately two (2) months;

**WHEREAS**, in consideration of the foregoing, the RCC resolved to approve and endorse to the PEM Board the proposal, as revised;

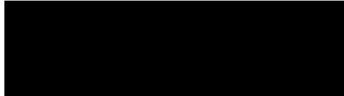



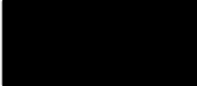




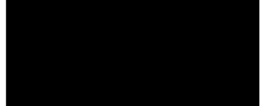
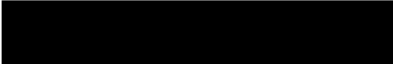
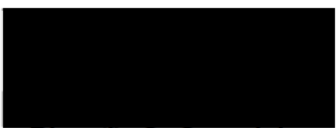
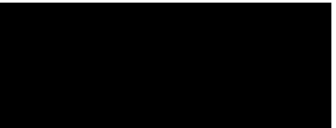
**NOW THEREFORE**, we, the undersigned, on behalf of the sectors we represent, hereby resolve *via* Microsoft Teams video conference, as follows:

**RESOLVED**, that the RCC approves the Proposed Amendments to the WESM Rules and WESM Manuals on Bilateral Contract Quantity (BCQ) Declaration (attached as Annex);




**RESOLVED FURTHER**, that the said Revised Proposed Amendments to the WESM Rules and WESM Manuals on Bilateral Contract Quantity (BCQ) Declaration are hereby endorsed to the PEM Board for approval and subsequent transmittal to the DOE for promulgation.

Done this 20<sup>th</sup> day of November 2020, Pasig City.



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



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|---|
| Supply Sector Member:   |
| <div style="text-align: center;"><br/><b>Lorreto H. Rivera</b><br/>TeaM (Philippines) Energy Corporation<br/>(TPEC)</div>                         |
| Market Operator Member:   |
| <div style="text-align: center;"><br/><b>Isidro E. Cacho, Jr.</b><br/>Independent Electricity Market Operator of the Philippines<br/>(IEMOP)</div> |
| System Operator Member:   |
| <div style="text-align: center;"><br/><b>Ambrocio R. Rosales</b><br/>National Grid Corporation of the Philippines<br/>(NGCP)</div>                 |



## Proposed Amendments to the WESM Rules and WESM Manuals on Bilateral Contract Quantity Declaration

## A. WESM Rules (EWDO Version)

| Title  | Clause   | Provision  | Proposed Amendment   | Rationale   |
|--|----------|--|--|---|
| Submission of Bilateral Contract Data for Energy     |          | (NEW)  | <b><u>3.13.1.2 Non-submission and/or invalid declarations of Bilateral Contract Data for Energy in accordance with the billing and settlement timetable shall be settled at the submitted Standing Bilateral Contract Quantity Declaration.</u></b>                    | Inclusion of provision to account for Standing Bilateral Contract Quantity being used for settlement during non-submission and/or invalid declarations of Bilateral Contract Data for Energy. |
|  | 3.13.1.2 | 3.13.1.2 <i>Bilateral sell quantities</i> submitted in accordance with Clause 3.13.1.1 (a) are to be deemed the negative of the <i>bilateral buy quantities</i> for the buying <i>Trading Participant</i> identified in Clause 3.13.1.1 (a), at the same <i>market trading node</i> identified in Clause 3.13.1.1 (b). <b><u>(As amended by DOE DC No. 2017-03-0001 dated 20 March 2017)</u></b> | <del>3.13.1.2</del> <b><u>3.13.1.3</u></b> <i>Bilateral sell quantities</i> submitted in accordance with Clause 3.13.1.1 (a) are to be deemed the negative of the... xxx   | Re-numbering  |
| Energy Settlement Quantity Adjustments for Bilateral | 3.13.7.1 | For <i>settlement</i> purposes, the <i>energy trading amount</i> for each <i>trading participant</i> and <i>settlement interval</i> will be determined as the aggregate in all <i>dispatch intervals</i> within that <i>settlement interval</i> of the:<br><br>(a) xxx   | For <i>settlement</i> purposes, the <i>energy trading amount</i> for each <i>trading participant</i> and <i>settlement interval</i> will be determined as the aggregate in all <i>dispatch intervals</i> within that <i>settlement interval</i> of the:<br><br>(a) xxx | Inclusion of provision to account for Standing Bilateral Contract Quantity being used for settlement  |

## Proposed Amendments to the WESM Rules and WESM Manuals on Bilateral Contract Quantity Declaration

| Title                  | Clause | Provision | Proposed Amendment   | Rationale  |
|------------------------|--------|-----------|--|--|
|                        |        | (b) xxx   | (b) xxx<br><br><b><u>(c) Whenever applicable, reference final nodal energy dispatch price multiplied by the corresponding Standing Bilateral Contract Quantity Declaration (in MWH) as determined under Clause 3.13.1.2.</u></b>   |  |
| CHAPTER 11<br>GLOSSARY |        | (NEW)     | <b><u>Standing Bilateral Contract Quantity Declaration. Bilateral Contract Declaration schedule that is submitted and agreed between buying and selling Trading Participants that will be used in settlement during events of non-submission and/or invalid submission of bilateral contract declarations.</u></b> | Provide definition of Standing Bilateral Contract Quantity Declaration |

## Proposed Amendments to the WESM Rules and WESM Manuals on Bilateral Contract Quantity Declaration

**B. WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures Issue 5.2 (EWDO Version)**

| Title   | Clause  | Provision  | Proposed Amendment   | Rationale   |
|---|---------|--|--|---|
| <b>ENROLMENT AND DE-LISTING OF SUPPLY CUSTOMERS</b><br><br>3.1.1. Enrolment | 3.5.1.2 | The notice to the <i>Market Operator</i> shall include the following -<br><br>a) details on the duration of the supply contract,<br>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.<br>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,<br>d) copy of the supply contract; and<br>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 -<br><br>a) details on the duration of the supply contract,<br>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.<br>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,<br>d) copy of the supply contract; and<br>e) <b><u>Standing Bilateral Contract Quantity Declaration; and</u></b><br>f) written confirmation by the supply customer of the notice and the foregoing information. | Revision for consistency/alignment with the proposal to clarify that the Standing Bilateral Contract Quantity Declaration is one of the registration information to be enrolled by Market participants. |

## Proposed Amendments to the WESM Rules and WESM Manuals on Bilateral Contract Quantity Declaration

**C. WESM Manual on Billing and Settlement Issue 6.1 (EWDO Version)**

| Title                                | Section/<br>Clause | Provision  | Proposed Amendment  | Rationale  |
|--------------------------------------|--------------------|--|---|--|
| DEFINITIONS                          | 2.1.2              | (NEW)  | <u><b>(g) Standing Bilateral Contract Quantity Declaration. Bilateral Contract Declaration schedule that is submitted and agreed between buying and selling Trading Participants that will be used in settlement during events of non-submission and/or invalid submission of bilateral contract declarations.</b></u>  | Provide definition of Standing Bilateral Contract Quantity Declaration   |
| DECLARATIONS FOR ENERGY TRANSACTIONS | 9.1.2              | To be valid, bilateral contract declarations submitted by a Trading Participant shall include: <ul style="list-style-type: none"> <li>a) market trading node from the identified market trading nodes during the enrolment of the supply contract designated as the source of the supply from the selling Trading Participant;</li> <li>b) the Trading Participant who will buy the declared volume pursuant to their bilateral contract;</li> </ul> | To be valid, bilateral contract declarations submitted by a Trading Participant shall include: <ul style="list-style-type: none"> <li>a) market trading node from the identified market trading nodes during the enrolment of the supply contract designated as the source of the supply from the selling Trading Participant;</li> <li>b) the Trading Participant who will buy the declared volume pursuant to their bilateral contract <u><b>identified and registered during the enrolment of such supply contract;</b></u></li> </ul> | Proper validation should include flagging of Seller's non-submission of bilateral contract quantity declaration for all supply contracts registered by the Seller. |



## Proposed Amendments to the WESM Rules and WESM Manuals on Bilateral Contract Quantity Declaration

| Title                                       | Section/<br>Clause | Provision  | Proposed Amendment   | Rationale  |
|---|--------------------|--|--|--|
|   |                    | <p>c) market trading node from the identified market trading nodes during the enrolment of the supply contract and whose final nodal energy dispatch price will be used as reference during settlements; and</p> <p>d) bilateral contract quantity in MWh for each dispatch interval for that trading day.</p> | <p>c) market trading node from the identified market trading nodes during the enrolment of the supply contract and whose final nodal energy dispatch price will be used as reference during settlements; and</p> <p>d) bilateral contract quantity in MWh for each dispatch interval for that trading day.</p>   |  |
| <b>DECLARATIONS FOR ENERGY TRANSACTIONS</b> | 9.1.9              | (NEW)  | <p><b><u>9.1.9 If there is no valid bilateral contract declaration submitted by the end of after each trading day, the Market Operator shall promptly inform the selling and buying Trading Participant that the registered <i>standing bilateral contract quantity</i> under the supply contract shall be used in lieu thereof and shall be accounted for in settlement.</u></b></p> <p><b><u>This provision shall also apply in case of non-submission of valid bilateral contract</u></b></p> | <p>There should be a provision that would cover a default bilateral contract declaration which should be, at the very least, equivalent to the contracted capacity commitment under the supply contract as already enrolled by the Trading Participants.</p> |

## Proposed Amendments to the WESM Rules and WESM Manuals on Bilateral Contract Quantity Declaration

| Title | Section/<br>Clause | Provision | Proposed Amendment   | Rationale   |
|-------|--------------------|-----------|--|---|
|       |                    |           | <u>declaration pursuant to Section 9.1,8 of this Manual.</u> | <p>Under the current set-up, if the Trading Participant-Genco failed to submit a declaration, the Trading Participant – Buyer will have nothing to neither confirm nor nullify following Sec9.2.</p> <p>Having a default bilateral contract declaration shall prevent Trading Participants defaulting on contractual obligation, gaming and unnecessary market exposure to the Trading Participants</p> |

## Proposed Amendments to the WESM Rules and WESM Manuals on Bilateral Contract Quantity Declaration

| Title  | Section/<br>Clause | Provision   | Proposed Amendment  | Rationale   |
|--|--------------------|---|---|---|
| DECLARATIONS FOR ENERGY TRANSACTIONS                   | 9.1.9              | 9.1.9 Prior to the interconnection of the Mindanao <i>grid</i> with the Luzon and Visayas <i>grids</i> , ...xxx   | <del>9.1.9</del> <b>9.1.10</b> Prior to the interconnection of the Mindanao <i>grid</i> with the Luzon and Visayas <i>grids</i> , ...xxx  | Re-numbering  |
| CONFIRMATION AND NULLIFICATION FOR ENERGY TRANSACTIONS | 9.2.5              | At the end of each trading day, the Market Operator shall notify all buying and selling Trading Participants, whose supply contract was enrolled to require confirmation and whose valid bilateral contract declarations was not confirmed, that their bilateral contract declarations shall not be accounted for during settlements. | At the end of each trading day, the Market Operator shall notify all buying and selling Trading Participants, whose <u>enrolled</u> supply contract require confirmation and valid bilateral contract declarations were not confirmed, that <u>registered standing bilateral contract quantity under the supply contract shall be used in lieu thereof and shall</u> be accounted for during settlements. | Non-confirmation of bilateral contract declaration will expose the Genco to unnecessary market exposure. There should be a default bilateral contract declaration if the buyer Trading Participant, <del>deliberately</del> or otherwise, overlook its confirmation |
| CONFIRMATION AND NULLIFICATION FOR ENERGY TRANSACTIONS |                    | (NEW)   | <b>9.2.7 At the end of each trading day, the Market Operator shall notify all buying and selling Trading Participants, whose enrolled supply contract do not require confirmation and whose valid bilateral contract declarations were nullified pursuant to</b>  | Incessant nullification of buyer Trading Participant will result to unnecessary market exposure to both seller and buyer. There should be a default bilateral   |

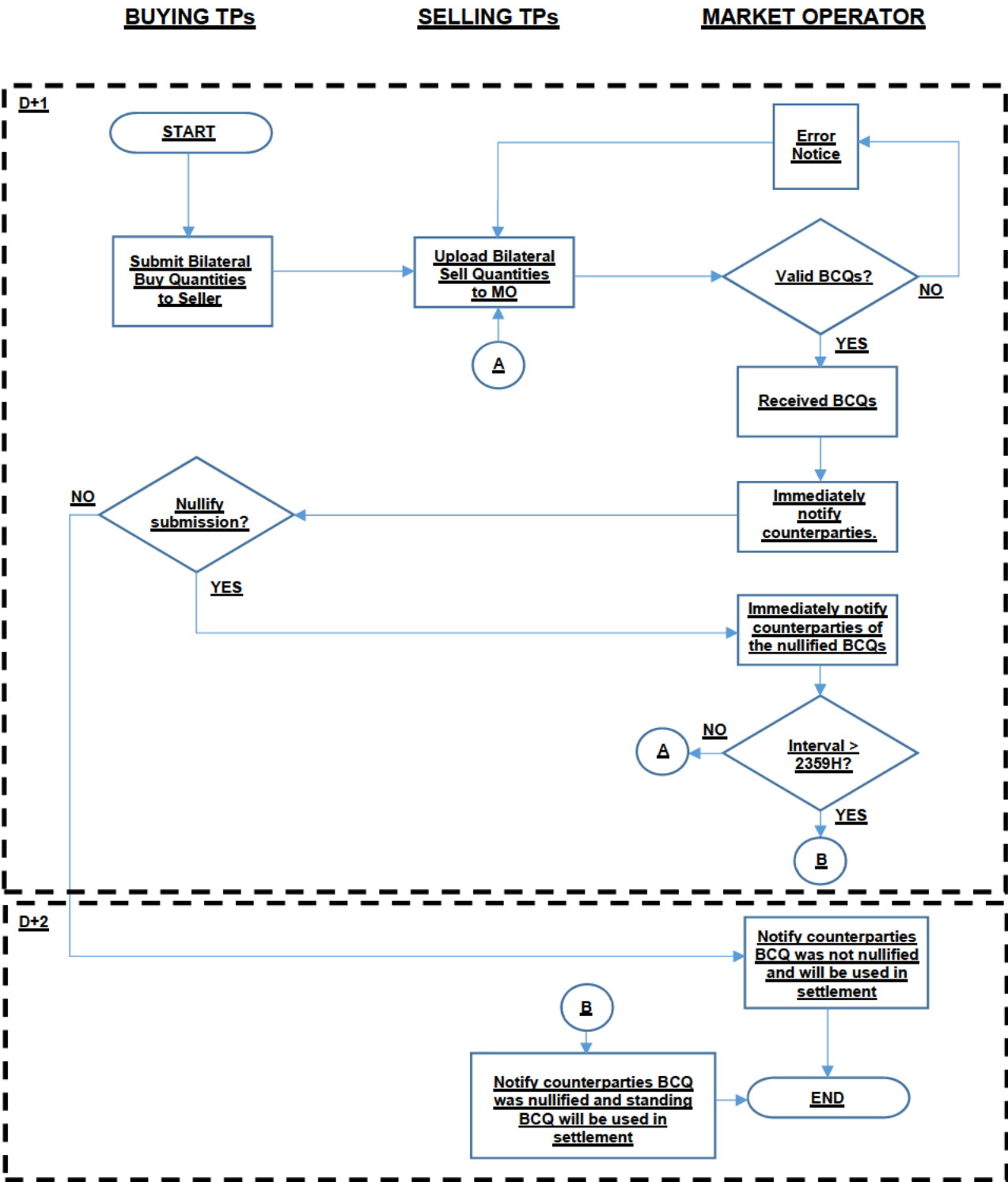
## Proposed Amendments to the WESM Rules and WESM Manuals on Bilateral Contract Quantity Declaration

| Title   | Section/<br>Clause | Provision | Proposed Amendment  | Rationale  |
|---|--------------------|-----------|---|--|
|   |                    |           | <b><u>Section 9.2.2 of this Manual, that the registered <i>standing bilateral contract quantity</i> under the supply contract shall be used in lieu thereof and shall be accounted for during settlements.</u></b>            | contract declaration if the Trading Participants, deliberately or otherwise, overlook its accurate submission of bilateral contract declaration and/or nullification of the same |
| <b>CONFIRMATION AND NULLIFICATION FOR ENERGY TRANSACTIONS</b>                                     |                    | (NEW)     | <b><u>9.2.8 If there is no confirmation from buying and selling Trading Participant the Market Operator shall automatically use the registered <i>standing bilateral contract quantity</i> under the supply contract.</u></b> | If in case there is no confirmation from the buying and selling Trading Participant, this will be the assurance of the Market Operator to use the registered bilateral contract. |
| <b>APPENDIX J – FLOWCHART OF CONFIRMATION AND NULLIFICATION OF BILATERAL CONTRACT DECLARATION</b> |                    | (NEW)     | <b><u>See attached Appendix J</u></b>   |  |

Proposed Amendments to the WESM Rules and WESM Manuals on Bilateral Contract Quantity Declaration

**Appendix J    FLOWCHART OF CONFIRMATION AND NULLIFICATION OF BILATERAL CONTRACT DECLARATION**

**A. BCQ REQUIRES NO CONFIRMATION (CONFIRMED BY DEFAULT)**



Proposed Amendments to the WESM Rules and WESM Manuals on Bilateral Contract  
Quantity Declaration

**B. BCQ REQUIRES CONFIRMATION (NOT CONFIRMED BY DEFAULT)**

