

## RULES CHANGE COMMITTEE

### Proposed General Amendments to WESM Rules and WESM Manual on Billing and Settlement on Prudential Requirements

Effective Date : 20 November 2020  
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**WHEREAS**, the WESM Rules and WESM Manual on Billing and Settlement provide for covered and exempted WESM Members from prudential requirements, the acceptable forms of prudential security, the formula for computing maximum exposure, and the process for refunding prudential security;

**WHEREAS**, the Independent Electricity Market Operator of the Philippines (IEMOP) submitted to the Rules Change Committee (RCC) on 17 July 2020 the proposed general amendments to the WESM Rules and WESM Manual on Billing and Settlement, in particular to the versions for current market and the implementation of the enhanced WESM design and operations, to incorporate the following:

- a) Addition of assessment by request of prudential requirements;
- b) Inclusion of force majeure events and large reduction in load served as considerations for replacement month in the computation of maximum exposure;
- c) Revision of the basis for security amount from average price and monthly quantities to hourly price and hourly quantities;
- d) Revision of the grounds for exempting a WESM Member from prudential requirement;
- e) Revision on the allowed forms of security; and
- f) Clarification on the process for refund;

**WHEREAS**, pursuant to Section 6.1.1 of the Procedures for Changes to the WESM and Retail Rules and Market Manuals, the RCC gave due course to the proposal and determined that the same satisfies the criteria for publication during its 168<sup>th</sup> Regular Meeting held on 14 August 2020;




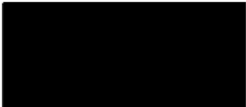
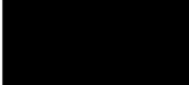

**WHEREAS**, following the required publication of the proposal in PEMC website, the RCC discussed the proposed amendments and comments received from PEMC and AC Energy Philippines during the 170<sup>th</sup> RCC Meeting held on 16 October 2020. In response to PEMC's request for clarification, IEMOP confirmed that the Standby Letter of Credit (SBLC) is currently one of the forms of prudential security for WESM transactions. Thereafter, 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 General Amendments to WESM Rules and WESM Manual on Billing and Settlement 5.1 and its Enhanced WESM Design and Operations Versions regarding Prudential Requirements (attached as Annex);

**RESOLVED FURTHER**, that the said Revised Proposed General Amendments to WESM Rules and WESM Manual on Billing and Settlement 5.1 and its Enhanced WESM Design and Operations Versions regarding Prudential Requirements 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.

Approved by: <b>THE RULES CHANGE COMMITTEE</b>	
Independent Members:	
 <b>Maila Lourdes G. de Castro</b> Chairperson	 <b>Francisco L.R. Castro Jr.</b>
 <b>Allan C. Nerves</b>	 <b>Concepcion I. Tanglao</b>
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./ Panasia Energy, Inc. (MEI/PEI)	 <b>Mark D. Habana</b> Vivant Corporation - Philippines (Vivant)
Distribution Sector Members:	
 <b>Virgilio C. Fortich, Jr.</b> Cebu III Electric Cooperative, Inc. (CEBECO III)	 <b>Manila Electric Company</b> (MERALCO)

<p><b>Ricardo G. Gumalal</b> Iligan Light and Power, Inc. (ILPI)</p>	<p> <b>Nelson M. Dela Cruz</b> Nueva Ecija II Area 1 Electric Cooperative, Inc. (NEECO II – Area 1)</p>
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Supply Sector Member:
<p> <b>Lorreto H. Rivera</b> TeaM (Philippines) Energy Corporation (TPEC)</p>
Market Operator Member:
<p> <b>Isidro B. Cacho, Jr.</b> Independent Electricity Market Operator of the Philippines (IEMOP)</p>
System Operator Member:
<p> <b>Ambrocio R. Rosales</b> National Grid Corporation of the Philippines (NGCP)</p>

## ANNEX

## A. WESM Rules (Current and EWDO Versions)

Title	Clause	Provision	Proposed Amendment	Rationale
PRUDENTIAL REQUIREMENTS – Provision of Security	3.15.12.4	A <i>WESM member</i> who is exempt from providing a security deposit under Clause 3.15.2.2 shall be required to pay the total negative settlement amount due, if any, within three (3) <i>working days</i> before the due date as provided under Clause 3.14.6.	A <i>WESM member</i> who is exempt from providing a security deposit under Clause 3.15.2.2 shall be required to pay <u>in cleared funds</u> the total negative settlement amount due, if any, <del>within three (3) working days before</del> <u>on</u> the due date as provided under Clause 3.14.6.	<p>The current BSM requires that payment must be made from “cleared funds”. As an example, if payment is made by check, it should have already been cleared and funds credited to the MO on the due date. This would enable the MO to have the necessary funds a day after the due date to pay the selling Trading Participants in accordance with Clause 3.14.7.</p> <p>Within three (3) working days period has no benefit to the market, since remittance of payments are still made one working day after the due date.</p>



Title	Clause	Provision	Proposed Amendment	Rationale
PRUDENTIAL REQUIREMENTS – Form of Security	3.15.3	<p>The security provided by the <i>WESM Member</i> under this clause 3.15 shall be in accordance with the following hierarchy of preferred forms of security:</p> <ul style="list-style-type: none"> <li>a) Cash; or</li> <li>b) Another immediate, irrevocable and unconditional commitment in a form and from a bank or other institution acceptable to the <i>Market Operator</i>; or</li> <li>c) Surety bond issued by a surety or insurance company duly accredited by the Office of the Insurance Commissioner of the Philippines; or</li> <li>d) Such other forms of security or guarantee as may be acceptable and allowed by the <i>Market Operator</i>.</li> </ul> <p>Provided, however, that in all cases where the security deposit provided is other than in the form of Cash, the following conditions shall apply in determining whether or not the <i>Market Operator</i> will allow such alternative form of security:</p> <ul style="list-style-type: none"> <li>a) Only in the event that the Market Operator determined that the amount of default can be immediately drawn on due date from such form of security; and,</li> <li>b) Said WESM member proposing to post a security deposit in a form other</li> </ul>	<p>The security provided by the <i>WESM Member</i> <del>under this clause 3.15 shall be in accordance with the following hierarchy of preferred</del> <b>shall be in either of the following</b> forms of security:</p> <ul style="list-style-type: none"> <li>a) Cash; or</li> <li>b) Another immediate, <b>Other forms of security payable upon demand</b>, irrevocable and unconditional commitment in a form and from a bank or other <b>financial</b> institutions acceptable to the <i>Market Operator</i>; or</li> <li>c) Surety bond issued by a surety or insurance company duly accredited <b>and authorized</b> by the Office of the Insurance Commissioner of the Philippines; <del>or</del></li> <li><del>d) Such other forms of security or guarantee as may be acceptable and allowed by the Market Operator.</del></li> </ul> <p>Provided, however, that in all cases where the security deposit provided is other than in the form of Cash, the following conditions shall apply in determining whether or not the <i>Market Operator</i> will allow such alternative form of security:</p> <ul style="list-style-type: none"> <li>a) Only in the event that the Market Operator determined that the amount of default can be immediately drawn on</li> </ul>	<p>On the proposed deletion of the hierarchy of the forms of security, there will still be enough safeguard in treating other forms of security to be in equal footing since the MO's functions in assessing and approving the security are retained in WESM Rules Clause 3.15.3 paragraph 2 (a) and (b); BSM Sections 7.3.2; 7.4.1 (j); and 7.4.3 (f).</p> <p>On item b), to clarify the description of "immediate" form of security. "Payable or callable upon demand" is the term used under negotiable instruments law.</p> <p>On item c), to ensure that the insurance company is duly authorized by the Insurance Commission (IC) to issue such kind of surety bond. Not all</p>



## Proposed General Amendments to WESM Rules and WESM Manual on Billing and Settlement on Prudential Requirements

Title	Clause	Provision	Proposed Amendment	Rationale
		than Cash has no record of default in payment or non-compliance with the Prudential Requirements for the immediately preceding six (6) billing periods.	<p>due date from such form of security; and,</p> <p>b) Said WESM member proposing to post a security deposit in a form other than Cash has no record of default in payment or non-compliance with the Prudential Requirements for the immediately preceding six (6) billing periods.</p> <p><b><u>All forms of security must be payable to the Market Operator. Its validity must be in accordance with the requirements as stated in the relevant rules and manuals.</u></b></p>	<p>accredited bonding companies are authorized to issue such surety for a particular type of risk.</p> <p>On the proposed deletion of item d), items a) to c) are reasonably obtainable.</p> <p>The proposed last paragraph is to determine that the payee for the transaction is the Market Operator, and to ensure that expiration or validity of the security is stated.</p>
PRUDENTIAL REQUIREMENTS – Amount of Security	3.15.4.1	Subject to clause 3.15.2.2, prior to the end of each <i>Financial Year</i> , the <i>Market Operator</i> shall determine and provide written confirmation to each <i>WESM member</i> of its <i>Maximum Exposure</i> to the <i>Market Operator</i> in respect of a billing period in the following <i>Financial Year</i> . The amount of security to be provided by each <i>WESM member</i> pursuant to Clause 3.15.2.1 and 3.15.2.2 shall be equivalent to the <i>Maximum Exposure</i> .	Subject to clause 3.15.2.2, prior to the end of each <i>Financial Year</i> , the <i>Market Operator</i> shall determine and provide written confirmation to each <i>WESM member</i> of its <i>Maximum Exposure</i> to the <i>Market Operator</i> in respect of a billing period in the following <i>Financial Year</i> . The amount of security to be provided by each <i>WESM member</i> pursuant to Clause 3.15.2.1 and 3.15.2.2 shall be equivalent to the <i>Maximum Exposure</i> .	<p>For a more accurate determination of exposure of WESM Members through:</p> <ul style="list-style-type: none"> <li>additional considerations (i.e., reduction in load served, force majeure events),</li> </ul>



Title	Clause	Provision	Proposed Amendment	Rationale
		<p>Upon the request of a <i>WESM member</i>, the <i>Market Operator</i> may consider a replacement month in the computation of <i>Maximum Exposure</i> within the 26th March to 25th September billing periods, having the same number of calendar days if:</p> <p>a) There is a disagreement between the <i>Market Operator</i> and the <i>WESM Participant</i> on the <i>Final Statement</i> during the months covered in the computation of the <i>Maximum Exposure</i>; or</p> <p>b) There is a positive settlement amount in any billing period in the computation of the <i>Maximum Exposure</i>.</p> <p>If there is a change in the <i>bilateral contract</i> of a <i>WESM member</i>, the <i>maximum exposure</i> shall be computed based on the <i>settlement amounts</i> estimated by the <i>Market Operator</i> using the average actual market price based on the <i>billing period</i> of 26th March to 25th September. In no case shall the <i>Maximum Exposure</i> be less than ten percent (10%) of the total demand. Average actual market price shall refer to the ratio of the total <i>spot market</i> payment of a <i>WESM member</i>, which may include <i>Spot Market</i> energy and reserve transactions and <i>Line Rental</i> amount for contracted quantities, to the total metered</p>	<p><del>Upon the request of a <i>WESM member</i>, The <i>Market Operator</i> <u>shall</u> may consider a replacement month in the computation of <i>Maximum Exposure</i> within the 26th March to 25th September billing periods, having the same number of calendar days if:</del></p> <p>a) There is a disagreement between the <i>Market Operator</i> and the <i>WESM Participant</i> on the <i>Final Statement</i> during the months covered in the computation of the <i>Maximum Exposure</i>; or</p> <p>b) There is a positive settlement amount in any billing period in the computation of the <i>Maximum Exposure</i>; <u>or</u></p> <p><b><u>c) There is a <i>force majeure</i> event that affected at least 50% of the settlement intervals within a billing period.</u></b></p> <p><del>If there is a change in the <i>bilateral contract</i> of a <i>WESM member</i>, the <i>maximum exposure</i> shall be computed based on the <i>settlement amounts</i> estimated by the <i>Market Operator</i> using the average actual market price based on the <i>billing period</i> of 26th March to 25th September. In no case shall the <i>Maximum Exposure</i> be less than ten percent (10%) of the total demand. Average actual market price shall refer to the ratio of the total <i>spot market</i> payment of a <i>WESM member</i>, which may include</del></p>	<ul style="list-style-type: none"> <li>hourly assessment instead of monthly, and</li> <li>by-request re-assessment.</li> </ul>





Title	Clause	Provision	Proposed Amendment	Rationale
		quantities net of <i>bilateral contract</i> quantities for each billing month.  XXX	<del>Spot Market energy and reserve transactions and Line Rental amount for contracted quantities, to the total metered quantities net of <i>bilateral contract</i> quantities for each billing month.</del>  <u>If there is a change or expected change in the settlement quantities of a WESM Member due to a change in <i>bilateral contract</i>, reduction in load served, or occurrence of <i>force majeure</i> events, the WESM Member may, at any time, request the Market Operator to determine its <i>maximum exposure</i> corresponding to its projected settlement amount in respect of the portion of its demand that is not covered by <i>bilateral contracts</i> and the line rental resulting from its <i>bilateral contracts</i>.</u>  XXX	
PRUDENTIAL REQUIREMENTS – Refund of Security	3.15.7	Upon written request from the <i>WESM member</i> , the <i>Market Operator</i> shall refund the prudential security under the following conditions:  a) if the <i>Market Operator</i> has lifted the cancellation of exemption after the <i>WESM member</i> complied with its obligations under Clause 3.15.2.5; or  b) if the security deposit of a <i>WESM member</i> consistently exceeds the	Upon written request from the <i>WESM member</i> , the <i>Market Operator</i> shall refund the prudential security under the following conditions:  a) if the <i>Market Operator</i> has <u>exempted the WESM Member under Clause 3.15.12.2 or</u> lifted the cancellation of exemption after the <i>WESM member</i> complied with its obligations under Clause 3.15.2.5; or	Re-assessment of maximum exposure may result to lower cost of complying with prudential requirements.



Title	Clause	Provision	Proposed Amendment	Rationale
		<p><i>Maximum Exposure</i> in previous six (6) consecutive <i>billing periods</i>.</p> <p>The refund of security deposit shall be allowed by the <i>Market Operator</i> after the assessment of the amount of refund, provided that the <i>WESM member</i> has no record of default and non-compliance with the <i>Prudential Requirements</i> in previous six (6) consecutive <i>billing periods</i>.</p>	<p>b) if the security deposit of a <i>WESM member</i> consistently exceeds the <i>Maximum Exposure</i> in previous six (6) consecutive <i>billing periods</i>; <u>or</u></p> <p><u><b>c) if the calculated <i>Maximum Exposure</i> of the <i>WESM Member</i> under Section 3.15.4.1 is lower than the amount of security it has provided to the <i>Market Operator</i>.</b></u></p> <p>The refund of security deposit shall be allowed by the <i>Market Operator</i> after the assessment of the amount of refund, provided that the <i>WESM member</i> has no record of default and non-compliance with the <i>Prudential Requirements</i> in previous six (6) consecutive <i>billing periods</i>.</p>	



**B. WESM Manual on Billing and Settlement Manual (Issue 5.1 and EWDO Version)**

Title	Section	Provision	Proposed Amendment	Rationale
PRUDENTIAL REQUIREMENTS – PROVISIONS OF SECURITY	7.2.2	<p>The <i>Market Operator</i> may exempt a <i>WESM Member</i> from the requirement to provide a security, if:</p> <p>a) The <i>Market Operator</i> believes it is likely that the amount payable by the <i>Market Operator</i> to that <i>WESM Member</i> under the <i>WESM Rules</i> will consistently exceed the amount payable to the <i>Market Operator</i> by that <i>WESM Member</i> under the <i>WESM Rules</i> in respect of that period; or</p> <p>b) The <i>Market Operator</i> believes it is unlikely that the <i>WESM Member</i> will be required to pay any amounts to the <i>Market Operator</i></p>	<p><b><u>In reference to WESM Rules Clause 3.15.2.2, the</u></b> <del>The <i>Market Operator</i> may exempt a <i>WESM Member</i> from the requirement to provide a security, if:</del></p> <p><del>a) The <i>Market Operator</i> believes it is likely that the amount payable by the <i>Market Operator</i> to that <i>WESM Member</i> under the <i>WESM Rules</i> will consistently exceed the amount payable to the <i>Market Operator</i> by that <i>WESM Member</i> under the <i>WESM Rules</i> in respect of that period; or</del></p> <p><del>b) The <i>Market Operator</i> believes it is unlikely that the <i>WESM Member</i> will be required to pay any amounts to the <i>Market Operator</i></del></p> <p><b><u>a) the <i>WESM Member</i> is registered or registering as a <i>Generation Company</i> under commercial operations; and</u></b></p> <p><b><u>b) for a registering <i>Generation Company</i>, its projected volume sales to the <i>WESM</i> is greater than its projected contracted quantities and, if any, the projected volume purchases of its <i>Indirect WESM Members</i>; or, for a registered <i>Generation Company</i>, its <i>WESM</i></u></b></p>	To provide clarifications on which WESM Members the Market Operator believes will not pay any amounts to the WESM.



## Proposed General Amendments to WESM Rules and WESM Manual on Billing and Settlement on Prudential Requirements

Title	Section	Provision	Proposed Amendment	Rationale
			<p><u><b>settlement amount is positive for the past three (3) billing periods.</b></u></p> <p><u><b>A Customer or Generation Company not under commercial operations is not exempted from prudential requirements even if their calculated amount of security is zero.</b></u></p>	
PRUDENTIAL REQUIREMENTS – PROVISIONS OF SECURITY	7.2.3	The <i>Market Operator</i> may vary or cancel the exemption given pursuant to Sections 7.2.1 and 7.2.2 of this Manual, at any time, by giving written notice of the variation or cancellation of the exemption to the <i>WESM member</i> .	<p><u><b>If the WESM Member has been deemed exempted by the Market Operator under Section 7.2.2 and WESM Rules Clause 3.15.2.2, the Market Operator shall send a written notice to the WESM Member.</b></u></p> <p>The <i>Market Operator</i> may vary or cancel the exemption given pursuant to Sections 7.2.1 and 7.2.2 of this Manual, at any time, by giving written notice of the variation or cancellation of the exemption to the <i>WESM member</i>.</p>	To provide requirement for the MO to notify the WESM Member on their exemption
PRUDENTIAL REQUIREMENTS – PROVISIONS OF SECURITY	7.2.5	A <i>WESM Member</i> who is exempt from providing a security deposit shall be required to pay the total negative <i>settlement amount</i> due, if any, within three (3) <i>working days</i> before the due date as provided under Section 5.3.1 of this Manual.	A <i>WESM Member</i> who is exempt from providing a security deposit shall be required to pay <u><b>in cleared funds</b></u> the total negative <i>settlement amount</i> due, if any, <del>within three (3) working days before</del> <u><b>on</b></u> the due date as provided under Section 5.3.1 of this Manual.	The current BSM requires that payment must be made from "cleared funds". As an example, if payment is made by check, it should have already been cleared and funds credited to the MO on the due date. This would enable the MO to have the necessary funds a



Title	Section	Provision	Proposed Amendment	Rationale
				<p>day after the due date to pay the selling Trading Participants in accordance with Clause 3.14.7.</p> <p>Within three (3) working days period has no benefit to the market, since remittance of payments are still made one working day after the due date.</p>
PRUDENTIAL REQUIREMENTS – FORMS OF SECURITY	7.3.1	<p>The security provided by a <i>WESM Member</i> under SECTION 7 of this manual shall either be in accordance with the following hierarchy of preferred forms of security:</p> <p>a) Cash; or</p> <p>b) Another immediate, irrevocable and unconditional commitment in a form and from a bank or other institution acceptable to the Market Operator; or,</p> <p>c) Surety bond issued by a surety or insurance company duly accredited by the Office of the Insurance Commissioner of the Philippines.</p> <p>d) Such other forms of security guarantee as may be acceptable and allowed by the <i>Market Operator</i>.</p>	<p>The security provided by a <i>WESM Member</i> <del>under SECTION 7 of this manual shall either be in accordance with the following hierarchy of preferred</del> <b>shall be in either of the following</b> forms of security:</p> <p>a) Cash; or</p> <p>b) <del>Another immediate,</del> <b>Other forms of security payable upon demand,</b> irrevocable and unconditional commitment in a form and from a bank or other <b>financial</b> institutions acceptable to the <i>Market Operator</i>; or</p> <p>c) Surety bond issued by a surety or insurance company duly accredited <b>and authorized</b> by the Office of the Insurance Commissioner of the Philippines; <del>or</del></p>	<p>On the proposed deletion of the hierarchy of the forms of security, there will still be enough safeguard in treating other forms of security to be in equal footing since the MO's functions in assessing and approving the security are retained in WESM Rules Clause 3.15.3 paragraph 2 (a) and (b); BSM Sections 7.3.2; 7.4.1 (j); and 7.4.3 (f).</p> <p>On item b), to clarify the description of "immediate" form of security. "Payable or</p>



Title	Section	Provision	Proposed Amendment	Rationale
			<p><del>d) Such other forms of security guarantee as may be acceptable and allowed by the Market Operator.</del></p> <p><b><u>For items b and c, the instrument must indicate that it is payable upon demand, irrevocable, and unconditional.</u></b></p> <p><b><u>All forms of security must be payable to the Market Operator. Its validity must be in accordance to the requirements of relevant rules and manuals.</u></b></p>	<p>callable upon demand” is the term used under negotiable instruments law. Same rationale for the added paragraph after item c).</p> <p>On item c), to ensure that the insurance company is duly authorized by the Insurance Commission (IC) to issue such kind of surety bond. Not all accredited bonding companies are authorized to issue such surety for a particular type of risk.</p> <p>On the proposed deletion of item d), items a) to c) are reasonably obtainable.</p> <p>The proposed last paragraph is to determine that the payee for the transaction is the Market Operator, and to ensure that expiration or</p>



Title	Section	Provision	Proposed Amendment	Rationale
				validity of the security is stated.
PRUDENTIAL REQUIREMENTS – Assessment of Maximum Exposure	7.4.3(h)	<p>Upon the request of a <i>WESM Member</i>, the <i>Market Operator</i> may consider a replacement month within the 26th March to 25th September <i>billing periods</i>, having the same number of calendar days if:</p> <p>i. There is a disagreement between the <i>Market Operator</i> and the <i>WESM Member</i> on the <i>Final Statement</i> during the months covered in the computation of the <i>Maximum Exposure</i>; or</p> <p>ii. There is a positive <i>settlement amount</i> in any <i>billing period</i> in the computation of the <i>Maximum Exposure</i>.</p>	<p>Upon the request of a <i>WESM Member</i>, the <i>Market Operator</i> may consider a replacement month within the 26th March to 25th September <i>billing periods</i>, having the same number of calendar days if:</p> <p>i. There is a disagreement between the <i>Market Operator</i> and the <i>WESM Member</i> on the <i>Final Statement</i> during the months covered in the computation of the <i>Maximum Exposure</i>; or</p> <p>ii. There is a positive <i>settlement amount</i> in any <i>billing period</i> in the computation of the <i>Maximum Exposure</i>; <u>or</u></p> <p><b><u>iii. There is a force majeure event that affected at least 50% of the settlement intervals within a billing period.</u></b></p>	For a more accurate determination of exposure of WESM Members through consideration of force majeure events
PRUDENTIAL REQUIREMENTS – Assessment of Maximum Exposure	7.4.3(i)	If there is a change in the bilateral contract of a <i>WESM Member</i> , the <i>Maximum Exposure</i> shall be computed based on the settlement amounts estimated by the <i>Market Operator</i> using the <i>Average Actual Market Price</i> based on the <i>billing period</i> of 26th March to 25th September. In no case shall the <i>Maximum Exposure</i> be less than ten percent (10%) of the total demand multiplied by the <i>Average Actual Market Price</i> .	<del>If there is a change in the bilateral contract of a <i>WESM Member</i>, the <i>Maximum Exposure</i> shall be computed based on the settlement amounts estimated by the <i>Market Operator</i> using the <i>Average Actual Market Price</i> based on the <i>billing period</i> of 26th March to 25th September. In no case shall the <i>Maximum Exposure</i> be less than ten percent (10%) of the total demand multiplied by the <i>Average Actual Market Price</i>.</del>	For a more accurate determination of exposure of WESM Members through additional considerations (i.e., reduction in load served, force majeure events), hourly assessment instead of monthly, and by-request re-assessment.



Title	Section	Provision	Proposed Amendment	Rationale
			<p><u>If there is a change or expected change in the settlement quantities of a WESM Member due to a change in bilateral contract, reduction in load served, or occurrence of force majeure events, the WESM Member may, at any time, request the Market Operator to determine its Maximum Exposure based on its average estimated settlement amount.</u></p> <p><u>The estimated settlement amount for each billing period of a WESM Member shall be calculated using the following formula:</u></p> $ESA = \sum_{i \in I} (EGESQ_i \times EFEDP_i) - \sum_{i \in I} \sum_{c \in C} (EBCQ_{c,i} \times EFEDP_{c,i})$ <p><u>Where:</u></p> <p><u>ESA</u>      <u>estimated settlement amount in PhP</u></p> <p><u>EGESQ<sub>i</sub></u>      <u>estimated gross energy settlement quantity, in MWh, for dispatch interval i</u></p> <p><u>EFEDP<sub>i</sub></u>      <u>estimated final energy dispatch price, in PhP/MWh, for dispatch interval i</u></p>	





Title	Section	Provision	Proposed Amendment	Rationale
			<p><u>EBCQ<sub>c,i</sub> estimated <i>bilateral contract</i> quantity, in MWh, from counterparty c for dispatch interval i</u></p> <p><u>EFEDP<sub>c,i</sub> estimated <i>final energy dispatch price</i>, in PhP/MWh, associated with the <i>bilateral contract</i> with counterparty c for dispatch interval i</u></p> <p><u>I set of <i>dispatch intervals</i> within the billing period</u></p> <p><u>C set of counterparties</u></p> <p><u>i. if the request is due to a change in <i>bilateral contract</i>, the <i>WESM Member</i> shall submit to the <i>Market Operator</i> its estimated <i>bilateral contract</i> quantities from each <i>trading participant</i> counterparty for each <i>dispatch interval</i> in the immediate complete 26 March to 25 September period; the estimated <i>gross energy settlement quantity</i> and estimated <i>final energy dispatch prices</i> of the <i>WESM Member</i> for a <i>dispatch interval</i> shall be equal to its <i>gross energy settlement quantity</i> and <i>final energy dispatch prices</i>, respectively, at the same <i>dispatch interval</i> and most recent same date.</u></p> <p><u>ii. if the request is due to a reduction in load served, the <i>WESM Member</i></u></p>	



Title	Section	Provision	Proposed Amendment	Rationale
			<p><u>shall submit to the <i>Market Operator</i> its estimated <i>gross energy settlement quantities</i> and estimated <i>bilateral contract quantities</i> from each <i>trading participant</i> counterparty for each <i>dispatch interval</i> in the immediate complete 26 March to 25 September period; the estimated <i>final energy dispatch prices</i> of the <i>WESM Member</i> for a <i>dispatch interval</i> shall be equal to its <i>final energy dispatch prices</i> at the same <i>dispatch interval</i> and most recent same date.</u></p> <p><u>iii. if the request is due to a force majeure, the <i>WESM Member</i> shall submit to the <i>Market Operator</i> its estimated <i>gross energy settlement quantities</i> and estimated <i>bilateral contract quantities</i> from each <i>trading participant</i> counterparty for each <i>dispatch interval</i> in the immediate complete 26 March to 25 September period; the estimated <i>final energy dispatch prices</i> of the <i>WESM Member</i> for a <i>dispatch interval</i> shall be equal to its <i>final energy dispatch prices</i> at the same <i>dispatch interval</i> and most recent same date, or from the replacement date in accordance with Section 4.7.3(h).</u></p> <p><u>iv. The estimated <i>bilateral contract quantity</i> shall not exceed the</u></p>	



Title	Section	Provision	Proposed Amendment	Rationale
			<b><u>estimated gross energy settlement quantity for each dispatch interval.</u></b>	
PRUDENTIAL REQUIREMENTS – Refund of Security	7.4.6(a)	<p>Upon written request from the WESM Member, the Market Operator shall refund the prudential security under the following conditions:</p> <p>i. If the Market Operator has lifted the cancellation of exemption after the WESM Member complied with its obligations under Section 7.2.6 of this Manual; or</p> <p>ii. If the security deposit of a WESM Member consistently exceeds the Maximum Exposure in previous six (6) consecutive billing periods.</p>	<p>Upon written request from the WESM Member, the Market Operator shall refund the prudential security under the following conditions:</p> <p>i. If the Market Operator has <b><u>exempted the WESM Member under Section 7.2.2</u></b> or lifted the cancellation of exemption after the WESM Member complied with its obligations under Section 7.2.6 of this Manual; or</p> <p>ii. If the security deposit of a WESM Member consistently exceeds the Maximum Exposure in previous six (6) consecutive billing periods; <b><u>or</u></b></p> <p><b><u>iii. if the calculated Maximum Exposure of the WESM Member under Section 7.4.3 is lower than the amount of security it has provided to the Market Operator.</u></b></p>	It may result to lower cost of complying with prudential requirements if maximum exposure has already been re-assessed.

