



WHOLESALE ELECTRICITY SPOT MARKET RULES CHANGE COMMITTEE

RESOLUTION NO. 2020-09

Proposed Amendments to the WESM Manual on Registration, Suspension, and De-Registration Criteria and Procedures to Clarify Bilateral Contracts Accounted for in Settlements

WHEREAS, the WESM Manual on Registration, Suspension, and De-Registration Criteria and Procedures, Issue 5.1 (“WESM Registration Manual”) provides the criteria, guidelines and procedures for the registration, suspension and de-registration of members and participants in the WESM for the enhanced WESM design;

WHEREAS, the procedures for registration includes the enrolment of bilateral power supply contract customers to be accounted for in the WESM settlements;

WHEREAS, on 17 February 2020 the Rules Change Committee (RCC) received the proposal of the Independent Electricity Market Operator of the Philippines (IEMOP) to amend the WESM Registration Manual to allow other types of bilateral contract transactions to be accounted for in settlements in the WESM;

WHEREAS, during the 161st RCC Meeting on 21 February 2020, the IEMOP explained that IEMOP intends to address the issues raised by the Retail Electricity Suppliers Association (RESA) during the IEMOP Kapihan meetings last October 2019 by accounting other contracts as follows:

- a) Between a Retail Electricity Supplier (RES) and a Direct WESM Contestable Customer (CC), i.e. RES-CC contract, to eliminate the involuntary sharing of commercially sensitive information between said RES and its corresponding Generation Company supplier; and
- b) Between two (2) Generation Companies (GEN) for replacement or additional power, i.e. GEN1-GEN2 contract, to eliminate the involuntary sharing of commercially sensitive information between GEN1 and the corresponding Customer of GEN2;

WHEREAS, during the same meeting, the RCC approved the publication of the proposal in the PEMC website to solicit comments from industry stakeholders and interested parties;

WHEREAS, following the 30-working day commenting period from publication date on 26 February 2020, comments were received from Aboitiz Power Corporation (APC) and the Philippine Electricity Market Corporation (PEMC);

WHEREAS, during the 164th RCC Meeting on 24 April 2020, the RCC reviewed the proposal and gave due course to the comments received and corresponding proponent's responses, with salient points summarized as follows:

- IEMOP confirmed that the Central Registration and Settlement System (CRSS) will have to be reconfigured to implement the proposed amendments as the CRSS currently restricts some entities to declare contracts;
- On PEMC's concern that there are no additional procedures for the Market Operator to further validate or trace if all the energy bought by the buyer-generator (GEN2) will indeed be supplied to its Customer, IEMOP confirmed that it will assume that GEN2 is selling its energy quantities, that are not declared for a Customer, in the spot market;

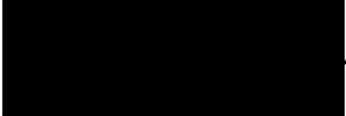
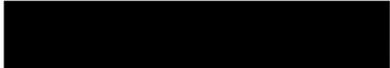
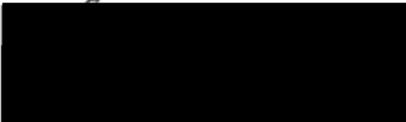
WHEREAS, in response to the DOE representative's query during the 165th RCC Meeting on 15 May 2020 regarding the reconfiguration of the CRSS to implement the proposal, IEMOP informed the RCC through a letter dated 20 May 2020 that the necessary software development will require some three (3) months to allow new bilateral contract roles to RES and generators (attached as Annex A);

NOW THEREFORE, we, the undersigned, on behalf of the sectors we represent, hereby resolve as follows:

RESOLVED, that the RCC approves the Proposed Amendments to the WESM Manual on Registration, Suspension, and De-Registration Criteria and Procedures to Clarify Bilateral Contracts Accounted for in Settlements (attached as Annex B);

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 Settlements are hereby endorsed to the PEM Board for approval and subsequent transmittal to the DOE for promulgation.

Done this 21 May 2020, Pasig City.

Approved by: THE RULES CHANGE COMMITTEE	
Independent Members:	
 Maila Lourdes G. de Castro Chairperson	 Francisco L.R. Castro Jr.
 Allan C. Nerves	 Concepcion I. Tanglao
Generation Sector Members:	
 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)
Distribution Sector Members:	
 Cebu III Electric Cooperative, Inc. (CEBECO III)	 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. Rósaes National Grid Corporation of the Philippines (NGCP)





IEMOP
INDEPENDENT ELECTRICITY MARKET OPERATOR
PHILIPPINES

20 May 2020
OUT-CSC/IEMOP-2020/_____

RULES CHANGE COMMITTEE

Philippine Electricity Market Corporation

18/F Robinsons Equitable Tower, ADB Avenue, Ortigas Center
Pasig City

THRU: **RCC-SECRETARIAT, PEMC**

SUBJECT: **IMPACT ON MARKET SYSTEMS OF IEMOP'S PROPOSED AMENDMENTS TO CLARIFY BILATERAL CONTRACTS ACCOUNTED FOR IN WESM SETTLEMENTS**

Dear **Rules Change Committee**,

We write in relation to the inquiry of the DOE observer during the Rules Change Committee (RCC) meeting on 15 May 2020.

In the meeting, IEMOP's proposed amendments to the WESM Manual on Registration, Suspension, and De-Registration Criteria and Procedures to clarify bilateral contracts accounted for in WESM settlements were discussed. In line with this, the DOE observer requested IEMOP to clarify which features of the proposed amendments may be accommodated by the Central Registration and Settlement System (CRSS) and if any changes will be necessary.

Based on our initial assessment, the CRSS will have to be re-configured to allow new bilateral contract roles to Retail Electricity Suppliers and Generation Companies as follows:

Trading Participant	Bilateral Contract Role	
	Current	Proposed
Retail Electricity Supplier	Buyer only	Buyer and Supplier
Generation Company	Supplier only	Buyer and Supplier

We expect this re-configuration to require some 3 months of software development. The three (3) months will cover coding, testing, and allowance for any unplanned software changes/fixes. Also, in accordance with PEM Audit Manual Section 10, this software change will require audit. As such, we shall inform and coordinate this change with the PEM Audit Committee (PAC) and assist them in any audit action they may require.

We hope we have addressed the concern. Should further clarifications be required, please do not hesitate to contact us. Thank you very much.

Sincerely yours,


[Redacted Signature]

Isidro E. Cacho Jr.
Chief Corporate Strategy and Communications Officer
Market Operator RCC Representative

Cc: **Mr. FERDINAND B. BINONDO**
Supervising Science Research Specialist/DOE RCC Observer



9F Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City, Philippines 1600
Tel. (+632) 318-9376 | www.lemop.ph

Annex B - Proposed Amendments to the WESM Manual on Registration, Suspension, and De-Registration Criteria and Procedures to Clarify Bilateral Contracts Accounted for In Settlements

Title	Section	Provision	Proposed Amendment	Rationale
ENROLMENT AND DE-LISTING OF SUPPLY CUSTOMERS - Enrolment	3.5.1.1	Trading Participants that wish their transactions with their bilateral power supply contract customers (the "supply customers") to be accounted for in the WESM settlements shall notify and enroll such supply customers with the Market Operator.	Trading Participants that wish their transactions with their bilateral power supply contract customers (the "supply customers") to be accounted for in the WESM settlements shall notify and enroll such <i>supply customers</i> with the <i>Market Operator</i> .	To allow the declaration of retail supply contract quantities (RES-CC) as well.
ENROLMENT AND DE-LISTING OF SUPPLY CUSTOMERS - Enrolment	3.5.1.2	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 amounts and for the net settlement surplus/deficit allocations, d) <u><i>indication whether the bilateral contract quantities submitted by the selling participant would require confirmation by the buying participant in accordance with the billing and settlement timetable copy of the supply contract; and</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.



Annex B - Proposed Amendments to the WESM Manual on Registration, Suspension, and De-Registration Criteria and Procedures to Clarify Bilateral Contracts Accounted for In Settlements

Title	Section	Provision	Proposed Amendment	Rationale
			e) written confirmation by the supply customer of the notice and the foregoing information.	
ENROLMENT AND DE-LISTING OF SUPPLY CUSTOMERS - Enrolment	<u>3.5.1.4</u> (new)	(new)	<u>Subject to section 3.5.1.5 and 3.5.1.6 of this manual, only Trading Participants that are Generation Companies or Suppliers may enroll supply customers with the Market Operator.</u>	To clarify that only entities licensed to sell to WESM Members may enroll supply contracts in the market.
ENROLMENT AND DE-LISTING OF SUPPLY CUSTOMERS - Enrolment	<u>3.5.1.5</u> (new)	(new)	<u>Generation Companies may register other Generation Companies or Customer Trading Participants, except for Contestable Customers, as supply customers.</u>	For consistency with Section 4.1 of DOE DC2012-05-0005 that contestable customers shall only deal with suppliers. The proposal will allow Generator 1 to declare its 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.
ENROLMENT AND DE-LISTING OF SUPPLY CUSTOMERS - Enrolment	<u>3.5.1.6</u> (new)	(new)	<u>Suppliers may only enroll supply customers that are Contestable Customers.</u>	For consistency with Section 4.1 of DOE DC2012-05-0005 that contestable customers shall only deal with suppliers.
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.	To clarify that supply customers referred to in this manual covers WESM and retail customers that have power supply agreements/contract.

