



MEETING MINUTES

Subject/Purpose : 170th Rules Change Committee Meeting
 Date & Time : 16 October 2020, 09:03
 Venue : Online via Microsoft Teams
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ATTENDEES

	Name	Designation/Position	Department/Company
1	Maila Lourdes G. De Castro	Chairperson, Independent	RCC
2	Francisco Leodegario R. Castro, Jr.	Member, Independent	RCC
3	Allan C. Nerves	Member, Independent	RCC
4	Concepcion I. Tanglao	Member, Independent	RCC
5	Dixie Anthony R. Banzon	Member, Generation Sector	RCC
6	Cherry A. Javier	Member, Generation Sector	RCC
7	Carlito C. Claudio	Member, Generation Sector	RCC
8	Mark D. Habana	Member, Generation Sector	RCC
9	Michelle Tuazon	Member (Alternate), Generation Sector (Vivant Corporation)	RCC
10	Ryan S. Morales	Member, Distribution Sector	RCC
11	Virgilio C. Fortich, Jr.	Member, Distribution Sector	RCC
12	Ricardo G. Gumalal	Member, Distribution Sector	RCC
13	Nelson M. Dela Cruz	Member, Distribution Sector	RCC
14	Lorreto H. Rivera	Member, Supply Sector	RCC
15	Ambrocio R. Rosales	Member, System Operator	RCC
16	Isidro E. Cacho, Jr.	Member. Market Operator	RCC
17	Karen A. Varquez	Manager, MAG-Rules Review Division (RCC Secretariat)	PEMC
18	Divine Gayle C. Cruz	Specialist, MAG-Rules Review Division (RCC Secretariat)	PEMC
19	Dianne L. De Guzman	Specialist, MAG-Rules Review Division (RCC Secretariat)	PEMC
20	Kathleen R. Estigoy	Specialist, MAG-Rules Review Division (RCC Secretariat)	PEMC
21	Edmundo G. Tuazon	Proponent	Pagbilao Energy Corp.
22	Jonathan B. dela Viña	Proponent	IEMOP
23	Mary Anne T. Santiago	Proponent	IEMOP



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Agenda	Agreements / Action Taken / Action Required
I. Call to Order / Determination of Quorum	<ul style="list-style-type: none"> The meeting was conducted via Microsoft Teams and was called to order at 9:03 AM. The meeting was chaired by Atty. Maila Lourdes G. de Castro (Chairman/Independent). All 15 RCC principal members and 1 alternate member were in attendance.
II. Presentation and Approval of the Proposed Agenda	With no other inputs / comments, the provisional agenda of the meeting was approved by the body.
III. Approval of the Minutes of Previous Meeting	The minutes of the 169 th RCC Meeting held on 18 September 2020 was approved as amended.
IV. Matters Arising from Previous Meeting	
4.1. Continuation on the deliberation of Proposed Amendments to the WESM Manual on Billing and Settlement regarding BCQ Declaration	<p><u>Presenter:</u> Engr. Edmundo Tuazon (Pagbilao Energy Corp.)</p> <p><u>Action Requested:</u> For deliberation and approval to endorse to PEM Board</p> <p><u>Meeting Materials:</u> Annex A.1, A.2, A.3 and A.4 (matrices of additional proposed amendments and RCC decision)</p> <p><u>Proceedings:</u></p> <ul style="list-style-type: none"> Mr. Tuazon (Pagbilao) informed the RCC that, as recommended by the body in the previous meeting, Pagbilao consulted with IEMOP in order to further develop the proposal as to how it could be possibly implemented with the existing procedures for the declaration of bilateral contract quantities (BCQ). He presented the process flow on how the proposed standing BCQs shall be used by the Market Operator in settling buyer and seller Trading Participants whose BCQ declarations need daily confirmation, and those who opt to confirm by default the declared BCQ. <p>It was clarified that there will be an additional task per the proposal, which is the submission of standing BCQs by the concerned buyer and seller Trading Participants during the registration of their supply contracts in the Central Registration and Settlement System.</p> <ul style="list-style-type: none"> Additional amendments were made to the WESM Rules, WESM Manual on Billing and Settlement and the WESM Manual on

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	<p>Registration, Suspension and De-registration Criteria and Procedures to reflect the following proposed changes:</p> <ul style="list-style-type: none"> ○ added and defined the term 'standing bilateral contract quantity declaration' in the WESM Rules Glossary; ○ provided that standing BCQs shall be submitted during registration and may be revised; ○ included standing BCQ among the components of energy trading amounts, whenever applicable; and ○ added standing BCQ declaration as additional information submitted to the Market Operator during enrolment of supply contract. <ul style="list-style-type: none"> ● Mr. Tuazon likewise presented a template for the provision of standing BCQs which indicates the hourly load profile in MW as agreed-upon by the buyer and seller Trading Participant. He clarified that Trading Participants may opt to provide from day-ahead up to year-ahead standing BCQs, and this information may be revised from time to time if they so agree. ● Mr. Habana (Vivant) inquired when the IEMOP could provide an estimate of the cost to implement the proposal, to which Mr. Tuazon responded that IEMOP has yet to provide said information. ● With the intention of allowing revisions to standing BCQs, Mr. Cacho (IEMOP) commented that there might be a need for more details specifying the frequency, timeframe and template for updating standing BCQs. <p>Mr. Cacho also stated that the implementation of the proposal entails changes to the existing contract with the supplier of the Central Registration and Settlement System (CRSS) since the system would be re-configured to accommodate the proposal's requirements.</p> <ul style="list-style-type: none"> ● Ms. Rivera (TeaM Energy) commented that it may not even be necessary to provide further details when it comes to the process of updating standing BCQs since they are not expected to be used frequently, but only when no valid BCQ or none entirely is submitted. After all, sellers are obliged to submit BCQs for every

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	<p>transaction on a daily basis and the buyers are required to confirm the BCQs declared.</p> <p>Ms. Rivera explained that standing BCQs are indicated in the contract, unless the contracted capacity would really change between the buyer and seller. Still, standing BCQs are not intended to be revised frequently.</p> <p>She also suggested that perhaps standing BCQs may be added in either the Wholesale or Retail Customer Enrolment Forms which could be edited any time and submitted through the CRSS.</p> <p><u>Resolution:</u> The RCC approved the proposed changes to the following documents for endorsement to the PEM Board:</p> <ol style="list-style-type: none"> 1. WESM Rules; 2. WESM Manual on Billing and Settlement Issue 6.1; and 3. WESM Manual on Registration, Suspension and De-registration Criteria and Procedures Issue 5.2 <p>The proposed amendments approved in the September 2020 meeting and this meeting shall be harmonized and finalized in the RCC resolution. The RCC shall approve and sign said resolution in the November 2020 meeting.</p>
<p>4.2. Deliberation of Proposed Amendments to the WESM Manual on Billing and Settlement (Enhancements to Prudential Requirements Procedures)</p>	<p><u>Presenter:</u> Jonathan B. dela Viña (IEMOP); Mary Anne T. Santiago (IEMOP)</p> <p><u>Action Requested:</u> For deliberation and approval to endorse to PEM Board</p> <p><u>Meeting Material:</u> Annex B.1 and B.2 (matrices of proposed amendments and RCC decision)</p> <p><u>Proceedings:</u></p> <p>Mr. dela Viña (IEMOP) aided the RCC in its deliberation of the proposal giving due consideration to the comments received from PEMC and AC Energy, and the proponent's response and clarifications.</p>

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	<ul style="list-style-type: none"> <p>• Mr. dela Viña clarified that the amount of prudential requirements is based on the WESM Member's average daily exposure from April to September billing periods of the same year converted to thirty-five (35) days. This will be the basis of the amount to be paid as prudential security for the following year. The Market Operator performs an annual assessment of WESM Members' market exposure before the end of each year.</p> <p>Mr. dela Viña added that if a WESM Member's actual exposure is more than the Market Operator's assessment, then that WESM Member may either top-up its security or pay in advance ("pre-pay") the excess so that a top-up will not be necessary.</p> <p>• Mr. Habana inquired how the Market Operator treats a month when a WESM Member has a higher than average market exposure. Mr. dela Viña responded that said month will still be used to calculate the average market exposure.</p> <p>Mr. Habana also sought clarification if the method for computing prudential requirements is the same for new and for existing WESM Members. Mr. dela Viña explained that the calculation for new and existing WESM Members are different such that the prudential requirements for new WESM Members is based on projected quantities per hour, while prudential requirements for existing WESM Members is based on their daily average actual exposure from April to September of the same year multiplied to 35 days.</p> <p>• Mr. Fortich (CEBECO III) asked if refunds of excess prudential requirements include earned interest. Mr. dela Viña and Ms. Santiago (IEMOP) confirmed that interest is included in the refund of cash-based prudential security at bank rates, currently 0.4% per annum. The Market Operator is not allowed to deposit cash-based prudential securities in time deposit or similar accounts, only in a savings account.</p> <p>Other non-cash forms of securities do not earn interest.</p> <p>• Mr. dela Viña stated that Trading Participants' requests for the Market Operator to re-assess maximum exposure usually aim to decrease prudential security for the following year. The WESM</p>

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	<p>Rules also allows Trading Participants to provide prudential security that is more than what the Market Operator requires especially if they foresee that there is going to be an increase in their load.</p> <ul style="list-style-type: none"> • Regarding the proposed inclusion of the occurrence of force majeure events as a condition to use replacement month in the computation of maximum exposure (new Section 3.15.4.1(c)), Mr. dela Viña elaborated that prices tend to be abnormally high during force majeure events which would result to an increase in the amount of a Trading Participant's prudential security for the following year if accounted in the computation. If so, the Trading Participant may have excess prudential security for the next year if the market is under normal operations on average. Using a replacement month in calculating prudential security instead of the month when a force majeure event occurred would address this possibility. • To ensure that tampering does not occur, Ms. Kathleen R. Estigoy (PEMC) inquired how the Market Operator stores non-cash forms of security, which are essentially documents, if these are not returned as a refund. Mr. dela Viña answered that these securities have an expiration date or effectivity period indicated. If the Trading Participant provides a new security with a lower amount, the previous ones will no longer be in effect. IEMOP then disposes the void securities. • To clarify, Mr. dela Viña explained that the Market Operator exclude in its monthly exposure monitoring those Trading Participants who are exempted from providing prudential security. Even if they have a negative settlement amount in their preliminary statement, a margin call will not be issued to them. Those Trading Participants just need to pay on the due date <p>However, for those Trading Participants who are not exempted from prudential requirements, the Market Operator assesses their exposure upon issuance of the preliminary statement to ensure that their prudential security is more than their exposure for that month. If a Trading Participant's exposure is greater than its prudential security, the Market Operator issues a margin call to</p>

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	<p>that Trading Participant which the latter must address within three (3) working days.</p> <p>Non-exempted Trading Participants whose prudential security is zero as calculated by the Market Operator are not required to provide any security but they are still subjected to monthly exposure monitoring. If that Trading Participant incurs a negative settlement amount in its preliminary statement, the Market Operator will require it to pre-pay that amount or address within three (3) working days the margin call issued by the Market Operator.</p> <ul style="list-style-type: none"> • PEMC sought clarification regarding SBLCs, which Ms. Santiago from IEMOP's Finance Department responded: <ul style="list-style-type: none"> ○ Stand-by letters of credit (SBLC) are normally intended as payment for goods. How is electricity treated in these contracts? Will the Market Operator have difficulty in drawing down funds from this kind of security? <p>Ms. Santiago stated that SBLCs are not solely for goods but also applies to other transactions. It is an agreement between the bank and the Trading Participant, which also indicates when the beneficiary, the IEMOP, could withdraw the funds. Ms. Santiago opined that banks will not issue SBLCs to power industry companies if in the end, they will not accept electricity as the basis of the transaction.</p> ○ How does the Market Operator drawdown prudential security through SBLC, which is an acceptable form of non-cash security for complying with prudential requirements? <p>The Market Operator could drawdown funds by submitting two (2) documentary requirements to the head office of the issuing bank (i.e., original copy of the SBLC and original certification under oath signed by the duly authorized representative of the beneficiary). The funds are immediately available upon presentation of the complete documents, or "upon receipt of the written demand".</p> <ul style="list-style-type: none"> ○ Does Market Operator accept multiple SBLCs to comply to a single PR requirement?

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	<p>Yes, the Market Operator accepts combined cash and SBLC.</p> <ul style="list-style-type: none"> ○ Does MO allow partial or full drawdown of SBLC? <p>Yes. The Market Operator only draws down the amount in default based on the settlement amount in a Trading Participant's billing statement.</p> <ul style="list-style-type: none"> ○ Does MO notify the TP before and after drawing down? <p>Yes. If the Trading Participant is unable to pay its settlement amount, the Market Operator issues a default notice to the Trading Participant that it will withdraw from its prudential security.</p> <ul style="list-style-type: none"> ○ Who is the authorized person to draw down the SBLC? <p>The IEMOP Board of Directors appoints and authorizes a person to draw from the SBLC. The designated person is required to present to the issuing bank a Secretary's Certificate signed by the Board as proof of authorization.</p> <ul style="list-style-type: none"> ○ Who is the payee for the SBLC? <p>The payee of the SBLC and the named beneficiary is the IEMOP.</p> <ul style="list-style-type: none"> ○ What is the timeline for drawing down SBLC? If the due date for payment of settlement amount is October 25, then the Market Operator must be able to pay generators on October 26, how is this complied if the prudential security is in the form of SBLC? <p>If the Trading Participant is already in default, its unpaid settlement amount incurs interest. Some Trading Participants pay their settlement amount in cash within two (2) days after being in default. The Market Operator does not immediately drawdown prudential security on October 26 but instead notifies first the Trading Participant before doing so. Moreover, it is normal for Trading Participants' payments complied on the due date to be cleared within a few days.</p>

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	<p>The Market Operator interprets the “payable upon demand, irrevocable and unconditional...” characteristics of SBLCs in the context of when the Market Operator is able to present the required documents to the issuing bank.</p> <ul style="list-style-type: none"> ○ What is/are the next steps after drawing down (after payment to generators)? <p>The Trading Participant is required to replenish its PR based on its annual maximum exposure.</p> <ul style="list-style-type: none"> ○ What is the effect of drawing down to TP’s membership? <p>As long as the Trading Participant is able to replenish its prudential security after the drawdown, no notice of suspension shall be issued by the Market Operator.</p> <ul style="list-style-type: none"> ○ What is the recourse or next steps if drawing down was not successful? <p>The Market Operator shall issue a suspension notice to that Trading Participant.</p> <ul style="list-style-type: none"> ○ How is the SBLC monitored? <p>As of now, the Market Operator manually monitors SBLCs’ expiration using Microsoft Excel. Per the WESM Rules, the Market Operator shall notify the Trading Participant sixty (60) days before its SBLC expires. If the Trading Participant still has not provided the MO a new SBLC ten (10) before the expiration date, the Market Operator shall again notify the Trading Participant.</p> <ul style="list-style-type: none"> ○ Who are the parties to the SBLC contract? <p>In the contract, the parties involved are the issuing bank and the Trading Participant, but the beneficiary is the IEMOP.</p> <p>Resolution: The RCC approved the proposed changes to the following documents for endorsement to the PEM Board:</p>



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	<ol style="list-style-type: none"> 1. WESM Rules; and 2. WESM Manual on Billing and Settlement Issue 6.1 <p>The RCC shall approve and sign the corresponding resolution with the finalized proposal in the November 2020 meeting.</p>
V. Other Matters	
6.1 DOE Public Consultation Updates	<p><u>Presenter:</u> Ferdinand B. Binondo (DOE)</p> <p><u>Action Requested:</u> For information</p> <p><u>Proceedings:</u></p> <p>Mr. Binondo informed the RCC that virtual public consultations will be held on October 27 and 29, 2020 for Luzon, Visayas and Mindanao WESM Members regarding the following draft proposals:</p> <ol style="list-style-type: none"> 1. Proposed Amendments to the WESM Manual on Registration, Suspension, and De-Registration Criteria and Procedures to Clarify Bilateral Contracts Accounted for In Settlements 2. Proposed Amendments to the (1) WESM Rules and (2) WESM Manual on the Management of Net Settlement Surplus for the Implementation of ERC Resolution No. 07 Series of 2019 entitled "A Resolution Adopting Amendments to the Rules for the Distribution of Net Settlement Surplus (NSS)" 3. Proposed Amendments to the WESM Manual on Load Forecasting Methodology for the Inclusion of the Procedures for Preparation and Updating of Nodal Load Distribution Factors 4. Proposed WESM Industry Code of Ethics; and 5. Proposed Amendments to the WESM Rules and relevant WESM Manual regarding the Effectivity of Settlement of Displaced Generators <p>Another set of public consultations are tentatively scheduled on the 3rd week of November.</p> <p>Also, two (2) DOE Circulars were promulgated on 06 October 2020 namely:</p>

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	<ol style="list-style-type: none"> 1. DOE DC2020-10-0019 entitled “<i>Adopting Further Amendments to the WESM Manuals on Registration, Suspension and De-registration, and Market Network Model Development and Maintenance for the Implementation of Enhancements to WESM Design and Operations (Provisions for the New Load Facility of a Registered WESM Member)</i>”; and 2. DOE DC2020-10-0020 entitled “<i>Adopting Further Amendments to the WESM Manual on Dispatch Protocol for the Implementation of Enhancements to WESM Design and Operations (Provisions for the WESM Timetable)</i>” <p><u>Resolution:</u> N/A (for information only)</p>
VI. Next Meeting	<ul style="list-style-type: none"> • 20 Nov 2020 • 18 Dec 2020 (tentative) • 15 Jan 2021
VII. Adjournment	The meeting was adjourned at 11:44 AM.



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Prepared by:

Reviewed by:



DIVINE GAYLE C. CRUZ
Specialist, Rules Review Division
Market Assessment Group

KAREN A. VARQUEZ
Manager, Rules Review Division
Market Assessment Group

Noted by:

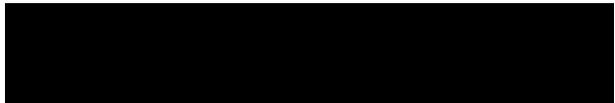


JOHN MARK S. CATRIZ
Head, Market Assessment Group

Approved by:



MAILA G. DE CASTRO
Chairman, Independent



FRANCISCO LEODEGARIO R. CASTRO, JR.
Member, Independent



ALLAN C. NERVES
Member, Independent



CONCEPCION I. TANGLAO
Member, Independent



DIXIE ANTHONY R. BANZON
Member, Generation Sector
Masinloc Power Partners Co. Ltd. (MPPCL)



CHERRY A. JAVIER
Member, Generation Sector
Aboitiz Power Corp. (APC)



CARLITO C. CLAUDIO
Member, Generation Sector
Millennium Energy, Inc. / Panasia Energy, Inc.
(MEI/PEI)



MARK D. HABANA
Member, Generation Sector
Vivant Corporation – Philippines (Vivant)



RYAN S. MORALES
Member, Distribution Sector
Manila Electric Company (MERALCO)



VIRGILIO C. FORTICH, JR.
Member, Distribution Sector
Cebu III Electric Cooperative, Inc. (CEBECO III)

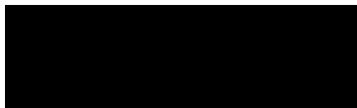


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~~RICARDO G. GUMALAL~~
Member, Distribution Sector
Iligan Light and Power, Inc. (ILPI)



~~NELSON M. DELA CRUZ~~
Member, Distribution Sector
Nueva Ecija II Area 1 Electric Cooperative, Inc.
(NEECO, II – Area I)



~~LORRETO H. RIVERA~~
Member, Supply Sector
Team (Philippines) Energy Corporation (TPEC)



~~ISIDRO E. CACHO, JR.~~
Member, Market Operator
Independent Electricity Market Operator of the
Philippines (IEMOP)



~~AMBROSIO R. ROSALES~~
Member, System Operator
National Grid Corporation of the Philippines
(NGCP)

ANNEX A.1 - Additional Proposed Amendments to the Proposal on Bilateral Contract Quantity Declaration

WESM Rules					
Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
		<p>and the gross energy settlement quantity (in MWh) of all market trading nodes of the trading participant; less</p> <p>b) Reference final nodal energy dispatch price multiplied by the corresponding bilateral contract quantity (in MWh) as determined under Clause 3.13.1.1 of all bilateral contract declarations associated with the trading participant.</p>	<p>a) Sum of the product of the final nodal energy dispatch prices and the gross energy settlement quantity (in MWh) of all market trading nodes of the trading participant; less</p> <p>b) Reference final nodal energy dispatch price multiplied by the corresponding bilateral contract quantity (in MWh) as determined under Clause 3.13.1.1 of all bilateral contract declarations associated with the trading participant</p> <p>c) <u>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></p>		

ANNEX A.1 - Additional Proposed Amendments to the Proposal on Bilateral Contract Quantity Declaration

WESM Rules					
Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
CHAPTER 11 GLOSSARY	(new)		<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>		RCC adopted the proposed amendment. The RCC noted that the body adopted during the previous meeting PEMC's proposed definition for 'standing BCQ declaration' to be specified in the Billing and Settlement Manual, but the body ultimately agreed to adopt Pagbilao's definition and specify it in the WESM Rules instead.

ANNEX A.2 - Additional Proposed Amendments to the Proposal on Bilateral Contract Quantity Declaration

WESM Manual on Billing and Settlement Manual Issue 6.1					
Title	Section	Original Provision	Proposed Amendment	Rationale	RCC Decision
Declarations for Energy Transactions	Section 9.1.2 (revision)	<p>To be valid, bilateral contract declarations submitted by a Trading Participant shall include:</p> <ul style="list-style-type: none"> 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; b) the Trading Participant who will buy the declared volume pursuant to their bilateral contract; 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 d) bilateral contract quantity in MWh for each dispatch interval for that trading day. 	<p>To be valid, bilateral contract declarations submitted by a Trading Participant shall include:</p> <ul style="list-style-type: none"> 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; b) the Trading Participant who will buy the declared volume pursuant to their bilateral contract <u>identified and registered during the enrolment of such supply contract</u>; 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>Proper validation should include flagging of Seller's non-submission of bilateral contract quantity declaration for all supply contracts registered by the Seller.</p>	RCC adopted the proposed amendment.

ANNEX A.2 - Additional Proposed Amendments to the Proposal on Bilateral Contract Quantity Declaration

WESM Manual on Billing and Settlement Manual Issue 6.1					
Title	Section	Original Provision	Proposed Amendment	Rationale	RCC Decision
			d) bilateral contract quantity in MWh for each dispatch interval for that trading day.		

ANNEX A.3 - Additional Proposed Amendments to the Proposal on Bilateral Contract Quantity Declaration

WESM Manual on Registration, Suspension and De-registration Criteria and Procedures Issue 5.1					
Title	Section	Original Provision	Proposed Amendment	Rationale	RCC Decision
Enrolment and De-listing of Supply Customers	Section 3.5.1.2 (revision)	<p>The notice to the <i>Market Operator</i> shall include the following -</p> <ul style="list-style-type: none"> 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 allocation d) copy of the supply contract; and e) written confirmation by the supply customer of the notice and the foregoing information. 	<p>The notice to the <i>Market Operator</i> shall include the following -</p> <ul style="list-style-type: none"> 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 allocation d) copy of the supply contract; <u>and</u> e) <u>submission of Standing Bilateral Contract Quantity Declaration, and</u> 	Revision for consistency/alignment with the proposal	RCC adopted the proposed amendment.

ANNEX A.3 - Additional Proposed Amendments to the Proposal on Bilateral Contract Quantity Declaration

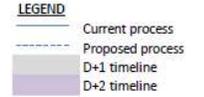
WESM Manual on Registration, Suspension and De-registration Criteria and Procedures Issue 5.1					
Title	Section	Original Provision	Proposed Amendment	Rationale	RCC Decision
			f) written confirmation by the supply customer of the notice and the foregoing information.		

ANNEX A.4 - Additional Proposed Amendments to the Proposal on Bilateral Contract Quantity Declaration

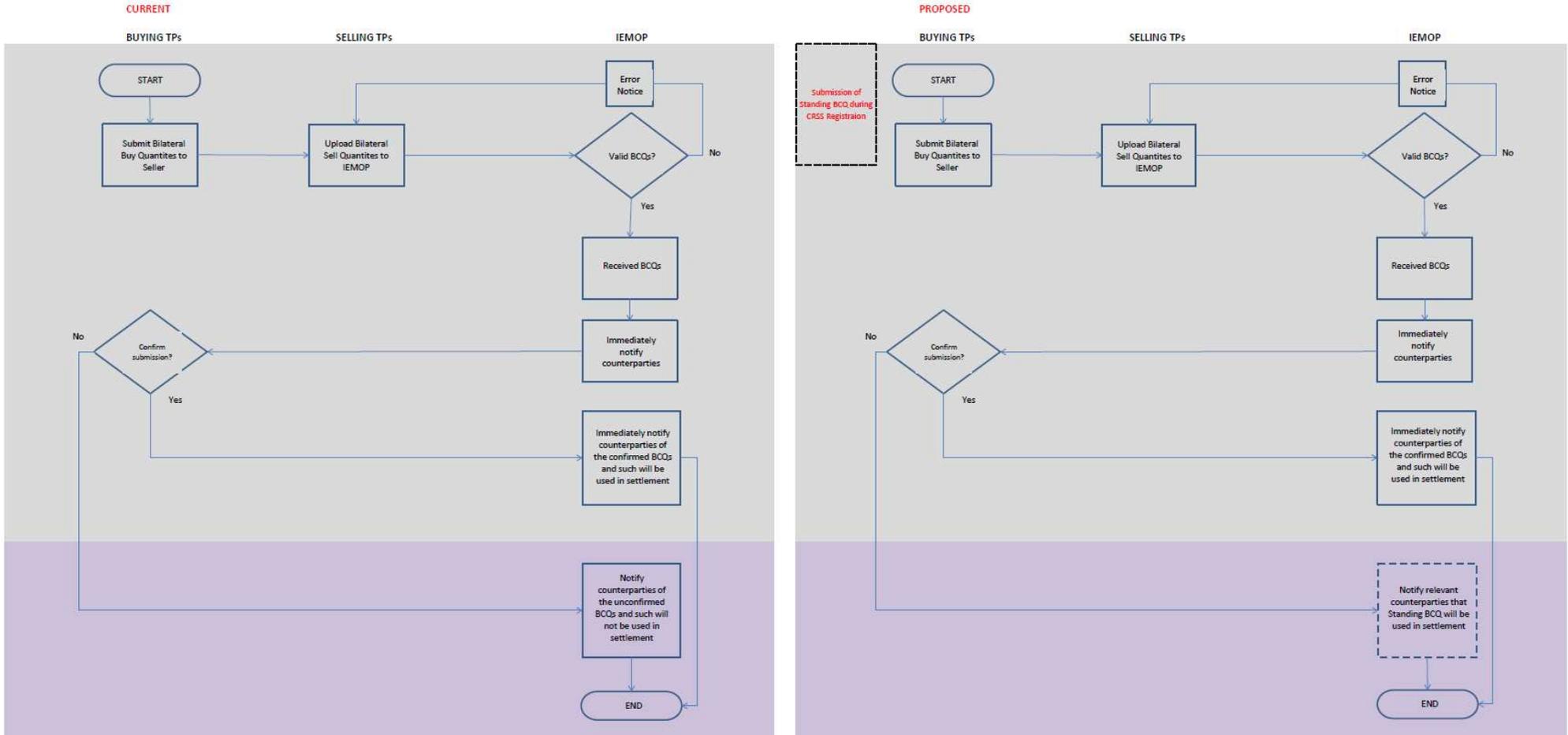
Assumptions:

1. Buying TP chooses NOT CONFIRMED BY DEFAULT during registration
 - a. Seller submits equal to Buyer's declaration THEN, Buyer confirms declaration >>> MO uses the same in settlement
 - b. Seller submits not equal to Buyer's declaration THEN, Buyer does not confirm declaration >>> MO does not use the same in settlement
 - c. Seller does not submit any declaration THEN, Buyer has nothing to confirm >>> MO has nothing to use in settlement

- * item a - non-issue / item b - considered as invalid declaration / item c - non-declaration
- * item b,c - what the proposal will try to address



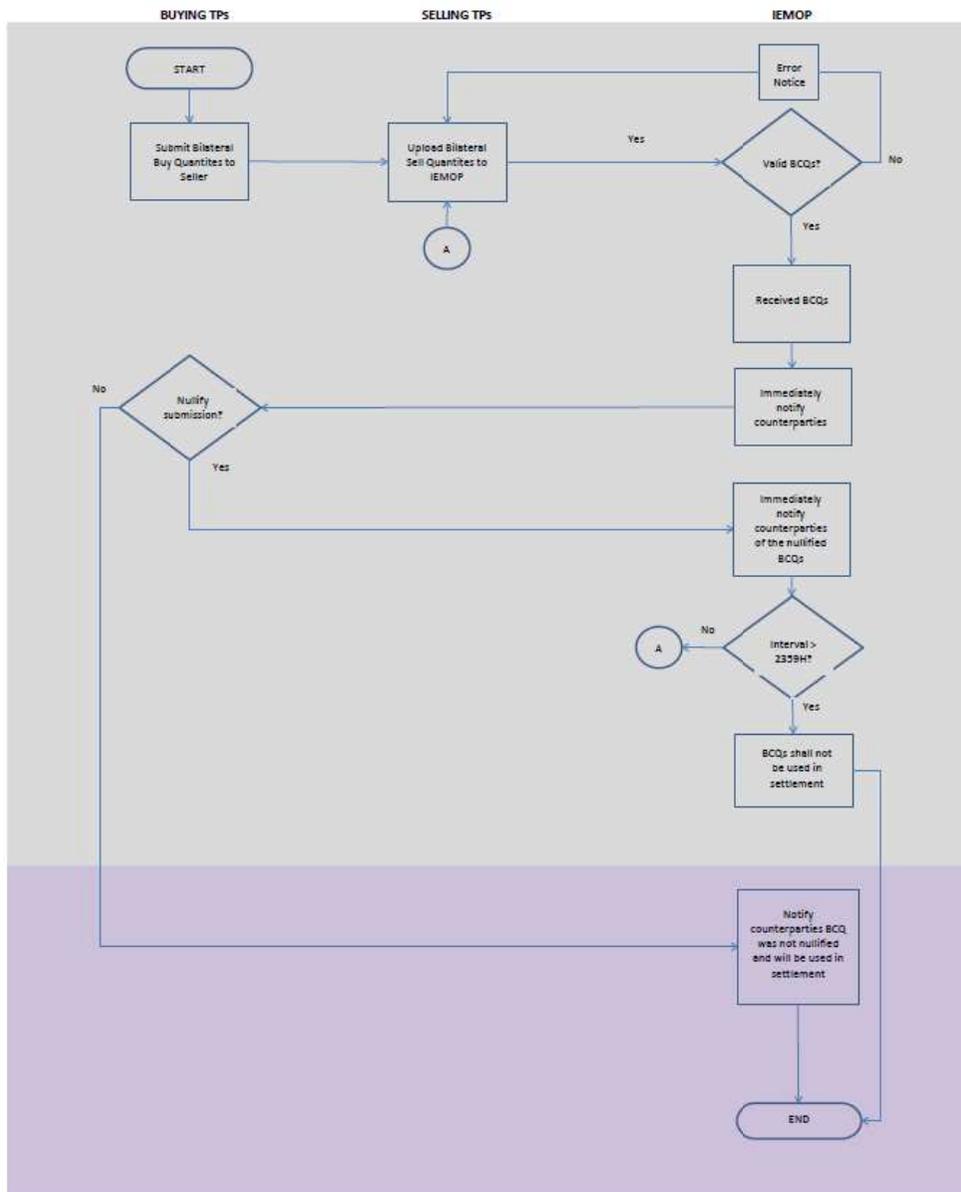
BCQ REQUIRES CONFIRMATION (NOT CONFIRMED BY DEFAULT)



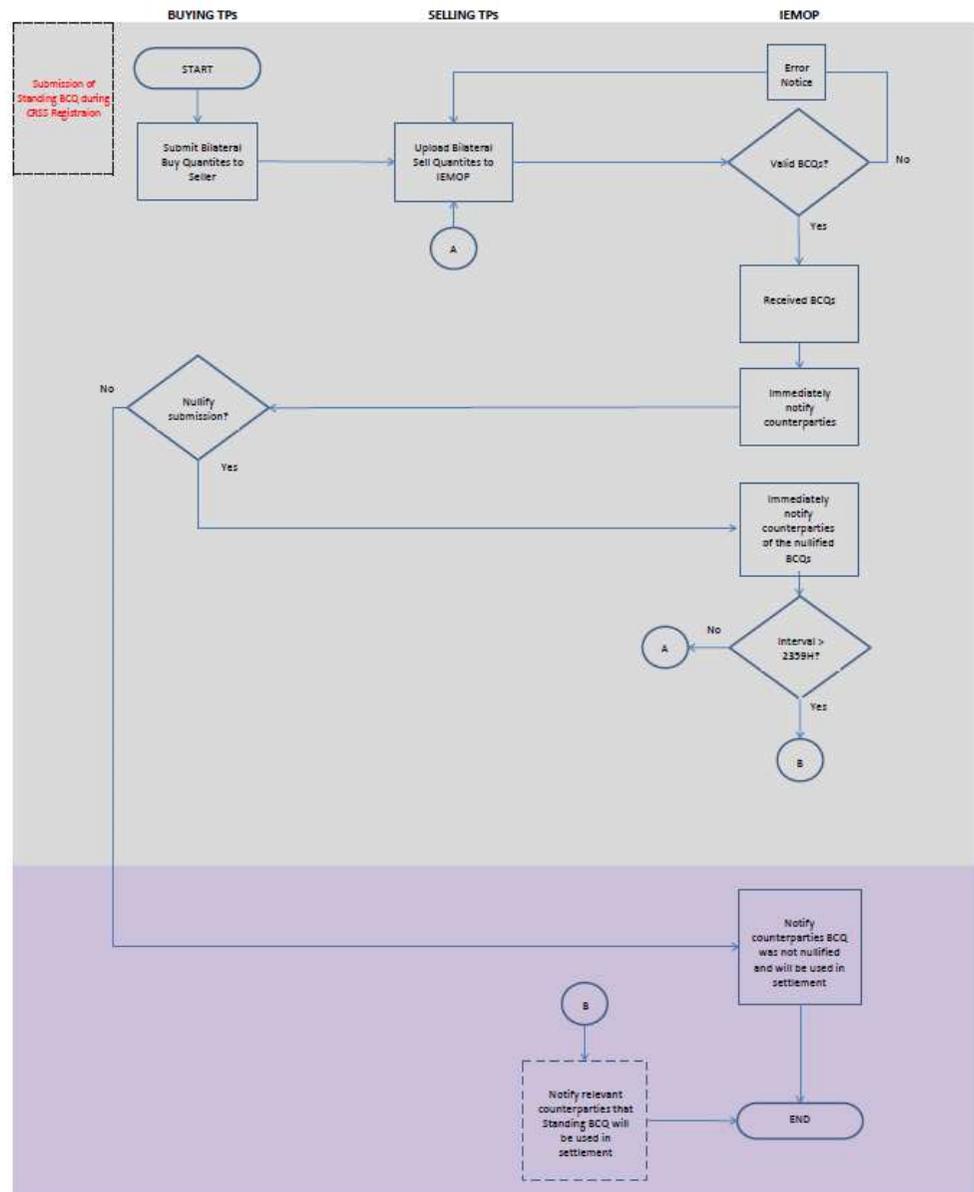
BCQ REQUIRES NO CONFIRMATION (CONFIRMED BY DEFAULT)

- Assumptions:
 1. Buying TP chooses CONFIRMED BY DEFAULT during registration
 a. Seller submits equal to Buyer's declaration THEN, Buyer does nothing, declaration is confirmed by default >>> MO uses the same in settlement
 b. Seller submits not equal to Buyer's declaration THEN, Buyer nullifies declaration >>> MO does not use the same in settlement
 c. Seller does not submit any declaration THEN, Buyer has nothing to nullify >>> MO has nothing to use in settlement
- * Item a - non-issue / Item b - considered as invalid declaration / Item c - non-declaration
 * Item b,c - what the proposal will try to address

CURRENT



PROPOSED



LEGEND

- Current process
- Proposed process
- D+1 timeline
- D+2 timeline

ANNEX B.1 - Proposed Amendments to the WESM Manual on Billing and Settlement (Enhancements to Prudential Requirements Procedures)

WESM Rules								
Title	Section	Original Provision	Proposed Amendment	Rationale	Comments	Proposed Wording based on Comments	Proponent's Response	RCC Decision
PRUDENTIAL REQUIREMENTS – Provision of Security	3.15.2.3	The <i>Market Operator</i> may vary or cancel the exemption given pursuant to clause 3.15.2.2 above in reference to Clause 3.15.2.1, at any time, by giving written notice of the variation or cancellation of the exemption to the <i>WESM member</i> .	<u>If the WESM Member has been deemed exempted by the Market Operator under Clause 3.15.2.2, the Market Operator shall send a written notice to the WESM Member.</u> The <i>Market Operator</i> may vary or cancel the exemption given pursuant to clause 3.15.2.2 above in reference to Clause 3.15.2.1, at any time, by giving written notice of the variation or cancellation of the exemption to the <i>WESM member</i> .	Provide requirement for the MO to notify the WESM Member on their exemption	<u>PEMC:</u> 1. Consider applying the proposal on procedural enhancement to the manual (BSM 7.2.2) and not to the rules. 2. Suggest to also include the notification by the MO on the result of the initial assessment and reassessment of PR requirement regardless of its status whether exempted or not.		<u>To PEMC:</u> 1. We are amenable to the proposed revision. 2. May we be clarified which additional notification is suggested? We note that WESM Members not exempted from prudential requirements are notified on their level of security deposit under Section 3.15.4.1.	RCC adopted the proposal.
PRUDENTIAL REQUIREMENTS – Provision of Security	3.15.2.4	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	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) working days before <u>on</u> the due date as	No benefit to the market since remittance of payments are still made one working day after the due date.	<u>PEMC:</u> Timing for the payment must still be considered since it is an existing manual requirement that payment must be made from “cleared funds”. As an example, if payment	<u>PEMC:</u> 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	<u>To PEMC:</u> Agree with the proposed revision.	RCC adopted PEMC's proposed change.

ANNEX B.1 - Proposed Amendments to the WESM Manual on Billing and Settlement (Enhancements to Prudential Requirements Procedures)

WESM Rules								
Title	Section	Original Provision	Proposed Amendment	Rationale	Comments	Proposed Wording based on Comments	Proponent's Response	RCC Decision
		as provided under Clause 3.14.6.	provided under Clause 3.14.6.		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.	total negative settlement amount due, if any, within three (3) working days before <u>on</u> the due date as provided under Clause 3.14.6.		
PRUDENTIAL REQUIREMENTS – Form of Security	3.15.3	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: a) Cash; or b) Another immediate, irrevocable and unconditional commitment in a form and from a bank or other institution	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: a) Cash; or b) Another immediate, irrevocable and unconditional commitment in a form and from a bank or other institution	The Market Operator proposes that no other form be required in the WESM as options a-c are reasonably obtainable.	<u>PEMC:</u> 1. Other forms of security are equivalent to cash. A holder cannot be issued a security if there is no collateral or if the equivalent amount is not funded or withheld by the bank. 2. There will still be enough safeguard in treating other forms	<u>PEMC:</u> The security provided by the WESM Member under this clause 3.15 shall be in accordance with the following hierarchy of preferred <u>shall be in either of the following</u> forms of security: a) Cash;	<u>To PEMC:</u> 1. Item (b) refers to standby letter of credit (SBLC) and is not equivalent to cash. 2. WESM Rules Clause 3.15.3 paragraph 2(a) and (b) also apply on the guarantee from a bank or other institution and surety bond. Our	<ul style="list-style-type: none"> The RCC noted that IEMOP has no objection on the deletion of hierarchy of preferred forms of security and adopted PEMC's proposed change in the sentence.

ANNEX B.1 - Proposed Amendments to the WESM Manual on Billing and Settlement (Enhancements to Prudential Requirements Procedures)

WESM Rules								
Title	Section	Original Provision	Proposed Amendment	Rationale	Comments	Proposed Wording based on Comments	Proponent's Response	RCC Decision
		<p>acceptable to the <i>Market Operator</i>; 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; or</p> <p>d) Such other forms of security or guarantee as may be acceptable and allowed by the <i>Market Operator</i>.</p> <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>	<p>acceptable to the <i>Market Operator</i>; 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; or</p> <p>d) Such other forms of security or guarantee as may be acceptable and allowed by the <i>Market Operator</i>.</p> <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>		<p>of security to be in equal footing with cash since 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>3. <i>For item b: To clarify the description of "immediate" form of security. "Payable or callable upon demand" is the term used under negotiable instruments law.</i></p> <p>4. <i>For item c: To ensure that the insurance company is duly authorized by the Insurance</i></p>	<p>b) Another immediate <u>Other forms of security payable upon demand.</u> irrevocable and unconditional commitment in a form and from a bank or other <u>financial institutions</u> acceptable to the Market Operator; or</p> <p>c) Surety bond issued by a surety or insurance company duly accredited <u>and authorized</u> by the Office of the Insurance Commissioner of the Philippines.</p> <p>Provided, however, that in all cases where the security</p>	<p>proposal is to clarify that these are the only forms that the Market Operator has assessed to be acceptable and that they are reasonably obtainable.</p> <p>3. Immediate means that the funds should be provided to the Market Operator upon demand. Agree with the revision since it pertains to the same concept.</p> <p>4. Agree with the revision.</p> <p>5. Noted.</p> <p>6. Agree with the revision.</p>	<ul style="list-style-type: none"> For 3.15.3(c), the RCC noted the clarification that the Market Operator refers to the official website of the Office of the Insurance Commissioner of the Philippines to check the list of accredited surety bond issuers. Thus, no additional document will be required from the WESM Members. The RCC agreed with IEMOP's response that further revisions to

ANNEX B.1 - Proposed Amendments to the WESM Manual on Billing and Settlement (Enhancements to Prudential Requirements Procedures)

WESM Rules								
Title	Section	Original Provision	Proposed Amendment	Rationale	Comments	Proposed Wording based on Comments	Proponent's Response	RCC Decision
		<p>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,</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>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,</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>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>5. Agrees on retaining the original provision [paragraph 2 (a) and (b)] for MO's assessment of other forms of security.</p> <p>6. For the last suggested paragraph: 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>	<p>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> <p>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_z</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</p>	<p>7. Revisions on WESM Rules Clause 3.15.4.4 and BSM Section 7.4.4(d) are not necessary as they apply on SBLC and surety bond.</p> <p>8. a) Yes, as provided under 3.15.3(b). b) MO has not encountered any issues in the use of cash as security. MO has not made any drawdown from an SBLC or surety bond.</p>	<p>WESM Rules Clause 3.15.4.4 and BSM Section 7.4.4(d) are not necessary.</p> <ul style="list-style-type: none"> The RCC adopted PEMC's proposed changes.

ANNEX B.1 - Proposed Amendments to the WESM Manual on Billing and Settlement (Enhancements to Prudential Requirements Procedures)

WESM Rules								
Title	Section	Original Provision	Proposed Amendment	Rationale	Comments	Proposed Wording based on Comments	Proponent's Response	RCC Decision
					<p>7. If the suggested comments will be carried over, the following provisions will be affected:</p> <ul style="list-style-type: none"> a) WESM Rules Clause 3.15.4.4 last para b) BSM Section 7.4.4 (d) <p>8. Queries:</p> <ul style="list-style-type: none"> a) Does IEMOP accept SBLC as form of security? b) What are IEMOP's experience in drawing down cash and security in terms of efficiency? 	<p>the immediately preceding six (6) billing periods.</p> <p><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></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	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	More accurate determination of exposure of WESM Members through additional considerations (i.e.,	<p><u>PEMC:</u></p> <p>1. To further clarify this provision, we suggest that the MO provide</p>	<p><u>PEMC:</u></p> <p>Subject to clause 3.15.2.2, prior to the end of each <i>Financial Year</i>, the <i>Market</i></p>	<p><u>To PEMC:</u></p> <p>1. The MO is open to assessing any level of change in bilateral contract or</p>	The RCC adopted IEMOP's proposed amendments.

ANNEX B.1 - Proposed Amendments to the WESM Manual on Billing and Settlement (Enhancements to Prudential Requirements Procedures)

WESM Rules								
Title	Section	Original Provision	Proposed Amendment	Rationale	Comments	Proposed Wording based on Comments	Proponent's Response	RCC Decision
		<p>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>. 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</i></p>	<p><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>. Upon the request of a <i>WESM member</i>, The <i>Market Operator</i> shall 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</i></p>	<p>reduction in load served, force majeure events), hourly assessment instead of monthly, and by-request re-assessment.</p>	<p>parameters/standards for the review of maximum exposure caused by change in bilateral contract, and increase in load served, or a combination thereof (i.e. percentage level in increase in load served or change in bilateral contract and the like)</p> <p>2. Can a threshold be set in terms of percentage increase or reduction? (load is a concern for the MO since this would require a higher PR)</p> <p>3. On item (a), may we request clarification on the "disagreement" mentioned in the provision.</p>	<p><i>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>. Upon the request of a <i>WESM member</i>, The <i>Market Operator</i> shall may consider a replacement month in the computation of <i>Maximum Exposure</i> within the 26th March to 25th September billing periods, having</p>	<p>load served if it results in more efficient use of funds. The TP, however, should prove that there is a circumstance that resulted in the change (e.g., new contract).</p> <p>2. Same as above. We expect that re-assessment requests will only be for decrease in load. Increase in load will reflect in the monthly exposure monitoring.</p> <p>3. This refers to final statements under dispute.</p> <p>4. The provision refers to the determination of</p>	

ANNEX B.1 - Proposed Amendments to the WESM Manual on Billing and Settlement (Enhancements to Prudential Requirements Procedures)

WESM Rules								
Title	Section	Original Provision	Proposed Amendment	Rationale	Comments	Proposed Wording based on Comments	Proponent's Response	RCC Decision
		<p><i>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 <i>market price</i> based on the <i>billing period</i> of 26th March to 25th September. In no case shall the Maximum Exposure 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></p>	<p><i>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><u>c) There is a force majeure event that affected at least 50% of the settlement intervals within a billing period.</u></p> <p>If there is a change <u>or expected change</u> in the <u>settlement quantities of a WESM Member due to a change in bilateral contract, reduction in load served, or occurrence of force majeure events</u> of a <i>WESM member</i>, <u>the WESM Member may, at any time, request the Market Operator to</u></p>		<p>4. For proposed letter (c) – How will this be applied/implemented to ensure compliance with the amount of security?</p> <p>a) Is there a frequency requirement for the occurrence of force majeure before this condition may be invoked?</p> <p>b) Will there be a reassessment of maximum exposure after the occurrence of force majeure?</p> <p>c) What will be the process for reporting force majeure for purposes of determining the</p>	<p>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>; <u>or</u></p> <p><u>c) There is a force majeure event that affected at least 50% of the settlement intervals within a billing period.</u></p>	<p>the amount of security of a TP. Compliance is monitored on a monthly basis.</p> <p>a) As proposed, the MO will only allow consider a replacement month if a force majeure event affected at least 50% of the billing period.</p> <p>b) This section refers to the re-assessment performed annually for the prudential requirement of the TP for the next year; hence, the re-assessment already occurs after the force majeure event.</p>	

ANNEX B.1 - Proposed Amendments to the WESM Manual on Billing and Settlement (Enhancements to Prudential Requirements Procedures)

WESM Rules								
Title	Section	Original Provision	Proposed Amendment	Rationale	Comments	Proposed Wording based on Comments	Proponent's Response	RCC Decision
		<p>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 quantities net of <i>bilateral contract</i> quantities for each billing month. XXX (see IPR footnote)</p>	<p><u>determine its</u> the <i>maximum exposure</i> <u>corresponding to its projected settlement amount in respect of the portion of its demand that is not covered by bilateral contracts and the line rental resulting from its bilateral contracts.</u> shall be computed based on the <i>settlement amounts</i> 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. 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>maximum exposure?</p> <p>5. Monitoring of trading limit and enforcement of margin calls must be strictly observed.</p>	<p>If there is a <u>significant change or expected change</u> in the <u>settlement quantities of a WESM Member due to a change in bilateral contract, reduction/increase in load served, or occurrence of force majeure events</u> of a <i>WESM member</i>, <u>the WESM Member may, at any time, request the Market Operator to determine its</u> the <i>maximum exposure</i> <u>corresponding to its projected settlement amount in respect of the portion of its demand that is not covered by bilateral contracts and the line rental resulting from its bilateral contracts.</u></p>	<p>c) The Market Operator determines the occurrence of the force majeure event based on the declaration of market suspension / intervention.</p> <p>5. The Market Operator strictly complies with the procedures under the WESM Rules and Manuals with regard to monitoring of trading limit and issuance of margin call.</p>	

ANNEX B.1 - Proposed Amendments to the WESM Manual on Billing and Settlement (Enhancements to Prudential Requirements Procedures)

WESM Rules								
Title	Section	Original Provision	Proposed Amendment	Rationale	Comments	Proposed Wording based on Comments	Proponent's Response	RCC Decision
			quantities net of bilateral contract quantities for each billing month. 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 <i>Maximum Exposure</i> in previous six (6) consecutive <i>billing periods</i> . The refund of security deposit shall be allowed by the <i>Market Operator</i>	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 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>	Lower cost of complying with prudential requirements if maximum exposure has already been re-assessed.	<u>PEMC:</u> 1. To clarify terms and process for safekeeping forms of security: “Refund” of prudential security may only be applicable to cash basis security. Other forms of security must be physically returned to the WESM Member, as sanctioned by relevant rules/manuals. 2. For clarification: What is the difference between (b) and proposed (c):	<u>PEMC:</u> Upon written request from the <i>WESM member</i> , the <i>Market Operator</i> shall refund <u>or return</u> the prudential security under the following conditions: a) if the Market Operator has <u>exempted the WESM Member under Clause 3.15.12.2 or</u> lifted the cancellation of exemption after the WESM member complied with its obligations under Clause 3.15.2.5; or	<u>To PEMC:</u> 1. If the security deposit is not in cash, the TP may provide a new SBLC or surety bond with the lower amount. The MO does not return the SBLC. We suggest to retain the provision. 2. Item (b) may occur in the middle of the year and may cover billing periods not used for determination of maximum exposure while item (c) is based on the annual re-	The RCC adopted IEMOP’s proposed amendment.

ANNEX B.1 - Proposed Amendments to the WESM Manual on Billing and Settlement (Enhancements to Prudential Requirements Procedures)

WESM Rules								
Title	Section	Original Provision	Proposed Amendment	Rationale	Comments	Proposed Wording based on Comments	Proponent's Response	RCC Decision
		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><u>c) if the calculated Maximum Exposure of the WESM Member under Section 3.15.4.1 is lower than the amount of security it has provided to the Market Operator.</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>			<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>.;</p> <p>or</p> <p><u>c) if the calculated Maximum Exposure of the WESM Member under Section 3.15.4.1 is lower than the amount of security it has provided to the Market Operator.</u></p> <p>The refund or return of security deposit shall be allowed by the <i>Market Operator</i> after its the assessment of the</p>	assessment process.	

ANNEX B.1 - Proposed Amendments to the WESM Manual on Billing and Settlement (Enhancements to Prudential Requirements Procedures)

WESM Rules								
Title	Section	Original Provision	Proposed Amendment	Rationale	Comments	Proposed Wording based on Comments	Proponent's Response	RCC Decision
						<p><i>amount of refund,</i> 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>		

ANNEX B.2 - Proposed Amendments to the WESM Manual on Billing and Settlement (Enhancements to Prudential Requirements Procedures)

WESM Manual on Billing and Settlement								
Title	Section	Original Provision	Proposed Amendment	Rationale	Comments	Proposed Wording based on Comments	Proponent's Response	RCC Decision
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>The <i>Market Operator</i> may exempt a <i>WESM Member</i> from the requirement to provide a security, if:</p> <p><u>a) the <i>WESM Member</i> is registered or registering as a <i>Generation Company</i> under commercial operations; and</u></p> <p><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 settlement amount</i> is positive for the past three (3) <i>billing periods</i>.</u></p> <p><u>A <i>Customer</i> or <i>Generation Company</i> not under commercial operations is not exempted from <i>prudential</i></u></p>	Provide clarifications on which WESM Members the Market Operator believes will not pay any amounts to the WESM	<p><u>PEMC:</u></p> <p>We note that the proposal further explains the implementation of WESM Rule 3.15.2.2. Suggest providing reference to said WESM Rules provision, for clarity.</p> <p>For the proposed paragraph below:</p> <p><u>A <i>Customer</i> or <i>Generation Company</i> not under commercial operations is not exempted from <i>prudential requirements</i> even if their <i>calculated</i></u></p>	<p><u>PEMC:</u></p> <p><u>In reference to WESM Rules Clause 3.15.2.2, the <i>Market Operator</i> may exempt a <i>WESM Member</i> from the requirement to provide a security, if: xxx</u></p>	<p><u>To PEMC:</u></p> <p>We are amenable with the revisions.</p> <p>1. The proposed paragraph clarifies that a GenCo not under commercial operations is subject to monthly exposure monitoring and must provide security or pre-pay within three (3) working days upon receipt of a margin call.</p> <p>2. The GenCo not under commercial operations shall be requested to provide projected withdrawals and injections.</p>	The RCC adopted the proposed amendments with PEMC's revision.

ANNEX B.2 - Proposed Amendments to the WESM Manual on Billing and Settlement (Enhancements to Prudential Requirements Procedures)

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			<p><u>requirements even if their calculated amount of security is zero.</u></p> <p>a) The Market Operator believes it is likely that the amount payable by the Market Operator to that WESM Member under the WESM Rules will consistently exceed the amount payable to the Market Operator by that WESM Member under the WESM Rules in respect of that period; or</p> <p>b) The Market Operator believes it is unlikely that the WESM Member will be required to pay any amounts to the Market Operator</p>		<p><u>amount of security is zero.</u></p> <p>Questions:</p> <ol style="list-style-type: none"> 1. What is the intent of the proposed paragraph? 2. What is the basis for calculating the PR of the said customer or generation company? 3. If #2 is based on the provision of initial prudential requirement, reference must be made to that section to clarify the determination 		3. The additional paragraph refers to both the initial prudential requirements and its annual re-assessment.	

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					<p>of PR requirement.</p> <p>AC Energy:</p> <p>What will be the basis of computation for a Customer or Generation Company not under commercial operations if their projected purchase from the market is zero?</p> <p>We suggest that the basis for computation be added in this provision as well to be clear.</p>		<p><u>To AC Energy:</u></p> <p>The security deposit will still be zero. However, the customer or genco not under commercial operations will be subject to monthly exposure monitoring and should satisfy the margin call within three (3) working days. Exempted WESM Members are not subject to the monthly monitoring.</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	<u>If the WESM Member has been deemed exempted by the Market Operator under Section 7.2.2, the Market Operator shall send a written notice to the WESM Member.</u>	Provide requirement for the MO to notify the WESM Member on their exemption	PEMC:	The current rules already require the MO to notify the member in case of variation	<p><u>To PEMC:</u></p> <p>Yes, the intention is to notify the WESM Member upon registration. We suggest to</p>	<ul style="list-style-type: none"> The RCC noted IEMOP's clarification that the MO is already

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		the exemption to the <i>WESM member</i> .	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> .		and cancellation of PR. If the intention of the proposal is to give notice upon registration, suggest indicating the proposal in 7.2.2 Suggest to also include the notification by the MO on the result of the initial assessment and reassessment of PR requirement regardless of its status whether exempted or not.		retain the placement since 7.2.2 refers to the conditions for exemption.	required under the WESM Rules to notify Trading Participants regarding their prudential requirements every year, which includes the result of the annual assessment. The MO likewise notify Trading Participants if there is change in the status of their prudential requirement (e.g., exemption status) or if there is

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								<p>variation in the level of prudential requirement. IEMOP deems that new provisions are not necessary to cover this Market Operator responsibility.</p> <ul style="list-style-type: none"> The RCC adopted the proposed amendments.
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 the total negative <i>settlement amount</i> due, if any, within three (3) working days before on the due date as provided under Section 5.3.1 of this Manual.	No benefit to the market since remittance of payments are still made one working day after the due date.	PEMC: Timing for the payment must still be considered since it is an existing manual requirement that payment must be made from	PEMC: A <i>WESM Member</i> who is exempt from providing a security deposit shall be required to pay in cleared funds the total negative	To PEMC: We agree with the revision.	The RCC adopted PEMC's revision.

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					<p>"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>AC Energy: We suggest that the <i>WESM Member</i> be allowed to submit a Letter of Undertaking to</p>	<p><i>settlement amount</i> due, if any, within three (3) working days before on the due date as provided under Section 5.3.1 of this Manual.</p> <p>AC Energy: A <i>WESM Member</i> who is exempt from providing a security deposit shall be required to pay the total</p>	<p>To AC Energy: We disagree with the proposal as this would delay payment to WESM Members with receivables.</p>	

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					pay the total negative settlement amount should an extension be needed to accommodate instances when the current timeline for payments/SBLCs is not met.	negative settlement amount due, if any, within three (3) working days before <u>on</u> the due date as provided under Section 5.3.1 of this Manual <u>or at a later time, if requested through a Letter of Undertaking, should an extension of time to pay the negative settlement amount be allowed for good and sufficient cause.</u>	Exempted WESM Members will already have information that they have negative settlement amounts 23 days (through the prelim statement) prior to the payment date.	
PRUDENTIAL REQUIREMENTS – FORMS OF SECURITY	7.3.1	The security provided by a <i>WESM Member</i> under SECTION 7 of this manual shall either be in accordance	The security provided by a <i>WESM Member</i> under SECTION 7 of this manual shall either be in accordance	The Market Operator proposes that no other form be required in the	<u>PEMC:</u> 1. Same comments and queries under	<u>PEMC:</u> The security provided by a <i>WESM Member</i> under Section 7 of	<u>To PEMC:</u> 1. See responses to WESM Rules Clause 3.15.3.	The RCC agreed with IEMOP's reason for preferring not to provide a specific

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		<p>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 Market Operator.</p>	<p>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 Market Operator.</p>	<p>WESM as options a-c are reasonably obtainable.</p>	<p>WESM Rules 3.15.3 apply.</p> <p>2. For item b: To clarify and identify the instruments which can be accepted by the MO.</p> <p>3. For 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</p>	<p>this manual shall <u>be in either of the following forms:</u></p> <p>a) Cash;</p> <p>b) Another immediate, irrevocable and unconditional commitment in a form and from a bank or other institution acceptable to the Market Operator <u>Bank draft or bank guarantee issued by a universal or commercial Bank. If issued by a foreign bank, it must be confirmed or authenticated</u></p>	<p>2. Item (b) refers to SBLC. We suggest to retain the wording. The MO does not accept bank draft or guarantee as security.</p> <p>3. List of accredited insurance companies is published in the website of the Insurance Commission. We suggest not to require certification and retain current provision.</p> <p>4. We agree with the revision. All securities are payable to IEMOP.</p>	<p>kind of non-cash security (e.g., bank draft) in the Manual as suggested by PEMC in 7.3.1(b). IEMOP reasoned that indicating a specific kind of non-cash security may restrict both the Rules and Manuals on what is acceptable to the Market Operator.</p> <p>The RCC adopted amendments to 7.3.1, as follows: <u>The security provided by a WESM Member under Section 7 of this manual shall be in either of the following forms:</u></p>

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					<p>particular type of risk.</p> <p>4. For the last suggested paragraph: 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> <p>To ensure the integrity of other forms of security, the issuing bank is proposed to be a commercial or universal bank due to its higher capitalization requirement compared with</p>	<p><u>by the universal or commercial bank</u>; or</p> <p>c) <u>Surety bond, issued by a surety or insurance company duly accredited by the Office of the Insurance Commissioner of the Philippines, accompanied by a certification coming from the Insurance Commission that the surety or insurance company is accredited and authorized to</u></p>	<p>5. We agree with the revision.</p> <p>6. Noted.</p>	<p>a) Cash;</p> <p>b) Another immediate <u>Other forms of security payable upon demand,</u> irrevocable and unconditional commitment in a form and from a bank or other <u>financial</u> institutions 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 Commission</p>

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					<p>other types of bank.</p> <p>5. Immediate withdrawal of the amount indicated, as stated in the existing manual will be complied by the addition of the phrase that the security is "callable/payable upon demand".</p> <p>6. The bidding document as published by the Government Procurement Policy Board was made as reference to proposed (b)</p>	<p><u>issue such instrument.</u></p> <p><u>For items b and c, the instrument must indicate that it is payable upon demand, irrevocable, and unconditional.</u></p> <p><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></p>		<p>r of the Philippines.</p> <p><u>For items b and c, the instrument must indicate that it is payable upon demand, irrevocable, and unconditional.</u></p> <p><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></p>

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					and (c) security forms.			
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><u>iii. There is a force majeure event that affected at least 50% of the settlement intervals within a billing period.</u></p>	More accurate determination of exposure of WESM Members through consideration of force majeure events	<p><u>PEMC:</u></p> <p>Requesting confirmation that the word “disagreement” does not pertain to the dispute under DRA manual.</p>		<p><u>To PEMC:</u></p> <p>Disagreement refers to dispute under DRA manual.</p>	The RCC adopted the proposed amendments.

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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> .	If there is a change <u>or expected change</u> in the <u>settlement quantities of a WESM Member due to a change in bilateral contract, reduction in load served, or occurrence of force majeure events</u> of a <i>WESM member</i> , <u>the WESM Member may, at any time, request the Market Operator to determine its the Maximum Exposure based on its average estimated settlement amount</u> , 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> . <u>The estimated settlement amount for each billing period of a WESM Member</u>	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.				The RCC adopted the proposed amendments.

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			<p><u>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> estimated <u>settlement amount</u> in PhP</p> <p><u>EGESQ_i</u> estimated <u>gross energy settlement quantity</u>, in MWh, for <u>dispatch interval i</u></p> <p><u>EFEDP_i</u> estimated <u>final energy dispatch price</u>, in PhP/MWh, for</p>					

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			<p><u>dispatch interval</u> <u>i</u></p> <p><u>EBCQ_{c,i}</u> <u>estimated</u> <u>bilateral</u> <u>contract</u> <u>quantity,</u> <u>in</u> <u>MWh,</u> <u>from</u> <u>counterparty c</u> <u>for dispatch</u> <u>interval i</u></p> <p><u>EFEDP_{c,i}</u> <u>estimated final</u> <u>energy dispatch</u> <u>price,</u> <u>in</u> <u>PhP/MWh,</u> <u>associated with</u> <u>the bilateral</u> <u>contract with</u> <u>counterparty c</u> <u>for dispatch</u> <u>interval i</u></p> <p><u>I</u> <u>set of dispatch</u> <u>intervals within</u> <u>the billing period</u></p> <p><u>C</u> <u>set</u> <u>of</u> <u>counterparties</u></p>					

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			<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> shall</u></p>					

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			<p><u>submit to the <i>Market Operator</i> its estimated gross energy settlement quantities and estimated bilateral contract quantities from each trading participant counterparty for each dispatch interval in the immediate complete 26 March to 25 September period; the estimated final energy dispatch prices of the WESM Member for a dispatch interval shall be equal to its final energy dispatch prices at the same dispatch interval and most recent same date.</u></p> <p><u>iii. if the request is due to a force majeure, the WESM Member shall submit to the Market Operator its estimated gross energy settlement quantities and estimated bilateral contract quantities from each trading participant</u></p>					

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			<p><u>counterparty for each dispatch interval in the immediate complete 26 March to 25 September period; the estimated final energy dispatch prices of the WESM Member for a dispatch interval shall be equal to its final energy dispatch prices at the same dispatch interval 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 bilateral contract quantity shall not exceed the estimated gross energy settlement quantity for each dispatch interval.</u></p>					
PRUDENTIAL REQUIREMENTS – Refund of Security	7.4.6(a)	Upon written request from the WESM Member, the Market Operator shall refund the prudential security under the following conditions:	Upon written request from the WESM Member, the Market Operator shall refund the prudential security under the following conditions:	Lower cost of complying with prudential requirements if maximum exposure has	PEMC: To clarify terms and process for safekeeping forms of security: "Refund" of	PEMC: Upon written request from the WESM Member, the Market Operator shall	To PEMC: If the security deposit is not in cash, the TP may provide a new SBLC or surety	The RCC adopted IEMOP's proposed amendments.

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		<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>i. If the Market Operator has <u>exempted the WESM Member under Section 7.2.2 or</u> 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-; <u>or</u></p> <p><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></p>	<p>already been re-assessed.</p>	<p>prudential security may only be applicable to cash basis security. Other forms of security must be physically returned to the WESM Member, as sanctioned by relevant rules/manuals.</p>	<p>refund <u>or return</u> the prudential security under the following conditions:</p> <p>xxx</p>	<p>bond with the lower amount. The MO does not return the SBLC. We suggest to retain the provision.</p>	