



Rules Change Committee 2022 Semestral Report

January to June 2022

July 2022

This Report is prepared by the
Philippine Electricity Market Corporation –
Market Assessment Group for the
Rules Change Committee



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I. INTRODUCTION

In compliance with its mandate under the WESM Rules¹ and the WESM Manual on the Procedures for Changes to the WESM Rules (“Rules Change Manual”), the Rules Change Committee (RCC) submits this Report, covering the period January to June 2022. This report sets out the following:

- i. All proposals to amend the Market Rules and Manuals which have been submitted or remanded to and deliberated upon by the RCC for the covered period; and
- ii. Status of RCC priorities outlined in the 2022 RCC Work Plan.

II. ACCOMPLISHMENTS AND WORK PROGRESS

The RCC held nine meetings² during the covered period to discuss and deliberate upon several proposed amendments to the Market Rules and Manuals aimed at refining market processes and operations and crafting new rules appropriate for the enhanced market design and emerging markets.

For the first half of 2022, the RCC approved four general proposals and remanded one urgent proposal. The proposals are all new submissions from the National Grid Corporation of the Philippines (NGCP), Independent Electricity Market Operator of the Philippines (IEMOP), National Power Corporation (NPC), Panasia Energy, Inc. (PEI)/Millennium Energy, Inc. (MEI) and from the RCC as a newly adopted process³ for submitting a general proposal version of a PEM Board-approved urgent amendment. The table below shows the tally of submitted and approved proposal as submitted by the proponents.

Table 1: Proposals Submitted and Approved by RCC per Proponent (Jan to June 2022)

Proponent	Proposals Submitted	Proposals Approved
Market Operator	2	1
System Operator	0	1 ⁴
Market Participants / WESM Stakeholders	3	2
PEMC/WESM Governance Committees	1	0
TOTAL	6	4

¹ WESM Rules, Clause 8.6.5.

² Six (6) regular meetings and three (3) special meetings

³ Section 7.4 (f) of the WESM Manual on Procedures for Changes to the WESM Rules, Retail Rules and Market Manuals

⁴ The Proposed Amendments to the WESM Rules and WESM Manuals on System Security and Reliability and Dispatch Protocol for the Implementation of the Reserve Market was submitted to the RCC on 16 December 2021 and was approved by the RCC on 20 May 2022.

The details of the submitted and approved proposals are described in *II.B Proposals Approved by the RCC during the period January to June 2022* and *II.C. On-Going Proposals and Discussions*.

From July 2005 to June 2022, the RCC has completed the processing of 349 amendments to the Market Rules and Manuals (see Annex A for the number of proposals processed per year beginning 2005 until June 2022).

Table 3: Summary of Proposed Amendments Processed by RCC by document (2005 to 2022)

Documents	Jul to Dec 2021	Jan to Jun 2022	Cumulative Total Jan 2005 to Jun 2022
WESM Rules	5	2	103
WESM Manuals	11	8	215
Retail Rules	1	1	11
Retail Manuals	5	4	20
New Retail Manual	0	1	1
TOTAL	22	16	365

Of the 365 proposed amendments deliberated upon since 2005, the RCC disapproved 9 or 2.47% of the total and remanded 1 or 0.27% of the total. Some of these were re-developed and re-submitted by the proponent/s to the RCC as new proposals. Notably, a new Retail Manual on Green Energy Option Program (GEOP) Procedures was processed by the RCC to pave the way for the implementation of the GEOP as mandated under ERC Resolution No. 8, Series of 2021 otherwise known as the “GEOP Rules”. Market Rules and Manuals are being updated, as necessary, to respond to changes to market design (i.e. 5-min trading interval) or new market documents are issued to execute newly promulgated regulatory policies (i.e. Retail Manual on GEOP Procedures).

The RCC, as part of its consultation process, posts all proposals in the PEMC website to solicit comments from interested parties for a period of 30 working days. Representatives of the organizations who submitted comments as well as interested parties are invited to participate in RCC deliberations of the proposals, with the resulting agreements endorsed to the PEM Board for approval.

For the first half of 2022, the RCC issued 9 resolutions. It includes a remanded urgent proposal regarding considerations and criteria for selection of Must-Run Units, a recommendation by the RCC for extension of effectivity of urgent amendments for the implementation of the GEOP, and 7 approvals of proposals. The submitted resolutions were for the PEM Board’s

endorsement to DOE either for approval (general amendments) or for information (urgent amendments).

A summary of the proposed amendments deliberated by the RCC during the period January to June 2022 is provided in the succeeding sections. All the proposals, minutes of the RCC's deliberations and resolutions are posted in the PEMC website⁵ for public information.

⁵ [Rules Change | Philippine Electricity Market Corporation \(wesm.ph\)](https://wesm.ph)

II.A. Summary of Proposals Submitted

The table below presents the status summary of all proposals submitted to the RCC in the first half of 2022. Brief discussions on the proposals, both completed and on-going, are further provided in Sections II.B and II.C of this Report.

Table 4: Summary of Proposals carried-over (January to June)

Item	Proponent	Control No.	Proposal	Submitted to RCC	Date Approved for Posting	Date Published	Deadline of Commenting Period	Comments Received	Action Taken by RCC	RCC Resolution	Action Taken by PEM Board	PEM Board Resolution	Date Submitted to DOE
1	IEMOP	ORCP-WR-WM-RM-21-01	Proposed Amendments to the WESM Rules, WESM Manual and Retail Manual on Validation Timeline Adjustment in Metering and Billing	09-Jan-2021	15-Jan-2021	18-Jan-2021	03-Mar-2021	PEMC NGCP Meralco	approved	2021-23 (17-Dec-2021) 2022-04 (18 Mar 2022)	approved	2022-46-09 (30-Mar-2022)	12-May-2022
2	IEMOP	ORCP-WM-21-04A	Proposed Amendments to Various WESM Manuals for Improvements to Market Resource Modelling and Monitoring	28-Mar-2021	16-Apr-2021	21-Apr-2021	03-Jun-2021	PEMC TC MEI/PEI Aboitiz Power Meralco	approved	2021-15 (15 Oct 2021) 2022-01 (18-Feb-2022)	approved	2022-45-08 (23-Feb-2022)	11-Mar-2022
3	PEMC	ORCP-WM-20-01 (remanded by DOE)	Proposed Amendments to Guidelines Governing the Constitution of the PEM Board Committees	18-Feb-2022	n/a	n/a	n/a	n/a	approved	2022-03 (18 March 2022)	approved	2022-46-08 (30-Mar-2022)	12-May-2022
4	NGCP	ORCP-WR-WM-21-13	Proposed Amendments to the WESM Rules and WESM Manuals on System Security and Reliability and Dispatch Protocol for the Implementation of the Reserve Market	16-Dec-2021	17-Dec-2021	22-Dec-2021	04-Feb-2022	PEMC, SNAP, IEMOP, SPC, MERALCO, MEI/PEI, TC	approved	2022-06 (20 May 2022)	approved	2022-48-06 (25-May2022)	08-Jun-2022

Table 5: Summary of New Proposals Submitted to RCC (January to June 2022)

Item	Proponent	Control No.	Proposal	Submitted to RCC	Date Approved for Posting	Date Published	Deadline of Commenting Period	Comments Received	Action Taken by RCC	RCC Resolution	Action Taken by PEM Board	PEM Board Resolution	Date Submitted to DOE
1	PEI/MEI	ORCP-WM-22-01	Proposed Amendments to the WESM Manuals to Include Pricing Error Notice Event as Pricing Condition Category for Claiming Additional Compensation	17-Jan-2022	21-Jan-2022	25-Jan-2022	10-Mar-2022	IEMOP, TC, GBP/MGEN, APC, PEMC	approved	2022-08 (17-Jun-2022)	approved	2022-49-04 29-Jun-2022	n/a
2	IEMOP (RCC, PEM BOARD)	ORCP-WR-RR-WM-RM-22-02	Proposed Amendments on Implementation of the Green Energy Option Program	n/a	21-Jan-2022	26-Jan-2022	11-Mar-2022	APC, TC, PEMC, IEMOP, MERALCO, NREB GEOP TWG	approved	2022-07 (20-May-2022)	approved	2022-48-06 (25-May-2022)	08-Jun-2022 ⁶
3	NPC	ORCP-WM-22-03	Proposed Urgent Amendments to the WESM Manual on Dispatch Protocol regarding Considerations and Criteria for Selection of Must-Run Units	04-Feb-2022	n/a	n/a	n/a	n/a	remanded	2022-02 (18-Feb-2022)	concurred with RCC's decision	2022-45-09 (23-Feb-2022)	11-Mar-2022
4	NPC	ORCP-WM-22-04	Proposed General Amendments to the WESM Manual on Dispatch Protocol regarding Non-security Over-riding Constraints	18-Feb-2022	18-Feb-2022	28-Feb-2022	07-Apr-2022	PEI/MEI, IEMOP, PEMC, TC, SNAP, APC, NGCP	approved	2022-09 (17-Jun-2022)	deferred	2022-49-05 29-Jun-2022	n/a

⁶ Also submitted to the Energy Regulatory Commission (ERC) on the same date for its information.

Item	Proponent	Control No.	Proposal	Submitted to RCC	Date Approved for Posting	Date Published	Deadline of Commenting Period	Comments Received	Action Taken by RCC	RCC Resolution	Action Taken by PEM Board	PEM Board Resolution	Date Submitted to DOE
5	PEMC	ORCP-WM-22-05	Proposed Amendments to the WESM Manual on Registration, Suspension and De-registration Criteria and Procedures regarding Test and Commissioning Penalty Framework	17-May-2022	20-May-2022	24-May-2022	05-Jul-2022	APC, NGCP, MEI/PEI, IEMOP, TC	n/a	n/a	n/a	n/a	n/a
6	IEMOP	ORCP-WM-22-06	Proposed Amendments to the WESM Manual on Billing and Settlement regarding Additional Compensation	02-Jun-2022	17-Jun-2022	22-Jun-2022	04-Aug-2022	n/a	n/a	n/a	n/a	n/a	n/a

Table 6: Summary of Proposals Remanded to RCC (January to June 2022)

Item	Proponent	Control No.	Proposal	Date Remanded	Date Approved for Posting	Date Published	Deadline of Commenting Period	Comments Received	Action Taken by RCC	RCC Resolution	Action Taken by PEM Board	PEM Board Resolution	Date Submitted to DOE	Date of Public Consultation
1	PEMC	ORCP-WR-WM-21-02	Proposed Amendments to the WESM Rules, and WESM Manual on Dispute Resolution Administration (Partial)	23-May-2022	n/a	n/a	n/a	n/a	For discussion	n/a	n/a	n/a	n/a	n/a

II.B. Proposals Approved by the RCC during the period January to June 2022**1) Proposed Amendments to the WESM Rules, WESM Manual and Retail Manual on Validation Timeline Adjustment in Metering and Billing (ORCP-WR-WM-RM-21-01)**

The proposal was initially submitted by IEMOP on 04 January 2021, to enhance the validation process of settlement inputs and calculations. The proposed amendments also intended to address inconsistencies in the WESM Rules and Manuals on metering correction timeline.

Upon review and deliberation of the proposal over several meetings, it was found out that (1) the proposed timeline for Metering Service Providers (MSP) to submit correct meter data was inconsistent with a previous proposal on the same matter and was already submitted to DOE for approval; (2) the proposal needed further evaluation to harmonize it and the WESM and Retail Metering Standards and Procedures (i.e. Metering Manual) and Retail Rules with the DOE DC2021-07-0021 dated 25 June 2021, specifically on the provisions related to metering validation timelines; and (3) the proposal needed further discussion regarding PEMC's implementation of MSP performance monitoring related to DOE DC2021-07-0021.

On 07 October 2021, IEMOP endorsed to RCC the response of the DOE, who recognized the objective and justification of the proposal to align the timeline and agreed to retain some provisions to maintain the effective and efficient processing of market settlement. To address the conflict in relation to the previously submitted Proposed Amendments to the WESM Metering Manual on Metering Standards and Procedures under RCC Resolution No. 2019-10 dated 19 July 2019, the RCC, in consultation with DOE observers to the RCC and IEMOP, anchored its discussion on the following objectives:

- a. To ensure that corrected daily meter data are submitted and considered in the preliminary settlement statements, for Wholesale Metering Service Providers (WMSP) to resolve daily Meter Trouble Reports (MTR) within two (2) business days from the issuance of the MTR. Considering certain circumstances that may hamper investigation of some NGCP meters, the RCC also agreed that events that are either continuing or requiring an ocular or on-site investigation shall be considered in the monitoring of WMSP performance provided that advanced notice is immediately made on the occurrence of such event;
- b. To ensure that all corrected monthly meter data are submitted and considered in the final settlement statements, for RMSPs to:
 1. resolve monthly MTRs within seven (7) business days from the issuance of the MTR; and

2. submit late resolutions four (4) business days prior the issuance of the final settlement statement date of the affected trading day.

After extensive deliberations, the RCC resolved to:

- a. Retain “business days” to harmonize with DOE agreement on IEMOP’s request;
- b. Retain “7 business days” on the issuance of preliminary statements in consideration of comments from the trading participants that it does not seem equitable to adjust the schedule for all billings to address a limited concern of the non-timely submission of metering data of some MSPs; and
- c. Add provisions for non-compliances to the timeline set forth in the rules and manuals and to strictly implement the timeline of submission of monthly metering data.

The proposal was finally endorsed by the RCC for PEM Board’s approval on 22 March 2022 and the latter approved and endorsed it to DOE for final approval on 12 May 2022.

2) Proposal to amend the Guidelines Governing the Constitution of the PEM Board Committees, Issue 3.0 (ORCP-WM-20-01)

The proposal, which was originally submitted by PEMC on 11 February 2020 sought to incorporate the (1) policies under DOE Circulars issued on WESM governance; (2) changes to relevant parties involved in WESM governance; (3) revise the scope of the manual to solely the functions, responsibilities and appointment process of the WESM Governance Committees; and (4) update the document structure and content of the manual.

Following the process for amending rules and manuals, the RCC, on its RCC Resolution 2022-07, approved the proposed amendments including the proposal to revise the composition of WESM Technical Committee to five (5) independent members and one (1) for each of the generation sector, distribution sector, System Operator and Market Operator.

The RCC approved and endorsed the same to PEM Board. During the PEM Board meeting on 27 May 2020, the Board instructed the RCC to study reduction of the proposed five (5) independent members to three (3) while retaining the representations of different sectors. The RCC agreed to adopt PEM Board’s recommendation on the reduction in the number of independent members as contained in RCC Resolution No. 2020-15.

However, during the Board Review Committee (BRC) Meeting on 22 July 2020, the BRC suggested to retain the current total membership of five (5) with one (1) independent member and one (1) from each sector. Thereafter, the PEM Board

approved the revised composition of TC, and endorsed the proposal to the DOE on 20 August 2021.

The DOE remanded the proposal on 23 September 2021 and highlighted that the proposal should address the (1) formation of Compliance Committee; and (2) independence should be major consideration in the composition of committees. Moreover, the DOE informed the RCC on 24 February 2022 that it has deferred the adoption of proposed amendments to the WESM-GDL for the implementation of enhancements related to audit and performance monitoring, which was a previous submission by the RCC.

PEMC submitted a revised proposal on 17 February 2022 considering other policies on compliance and transition to the independent Market Operator (IMO), among others, from DOE. The RCC approved, as amended the proposal for endorsement to the PEM Board, with summary as follows:

- a. On the Term of Office of WESM Governance Committee (WGC) Members – clarified that WGC members may be eligible for reappointment, but in no case that a member shall serve for more than three (3) consecutive terms. The service by a member for less than one year shall not be considered one term.
- b. On Compliance Committee Membership – required that one (1) member should be a lawyer and the vacancy of the lawyer-member position will not affect the existence of a quorum for the purpose of allowing the Committee to continue to function in the interim.
- c. On Technical Committee Membership – revised the composition of membership as follows:
 - Four (4) independent members, composed of one (1) economist, one (1) Information Technology expert and two (2) power industry experts covering generation and distribution operation
 - One (1) member from the System Operator
 - One (1) member from the Market Operator

During the 46th PEM Board Meeting held on 30 March 2022, the PEM Board recognized the importance of having sectoral representatives in the TC to provide the technical expertise from the industry. Thus, the PEM Board resolved to revert to the RCC's proposal in 2020, increasing the number of TC members to 7 with the following composition:

- 3 independent members
 - 1 – Electrical Engineer with experience in the power industry
 - 1 – Information Technology Expert
 - 1 – Economist
- 4 sectoral representatives
 - 1 – MO
 - 1 – SO

- 1 – Generation
- 1 – Distribution

3) Proposed Amendments to Market Network Model Development and Maintenance-Criteria and Procedures Manual and Load Forecasting Methodology Manual for Improvements to Market Resource Modelling and Monitoring (ORCP-WM-21-04B)

The proposal by IEMOP, which was originally submitted on 28 March 2021, aimed to provide refinements and clarity in the modelling of market resources in the Market Network Model, and additional features in the modelling of generators. Noting the comments from the System Operator and the WESM Technical Committee (TC) regarding modelling of looped networks, the PEM Board remanded the Proposed Amendments to Various WESM Manuals for Improvements to Market Resource Modelling and Monitoring (ORCP-WM-21-04A) to the RCC on 27 October 2021, for further study.

IEMOP re-submitted the proposal on 14 December 2021, which additionally included an amendment to the WESM Manual on Load Forecasting Methodology that aims to address the current real-time monitoring limitations by the new process of estimating the real-time data for loads (with no RTU) using historical data such as the metered quantities (MQ). The RCC requested the organizations that submitted comments to the original proposal (ORCP-WM-21-04A) to review the supplemental proposal. The WESM-TC, MERALCO and NGCP responded to the request. The proposal provided for a temporary solution, which will result to a market network model that better reflects the physical electricity network than the current market network modelling process.

Following extensive deliberation on the proposal, the RCC approved it for endorsement to the PEM Board on 18 February 2022, which was subsequently approved and endorsed by the PEM Board for final of the DOE on 23 February 2022.

The Market Operator deems the unavailability of distribution network data, which results to the Market Operator's inability to accurately model the distribution system, as a compliance issue that is beyond its control. The Energy Regulatory Commission (ERC) is currently communicating with the concerned distribution utilities regarding the submission of network data to the Market Operator. Meanwhile, the RCC requested the WESM-TC to include in its study the consideration of the following matters in its review of the WESM Manual on Market Network Model Criteria and Procedures:

- a. The impact to the market price and line utilization of lowering the loading level to 90% or maintaining the 100% loading level per the PGC;
- b. Line loss (in MW) should the loading level be lowered or maintained; and
- c. The loading level that should be reflected in the market network model.

4) Proposed Amendments to the WESM Rules and WESM Manuals on System Security and Reliability and Dispatch Protocol for the Implementation of the Reserve Market (ORCP-WR-WM-21-13)

The RCC determined that the WESM Manual on System Security and Reliability Guidelines needed to be amended also to preserve system security and reliability in view of the IEMOP's Proposed Amendments to WESM Rules and Various WESM Manuals on Implementation of Reserve Market (ORCP-WR-WM-21-11) under RCC Resolution No. 2021-21 dated 21 November 2021, which was endorsed by the PEM Board for final approval of the DOE on 17 December 2021.

As recommended by the RCC, the National Grid Corporation of the Philippines (NGCP) as the System Operator, submitted the proposal on 10 December 2021, which aims to update and enhance the guidelines, consistent with the various policies and regulatory issuances to preserve system security and reliability in view of the implementation of the Reserve Market.

Comments received from SN Aboitiz Power (SNAP), SPC Island Power Corp. (SPC/SIPC), MERALCO, MEI/PEI, WESM TC and IEMOP were considered during the RCC's deliberations on the proposal over three (3) regular meetings held on 18 March 2022 (192nd Meeting), 22 April 2022 (195th Meeting), and 20 May 2022 (196th Meeting). The RCC approved the endorsement of the proposal, as revised, to the PEM Board. The same was approved by the PEM Board and endorsed to the DOE on 08 June 2022.

Proposed changes to provisions related to net operating margin were not adopted and endorsed by the RCC due to its inconsistency with Philippine Grid Code (PGC) 2016 GO 6.4.1.1 (a), which prescribes the use of Primary and Secondary Reserves as bases for the issuance of grid alerts. NGCP proposed using as basis the Net operating margin, which is a concept not defined in the PGC. Net operating margin is defined by NGCP as the available generating capacity in excess of the sum of the system demand plus losses and regulating reserve requirement within a specified period of time based on the 1200H day-ahead projection of the Market Operator. Further, proposed changes to provisions related to grid alert notices were not adopted and endorsed due to inconsistency between the allowable loading levels of transmission lines and substation equipment in the Normal State and Alert State, as prescribed in PGC 2016 GO 6.2.2.1 and 6.2.2.2.

As a way forward, NGCP shall seek guidance from ERC on their current use of net operating margin as basis for issuance of alert and likewise inform the DOE that such requirements under PGC 2016 GO 6.4.1.1 (a) cannot be complied with. As necessary, they will also seek exemption or derogation from ERC on the said PGC provision. Currently, the NGCP is implementing the concept of net operating margin in declaring Yellow or Red Alert Grid Status. NGCP committed to also elevate to the ERC the inconsistency on allowable loading levels to clarify the conditions when declaring

Normal State and Alert State. To provide information on the said concerns, the PEM Board also submitted the approved proposal to the ERC.

5) Proposed Amendments for the Implementation of Green Energy Option Program (ORCP-WR-RR-WM-RM-22-02)

Republic Act No. 9513 also known as Republic Energy Act of 2008 mandated DOE to establish the Green Energy Option Program (GEOP) which shall provide end-users the option to choose renewable energy (RE) resources as their sources of energy.

The DOE promulgated DC2018-07-0019 or “Rules Governing the Establishment of the Green Energy Option Program,” which provides the general rules and procedures to properly guide the End-Users, RE Suppliers and Network Service Provider in facilitating the option taken by End-Users to choose RE Resource as sources of the energy. The said DOE DC mandated the ERC to issue the necessary regulatory framework approving the GEOP Rules.

The GEOP Rules direct the Central Registration Body (CRB) together with the industry stakeholders, to develop and finalize the Market Manuals business process and IT design of the Central Registration and Settlement System to operationalize the GEOP, and to institute initial preparation and population of its registration database.

IEMOP, being the CRB, submitted urgent rules change proposals to existing rules on retail transactions with the policies and regulations issued with respect to the implementation of the GEOP, which was approved by the PEM Board and took effect on 25 November 2021.

Pursuant to the new process under WESM Manual on Procedures for Changes to the WESM Rules, Retail Rules and Market Manuals Section 7, the PEM Board-Approved Urgent Amendment on the subject matter was posted in the PEMC website to solicit comment as a general proposal. Comments received from APC, National Renewable Energy Board Green Energy Option Technical Working Group (NREB GEOP TWG), MERALCO, IEMOP, TC and PEMC were considered during the RCC’s deliberation on the proposal over four (4) regular and special meetings held on 18 March 2022 (192nd Meeting), 22 March 2022 (193rd), 20 April 2022 (194th) and 22 April 2022 (195th).

The RCC approved the proposal for endorsement to the PEM Board on 20 May 2022. It was approved by the PEM Board for endorsement to DOE for final approval during its 48th PEM Board Meeting held on 25 May 2022. Relatedly, the PEM Board, during its 47th PEM Board Meeting on 27 April 2022, likewise approved RCC’s request to extend the current implementation of the GEOP based on the Urgent Amendments, which is consistent with the ERC’s GEOP Rules, for another six (6) months following the expiration of its effectivity on 25 May 2022. The extension was granted in consideration of the timelines for the rules change process to evaluate the general amendments, as well as the DOE’s timeline for approving proposals.

Enhancements to the Central Registration and Settlement System (CRSS) would be necessary to enable IEMOP to fully implement the GEOP. IEMOP will be including the corresponding budget request in the 2023 Market Fee Application for such enhancements.

6) Proposed Amendments to the WESM Manuals to Include Pricing Error Notice Event as Pricing Condition Category for Claiming Additional Compensation (ORCP-WM-22-01)

The proposal was submitted by Millennium Energy, Inc. (MEI)/Panasia Energy, Inc. (PEI) on 10 January 2022 to provide additional compensation to qualified Trading Participants whose generating units were scheduled and dispatched in dispatch intervals in which a pricing error notice was issued, and a market pricing re-run was performed by the Market Operator. The proposal amended the WESM Manuals on Price Determination Methodology and Billing and Settlement.

The RCC approved the proposal, as revised and in consideration of the comments received from MERALCO Power Generation / Global Business Power (MGEN/GBP), Aboitiz Power Corporation (APC), IEMOP, PEMC, and TC, during its 196th RCC Meeting held on 20 May 2022.

An estimate of the total recovery rate for the sample period used by MEI/PEI was submitted by IEMOP upon the request of the RCC, which was also shown to the PEM Board for information on the possible impact of the proposal to the end-users. The PEM Board approved its endorsement for final approval by the DOE during its 49th Regular Meeting held on 29 June 2022. The proposal, together with the cost and rate recovery estimate, will be submitted to DOE and ERC for approval since it includes amendments to additional compensation and price determination methodology.

7) Proposed General Amendments to the WESM Manual on Dispatch Protocol regarding Non-security Over-riding Constraints (ORCP-WM-22-04)

As recommended by the RCC in view of the remanding of Proposed Urgent Amendments to the WESM Manual on Dispatch Protocol regarding Considerations and Criteria for Selection of Must-Run Units (ORCP-WM-22-03), the National Power Corporation (NPC) submitted this proposal on 17 February 2022, to include under the “non-security limit” category of over-riding constraints their request for their hydro plants to be dispatched to lower water reservoir levels during anticipated weather disturbance. The document to be amended is the WESM Dispatch Protocol Manual.

The proposal aimed to allow hydroelectric plants to run under non-security over-riding constraints and, if possible, to prioritize dispatch of hydropower plants in the occurrence of “Local Calamities” and “Emergencies” as a means of ensuring dam and public safety.

The RCC approved the proposal, as revised and in consideration of the comments received from MEI/PEI, IEMOP, TC, SNAP, PEMC, and NGCP, during its 196th RCC Meeting held on 20 May 2022. This notwithstanding, it was emphasized that generators should primarily manage its dispatch in coordination with their trading partners through offers and that hydroelectric plants could run under non-security overriding constraints, and if possible, to prioritize its dispatch subject to NGCP's approval. Such dispatch will not entitle the trading participant to an additional compensation.

The PEM Board, during its 49th Regular Meeting held on 29 June 2022, cited that the hydroelectric power plants can simply adjust their trading strategy to address NPC's concern and deferred approval of the proposal, subject to further study of the RCC.

II.C. Proposals Disapproved by the RCC during the period January to June 2022

1) Proposed Urgent Amendments to the WESM Manual on Dispatch Protocol regarding Considerations and Criteria for Selection of Must-Run Units (ORCP-WM-22-03)

The proposal from the NPC aimed to reinstate "local calamities and emergencies" among the criteria for designating must-run units, and to prioritize dispatch of hydropower plants, if possible, in times of calamities when there is an excessive amount of stored water that threatens dam or public safety.

The RCC convened a special meeting on 08 February 2022 to deliberate on whether the proposal satisfies the criteria on urgent amendments, and if so, deliberate on the merits of the proposal. Following the discussions, the RCC concluded the following:

- a. The proposed re-instatement of "local calamities" and "emergencies" as MRU criteria is not aligned with the purpose of MRUs that was clarified in 2014, which is to ensure security and reliability of the grid.
- b. Being designated and dispatched as MRU is not the only means for dams to be able to lower elevated reservoir levels. Hydroelectric power plants can instead manage or strategize their offers to ensure that they will be dispatched (e.g., submission of offers at lower prices, which could be zero or negative).
- c. Through close coordination with the System Operator, NPC's plants could request to be dispatched at maximum capacity ahead of an anticipated weather disturbance. The System Operator may approve such requests if based on its assessment, said dispatch will not adversely affect grid security and reliability.

Thus, the RCC did not find the proposal as urgent and remanded it to NPC with the recommendation to include under the "non-security limit" category of over-riding

constraints their request for its plants to be dispatched to lower water reservoir levels during anticipated weather disturbance, as discussed above. The related proposal to this item is discussed in Section II.B item 7.

II.D. On-Going Proposals and Discussions

During the period covered, the RCC likewise discussed the following proposals:

1) Proposed Amendments to the WESM Manual on Registration, Suspension and De-registration Criteria and Procedures regarding Penalty Framework for Test and Commissioning (ORCP-WM-22-05)

The proposal, which was submitted by PEMC on 10 May 2022, aims to establish a penalty mechanism for the following acts or omission of a trading participant with facility or plant whose test and commissioning has expired:

- a. Failure of the registered WESM Member to apply for commercial operations registrations after receiving the Certificate of Compliance (COC) or the Provisional Authority to Operate (PAO); and
- b. Generation after expiry of authorized test and commissioning period unless otherwise authorized by the relevant DOE issuances, Market Rules or Manuals.

The proposal covers the following aspects: (a) area/subject of the enforcement; (b) trigger of enforcement proceedings; and (c) enforcement actions. It does not, however, cover any revisions to the rules pertaining to the enforcement proceedings, as the existing process relating to monitoring and investigation under the Enforcement and Compliance Manual are adequate to cover other related enforcement proceedings and may, thus, be applied to the subject proposal.

As approved by the RCC during its 196th Meeting held on 20 May 2022, the proposal was posted in the PEMC website on 25 May 2022 for solicitation of comments until 05 July 2022.

2) Proposed Amendments to the WESM Manual on Billing and Settlement regarding Additional Compensation (ORCP-WM-22-06)

The proposal, which was submitted by IEMOP on 25 May 2022, intends (1) to reflect the formula for the calculation of additional compensation amount and specify the recovery process for additional compensation across all claims categories based on the External Auditor's recommendations from the Supplemental Audit of PDM-related Enhancements to NMMS and CRSS, and (2) to simplify the process in determining SO dispatch instructions during market intervention or market suspension and include

further condition on the calculation of quantity eligible for additional compensation during administered pricing.

The proposed rules change is based on (1) the recommendations from the Intelligent Energy Systems (IES) Supplemental Audit of PDM-related Enhancements to New Market Management System (NMMS) and CRSS particularly on the calculation and recovery process of additional compensation claim amount; and (2) observation from the recent market suspension due to Typhoon Odette involving erroneous real time data.

As approved by the RCC during its 197th Meeting held on 17 June 2022, the proposal was posted in the PEMC website on 22 June 2022 for solicitation of comments until 04 August 2022.

II.E. Status of Proposals Submitted to the DOE

This section provides updates on the status of DOE approval on the proposals submitted by PEMC during the covered period, which are still ongoing and have been recently approved. Of the 18 proposals, 5 were approved by the DOE, 1 was disapproved, 1 was remanded, 6 were subjected to virtual public consultations and 4 were newly submitted within the period. There is no change in the update on the proposal regarding the application process of new WESM Members in reference to the previous reporting period.

Table 6: Status of Proposals Submitted to the DOE

	RCC Resolutio n No.	Proposals	DOE Approval
1	2021-09	Revisions to RCC Resolution No. 2019-04 on the Proposed Amendments to the WESM Rules, Retail Rules and Market Manuals Related to Audit and Performance Monitoring	Completed DOE DC No. 2022-03-0012 dated 25 Mar 2022
2	2020-02	Proposed Amendments to the WESM Rules and WESM Manual on MO Information Disclosure and Confidentiality to Provide Exceptions for Confidentiality Undertaking for Oversight Bodies	Completed DOE DC2022-03-0011 dated 22 Mar 2022
3	2021-12	Revisions to RCC Resolution 2020-09 on the Proposed Amendments to the Registration, Suspension and De-Registration Criteria and Procedures to Clarify Bilateral Contracts Accounted for in Settlements	Completed DOE DC 2022-03-0009 dated 22 Mar 2022

	RCC Resolution No.	Proposals	DOE Approval
4	2020-07	Proposal to amend the Guidelines Governing the Constitution of the PEM Board Committees, Issue 3.0	Remanded to PEMC (on 23 Sep 2021)
	2022-03	Revision to RCC Resolution Nos. 2020-07, 2020-15 and 2021-16 on the Proposed Amendments to the Guidelines Governing the Constitution of PEM Board Committees, Issue 4.0	Ongoing (In-person public consultations held on 07 Jun 2022 for Visayas Leg and 21 Jun 2022 for Luzon Leg)
5	2020-17	Proposed Amendments to the WESM Rules and WESM Manual on Billing and Settlement for Enhancements to Prudential Requirements Procedures	Completed DOE DC 2022-03-003 dated 01 Mar 2022
6	2021-06	Proposed Amendments to the WESM Rules and WESM Manuals regarding Clarifications on Indirect WESM Membership	Disapproved ⁷ (DOE Letter dated 30 Mar 2022)
7	2021-07	Proposed Amendments to the WESM Manual on Dispute Resolution	DOE DC for Promulgation/ Partially remanded (DOE Letter dated 31 Mar 2022)
8	2021-11	Proposed Amendments to the WESM Rules and WESM Registration Manual regarding De-registration and Cessation	Completed DOE DC2022-03-0009 dated 17 Mar 2022
9	2021-14	Proposed General Amendments to the WESM Rules and WESM Manuals regarding Market Operator and System Operator Procedures	Ongoing (DOE virtual public consultations held on 15-16 Mar 2022)
10	2021-18	Proposed Amendments to the WESM Manual on Registration, Suspension, and De-Registration Criteria and Procedures for General Enhancements to the Application Process of New WESM Members	Ongoing (submitted to DOE on 29 November 2021)

⁷ The DOE found the proposed amendments to have minimal impact on enhancing the clarity of transactions of Indirect WESM Members and the current provisions of the WESM Rules are already sufficient. It also deemed that the proposal may still fail to achieve the registration of unregistered loads considering that the concerned entities still need to secure an approval from the DOE of their direct connection agreement. The issue at hand may only be addressed through compliance of all concerned parties to the guidelines on direct connection and the WESM Rules.


	RCC Resolutio n No.	Proposals	DOE Approval
11	2021-19	Proposed General Amendments to the WESM Manual on Billing and Settlement to Harmonize with ERC Directives on Additional Compensation Process	Ongoing (DOE virtual public consultations held on 15-16 Mar 2022)
12	2021-21	Proposed Amendments to WESM Rules and Various WESM Manuals on Implementation of Reserve Market	Ongoing (DOE virtual public consultations held on 27 and 28 January 2022)
13	2022-01	Proposed Amendments to Various WESM Manuals on Improvements to Market Resource Modelling and Monitoring	Ongoing (In-person public consultations held on 07 Jun 2022 for Visayas Leg and 21 Jun 2022 for Luzon Leg)
14	2022-04	Proposed Amendments to the WESM Rules, WESM Manual and Retail Manual on Validation Timeline Adjustment in Metering and Billing	Ongoing (In-person public consultations held on 07 Jun 2022 for Visayas Leg and 21 Jun 2022 for Luzon Leg)
15	2022-06	Proposed Amendments to the WESM Rules and WESM Manuals on System Security and Reliability and Dispatch Protocol for the Implementation of the Reserve Market	Ongoing (submitted to DOE on 08 Jun 2022)
16	2022-07	Proposed Amendments for the Implementation of the Green Energy Option Program	Ongoing (submitted to DOE on 08 Jun 2022)
17	2022-08	Proposed Amendments to the WESM Manuals to Include Pricing Error Notice Event as Pricing Condition Category for Claiming Additional Compensation	Ongoing (for submission to DOE)

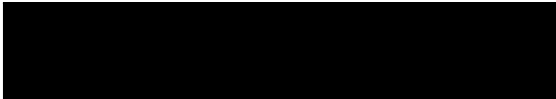
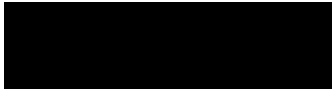

III. STATUS OF 2022 WORK PLAN

The 2022 RCC Work Plan (Annex C) was developed to align with PEMC's corporate vision, mission and desired outcomes towards 2023.

For the first half of year 2022, the RCC has convened 9 times (6 regular meetings and 3 special meetings) and issued 9 resolutions (7 approved proposals, 1 remanded proposal and 1 request to extend the effectivity of urgent amendments). Notably, the Committee conscientiously reviewed and eventually endorsed the proposed creation of new manual and amendments to existing market documents for the implementation of the Green Energy Option Program (GEOP) as prescribed under ERC Resolution No. 8, Series of 2021 otherwise known as the "GEOP Rules".

As the RCC strives to attain a timely and responsive resolution of proposed amendments, it has approved the pilot implementation of refinements to rules change review process. The Committee consistently direct its efforts and resources to realize PEMC's priority activities as reflected in pertinent DOE and ERC directives and PEMC's Corporate Plan, which necessitates continuing review of the Market Rules and Manuals and crafting of new market document, if necessary.

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

Supply Sector Member:
 Llorreto 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:
 Ambrosio R. Rosales National Grid Corporation of the Philippines (NGCP)

ANNEX A: Number of Proposed Amendments

Table 7: Number of Proposed Amendments Processed from 2005 to June 2022 (Approved and Disapproved)

Year	New Manuals	WESM Rules	WESM Manuals	Retail Rules	Retail Manuals	Total
2005	6	7	0	-	-	13
2006	12	9	20	-	-	41
2007	0	0	3	-	-	3
2008	1	3	1	-	-	5
2009	0	0	1	-	-	1
2010	0	6	9	-	-	15
2011	1	3	2	-	-	6
2012	1	6	4	-	-	11
2013	0	8	6	-	-	14
2014	1	8	19	0	3	31
2015	0	6	10	1	0	17
2016	2	7	21	0	0	30
2017	0	4	15	2	2	23
2018	1	9	12	3	4	29
2019	2	10	20	3	6	41
2020	1	8	23	1	0	33
2021	1	9	21	1	4	36
2022	1	2	8	1	4	16
Overall Total						365

ANNEX B: Members of the RCC as of June 2022

Sector	Representative Organization	Members	
		Principal	Alternate
Independent ⁸	-	Concepcion I. Tanglao (Chairperson, 01 Mar 2022 to present)	-
	-	Allan C. Nerves (Chairperson/Member, 01 Nov 2021 to Feb 2022)	-
	-	Jesusito G. Morillos	-
	-	Fernando Martin Y. Roxas	-
	-	Jose Roderick F. Fernando	-
Market Operations	Independent Market Operator of the Philippines (IEMOP)	Isidro E. Cacho, Jr.	Edwin N. Mosa
System Operations	National Grid Corporation of the Philippines (NGCP)	Ambrocio R. Rosales	Henry V. Dela Cruz
Generation	Aboitiz Power Corporation (APC)	Cherry A. Javier	Angeli A. Parcia
	Masinloc Power Partners Co. Ltd. (MPPCL)	Dixie Anthony R. Banzon	Rose Ann O. Alfaro
	Millennium Energy, Inc./ Panasia Energy, Inc. (MEI/PEI)	Carlito C. Claudio	Jessie B. Victorio
	Vivant Corporation – Philippines (Vivant)	Mark D. Habana	Michelle S. Tuazon
Distribution	PDU – Manila Electric Company (MERALCO)	Ryan S. Morales	Manuel Luis N. Zagala
	PDU – Iligan Light and Power, Inc. (ILPI)	Ricardo G. Gumalal	Keenan M. Erigbuagas
	EC – Cebu III Electric Cooperative, Inc. (CEBECO III)	Virgilio C. Fortich, Jr.	Getulio Z. Crodua
	EC – Nueva Ecija II Area 1 Electric Cooperative, Inc. (NEECO II – Area 1)	Nelson M. Dela Cruz	Jeffrey C. Cudapas
Supply	TeaM (Philippines) Energy Corporation (TPEC)	Lorreto H. Rivera	Dennis R. Paragas

⁸ Allan C. Nerves' membership ceased by reason of death. He was replaced by Concepcion I. Tanglao as Chairperson. Fernando Y. Roxas and Jose Roderick F. Fernando were appointed as members by the PEM Board effective 01 March 2022.

Sector	Representative Organization	Members	
		Principal	Alternate
Observers	Department of Energy (DOE)	Dir. Mario C. Marasigan	Melanie Papa Luningning G. Baltazar

ANNEX C: Status of the Rules Change Committee Work Plan for 2022

The Rules Change Committee strives to attain a timely resolution of all rules change proposals it receives and shall continuously direct its efforts to work on priority activities for further enhancements to the Market Rules and Manuals. The activities in the Work Plan will be updated as necessary as more contributions are received from industry sectors and stakeholders, or as directed by the DOE.

Legend:

- Submission/Completion of Report/Inputs/Comments
- Regular Activity

ACTIVITIES		OUTPUTS	2022				REMARKS/STATUS
			Q1	Q2	Q3	Q4	
POWER							
1	Publish updated and accurate reports and information on time	Published minutes of meetings, resolutions, semestral reports, and rules change proposals in accordance with timelines					Posted the following within timelines: <ul style="list-style-type: none">• 8 minutes of meetings• 11 RCC Resolutions• RCC Semestral Report (July to December 2021)• 2022 RCC Work Plan• 6 rules change proposals
2	Provide inputs to the content releases in the PEMC website, if necessary	Proposed inputs to website content					The activity is not yet initiated.
3	Participate in WESM events, as requested or scheduled	Attendance to the WESM events					<ul style="list-style-type: none">• Presented rules change proposals in 7 PEM Board

ACTIVITIES		OUTPUTS	2022				REMARKS/STATUS
			Q1	Q2	Q3	Q4	
							Meetings (Jan 26, Feb 23, Mar 30, May 25 and Jun 29) <ul style="list-style-type: none"> Participated in the WESM Trainings held on May 5-6 (Basic) and May 26-27 (Advanced) Participated in the Townhall Meeting on PEMC Reports held on 05 May 2022
EFFICIENCY							
4	Enhance rules change process based on best global practices	Updated RCC Internal Rules and Rules Change Manual					<ul style="list-style-type: none"> Initiated the review and discussion of enhancements to rules change processes
5	Timely approval by the PEM Board of the WGC Performance Measure	Inputs to WGC Performance Measure					The activity is not yet commenced by PEMC.
6	Timely submission of the Annual Performance Report of WGCs, if requested	Approval of inputs to Annual Performance Report					The activity is not yet commenced by PEMC.
GOVERNANCE							
7	Timely provision of technical support to the PEM Board relevant to their decision-making functions	Conduct of monthly and urgent meetings					Conducted a total of 9 meetings (6 regular meetings and 3 special meetings)
8		Review and approval of minutes of meetings and resolutions					Reviewed and approved the following:

ACTIVITIES		OUTPUTS	2022				REMARKS/STATUS
			Q1	Q2	Q3	Q4	
							<ul style="list-style-type: none"> 10 minutes of meetings 9 RCC Resolutions
9		Review and approval of Semestral Reports to be submitted to the PEM Board in January and July 2022					Submitted to the PEM Board the RCC Semestral Report covering July to December 2021 on 31 Jan 2022
10	Approved Annual Committee Work Plan	2022 RCC Work Plan submitted to the PEM Board by January 2022					Submitted to the PEM Board the 2022 RCC Work Plan on 31 Jan 2022
11	Assess market rules and manuals and propose amendments, as necessary <i>(See Annex A for the List of Possible Rules Change Proposals)</i>	Endorsed other proposed amendments as submitted by WESM Members, or as directed by the PEM Board, DOE or ERC					<ul style="list-style-type: none"> Endorsed 8 proposals to the PEM Board for its approval: <ol style="list-style-type: none"> RCC Resolution No. 2022-01 (Improvements to Market Resource Modelling and Monitoring) RCC Resolution No. 2022-02 (Considerations and Criteria for Selection of MRU) – the PEM Board adopted RCC's decision to disapprove the urgent proposal. RCC Resolution No. 2022-03 (Guidelines Governing the

ACTIVITIES		OUTPUTS	2022				REMARKS/STATUS
			Q1	Q2	Q3	Q4	
							<p>Constitution of PEM Board Committees)</p> <p>4. RCC Resolution No. 2022-04 (Validation Timeline Adjustment in Metering and Billing)</p> <p>5. RCC Resolution No. 2022-06 (Amendments to SSRG and DP for the Implementation of Reserve Market)</p> <p>6. RCC Resolution No. 2022-07 (GEOP Implementation)</p> <p>7. RCC Resolution No. 2022-08 (PEN Event as Pricing Condition Category for Claiming Additional Compensation)</p> <p>8. RCC Resolution No. 2022-09 (Non-Security Over-riding Constraints) – deferred by the PEM Board for further study</p> <p>○ Remanded the urgent amendments regarding Considerations and Criteria for Selection of Must-Run</p>

ACTIVITIES		OUTPUTS	2022				REMARKS/STATUS
			Q1	Q2	Q3	Q4	
							Units (RCC Resolution No. 2022-02) ○ Requested for effectivity extension of urgent amendments for the implementation of GEOP (RCC Resolution No. 2022-05)
12		Submitted comments/inputs to DOE policies, ERC issuances and other concerned parties (including participation in public consultations)					Re-deliberated the following proposals per DOE's guidance/instruction: 1. Guidelines Governing the Constitution of PEM Board Committees 2. Validation Timeline Adjustment in Metering and Billing RCC Sectoral members attend public consultation as representatives of their respective companies.
13	Ensure consistent, responsive and effective market rules	Discussed rules change effectiveness study					The study is not yet submitted by PEMC.

ACTIVITIES		OUTPUTS	2022				REMARKS/STATUS
			Q1	Q2	Q3	Q4	
14	Timely formulation of survey on the provision of technical and administrative support to PEM Board, WGC, RGC and WCO Accreditation Body	Inputs to survey formulation					The activity is not yet commenced by PEMC.
ORGANIZATION							
15	Timely approval of Corporate and Departmental Strategic Plan by the PEM Board and PEMC Management, respectively	Inputs to Corporate and Departmental Strategic Plan					The activity is not yet commenced by PEMC.