



MEETING MINUTES

Subject/Purpose : 168th Rules Change Committee Meeting
 Date & Time : 14 August 2020, 09:01
 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	Monica M. Martin	Legal Counsel, Legal	PEMC
22	Jonathan B. Dela Viña	Proponent	IEMOP
23	Ferdinand B. Binondo	Observer	DOE
24	Ryan Jaspher M. Villadiego	Observer	DOE
25	Lex J. Magtalas	Observer	DOE
26	Mari Josephine C. Enriquez	Observer	DOE



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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 09:01. The meeting was chaired by Atty. Maila Lourdes G. de Castro (Chairman/Independent). All 15 RCC principal members 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 167 th RCC Meeting held on 17 July 2020 was approved as submitted.
IV. Matters Arising from Previous Meeting	
4.1 RCC Resolution 2020-15: <i>Revision to RCC Resolution No. 2020-07 on the Proposed Amendments to the Guidelines Governing the Constitution of PEM Board Committees, Issue 3 regarding the Composition of the WESM Technical Committee</i>	<p><u>Presenter:</u> Kathleen R. Estigoy (RCC Secretariat)</p> <p><u>Action Requested:</u> For information and discussion</p> <p><u>Presentation Material:</u> Annex A</p> <p><u>Proceedings:</u></p> <p>Ms. Estigoy presented the overview and timeline of subject RCC resolution, which proposed the following changes:</p> <ul style="list-style-type: none"> Incorporation of DOE Policies on WESM Governance; Provision for adequate number of WGC members; Provision for the scope of the guidelines of WGCs; Inclusion of criteria for WGC Independence; Harmonization with other DOE policies; and Inclusion of Philippine Competition Commission (PCC) to which the Market Surveillance Committee (MSC) provides copy of its reports <p>She informed that the PEM Board adopted all the proposed changes recommended by the RCC, except for the last item.</p> <p><u>Resolution:</u> N/A (for information only); RCC noted the information provided.</p>
4.2 Changes to the Semestral Report for January to June 2020	<p><u>Presenter:</u> Dianne L. De Guzman (RCC Secretariat)</p> <p><u>Action Requested:</u> For information</p> <p><u>Presentation Material:</u> Annex B</p> <p><u>Proceedings:</u></p> <p>Ms. De Guzman presented the changes made to the RCC Semestral Report and the proposals submitted to the RCC with the corresponding number of processing days. Atty. Maila G. De Castro (Chairman) asked the ideal number of days for the processing of proposal, and Ms. De Guzman responded that the ideal is 60 working days based on the Rules Change Manual.</p>

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	<p>Atty. De Castro also clarified if reasons are included in the report for rules change processing exceeding 60 working days. Ms. De Guzman responded that there were proposals which took the RCC more than one meeting to deliberate and this reason was reflected in the report.</p> <p>Mr. Virgilio C. Fortich, Jr. (CEBECO III) asked who identifies whether the proposal is an urgent or a general amendment. He also asked if majority of the proposals were classified as general amendment. Ms. De Guzman responded that the Secretariat do initial assessment of the proposal prior submitting to RCC and almost all proposals in 2020 are general amendment.</p> <p>Mr. Carlito C. Claudio (MEI/PEI) asked for the status of ORCP-WM-19-20 considering that it took almost eight (8) months (and counting) to process. Ms. De Guzman responded that the RCC decided to wait for the DOE Circular on Testing and Commissioning to harmonize the proposal. Ms. Karen A. Varquez (RCC Secretariat) added that this proposal will be resubmitted by IEMOP and will be included in the RCC Resolution. This proposal will be superseded by the new proposal awaiting DOE DC. Mr. Claudio inquired if the proposal will be struck-off the list and will be excluded in the averaging of processed proposals. Ms. Varquez explained to the RCC that the proposal will still be included but reasons for the extended timeline will be explained in detail in the next Semestral Report.</p> <p>To qualify proposals that took longer time for the RCC to process, Ms. Concepcion I. Tanglao (Independent), suggested including another column stating the explanation on the cause of delay, especially the reasons that are beyond RCC's control. She also asked if it is possible to exclude from counting the number of days of delay due to reasons beyond the control of the RCC for the prolonged proposals.. Ms. Varquez explained to the RCC that the Rules Change Manual does not give any leeway for such. She noted that the RCC's proposed changes to the ideal timeline for processing rules changes are already for DOE's approval.</p> <p>Mr. Ryan S. Morales (MERALCO) asked how the timeline of Meralco's proposal was determined considering the PEM Boar's instruction for the RCC and Technical Committee (TC) to further study the proposal. Ms. De Guzman answered that the RCC-TC Coordination was excluded from the counting of number of processing days, since said coordination was already after the PEM Board's approval of the proposal and submission to DOE.</p> <p><u>Resolution:</u> N/A (for information only); RCC noted the information provided and the Secretariat also noted the suggestions provided by the RCC.</p>
<p>4.3 IEMOP's Data Provision to RCC (Re: Pagbilao's Proposed Amendments to WESM Manual on Billing and Settlement [BCQ Declaration])</p>	<p><u>Presenter:</u> Engr. Isidro E. Cacho (RCC Member)</p> <p><u>Action Requested:</u> For discussion</p> <p><u>Proceedings:</u></p> <p>As requested by the RCC in the previous meeting, Mr. Isidro Cacho (IEMOP) discussed the following items:</p>

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	<ol style="list-style-type: none"> Frequency of occurrence of non-submission of BCQ declaration; <ul style="list-style-type: none"> Mr. Cacho gave update from the IEMOP-Billing and Settlement that there are about a dozen of Trading Participants (TPs) who do not submit BCQ declaration. List of generators that did not submit BCQ declaration (there was no period mentioned during the meeting) <ul style="list-style-type: none"> Due to confidentiality, Mr. Cacho cannot give the list of generators, but he noted that most of these are oil-based plants which likely do not have contracts. Confirmation if the CRSS can send a prompt in case of non-submission of BCQ declaration, and if it can implement the changes to the BCQ declaration in case the proposal will be adopted. <ul style="list-style-type: none"> Mr. Cacho explained that there are two ways to provide information: either by notification bell button or by e-mail to the registered user. He added that any enhancements to the system will imply additional costs to TPs. <p>Mr. Morales asked for the position of IEMOP on the proposal. Mr. Cacho responded that IEMOP is not against the proposal and will just be informing the RCC on the possible implications of the proposed amendments as part of their comments that will be submitted within the commenting period. Meanwhile, he informed the RCC there are two (2) options for BCQ declaration in the enhanced WESM. Option 1 provides the registration of the automatic confirmation of the buying party of any BCQ declared by the selling party, while option 2 provides that the buying party provide daily confirmatory action of declared BCQs.</p> <p>Ms. Cherry Javier (APC) asked if there will be rules for TPs to explicitly choose during registration either Option 1 or 2. Mr. Cacho answered that there were no explicit rules in giving options, it will be up to the TPs to decide on their registration and BCQ declaration.</p> <p>Ms. Oyie Rivera (TPEC) added that the parties may choose either option during registration of bilateral contracts. She further explained that the proposal addresses cases of invalid BCQ declaration, wherein both buyer and seller will be at risk of market exposure.</p> <p>Mr. Mark Habana (Vivant) commented that Pagbilao's proposal will still not assure that the buyer and seller will be satisfied since they may have different interests.</p> <p><u>Resolution:</u> N/A (discussion for consideration in the deliberation of subject proposal)</p>
V. New Business Matters	
5.1 Proposed Amendments to the WESM Manual on Billing and	<u>Presenter:</u> Engr. Jonathan B. Dela Viña (Proponent)

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Settlement (Enhancements to Prudential Requirements Procedures)	<p><u>Action Requested:</u> For approval for publication</p> <p><u>Presentation Material:</u> Annex B</p> <p><u>Proceedings:</u></p> <p>Mr. Jonathan B. Dela Viña (IEMOP) discussed the subject proposal, which rationale is to have a more accurate determination of exposure and procedural enhancements.</p> <p>As a background, he explained that the purpose of the Prudential Requirement (PR) is to provide a level of comfort that WESM Members will meet their obligations to make payments. He then explained the highlights of the proposal, as follows:</p> <ol style="list-style-type: none"> 1. Calculation of PR <ul style="list-style-type: none"> • Aside from the current annual re-assessment of PR, this is proposed to be done also upon TP request due to the observations that some participants have material changes in the middle of the year. An example of said material change is when half of customers of the supplier switched to another supplier. In such situation, the supplier may request for the reduction of its security deposit in the market. The MO also wants a more accurate amount of security deposit. • Security amount will be based on hourly price and hourly quantities. The MO uses April to September billing transactions of participants for one-year prudential requirement. In addition, TPs can report changes to its bilateral contracts which can be used to modify the PR instead of April to September basis. From the above-mentioned example, in case there will be new customers for the following year, the previous transactions will not be reflective of the transactions for such year. • There was an instance that the counterparty was not able to declare bilateral contract quantity due to force majeure event. The TPs want to consider the effect of force majeure event in the quantities and the price. 2. Procedural Improvements <ul style="list-style-type: none"> • Removal of other forms of security or guarantee since the cash, standby letter of credit (SBLC) and security bond are already enough, and MO has only assessed the above-mentioned forms. • Considering that there is no benefit to advance payment, the MO proposes that any negative amount shall be settled on the due date itself. • Refund of PR in cases when TPs request for a refund after end-of-year and such re-assessment results to lower prudential requirement. This is to provide more accurate amount that may result to lower cost of compliance. <p>Ms. Javier clarified if this proposal is same with the urgent proposal on initial prudential requirements (IPR). Mr. Dela Viña responded that the proposal is</p>

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	<p>for the re-assessment of amount for existing WESM Members, thus, different from the said urgent proposal.</p> <p>Ms. Kathleen R. Estigoy (PEMC) asked some clarifications on the forms and expiry of securities and whether there have been any issues encountered in drawing down from those securities. Mr. Dela Viña responded that mostly cash and SBLC are usual kinds of security submitted to the market. He added that the MO does not have an expiration for the security since there is a provision in the WESM Rules requiring TPs to submit immediately a new security in case the current security has expired.</p> <p>For issues or instances when MO's request to call the security was denied by the bank or bonding firm, Mr. Dela Viña will be requesting further clarification with IEMOP-Finance Department.</p> <p>Mr. Morales asked if IEMOP can also consider major maintenance outages in the calculation of PR. Mr. Dela Viña said that if the maintenance is annual, it will still be reflective in the market exposure for the following year. Mr. Morales also asked if the delays in the ERC's approval of power supply agreements may be considered as one of the force majeure events. Mr. Dela Viña answered that it will fall under the condition of changes in the bilateral contract for the following year, thus reducing its market exposure. He added that when a TP requests re-assessment, the MO requires additional documents, which includes approval from the ERC.</p> <p>Ms. Rivera inquired if the annual re-assessment is on-top of the usual assessment, which, Mr. Dela Viña confirmed.</p> <p>Mr. Fortich clarified if the interest is included in the period accumulated. Mr. Dela Viña noted the question for verification with the IEMOP-Finance.</p> <p><u>Resolution:</u> RCC approved the proposal for publication for comments.</p>
<p>5.2 Proposed Amendments to the WESM Manual on Administered Price Determination Methodology</p>	<p><u>Presenter:</u> Divine Gayle C. Cruz (RCC Secretariat)</p> <p><u>Action Requested:</u> For approval for publication</p> <p><u>Presentation Material:</u> Annex C</p> <p><u>Proceedings:</u></p> <p>Ms. Cruz presented the proposal, which is a joint proposal by PEMC and Market Surveillance Committee (MSC). The required paper works will be formally submitted to RCC the following week.</p> <p>As a background, the proposal was initiated in 2019 to address possible prolonged market suspension failure due to MMS failure. A contingency plan was proposed last year, after due deliberation by the RCC and approval by the PEM Board but was denied by the ERC. As an alternative and consistent with the ERC Order, the MSC recommended to include seasonal pricing as the new method in determining administered price. This was agreed to by the PEM Board after coordination with IEMOP.</p>

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	<p>In addition, Ms. Cruz also discussed the above-mentioned ERC Order directing PEMC/MO to submit proposed methodology, as part of contingency plan, incorporating similarity of conditions for prolonged market intervention, as consideration for determining administered price.</p> <p>During the crafting, PEMC identified the occurrences of MI/MS.</p> <ul style="list-style-type: none"> • For transmission line-related issues, the market outcomes can still be used but not the merit order table; • For the MMS-related errors, market outcomes cannot be used and no MOT is generated by MMS; • For the generation deficiency, no market outcomes can be used and SO is already managing the grid based in emergency procedures. <p>The proposal is summarized as follows:</p> <ul style="list-style-type: none"> • If the MI/MS is due to transmission line-related issues, PEMC proposed adopting the use of unconstrained prices with constrained-on prices. To illustrate, if a generator is dispatched during MI/MS, the generator will be settled at marginal price during unconstrained solution. But if part of the generator is constrain-on, part of its generation will be settled at offer price. • If the MI/MS is due to MMS-related errors or generation deficiency/manual load dropping, PEMC's proposal is to have an APDM based on the representative price (from GWAP) with corresponding Supply Margin calculated over the past 24 months. To further illustrate the determination of representative prices, PEMC tested 3 methods in its simulation. It was found out that the Locally Weighted Scatterplot Smoothing (LOWESS) regression could best determine the representative price based on GWAP. It was also observed that the generated representative prices are closest to secondary price cap (i.e. Php6,245/MWh). <p>For this methodology, PEMC provided procedures on how to obtain the APDM based on the supply margin.</p> <p>Mr. Ambrocio R. Rosales (NGCP) requested for clarification on the treatment if multiple tripping happened on MI/MS due to transmission line-related issues. He also added that even if the market can still provide RTD during this condition, there are instances that it is not implementable. Further, there are generators that will be constrained-off and others are constrained-on. During these circumstances, the MOT will not be implementable. He suggested PEMC to consider this event in the proposal. Ms. Cruz added that if the MOT is implementable, the proposed methodology will be used. If in case the MOT is not implementable, the PSM will be used.</p> <p>Mr. Habana asked if the commenters will be given sample spread sheet to see how the method was done. Ms. Cruz said that the data will be provided for validation. Mr. Aldjon Kenneth M. Yap (PEMC) added that there is available data, but it is already the result of the LOWESS methodology using Stata, the statistical program used. He added the provision of data as requested is subject to market rules on confidentiality of information.</p>

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	<p>Mr. Claudio asked about the treatment on the MS if the reasons are natural calamity and national security problem. Mr. Yap responded that it will be for clarification. Thus, for other reasons, the application of supply margin will be used. Mr. Claudio requested to update the presentation material used during meeting, as necessary.</p> <p>Ms. Javier (APC) asked if there is a possible scenario that there will be two reasons for MI/MS in a specific interval. Mr. Yap answered that based on the historical data used on the study, there was no such incident. For those instances, additional compensation, to recover the costs used during market intervention, is still retained regardless the methodology used.</p> <p>Mr. Binondo (DOE) clarified that the changes in the APDM will still undergo approval by the DOE. He added that if there will be changes on the APDM, it should be proposed in PDM 2.0 considering that APDM is integrated with PDM. He added that the proposed methodology uses regression, which makes the result almost flat. Mr. Yap responded that the methodology intends to flatten or smoothen the data. Ms. Cruz clarified that based on the WESM Rules, the APDM will be submitted to ERC for approval. The proposal aims to reflect what is actually being done in practice, specifically citing the DOE as approver of the APDM as well.</p> <p>Mr. Rosales added that different causes may happen in a specific interval and during such instances, these reasons will be indicated in the MI/MS report. Mr. Yap noted this and the possible inclusion of hierarchy of the reasons in the proposal.</p> <p>Mr. Cacho asked if there will be changes in the declaration of MI/MS if it will be per island or per region, Ms. Cruz answered that it will still be per region. On Mr. Cacho's query in relation to the APDM for transmission line-related MI/MS, Mr. Yap answered that it will be better to use the market outcomes as discussed during the coordination meeting with IEMOP. Additionally, he added that the objective also was to settle based on the offers.</p> <p>Mr. Rosales suggested to also consider system-related concerns and market-related concerns for better distinction. Mr. Yap took note of the suggestion.</p> <p>Mr. Morales asked for the period used in the comparison graph. Mr. Yap said that the data used were from the previous two (2) years. Mr. Morales suggested to add indicators or statistical information on the graph shown to better understand, which was noted by Mr. Yap.</p> <p><u>Resolution:</u></p> <ul style="list-style-type: none"> Provisionally approved the publication of the proposal. Secretariat to send proposal next week.
VI. Other Matters	
6.1 DOE Public Consultation Updates	<u>Presenter:</u> Mr. Ferdinand B. Binondo (DOE)

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	<p><u>Action Requested:</u> For information</p> <p><u>Proceedings:</u></p> <p>Mr. Binondo informed the RCC that last 22 July 2020 and 29 July 2020, Virtual Public Consultations were conducted for the following proposals. He noted that the draft circulars are still for finalization.</p> <ol style="list-style-type: none"> 1) Adopting Further Amendments to the WESM Rules and New Manual on WESM Compliance Officers Accreditation; 2) Adopting Further Amendments to the WESM Manual on Metering Standards and Procedures Issue 12.0 to Harmonize with the Site-Specific Loss Adjustment Procedures of the Wholesale Metering Services and to Align Technical Requirements for Metering Facilities in accordance with Philippine Grid Code 2016 Edition, Philippine Distribution Code 2017 Edition, and other Applicable References; 3) Adopting Further Amendments to the WESM Manual on Protocol for Central Scheduling and Dispatch of Energy and Contracted Reserves; 4) Adopting Further Amendments to the WESM Rules and the WESM Manual on Information Disclosure and Confidentiality Issue 5.0 Regarding Exceptions for Confidentiality Undertakings for Oversight Bodies; and 5) Adopting Further Amendments to the WESM Manual on Dispatch Protocol (Issue 13.0) to Enhance Procedures in Must-Run Unit (MRU) Accounting. <p>He also cited the published proposals (listed below) for comments of interested parties until 07 August 2020. These will be scheduled for Virtual Public Consultations.</p> <ol style="list-style-type: none"> 1) Adopting Further Amendments to the Wholesale Electricity Spot Market (WESM) Manual on Registration, Suspension, and De-Registration Criteria and Procedures (Provisions for Bilateral Contracts) 2) Adopting Further Amendments to the Wholesale Electricity Spot Market (WESM) Rules and WESM Manual on the Management of Net Settlement Surplus (Harmonization with the ERC Resolution No. 07 series of 2019) 3) Adopting Further Amendments to the Wholesale Electricity Spot Market (WESM) Market Manual on Load Forecasting Methodology (Provisions for the Load Distribution Factors) 4) Adopting Further Amendments to the Wholesale Electricity Spot Market (WESM) Rules and Market Manual on Management of Must-Run and Must-Stop Units (Provisions for the Settlement of Displaced Generators)



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	<p>5) Adopting Further Amendments to the Wholesale Electricity Spot Market (WESM) Rules and Retail Rules for the Operation of the Renewable Energy Market</p> <p>6) Adopting Further Amendments to the Wholesale Electricity Spot Market (WESM) Rule and Market Manual on the Procedures for Changes to the WESM Rules, Retail Rules and Market Manuals</p> <p>7) Adopting the Abolition of Various Market Manuals in view of the Implementation of the Enhanced Wholesale Electricity Spot Market (WESM) Design and Operations</p> <p><u>Resolution:</u> N/A (for information only); The RCC noted on the deadline for the comments on the draft DOE Circulars.</p>
<p>6.2 PEMC Memorandum No. 0017 – Directive Regarding Schedule of Meetings</p>	<p><u>Presenter:</u> Ms. Karen A. Varquez (RCC Secretariat)</p> <p><u>Action Requested:</u> For information</p> <p><u>Proceedings:</u></p> <p>Ms. Varquez informed the RCC on the directive from the PEMC President to avoid meetings on Fridays and asked the committee if they will retain the schedule during 3rd Friday of the month.</p> <p>Atty. De Castro explained that the RCC's current meeting schedule was set in consideration of the RCC Members who needed to book flights prior to the scheduled meeting. In consideration of the preset meetings until November 2020 and the possibility of returning to pre-ECQ working arrangements, the RCC agreed retaining the current schedule of its regular meeting.</p> <p><u>Resolution:</u> N/A (for information only); The RCC agreed to retain the same schedule.</p>
<p>VII. Next Meeting</p>	<ul style="list-style-type: none"> • 18 Sept 2020 • 16 Oct 2020 • 13 Nov 2020
<p>VIII. Adjournment</p>	<p>The meeting was adjourned at 11:28AM.</p>

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Prepared by:



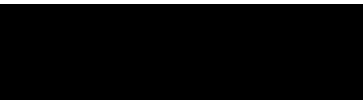
DIANNE L. DE GUZMAN
Specialist, Rules Review Division
Market Assessment Group

Reviewed by:



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



ALLAN C. NERVES
Member, Independent



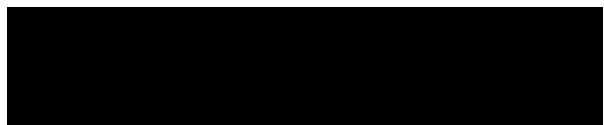
DIXIE ANTHONY R. BANZON
Member, Generation Sector
Masinloc Power Partners Co. Ltd. (MPPCL)



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



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



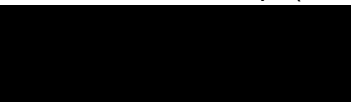
FRANCISCO LEODEGARIO R. CASTRO, JR.
Member, Independent



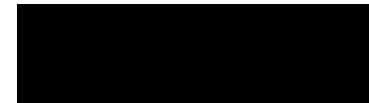
CONCEPCION I. TANGLAO
Member, Independent



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



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

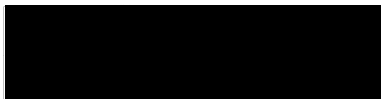


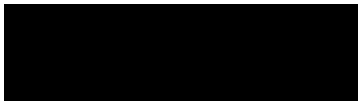
VIRGILIO C. FORTICH, JR.
Member, Distribution Sector
Cebu III Electric Cooperative, Inc. (CEBECO III)


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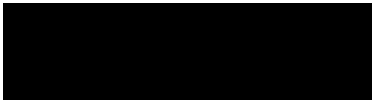



RICARDO G. GUMALAL
Member, Distribution Sector
Iligan Light and Power, Inc. (ILPI)


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)


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

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Philippine Electricity
Market Corporation

ANNEX A

UPDATES ON PROPOSED AMENDMENTS TO GUIDELINES GOVERNING THE CONSTITUTION OF PEM BOARD COMMITTEES

14 August 2020, 168th RCC Meeting



A Premier Electricity Market & Champion of Governance

Date	Significant Activities
21 February 2020	161 st RCC Meeting - Approval of the publication to call for comments
24 April 2020	164 th RCC Meeting - Review of the proposal and comments received
15 May 2020	165 th RCC Meeting - Review of RCC position paper on stakeholders' membership to the TC as prepared by the sector representatives. - Approval to endorse the proposal to the PEM Board
27 May 2020	PEM Board Meeting - Deferral of the approval of the proposal - Remanding for further study (reduction of membership of independent members [from 5 to 3], while maintaining the SO, MO, Gen and DU sectoral representation in the committee.

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Date	Significant Activities
19 June 2020	166 th RCC Meeting - Deliberation of the PEM Board directive - Adoption of PEM Board's suggestion
22 July 2020	BRC Meeting - Recommendation to retain the current number of TC membership (1 independent member, 1 member from each sectors [Gen, DU, SO and MO])
	Online Discussion/Voting - 10 voted to adopt BRC's suggestion - 2 voted to retain RCC's proposal
27 July 2020	Approval of Revised RCC Resolution No. 2020-15
29 July 2020	PEM Board Meeting - Approval of GDL Proposal, as revised.



Updates on GDL Proposal | 3

SUMMARY OF THE APPROVED GDL PROPOSAL

	PEM Board's Decision
Incorporation of DOE Policies on WESM Governance	
Provision for adequate number of WGC members	
Provision for the scope of the guidelines for WGCs	
Inclusion of criteria for WGC Independence	
Harmonization with other DOE policies	
Inclusion of the PCC to which MSC provides copy of reports.	



Updates on GDL Proposal | 4

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**A Premier Electricity Market &
Champion of Governance**

18F Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City 1600, Philippines

✉ pemc.info@wesm.ph

☎ +63 2 8631 8734

📠 +63 2 8636 0802

🌐 www.wesm.ph

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ANNEX B



CHANGES ON THE SUBMITTED RCC SEMESTRAL REPORT

(JANUARY TO JUNE 2020)

14 August 2020, via Microsoft Teams



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BACKGROUND



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BACKGROUND

Rules Change Proposal	Date of Publication	Date submitted to OCS	No. of working days processing of proposal	Average no. of days processing of proposal	
ORCP-WM-20-01	26-Feb-20	25-May-20	62	General Amendments (including urgent proposal)	58 wd
ORCP-WM-20-02	26-Feb-20	21-May-20	60		
ORCP-WM-20-03	26-Feb-20	25-May-20	62	General Amendments (excluding urgent proposal)	62 wd
ORCP-WR-WM-20-04	28-Feb-20	21-May-20	58		
ORCP-WM-20-05	26-Feb-20	21-May-20	60	General Amendments (including urgent proposal)	58 wd
ORCP-WR-WM-20-06	26-Feb-20	21-May-20	60		
ORCP-WR-20-07	26-Feb-20	21-May-20	60	General Amendments (excluding urgent proposal)	62 wd
ORCP-WR-RR-20-08	11-Mar-20	21-May-20	50		
ORCP-WR-WM-20-09	13-Mar-20	25-May-20	50	General Amendments (including urgent proposal)	58 wd
ORCP-WM-20-10	URGENT	02-Apr-20	2		
ORCP-WM-19-17	22-Oct-19	04-Feb-20	70	General Amendments (excluding urgent proposal)	62 wd
ORCP-WM-19-18	22-Oct-19	14-Feb-20	78		
ORCP-WR-WM-19-19	22-Oct-19	04-Feb-20	70	General Amendments (including urgent proposal)	58 wd
ORCP-WM-19-20	10-Dec-19				
ORCP-WM-19-21	12-Dec-19	29-Mar-20	70	General Amendments (excluding urgent proposal)	62 wd



CHANGES ON THE SUBMITTED RCC SEMESTRAL REPORT



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☎ +63 2 8631 8734

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ANNEX C



ENHANCEMENTS TO PRUDENTIAL REQUIREMENTS PROCEDURES

14 AUGUST 2020
ONLINE

THE PROPONENT

- The proponent is the Independent Electricity Market Operator of the Philippines, Inc. (IEMOP)
- IEMOP is the market operator of the WESM.



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OUTLINE



**ACTION
REQUESTED**



**RATIONALE OF THE
PROPOSAL**



**SUMMARY OF THE
PROPOSAL**



**OTHER RELEVANT
MATTERS**



ACTION REQUESTED

- For approval to publish



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RATIONALE OF THE PROPOSAL

- More accurate determination of exposure
- Procedural improvements



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SUMMARY OF THE PROPOSAL (Background)

PURPOSE OF PRUDENTIAL REQUIREMENTS

Provide a level of comfort that WESM members will meet their obligations to make payments

MODE OF COMPLIANCE

Provide and maintain a security

1) NEW WESM MEMBERS

› Initial Prudential Requirements

PREVIOUS	APPROVED REVISIONS
35 days exposure based on average data with 10% minimum	35 days exposure based on hourly data

2) EXISTING WESM MEMBERS

› Amount:

- 35 days exposure based on average of April to September transactions

› Procedures:

- Annual re-assessment of amount (every end of year)
- PR exemption for non-payers (e.g., generation companies)



Current proposal



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SUMMARY OF THE PROPOSAL (Background)

EXEMPTIONS FROM PROVIDING SECURITY

WESM MEMBERS WHO PROVIDE SECURITY

- › Private Distribution Utilities
- › Electric Cooperatives
- › Retail Suppliers
- › Bulk Customers

The MO may exempt a WESM Member if it believes that:
(WESM Rules 3.15.2.2)

the WESM Members' receivables will consistently exceed its payables

the WESM Member is unlikely to be required to pay

- › Generation companies with Indirect Customer Counterparties

- › Generation companies



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SUMMARY OF THE PROPOSAL (1 of 2)

CURRENT	ISSUE OBSERVED	PROPOSED	RATIONALE
Annual re-assessment only	Some participants have material changes in operations in the middle of the year	Annual re-assessment <u>and by request</u>	More accurate determination of exposure resulting in more appropriate level of cost for PR compliance
Security amount considerations: › Previous year transactions › Change in bilateral contract	Trading participants have requested for consideration of other reasonable factors	Security amount considerations: › Previous year transactions › Change in bilateral contract › <u>Large reduction in load served</u> › <u>Force majeure events</u>	
Security amount based on average price and monthly quantities	Low exposure calculations when using monthly quantities	Security amount based on <u>hourly</u> price and <u>hourly</u> quantities	
Security amount based on April to September transactions but replace if: › There is positive settlement amount	Trading participants have requested for consideration of force majeure events affecting market prices	Security amount based on April to September transactions but replace if: › There is positive settlement amount › <u>There was force majeure affecting 50% of the month</u>	



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SUMMARY OF THE PROPOSAL (2 of 2)

CURRENT	ISSUE OBSERVED	PROPOSED	RATIONALE
The security shall be in the form of: a) cash b) SBLC c) surety bond d) other forms of security or guarantee	Market Operator has only assessed items a to c to be credible	The security shall be in the form of: a) cash b) SBLC c) surety bond d) other forms of security or guarantee	Clearer requirements
An exempted WESM Member will pay any negative amount three (3) working days before due date	No benefit to advance payment	An exempted WESM Member will pay any negative amount <u>on the</u> due date	Lessen requirement to exempted WESM members
Refund may be provided if: a) WESM Member has been exempted b) security deposit consistently exceeds its Maximum Exposure in previous six (6) billing periods	Trading participants have requested for refund after end-of-year re-assessment	Refund may be provided if: a) WESM Member has been exempted b) security deposit consistently exceeds its Maximum Exposure in previous six (6) billing periods c) <u>Re-assessment results in lower requirement</u>	More accurate amount of security with the Market Operator resulting in lower cost of compliance



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OTHER RELEVANT MATTERS

- None



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ACTION REQUESTED

- For approval to publish



THANK YOU!