Philippine Electricity Market Corporation

WHOLESALE ELECTRICITY SPOT MARKET RULES CHANGE COMMITTEE

RESOLUTION NO. 2017-02

Proposed Amendments to the WESM Manuals on Registration, Suspension and De-registration Criteria and Procedures Issue 2.0 and Billing and Settlement Issue 4.0 regarding Bilateral Contract Quantity (BCQ) Declaration and Line Rental Calculation

WHEREAS, on 03 November 2016, the Rules Change Committee (RCC) received the Proposed Amendments to the WESM Manuals on Registration, Suspension and De-registration Criteria and Procedures Issue 2.0 and Billing and Settlement Issue 4.0 regarding BCQ Declaration and Line Rental Calculation from the Philippine Electricity Market Corporation – Market Operator (PEMC-MO);

WHEREAS, the proposal intends to: (1) address audit findings on BCQ declaration and line rental calculation from the 4th Market Operations Audit; and (2) provide details on the implementation of procedures and conditions for declaring and adjusting bilateral contract data as embodied in the PEM Board-approved amended WESM Rules (PEM Board Resolution Nos. 2016-43 and 44 dated 29 November 2016), which reflects the following changes:

(a) enhancements to the submission process of bilateral contract data; and
(b) revision in the calculation of trading amounts adjusted for bilateral contracts that removes necessity for a separate calculation of *line rental* trading amounts

WHEREAS, the proposed amendments to the WESM Manual on Registration, Suspension and De-registration Criteria and Procedures provide that upon registration in the WESM:

(a) Trading Participants may have an option to state whether or not bilateral contract quantities submitted by *buying* Trading Participant would require confirmation by *selling* Trading Participant, and

(b) Trading Participants may declare if their supply contract is metered quantity-based.

WHEREAS, the proposed amendments to the WESM Manual on Billing and Settlement, on the other hand, aim to:

(a) Provide the procedures, timelines and responsibilities of Trading Participants regarding declaration, confirmation and nullification of bilateral contract quantities;
(b) Specify the required data for submitting bilateral contract declarations;

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(c) Require that a supply contract be enrolled with the Market Operator during registration, for the BCQ declarations submitted to be valid;

(d) Require confirmation from counterparties before using bilateral contract quantities for settlements for supply contracts enrolled with the Market Operator which require confirmation;

(e) Specify the Market Operator's responsibilities regarding receipt of BCQ declarations and issuance of corresponding notifications to Trading Participants;

(f) Remove references to a separate calculation of *line rental* trading amounts (i.e., *line rental* will already be embedded in settlement calculation); and

(g) Re-number certain provisions due to insertion of new sections.

WHEREAS, the proposal was presented before the RCC during its 121st Meeting held on 09 November 2016, and was thereafter approved for posting in the Market Information Website to solicit comments from Market Participants and stakeholders;

WHEREAS, the proposal was published on 14 November 2016 with corresponding notice to participants, providing for a 30-working day commenting period which lapsed on 28 December 2016;

WHEREAS, the RCC, during its 123rd Regular Meeting held on 13 January 2017, deliberated on the proposed amendments to the subject WESM Manuals, giving due consideration to the comments received from the DOE and SN Aboitiz Power (SNAP);

WHEREAS, SNAP's comments, upon assessment of the RCC, were mostly pertaining to PEMC-MO's previous related proposal to amend the WESM Rules to shift the timeline of BCQ declaration from a day after the trading interval (D+1) to an hour before the trading interval (H-1), which has already been amended by the RCC to retain the current timeline and was thereafter approved by the PEM Board, therefore rendering SNAP's comments inapplicable;

WHEREAS, the RCC likewise noted the DOE's comment that while it poses no objection to the proposal, it recommends remanding the same to the proponent since the proposed procedures may not be implementable until the Central Registration and Settlement System and the new Market Management System are in place, and the subject Manuals are also due for further amendments to incorporate the enhancements to market design;

WHEREAS, the RCC acknowledged the practicality of the DOE's suggestion but nevertheless approved the proposed amendments for endorsement to the PEM Board to recognize the merits of the proposal, and leave to the Board Review Committee or the PEM Board the decision whether or not to endorse the proposal to the DOE;

NOW THEREFORE, we, the undersigned and in behalf of the sector we represent, hereby resolve as follows:

RESOLVED, that the Proposed Amendments to the WESM Manuals on Registration, Suspension and De-registration Criteria and Procedures Issue 2.0 and Billing and Settlement Issue 4.0 regarding BCQ Declaration and Line Rental Calculation are hereby approved by the RCC;

RESOLVED FURTHER, that the attached Annex of the Proposed Amendments to the WESM Manuals on Registration, Suspension and De-registration Criteria and Procedures Issue 2.0 and Billing and Settlement Issue 4.0 regarding BCQ Declaration and Line Rental Calculation are hereby endorsed to the PEM Board for approval and endorsement to the DOE.

Done this 13 January 2017, Pasig City.

Proposed Amendments to the WESM Manuals on Registration, Suspension and De-registration Criteria and Procedures Issue 2.0 and Billing and Settlement Issue 4.0 regarding Bilateral Contract Quantity (BCQ) Declaration and Line Rental Calculation

| Approved by:	
RULES CHANGE COMMITTEE	
Maila Lourdes G. de Castro Chairperson Independent	
Members:	
Concepción I. Tanglao Independent	**Francisco L.R. Castro, Jr.** Independent
Allan C. Nerves Independent	**Isidro E. Cacho, Jr.** Market Operator Philippine Electricity Market Corporation (PEMC)
Ambrocio R. Rosales Transmission Sector National Grid Corporation of the Philippines (NGCP)	**Abner B. Tolentino** Generation Sector Power Sector Assets and Liabilities Management Corporation (PSALM)
Atty. Jose Ildebrando B. Ambrosio Generation Sector NorthWind Power Development Corporation	**Theo C. Sunico** Generation Sector Vivant Corporation
Ciprinilo C. Meneses Distribution Sector (PDU) Manila Electric Company (MERALCO)	**Jose P. Santos** Distribution Sector (EC) Ilocos Norte Electric Cooperative, Inc. (INEC)
Juanito Tolentino Distribution Sector Mactan Electric Company (MECO)	**Ludovico D. Lim** Distribution Sector Antique Electric Cooperative, Inc. (ANTECO)
Lofreto H. Rivera Supply Sector TeaM (Philippines) Energy Corporation (TPEC)	Certified True and Correct: **Elaine D. Gonzales** RCC Secretary PEMC
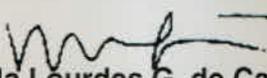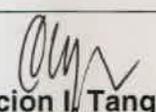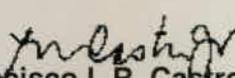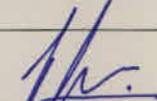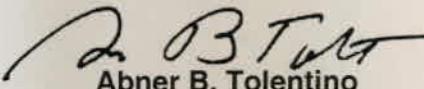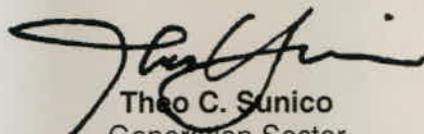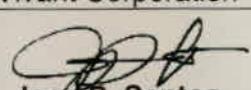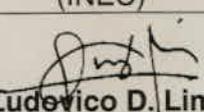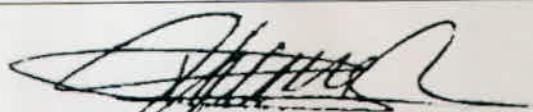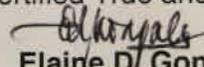
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Proposed Amendments to the WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures Issue 2.0 regarding BCQ Declaration

| Title	Section	Provision	Proposed Amendment	Rationale
ENROLMENT AND DE-LISTING OF SUPPLY CUSTOMERS: Enrolment	3.5.1.2	The notice to the Market Operator shall include the following - a) details on the duration of the supply contract, b) desired effective date on which the bilateral contract transactions are to be accounted for in the WESM settlements. To the extent practicable, the effective date shall coincide with the start of a WESM billing month. c) identification of the Trading Participant that shall be responsible for the payment of line rental trading amounts and for the net settlement surplus/deficit allocations, d) copy of the supply contract; and e) written confirmation by the supply customer of the notice and the foregoing information.	The notice to the Market Operator shall include the following - a) details on the duration of the supply contract, b) desired effective date on which the bilateral contract transactions are to be accounted for in the WESM settlements. To the extent practicable, the effective date shall coincide with the start of a WESM billing month. c) identification of the **market trading node or nodes of the buying or selling trading participant associated with the supply contract whose ex-ante energy settlement price will be used as reference for the supply contract during settlements** ~~Trading Participant that shall be responsible for the payment of line rental trading amounts and for the net settlement surplus/deficit allocations,~~ d) **indication of whether the *bilateral contract quantities* submitted by the selling participant would require**	To reflect the change to WESM Rules Clause 3.13.1.1(b) To provide option to the trading participant to declare if the supply contract is metered quantity-based. To provide option to the Trading Participant whether or not a daily

Title	Section	Provision	Proposed Amendment	Rationale
			confirmation by the buying participant in accordance with the billing and settlement timetable, d) **e)** copy of the supply contract; and e) **f)** written confirmation by the supply customer of the notice and the foregoing information.	confirmation would be required for the bilateral contract

*Proposed Amendments to the WESM Manual on Registration, Suspension and De-Registration
Criteria and Procedures Issue 2.0 regarding BCQ Declaration*

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Proposed Amendments to the WESM Manual on Billing and Settlement Issue 4.0 regarding BCQ Declaration and Line Rental Calculation

Title	Section	Original Provision	Proposed Amendment	Rationale
Definitions	2.1.2	**Average Actual Market Price.** This refers to the ratio of the total spot market payment of a WESM Member, which may include spot market energy and reserve transactions, and line rental trading amount for contracted quantities, to the total metered quantities net of bilateral contract quantities for each billing month.	**Average Actual Market Price.** This refers to the ratio of the total spot market payment of a WESM Member, which may include spot market energy and reserve transactions, ~~and line rental trading amount for contracted quantities~~ to the total metered quantities net of bilateral contract quantities for each billing month.	To remove reference to line rental since a separate calculation for the same will no longer be necessary as calculation of trading amounts with adjustment for bilateral contracts will already incorporate line rental trading amounts (per amended WESM Rules via PEMC Board Resolution No. 2016-44 dated 29 November 2016).
Settlement Quantity and Amounts	4.1.1(d)	The aggregate trading amount for a Trading Participant for a trading interval equals the sum of: i. The ex-ante energy trading amounts for each market trading node for which the Trading Participants is responsible calculated in accordance with WESM Rules 3.13.7 and 3.13.8 (which will typically be positive for a Generation Company and negative for a Customer); plus	The aggregate trading amount for a Trading Participant for a trading interval equals the sum of: i. The **aggregate** ex-ante energy trading amounts **adjusted for bilateral contracts** for each market trading node for which the Trading Participants is responsible calculated in accordance with WESM Rules **Clause** ~~3.13.7 and~~ 3.13.~~8~~ **12** (which will typically be positive for a Generation Company and negative for a Customer); plus	For clarification and proper reference.

Proposed Amendments to the WESM Manual on Billing and Settlement Issue 4.0
regarding BCQ Declaration and Line Rental Calculation

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Title	Section	Original Provision	Proposed Amendment	Rationale
		ii. The ex-post energy trading amounts for each market trading node for which the Trading Participant is responsible calculated in accordance with WESM Rules 3.13.7 and 3.13.9 (which will typically be positive or negative for any Trading Participant); plus iii. The line rental trading amount corresponding to the quantity of bilateral contract of that Trading Participant calculated in accordance with WESM Rules 3.13.12; plus iv. The reserve trading amounts for each reserve region into which that Trading Participant contributes reserve calculated in accordance with WESM Rules 3.13.10 (which will always be positive for both Generation Companies and Customers); plus XXX	ii. The ex-post energy trading amounts for each market trading node for which the Trading Participant is responsible calculated in accordance with WESM Rules 3.13.7 and 3.13.9 (which will typically be positive or negative for any Trading Participant); plus iii. The line rental trading amount corresponding to the quantity of bilateral contract of that Trading Participant calculated in accordance with WESM Rules 3.13.12; plus iv. The reserve trading amounts for each reserve region into which that Trading Participant contributes reserve calculated in accordance with WESM Rules 3.13.10 (which will always be positive for both Generation Companies and Customers); plus XXX	
BILATERAL CONTRACT DECLARATION	9 (new)	(blank)	**BILATERAL CONTRACT DECLARATION**	To provide details on the procedures and conditions for declaring bilateral contract data and adjustments to them

*Proposed Amendments to the WESM Manual on Billing and Settlement Issue 4.0
regarding BCQ Declaration and Line Rental Calculation*

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Title	Section	Original Provision	Proposed Amendment	Rationale
(Title)	9.1 (new)	(blank)	*Declaration*	To provide procedure for the declaration of bilateral contract data in the WESM
Declaration	9.1.1 (new)	(blank)	*Trading Participants* who will sell electricity pursuant to *bilateral contracts* during a *trading interval* and wish those *bilateral contracts* to be accounted for in *settlements* may declare to the *Market Operator bilateral contract* data for that *trading interval* up to one (1) *trading day* after the *trading day* of that *trading interval.*	To reflect in the WESM Manual the proposed clarification in the WESM Rules on the timeline for submitting bilateral contract declarations to the market
Declaration	9.1.2 (new)	(blank)	To be valid, *bilateral contract* declarations submitted by a *Trading Participant* shall include: 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	To provide the required data when submitting bilateral contract declarations. The supply source market trading node is to allow for the calculation of line rental trading amounts similar to the current practice.

Title	Section	Original Provision	Proposed Amendment	Rationale
			ex-ante energy settlement price will be used as reference during _settlements_, and d) _bilateral contract_ quantity in MWh.	
Declaration	9.1.3 (new)	(blank)	To be valid, _bilateral contract_ declarations submitted by a _Trading Participant_ should be covered by a supply contract enrolled by the _Trading Participant_ to the _Market Operator_ in accordance with the relevant _Market Manual_[74]. Footer: [74]WESM Manual on Registration, Suspension, and De-registration Criteria and Procedures	To provide the requirement that the supply contract was enrolled to the Market Operator during registration. Bilateral contract declarations submitted for supply contracts that were not enrolled will not be accepted by the Market Operator.
Declaration	9.1.4 (new)	(blank)	The _Market Operator_ shall immediately send to each _Trading Participant_ with whom it has received a valid _bilateral contract_ declaration an electronic confirmation of receipt of that _bilateral contract_ declaration.	To provide requirement for the MO to acknowledge receipt of valid submissions
Declaration	9.1.5 (new)	(blank)	If the supply contract covering the _bilateral contract_ declaration was enrolled to require confirmation from the buying _Trading Participant_, the valid _bilateral contract_ declaration shall be accounted for during _settlements_ only	To require confirmation from counterparties before using bilateral contract quantities for settlements for supply contracts enrolled to require confirmation

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Title	Section	Original Provision	Proposed Amendment	Rationale
			upon confirmation by the buying *Trading Participant* in accordance with Section 9.2.	
Declaration	9.1.6 (new)	(blank)	If the supply contract covering the *bilateral contract* declaration was enrolled to not require confirmation from the buying *Trading Participant*, the valid *bilateral contract* declaration shall be accounted for during *settlements* unless nullified by the buying *Trading Participant* in accordance with Section 9.2.	To allow nullification of submitted bilateral contract quantities for supply contract enrolled not to require confirmation
Declaration	9.1.7 (new)	(blank)	If the *bilateral contract* declaration is invalid, the *Market Operator* shall immediately inform the *Trading Participant* and such *bilateral contract* declaration shall not be accounted for in *settlements*.	To require the Market Operator to inform the participant if a bilateral contract declaration is invalid
(Title)	9.2 (new)	(blank)	**Confirmation and Nullification**	
Confirmation and Nullification	9.2.1 (new)	(blank)	In order to be accounted for during *settlements*, valid *bilateral contract* declarations covered by supply contracts enrolled to require confirmation submitted by a *Trading Participant* should be confirmed by the buying *Trading Participant* to the *Market Operator* within one (1) *trading day* after	To provide timeline for confirming bilateral contract declarations of supply contract that were enrolled to require confirmation

Proposed Amendments to the WESM Manual on Billing and Settlement Issue 4.0 regarding BCQ Declaration and Line Rental Calculation

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Title	Section	Original Provision	Proposed Amendment	Rationale
			the *trading* day of the relevant *trading interval.*	
Confirmation and Nullification	9.2.2 (new)	(blank)	**Valid *bilateral contract* declarations covered by supply contracts enrolled to not require confirmation submitted by a *Trading Participant* shall be accounted for during *settlements* unless the buying *Trading Participant* submits to the *Market Operator* a notice of nullification within one (1) *trading day* after the *trading* day of the relevant *trading interval.***	To provide timeline for nullifying bilateral contract declarations of supply contract that were enrolled not to require confirmation
Confirmation and Nullification	9.2.3 (new)	(blank)	**The *Market Operator* shall immediately send to each buying *Trading Participant* with whom it has received a confirmation or notice of nullification an electronic confirmation of receipt of that confirmation or notice of nullification.**	To require the Market Operator to acknowledge receipt of confirmation or notice of nullification
Confirmation and Nullification	9.2.4 (new)	(blank)	**Upon receipt of a confirmation or notice of nullification, the *Market Operator* shall immediately notify the relevant selling *Trading Participant* to the supply contract that the valid *bilateral contract* declaration has been confirmed or nullified.**	To require the Market Operator to notify the selling Trading Participant that a bilateral contract declaration was confirmed or nullified
Confirmation and Nullification	9.2.5 (new)	(blank)	**At the end of each *trading day*, the *Market Operator* shall notify all buying and selling *Trading Participants*, whose**	To require the Market Operator to notify trading participants with supply contracts that require

Proposed Amendments to the WESM Manual on Billing and Settlement Issue 4.0 regarding BCQ Declaration and Line Rental Calculation

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Title	Section	Original Provision	Proposed Amendment	Rationale
			supply contract was enrolled to require confirmation and whose valid *bilateral contract declarations* for *trading intervals* from the previous *trading day* were not confirmed, that their *bilateral contract* declarations shall not be accounted for during *settlements*.	confirmation but was not confirmed that their submission will not be used for settlements
Confirmation and Nullification	9.2.6 (new)	(blank)	At the end of each *trading day*, the *Market Operator* shall notify all buying and selling *Trading Participants*, whose supply contract was enrolled to not require confirmation and whose valid *bilateral contract declarations* for *trading intervals* from the previous *trading day* were not nullified, that their *bilateral contract* declarations shall be accounted for during *settlements*.	To require the Market Operator to notify trading participants with supply contracts that does not require confirmation and was not nullified that their submission will be used for settlements
(Title)	9.3 (new)	(blank)	**Line Rental Calculation**	
Line Rental Calculation	9.3.1 (new)	(blank)	For informational purposes, the *Market Operator* shall calculate *line rental trading amounts* for each *bilateral contract* quantity declaration.	To require the Market Operator to calculate line rental trading amounts considering its removal from the WESM Rules
Line Rental Calculation	9.3.2 (new)	(blank)	*Line rental* refers to the economic rental arising from the transmission of *bilateral contract* quantities from a *market trading node* of the selling *trading participant* to	To provide the new definition of line rental

Proposed Amendments to the WESM Manual on Billing and Settlement Issue 4.0 regarding BCQ Declaration and Line Rental Calculation

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Title	Section	Original Provision	Proposed Amendment	Rationale
			a *market trading node* of the buying *trading participant.*	
Line Rental Calculation	9.3.3 (new)	(blank)	For the purpose of calculating *line rental trading amounts,* bilateral *contract* quantities declared for buying *trading participants* with multiple *market trading nodes* shall be pro-rated to each *market trading node* based on *metered quantities.*	To provide the procedure for allocating bilateral contract quantities for buyers with multiple nodes
Line Rental Calculation	9.3.4 (new)	(blank)	For a selling *Trading Participant*, the *line rental trading amount* associated with a *bilateral contract* declaration shall be equal to the *bilateral contract* quantity multiplied by the difference of the *ex-ante energy settlement price* at the *market trading node* identified under Section 9.1.2(a) and the *ex-ante energy settlement price* at the *market trading node* identified under Section 9.1.2(c).	To provide the procedure for calculating the line rental trading amount of sellers
Line Rental Calculation	9.3.5 (new)	(blank)	For a buying *Trading Participant*, the *line rental trading amount* associated with a *bilateral contract* declaration shall be equal to the sum of the line rental trading amounts calculated for each of its market trading nodes. The *line rental trading amount* for each *market trading node* of a buying *Trading Participant* is equal to the *bilateral contract* quantity or, if	To provide the procedure for calculating the line rental trading amount of buyers

Proposed Amendments to the WESM Manual on Billing and Settlement Issue 4.0 regarding BCQ Declaration and Line Rental Calculation

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Title	Section	Original Provision	Proposed Amendment	Rationale
			applicable, the pro-rated *bilateral contract* quantity calculated under Section 9.3.3 of the *market trading nodes* multiplied by the difference of the *ex-ante energy settlement price* at that *market trading node* and the *ex-ante energy settlement price* at the *market trading node* identified under Section 9.1.2(a).	
(Title)	9	SECTION 9. AMENDMENT, PUBLICATION AND EFFECTIVITY	SECTION 9 **10**. AMENDMENT, PUBLICATION AND EFFECTIVITY	Re-numbered for the insertion of the new section 9
(Title)	9.1.1	9.1.1 Amendments	9 **10**.1.1 Amendments	Re-numbered for the insertion of the new section 9
(Title)	9.1.2	9.1.2 Publication and effectivity	9 **10**.1.2 Publication and effectivity	Re-numbered for the insertion of the new section 9
(Title)	10	SECTION 10. APPENDICES	SECTION ~~10~~ **11**. APPENDICES	Re-numbered for the insertion of the new section 9

Proposed Amendments to the WESM Manual on Billing and Settlement Issue 4.0 regarding BCQ Declaration and Line Rental Calculation

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