

RCC-REP-19-01

Rules Change Committee 2019 Semestral Report

JANUARY TO JUNE 2019

AUGUST 2019

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



**Philippine Electricity
Market Corporation**

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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 2019. This report sets out the following:

- i. All proposals to amend the Market Rules and Manuals which have been submitted to and deliberated upon by the RCC for the covered period; and
- ii. Status of RCC priorities outlined in the 2019 RCC Work Plan.

II. ACCOMPLISHMENTS AND WORK PROGRESS

The RCC held six (6) regular meetings during the covered period to discuss and deliberate upon several proposed amendments to the Market Rules and Manuals, which are aimed at enhancing market design, as well as refining processes and operations appropriate for the current market setting.

For the first half of 2019, the RCC has completed its review and processing of twenty-one (21) Market Rules and Manual change proposals, including the adoption of a new Market Manual.

To date, the RCC has completed the processing of twenty-six (26) new Manuals and 234 amendments to the Rules and Manuals (see Annex A for the number of proposals processed per year beginning 2005).

Documents Adopted or Amended	January to June 2019	As of June 2019
New Manuals	1	26
WESM Rules	6	82
WESM Manuals	8	131
Retail Rules	2	8
Retail Manuals	4	13
Total	21	260

¹WESM Rules, Clause 8.6.5.

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Of the 260 proposals deliberated upon since 2005, the RCC disapproved nine (9) proposals or 3.5% of the total. Some of these were re-developed and re-submitted by the proponent to the RCC as new proposals.

Proposed amendments may be initiated by various Market Participants, industry stakeholders, WESM Governance Committees and PEMC itself, as presented below:

Table 1: Number of Proposed Amendments by Proponent from 2005 to 2019

Proponent	2019	As of 2019	Percentage
Market Participants/ WESM Stakeholders	0	39	15%
WESM Governance Committees	6	64	25%
Market Operator	15	157	60%
TOTAL	21	260	100%

For the first half of 2019, the RCC received seven (7) rules and manuals change proposals for approval. The RCC, as part of its consultation process, published the proposals in the PEMC website to solicit comments from interested parties. Comments received were discussed during the RCC deliberation of the proposals. Upon due deliberation, all seven proposals were approved and submitted to the PEM Board. The PEM Board discussed the proposals and approved the same for endorsement to the DOE.

A summary of the RCC's deliberations on proposed amendments during the period January to June 2019 are provided in the succeeding sections. All the minutes of the RCC's meetings and Resolutions are published in the PEMC website² for public information.

² http://www.wesm.ph/inner.php/downloads/rcc_meeting_minutes

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II.A. RCC-Approved Amendments

1. Proposed Urgent Amendments to the WESM Rules and WESM Manual on Billing and Settlement for Enhancements to the Determination of Initial Prudential Requirements

Prompted by the DOE's directive "to introduce an appropriate formula for the computation of the initial prudential requirement...for the commercial operation of the WESM in Mindanao", the Independent Electricity Market Operator of the Philippines (IEMOP) submitted to the Rules Change Committee (RCC) on 12 February 2019 the *Proposed Urgent Amendments to the WESM Rules and WESM Manual on Billing and Settlement for Enhancements to the Determination of Initial Prudential Requirements*.

The proponent requested that the proposal be considered urgent to have it implemented in time for the commercial operation of the WESM in Mindanao, then targeted in June 2019. The RCC, who took up the matter for discussion on 22 February 2019, certified the proposal as urgent as it satisfies the following criteria for urgent amendments³:

Urgent Amendments are those which are needed:

- xxx
- c) *To avoid, reduce the risk of or mitigate the unintended adverse effect of the WESM Rules, Retail Rules and Market Manuals (or any of its amendments); and*
 - d) *To facilitate the implementation of any regulation, circular, order or issuance of the DOE or ERC pursuant to the EPIRA.*

Provided further that the urgent amendments shall be implementable on the affected WESM/Retail operations and/or transactions within the period of six (6) months subject to the confirmation of the Market Operator.

In compliance with the procedures for processing urgent amendments, the RCC proceeded to deliberate on the merits of the proposal which aims to change the

³ 3.1 URGENT AMENDMENTS

Urgent Amendments are those which are needed:

- a) *To avoid, reduce the risk of or mitigate the adverse effects of certain conditions on the ability of the power system to function normally;*
- b) *To avoid, reduce the risk of or mitigate the effects of the abuse of market power or anti-competitive behavior;*
- c) *To avoid, reduce the risk of or mitigate the unintended adverse effect of the WESM Rules, Retail Rules and Market Manuals (or any of its amendments); and*
- d) *To facilitate the implementation of any regulation, circular, order or issuance of the DOE or ERC pursuant to the EPIRA.*

Provided further that the urgent amendments shall be implementable on the affected WESM/Retail operations and/or transactions within the period of six (6) months subject to the confirmation of the Market Operator.

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methodology for determining initial prudential requirements of new Trading Participants, summarized as follows:

Original	Proposed
Initial Prudential Requirements = portion of demand not covered by contracts or if fully covered by contracts, 10% of total demand X average actual market price of the previous 12 billing periods X <u>35 days</u> 30 days	Initial Prudential Requirements = (Projected consumption x projected price of new customer) — (Projected contracted energy x projected price of supplier)

The RCC recognized the following justifications for the proposed calculation:

- a) the current calculation does not accurately reflect the projected exposure of new Trading Participants in the market;
- b) particularly for new WESM Members in Mindanao who are mostly fully contracted, the said current calculation (i.e., must be based on no less than 10% of total projected consumption) would result to high initial prudential requirement that they would have to put up in order to participate in the WESM; and
- c) the current calculation is provided in Rule 11 Section 6 of the EPIRA-IRR, which was intended to be effective only during the first five years of WESM implementation or only up to 2011;

The body approved the proposal⁴ for endorsement to the PEM Board, who then approved the same on 23 April 2019 per PEM Board Resolution No. 2019-10-07. With the Board's approval, the new calculation became immediately implementable for a period of six (6) months.

The proponent shall re-submit the proposal as a general amendment before the lapse of the 6-month implementation period for the DOE's final approval and promulgation.

⁴ RCC Resolution No. 2019-01 dated 22 February 2019.

2. Proposed Amendments to the WESM and Retail Rules and Various Manuals to Reduce Barriers to Entry and Participation in Retail Competition

The IEMOP submitted the subject proposal to the RCC on 04 July 2018, which sought to encourage participation in the Retail Market. Following the commenting periods which were held twice, first for the proposed amendments to the WESM Rules (published on 06 August 2018) and second for the WESM Manuals (published on 10 December 2018), comments were received from the DOE, Technical Committee, First Gen, MERALCO, San Miguel Energy Corp. and SN Aboitiz Power.

The RCC deliberated on and finalized the proposal during its meetings held in October and December 2018, and February and March 2019. The RCC approved⁵ for endorsement to the PEM Board the proposed changes to the WESM Rules, Retail Rules and the six (6) affected Market Manuals, as amended, summarized as follows:

- (i) The registration of Contestable Customers in the wholesale market is no longer mandatory to encourage more participation in the Retail Market;
- (ii) The Central Registration Body will maintain and publish a registry of Contestable Customers who are already awarded Certificates of Contestability by the ERC;
- (iii) Distribution Utilities will be required to submit to the Central Registration Body and update regularly accurate customer and metering information of all eligible Contestable Customers within its franchise area to make processing of Supplier switch requests more efficient;
- (iv) The Central Registration Body's processing timeframe of switch requests is reduced from thirty (30) days to three (3) working days provided that all requirements are completed by the concerned Supplier, Distribution Utility and the Market Operator;
- (v) Retail metering installations will be allowed to record meter data on an 'interval' basis, which may not necessarily be similar with the dispatch interval of the wholesale market, to minimize switching costs of Contestable Customers;
- (vi) With the relaxed requirement for data recording of retail metering installations, the Central Registration Body will be responsible for converting interval metering data to dispatch interval metering data;
- (vii) Instead of the Central Registration Body, the Philippine Electricity Market Corporation will monitor the performance of Retail Metering Services Providers; and
- (viii) WESM and Retail Market processes are clearly distinguished in the relevant Market Rules and Market Manuals (e.g., provisions on declaring bilateral contracts are removed from the Retail Rules and Retail Manuals as this is a WESM process)

⁵ RCC Resolution No. 2019-02 dated 15 March 2019.

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On 23 April 2019, the PEM Board approved the proposal for endorsement to the DOE per PEM Board Resolution No. 2019-10-08. The proposal was submitted to the DOE on 14 May 2019 for its approval and promulgation.

3. Proposed Amendments to the WESM Rules and Manual on Guidelines on Significant Variations In and Between Trading Intervals to Refine Publication Procedures

The proposal was submitted by the IEMOP to change the mode of transmittal of the monthly summary of Daily Significant Variations Report – from hard copy printouts submitted to the DOE, ERC, PEM Board and MSC to publication in the market information website for public access. Since the Daily Significant Variations Reports are already published in the market website, only requiring the website publication of the monthly summary of said Reports would save resources.

The proposal was published in the market website on 10 December 2018 to solicit comments from industry stakeholders. The DOE and the Technical Committee submitted comments to the proposal, which was deliberated upon by the RCC during its 22 February 2019 meeting. On the same day, the body approved the endorsement of the proposal to the PEM Board without substantial revisions⁶.

On 23 April 2019, the PEM Board approved the endorsement of the proposal to the DOE per PEM Board Resolution No. 2019-10-09. The proposal was submitted to the DOE on 14 May 2019.

4. Proposed Amendments to Provisions Related to Audit and Performance Monitoring Under the WESM Rules, Retail Rules, PEM Audit Manual, and Guidelines Governing the Constitution of the PEM Board

The PEM Audit Committee submitted the proposal to the RCC on 04 December 2019 seeking to fine-tune its responsibilities in the conduct of market audits and special reviews, and to enhance the preparation and implementation of market audits and performance monitoring of WESM service providers. Highlights of the proposed changes are as follows:

- (i) scope of market audits to include review of the SO;
- (ii) development and monitoring of System Operator Performance Standards (SOPS);
- (iii) clarifying that the PAC “oversees” instead of “conducts” market audits;
- (iv) changing the term “PEM Auditor” to “PEM Audit Committee” comprised of three (3) members; and
- (v) enhancements and clarifications to the audit process and timeline, including the engagement of External Auditors and the frequency of market audits.

⁶ RCC Resolution No. 2019-03 dated 22 February 2019.

After a 30-working day commenting period upon publication of the proposal on 10 December 2018, comments were received from the DOE and NGCP-System Operator, which were duly considered by the RCC when it deliberated the proposal on its February 22nd and March 15th 2019 meetings. During the deliberations, the System Operator expressed its strong objection to the provisions related to the System Operator review, citing the Energy Regulatory Commission's (ERC) exclusive jurisdiction over its regulated transmission business under the EPIRA of 2001.

The RCC approved for endorsement to the PEM Board the proposed amendments to provisions related to audit in the relevant Market Rules and Manuals⁷, except those pertaining to the System Operator review for which the RCC agreed to seek guidance from the PEM Board.

On 27 March 2019, the PEM Board considered the NGCP position on the proposed System Operator review and agreed to incorporate matters regarding said review in the PEMC-System Operator Protocol being developed. The Board likewise agreed to endorse the rest of the proposal to the DOE for its approval and promulgation, per PEM Board Resolution No. 2019-10-10 dated 23 April 2019.

5. Proposed Amendments to the WESM Manual on Registration, Suspension, and De-Registration Criteria and Procedures

The IEMOP submitted the proposal to the RCC on 12 February 2019 intending to reflect the following amendments to the subject WESM Manual:

- (i) To include additional modelling requirements and procedures when registering a new facility in the WESM or when registering as an ancillary services provider;
- (ii) to harmonize the relevant market manual provisions with the WESM Rules to include changing the basis for the registration process timelines (i.e. use of working days instead of business days) and generalizing the data security approach for participant access to the market systems; and
- (iii) to clarify that the basis of the Market Operator for the registered capacities of generating units in the WESM and any changes thereto shall be a certification from the ERC

Following a 30-working day commenting period beginning 26 February 2019 when the proposal was published, the RCC took the matter for deliberation on 12 April 2019 during which the comments from DOE, MERALCO and the Technical Committee were discussed.

On the topic regarding the basis for changing a participant's registered capacity in the WESM, the body considered the experience of the Market Operator and the participants

⁷ RCC Resolution No. 2019-04 dated 15 March 2019

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themselves, and thus agreed to allow ERC-issued documents other than a Certificate of Compliance to serve as basis for the Market Operator in registering the capacity of both new and existing generation facilities.

The RCC approved the endorsement of the proposal to the PEM Board, as amended, on 17 May 2019⁸. The latter took up the matter for deliberation on 29 May 2019 and approved the same for submission to the DOE for final approval and promulgation per PEM Board Resolution 2019-12-04.

The proposal was submitted to the DOE on 06 June 2019.

6. Proposed Amendments to the WESM Rules and Manual on Metering Standards and Procedures on MSP Performance Monitoring

The proposal was initiated by the IEMOP (submitted to the RCC on 12 February 2019) in order to harmonize the provisions of the WESM Rules and WESM Manual on Metering Standards and Procedures on the performance monitoring of Metering Services Providers (MSP) with the newly delineated functions of the IEMOP as the electricity Market Operator (MO) and the Philippine Electricity Market Corporation (PEMC) as the governing body of the market. Specifically, the proposal clarifies that PEMC shall have the responsibility to monitor the performance of MSPs as part of its governance function.

Following a 30-working day commenting period reckoned from the date of publication on 26 February 2019, the RCC received comments from the DOE, the Technical Committee, NGCP and MERALCO. These were taken into account during the body's deliberation of the proposal on 12 April 2019. The RCC approved the endorsement of the proposal to the PEM Board, as amended⁹.

The PEM Board approved the endorsement of the proposal to the DOE per PEM Board Resolution No. 2019-12-04 dated 29 May 2019. The proposal was submitted to the DOE on 06 June 2019.

7. Proposed Urgent Amendments to the WESM Rules and Proposed New Market Manual on Market Intervention due to Prolonged Market System Failure

On 30 January 2019, the IEMOP reported to the PEM Board that the market intervention declared on January 24th and 28th 2019 were attributed to market system failure due to the deterioration of the aging Market Management System (MMS). In view of the scheduling and pricing issues that may arise due to prolonged market system failure and the potential problems posed by the present condition of the MMS, the PEM Board directed the PEMC-

⁸ RCC Resolution No. 2019-05 dated 17 May 2019.

⁹ RCC Resolution No. 2019-06 dated 17 May 2019.

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IEMOP Technical Working Group (TWG) to initiate proposed amendments for establishing dispatch and pricing protocols as a contingency plan during such situations.

The TWG proposed a contingency plan that encapsulates a market-based methodology in determining prices, dispatch schedule and calculation of settlement amounts in the affected trading intervals.

The proposal was submitted to the RCC on 15 March 2019 as an urgent amendment and was certified as such by the RCC on the same day, having deemed that it satisfies Section 3.1 (c)¹⁰ of the WESM Manual on Procedures for Changes to the WESM Rules, Retail Rules and Market Manuals Issue 3.0.

In compliance with the procedures for processing urgent amendments, the RCC immediately proceeded to deliberate on the proposal which was continued in two more RCC meetings on 12 April and 17 May 2019. The RCC-approved scheduling mechanism during prolonged market system failure (i.e., beyond 24 hours) entails the use of the new Market Management System to run the Hour-Ahead Projection which will generate the real-time dispatch schedules and prices for every trading interval. The current settlement calculation will apply during such conditions.

On 17 May 2019, the RCC approved the urgent proposed amendments for endorsement to the PEM Board¹¹ who, on 29 May 2019, approved the same for endorsement to the ERC (documented in PEM Board Resolution No. 2019-12-04). The proposal will not be implemented, as the norm for PEM Board-approved urgent proposals, pending the ERC's final approval.

¹⁰ WESM Manual on Procedures for Amendments Changes to the WESM Rules, Retail Rules and Market Manuals. Section 3.1 Urgent Amendments

Urgent Amendments are those which are needed:

a) To avoid, reduce the risk of or mitigate the adverse effects of certain conditions on the ability of the power system to function normally;

xxx

Provided further that the urgent amendments shall be implementable on the affected WESM/Retail operations and/or transactions within the period of six (6) months subject to the confirmation of the Market Operator.

¹¹ RCC Resolution No. 2019-07 dated 17 May 2019.

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II.B. On-Going Proposals and Discussions

During the period covered of this Report, the RCC likewise discussed the following:

1. Proposed Amendments to the WESM Manual on Metering Standards and Procedures Issue 12.0 (ORCP-WM-19-07)

The proposal was initiated by the NGCP-Metering Services Provider on 03 April 2019 to, in general, align the WESM Manual on Metering Standards and Procedures with the procedures and standards set forth in the Philippine Grid Code (PGC), Philippine Distribution Code (PDC), issuances from the DOE and ERC and other international and national standards.

The proposal is under RCC deliberation during the covered period.

2. Proposed to the Market Manual on Procedures for the Monitoring of Forecast Accuracy Standards for Must-Dispatch Generating Units (ORCP-WM-19-08)

The captioned proposal was submitted by PEMC to the RCC on 11 April 2019 to: a) to align the provisions of the subject WESM Manual with the forthcoming operation of the new Market Management System under the 5-minute dispatch interval regime and b) to provide a more appropriate calculation for the *forecast percentage error* (FPE).

The proposal is under RCC deliberation during the covered period.

3. Proposed Amendments to the WESM Rules regarding the WESM Compliance Officers Accreditation Program (ORCP-WR-19-09)

The proposal was submitted by PEMC to the RCC on 10 May 2019 seeking to implement a WESM Compliance Officers' Accreditation Program to assist the WESM Members attain a higher level of compliance with their obligation in the WESM.

The RCC initially deliberated on the proposal on 19 June 2019 but agreed to discontinue the discussion to await the proponent's submission to the body of the corresponding Guidelines which would provide details on the implementation of the recommended Accreditation Program.

RCC-REP-19-01**4. Proposed Amendments to the WESM Rules and Various Market Manuals providing for the Framework Governing the Operations of Embedded Generators (ORCP-WR-WM-19-10)**

The IEMOP submitted the subject proposal to the RCC on 10 June 2019 aiming to incorporate in the WESM Rules and relevant WESM Manuals the provisions of the DOE DC2019-02-0003 entitled *"Providing for the Framework Governing the Operations of Embedded Generators"*.

The proposal is under the 30-working day commenting stage during the covered period.

5. Proposed Amendments to the WESM Rules and WESM Registration Manual to Harmonize with Republic Act 11234¹² and Additional Requirements for De-registration and Cessation (ORCP-WR-WM-19-11)

The IEMOP submitted the proposal to the RCC on 10 June 2019, seeking to harmonize the provisions of the WESM Rules and WESM Registration Manual with the R.A. 11234 related to the allowed the timeframe for the Market Operator to release actions on applications. The proposed amendments likewise include adding a proof of disconnection among the requirements that a WESM Member should submit to the Market Operator when it de-registers its facility.

The proposal is under the 30-working day commenting stage during the covered period.

6. Proposed Amendments to the WESM Rules and WESM Manual on Billing and Settlement for Enhancements to the Determination of Initial Prudential Requirements (ORCP-WR-WM-19-12)

With the PEM Board's approval of the proposed urgent amendments on the subject on 23 April 2019 (as discussed in Part IIA [1] of this Report), the enhanced methodology for determining initial prudential requirements was immediately implemented by the Market Operator in registering new WESM Members in Luzon and Visayas, and also new market entrants in Mindanao in preparation of the commercial operations of WESM Mindanao. Per Section 3.1 of the WESM Rules Change Manual¹³, this will remain effective for a period of six (6) months. Prior to the lapse of said implementation period the proponent must re-submit the proposal as a general amendment for the final approval and promulgation of the DOE.

¹² Energy Virtual One-Stop Shop Act

¹³ WESM Manual on Procedures for Changes to the WESM Rules, Retail Rules and Market Manuals Issue 3.0

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In compliance, the IEMOP submitted to the RCC on 10 June 2019 general proposed amendments on the same matter intended to be applied to both the existing market in Luzon and Visayas (i.e., amendments to the prevailing versions of the affected Market Rules and Manuals), and the new market to be launched in Mindanao (i.e., reflected in DOE-promulgated versions of the affected Market Rules and Manuals for enhanced market design).

The proposal is under the 30-working day commenting stage during the covered period.

7. Proposed Amendments to Include Additional Constraint Violation Coefficients to Reflect the Dispatch Hierarchy of Self-Scheduled Generation (ORCP-WM-19-03)

The proposal was submitted by the IEMOP to the RCC on 10 June 2019 to include additional Constraint Violation Coefficients (CVC) in order to reflect the dispatch and curtailment hierarchy for non-scheduled, priority dispatch and must dispatch generating unit classifications – collectively called self-scheduled generating units. Self-scheduled generating units are presently associated with a single CVC. As non-scheduled, priority dispatch and must dispatch generating units must be prioritized differently, they should then be associated with separate CVCs.

The proposal is under the 30-working day commenting stage during the covered period.

II.C. Status Update of Proposals Approved by the Rules Change Committee and the PEM Board from 2018 to June 2019

Beginning 2019, proposed rules changes considered to have significant impact in the market will undergo public consultation spearheaded by the DOE to provide an avenue for the general public to submit comments and inputs.

	RCC Resolution	Proposals	PEM Board Approval	DOE Approval
1	RCC Resolution No. 2018-02	Proposed Amendments to the WESM Rules to Implement the Approved Plan for Transition to the Independent Market Operator of the WESM	Approved (PEM Board Resolution No. 2018-20 dated 03 May 2018)	On-going
2	RCC Resolution No. 2018-05	Proposed Amendments to the WESM Rules and WESM Manual on Registration, Suspension and De-registration Criteria and	Approved (PEM Board Resolution No.	Disapproved (per DOE letter dated 14 Jun 2019)

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	RCC Resolution	Proposals	PEM Board Approval	DOE Approval
		Procedures for Additional Trading Participant Category – Wholesale Electricity Market Trader	2018-28 dated 30 May 2018)	
3	RCC Resolution No. 2018-05	Proposed Amendments to the WESM Rules and Various WESM Manuals related to Market Surveillance, Enforcement and Compliance	Approved (PEM Board Resolution No. 2018-03-05 dated 03 August 2018)	On-going (under public consultation)
4	RCC Resolution No. 2019-01	Proposed <u>Urgent Amendments</u> to the WESM Rules and WESM Manual on Billing and Settlement for Enhancements to the Determination of Initial Prudential Requirements	Approved (PEM Board Resolution No. 2019-10-07 dated 23 April 2019)	
5	RCC Resolution No. 2019-02	Proposed Amendments to the WESM and Retail Rules and Various Manuals to Reduce Barriers to Entry and Participation in Retail Competition	Approved (PEM Board Resolution No. 2019-10-08 dated 23 April 2019)	<ul style="list-style-type: none"> Received by DOE on 14 May 2019 Scheduled by DOE for public consultation on 27 Aug 2019
6	RCC Resolution No. 2019-03	Proposed Amendments to the WESM Rules and Manual on Guidelines on Significant Variations In and Between Trading Intervals to Refine Publication Procedures	Approved (PEM Board Resolution No. 2019-10-09 dated 23 April 2019)	<ul style="list-style-type: none"> Received by DOE on 14 May 2019 Scheduled by DOE for public consultation on 27 Aug 2019
7	RCC Resolution No. 2019-04	Proposed Amendments to Provisions Related to Audit and Performance Monitoring Under the WESM Rules, Retail Rules, PEM Audit Manual, and Guidelines Governing the Constitution of the PEM Board	Approved (PEM Board Resolution No. 2019-10-10 dated 23 April 2019)	On-going (received by DOE on 14 May 2019)
8	RCC Resolution No. 2019-05	Proposed Amendments to the WESM Manual on Registration, Suspension, and De-Registration Criteria and Procedures	Approved (PEM Board Resolution No. 2019-12-04 dated 29 May 2019)	On-going (received by DOE on 06 June 2019)



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	RCC Resolution	Proposals	PEM Board Approval	DOE Approval
9	RCC Resolution No. 2019-06	Proposed Amendments to the WESM Rules and WESM Manual on Metering Standards and Procedures on MSP Performance Monitoring	Approved (PEM Board Resolution No. 2019-12-04 dated 29 May 2019)	On-going (received by DOE on 06 June 2019)
10	RCC Resolution No. 2019-07	Proposed Urgent Amendment to the WESM Rules and Proposed New Market Manual on Market Intervention due to Prolonged Market System Failure	Approved (PEM Board Resolution No. 2019-12-04 dated 29 May 2019)	Filed to ERC in August 2019 for approval

III. WAY FORWARD

The RCC 2019 Work Plan (Annex C) was developed to align with PEMC's corporate vision, mission and desired outcomes towards 2021. The RCC strives to attain a timely resolution of all proposed amendments it receives and shall continuously direct its efforts to work on PEMC's priority activities.



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Approved by: THE RULES CHANGE COMMITTEE	
Independent Members:	
 Maila Lourdes G. de Castro Chairperson	 Francisco L.R. Castro, Jr.
 Allan C. Nerves	 Concepcion I. Tanglao
Generation Sector Members:	
 Dixie Anthony R. Banzon Masinloc Power Partners Co. Ltd. (MPPCL)	 Abner B. Tolentino Power Sector Assets and Liabilities Management Corporation (PSALM)
Jose Ildebrando B. Ambrosio NorthWind Power Development Corp. (NorthWind)	 Cherry A. Javier Aboitiz Power Corp. (APC)
Distribution Sector Members:	
 Virgilio C. Fortich, Jr. Cebu III Electric Cooperative, Inc. (CEBECO3)	 Ryan S. Morales Manila Electric Company (MERALCO)
 Ricardo G. Gumalal Iligan Light and Power, Inc. (ILPI)	 Jose P. Santos Ilocos Norte Electric Cooperative, Inc. (INEC)



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Supply Sector Member:	
 Lorreto H. Rivera TeaM (Philippines) Energy Corporation (TPEC)	
Market Operator Member:	
 Isidro E. Cacho, Jr. Independent Electricity Market Operator of the Philippines (IEMOP)	
System Operator Member:	
 Ambrocio R. Rosales National Grid Corporation of the Philippines (NGCP)	



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ANNEX A

Number of Proposed Amendments Processed from 2005 to 2019 (Approved and Disapproved)

	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19*
New Manuals	6	12	0	1	0	0	1	1	0	1	0	2	0	1	1
WESM Rules	7	9	0	3	0	6	3	6	8	8	6	7	4	9	6
WESM Manuals	0	20	3	1	1	9	2	4	6	19	10	21	15	12	8
Retail Rules	-	-	-	-	-	-	-	-	-	0	1	0	2	3	2
Retail Manuals	-	-	-	-	-	-	-	-	-	3	0	0	2	4	4
Total	13	41	3	5	1	15	6	11	14	31	17	30	23	29	21
												Total Number of Proposals		260	

**January to June 2019*



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ANNEX B: Members of the RCC as of June 2019

Sector	Representative Organization	Members	
		Principal	Alternate
Independent		Maila Lourdes G. de Castro (Chairperson)	-
		Francisco L.R. Castro, Jr.	-
		Concepcion I. Tanglao	-
		Dr. Allan C. Nerves	-
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	NorthWind Power Development Corporation	Jose Ildebrando B. Ambrosio	-
	Power Assets & Liabilities Management Corporation (PSALM)	Abner B. Tolentino	Ma. Erliza C. Casas
	Aboitiz Power Corporation (APC)	Cherry A. Javier	-
	Masinloc Power Partners Co. Ltd. (MPPCL)	Dixie Anthony R. Banzon	-
Distribution	PDU – Manila Electric Company (MERALCO)	Ciprinilo C. Meneses (retired)	Ryan S. Morales
	PDU – Iligan Light and Power, Inc.	Ricardo G. Gumalal	
	EC – Ilocos Norte Electric Cooperative (INEC)	Jose P. Santos	Roy Rosario F. Alimbuyuguen
	EC – Cebu III Electric Cooperative, Inc. (CEBECO3)	Virgilio C. Fortich, Jr	-
Supply	TeaM (Philippines) Energy Corporation	Lorreto H. Rivera	-
Observers	Department of Energy (DOE)	Dir. Mario C. Marasigan	Ferdinand B. Binondo Luningning Baltazar

ANNEX C: RULES CHANGE COMMITTEE WORK PLAN FOR 2019

I. MISSION: POWER

Desired Outcome: Ensuring Supply of Power: The market is conducive to attracting new resources and investments to meet the growing demand of the Filipino consumers

Corporate Strategies	Corporate Targets	Committee Activities	Targets & Outputs	Required Resources	Lead Dept./WGC	Status
P.1. Indicator: Availability of relevant and accurate market signals P.1.1 Implement the enhanced market design in Luzon and Visayas	1. Complete the software certification audit of the New Market Management System (NMMS)	<ul style="list-style-type: none"> Deliberate on proposed amendments related to the implementation of enhanced market design Proposed Amendments related to Forecast Accuracy Standards Rules Changes as required by the Certification Audit of New Market Management System, and Central Registration and Settlement System Present the approved proposed amendments to the BRC and PEM Board 	<ul style="list-style-type: none"> RCC Resolution on the proposed amendment / RCC Updates on the developments of proposed amendments PEM Board approval on the proposed amendments DOE-promulgated amendments 	MAG CSD-Finance (Budget for participation/ attendance)	MAG PAC	Completed: Proposed Amendments related to Forecast Accuracy Standards <ul style="list-style-type: none"> RCC Resolution No. 2019-11 (19 Jul 2019) PEM Board Resolution No. 2019-14-08 Received by DOE on 19 Aug 2019
	2. Commercial operations of the NMMS					
	3. Readiness certificate on the implementation of the enhanced market design signed by market participants					
	4. Complete the software certification audit of the New Market Management System (NMMS)					
	5. Commercial operations of the NMMS					
POWER		<ul style="list-style-type: none"> Participate in DOE activities relating to the approval of 				

Corporate Strategies	Corporate Targets	Committee Activities	Targets & Outputs	Required Resources	Lead Dept./WGC	Status
		Target date: Sixty (60) days from the publication of the proposed amendments				
P.1.2 Provide and promote the relevant market information to potential investors and current market players	1. Enhanced WESM website	<ul style="list-style-type: none"> Timely review and approval of reports for publication Recommend enhancements to the PEMC website, as necessary 	<ul style="list-style-type: none"> Published RCC Reports and documents in the PEMC website, within the prescribed timeline Enhanced PEMC website 	<ul style="list-style-type: none"> MAG, ECO, OCGO PEMC, IEMOP, WGCs, DOE, ERC, Budget for meetings, Meeting Rooms 	ISTD	
	2. Conducted Information campaigns, membership meetings, and trainings	Participate in relevant activities and provide inputs, as necessary	<ul style="list-style-type: none"> Attendance to activities 	MAG CPC	CPC	
	4. Glossary of WESM terminologies, aligned with the Philippine Grid Code, Philippine Distribution Code and other relevant documents	Participate in the development of a Consolidated Glossary to harmonize technical terms relevant to the Market, in coordination with the MSC	Inputs on the development of the glossary of WESM terminologies	PEMC IEMOP WGCs	TC CPC	
				DOE ERC		

Corporate Strategies	Corporate Targets	Committee Activities	Targets & Outputs	Required Resources	Lead Dept./WGC	Status
P.2 Indicator: Commercial operations of WESM Mindanao P.2.1 Assess the Market in Mindanao	1. Study on the appropriate market design for Mindanao, including recommended policies, to the DOE 2. Complete the readiness assessment of Mindanao market participants	Provide inputs, as necessary	Inputs on the Mindanao Market Assessment Report, as necessary	MAG OCGO OP DOE ERC	TC CPC	Processed, approved and submitted to the PEM Board the proposed urgent amendments for the calculation of initial prudential requirements for WESM Mindanao:
						<ul style="list-style-type: none"> RCC-RESO-19-01 (22 Feb 2019) PEM Board Resolution No. 2019-10-07 (23 Apr 2019) <p><i>This proposal shall be re-submitted as a general amendment for the final approval and promulgation of the DOE.</i></p>

Corporate Strategies	Corporate Targets	Committee Activities	Targets & Outputs	Required Resources	Lead Dept./WGC	Status
P.3 Indicator: Co-optimization of energy and reserves market						
P.3.1 Advocate for the approval of the PDM	1. Completed the conduct of necessary activities for the implementation of co-optimized energy and reserves markets <ul style="list-style-type: none"> - Secured agreement/commitment from SO - Conducted and participated in coordination/consultations meetings with NGCP-SO, ERC and DOE. 2. Harmonized rules and standards on ancillary services	<ul style="list-style-type: none"> Deliberate on proposed amendments Rules Changes as required by the Reserve Market Present the approved proposed amendments to the BRC and PEM Board Participate in DOE activities relating to the approval of Target date: Sixty (60) days from the publication of the proposed amendments	<ul style="list-style-type: none"> RCC Resolution on the proposed amendment / RCC Updates on the developments of proposed amendments PEM Board approval on the proposed amendments DOE-promulgated amendments 	NGCP-SO OP MAG OCGO OP DOE ERC	OP OCGO	
	3. Benchmarking study on energy and reserves markets co-optimization	Provide inputs, as necessary	Inputs to the Study on Energy and Reserves Markets Co-optimization			
P.4 Indicator: Responsive integration of variable renewable energy (VRE) resources and other new technologies						
P.4.1 Conduct a comprehensive analysis on the integration of the	1. Roadmap and proposed recommendations for the integration of VRE and other technologies into the WESM				CPC TC	

Corporate Strategies	Corporate Targets	Committee Activities	Targets & Outputs	Required Resources	Lead Dept./WGC	Status
variable renewable energy (VRE) and other new technologies into the WESM.	2. Proposed amendments to market rules and guidelines to mitigate the impact and imbalances caused by the integration of VRE in the market	<ul style="list-style-type: none"> Deliberate on amendments ✓ Proposed Amendments related to Forecast Accuracy Standards Present the approved proposed amendments to the BRC and PEM Board Participate in DOE activities relating to the approval of <p>Target date: Sixty (60) days from the publication of the proposed amendments</p>	<ul style="list-style-type: none"> RCC Resolution on the proposed amendment / RCC Updates on the developments of proposed amendments PEM Board approval on the proposed amendments DOE-promulgated amendments 	MAG PEM Board DOE	CPC TC	<p><i>Completed:</i></p> <ul style="list-style-type: none"> Proposed Amendments related to Forecast Accuracy Standards RCC Resolution No. 2019-11 (19 Jul 2019) PEM Board Resolution No. 2019-14-08 Received by DOE on 19 Aug 2019

II. MISSION: EFFICIENCY

Desired Outcome: Exceptional Market Operations: The operations of the market, and the performance of the market operator and service providers are among the best in the global electricity markets.

Corporate Strategies	Corporate Targets	Committee Activities	Targets & Outputs	Required Resources	Lead Dept./WGC	Status
E.1 Indicator: The operation and performance of the Market operator, service providers, and PEMC continue to improve to be among the best in the global electricity markets.						
E.1.1 Establish performance management framework, on market and system operations, and market governance functions with corresponding provisions on incentives and penalties	1) Revised MOPS to include 1. Financial and institutional compliances of the market operator; and 2. global electricity market practices on identified/specific criteria with respect to market and system operations and market governance functions and prescribe the stages to attain global benchmarks to the PEM Board 2) Performance metrics for NGCP-SO	Review/provide inputs/comments on the revised MOPS (Q4 2019)	Inputs to the revised MOPS	MAG OCGO OP DOE/ERC MO SO WESM TPs	MAG PAC	
		Review/provide inputs/comments in the development of System Operator	Inputs/comments to SOPS	MAG OCGO OP	MAG PAC	

Corporate Strategies	Corporate Targets	Committee Activities	Targets & Outputs	Required Resources	Lead Dept./WGC	Status
		Performance Standards (SOPS) (subject to NGCP-SO-IEMOP Protocol)		DOE/ERC MO SO WESM TPs		
	3) Performance metrics for PEMC	Review/provide inputs/comments in the development of performance metrics for PEMC, as necessary	Inputs to the performance metrics of PEMC	MAG OCGO OP DOE/ERC MO SO WESM TPs	CPC	
	4) Performance metrics for MSPs	Review/provide inputs/comments in the proposed rules changes to the metering manual on the enhanced performance metrics for MSPs Target date: two (2) quarters after the finalization of SO-PEMC Protocol	Inputs/comments to the proposed rules changes for the enhanced performance metrics for MSPs	MAG OCGO OP DOE/ERC MO SO WESM TPs	MAG PAC	
E.3 Indicator: Level of compliance with the Market Rules and relevant Market Manuals by the Market Operator and Service Providers						
	1. Performance metrics for the WGCs	Provide inputs/comments on the performance metrics for WGCs	Inputs/comments to the WGCs performance metrics, as necessary	MAG	OCGO	

Corporate Strategies	Corporate Targets	Committee Activities	Targets & Outputs	Required Resources	Lead Dept./WGC	Status
E.3.1 Enhance performance and business processes of WGCs.	2. Enhanced WGC processes based on global best practices	Review of RCC Internal Rules, annual or as may be necessary	Approved RCC Internal Rules	MAG	OCGO	Approved changes to the RCC Internal Rules per RCC-RESO-19-08 (21 Jun 2019)
E.4 Indicator: Strengthened coordination with the IEMOP, NGCP and other service providers						
E.4.1 Establish effective protocols with service providers	1. PEMC- IEMOP protocol	Provide inputs in the development of protocols	Inputs to the development of protocols			
	2. PEMC- NGCP-SO protocol					
	3. PEMC-MSPs protocol					

III. Mission: MARKET
Desired Outcome Dynamic Market: PEMC conducts the development and appropriate implementation of a responsive market.

Corporate Strategies	Corporate Targets	Committee Activities	Targets & Outputs	Required Resources	Lead Dept./WGC	Status
M.1. Indicator: Commercial operations of RE Market						
M.1.1 Establish the RE Market	1. Appropriate systems for the RE Market	<ul style="list-style-type: none"> Deliberate on proposed amendments Rules Changes to the WESM Rules and manuals as required by REC Market, Renewable Portfolio Standards and Green Energy Option Program 	<ul style="list-style-type: none"> RCC Resolution on the proposed amendment / RCC Updates on the developments of proposed amendments 	MAG OCGO OP	CPC	
	2. Completed necessary activities in coordination with the DOE for the establishment of the RE Market					
	3. Completed the necessary preparations within PEMC for the operations of the RE Market	<ul style="list-style-type: none"> Present the approved proposed amendments to the BRC and PEM Board 	<ul style="list-style-type: none"> PEM Board approval on the proposed amendments 			
	4. Capacity-building activities on the operations of the RE Market for the market participants	<ul style="list-style-type: none"> Participate in DOE activities relating to the approval of rules change related to REC market 	<ul style="list-style-type: none"> DOE-promulgated amendments 			
MARKET						

Corporate Strategies	Corporate Targets	Committee Activities	Targets & Outputs	Required Resources	Lead Dept./WGC	Status
		Target date: Sixty (60) days from the publication of the proposed amendments				
M.2 Indicator: Implementation of demand-side participation						
M.2.1 Propose policies on alternative demand side resources and accounting for demand side resources	1. Study on the proposed design for the demand-side participation	Provide inputs on the proposed design for demand-side participation	Inputs to the Study on the Proposed Design for the Demand-Side Participation	MAG ECO OCGO OP	CPC TC	
M.3. Indicator: Decision to implement the Financial Transmission Rights						
M.3.1 Conduct a study on the viability to implement FTRs provider to their audit action plans	1. Study on the viability to implement FTRs	Provide inputs on the Study on the Viability of Financial Transmission Rights (FTRs)	Inputs to the Report on the Viability of FTRs	MAG	MAG MSC	
M.4. Indicator: Commercial operations of Derivatives Market						
M.4.1 Recommend policies on the effective implementation of derivatives market	1. Study on the proposed design for the electricity derivatives market in consideration of the previous study with recommended policies and	Provide inputs on the proposed design for the electricity derivatives market	Inputs to the proposed design for the electricity derivatives market	MAG	CPC PAC	

Corporate Strategies	Corporate Targets	Committee Activities	Targets & Outputs	Required Resources	Lead Dept./WGC	Status
	proposed ways forward to the DOE.					

IV. MISSION: GOVERNANCE

Desired Outcome: Empowered Governance: PEM Board and Governance Committees attain timely, responsive and strategic goals that are consistent with the market objectives and the changing electricity landscape

Corporate Strategies	Corporate Targets	Committee Activities	Targets & Outputs	Required Resources	Lead Dept./WGC	Status
G.1. Indicator: Timely provision of adequate support and information required by the WESM Governance Committees and PEM Board						
G.1.1 Coordinate the overall operations and activities of the PEM Board, WESM Governance Committees	1. Timely provision of secretariat and technical support to the PEM Board and Committees relevant to their decision making functions	Participate in PEM Board and related meetings and activities as resource persons for the presentation of RCC proposed amendments and reports	Attendance to the PEM Board Activities	MAG OP OCGO	CORSEC MAG CPC	Submitted and presented the following proposals to the PEM Board during its meetings on: <ul style="list-style-type: none"> • 27 March 2019: <ul style="list-style-type: none"> ○ Proposed Amendments for Enhancements to the Determination of Initial Prudential Requirements ○ Proposed Amendments to the Market Manuals to Reduce Barriers to Entry and Participation in Retail Competition

Corporate Strategies	Corporate Targets	Committee Activities	Targets & Outputs	Required Resources	Lead Dept./WGC	Status
						<ul style="list-style-type: none"> ○ Proposed Amendments to the WESM Rules and Manual on Guidelines on Significant Variations in and between Trading Intervals ○ Proposed Amendments to Provisions related to Audit and Performance Monitoring under Market Rules and Manuals • 29 May 2019: <ul style="list-style-type: none"> ○ Proposed Urgent Amendments on the Contingency Plan during Prolonged Market System Failure ○ Proposed Amendments to Provisions related to
MARKET						

Corporate Strategies	Corporate Targets	Committee Activities	Targets & Outputs	Required Resources	Lead Dept./WGC	Status
G.1.1 Formulate and implement the Committee Work Plans that are responsive to the needs of the industry	<ol style="list-style-type: none"> 1. Committee Work Plan 2. Timely completion of committed activities 3. Monitoring and assessment report on the implementation of the committed activities 	<ul style="list-style-type: none"> • Participation in PEMC Strategic Planning activities – attendance to meetings and workshops; • Formulation of the RCC Work Plan and completed activities within committed timelines 	<ol style="list-style-type: none"> 1. Participation to PEMC Strategic Planning activities 2. Approved Work Plan 3. Completed activities within committed timelines 			Audit and Performance Monitoring under Market Rules and Manuals <ul style="list-style-type: none"> ◦ Proposed Amendments to the WESM Registration Manual
						<ul style="list-style-type: none"> • Approved the RCC 2019 Work Plan for transmittal to the PEM Board and to be published in the PEMC Website on 25 April 2019 • Monitored RCC activities for January - June 2019
G.2. Indicator: Adequate composition of WGC membership and PEM Board Sub-Committees						
G.2.1 Coordinate and facilitate the selection and creation of the PEM Board sub-committees and WESM Governance Committees	<ol style="list-style-type: none"> 4. Enhanced Guidelines Governing the Constitution of the PEM Board Committees 	<ul style="list-style-type: none"> • Deliberate on proposed amendments related to the Guidelines Governing the Constitution of the PEM Board Committees 	<ul style="list-style-type: none"> • RCC Resolution on the proposed amendment / RCC Updates on the developments of proposed amendments • PEM Board approval on the proposed amendments 	MAG OP OCGO	CORSEC MAG CPC	
MARKET						

Corporate Strategies	Corporate Targets	Committee Activities	Targets & Outputs	Required Resources	Lead Dept./WGC	Status
		<ul style="list-style-type: none"> Present the approved proposed amendments to the BRC and PEM Board Participate in DOE activities relating to the approval of proposed amendments 	<ul style="list-style-type: none"> DOE-promulgated amendments 			
G.3 Indicator: Responsive market rules and manuals						
G.3.1. Assess the effectiveness of market rules and manuals and propose amendments, as necessary	1. Proposed amendments to WESM Rules, manuals and market processes 2. Mapped WESM Rules and WESM Manuals 3. "Rules Responsiveness or Effectiveness Metrics"	<ul style="list-style-type: none"> Deliberate on proposed amendments: <ul style="list-style-type: none"> ✓ Proposed Amendments to the WESM Registration Manual to Include Additional Modeling Requirements and Procedures ✓ Proposed Amendments to the WESM Registration Manual to Harmonize with the WESM Rules ✓ Proposed Amendments to the WESM Registration Manual to 	<ul style="list-style-type: none"> RCC Resolution on the proposed amendment / RCC Updates on the developments of proposed amendments 	IEMOP PEMC	MAG RCC	<ul style="list-style-type: none"> Approved the following proposals through the corresponding resolutions: <ul style="list-style-type: none"> ✓ RCC-RESO-19-01: Proposed Urgent Amendments to the (1) WESM Rules and (2) WESM Manual on Billing and Settlement for Enhancements to the
MARKET						

Corporate Strategies	Corporate Targets (sample: Effectiveness of Prudential requirements rules)	Committee Activities	Targets & Outputs	Required Resources	Lead Dept./WGC	Status
		<ul style="list-style-type: none"> ✓ Clarify Basis for Registered Capacities ✓ Proposed Amendments to the WESM Rules and WESM Registration Manual on MSP Performance Monitoring ✓ Proposed Amendments to the Forecast Accuracy Standards Manual ✓ Proposed Urgent Amendments Regarding the Contingency Plan during Prolonged Market System Failure ✓ Proposed Amendments to the Market Manuals to Reduce Barriers to Entry and Participation in Retail Competition ✓ Proposed Amendments to the WESM Rules and Manual on Significant Variations in and between Trading Intervals ✓ Proposed Amendments to the WESM Rules and Manual on Monitoring under Market Rules and Manuals 	<ul style="list-style-type: none"> • PEM Board approval on the proposed amendments • DOE-promulgated amendments 			<p>Determination of Initial Prudential Requirements ✓ RCC-RESO-19-02: Proposed Amendments to the Market Manuals to Reduce Barriers to Entry and Participation in Retail Competition</p> <p>✓ RCC-RESO-19-03: Proposed Amendments to the WESM Rules and Manual on Guidelines on Significant Variations in and between Trading Intervals</p> <p>✓ RCC-RESO-19-04: Proposed Amendments to Provisions related to Audit and Performance Monitoring under Market Rules and Manuals</p> <p>✓ RCC-RESO-19-05: Proposed Amendments to the WESM Registration Manual</p> <p>✓ RCC-RESO-19-06: Proposed Amendments</p>
MARKET						

Corporate Strategies	Corporate Targets	Committee Activities	Targets & Outputs	Required Resources	Lead Dept./WGC	Status
		<ul style="list-style-type: none"> ✓ Proposed Urgent Amendments to the (1) WESM Rules and (2) WESM Manual on Billing and Settlement for Enhancements to the Determination of Initial Prudential Requirements ✓ Proposed Amendments to the WESM Metering Manual Issue 12.0 				<p>to the WESM Rules and WESM Registration Manual on MSP Performance Monitoring</p> <ul style="list-style-type: none"> ✓ RCC-RESO-19-07: Proposed Urgent Amendments Regarding the Contingency Plan during Prolonged Market System Failure • Refer to IV, G.1.1 (page 9) for the proposals presented to the PEM Board