

MINUTES OF THE RULES CHANGE COMMITTEE 141st REGULAR MEETING (No. 2018-05)	
Meeting Date & Time:	01 June 2018, 9:00 AM to 3:00 PM
Meeting Venue:	19/F Conference Room, Robinsons Equitable Tower, Ortigas Center, Pasig City
Attendance List	
In-Attendance	Not In-Attendance
Rules Change Committee Principal Members: Maila Lourdes G. de Castro, Chairperson – Independent Francisco Leodegario R. Castro, Jr. – Independent Concepcion I. Tanglao – Independent Allan C. Nerves–Independent Abner B. Tolentino – Generation (PSALM) Jose Ildebrando B. Ambrosio – Generation (Northwind) Ciprinilo C. Meneses – Distribution (MERALCO) Jose P. Santos –Distribution (INEC) Lorreto H. Rivera – Supply (TPEC) Ambrocio R. Rosales – System Operator (NGCP) Isidro E. Cacho – Market Operator (PEMC)	
Other attendees: PEMC – Market Assessment Group (MAG) Carlito C. Claudio Elaine D. Gonzales Geraldine A. Rodriguez Divine Gayle C. Cruz Aldjon Kenneth M. Yap Hiyasminh Aleia D. Dagum	
Ludovico D. Lim – Distribution (ANTECO)	

PEMC – Enforcement and Compliance Office (ECO)

Atty. Hazel Gubaton-Lopez

Market Surveillance Committee

Dr. Peter Lee U

DOE Observers

Ferdinand B. Binondo

Ed Fernandez

Ann Margaret Andres

Kevin Lloyd de los Santos

- 1 There being a quorum, Chairperson Maila Lourdes G. de Castro called the meeting to order at
2 around 9:00 AM.

3 **1. Adoption of the Proposed Agenda**

- 4
5 The Secretariat requested for the RCC's permission to include in the agenda, the recent
6 promulgations of the DOE, for the RCC's information.

- 7
8 There being no other matters to be included in the proposed agenda, the RCC adopted the
9 proposed agenda as revised.

10 **2. Review of the Minutes of the Previous Meeting**

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Agreements/Action Plans

The RCC approved the minutes of the 140th RCC Meeting held on 04 May 2018, as submitted.

3. New Business

3.1. Consultation on the Proposed WESM Penalty Manual Issue 2.0

Dr. Peter Lee U, in behalf of the Market Surveillance Committee (MSC), presented the revisions to the proposed WESM Penalty Manual (hereafter referred to as Issue 2.1) to solicit comments from the Rules Change Committee. It was recalled that the proposed WESM Penalty Manual Issue 2.0 was already published for comments in August 2017, but went through further review by the MSC to introduce, among others, the automatic penalty scheme. Dr. U informed the RCC that these further revisions were already presented for consultation with the PEMC Transition Committee and the PEM Board, and published on 24 May 2018 for comment by WESM stakeholders.

Dr. U presented the overview of the proposed process in imposing penalties as shown in Figure 1. He explained that the process starts by counting the possible non-compliances and determining the number of breaches, the same generated automatically by the Compliance Monitoring (CMON) Module. Afterwards, the affected Trading Participants are then notified of their recorded possible non-compliances and required to submit an explanation together with supporting documents and corresponding System Operator reports. Upon assessment of the explanation and supporting documents, the MSC then decides if the counted non-compliances shall be imposed with a penalty or shall be issued with a non-compliance letter by the PEMC – Enforcement and Compliance Office (PEMC-ECO).

PROPOSED WESM PENALTY MANUAL

Proposed Process (with Specified Penalty Level)

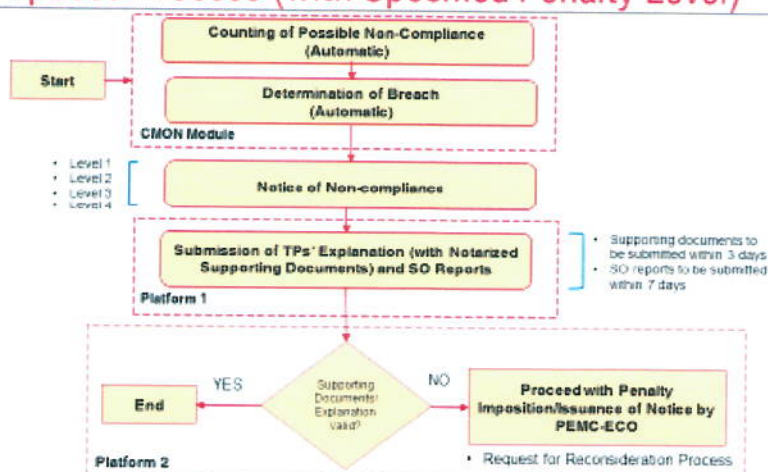


Figure 1 Overview of the Proposed Process

Dr. U also presented the process to be observed in requesting for reconsideration as illustrated in Figure 2. He stated that this proposed procedure was proposed not to be applicable for penalties with amounts less than one million pesos (Php 1 Million), but after the same was presented to the PEM Board for consultation, was recommended by the Board, to be applicable to all Trading Participants regardless of the amount.

PROPOSED WESM PENALTY MANUAL

Process - Request for Reconsideration

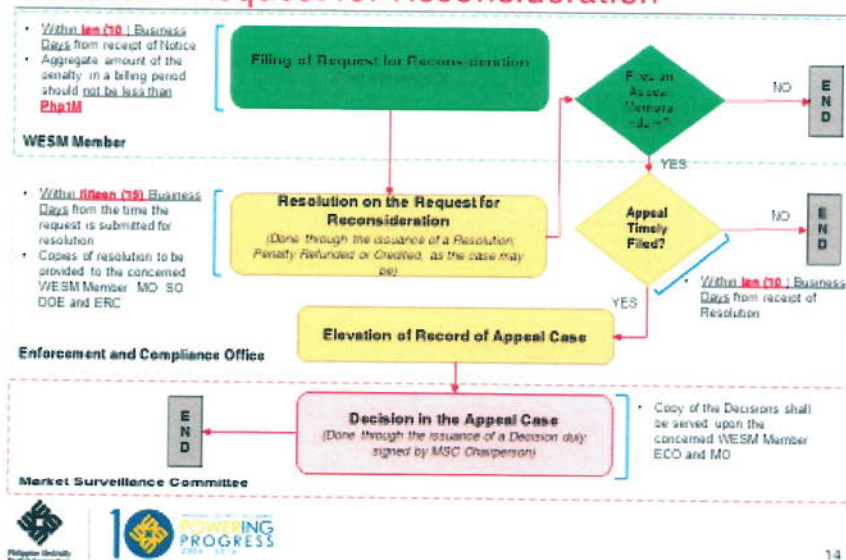


Figure 2 Process for Request for Reconsideration

Regarding the procedure on requests for reconsideration, Mr. Abner B. Tolentino raised that there are instances when Trading Participants directly request for reconsideration from the Energy Regulatory Commission (ERC). He then inquired if this has been considered in the amendments. Dr. U opined that this may be a prerogative of the Trading Participants, but where PEMC and the Penalty Manual are involved, the procedures provided shall be followed. It was also clarified by Atty. Gubaton-Lopez that arbitration and mediation are not applicable in these cases as the imposition of penalties is regulatory in nature, while matters related to compensation are settled through arbitration and mediation.

Dr. U then presented the summary of changes to the proposed Manual, as follows:

- (1) Clarified the scope of application of the penalty system to cover only breaches of the WESM and Retail Rules but not instances of anti-competitive behaviour or abuse of market power;

- (2) Revised penalty levels based on the nature of breach;
- (3) Clarified the application of the penalty system on categories of non-compliances based on the schedule of breaches. This includes the schedule of breach and corresponding applicable penalties and penalty levels;
- (4) Clarified that the DOE rather than the MSC shall promulgate the WESM Penalty Manual following consultations with the RCC, PEM Board and WESM stakeholders;
- (5) Provided that PEMC Management instead of the PEM Board shall impose penalties to streamline the process and mitigate conflicts of interest;
- (6) Shortened the monitoring and assessment process to avoid prolonged investigation and penalty imposition period;
- (7) Provided that imposed penalties are already executory but may be requested for reconsideration at a certain threshold level. Penalties paid will be refunded to the Trading Participant's account if the request for reconsideration is granted.
- (8) Clarified that the imposition of penalties cannot be subjected to WESM dispute resolution.

On the schedule of breaches, Mr. Ambrocio R. Rosales clarified if the imposition of penalties is only applicable for the breaches related to the dispatch of generators, since there are WESM Rules clauses that have long since been not complied with by certain WESM Participants. Atty. Hazel M. Gubaton-Lopez clarified that the schedule of breaches also enumerates other types of breaches other than non-compliance to the "must-offer rule" and RTD schedule (e.g., non-submission of network standing data, non-compliance to forecast accuracy standards). However, only non-compliances to the MOR and the RTD schedule can be monitored automatically through the CMON Module of the new Market Management System. All other possible non-compliances will still go through the usual investigation process by the ECO, but these would have to be reported first by the Market Operator or the System Operator. The requests for investigation will then be submitted to the PEM Board.

Mr. Rosales inquired on the procedures and timeline for the notification of possible non-compliances. Atty. Gubaton-Lopez explained that the notification shall be done daily through the CMON Module but the monitoring shall be done near real-time (e.g. for possible non-compliance to dispatch tolerance – after the dispatch interval, for possible non-compliance to must offer rule – after one hour). The submission for explanation on these tagged possible non-compliances by the Trading Participants shall be submitted on a per day basis after three (3) days of the receipt of notification.

Mr. Ciprinilo C. Meneses, on the other hand, inquired about the imposition of penalties to must dispatch generation units which do not comply with their dispatch schedule. Atty. Gubaton-Lopez stated that the same is included in the proposed schedule of breaches. Meanwhile, for generators operating on Automatic Generation Control (AGC) mode, exemption to tagging of possible non-compliance shall still be validated through the System Operator report.

For the computation of amounts of penalties, Atty. De Castro inquired if there is a basis for the same. Atty. Gubaton-Lopez explained that the amounts were based on the previous schedule of breaches from the Penalty Manual but are actually lower. These changes to the schedule were partly based on the study by the Market Surveillance Committee. Atty. De Castro further inquired if penalties would bear interest in case the Trading Participants do not settle the same. Atty. Gubaton-Lopez stated that on the proposed schedule of breaches, interest shall be charged based on the prevailing legal rate at the time of the penalty's collection. She also added that if the receivables of a certain Trading Participant are sufficient to cover its imposed penalty, then the same will be netted out from the receivables. Otherwise, a collection shall be facilitated by the PEMC.

Mr. Tolentino inquired if there are exemptions for cases when the imposed penalties to Trading Participants would make its status bankrupt. Atty. Gubaton-Lopez explained that based on simulations conducted on the amount of penalties under the new WESM Penalty Manual, the maximum penalty to be imposed per month for non-compliances to the must offer rule is only at Php 1.5M. However, for penalties to dispatch conformance standards, it will be done on a per dispatch interval basis.

There being no other matters left for discussion, the RCC was informed that the deadline for the submission of comments to the proposed WESM Penalty Manual Issue 2.1 will be on 06 July 2018. The RCC agreed to review the Proposed Amendments to the WESM Penalty Manual and submit its comments, if any, to the Secretariat for consolidation and transmittal to the Market Surveillance Committee on or before the mentioned deadline.

Please find the attached Annex A for the MSC Presentation Material

Agreements/Action Plans

The RCC agreed to review the Proposed Amendments to the WESM Penalty Manual and submit its comments, if any, to the Secretariat for consolidation and transmittal to the Market Surveillance Committee on or before 06 July 2018.

3.2. Further Revisions to the WESM Rules and WESM Manual on Market Surveillance pertaining to the Proposed Penalty Manual

Dr. U explained that the additional amendments to the WESM Rules and MSC Manual are necessary to be consistent with the further revisions to the proposed WESM Penalty Manual as provided in item 3.1. These changes to the WESM Rules and MSC Manual are in addition to the proposed amendments duly deliberated and subsequently approved by the RCC last August 2017, but were deferred for endorsement to the PEM Board upon the MSC's request due to impending revisions to the Penalty Manual at that time.

The summary of additional proposed changes to the WESM Rules and the MSC Manual are as follows:

- (1) Provide that the DOE rather than the MSC shall promulgate the WESM Penalty Manual following consultations with the RCC, PEM Board and WESM stakeholders;
 - (2) Retain the MSC's responsibility in monitoring anti-competitive behaviour, which mandate was recommended to be removed from the MSC in the 2017 proposal; and
 - (3) Include the MSC's responsibility to issue decisions on requests for reconsideration.
- The RCC approved the publication of the proposed amendments.

There being no inquiries raised, the RCC approved the publication of the Proposed Further Amendments to the WESM Rules and WESM Manual on Market Surveillance pertaining to the Proposed Penalty Manual.

Please find the attached Annex A for the MSC Presentation Material

Agreements/Action Plans
The RCC approved the publication of the Proposed Further Amendments to the WESM Rules and WESM Manual on Market Surveillance pertaining to the Proposed Penalty Manual

3.3. Further Revisions to the WESM Rules and WESM Manual on Enforcement and Compliance

Atty. Gubaton-Lopez, from the PEMC-ECO, explained that the submitted proposal to further revise the WESM Rules and the proposed ECO Manual are necessary to align the enforcement and compliance procedures with those of the MSC's as specified in the proposed WESM Penalty Manual. These further revisions are in addition to the proposed amendments to the same documents duly deliberated and subsequently approved by the RCC last August 2017, but which were deferred for endorsement to the PEM Board due to impending revisions to the Penalty Manual at that time.

The illustrations below show the major changes in the procedures on Compliance Monitoring. Atty. Gubaton-Lopez explained that from the previous proposal, an initial assessment is done on whether there is a breach or none. Afterwards, these assessments will either be filtered out or approved to proceed with the investigation. Meanwhile, in view of the changes to the WESM Penalty Manual, a complete assessment will now be undertaken and an assessment shall be made whether a notice of penalty shall be issued or not. She further explained that the changes will no longer require investigations which are already embedded in the compliance monitoring.

Further Amendments

Change in the Enforcement Procedure and Action

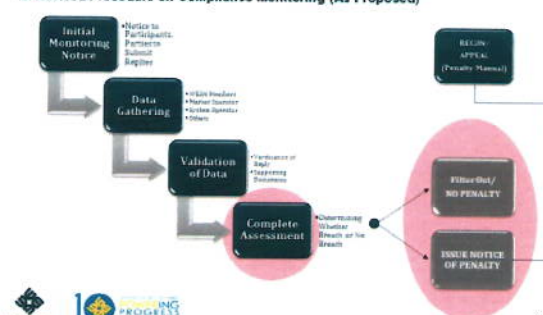
A. Original Procedure on Compliance Monitoring (RCC-Approved, Aug 2017)



Further Amendments

Change in the Enforcement Procedure and Action

B. Revised Procedure on Compliance Monitoring (As Proposed)



Atty. Gubaton-Lopez then presented highlights of the proposed further changes as follows:

- (1) Clarified the roles and obligations of the parties involved in the compliance monitoring and assessment processes, particularly, the Compliance Committee, the ECO, the PEM Board, and the Market Operator, and the System Operator;
- (2) Provided that penalty shall be imposed upon the ECO's finding of breach as a result of its compliance monitoring and assessment activity. This activity covers

not only data gathering but also validation, assessment and analysis of data and information submitted by Trading Participants, Market Operator, System Operator and other relevant information from various sources;

(3) Provided that investigations may be initiated for breaches that do not emanate from the ECO's compliance monitoring and assessment process through requests for investigation or report of probable breach from the Market Operator, System Operator, WESM Members or from the directive of the ERC; and

(4) Provided that the concerned WESM Member may seek a reconsideration of the Notice of Specified Penalty in accordance with the procedures and subject to the requirements provided in Penalty Manual 2.0.

With regard to the Compliance Committee, Atty. Gubaton-Lopez stated that in the approved WESM Rules amendments regarding the implementation of the approved transition plan to the Independent Market Operator, the Market Surveillance Committee shall discharge the functions of the Compliance Committee pending the formation of the same.

For emphasis, Atty. Gubaton-Lopez presented the conditions for effectivity of the proposal as follows:

(1) The proposal is anchored on the commencement of the new Market Management System (MMS). Thus, it is proposed that amendments be made effective upon the commercial operation of the new MMS; and

(2) The proposal, if approved, will result to significant changes in the enforcement and compliance processes in the WESM, and as such, will require a re-structuring of the PEMC Enforcement and Compliance Office. It is then proposed that the proposal be made effective on the start of the billing period after completion of the re-structuring of the PEMC-ECO and other relevant PEMC units.

After the presentation, Mr. Tolentino inquired if there is a transitory provision related to compliance monitoring, considering that the CMON Module is still undergoing system audit. Atty. Gubaton-Lopez explained that PEMC-ECO had internal meetings with the Market Surveillance Committee and the parties agreed that upon re-structuring of PEMC-ECO, the compliance monitoring shall be done by the PEMC-ECO based on the current provisions of the WESM Penalty Manual.

There being no other matters left for discussion, the RCC approved the publication of the proposed amendments.

Please find the attached Annex B for the PEMC-ECO Presentation Material

Agreements/Action Plans

The RCC approved the publication of the Proposed Further Amendments to the WESM Rules and WESM Manual on Enforcement and Compliance pertaining to the Proposed Penalty Manual

4. Other Matters
4.1. DOE Presentation on Cross-Grid Power Supply Agreement and Line Rental Concern

Mr. Ed Fernandez presented the issues concerning cross-grid power supply contracts approved by the ERC, which contracts may have caused noticeably high line rental amounts. In the data presented by Mr. Fernandez, he showed that there were instances where electric cooperatives have been charged with high line rental prices due to such arrangements. Meanwhile, he said that based on the DOE data, generators, which mostly shoulder line rental charges in power supply agreements, earned from the settlement of line rentals.

He then informed the RCC of cases where certain distribution utilities located in Luzon had existing power supply contracts with generation companies situated in Visayas. He stated that the supply will then pass through numerous transmission lines and the high voltage direct current (HVDC) cable, which he noted are not bi-directional and which would take several minutes to change its polarity. Mr. Rosales agreed with the said statement and raised his concerns regarding the computation for system loss charges for embedded generators which have contracts outside the network of its host distribution utility.

According to Mr. Fernandez, in order to attain lesser prices in contracts, the rule of thumb that should be considered should be as follows:

"A large Line Rental amount due to line loss should be a signal for the Customer to look closer at their existing supply contracts and source out nearer Generator/Suppliers."

"If there is congestion in the Transmission Line System a more expensive plant will have to be dispatched."

On another note, Mr. Fernandez also presented that formula in calculating line rental as follows:

$$\text{Line Rental} = BCQ \times (LMP_{\text{receiving}} - LMP_{\text{sending}})$$

$$\text{Line Rental} = BCQ \times (EAP_{\text{load}} - EAP_{\text{generator}})$$



He stated that the ex-ante price (EAP) and the locational marginal price (LMP) affect the line rental calculation. He then presented the market clearing prices for the Visayas region which were mostly set by the generator with power supply agreements in the Luzon region at -10,000 pesos. This amount, if substituted for the line rental formula will result to higher prices of line rental.

To conclude his presentation, Mr. Fernandez requested the RCC to look into the following concerns and determine if WESM Rules change is necessary:

- (1) Does the aforementioned assumption on Line Rental amount apply to cross-grid bilateral supply contracts?
- (2) What is the material effect of cross-grid bilateral supply contract between the load and generator? How does it affect the paying consumers?
- (3) Review and identify current approved PSAs with existing cross-grid power supply contract.
- (4) Review current line rental formula computation if it reflects actual system loss and line congestion costs.
- (5) Is there a need to examine the ERC's methodology in the approval of PSA among cross-grid PSAs?
- (6) What are the reasons why some line rental charges are being credited instead of being debited?
- (7) What is the line rental rate/charges imposed to the 167 MW Coal-Fired Power Plant Iloilo City, Panay?
- (8) What is the advantage of bidding at negative cap (-10,000) for a typical generation company trader?

Mr. Tolentino added that the study should also consider those power supply agreements which exceed the capacity of transmission lines, most especially in Visayas.

Atty. De Castro inquired if Mr. Fernandez has already thought of any proposed amendments relevant to the issues raised regarding the calculation of line rental. Mr. Fernandez stated that these are only his hypotheses and he is requesting for the RCC's assistance on the same. Atty. De Castro then recalled that the RCC already approved

amendments related to line rental calculation submitted by PEMC. The Secretariat then explained that the amendments only removed the line rental in the billing statements of the Trading Participants to reflect only the total trading amounts on the same.

On another note, Mr. Francisco L.R. Castro, Jr. commented that some of the issues raised are beyond the jurisdiction of the RCC to look into, particularly those regarding ERC-approved power supply agreements (e.g., ERC's methodology). Meanwhile, for all other concerns for which the Market Operator already has the relevant data and information to conduct a study, the RCC requested PEMC's Market Assessment Group to undertake the study which it will use as basis to determine whether or not rules change is necessary.

Please find the attached Annex C for the DOE Presentation Material

Agreements/Action Plans
The RCC requested PEMC's Market Assessment Group to undertake the study which it will use as basis to determine whether or not rules change is necessary.

4.2. PEM Board Updates

The RCC was informed of the PEM Board's approval of the following proposals, as submitted, during its 136th meeting on 30 May 2018:

- (1) Proposed Amendments to the WESM Rules and Market Manuals on the Participation of Energy Storage Systems in the WESM; and
- (2) Proposed Amendments to the WESM Rules and WESM Manual on Registration, Suspension and De-registration Criteria and Procedures for Additional Trading Participant Category – *Wholesale Electricity Market Trader*.

4.3. Proposals Promulgated by the DOE

The RCC was informed that the following proposals were promulgated by the DOE for the implementation of the enhanced WESM design/operations and the new Market Management System:

- (1) **DC2018-04-0007** – *Adopting Further Amendments to the Wholesale Electricity Spot Market (WESM) Rules and Market Manual on Dispatch Protocol for the Implementation of Enhancements to WESM Design and Operations;*

- (2) **DC2018-04-0008** – *Adopting Further Amendments to the Wholesale Electricity Spot Market (WESM) Market Manuals on Billing and Settlement and Load Forecasting Methodology for the Implementation of Enhancements to WESM Design and Operations;*
- (3) **DC2018-04-0009** – *Adopting Further Amendments to the Retail Rules and Its Market Manual on Metering Standards and Procedures for the Implementation of Enhancements to WESM Design and Operations;*
- (4) **DC2018-04-0010** – *Adopting Further Amendments to the Wholesale Electricity Spot Market (WESM) Rules, Retail Rules and Retail Market Manual on Metering for Clarifications on Retail Market Integration;*
- (5) **DC2018-04-0011** – *Adopting Further Amendments to the Wholesale Electricity Spot Market (WESM) Market Manual on Market Operator Information Disclosure and Confidentiality for the Implementation of Enhancements to WESM Design and Operations; and*
- (6) **DC2018-04-0012** – *Adopting Further Amendments to the Wholesale Electricity Spot Market (WESM) Market Manuals on Price Determination Methodology and Constraint Violation Coefficients and Pricing Re-Run for the Implementation of Enhancements to WESM Design and Operations.*

4.4. Review of the RCC Work Plan

The Secretariat presented the updates on the 2018 RCC Work Plan as follows:

1. Proposed Amendments to the WESM Manual on Metering Standards and Procedures regarding Metering Services Providers - The same has yet to be submitted by PEMC. The same is due until the end of the second quarter;
2. Proposed Amendments regarding representation of Retail Electricity Suppliers in the WESM Model and Exclusion of Contestable Customers in Registering as Indirect / Direct WESM Members and Establishment of Process for their Mapping through their Retail Electricity Suppliers
 - Mr. Isidro E. Cacho, Jr., confirmed that this proposal will be submitted by PEMC within the third quarter of the year;
3. Rules Changes required to address operational audit
 - Mr. Cacho stated that this is for confirmation if the same shall still be submitted since the new Market Management System already addresses the findings on this audit;

4. Rules Changes as required by Renewable Energy Market, Renewable Portfolio Standards and Green Energy Option Program

- Mr. Cacho informed the RCC that that proposed manuals are currently being drafted for submission to the RCC.

The RCC noted that information.




5. Next Meeting

The RCC agreed to hold subsequent meetings on the following schedules:

- **06 July 2018**
- **03 August 2018**
- **07 September 2018**

6. Adjournment

There being no other matters for discussion, the meeting was adjourned at 12:03 PM.

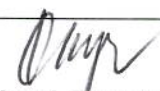
Prepared By:	Reviewed By:	Noted By:
 Aldjon Kenneth M. Yap Analyst – Market Governance Administration Unit	 Geraldine A. Rodriguez Assistant Manager – Market Governance Administration Unit	 Elaine D. Gonzales Manager – Market Data and Analysis Division
Market Assessment Group	Market Assessment Group	Market Assessment Group




Approved by:
RULES CHANGE COMMITTEE


Maila Lourdes G. de Castro
Chairperson
Independent


Members:



Concepcion I. Tanglao
Independent

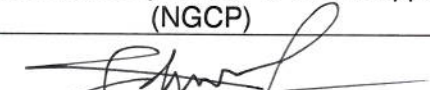

Francisco L.R. Castro, Jr.
Independent



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)

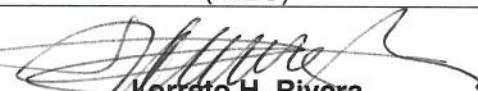

Abner B. Tolentino
Generation Sector
Power Sector Assets and Liabilities Management
Corporation (PSALM)


Jose Ildebrando B. Ambrosio
Generator Sector
NorthWind Power Development Corp.
(NorthWind)


Ciprinilo C. Meneses
Distribution Sector (PDU)
Manila Electric Company
(MERALCO)


Jose P. Santos
Distribution Sector (EC)
Ilocos Norte Electric Cooperative, Inc.
(INEC)

Ludovico D. Lim
Distribution Sector (EC)
Antique Electric Cooperative, Inc.
(ANTECO)


Korreto H. Rivera
Supply Sector
TeaM (Philippines) Energy Corporation
(TPEC)



Consultation on the Proposed WESM Penalty Manual

Presentation to the Rules Change Committee

01 June 2018
19/F Meeting Room

ACTION REQUESTED

- Request for Comments on the Proposed WESM Penalty Manual



BACKGROUND

**WESM Rules
Clause 1.6.3**

The MSC is mandated to design and promulgate, and thereafter regularly review, penalty levels and appropriate range of penalties for breaches of the WESM Rules

The MSC will conduct consultations with the Rules Change Committee and the PEM Board in its formulation of the penalty levels and appropriate range of penalties.



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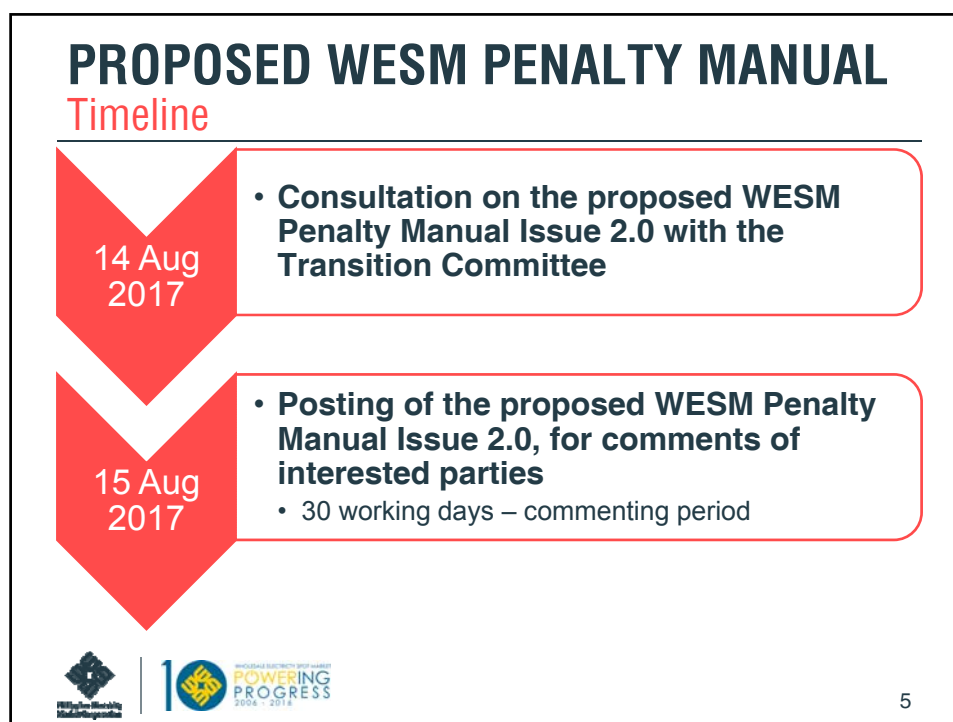
BACKGROUND

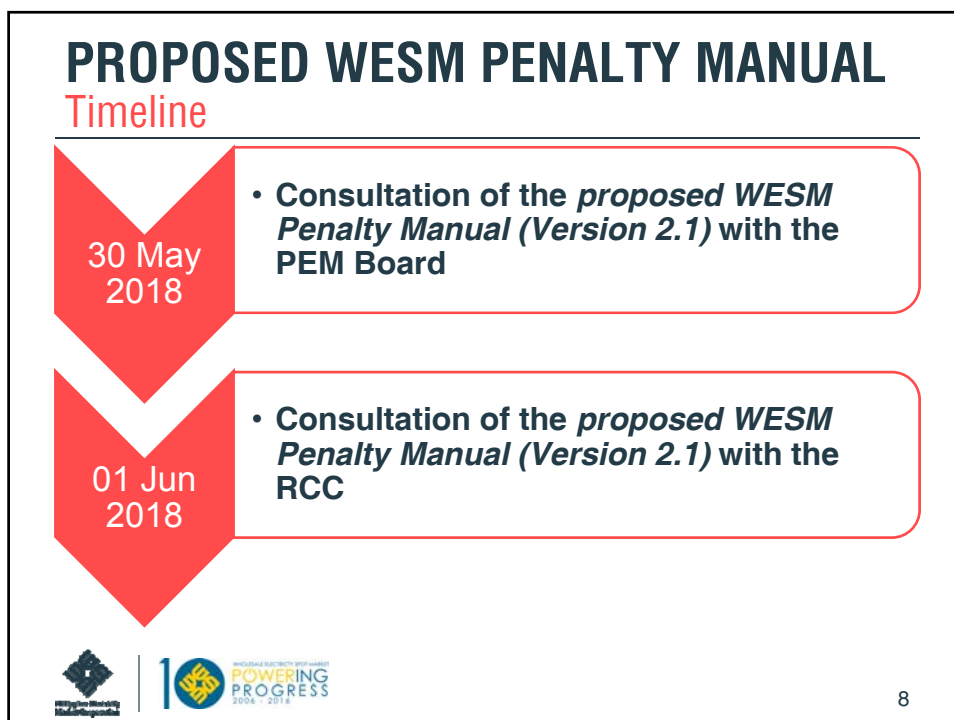
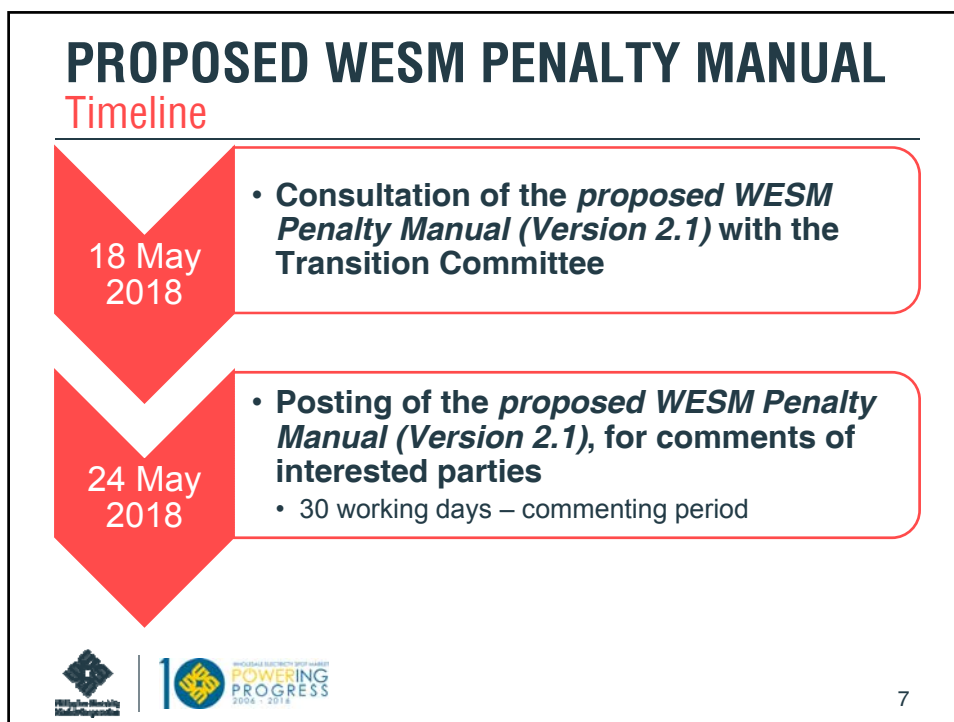
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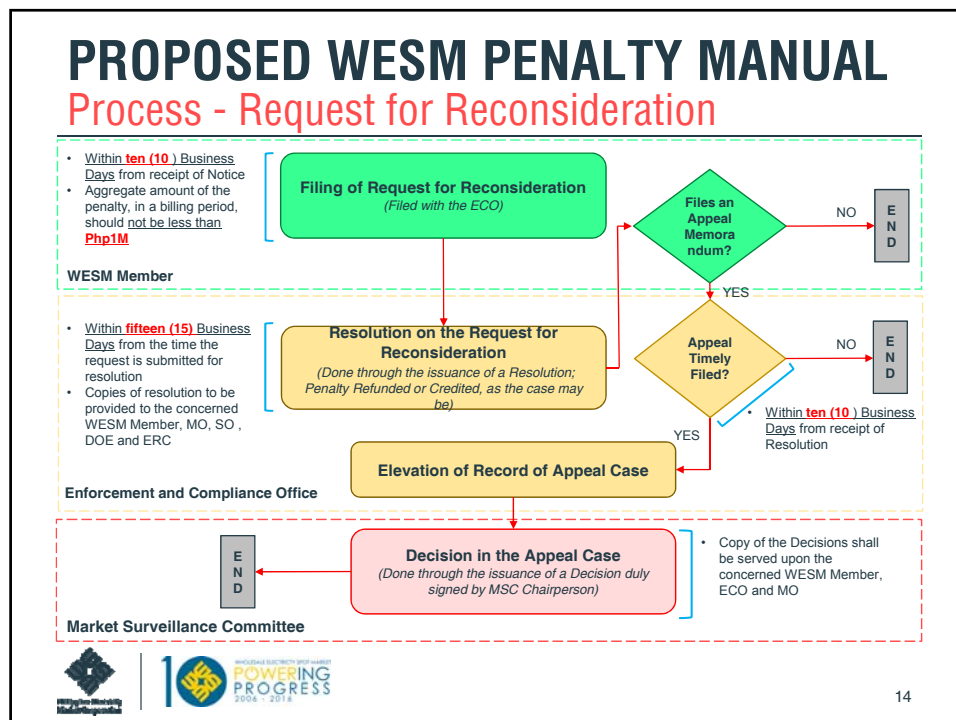
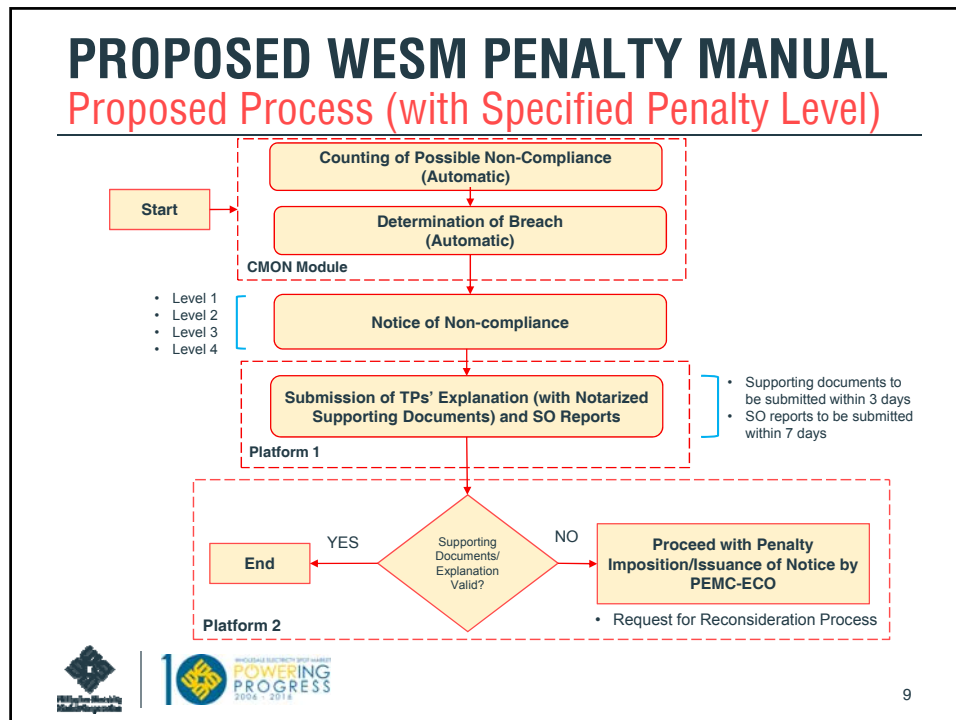
MSC promulgated the WESM
Financial Penalty Manual Issue
1.0



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PROPOSED WESM PENALTY MANUAL

Summary of Major Revisions

1. Definition and clarification of the scope of application of the penalty system

- **Scope of Application**

- Covers breaches of the WESM Rules and Retail Rules
- Not applicable for anti-competitive behavior or abuse of market power



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PROPOSED WESM PENALTY MANUAL

Summary of Major Revisions

2. Penalty levels and qualifying circumstances

- **Revision of penalty levels**

- Covers both non-financial and financial penalties, taking into consideration the nature of the breach and circumstances surrounding the breach

- **Revision to and clarification of qualifying circumstances to be considered in determining the applicable penalty level in case of actual breach**



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PROPOSED WESM PENALTY MANUAL

Summary of Major Revisions

3. Schedule of breaches and corresponding applicable penalties

- **Clarification of the application of the penalty system particularly the categories of non-compliances that the penalty system applies**
 - Includes the schedule of breach and corresponding applicable penalties and penalty levels
 - Penalties may only be imposed for non-compliances that are included in the schedule of breaches



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PROPOSED WESM PENALTY MANUAL

Summary of Major (Additional) Revisions

4. DOE promulgation of the WESM Penalty Manual

- DOE promulgation of WESM Penalty Manual, instead of the MSC, in consultation with RCC, PEM Board and Stakeholders



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PROPOSED WESM PENALTY MANUAL

Summary of Major (Additional) Revisions

5. PEMC authority to administer and impose penalty

- PEMC Management, instead of the PEM Board, to administer and impose penalty, to streamline the process and mitigate conflict of interest



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PROPOSED WESM PENALTY MANUAL

Summary of Major (Additional) Revisions

6. Shortened Monitoring & Assessment Process

- The process is designed to be comprehensive enough to cover the validation, assessment, and analysis of data to avoid prolonged investigation and penalty imposition process.



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PROPOSED WESM PENALTY MANUAL

Summary of Major (Additional) Revisions

7. Request for reconsideration process

- Penalty already executory but can be requested for reconsideration at certain threshold level



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PROPOSED WESM PENALTY MANUAL

Summary of Major (Additional) Revisions

8. Terminologies Used

- For consistency, WESM Rules and Retail Rules are to be collectively referred to as “market rules”, and the term “penalty” should be used instead of “sanction”.

9. No dispute resolution

- Imposition of penalties under the Manual cannot be subject to dispute resolution



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PROPOSED WESM PENALTY MANUAL

Timeline of Activities

Timeline	Activity
22 May 2018, 9AM	BRC Meeting
24 May 2018	Posting of the proposed WESM Penalty Manual (Version 2.1) for comments of interested parties <ul style="list-style-type: none"> • 30-working days – commenting period • 06 Jul 2018 - deadline for submission of comments
30 May 2018	Consultation with the PEM Board of the proposed WESM Penalty Manual
01 Jun 2018	Consultation with the RCC of the proposed WESM Penalty Manual; and Submission and presentation to the RCC of the proposed amendments to the WESM Rules <ul style="list-style-type: none"> • Posting of the proposed amendments to the WESM Rules (30-working days – commenting period) • 17 Jul 2018 - deadline for submission of comments
2 nd Week Jul 2018	Finalization of proposed WESM Penalty Manual <ul style="list-style-type: none"> • Incorporate all comments/suggestions accepted
3 rd Week Jul 2018	Finalization of proposed amendments to the WESM Rules <ul style="list-style-type: none"> • Incorporate all comments/suggestions accepted
03 Aug 2018	RCC deliberation of the comments to the proposed amendments to the WESM Rules, for approval
1 st Week Aug 2018	Submission of proposed amendments to the WESM Rules to the PEM Board, for approval
4 th Week Aug 2018	Presentation of the proposed amendments to the WESM Rules to the PEM Board, for approval
1 st Week Sep 2018	Submission of proposed amendments to the WESM Rules and proposed WESM Penalty Manual to DOE for approval



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Proposed Amendments to the WESM Rules

(Changes to the WESM Rules related to the proposed
WESM Penalty Manual)

01 June 2018
19/F Meeting Room

ACTION REQUESTED

- Request for Approval (Publication for Comments)



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SUMMARY OF MAJOR REVISIONS

DOE promulgation of WESM Penalty Manual, instead of the MSC, in consultation with RCC, PEM Board and Stakeholders (*see matrix*)

Retain MSC responsibility on monitoring of anti-competitive behavior (*see matrix*)



63



Revisions to the Proposed Market Surveillance manual

(Additional Changes to the proposed Market Surveillance
Manual related to the proposed WESM Penalty Manual)

01 June 2018
19/F Meeting Room

ACTION REQUESTED

- Request for Approval (Publication for Comments)



SUMMARY OF MAJOR REVISIONS

1. DOE promulgation of WESM Penalty Manual, instead of the MSC, in consultation with RCC, PEM Board and Stakeholders (*see matrix*)
2. Include the MSC's responsibility to issue a decision on the request for reconsideration (*see matrix*)



66

SUMMARY OF MAJOR REVISIONS

3. WESM Rules and Retail Rules are to be collectively referred to as “market rules” (*see matrix*)
4. Remove terms that are not used in the Manual (*see matrix*)



67



**END OF
PRESENTATION**

WESM Works.



WESM Helpdesk Ticketing System
www.wesm.ph/wesm-helpdesk



+63.2.318.WESM (9376)



+63.2.634.0985



www.wesm.ph

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FURTHER AMENDMENTS **WESM Rules & ECO Manual**

1 June 2018
19F PEMC Office

Requested Action

Approve the publication or posting of the proposed changes or amendments to the WESM Rules, Ch. 1, 3, and 7, and further amendments to ECO Manual in the WESM Public Website for comments by the concerned WESM Members.



Background

3Q 2017: RCC approved the following:

WESM Rules Ch. 7 In Relation to Ch. 1 and 3	Enforcement and Compliance Manual
<ul style="list-style-type: none"> Align the enforcement and compliance processes with the changes that are expected when the enhanced market design will be implemented 	
<ul style="list-style-type: none"> Strengthen the independence of the enforcement and compliance organization and processes 	
<ul style="list-style-type: none"> Clarify and strengthen the roles and obligations of the parties involved in the investigation processes 	
<ul style="list-style-type: none"> Clarify the scope of the WESM enforcement processes 	
<ul style="list-style-type: none"> Enhance and simplify the procedures for monitoring and investigation of breach, review and approval of investigation results and imposition of sanctions 	



3

Background

4Q 2017: MSC further examined the proposed changes to the WESM Penalty Manual and decided to study further the possibility of imposing a Specified Penalty upon finding of a probable breach.

The endorsement of ECO Manual to PEM Board was deferred as it needs to be consistent with the proposed procedure on imposition of penalties.



4

Background

2Q 2018: The study of MSC now forms part of the proposed rules change on WESM Penalty Manual initiated by the Committee. Currently published for comments.

Current Proposal:

Further amendments to the WESM Rules Chapter 7, in relation to Ch. 1 and 3, and to ECO Manual are being proposed **to align the enforcement and compliance procedures** with the procedure proposed by the Market Surveillance Committee (MSC) in the Penalty Manual 2.0

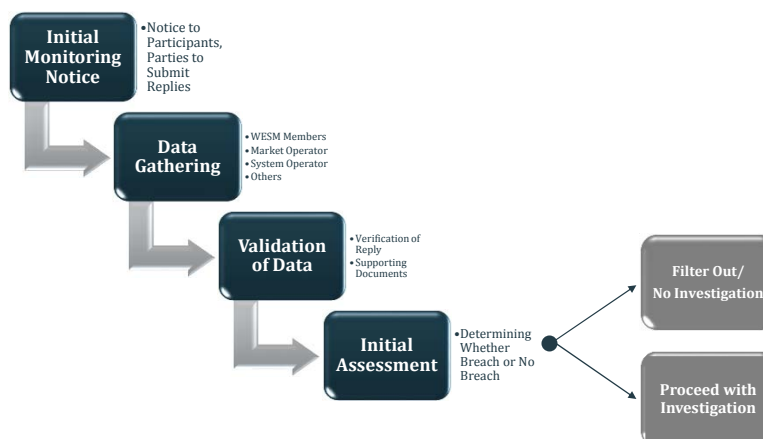


5

Further Amendments

Change in the Enforcement Procedure and Action

A. Original Procedure on Compliance Monitoring (RCC-Approved, Aug 2017)

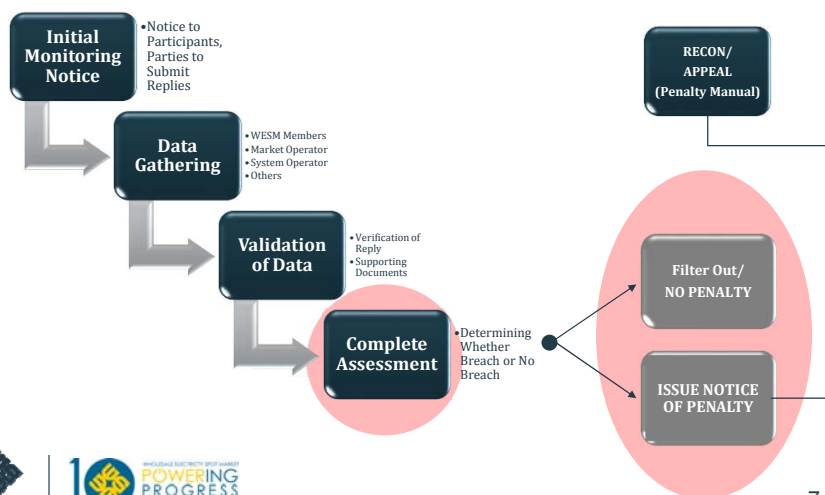


6

Further Amendments

Change in the Enforcement Procedure and Action

B. Revised Procedure on Compliance Monitoring (As Proposed)



7

Further Amendments

Proposed Rules Change – WESM Rules

WESM Rules Clauses	Brief Description of the Proposed Amendments
1.3.4, 3.5.11.7 7.2.1, 7.2.1.1 7.2.4.7, 7.2.4.8 7.2.4.9, 7.2.4.10 7.2.5.2, 7.2.7.3	Clear roles and obligations of the parties involved in the compliance monitoring and assessment processes, particularly, the Compliance Committee , the ECO , the PEM Board , and the Market Operator , and the System Operator .
7.2.4.2 7.2.5.3	Conduct of compliance monitoring and assessment activity of ECO, the data and other considerations that need to be considered in the conduct thereof, and the requirement of due process in the course of monitoring the compliance of the WESM Members.

Further Amendments

Proposed Rules Change – WESM Rules

WESM Rules Clauses	Brief Description of the Proposed Amendments
7.2.4.2 7.2.5.2	Penalty imposition upon finding of breach by ECO , or as a result of its compliance monitoring and assessment.
7.2.4.3	Initiating an investigation which does not emanate from compliance monitoring and assessment but from a request for investigation, report of probable breach from the Market Operator, System Operator or WESM Members, or directive of the ERC .



Further Amendments

Proposed Rules Change – ECO Manual

Highlights of the Changes:

- The compliance monitoring and assessment activity shall be **comprehensive** enough to cover not only the data gathering for the determination of probable breach of the WESM Rules or market manuals but also the **validation, assessment, and analysis** of the submitted data or information from trading participants, the Market Operator, the System Operator, and such other relevant information from various sources.
- The compliance monitoring and assessment activity should primarily consider the **market data and information** obtained from the trading participants, the Market Operator, and the System Operator, and from other relevant sources.



Further Amendments

Proposed Rules Change – ECO Manual

Highlights of the Changes:

- The ECO is obliged to develop a **detailed internal business procedure** and to prescribe a reply format or template that may be accomplished by the WESM Members as part of the monitoring process. It shall ensure that the right of the WESM Member to **due process** is protected by giving them adequate time and opportunity to respond to any allegations of probable breach of the WESM Rules and/or market manuals, and to be informed of the results thereof.
- The concerned WESM Member may seek a **reconsideration** of the Notice of Specified Penalty in accordance with the procedures and subject to the requirements provided in Penalty Manual 2.0.
- Clarifies the relevant **roles and responsibilities** of PEM Board, the MSC, and ECO, with respect to enforcement proceedings and actions.



Further Amendments

Conditions for Effectivity

- ☐ These WESM Rules Amendments and proposed changes to ECO Manual and Penalty Manual take into consideration the enhanced WESM design.

Proposal: They be made effective upon commercial operations of the New Market Management System (NMMS).

- ☐ The proposal, if approved, will result in significant changes in the enforcement and compliance processes in the WESM, and as such, will require a re-structuring of the PEMC Enforcement and Compliance Office.

Proposal: They be made effective on the start of the billing period after completion of the re-structuring of the ECO and other relevant PEMC units.



Further Amendments

Requested Action

Approve the publication or posting of the proposed changes or amendments to the WESM Rules, Ch. 1, 3, and 7, and further amendments to ECO Manual in the WESM Public Website for comments by the concerned WESM Members.



**END OF
PRESENTATION**

WESM Works.



WESM Helpdesk Ticketing System
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Cross-Grid Power Supply Agreement
and Line Rental Concern

Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

RULES GOVERNING THE EXECUTION, REVIEW, AND EVALUATION
OF POWER SUPPLY AGREEMENTS ENTERED INTO BY
DISTRIBUTION UTILITIES FOR THE SUPPLY OF
ELECTRICITY TO THEIR CAPTIVE MARKET



Republic of the Philippines
ENERGY
REGULATORY
COMMISSION

FORM NO: LS-CL -001
COPY OF:
____ Master File for TWG-PSA
____ LS
____ TWG-PSA 1/2
____ DU
____ GenCo

CHECKLIST OF PRE-FILING REQUIREMENTS FOR APPLICATIONS
FOR APPROVAL OF POWER SUPPLY AGREEMENT (PSA)



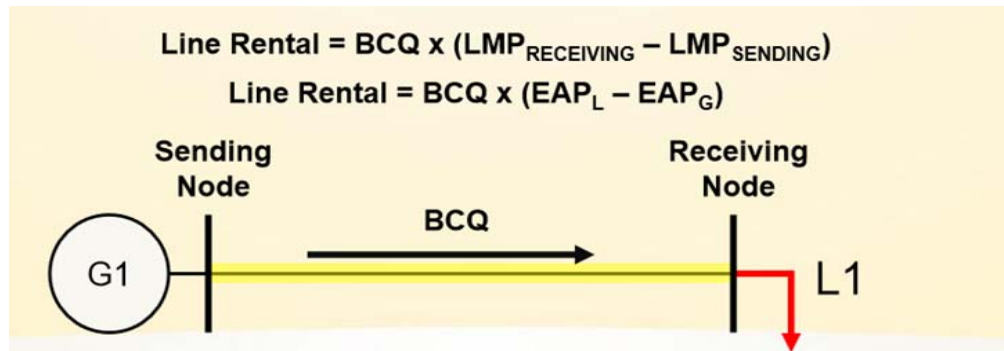
Definition of RENTAL

- 1 : an amount paid or collected as rent
- 2 : something that is [rented](#)
- 3 : an act of [renting](#)

Line Rental.

The economic rental arising from the use of a *transmission line*, calculated as the difference in value between flows out of the *receiving node* of that line and flows into the *sending node*.

Line Rental Trading Amount (LRTA) = difference between the customer ex-ante nodal price and the generator ex-ante nodal price multiplied by the Bilateral Contract Quantity (BCQ)


CAMARINES SUR IV ELECTRIC COOPERATIVE, INC.

Talolongon Tigaon, Camarines Sur
 Tel. Nos. 452-30-85*452-30-83*Fax No. 452-30-85 ♦email add: cs4ec77@yahoo.com

OCAMPO♦TIGAON♦SAGÑAY♦GOA♦SAN JOSE♦LAGONoy♦PRESENTACION♦CARAMOAN♦GARCHITORENA

Dear Ma'am/Sir,

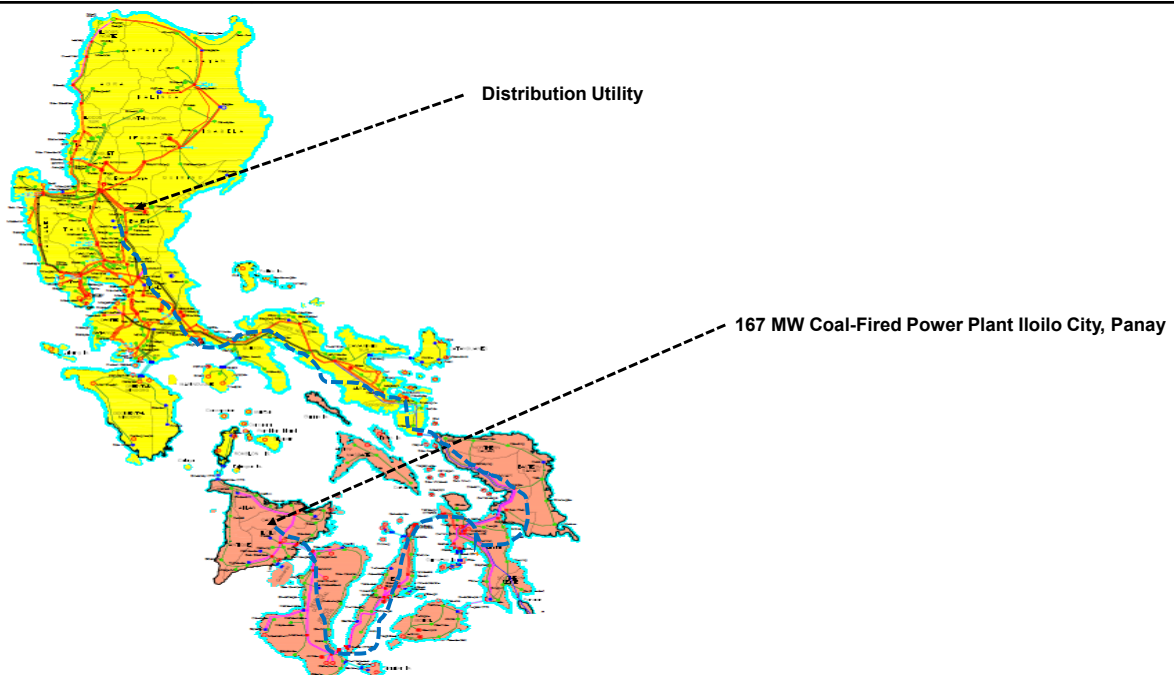
This is a follow up regarding our letter dated March 15, 2017 requesting from your good office clarifications about our high line rental costs for January and February 2017 billing. Calculations of our January and February 2017 WESM bills resulted to an average rate 5.5022 Php/kWhr and 50.5929 Php/kWhr, respectively, which resulted to abrupt increase in our Generation rates.

The crux of our argument and confusion is the fact that CASURECO IV's power supplier is renewable, which under Wesm rules is a "*Must Dispatch Generation unit*" and also "*Price Takers*". Therefore, for our power supplier's "Gen Price" to have a very low amount even having zero (0) or negative (-) during multiple intervals is highly disputable.

PSALM **LINE RENTAL** CHARGED BY PEMC IN VISAYAS

Customer Name	YEAR		TOTAL
	CY 2012	CY 2013	
1 Marcela Farms, Incorporated	(262,570.42)	-	(262,570.42)
2 Alturas Group of Companies	(712,664.95)	-	(712,664.95)
3 Orica Nitrates Philippines, Inc.	(704,812.32)	(55,413.74)	(760,226.06)
4 Leyte III Electric Cooperative	(589,897.41)	-	(589,897.41)
5 SC Global Coco Products, Inc.	(82,629.01)	(654.74)	(83,283.75)
6 Lide Management Corporation	(56,929.36)	(596.93)	(57,526.29)
7 Waterfront Airport Hotel and Casino	(1,303,290.68)	(153,353.05)	(1,456,643.73)
8 Visayan Oil Mills, Inc.	(18,479.10)	(577.04)	(19,056.14)
9 Specialty Pulp Manufacturing, Inc.	(67,505.28)	(759.02)	(68,264.30)
10 Northern Samar Electric Cooperative, Inc.	(11,931,843.28)	(815,342.57)	(12,747,185.85)
11 Bohol Enterprises, Inc.	(123,967.87)	(7,697.99)	(131,665.86)
12 Taiheiyo Cement Philippines, Inc.	2,914,795.82	990,919.73	3,905,715.55
13 Philippine Mining Service Corp. - Alcoy Plant	11,092.86	(15,002.96)	(3,910.10)
14 Philippine Mining Service Corp. - Bohol Plant	(832,414.95)	(106,402.43)	(938,817.38)
15 Southern Leyte Electric Cooperative	(3,187,262.48)	-	(3,187,262.48)
16 Eastern Samar Electric Cooperative	(11,817,205.13)	(917,163.57)	(12,734,368.70)
17 Samar 1 Electric Cooperative	(8,939,990.98)	(1,110,401.64)	(10,050,392.62)
Total	(37,705,574.54)	(2,192,445.95)	(39,898,020.49)

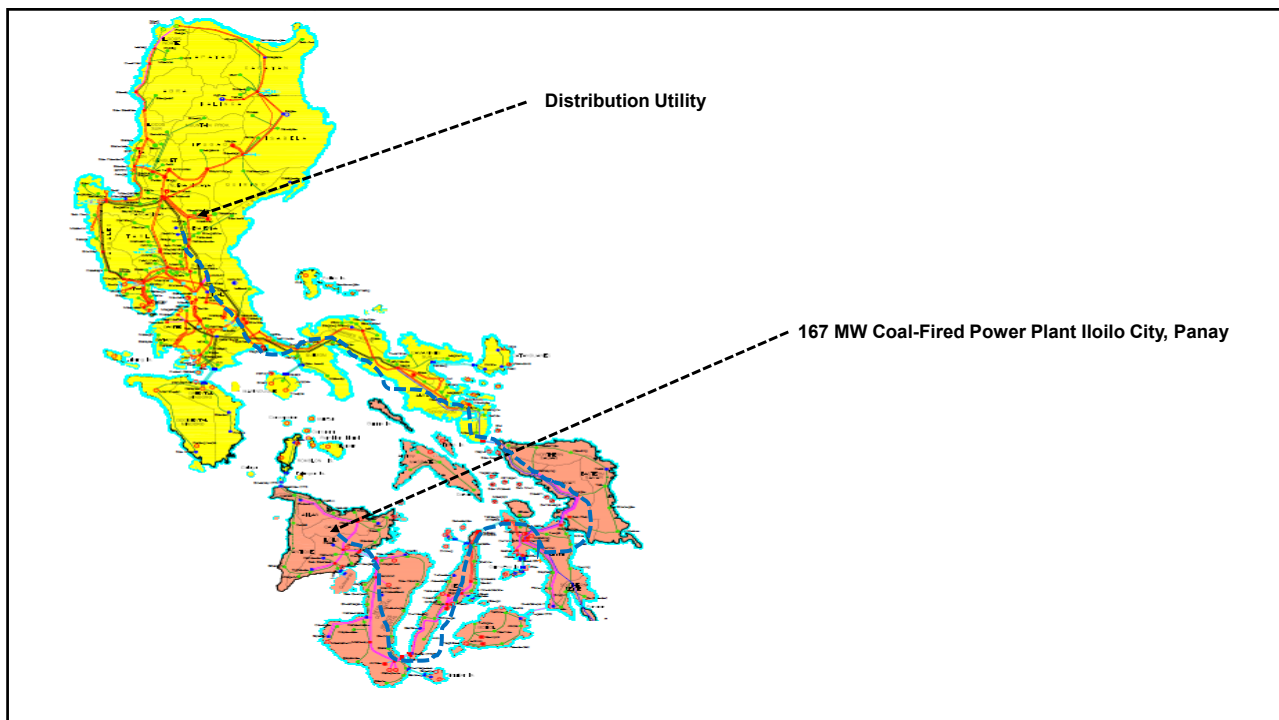
Note: Up to February 2013 Billing Period



RULE of THUMB

*“A large LR due to LINE LOSS is a signal for the Customer to look closer at their existing supply contracts and source out **nearer** Generator and/or Suppliers.*

*If there is congestion in the Transmission Line System a **more expensive plant** will have to be dispatched.”*



Line Rental Computation

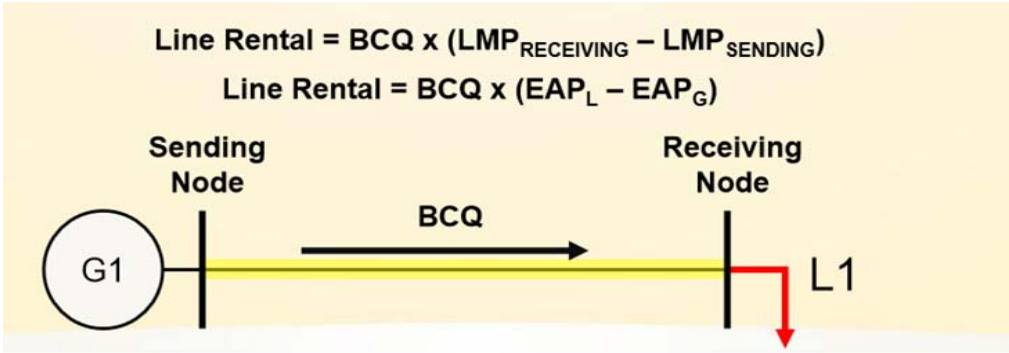
PEDC PSA - Rate Impact
(YEAR 2017)

ERC CASE NO. 2016-114 RC
ORDER/ 11 July 2016

BILLING COMPONENT	UNIT	BASE RATE ⁽¹⁾	CPI Adj Factor ⁽²⁾	BILLING DETERMINANT ⁽³⁾	AMOUNT (PHP)
A. Capacity Payment (MCP)					
Peso Portion	(Php/kW-yr) ⁽¹⁾	12,431.0835		70,000 (kW)	870,175,845.00
B. Fixed O&M Payment (MFOM)					
US Dollar Portion Escalating	(USD/kW-yr) ⁽²⁾	28.9021	1.000000	70,000 (kW)	93,206,382.29
Peso Portion Escalating	(Php/kW-yr) ⁽²⁾	2,821.9067	1.000000	70,000 (kW)	197,533,469.00
C. Fuel Payment (MFP)					
US Dollar Portion	(USD/kWh) ⁽²⁾	0.0269		490,560,000 (kWh)	607,801,780.31
D. Variable O&M Payment (MVOM)					
US Dollar Portion	(USD/kWh)	0.0025	1.000000	490,560,000 (kWh)	56,500,248.00
E. Replacement Energy (REP)					
Peso Portion	(Php/kWh)	-		- (kWh)	0.00
Line Rental Adjustment (LR) ⁽⁴⁾					
Peso Portion	(Php/kWh)	-		- (kWh)	0.00
TOTAL PAYMENT	(Php)				1,825,217,724.60
Effective Rate at Plant Gate	(Php/kWh)				3.7307
WESM Line Rental Rate ⁽⁴⁾	(Php/kWh)				0.2438
Delivered Rate	(Php/kWh)				3.9645

Effective Cost at WESM Price ⁽⁵⁾	(Php/kWh)	5.1977
Increase / (Decrease) over WESM Price	(Php/kWh)	(1.2532)
Meralco Captive Energy Demand ⁽⁶⁾	(kWh)	32,232,597,988
Increase / (Decrease) in Generation Cost	(Php)	(604,959,040.06)
Increase / (Decrease) in Generation Cost	(Php/kWh)	(0.0188)

⁽¹⁾ Assumed estimated PEDC line rental rate



MARGINAL PLANTS & CLEARING PRICES

DELIVERY DATE	DELIVERY HOUR	REGION	RUN TYPE	MARGINAL PLANT	MARKET CLEARING PRICE
5/28/2018	10	LUZON	RTD	2TMO_PB	6007.4
5/28/2018	10	VISAYAS	RTD	8PEDC_U02	-10000
5/28/2018	10	VISAYAS	RTD	8PEDC_U03	-10000
5/28/2018	11	LUZON	RTD	1BAUANG_G01	6400.27
5/28/2018	11	VISAYAS	RTD	6PAL1A_G01	0
5/28/2018	11	VISAYAS	RTD	8PEDC_U02	-10000
5/28/2018	11	VISAYAS	RTD	8PEDC_U03	-10000
5/28/2018	12	LUZON	RTD	1BAUANG_G01	6400.27
5/28/2018	12	VISAYAS	RTD	8PEDC_U02	-10000
5/28/2018	12	VISAYAS	RTD	8PEDC_U03	-10000
5/28/2018	13	LUZON	RTD	1BAUANG_G01	6400.27
5/28/2018	13	VISAYAS	RTD	8PEDC_U01	-9999
5/28/2018	13	VISAYAS	RTD	8PEDC_U02	-9999
5/28/2018	14	LUZON	RTD	1BAUANG_G01	6872.98

delivery_datetime	delivery_hour	region_id	run_type	marginal_plant	market_clearing_price
1/1/2018 0:00		11 VISAYAS	RTD	8PEDC_U01	-10000
1/1/2018 0:00		11 VISAYAS	RTD	8PEDC_U02	-10000
1/1/2018 0:00		17 VISAYAS	RTD	8PEDC_U01	0
1/1/2018 0:00		17 VISAYAS	RTD	8PEDC_U02	0
1/6/2018 0:00		12 VISAYAS	RTD	8PEDC_U01	2121.56
1/6/2018 0:00		12 VISAYAS	RTD	8PEDC_U02	2121.56
1/7/2018 0:00		10 VISAYAS	RTD	8PEDC_U01	-10000
1/7/2018 0:00		10 VISAYAS	RTD	8PEDC_U02	-10000
1/7/2018 0:00		11 VISAYAS	RTD	8PEDC_U01	-10000
1/7/2018 0:00		11 VISAYAS	RTD	8PEDC_U02	-10000
1/7/2018 0:00		12 VISAYAS	RTD	8PEDC_U01	-10000
1/7/2018 0:00		12 VISAYAS	RTD	8PEDC_U02	-10000
1/10/2018 0:00		18 VISAYAS	RTD	8PEDC_U01	3134.01
1/10/2018 0:00		18 VISAYAS	RTD	8PEDC_U02	3134.01
1/12/2018 0:00		18 VISAYAS	RTD	8PEDC_U01	3134.01
1/12/2018 0:00		18 VISAYAS	RTD	8PEDC_U02	3134.01
1/13/2018 0:00		4 VISAYAS	RTD	8PEDC_U01	2121.56
1/13/2018 0:00		4 VISAYAS	RTD	8PEDC_U02	2121.56
1/14/2018 0:00		11 VISAYAS	RTD	8PEDC_U01	-10000
1/14/2018 0:00		11 VISAYAS	RTD	8PEDC_U02	-10000
1/14/2018 0:00		12 VISAYAS	RTD	8PEDC_U01	-10000
1/14/2018 0:00		12 VISAYAS	RTD	8PEDC_U02	-10000
1/14/2018 0:00		16 VISAYAS	RTD	8PEDC_U01	2121.56
1/14/2018 0:00		16 VISAYAS	RTD	8PEDC_U02	2121.56
1/14/2018 0:00		23 VISAYAS	RTD	8PEDC_U01	2121.56
1/14/2018 0:00		23 VISAYAS	RTD	8PEDC_U02	2121.56
1/15/2018 0:00		10 VISAYAS	RTD	8PEDC_U01	2121.56
1/15/2018 0:00		10 VISAYAS	RTD	8PEDC_U02	2121.56
1/15/2018 0:00		11 VISAYAS	RTD	8PEDC_U01	-500
1/15/2018 0:00		11 VISAYAS	RTD	8PEDC_U02	-500
1/15/2018 0:00		12 VISAYAS	RTD	8PEDC_U01	-500

3/23/2018 0:00	15 VISAYAS	RTD	8PEDC_U03	-9000.1
3/23/2018 0:00	16 VISAYAS	RTD	8PEDC_U01	-8999
3/24/2018 0:00	1 VISAYAS	RTD	8PEDC_U03	2644.7
3/24/2018 0:00	8 VISAYAS	RTD	8PEDC_U02	-10000
3/24/2018 0:00	8 VISAYAS	RTD	8PEDC_U03	-10000
3/25/2018 0:00	6 VISAYAS	RTD	8PEDC_U02	0
3/25/2018 0:00	6 VISAYAS	RTD	8PEDC_U03	0
3/25/2018 0:00	16 VISAYAS	RTD	8PEDC_U02	-10000
3/25/2018 0:00	16 VISAYAS	RTD	8PEDC_U03	-10000
3/26/2018 0:00	9 VISAYAS	RTD	8PEDC_U02	-10000
3/26/2018 0:00	9 VISAYAS	RTD	8PEDC_U03	-10000
3/26/2018 0:00	10 VISAYAS	RTD	8PEDC_U02	-10000
3/26/2018 0:00	10 VISAYAS	RTD	8PEDC_U03	-10000
3/26/2018 0:00	12 VISAYAS	RTD	8PEDC_U02	-10000
3/26/2018 0:00	12 VISAYAS	RTD	8PEDC_U03	-10000
3/26/2018 0:00	13 VISAYAS	RTD	8PEDC_U02	-10000
3/26/2018 0:00	13 VISAYAS	RTD	8PEDC_U03	-10000
3/27/2018 0:00	7 VISAYAS	RTD	8PEDC_U02	0
3/27/2018 0:00	7 VISAYAS	RTD	8PEDC_U03	0
3/27/2018 0:00	9 VISAYAS	RTD	8PEDC_U03	2644.7
3/27/2018 0:00	12 VISAYAS	RTD	8PEDC_U02	-10000
3/27/2018 0:00	12 VISAYAS	RTD	8PEDC_U03	-10000
3/27/2018 0:00	13 VISAYAS	RTD	8PEDC_U02	-10000
3/27/2018 0:00	13 VISAYAS	RTD	8PEDC_U03	-10000
3/28/2018 0:00	10 VISAYAS	RTD	8PEDC_U02	-10000
3/28/2018 0:00	10 VISAYAS	RTD	8PEDC_U03	-10000
3/28/2018 0:00	11 VISAYAS	RTD	8PEDC_U02	-10000
3/28/2018 0:00	11 VISAYAS	RTD	8PEDC_U03	-10000
3/28/2018 0:00	12 VISAYAS	RTD	8PEDC_U02	-10000
3/28/2018 0:00	12 VISAYAS	RTD	8PEDC_U03	-10000
3/28/2018 0:00	13 VISAYAS	RTD	8PEDC_U02	-10000
3/28/2018 0:00	13 VISAYAS	RTD	8PEDC_U03	-10000
3/29/2018 0:00	1 VISAYAS	RTD	8PEDC_U02	2745
3/30/2018 0:00	13 VISAYAS	RTD	8PEDC_U02	-10000

POINTS TO PONDER

1. RULE of THUMB - "A large LR due to LINE LOSS is a signal for the Customer to look closer at their existing supply contracts and source out **nearer** Generator/Suppliers. If there is congestion in the Transmission Line System a **more expensive plant** will have to be dispatched."
2. Do these rule of thumb **applies** to a CROSS-GRID bilateral supply contract?
3. What is the **material effect** of cross-grid bilateral supply contract between the load and generator? How does it affect the paying consumers?
4. Review and **identify** current approved PSAs with existing cross-grid power supply contract.
5. Review current line rental formula computation if it **reflects actual** system loss and line congestion costings.
6. Need to **examine** ERC's methodology in the approval of PSA among cross-grid PSA.
7. What are the reasons why some LINE RENTAL charges are being **credited** instead of being **debited**?
8. What is the LINE RENTAL **rate/charges imposed** to the 167 MW Coal-Fired Power Plant Iloilo City, Panay?
9. What must be an advantage to bid at negative cap (-10,000) for a typical genco trader?
10. **IS THERE A NEED FOR WESM RULES CHANGE?**

POINTS TO PONDER**PSA**

1. Need to **examine** ERC's methodology in the approval of PSA among cross-grid PSA. (Check with the study of Allen)
2. Review and **identify** current approved PSAs with existing cross-grid power supply contract. (MAG has data via BCQ Declarations)
3. What is the **material effect** of cross-grid bilateral supply contract between the load and generator? (Actual Line Rental Data available) How does it affect the paying consumers? (Details of the PSAs are needed to evaluate the effects to the consumers)
4. Do these rule of thumb **applies** to a CROSS-GRID bilateral supply contract?

*"RULE of THUMB - "A large LR due to LINE LOSS is a signal for the Customer to look closer at their existing supply contracts and source out **nearer** Generator/Suppliers. If there is congestion in the Transmission Line System a **more expensive plant** will have to be dispatched."*

Line Rental

1. Review current line rental formula computation if it **reflects actual** system loss and line congestion costings. (YES)
2. What are the reasons why some LINE RENTAL charges are being **credited** instead of being **debited**? (Due to difference in LMPs)
3. What is the LINE RENTAL **rate/charges imposed** to the 167 MW Coal-Fired Power Plant Iloilo City, Panay? (Same as item 3 above)
4. What must be an advantage to bid at negative cap (-10,000) for a typical genco trader? (To be dispatched in order to deliver for PSA)
5. **IS THERE A NEED FOR WESM RULES CHANGE?**