

| MINUTES OF THE RULES CHANGE COMMITTEE 140th REGULAR MEETING (No. 2018-04) | |
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| Meeting Date & Time: | 04 May 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 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) Alternate Members: Ma. Erliza C. Casas | |
| Other attendees: PEMC – Legal Sheryll M. Dy | |
| PEMC – Market Assessment Group (MAG) Carlito C. Claudio Elaine D. Gonzales | |

Geraldine A. Rodriguez
Divine Gayle C. Cruz
Aldjon Kenneth M. Yap
Ira Lee P. Corectico

PEMC – Corporate Planning and Communications

Eric Niño U. Luis

DOE Observers

Justin A. Lumbres

- 1 There being a quorum, Ms. Concepcion I. Tanglao (Independent) called the meeting to order at
2 9:21 AM. Chairperson Maila Lourdes G. de Castro took over presiding the meeting at 9:36 AM.

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

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5 There being no changes, the RCC adopted the proposed agenda as presented.

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

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Agreements/Action Plans

The RCC approved the minutes of the 139th RCC Meeting held on 06 April 2018, as submitted.

11 **3. Business Arising from Previous Meetings**

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13 **3.1. Draft RCC Internal Rules (version 3.0)**

14 The RCC reviewed the draft RCC Resolution No. 2018-03 approving the amendments to the
15 RCC Internal Rules, for its review and approval.

16 During said review, the RCC further agreed to clarify in the Internal Rules the basis for the
17 determination of quorum. The Secretariat explained that currently, quorum in meetings is

determined based on the total number of seats in the RCC. The body thus agreed to revise Section VI.b of the Internal Rules, as follows:

***“Quorum.** The quorum for the transaction of business at a meeting shall consist of a majority of the total number of Committee members, **regardless of any vacancies**. If there is no quorum, the meeting may proceed but matters for decision shall be deferred for succeeding meetings.”*

The RCC requested the Secretariat to reflect in the draft RCC Resolution and in the Internal Rules the foregoing revision. There being no other matters left for discussion, the body likewise approved the amendments to the Internal Rules of the Rules Change Committee, hereafter version 3.0.

Agreements/Action Plans

The RCC approved the amendments to the RCC Internal Rules (hereafter version 3.0), as documented via RCC Resolution No. 2018-03 dated May 4th 2018.

3. New Business

3.1. Deliberation on the Proposed Amendments to the WESM Rules and Market Manuals on the Participation of Energy Storage Systems (originally proposed as Non-Generator Resources and Pumped-Storage Units) in the WESM

Based on the deliberation from the previous meeting and to finalize the proposed revisions to the WESM Rules, the RCC sought the Technical Committee’s (TC) further inputs regarding (i) the inclusion of Energy Storage Systems (ESS) in the Market Operator load forecast, and (ii) the revision to the definition of “*generating unit*” in lieu of revising the definition of “*generating system*”, as originally proposed.

The RCC further deliberated on the recommendations of the TC (via letter to RCC dated 27 April 2018), as provided below.

| TC Recommendation | RCC Discussion | RCC Agreement |
|--|---|---|
| WESM Rules Clause 3.5.4 on Load Forecasting: All load forecasts at each <i>Customer market trading node</i> and Energy | For clarification, Mr. Isidro E. Cacho, Jr. (PEMC-MO) explained that ESS load forecasts will be a separate and additional load forecast on top of the Customer load forecast as | All load forecasts at each Customer market trading node and Energy Storage System market trading node in the market network model shall be specified in units of megawatt |

| TC Recommendation | RCC Discussion | RCC Agreement |
|---|---|--|
| <p><u>Storage System market trading node</u> in the market network model shall be specified in units of megawatt (MW) and will apply to the end of the relevant dispatch interval unless otherwise stated.</p> <p>xxx</p> <p>3.5.4.2 Each net load forecast shall be prepared in such a way as to represent the net load to be met by generation from scheduled generating units, must dispatch generating units, priority dispatch generating units and non-scheduled generating units, and energy storage systems including losses occurring outside the system represented by the market network model, but excluding any scheduled load.</p> <p>xxx</p> | <p>determined by the Market Operator. Based on the aggregate load forecasts, the Market Operator will produce a generation schedule.</p> <p>Dr. Allan C. Nerves (Independent) inquired if battery energy storage systems are allowed to submit negative generator bids. Mr. Cacho responded that they will be allowed, and that process (i.e., submission of negative generator bids) would essentially be how battery systems would submit their load forecasts.</p> <p>As suggested by Mr. Ciprinilo C. Meneses (MERALCO), the RCC agreed to simplify Clause 3.5.4 and no longer distinguish between Customer MTN and ESS MTN so as to cover all load MTNs.</p> | <p>(MW) and will apply to the end of the relevant dispatch interval unless otherwise stated.</p> <p>xxx</p> <p>3.5.4.2 Each net load forecast shall be prepared in such a way as to represent the net load to be met by generation from scheduled generating units, must dispatch generating units, priority dispatch generating units and non-scheduled generating units, and energy storage systems including losses occurring outside the system represented by the market network model, but excluding any scheduled load.</p> <p>xxx</p> |
| <p>xxx</p> <p><u>3.5.4.7 Each Energy Storage System operating as load may submit a forecast in respect of each dispatch interval for each trading day of the week in accordance with the timetable.</u></p> | <p>For Clause 3.5.4.7, the RCC deliberated on whether it should be mandatory or optional for ESS to submit load forecast.</p> <p>As relayed by Mr. Aldjon Kenneth M. Yap (TC Secretariat), the TC's view is that only pumped-storage units (PSU) must be obliged to submit load forecasts since they can determine when they would operate as load (i.e., pump schedules). On the other hand, submission of load forecasts should only be optional for other types of ESS as further studies must first be done on how non-PSU ESS could forecast when they would need to act as load, especially since they are likely to provide ancillary services.</p> <p>Mr. Meneses opined that the submission of load forecast should be mandatory for all ESS in order to</p> | <p>xxx</p> <p><u>3.5.4.7 Each Energy Storage System operating as load may shall submit a forecast in respect of each dispatch interval for each trading day of the week in accordance with the timetable.</u></p> |

| TC Recommendation | RCC Discussion | RCC Agreement |
|-------------------|---|---------------|
| | <p>compel future PSUs to submit forecasts, not just the current one that is already doing so. As far as other types of ESS like battery energy storage systems are concerned, Mr. Meneses disagreed with the TC because the issue, he opined, is more commercial than technical. He stated that battery energy storage systems could just as readily determine, like PSUs, when they would charge or discharge. Moreover, battery systems, also like PSUs, could just as well carry out opportunistic plays at the market by strategizing their charge and discharge schedules. If the battery system does not have an ASPA with the System Operator, they can charge when the projected market price is low and discharge when the projected market price is high to maximize profit.</p> <p>Mr. Cacho explained, for context, that ESS could submit week-ahead, day-ahead and hour-ahead load forecasts, which the ESS could revise. The system would consider the ESS's most updated forecast. Mr. Cacho also agreed with the TC's view that PSUs must be required to submit load forecasts.</p> <p>Mr. Carlito C. Claudio (PEMC-MAG) also explained that the difference between Customer load forecast and ESS load forecast is that the Market Operator would determine the Customer nodal load forecast if the Customer does not submit on its own. The same cannot be said for the latter as ESS operates in three modes: as generator, as load, or not at all.</p> <p>For clarification, Atty. De Castro asked what would happen if the ESS</p> | |

| TC Recommendation | RCC Discussion | RCC Agreement |
|--|---|---|
| | <p>does not submit load forecast. Mr. Ambrocio R. Rosales (NGCP-SO) expounded that the main purpose why the Market Operator requires the submission of load forecast (Customer or ESS) is to add them on top of the usual forecasted demand for a dispatch interval. These would comprise the total demand for that interval. The Market Operator will then produce a generation real-time dispatch schedule to match that total demand. Therefore, submission of load forecast by ESS should be mandatory.</p> <p>Mr. Claudio further added that there will be a wider margin of error in demand forecast if ESS do not submit their load forecast, especially if more ESS like battery systems enter the market.</p> <p>Based on the discussion, the RCC agreed to make the submission of load forecast by the ESS mandatory, and make corresponding revision to the proposed Clause 3.5.4.7.</p> | |
| <p>Generating Unit. A single machine generating electricity and all the related equipment essential to its functioning as a single entity and having a nameplate rating of 1 MW or more. <u>A conversion apparatus including auxiliaries and associated Equipment functioning as a single unit, which is used to produce electric energy from some other form of energy.</u></p> <p>Equipment. <u>All apparatus, machines, conductors, etc., used as part of, or in connection with, an electrical installation.</u></p> | <p>The RCC agreed with the TC's proposed definition for the term <i>generating unit</i> and the additional term <i>equipment</i>, which were both adopted from the Philippine Grid Code and Distribution Code.</p> | <p>Generating Unit. A single machine generating electricity and all the related equipment essential to its functioning as a single entity and having a nameplate rating of 1 MW or more. <u>A conversion apparatus including auxiliaries and associated Equipment functioning as a single unit, which is used to produce electric energy from some other form of energy.</u></p> <p>Equipment. <u>All apparatus, machines, conductors, etc., used as part of, or in</u></p> |

| TC Recommendation | RCC Discussion | RCC Agreement |
|-------------------|----------------|---|
| | | <u>connection with, an electrical installation.</u> |

In addition to the foregoing, the RCC agreed with Mr. Meneses to further revise the definition of the term '*generating system*' in order to qualify that a generating system must have its own metering facility. As Mr. Cacho explained, there are aggregated generating units that are represented in the market as a single unit since a single metering facility is attached to them. For the purpose of dispatch scheduling and compliance monitoring, the market sees these usually small generating units as a single entity. To cover these cases and to consider the purposes of the market, the definition of a generating system was agreed to be revised as follows:

| RCC Agreement (April 17) | RCC Agreement (May 04) |
|--|---|
| Generating System. A system comprising one or more generating units <u>facility or generating units capable of generation.</u> | Generating System. A system comprising one or more generating units <u>facility or generating units capable of generation with its own metering facility.</u> |

The RCC likewise recalled that it requested PEMC during the previous meeting to clarify the basis of its recommended minimum block size for ESS offers, 0.1 MW, which is smaller than the TC's proposal of 1 MW. PEMC submitted the following explanation:

According to the Global Energy Storage Database maintained by the US Department of Energy¹, 200 energy storage systems were constructed in the past five (5) years around the globe. Out of 200, 110 (55%) have a rated capacity equal or greater than 1 MW while 43 of the systems (22%) have a rated capacity between 100 kW (or 0.1 MW) and 1 MW. This indicates that the trend in the construction of energy storage systems significantly includes those with capacities between 0.1 MW and 1 MW. To allow the entry of as much capacity available in the market and increase competitiveness, it is proposed that barriers to entry be minimized by reducing the minimum offer block size to 0.1 MW for energy storage systems.

Mr. Rosales raised that the explanation is commercial in nature, but there may be implementation issues for the System Operator with respect to actually dispatching 0.1 MW offers. In consideration of this, the RCC agreed to retain the original proposal of the TC on the proposed minimum offer block size – 1MW.

¹ <http://energystorageexchange.org/projects>

There being no other matters left for discussion, the RCC approved the proposed amendments to the WESM Rules and various Market Manuals on the Participation of Energy Storage Systems in the WESM, for endorsement to the PEM Board.

Agreements/Action Plans

The RCC approved the endorsement to the PEM Board of the Proposed Amendments to the WESM Rules and Market Manuals for the Participation of Energy Storage Systems in the WESM, as revised.

3.2. Deliberation on the Proposed Amendments to the WESM Rules and Manuals for Additional Trading Participant Category – Wholesale Electricity Market Trader (WEMT)

The RCC deliberated on the proposed amendments to the WESM Rules and relevant Market Manuals for the addition of a new Trading Participant category, *wholesale electricity market trader*. The subject proposal intends to allow registration of entities with commercial arrangements but which do not manage physical assets (e.g., multiple-owned generators, strip owners).

The body gave due consideration to the comments received from the DOE, Aboitiz Power Corporation (AP), Green Innovations For Tomorrow Corporation (GIFT), San Miguel Energy Corporation (SMEC), Power Sector Assets and Liabilities Management Corporation (PSALM), SN Aboitiz Power (SNAP) and the Market Surveillance Committee (MSC). Mr. Eric Niño U. Louis (PEMC-CPC), representing the proponent, provided responses to the comments and further clarifications. The highlights of the discussions are provided below, while the detailed comments are attached as Annex in this document:

- On the DOE's comment that the proposal does not have basis in the EPIRA, PEMC responded that paragraph 5 of Section 30 of the EPIRA provides such basis, which states that the ERC may authorize other similar entities to become eligible as members of the WESM, to wit:

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The ERC may authorize other similar entities to become eligible as members of the wholesale electricity spot market either directly or indirectly. All generating companies, distribution utilities, suppliers, bulk consumers/end-users and other similar entities authorized by the ERC, whether direct or indirect members of the wholesale electricity spot market, shall be bound by the wholesale electricity spot market rules with respect to transactions in that market.

- In line with the foregoing, it was clarified that a non-registered entity must obtain a license from the ERC in order to participate in the market as WEMT. If the DOE approves the proposal, ERC approval will then be sought, authorizing it to issue the appropriate license.
- On the comment of AP to categorize Retail Electricity Suppliers (RES) under WEMT, PEMC explained that the distinction between RES and WEMT is that the former is the only entity allowed to transact at the retail level and represent its contracted Contestable Customer in the WESM, while the latter only transacts at the wholesale level, may it be with generation companies, distribution utilities, RES or even with its co-WEMTs. The RCC then requested for PEMC to revise the proposed definition of WEMT to clarify that WEMTs cannot transact at the retail level;
- On the query of the MSC and SMEC regarding the Trading Participant to be held accountable for the violations or non-compliances if WEMTs are allowed to participate in the WESM, PEMC explained that per the WESM Rules, the Trading Participant that registers a generation facility shall still be the one to carry all of the responsibilities related to that facility, from submission of offers to compliance to dispatch schedules and instructions;
- On the definition of the Wholesale Electricity Market Trader, SMEC proposed to redefine the same to enable entities with operations and management arrangements with a main Trading Participant to participate in the WESM, and ensure that the WEMT can only register in the WESM if allowed by the main Trading Participant. PEMC responded that if the proposed revision of SMEC is adopted, then the added category would be too specific to some participants only. Hence, PEMC proposed that the definition be retained to be generic as the execution of specific arrangements may be performed in operational processes such as scheduling and contract declaration. As for the suggested requirement that the main Trading Participant must first allow an unregistered entity to participate as WEMT before the latter registers as such, PEMC expressed that said requirement could be reflected in the WESM Registration Manual;
- In cases where another generation company owns intangible assets, it was clarified that the particular generation company would have to incorporate a new company in order to register as WEMT.

Following the discussions above, the RCC agreed to approve the Proposed Amendments to the WESM Rules and Manuals for Additional Trading Participant Category – Wholesale Electricity Market Trader (WEMT) via e-mail, subject to further revisions to the definition of Wholesale Electricity Market Trader.

Agreements/Action Plans

- a) The RCC requested the proponent to revise the definition of *wholesale electricity market trader* to clarify its distinction from Retail Electricity Suppliers.
- b) The RCC provisionally approved the proposal subject to further revisions to the WEMT definition.

4. Other Matters**4.1. PEM Board Updates**

The RCC was provided with updates on the recently concluded PEM Board Meeting held on 03 May 2018. The following proposals were approved by the PEM Board:

- a) Proposed Amendments to the WESM Rules and WESM Manuals regarding the Transitory Provisions for the Pre-Integration of WESM Mindanao

- It was clarified that in case of market suspension or intervention in the Mindanao grid, the Administered Price will be determined based on ERC-approved rates averaged per type of plant technology, until such time that sufficient historical market values are available. Said rates are currently part of the Price Determination Methodology that is currently undergoing the approval of the ERC.

For context, administered price in Luzon and Visayas are determined based on historical prices.

- b) Proposed Amendments to the WESM Rules to Implement the Approved Plan for Transition to IMO

4.2. Expiring Terms of RCC Members

On another note, the RCC members with expiring terms were informed that per the PEMC-Corporate Secretary's Office, a memorandum will be sent to the relevant members regarding their re-appointment to their respective positions. While awaiting for the said memorandum, the Secretariat stated that based on the Guidelines Governing the Constitution of PEM Committees, committee members will be on hold over status pending the re-appointment or appointment of new WESM Governance Committee Members by the PEM Board.

The RCC noted the information.

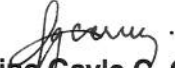
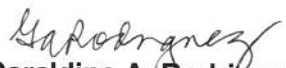

172 **5. Next Meeting**


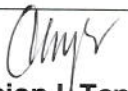



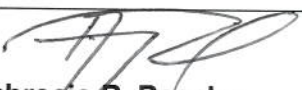




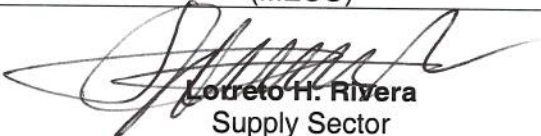
173 The RCC agreed to hold subsequent meetings on the following schedules:

- 174 ▪ **01 June 2018**
- 175 ▪ **06 July 2018**
- 176 ▪ **03 August 2018**

177 **6. Adjournment**

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

| Prepared By: | Reviewed By: | Noted By: |
|--|--|--|
|  Divine Gayle C. Cruz 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 |

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| <p>Approved by:</p> <p>RULES CHANGE COMMITTEE</p> <p> Maila Lourdes G. de Castro Chairperson Independent</p> | |
| <p>Members:</p> | |
| <p> Concepcion I. Tanglao Independent</p> | <p> Francisco L.R. Castro, Jr. Independent</p> |
| <p> Allan C. Nerves Independent</p> | <p> Isidro E. Cacho, Jr. Market Operator Philippine Electricity Market Corporation (PEMC)</p> |
| <p> Ambrocio R. Rosales Transmission Sector National Grid Corporation of the Philippines (NGCP)</p> | <p> Abner B. Tolentino Generation Sector Power Sector Assets and Liabilities Management Corporation (PSALM)</p> |
| <p> Jose Ildebrando B. Ambrosio Generator Sector NorthWind Power Development Corp. (NorthWind)</p> | <p> Ciprinilo C. Meneses Distribution Sector (PDU) Manila Electric Company (MERALCO)</p> |
| <p> Jose P. Santos Distribution Sector (EC) Ilocos Norte Electric Cooperative, Inc. (INEC)</p> | <p>Juanito O. Tolentino, Jr. Distribution Sector (PDU) Mactan Electric Company (MECO)</p> |
| <p>Ludovico D. Lim Distribution Sector (EC) Antique Electric Cooperative, Inc. (ANTECO)</p> | <p> Loreto H. Rivera Supply Sector TeaM (Philippines) Energy Corporation (TPEC)</p> |

Deliberation on the Proposed Amendments to the WESM Rules and Manuals for Additional Trading Participant Category – Wholesale Electricity Market Trader (WEMT)

| Title | Clause | Provision | Proposed Amendment | Rationale | Comment | PEMC Response | RCC Discussion/Agreements |
|-------------------------------------|---------|---|---|--|--|---|---|
| Registration – Trading Participants | 2.2.2.1 | <p>(a) Shall register with the <u>Market Operator</u> under clauses 2.3.1, 2.3.2 or 2.4 as either a <u>Direct WESM member</u> or an <u>Indirect WESM member</u>, and</p> <p>XXX</p> | <p>(a) Shall register with the <u>Market Operator</u> under <u>WESM Rules</u> under clauses 2.3.1, 2.3.2, 2.3.8, or 2.4 as either a <u>Direct WESM member</u> or an <u>Indirect WESM member</u>, and</p> <p>XXX</p> | <p>Include WEMT as a trading participant in the WESM; this would allow all provisions for trading participants to apply to WEMTs</p> | <p>DOE: Retain the original provision. The added reference i.e. "WESM Rules" is unnecessary.</p> <p>The rationale of the proposed entity i.e. "Wholesale Electricity Market Trader" has no basis with the EPIRA and the proposed definition is vague.</p> | <p>Adopt removal of "WESM Rules".</p> <p>The proposal is derived from paragraph 5 of Section 30 of the EPIRA which states that the ERC may authorize other similar entities to become eligible as members of the WESM. Similarity of proposed category (WEMT) with existing categories (GenCo, Customer) is its commercial arrangements for selling or purchasing electricity. ERC authorization will be sought if the proposed category is approved.</p> | <p>The RCC accepted PEMC's response that the proposed addition of a Trading Participant category has basis in the EPIRA.</p> <p>Ms. Lorraine H. Rivera (TPEC) inquired if</p> |

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| Title | Clause | Provision | Proposed Amendment | Rationale | Comment | PEMC Response | RCC Discussion/Agreements |
|---------------------|---------|---|--|---|---|---|---|
| | | | | | | revisions to the proposed definition. | there will be an ERC authorization for an entity to participate in the market as WEMT. Mr. Louis clarified that preliminary discussions with the ERC regarding the proposal indicated that the Commission is amenable to issuing appropriate licenses for WEMTs if the proposal is approved by the DOE. |
| | | | | | GIFT: Remove the comma and word "and". | There is a succeeding item (b) that is not reflected in the matrix | The RCC adopted the proposed amendment. |
| Trading Participant | 2.3.3.1 | A Trading Participant is a person or an entity registered with the Market Operator as either: (a) A Customer, or | A Trading Participant is a person or an entity registered with the Market Operator as either: (a) A Customer, or | Include WEMT as a trading participant in the WESM; this would allow all provisions for trading participants to apply to WEMTs | DOE: Retain the original provision. | The proposed category would allow entities with commercial arrangements for electricity but do not manage physical assets to directly execute those agreements in the WESM. | |

| Title | Clause | Provision | Proposed Amendment | Rationale | Comment | PEMC Response | RCC Discussion/Agreements |
|-------|--------|--------------------------|---|-----------|--|--|--|
| | | (b) A Generation Company | (b) A Generation Company, <u>or</u> (c) A Wholesale Electricity Market Trader | | <p>AP: We suggest to include the Retail Electricity Suppliers in WEMT.</p> <p>Based on the definition of the WEMT, to wit:</p> <p>A person or an entity that does not register a generating system connected to a transmission or distribution system or purchase electricity supplied through the transmission system or a distribution system to a connection point but has a commercial right or obligation to supply or purchase electricity with a trading participant and wishes to participate in the WESM may register with the Market Operator as a Wholesale Electricity Market Trader.</p> <p>By looking at the definition, this can also be applicable to RES.</p> <p>If the above-mentioned suggestion will not prosper, we would like to suggest that the Retail Electricity Suppliers be also included as an additional WESM Trading Participant.</p> | <p>Suppliers are currently allowed to register in the WESM as Customers per its definition in the glossary of the WESM Rules. As such, they do not need a new category in order to participate in the WESM. Registering as Customer or as a WEMT will not change the mode of participation of Suppliers in the WESM.</p> | <p>Mr. Meneses inquired on the distinction between Retail Electricity Suppliers (RES) and WEMT. The two entities seem to be functionally similar in terms of having physical assets to manage and having contractual obligations to supply electricity. Mr. Louis answered that only RESes can cater to Contestable Customers, while WEMTs cannot. However, WEMTs may transact with wholesale Trading Participants, such as generators, distribution utilities, directly-connected customers, and even with fellow WEMTs. Mr. Meneses thus recommended to revise the definition of WEMT to distinguish itself from RES.</p> <p>Interpreting AP's comment, Ms. Rivera stated that AP may want RESes to also be able to declare bilateral contract quantities directly to the market, similar with WEMTs, rather than to generating companies.</p> |

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| Title | Clause | Provision | Proposed Amendment | Rationale | Comment | PEMC Response | RCC Discussion/Agreements |
|------------------------------|-----------------------|-----------|--|--|--|--|---|
| <u>Wholesale Electricity</u> | <u>2.3.8</u> (new) | (new) | <u>Wholesale Electricity</u> <u>Market Trader</u> | Add a new trading participant category to allow registration of entities with commercial | DOE: No basis. Any entity who has a commercial right or obligation | Same response as that on the DOE comment on clause 2.2.2.1 regarding | This would allow RESes to contract with generating companies in order to supply electricity to Contestable Customers. Mr. Louis informed the body that there is a proposal being developed for RESes to "represent" the physical assets of its Contestable Customers in the WESM. In the proposal, RESes will have their own metering point, allowing them to declare bilateral contract quantities to the market. Said pending proposal will be tied up with this proposal, and could then address AP's concerns. The RCC agreed to revise the definition of WEMT to clarify that it cannot supply Contestable Customers. The body requested PEMC to propose a revised definition. |
| | | | | | We may adopt the definition of "Suppliers" as defined in the Retail Rules and various ERC issuances. | | |

| Title | Clause | Provision | Proposed Amendment | Rationale | Comment | PEMC Response | RCC Discussion/Agreements |
|------------------------------|-------------------------|-----------|---|--|--|---|---|
| <u>Market Trader</u> | | | | arrangements but which do not manage physical assets (e.g., multiple-owned generators, strip owners) ; registration of those entities in the market would enhance transparency and competition, and protect confidential information in the market | with the Generation Company or Customer in the WESM shall be deemed part of the said WESM Generation Companies or Customer, and not allowed to be registered separately in the WESM. The rationale of the proposed entity i.e. "Wholesale Electricity Market Trader" has no basis with the EPIRA and the proposed definition is very vague. The EPIRA provides the sectors in the electric power industry, which include the generation, transmission, distribution, supply and end-user. Only entities in the said sectors shall be allowed to become members in the WESM. This is also the rationale why the DOE excluded the participation of the Wholesale Aggregator in the WESM. | basis and proposed definition. | |
| <u>Wholesale Electricity</u> | <u>2.3.8.1</u> (new) | (new) | <u>A person or an entity that does not register a</u> | Provide definition for new trading participant category | <u>GIFT</u> : Additional words in Rationale to support its meaning. Add " <u>Thus, self-interest can be avoided</u> ," at the end. <u>RCC</u> : Can we not just say (to simplify): | Noted. PEMC is amenable to revisions that would make the definition clearer. The | Mr. Meneses raised a theoretical problem with allowing WEMTs in the |
| | | | | | | | The RCC adopted the proposed addition to the rationale. |

| Title | Clause | Provision | Proposed Amendment | Rationale | Comment | PEMC Response | RCC Discussion/Agreements |
|---------------|--------|-----------|--|--|--|---|--|
| Market Trader | | | generating system connected to a transmission system or distribution system or purchase electricity supplied through the transmission system or a distribution system to a connection point but has a commercial right or obligation to supply or purchase electricity with a trading participant and wishes to participate in the WESM may register with the Market Operator as a Wholesale Electricity Market Trader | The new category would only cover entities that have commercial rights or obligations for buying or selling electricity but does not own/operate the generation or load facility | A person or an entity that is not registered as either a generator or customer but has a commercial right or obligation to supply... | main concepts that are proposed to define a WEMT are (1) it will not manage a physical asset in the WESM and (2) it has a commercial arrangement with another trading participant. The definition should not allow GenCos and customers to register as WEMTs but manage generation facilities and load connection points. | market. He stated that, in the future, when the contestability of Contestable Customers cover those as low as in the household or residential level, WEMTs will no longer have a place in the market because everyone would technically become Contestable Customers. As RESes are the only ones allowed to supply electricity to Contestable Customers, no one will want to register as WEMT, hence it will be a stranded entity. |
| | | | | | | | Mr. Louis responded that there will be no competition between WEMTs and RESes because, as mentioned, these two entities have different markets. If WEMTs want to supply to Contestable Customers, it cannot directly do so and they would have to go through RESes. Mr. Louis also clarified that WEMTs can only transact with fellow wholesale market participants, including RESes currently |

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|-------|--------|-----------|--------------------|-----------|---------|---------------|---|
| | | | | | | | <p>Mr. Louis recognized that it may be difficult to appreciate at present the benefit of WEMTs' participation in the market, especially in the Philippine context where the market is moderately to highly concentrated. As the market stands now, it might not make commercial sense for Customers to purchase electricity from WEMTs, which are middlemen, if they can transact directly with the generating companies. But looking at the emerging trend in other countries, generating companies could have a mixed portfolio of customers through WEMTs, and also customize their supply of electricity to various types of customer demands</p> |

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| | | | | | | | <p>which would be beneficial to the consumers. WEMTs could also offer electricity at a much competitive price and combine different generation resource.</p> <p>Mr. Francisco L.R. Castro, Jr. (Independent) expressed reservation on the premise that the market will eventually be big enough to accommodate various middlemen like WEMTs. The Philippine market might not be ready for this. On the other hand, Mr. Castro also opined that there could be too many middlemen that do not own physical assets. Allowing WEMTs to directly participate in the market could lower the barrier to entry too much for middlemen who may not be technically adept.</p> <p>Atty. De Castro asked if there are indications that parties may want to come in as WEMTs. Mr. Louis responded that entities like Pagbilao, Team Sual, APEC and other investors</p> |

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| | | | | | <p>GIFT: Remove extraneous words that may cause to redundancy.</p> <p>A person or an entity that does not register <u>in generating system</u> connected to a <u>transmission or distribution system</u> or <u>purchase electricity supplied through the transmission system or a distribution system to a connection point</u> but has a commercial right or obligation to supply or purchase electricity with a <u>trading participant</u> and wishes to <u>join</u>, participate in the <u>WESM</u> may register with the <u>Market Operator</u> as a <u>Wholesale Electricity Market Trader</u></p> | <p>The proposed revision does not encapsulate the proposed concept of a WEMT. Refer to the above response for the proposed concept.</p> | <p>The RCC requested PEMC to revise the definition based on comment to clarify distinction between WEMT and RES.</p> |
| | | | | | <p>SMEC: The Proposed Amendment needs to be refined in order to A) enable entities with an operations and management arrangement with a Main Trading Participant to register with the Market Operator and B) ensure that</p> | <p>The proposed definition would allow an entity with an operations and management arrangement to register in the WESM under the WEMT category. It would manage the assets of the Main Trading Participant in the WESM by</p> | <p>Mr. Louis explained that what SMEC is suggesting is too specific to existing commercial arrangements between a Main Trading Participant and a WEMT (e.g., IPP contracts). A generic definition for WEMT is proposed to accommodate other</p> |

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|-------|--------|-----------|--------------------|-----------|---|--|--|
| | | | | | <p>the registration of a WEMT will not result to issues in the distribution of the metered quantities of a generating system.</p> <p>Revise to:</p> <p>A person or an entity that has an operations and management arrangement with a Main Trading Participant or a person or an entity that does not register a generating system connected to a transmission or distribution system or purchase electricity supplied through the transmission system or a distribution system to a connection point but has a bilateral contract to supply or purchase electricity with a trading participant and wishes that bilateral contract to be accounted for in the WESM, may register with the Market Operator as a Wholesale Electricity Market Trader (WEMT); provided, that the WEMT should submit to the Market Operator a written agreement with the current Main Trading Participant that is either a Customer, a</p> | <p>registering that participant as the indirect counterparty of the WEMT.</p> <p>Although it is acknowledged that the current proposal was conceptualized in view of current registration issues like O&M contracts and shared ownership of generation facilities, the additional trading participant category is proposed to be a generic category that would allow future arrangements to be handled by the market. Hence, it is proposed that the definition be retained to be generic as execution of specific arrangements may be performed in operational processes such as scheduling and contract declaration.</p> | <p>The RCC accepted PEMC's response and declined SMEC's proposed revisions.</p> <p>Ms. Rivera further explained that there are generating facilities whose capacities are not entirely contracted with IPPs. The un-contracted capacities are owned by different entities, who cannot register in the WESM. These unregistered entities have to trade in the market through a third-party, the IPPA, who is supposedly its competitor. This arrangement compromises those unregistered owners' commercial information. Although arrangements between the IPPA and the unregistered entity are done outside the market as a workaround, there will always be cash flow and tax issues inherent in those arrangements that</p> |

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| Wholesale Electricity | 2.3.3.2 (new) | (new) | To register as a Wholesale Electricity Market Trader, a person | Entities that would register as WEMTs should be able to comply with the general | <p><u>Generation Company</u> or an <u>IPP Administrator</u> that allows the registration of the person or entity as a <u>WEMT</u> to satisfy the membership criteria specified in <u>Clause 2.3.3.4</u>.</p> <p>The Proposed Revised Wording will enable entities with operations and management arrangements with a Main Trading Participant to participate in the WESM distinct from that Main Trading Participant and ensure that the WEMT can only register in the WESM if allowed by the Main Trading Participant.</p> <p>Prior to registration, there is a need for a mutual agreement between parties as to obligations and sharing including but not limited to distribution of the actual production of a generation facility. This is necessary to prevent the Market Operator from being dragged into a dispute if the parties have issues.</p> <p>RCC: I noticed that under 2.3.3.4 on Membership Criteria:</p> | The commented wording is an existing clause and is not part of the proposal. | <p>RCC</p> <p>are disadvantageous to the unregistered entity, aside from the mentioned confidentiality issues. Ms. Rivera stated that the proposal will at least address the settlement and confidentiality issues.</p> <p>As a general comment, Dr. Nerves remarked that consumer choice might be negated on the kind of generator resource it wishes to purchase its demand from. For instance, a customer may prefer having its supply of electricity come from renewables, but its WEMT buys supply from coal plants.</p> |

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| Title | Clause | Provision | Proposed Amendment | Rationale | Comment | PEMC Response | RCC Discussion/Agreements |
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| <u>Market Trader</u> | | | or an entity shall satisfy the membership criteria specified in clause 2.3.3.4. | membership requirements of the WESM | <p>"A person or an entity is not eligible to be registered as a Trading Participant unless that person or entity:"</p> <p>Is there a reason why it is stated in the negative? Can we not say:</p> <p>A person or an entity shall be eligible to be registered as Trading Participant if they meet the following membership criteria: ...</p> | | WEMTs, to which Mr. Louis confirmed that they can. In that case, he explained that PSALM will still be the one to trade the capacities for those strips in the market, but the strip owners, should they register as WEMTs, be the one to contract out the capacities to various customers. |
| <u>Wholesale Electricity Market Trader</u> | 2.3.8.3 (new) | (new) | A Wholesale Electricity Market Trader shall comply with the billing and settlement procedures described in chapter 3. | Since WEMTs do not have facilities that are registered in the WESM, their only participation in the WESM would be during billing and settlement | <p>SMEC: An additional provision should be added here or in the relevant section of the WESM Rules and Manuals to ensure compliance of the WEMT to the WESM rules and manuals.</p> | PEMC agrees with the comment on the 1 st proposed revision. | <p>The RCC adopted the original proposed amendment</p> <p>Mr. Louis clarified that only the one registered as GenCo will be monitored by PEMC-ECO for dispatch compliance, since the generator still owns or controls the physical assets. Possible violations of WEMTs</p> |

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|-------|--------|-----------|--------------------|-----------|---|--|---|
| | | | | | <p>Revise to:</p> <p>A Wholesale Electricity Market Trader shall comply with <u>the provisions of the WESM Rules and WESM Manuals including the billing and settlement procedures described in Chapter 3.</u></p> <p><u>A Wholesale Electricity Market Trader that controls the physical assets of a generating system shall be responsible for any violations of the rules governing compliance of a generating system to its Real Time Dispatch and shall be solely held liable for penalties imposed as a result of such violations.</u></p> <p>There are certain instances wherein the registered Generator Trading Participant do not control the operation of a generating system such as in the case of the IPPA's. With the addition of a new Trading Participant category, the WEMT who may have control of the generating system, the WEMT should be the entity</p> | <p>which is that it is an entity that does not manage a physical asset. In the WESM Rules, trading participants that register a generation facility carry all of the responsibilities related to that facility from submission of offers to compliance to dispatch schedules and instructions.</p> | <p>would be more on non-payment of its financial obligations to the WESM. Ms. Concepcion I. Tanglao (Independent) remarked that perhaps the operations and management agreement between two companies should cover who controls the physical asset, and therefore the one to carry out the responsibility of compliance to dispatch schedules. Ms. Rivera explained that ideally, the one who is issued with a Certificate of Compliance (COC) is also the one registered in the market. But in the case of SMEC and Team Sual, it's Team Sual who has the COC but SMEC is the one actually registered since it is the designated IPP. In that case and in other similar situations, Mr. Louis expressed that the parties could just make internal arrangements.</p> <p>The RCC adopted the original proposed amendment.</p> |

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| Wholesale Electricity Market Trader | Glossary | (new) | <u>Wholesale Electricity Market Trader. A person or an entity that does not register a generating system connected to a transmission or distribution system or purchase electricity supplied through the transmission system to a distribution point but has a commercial right or obligation to supply or purchase electricity with a trading participant, wishes to participate in the WESM, and registers with the Market Operator in that capacity under WESM Rules Clause 2.3.8.</u> | Provide definition for new trading participant category The new category would only cover entities that have commercial rights or obligations for buying or selling electricity but does not own/operate the generation or load facility | held responsible to comply with the rules governing compliance to RTD. RCC: same suggestion in 2.3.8.1 GIFT: Remove extraneous words that may cause to redundancy. A person or an entity that does not register in generating system connected to a transmission or distribution system or purchase electricity supplied through the transmission system or a distribution system to a connection point but has a commercial right or obligation to supply or purchase electricity with a trading participant and wishes to join, participate in the WESM may register with the Market Operator as a Wholesale Electricity Market Trader | PEMC is amenable to revisions that would make the definition clearer. The proposed revision does not encapsulate the proposed concept of a WEMT. | The RCC requested PEMC to revise the definition for WEMT. |
| General Comments | | | | | PSALM: REGISTRATION: <ul style="list-style-type: none"> Only the Generator Category is recognized to participate in the market. | <ul style="list-style-type: none"> The amendment proposes the recognition of an additional participant category. ERC authorization would be sought if the proposal is approved. | Atty. de Castro asked how open the ERC is in issuing licenses for WEMT. Mr. Louis answered that the ERC is amenable to the proposal and the matter will be discussed with |

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| | | | | | <ul style="list-style-type: none"> • WEMT requires ERC License to perform its role in the market • ERC did not allow two distinct owners for a generating facility under a single trading node, i.e. two separate entities under one generating unit. | <ul style="list-style-type: none"> • This proposal does not include the trading, in terms of submission of offers and dispatch compliance, of two distinct owners for a single generating facility. This proposal also does not include assignment of a single generating facility to multiple entities. | <p>them again if the DOE approves the proposal.</p> <p>Atty. de Castro raised if the proposal would require changes to the new Market Management System (NMMMS). Mr. Louis responded that the proposal does not impact the NMMMS. Mr. Cachro explained that it would only affect settlement merely in terms of an addition of a new Trading Participant category. He added that the same billing and settlement process will apply, and there will be no change in bidding or modelling.</p> <p>The RCC noted the comments and PEMC's response.</p> |
| | | | | | <p>PSALM: SCHEDULING / DISPATCH COMPLIANCE / METERING / MARKET SETTLEMENT:</p> <ul style="list-style-type: none"> • The Generator Category Trading Participant can take the role for scheduling, dispatch compliance, metering and market settlement. • WEMT having no affiliate Generation Facilities, is not liable to non-compliance and cannot transact to the market to | <ul style="list-style-type: none"> • Since market settlement is primarily accounting of quantities and amounts, WEMTs may participate in that process. • Under the WESM Rules, all responsibilities related to a generating facility is carried by the generation company. The WEMT is proposed as a | |

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|-------|--------|-----------|--------------------|-----------|--|--|--|
| | | | | | <p>undertake the above activities.</p> <p>PSALM: The present set-up already considers the role and transaction of "WEMT" as follows:</p> <ol style="list-style-type: none"> 1. The Generator declares bilateral and settle market transaction on behalf of the "WEMT". 2. "WEMT" settles its bilateral outside the market 3. "WEMT" pays/receives to/from the Generator its share from market transaction/settlement 4. The Generator allocates "WEMT" MOs based on its share in the generation based on its offer from its allotted capacity. Example, if the plant capacity is 500MW and the sharing between Generator and WEMT is 400MW and 100MW, respectively, the dispatch share of "WEMT" depends on the Real Time Dispatch from the result of the market run based on its offered price. Hence, there will be times that the share of | <p>settlement entity only and is not proposed to be assigned to a generating facility.</p> <p>Although the present set-up considers the role and transactions of the proposed WEMTs, it does so in a way that requires sharing of confidential information between non-affiliated parties, and is not transparent to the MO with respect to the WEMTs transactions. The proposal would address both these issues by recognizing that "WEMTs" are trading participants in the WESM.</p> <ol style="list-style-type: none"> 1. Declaration of generation companies on behalf of "WEMTs" require the WEMT to divulge commercially sensitive information to the generation company which may disadvantage the WEMT 2. This is not affected by the proposal 3. The proposal will allow WEMTs to remit or receive payments. | <p>The RCC noted the comments and PEMC's response.</p> |

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|-------|--------|-----------|--------------------|-----------|--|--|---------------------------|
| | | | | | <p>"WEMT" may not be dispatched fully if the Generator's offer is higher than the market price. The effect is that "WEMT" may be under declared from its MQ which will be settled separately in the market for the BCQ imbalance by the Generator.</p> <p>5. "WEMT" cannot be independent from the Generator since "WEMT" can only do business transaction through the Generator except for bilateral which is settled outside the market.</p> | <p>directly to the WESM possibly reducing transfer of cash between the WEMT and the generation company.</p> <p>4. Allocation of a WEMT of the actual generation of a facility will not be affected by the proposal. The only difference is that it will now be declared in the market. In the example provided, let's assume that the RTD of the facility was only 450 MW (resulting in 450 MWh of generation). Based on the agreement between the GenCo and the WEMT, the WEMT's share is only 75 MWh. This would be declared by the generation company in the WESM. If the WEMT has a contract with its customers at its full share (100 MW) then its net settlement in the WESM would be +75 - 100 = -25. The WEMT will be charged for the 25</p> | |

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|-------|--------|-----------|--------------------|-----------|---|--|--|
| | | | | | <p>PSALM: As such, the proposed rule change to provide WEMT the role to declare bilateral contract from the declaration of the Generator is just another layer of process which is currently being done by the Generator that declares WEMT's bilateral. However, the issue on disparity between the MQ and the bilateral on the part of WEMT is not resolved since the generator retains the settlement of WEMT transaction in the market for the imbalances.</p> | <p>MWh imbalance between its share in the MQ of the facility and its BCO.</p> <p>5. This is not affected by the proposal. Transactions between the "WEMT" and existing trading participants (e.g. GenCo, customers) will still be necessary for the WEMT to perform its rights or obligations in the market.</p> | <p>The RCC noted the comments and PEMC's response.</p> |

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|-------|--------|-----------|--------------------|-----------|---|--|--|
| | | | | | <p>PSALM: WEMT may be a load Customers, Retailers, Aggregators or IPP Administrators as currently recognize by ERC. The said participants be a WEMT to have independence in declaration of its bilateral contract. For PSALM, the IPP Administrators for the Strip of Energy of Unified Leyte Geothermal Power Plants can benefit by directly declaring their bilateral as WEMT while any imbalance from the MQ and BCCQ will be settled in the market by PSALM.</p> | <p>Load customers, retailers, aggregators and IPP administrators may already register in the WESM under the existing trading participant categories. Imbalances between MQ and BCCQ would be transferred to the WEMT by the allocation of the generation company to the WEMT.</p> | <p>The RCC noted the comments and PEMC's response.</p> |
| | | | | | <p>PSALM: Finally, in expanding the role of WEMT in the future, there is a need to further study WEMT of its independence of WEMT to transact in the market, the issue on license from ERC and the issue of two or more owner in one trading node given the competition between the owners based on each offers.</p> | <p>ERC authorization would be sought if the proposal is approved.</p> <p>This proposal does not include trading, in terms of submission of offers and dispatch compliance, of two distinct owners for a single generating facility. This proposal also does not include assignment of a single generating facility to multiple entities.</p> | <p>The RCC noted the comments and PEMC's response.</p> |
| | | | | | <p>SNAP: Which entities can fall under WEMT? Can we assume that RESEs will be</p> | <p>Suppliers are currently allowed to register in the WESM as Customers per its definition in the</p> | <p>The RCC noted the comments and PEMC's response.</p> |

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|-------|--------|-----------|--------------------|-----------|---|---|---|
| | | | | | considered/ eligible to register as a WEMT? Provide a section where participants which can register as WEMT is defined. To provide clarity. | glossary of the WESM Rules. As such, they do not need a new category in order to participate in the WESM. Registering as Customer or as a WEMT will not change the mode of participation of Suppliers in the WESM. | |
| | | | | | SNAP: The ability of a WEMT to accept and declare BOCs from / to another participant is a very useful functionality in the allocation of commercial obligations / risks. However, only entities which are 'with commercial arrangements but which do not manage physical assets' will only be registered as WEMT, and therefore only has access to such functionalities. | The cited declarations (Gen to Gen, RES to Gen, RES to RES, Load to RES) are targeted to be allowed under the enhanced WESM design with the changes in the settlement formulas. As mentioned by SNAP, this would allow for the seamless implementation of all types of contracts in the WESM. | The RCC noted the comments and PEMC's response. |

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|-------|--------|-----------|--------------------|-----------|---|---------------|---------------------------|
| | | | | | <p>"Although the WEMT category would address the recognition of existing arrangements in the WESM (e.g., multiple owners of a single capacity), it is also envisioned to be a flexible category that could cater new commercial arrangements in the future and is proposed not to be limited to the current context. xxx</p> <p>"</p> <p>As well, to enable better risk management for all WESM participants, the functionality for submission and confirmation of bilateral contract quantities shall be extended to current participants (Generator and Loads) that manage physical assets.</p> <p>Suggestion to please enable the same functionality (Accept and Declare BCOs) for Generators, Loads and RESEs as well, or for the following participant pairs:</p> <ol style="list-style-type: none"> 1. Generator to Generator 2. RES to Generator 3. RES to RES. | | |

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|-------|--------|-----------|--------------------|-----------|--|---|---|
| | | | | | 4. Load to RES This is to enable common commercial arrangements to be implemented in the WESM seamlessly, (e.g. Replacement Power Agreements, Back-to-Back supply, etc.) that are previously implemented in the same troublesome manner described to which the WEMT is proposed a solution for. | | |
| | | | | | MSC: Under the WESM Rules, the generation company or its nominee acts as Trading Participant for the plant's capacity. As such, the Trading Participant is responsible for compliance with applicable or pertinent WESM Rules. Accordingly, the Trading Participant must be held fully accountable for breaches or violations of the WESM Rules. | Agree. The proposal retains the full responsibility of the actions of a generating facility to its registered generation company in the WESM. | The RCC noted the comments and PEMC's response. |
| | | | | | MSC: While the proposal may provide that the proposed WEMT cannot trade the capacity allocated to it, and/or that the Trading Participant shall remain fully accountable for breaches of the WESM Rules, this does not preclude a scenario where the Trading Participant | Agree. The proposal retains the full responsibility of the actions of a generating facility to its registered generation company in the WESM. | The RCC noted the comments and PEMC's response. |

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|-------|--------|-----------|--------------------|-----------|---|--|--|
| | | | | | points out an act or omission on the part of the proposed WEMT as an excuse for the Trading Participant's breach or non-compliance with the WESM Rules. It is best that there is no perception of diminution of accountability on the part of the Trading Participant. | | The RCC noted the comments and PEMC's response. |
| | | | | | <p>MISC: The relationship between the Trading Participant and the proposed WEMT is surely governed by a special arrangement that was agreed upon by these parties, to which PEMC is not a party nor privy to. Allowing the proposed WEMT to register as Trading Participant will be seen as an intrusion in or an impairment of such special arrangement especially if the parties have stipulated that the Trading Participant shall offer and trade the capacities allocated to the proposed WEMT, for an in behalf of the latter.</p> | <p>If the special arrangement specifically provides that the Generation Company will trade and perform all processes in the WESM on behalf of the "WEMT" then the "WEMT" would not need to register in the WESM. If it registers and the generation company disagrees, the WEMT will not be able to fully execute its rights and obligations as it would require transactions with the Generation Company in the WESM.</p> | |
| | | | | | <p>MISC: If the justification for the proposal is to maintain the confidentiality of the terms and conditions of the proposed WEMT's bilateral contracts or arrangements with its own customers, and/or that payments due the</p> | <p>Any amendments to existing special arrangements would have to be aligned with the WESM Rules. Since the WESM Rules only recognize one of the entities (i.e., the GenCo or</p> | <p>The RCC noted the comments and PEMC's response.</p> |

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|-------|--------|-----------|--------------------|-----------|---|---|---------------------------|
| | | | | | <p>proposed WEMT be directly made by PEMC to the proposed WEMT, these should be made part of the subject matter of the special arrangement between the Trading Participant and the proposed WEMT. It need be, it can be suggested to these parties that negotiations be made between them to amend their existing special arrangements to address the same.</p> | <p>the customer, it is inevitable that information sharing will be required due to existing WESM processes. With the proposal, participants will not be required to share information but may still share information if that is their agreement. At the least, it is not the market that is requiring them to share information.</p> | |