

MINUTES OF THE RULES CHANGE COMMITTEE 147th REGULAR MEETING (No. 2018-11)	
Meeting Date & Time:	06 December 2018, 9:00 AM to 12:00 PM
Meeting Venue:	PEMC Board Room, 18/F 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 Concepcion I. Tanglao – Independent Francisco Leodegario R. Castro, Jr. – Independent Allan C. Nerves – Independent Abner B. Tolentino – Generation (PSALM) Jose Ildebrando B. Ambrosio – Generation (NorthWind) Cherry A. Javier – Generation (APC) Dixie Anthony R. Banzon – Generation (MPPCL) Ciprinilo C. Meneses – Distribution (MERALCO) Ricardo G. Gumalal – Distribution (ILPI) Jose P. Santos – Distribution (INEC) Virgilio C. Fortich, Jr. – Distribution (CEBECO3) Lorreto H. Rivera – Supply (TPEC) Ambrocio R. Rosales – System Operator (NGCP)	Isidro E. Cacho – Market Operator (IEMOP)
Other attendees: PEMC – Market Assessment Group (MAG) Elaine D. Gonzales John Mark S. Catriz Divine Gayle C. Cruz Romellen C. Salazar	

Aldjon Kenneth M. Yap
Karen A. Varquez
Arjon B. Valencia

PEMC – Corporate Planning and Communications

Clares Loren C. Jalocon
Dece Marwil B. Falar

PEMC – Legal Department

Atty. Monica M. Martin

IEMOP (Presenter)

Jonathan B. dela Viña
Raymond Joseph A. Marqueses

DOE Observers

Ferdinand B. Binondo
Ann Margaret Andres
Kevin Lloyd C. delos Santos

1 There being a quorum, Chairperson Maila Lourdes G. de Castro called the meeting to order at
2 around 9:14 AM.

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4 The body also welcomed Mr. Ricardo G. Gumalal from Iligan Light and Power, Inc. as a new
5 representative for the Distribution sector.

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

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8 The RCC adopted the agenda as presented.

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

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11 The RCC reviewed the minutes of the 146th RCC meeting held on 09 November 2018 and
12 subsequently approved it as presented.

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Agreements/Action Plans

The RCC approved the minutes without revisions.

3. Matters Arising from Previous Meeting**Revised Proposed Amendments to the Retail Rules to Reduce Barriers to Entry and Participation in the Retail Market**

Mr. Jonathan B. dela Viña from IEMOP presented the revised proposed amendments to the Retail Rules specifically on the following matters (see Annex A for presentation slides):

- *Clauses 3.2.2.x – provisions on switching process*

Arising from the discussions of the RCC from the previous meeting where the body found the proposed reduced timeframe for processing switch requests (i.e., from 30 days to 5 working days) to be confusing and infeasible for new Suppliers as to their submission of requirements to the Central Registration Body (CRB), IEMOP revised its proposal to reflect that switch requests will be processed only after the following are accomplished:

- 1) the new Supplier has submitted a switch request with attestations by all relevant parties of the existence of: (i) Retail Supply Contract, (ii) valid wheeling service agreement between Supplier and Distribution Utility, (iii) metering service agreement between Supplier and Retail Metering Services Provider covering the Contestable Customer, and (iv) document signed by incumbent Supplier that the Contestable Customer has no outstanding balance;
- 2) the Market Operator has confirmed the compliance of the new Supplier with the prudential requirements; and
- 3) the Distribution Utility has submitted the complete customer information of the Contestable Customer.

Only after the above are completed will the CRB approve the switch notification and consequently request a switch effectivity date from the new Supplier. With the described process, the CRB could complete the switch as early as three (3) working days from the date the Supplier notified the CRB of the switch effectivity date. Clauses 3.2.2.1 to 3.2.2.10 were revised to reflect the proposed switch request procedures.

52 ▪ *Clauses 4.3.2.2 and 4.4.3.x – provisions on metering data*

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54 IEMOP also added among its proposed amendments the relaxation of the requirement
55 for retail metering installations on the provision of metering data. It is proposed that retail
56 metering installations only be required to be able to measure and record metering data
57 on an interval basis rather than for each dispatch interval. With this proposal, it is not
58 necessary for retail metering installations to be able to record metering data every 5
59 minutes (i.e., dispatch interval for the enhanced wholesale market design) as long as
60 these could record data for any interval, for instance, 15-minute or 1-hour actual metering
61 data. It is also proposed that the CRB be responsible for converting non-dispatch interval
62 metering data from Retail Metering Services Providers to 5-minute data. Clause 4.3.2.2
63 was revised and Clauses 4.4.3.1 and 4.4.3.2 were added to reflect the above-described
64 requirements.

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66 Having received no objections, the RCC approved the publication in the market website of
67 the revised proposed amendments to the Retail Rules for comments.

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Agreements/Action Plans
The RCC approved the publication of the proposal in the market information website as submitted.

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4. New Business

4.1. Proposed Amendments to WESM and Retail Market Manuals to Reduce Barriers to Entry and Participation in Retail Competition

Mr. dela Viña presented the captioned proposal which supports and details the implementation of the previously submitted proposed amendments to the Retail Rules and WESM Rules regarding the same subject (see Annex B for presentation slides). The WESM and Retail Manuals for revisions are as follows:

1. Retail Manual on Registration Criteria and Procedures;
2. Retail Manual on Market Transactions Procedures;
3. Retail Manual on Metering Standards and Procedures;
4. Retail Manual on Disclosure and Confidentiality of Contestable Customer Information;
5. WESM Manual on Billing and Settlement; and
6. WESM Manual on Registration, Suspension and De-registration Criteria and Procedures

The proposed changes to the above documents are summarized below:

Retail Market Manuals	Proposed Amendments
Registration Criteria and Procedures	<ul style="list-style-type: none"> Added detailed procedures for the registration of contestable customers by the Central Registration Body Included registration procedures for Suppliers and Retail Metering Services Providers
Market Transactions Procedures	<ul style="list-style-type: none"> Revised registration requirements to attestations from copies of agreements Reflected revised switch processing timeline Removed billing period restriction in the start of switch date
Metering Standards and Procedures	<ul style="list-style-type: none"> <i>Relaxed metering interval requirement (NEW)</i> Streamlined metering installation registration requirements Reflected provisions under PDC 2017 assigning the responsibility for validating and estimating retail metering data to the Distribution Utilities Proposed transfer of Retail Metering Services Provider performance monitoring to PEMC as the WESM governing body
Disclosure and Confidentiality of Contestable Customer Information	<ul style="list-style-type: none"> Deleted publication of bilateral contract info (WESM data)

WESM Manuals	Proposed Amendments
Billing and Settlement	<ul style="list-style-type: none"> Provided detailed procedures for the assessment of the change in prudential requirements of a Supplier during switch
Registration, Suspension, and De-Registration Criteria and Procedures	<ul style="list-style-type: none"> Added restrictions on direct member counterparty and contract enrollment for contestable customers (i.e., should be suppliers only)

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Having received no objections, the RCC approved the publication in the market website of the proposed amendments to the WESM and Retail Market Manuals for comments.

Agreements/Action Plans
The RCC approved the publication of the proposal in the market information website as submitted.

74 **4.2. Proposed Amendments to the WESM Rules and WESM Manual on Guidelines**
75 **on Significant Variations In and Between Trading Intervals to Refine Publication**
76 **Procedures**
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78 IEMOP submitted to the RCC on 28 November 2018 its proposed amendments to the WESM
79 Rules and subject WESM Manual (see Annex C for presentation slides). The proposal aims
80 to change the mode of transmittal of the monthly summary of Daily Significant Variations
81 Report from hard copy printouts to publication in the market information website for the public
82 to access. This report is provided to the DOE, ERC, the PEM Board, Market Surveillance
83 Committee and any WESM member requesting for the same (per Section 3.1.5 of the relevant
84 Manual).

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86 Having received no objections, the RCC approved the publication in the market website of
87 the proposed amendments to the WESM Rules and the WESM Manual on Guidelines on
88 Significant Variations In and Between Trading Intervals for comments.
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Agreements/Action Plans

The RCC approved the publication of the proposal in the market information website as submitted.
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93 **4.3. Proposed Amendments to Provisions related to Audit and Performance**
94 **Monitoring under the WESM Rules, Retail Rules, PEM Audit Manual, and**
95 **Guidelines Governing the Constitution of PEM Board Committees**
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98 The RCC received the subject proposal from the PEM Audit Committee (PAC) on 04
99 December 2018. The proposed amendments intend to introduce enhancements to the current
100 preparation and implementation of market audits and the performance monitoring of WESM
101 service providers. The proposal also aims to clarify the responsibilities of the PAC (see Annex
102 D for presentation slides).
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104 As presented by Ms. Karen A. Varquez (PEMC-MAG), the proposal specifically seeks to,
105 among others:
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- 107 1. include the review of the System Operator as to its responsibilities in the WESM
108 among market audits;
- 109 2. develop and monitor System Operator Performance Standards;
- 110 3. change the term "PEM Auditor" to "PEM Audit Committee";
- 111 4. enhance and clarify the audit process and its timeline, including engagement of
112 external auditors and the frequency of market audits; and

- 113 5. clarify that the PAC “oversees” instead of “conduct” market audits
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115 As for item no.4, Ms. Varquez further explained that the PAC intends to institutionalize through
116 the proposed amendments its current practice in seeking the approvals of the PEM Board
117 throughout the engagement process of external auditors, which is more fast-tracked than what
118 is currently required in the PEM Audit Manual. Ms. Varquez added the following clarifications
119 arising from the queries of RCC members:
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- 121 1. The PEM Audit Manual already provides the required contents of the audit project
122 Terms of Reference (TOR), which Manual was approved by the PEM Board. Hence it
123 is proposed that the requirement for the PEM Board to approve the TOR be already
124 removed in the Manual to shorten the process. It was also clarified that PAC is always
125 supported by PEMC-Legal and the MAG during the bidding process, the
126 accomplishment of the TOR and finalization of contract with the winning external
127 auditor since the signing authority of the contract is the PEMC President, not the PAC.
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- 129 2. A summary of all Audit Reports is published in the market website for download. A
130 WESM Member may request for a complete and detailed Audit Report upon request
131 to the PAC.
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- 133 3. Auditees (e.g., MO, SO, MSP) are always involved in the development of the TOR
134 through submission of comments.
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136 The documents proposed to be revised are the (i) WESM Rules, (ii) Retail Rules, (iii)
137 Guidelines Governing the Constitution of the PEM Board Committees, and (iv) PEM Audit
138 Manual.
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140 The RCC approved the publication in the market website of the proposed amendments for
141 comments.
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Agreements/Action Plans
The RCC approved the publication of the proposal in the market information website as submitted.

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146 **5. Other Matters**
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148 **5.1. Formulation of Draft RCC 2019 Work Plan – Strategies**
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150 Based on the discussions, direction and inputs from the WESM Governance Committee
151 Strategic Planning Workshop conducted on 04 and 05 December 2018, the RCC preliminarily

152 agreed on participating in the development, studies or reviews related to the following PEMC
153 short-, medium-, and long-term initiatives and topics, and DOE priorities:
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	Topic	Remarks	Timeline
1	Market Operations Performance Standards (MOPS)	PEMC-Corporate Planning and Communications to present new MOPS	January 2019
	Renewable Energy:		
2	<ul style="list-style-type: none"> Forecasting 	With IEMOP	
3	<ul style="list-style-type: none"> Implications on price, congestion and ancillary services 		
4	<ul style="list-style-type: none"> Battery storage 	NGCP to present its study on battery storage	Q1 2019
5	Multiple owners of a resource	Pending with DOE	Q1 2019
6	Must-Run Units, price substitution and congestion	To be re-visited	Q1 2019
7	WESM Mindanao	With MSC, PEMC (MAG, ECO) and IEMOP	Q1 2019
8	Integration Distributed and/or Renewable Energy Resource	RCC to possibly work with the Technical Committee (TC) and IEMOP	
9	Planned outages	NGCP to present its Grid Operating and Maintenance Program (GOMP) to the RCC (possibly with other Governance Committees, IEMOP and PEMC in the audience) ~ RCC shall formally send a request letter to the NGCP for the presentation of the GOMP	Q1 2019
10	Embedded generation	With PEMC and IEMOP	Q1 2019
11	Settlement of displaced generators	With PEMC and IEMOP	Q1 2019
12	Energy Storage	With PEMC and IEMOP	Q2 2019
13	Demand resource participation	RCC with TC	Q3 2019
14	Demand bidding	With PEMC and IEMOP	Q4 2019
15	Adequacy of ancillary services		2019
16	Reserve Market	With PEMC and IEMOP	2019
17	Forwards Market	With PEMC and IEMOP	
18	Code of Conduct:	In coordination with the Market Surveillance Committee	
	<ul style="list-style-type: none"> Anti-competitive behavior 		
	<ul style="list-style-type: none"> Market manipulation 		
19	Last bid change before gate closure	Revisit Dispatch Protocol Manual Issue 13.0	
20	Level of Prudential Requirements to address volatility and inability to pay	With IEMOP	

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The RCC likewise briefly discussed some of its general inputs during the Strategic Planning Workshop, specifically on practices that could improve how the body performs its functions:

Support to Policy Development	Market Compliance	Performance Evaluation	Market Development
<ul style="list-style-type: none"> Benchmarking with other jurisdictions Pro-active collaboration with stakeholders and other PEM Committees Collaborating with end-consumers 	<ul style="list-style-type: none"> Benchmarking with other jurisdictions 	<ul style="list-style-type: none"> Improve technical writings in Committees Pro-active collaboration with stakeholders and other PEM Committees Less grammatical and syntax error 	<ul style="list-style-type: none"> Collaborating with end-consumers Pro-active collaboration with stakeholders and other PEM Committees Benchmarking with other jurisdictions Less remanded proposals

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The development and finalization of the 2019 RCC Work Plan would depend on resulting of further Strategic Planning activities of PEMC and the WESM Governance Committees with MERAKI Consulting, Inc. in the coming months.

Agreements/Action Plans

- 1) The RCC shall formally write NGCP requesting for a presentation of the Grid Operating and Maintenance Program.
- 2) The RCC shall continue developing its Work Plan based on the results of further Strategic Planning activities with PEMC and MERAKI Consulting, Inc.

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5.2. DOE Public Consultation of Rules Change Proposals

Mr. Ferdinand B. Binondo (DOE) informed the RCC that the DOE will now conduct public consultations in Luzon, Visayas and Mindanao on significant rules change proposals to serve as an avenue for the general public to comment and provide inputs to the proposals. He requested the support of the RCC to participate as resource persons during such DOE events.

The RCC noted the DOE's update.

Agreements/Action Plans

The RCC noted the regular Public Consultation events that will be henceforth conducted by the DOE regarding rules change proposals.

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5.3. Internal Procedures regarding Submission of Meeting Materials

Arising from the discussions in the preceding section, the RCC requested the RRD to implement a deadline for the proponents' submission of the associated materials of their proposals prior to the RCC meeting. Imposing a reasonable deadline, say, at least 1 week before the RCC meeting when the proposal will be taken up, would give the RCC adequate time to properly review the proposals and would facilitate effective deliberation during the meeting. Failing to provide the materials on or before the deadline means that the matter will be taken up in the meeting the following month.

The RRD noted the RCC's instructions.

Agreements/Action Plans

The RCC instructed the RRD to implement a deadline for the proponent to provide the materials of a proposal.

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6. Next Meeting

Starting 2019, the RCC agreed to hold its regular meetings every 3rd Friday of the month to consider the schedule of PEM Board meetings which is every last Thursday of the month. This will give the RCC and the Rules Review Division ample time to prepare and submit any RCC-approved proposed amendments in time for the Board meeting of the following month.

The RCC agreed to schedule its regular meetings for the first three months of 2019 on the following dates:

- **18 January**
- **22 February**
- **15 March**

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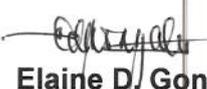
7. Adjournment

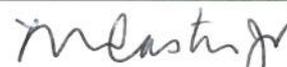
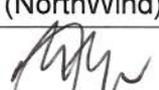
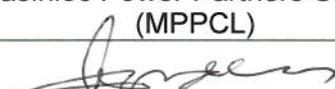
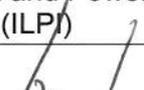
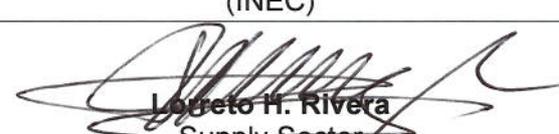
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There being no other matters for discussion, the meeting was adjourned at 12:59 PM.

Prepared By:	Reviewed By:	Noted By:
 Divine Gayle C. Cruz	 John Mark S. Catriz	 Elaine D. Gonzales
Specialist – Rules Review Division	Manager – Rules Review Division	Acting Head
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 Independent Electricity Market Operator of the Philippines (IEMOP)
 Ambrocio R. Rosales System Operator 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)	Cherry A. Javier Generation Sector Aboitiz Power Corp. (APC)
 Dixie Anthony R. Banzon Generation Sector Masinloc Power Partners Co. Ltd. (MPPCL)	 Ciprinilo C. Meneses Distribution Sector (PDU) Manila Electric Company (MERALCO)
 Ricardo G. Gumalal Distribution Sector (PDU) Iligan Light and Power, Inc. (ILPI)	 Jose P. Santos Distribution Sector (EC) Ilocos Norte Electric Cooperative, Inc. (INEC)
 Virgilio C. Fortich, Jr. Distribution Sector (EC) Cebu III Electric Cooperative, Inc. (CEBECO3)	 Loreto H. Rivera Supply Sector TeaM (Philippines) Energy Corporation (TPEC)

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ANNEX A
Revised Proposed Amendments to the Retail Rules to Reduce Barriers to Entry and Participation in the Retail Market

PROPOSED AMENDMENTS

No.	Topic	Documents
1	Reduce Barriers to Entry and Participation in Retail Competition	• [Updated] Retail Rules
2		• Four (4) Retail Manuals • Two (2) WESM Manuals
3	Refine Publication Procedures	• WESM Rules • WESM Manual on Guidelines on Significant Variations In and Between Trading Intervals

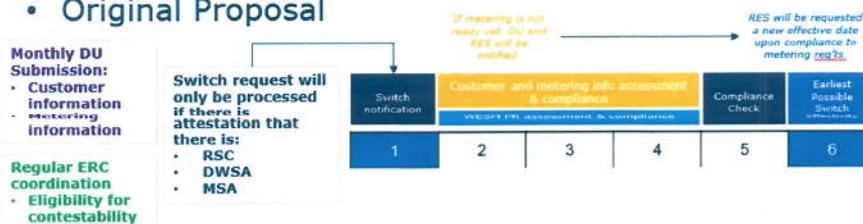


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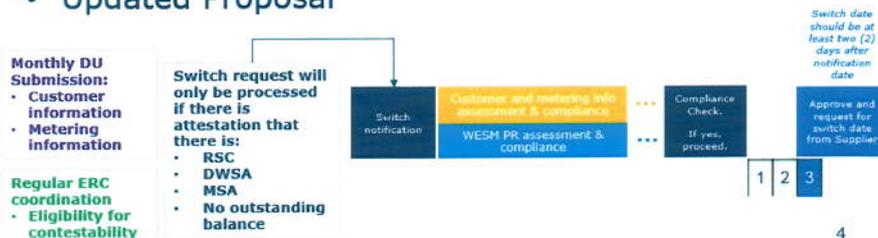
SWITCHING PROCESS

Updated Proposal

• **Original Proposal**



• **Updated Proposal**



Depc

METERING INTERVAL

Updated Proposal

Title	Clause	Provision	Original Proposal	IEMOP Revision	Rationale
PROVISION OF METERING INSTALLATIONS	4.3.2.2	Have electronic data recording facilities such that all <i>metering data</i> can be measured and recorded each <i>dispatch interval</i> .	N / A	Have electronic data recording facilities such that all <i>metering data</i> can be measured and recorded in an interval basis each <i>dispatch interval</i> .	<i>IEMOP Revision: It is proposed that retail metering installations under the current threshold (≥ 500 kW) be required to provide interval data but not necessarily at the same interval as the dispatch interval of the wholesale market. This is to minimize switching costs of contestable customers. Requiring interval metering for large contestable customers is consistent with practices in other jurisdictions (e.g., Australia, Canada, Great Britain, New Zealand).</i>

METERING INTERVAL

Updated Proposal

- New Section

4.4.3 Conversion to Dispatch Interval Data

- 4.4.3.1 The *Central Registration Body* shall be responsible for converting the *interval metering data* submitted by the *Retail Metering Services Providers* to *metering data* for each *dispatch interval* of the *WESM*.
- 4.4.3.2 The *Central Registration Body* shall publish in the relevant *Retail Manual* the procedures for converting *interval metering data* to *dispatch interval metering data*.

UPDATED RETAIL RULES AMENDMENTS

Original Proposal	Updated Proposal	Rationale
Minimum of 5 days for switch processing from switch request	Maximum of 3 days for switch processing after completion of all requirements	More defined timelines
5-minute metering interval requirement	Any interval metering (e.g., 15-min, 1-hr)	Minimize switch cost
N / A	CRB to perform conversion of metering data to 5-minute resolution	

ACTION REQUESTED

- For publication

ANNEX B
Proposed Amendments to WESM and Retail Market Manuals to Reduce Barriers to Entry and Participation in Retail Competition

PROPOSED AMENDMENTS

No.	Topic	Documents
1	Reduce Barriers to Entry and Participation in Retail Competition	• [Updated] Retail Rules
2		• Four (4) Retail Manuals • Two (2) WESM Manuals
3	Refine Publication Procedures	• WESM Rules • WESM Manual on Guidelines on Significant Variations In and Between Trading Intervals


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AMENDMENTS TO MANUALS

- Amended Documents

Retail Manual on Registration Criteria and Procedures	Retail Manual on Market Transactions Procedures	Retail Manual on Metering Standards and Procedures
Retail Manual on Disclosure and Confidentiality of Contestable Customer Information	WESM Manual on Billing and Settlement	WESM Manual on Registration, Suspension, and De-Registration Criteria and Procedures NEW


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SUMMARY OF PROPOSALS

Retail Manuals

Retail Manual	Proposed Amendments
Registration Criteria and Procedures	<ul style="list-style-type: none"> Added detailed procedures for the registration of contestable customers by the Central Registration Body Included registration procedures for Suppliers and Retail Metering Services Providers
Market Transactions Procedures	<ul style="list-style-type: none"> Revised registration requirements to attestations from copies of agreements Reflected revised switch processing timeline Removed billing period restriction in the start of switch date
Metering Standards and Procedures	<ul style="list-style-type: none"> <i>Relaxed metering interval requirement</i> NEW Streamlined metering installation registration requirements Reflected provisions under PDC 2017 assigning the responsibility for validating and estimating retail metering data to the Distribution Utilities Proposed transfer of Retail Metering Services Provider performance monitoring to PEMC as the WESM governing body
Disclosure and Confidentiality of Contestable Customer Information	<ul style="list-style-type: none"> Deleted publication of bilateral contract info (WESM data)

SUMMARY OF PROPOSALS

WESM Manuals

WESM Manual	Proposed Amendments
Billing and Settlement	<ul style="list-style-type: none"> Provided detailed procedures for the assessment of the change in prudential requirements of a Supplier during switch
Registration, Suspension, and De-Registration Criteria and Procedures	<ul style="list-style-type: none"> Added restrictions on direct member counterparty and contract enrollment for contestable customers (i.e., should be suppliers only)

ACTION REQUESTED

- For publication

ANNEX C

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

PROPOSED AMENDMENTS

No.	Topic	Documents
1	Reduce Barriers to Entry and Participation in Retail Competition	• [Updated] Retail Rules
2		• Four (4) Retail Manuals • Two (2) WESM Manuals
3	Refine Publication Procedures	• WESM Rules • WESM Manual on Guidelines on Significant Variations In and Between Trading Intervals

BACKGROUND

WESM Rules Clause 1.3.1.2(b)

The Market Operator shall...

(b) Identify any significant variations in and between trading intervals...

WESM Rules Clause 1.3.1.4 & 5

1.3.1.4 The Market Operator shall...publish a report...

1.3.1.5 The Market Operator shall provide a **printed copy** of the completed report...to

- (a) The DOE and the ERC;
- (b) The PEM Board; and
- (c) WESM Members and interested entities on request.

Report is essentially public in nature

PROPOSED CHANGE

Affected documents:

- 1) WESM Rules
- 2) WESM Manual on Guidelines on Significant Variations In and Between Trading Interval

Proposed Change	Rationale
Publish report on significant variations in the IEMOP website instead of the provision of printed copies	<ul style="list-style-type: none">• To minimize the resources required to inform the DOE, ERC, PEM Board, WESM Members and interested entities of significant variations in the WESM

ACTION REQUESTED

- For publication

ANNEX D

Proposed Amendments to Provisions related to Audit and Performance Monitoring under the WESM Rules, Retail Rules, PEM Audit Manual, and Guidelines Governing the Constitution of PEM Board Committees



**Proposed Amendments to
the WESM Rules, Retail Rules,
and Market Manuals**

06 December 2018

PEMC Board Room

Action Requested

- Approval of publication of the proposed amendments to provisions related to Audit and Performance Monitoring as submitted by the PEM Audit Committee



Background

- PEM Audit Committee (PAC) is responsible over market audits and the validation of the Market Operator Performance Reports
 - *WESM Rules Clause 1.5 and Market Operator Performance Standards (MOPS)*
- PEM Board has the power and duty to oversee and monitor the activities of the Market Operator and the System Operator to ensure that they fulfill their responsibilities under the WESM Rules, and acting in a manner consistent with the WESM Rules



- *WESM Rules Clause 1.4.5.2, as amended by RCC Resolution 18-02*

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Background (cont'd)

- Market audits are conducted on a regular basis under the oversight of the PAC
 - 6th MO Audit and 3rd Metering Arrangements Review
 - Such activities are yet to be conducted on the System Operator
- Like the RCC, the PAC is connected with PEMC as partners who give advice in their capacity as experts



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Background (cont'd)

- PAC proposed amendments (2010-2012)
 - Proposal to amend the WESM Rules to establish the oversight functions of the PEM Audit Committee on WESM Audits and the audit of the System Operator, among others (16 Dec 2010)
 - Revised proposal to include DOE-approved provisions on audit (21 Feb 2011)
 - Proposal was approved by the RCC (09 Nov 2011)
 - PEM Board deferred action, while DOE establish a synchronized audit for SO and MO (24 Jan 2012)



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Rationale of Proposed Amendments

- Introduce enhancements to the current preparation and implementation of market audits and the performance monitoring of WESM service providers
 - Based on the recommendations of external auditors of prior market audits

- Reflect the actual responsibilities of the PAC



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Affected Documents

- WESM Rules (WR)
- Retail Rules (RR)
- Guidelines Governing the Constitution of the PEM Board Committees (GDL)
- PEM Audit Manual (PAM)



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Summary of Proposed Amendments

Proposed Amendments	WR	RR	GDL	PAM
1) Market audits to include review of the System Operator (SO)	✓		✓	✓
2) Development and monitoring of System Operator Performance Standards	✓			
3) Provide that the PAC "oversees", instead of "conducts" market audits	✓	✓	✓	✓
4) Changing the term "PEM Auditor" to "PEM Audit Committee"	✓	✓	✓	✓
5) Enhancements and clarifications to the audit process and timeline, including: a) Engagement of External Auditors; and b) Frequency of market audits	✓	✓		✓



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Other Proposed Amendments

- Deletion of defined terms that are already defined under the WESM Rules and Retail Rules, and that are not used anywhere in the GDL and PEM Audit Manual;
- Deletion of provisions under the PEM Audit Manual that are already provided in the GDL Manual. This include the administrative supervision of the PEM Board over the PAC, the selection and appointment of PAC members, among others;
- Revision of “market information website” to “PEMC website” in the publication of PAC reports to differentiate the websites managed by PEMC and the MO; and
- Clerical and grammatical revisions.



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Affected Provisions: WESM Rules

Proposed Amendments	Provisions
1) Market audits to include review of the System Operator (SO)	Market Audit – Clause 5.2.6
2) Development and monitoring of System Operator Performance Standards	System Operator Performance – Clause 1.3.5 (New)
3) Provide that the PAC “oversees”, instead of “conducts” market audits	Responsibilities of the Auditor – Clause 1.5.2
4) Changing the term “PEM Auditor” to “PEM Audit Committee”	Formation of Committees – Clause 1.4.6 Appointment to the PEM Audit Committee – Clause 1.5.1 Responsibilities of the Auditor – Clause 1.5.2 Review of the WESM Rules – Clause 1.5.3 Security of Metering Equipment – Clause 4.5.5 Market Audit – Clause 5.2.6 Intervention Report – Clause 6.9.4 Glossary
5) Enhancements and clarifications to the audit process and timeline, including: a) Engagement of External Auditors; and b) Frequency of market audits	Market Audit – Clause 5.2.6



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Affected Provisions: Retail Rules

Proposed Amendments	Provisions
1) Market audits to include review of the System Operator (SO)	<i>None</i>
2) Development and monitoring of System Operator Performance Standards	<i>Not applicable</i>
3) Provide that the PAC "oversees", instead of "conducts" market audits	Audit of Metering Arrangements – Clause 4.8
4) Changing the term "PEM Auditor" to "PEM Audit Committee"	Audit – Clause 1.4.3 Rights of Access to Metering Data – Clause 4.5.3.10 Audit of Metering Arrangements – Clause 4.8
5) Enhancements and clarifications to the audit process and timeline, including: a) Engagement of External Auditors; and b) Frequency of market audits	Audit of Metering Arrangements – Clause 4.8



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Affected Provisions: GDL Manual

Proposed Amendments	Provisions
1) Market audits to include review of the System Operator (SO)	Recitals PEM Audit Committee – Article 5
2) Development and monitoring of System Operator Performance Standards	<i>Not applicable</i>
3) Provide that the PAC "oversees", instead of "conducts" market audits	Recitals PEM Audit Committee – Article 5
4) Changing the term "PEM Auditor" to "PEM Audit Committee"	Recitals Definition of Terms – Article 1 PEM Board Committees – Article 2.01 PEM Audit Committee – Article 5
5) Enhancements and clarifications to the audit process and timeline, including: a) Engagement of External Auditors; and b) Frequency of market audits	<i>Not applicable</i>



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Affected Provisions: PEM Audit Manual

Proposed Amendments	Provisions
1) Market audits to include review of the System Operator (SO)	Introduction - 1
3) Provide that the PAC "oversees", instead of "conducts" market audits	Definitions, Interpretation and Construction - 2
4) Changing the term "PEM Auditor" to "PEM Audit Committee"	The PEM Auditor - 3
	Expert Support - 4
	Audits - 5
	Field Audits - 6
	Market Audits - 7
5) Enhancements and clarifications to the audit process and timeline, including:	Audit of the Market Assessment System - 8
a) Engagement of External Auditors; and	Review of WESM Rules - 9
b) Frequency of market audits	Software of the Market Operator - 10
	Metering Review - 11
	Compliance With WESM Rules - 12
	Data and Information - 13
	Limitation of Liability and Indemnification - 14
	Amendment and Effectivity of the Manual - 9 (New)



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Action Requested

- Approval to publish the proposed amendments by the PEM Audit Committee to provisions related to Audit and Performance Monitoring



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