

<b>MINUTES OF THE RULES CHANGE COMMITTEE 147<sup>th</sup> REGULAR MEETING (No. 2018-11)</b>	
<b>Meeting Date &amp; Time:</b>	06 December 2018, 9:00 AM to 12:00 PM
<b>Meeting Venue:</b>	PEMC Board Room, 18/F Robinsons Equitable Tower, Ortigas Center, Pasig City
<b>Attendance List</b>	
<b>In-Attendance</b>	<b>Not In-Attendance</b>
<b>Rules Change Committee</b>  <b>Principal Members:</b>  <b>Maila Lourdes G. de Castro</b> , Chairperson – Independent <b>Concepcion I. Tanglao</b> – Independent <b>Francisco Leodegario R. Castro, Jr.</b> – Independent <b>Allan C. Nerves</b> – Independent <b>Abner B. Tolentino</b> – Generation (PSALM) <b>Jose Ildebrando B. Ambrosio</b> – Generation (NorthWind) <b>Cherry A. Javier</b> – Generation (APC) <b>Dixie Anthony R. Banzon</b> – Generation (MPPCL) <b>Ciprinilo C. Meneses</b> – Distribution (MERALCO) <b>Ricardo G. Gumalal</b> – Distribution (ILPI) <b>Jose P. Santos</b> – Distribution (INEC) <b>Virgilio C. Fortich, Jr.</b> – Distribution (CEBECO3) <b>Lorreto H. Rivera</b> – Supply (TPEC) <b>Ambrocio R. Rosales</b> – System Operator (NGCP)	<b>Isidro E. Cacho</b> – Market Operator (IEMOP)
<b>Other attendees:</b>  <b>PEMC – Market Assessment Group (MAG)</b>  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.

3  
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**

7  
8 The RCC adopted the agenda as presented.

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

10  
11 The RCC reviewed the minutes of the 146<sup>th</sup> RCC meeting held on 09 November 2018 and  
12 subsequently approved it as presented.

**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.



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

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

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

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

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

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

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.



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

IEMOP submitted to the RCC on 28 November 2018 its proposed amendments to the WESM Rules and subject WESM Manual (see Annex C for presentation slides). The proposal aims to change the mode of transmittal of the monthly summary of Daily Significant Variations Report from hard copy printouts to publication in the market information website for the public to access. This report is provided to the DOE, ERC, the PEM Board, Market Surveillance Committee and any WESM member requesting for the same (per Section 3.1.5 of the relevant Manual).

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

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

**4.3. 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**

The RCC received the subject proposal from the PEM Audit Committee (PAC) on 04 December 2018. The proposed amendments intend to introduce enhancements to the current preparation and implementation of market audits and the performance monitoring of WESM service providers. The proposal also aims to clarify the responsibilities of the PAC (see Annex D for presentation slides).

As presented by Ms. Karen A. Varquez (PEMC-MAG), the proposal specifically seeks to, among others:

1. include the review of the System Operator as to its responsibilities in the WESM among market audits;
2. develop and monitor System Operator Performance Standards;
3. change the term "PEM Auditor" to "PEM Audit Committee";
4. enhance and clarify the audit process and its timeline, including engagement of external auditors and the frequency of market audits; and

- 113 5. clarify that the PAC “oversees” instead of “conduct” market audits  
114

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:  
120

- 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.  
128
- 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.  
132
- 133 3. Auditees (e.g., MO, SO, MSP) are always involved in the development of the TOR  
134 through submission of comments.  
135

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.  
139

140 The RCC approved the publication in the market website of the proposed amendments for  
141 comments.  
142  
143

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

144  
145  
146 **5. Other Matters**  
147

148 **5.1. Formulation of Draft RCC 2019 Work Plan – Strategies**  
149

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



agreed on participating in the development, studies or reviews related to the following PEMC short-, medium-, and long-term initiatives and topics, and DOE priorities:

	Topic	Remarks	Timeline
1	Market Operations Performance Standards (MOPS)	PEMC-Corporate Planning and Communications to present new MOPS	January 2019
	Renewable Energy:		
2	• Forecasting	With IEMOP	
3	• Implications on price, congestion and ancillary services		
4	• 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) <b>~ RCC shall formally send a request letter to the NGCP for the presentation of the GOMP</b>	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:		
	• Anti-competitive behavior	In coordination with the Market Surveillance Committee	
	• 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	



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"> <li>Benchmarking with other jurisdictions</li> <li>Pro-active collaboration with stakeholders and other PEM Committees</li> <li>Collaborating with end-consumers</li> </ul>	<ul style="list-style-type: none"> <li>Benchmarking with other jurisdictions</li> </ul>	<ul style="list-style-type: none"> <li>Improve technical writings in Committees</li> <li>Pro-active collaboration with stakeholders and other PEM Committees</li> <li>Less grammatical and syntax error</li> </ul>	<ul style="list-style-type: none"> <li>Collaborating with end-consumers</li> <li>Pro-active collaboration with stakeholders and other PEM Committees</li> <li>Benchmarking with other jurisdictions</li> <li>Less remanded proposals</li> </ul>

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.

## 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.

**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.

**6. Next Meeting**

Starting 2019, the RCC agreed to hold its regular meetings every 3<sup>rd</sup> 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:






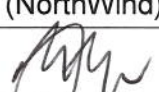

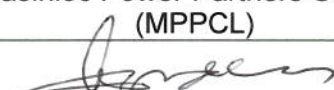

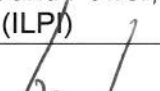
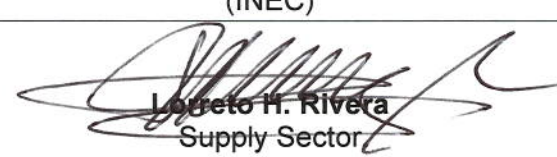
- **18 January**
- **22 February**
- **15 March**

**7. Adjournment**

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

Prepared By:	Reviewed By:	Noted By:
 <b>Divine Gayle C. Cruz</b> <i>Specialist – Rules Review Division</i>	 <b>John Mark S. Catriz</b> <i>Manager – Rules Review Division</i>	 <b>Elaine D. Gonzales</b> <i>Acting Head</i>
<b>Market Assessment Group</b>	<b>Market Assessment Group</b>	<b>Market Assessment Group</b>



<p>Approved by:</p> <p><b>RULES CHANGE COMMITTEE</b></p>  <p><b>Maila Lourdes G. de Castro</b> Chairperson Independent</p>	
<p>Members:</p>	
<p><b>Concepcion I. Tanglao</b> Independent</p>	 <p><b>Francisco L.R. Castro, Jr.</b> Independent</p>
 <p><b>Allan C. Nerves</b> Independent</p>	<p><b>Isidro E. Cacho, Jr.</b> Market Operator Independent Electricity Market Operator of the Philippines (IEMOP)</p>
 <p><b>Ambrocio R. Rosales</b> System Operator National Grid Corporation of the Philippines (NGCP)</p>	 <p><b>Abner B. Tolentino</b> Generation Sector Power Sector Assets and Liabilities Management Corporation (PSALM)</p>
<p><b>Jose Ildebrando B. Ambrosio</b> Generator Sector NorthWind Power Development Corp. (NorthWind)</p>	<p><b>Cherry A. Javier</b> Generation Sector Aboitiz Power Corp. (APC)</p>
 <p><b>Dixie Anthony R. Banzon</b> Generation Sector Masinloc Power Partners Co. Ltd. (MPPCL)</p>	 <p><b>Ciprinilo C. Meneses</b> Distribution Sector (PDU) Manila Electric Company (MERALCO)</p>
 <p><b>Ricardo G. Gumalal</b> Distribution Sector (PDU) Iligan Light and Power, Inc. (ILPI)</p>	 <p><b>Jose P. Santos</b> Distribution Sector (EC) Ilocos Norte Electric Cooperative, Inc. (INEC)</p>
 <p><b>Virgilio C. Fortich, Jr.</b> Distribution Sector (EC) Cebu III Electric Cooperative, Inc. (CEBECO3)</p>	 <p><b>Loreto H. Rivera</b> Supply Sector TeaM (Philippines) Energy Corporation (TPEC)</p>

**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	<b>Reduce Barriers to Entry and Participation in Retail Competition</b>	• [Updated] Retail Rules
2		• Four (4) Retail Manuals • Two (2) WESM Manuals
3	<b>Refine Publication Procedures</b>	• WESM Rules • WESM Manual on Guidelines on Significant Variations In and Between Trading Intervals

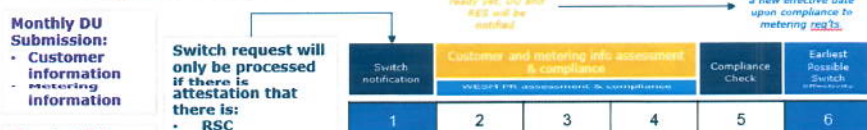


3

## SWITCHING PROCESS

### Updated Proposal

#### • Original Proposal



#### • Updated Proposal



## 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 <b>in an interval basis</b> each <i>dispatch interval</i> .	<i>IEMOP Revision: It is proposed that retail metering installations under the current threshold (<math>\geq 500</math> 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>



5

## 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*.



6



## 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	<b>Reduce Barriers to Entry and Participation in Retail Competition</b>	• [Updated] Retail Rules
2		• Four (4) Retail Manuals • Two (2) WESM Manuals
3	<b>Refine Publication Procedures</b>	• WESM Rules • WESM Manual on Guidelines on Significant Variations In and Between Trading Intervals

#### 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 <b>NEW</b>

## SUMMARY OF PROPOSALS

### Retail Manuals

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

## SUMMARY OF PROPOSALS

### WESM Manuals

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



## **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	<b>Reduce Barriers to Entry and Participation in Retail Competition</b>	• [Updated] Retail Rules
2		• Four (4) Retail Manuals • Two (2) WESM Manuals
3	<b>Refine Publication Procedures</b>	• 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...

*Report is essentially public in nature*

### 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.



## PROPOSED CHANGE

**Affected documents:**

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

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

## 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*



3

## Background (cont'd)

- Market audits are conducted on a regular basis under the oversight of the PAC
  - 6<sup>th</sup> MO Audit and 3<sup>rd</sup> 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



4

## 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)



5

## 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



6



## Affected Documents

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



7

## 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	✓	✓		✓



8

## 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.



9

## 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



10

## 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	<b>Audit of Metering Arrangements – Clause 4.8</b>
4) Changing the term "PEM Auditor" to "PEM Audit Committee"	<b>Audit – Clause 1.4.3 Rights of Access to Metering Data – Clause 4.5.3.10 Audit of Metering Arrangements – Clause 4.8</b>
5) Enhancements and clarifications to the audit process and timeline, including: a) Engagement of External Auditors; and b) Frequency of market audits	<b>Audit of Metering Arrangements – Clause 4.8</b>



11

## Affected Provisions: GDL Manual

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



12



## Affected Provisions: PEM Audit Manual

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



13

## Action Requested

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



14

