

MINUTES OF THE RULES CHANGE COMMITTEE 123rd REGULAR MEETING (No. 2017-01)	
Meeting Date & Time:	13 January 2017, 9:00AM to 12:00 NN
Meeting Venue:	16/F Training Rooms 1 & 2, 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 Allan C. Nerves–Independent Abner B. Tolentino – Generation (PSALM) Theo Cruz Sunico – Generation (1590 EC) Jose P. Santos –Distribution (INEC) Ludovico D. Lim – Distribution (ANTECO) Lorreto H. Rivera – Supply (TPEC) Ambrocio R. Rosales – System Operator (NGCP) Isidro E. Cacho – Market Operator (PEMC)	
PEMC – Market Assessment Group (MAG) Chrysanthus S. Heruela Elaine D. Gonzales Geraldine A. Rodriguez Divine Gayle C. Cruz Aldjon Kenneth M. Yap Hiyasminh Aleia D. Dagum	
PEMC – Legal Atty. Caryl Miriam L. Mateo Atty. Sheryll M. Dy	



DOE Observers

Ferdinand B. Binondo
Kenneth P. Reforma

1 There being a quorum, RCC chairperson, Atty. Maila Lourdes G. de Castro, commenced
2 with the meeting at approximately 9:00 AM.

3 1. Review of the Minutes of the Previous Meeting

4
5 The RCC approved the minutes of the Regular Meeting held on 07 December 2016
6 as presented.

7 2. Matters Arising from the Previous Meeting**8 2.1. Proposed Amendments to the WESM Manual on the Management**
9 Procedures for Load Shedding – Draft RCC Resolution

10 The RCC Secretariat informed the body that as instructed, it emailed the matrix of
11 the proposed amendments to the Management Procedures for Load Shedding
12 after it has finalized the same for the review and approval of the RCC. Upon
13 receipt of the Secretariat's email, Mr. Ambrosio Rosales emailed back expressing
14 the National Grid Corporation of the Philippines – System Operator's (NGCP – SO)
15 disagreement with the proposed amendments as finalized, due to the following
16 concerns: a) it does not have the facility and internal procedures to reach out and
17 consult with the Grid Management Committee (GMC) and the relevant WESM
18 Members whenever there is a need to revise the load shedding allocation program;
19 b) if any entity should approve the SO and the DU's load shedding programs, it
20 should be the GMC; and c) that these questions should first be answered to assess
21 the appropriate changes to be made to the Manual.
22
23

24 The Secretariat explained that after receiving Mr. Rosales' email, it consulted
25 Chairperson de Castro who then instructed the Secretariat to collect the comments
26 of the RCC regarding the matter. Mr. Ciprinilo Meneses and Mr. Francisco Castro
27 in their responses, cited that the NGCP-SO can execute its consultations with the
28 WESM Members through its preferred way of doing so, and thus opined that no
29 further revisions are needed in the approved amendments of the RCC. Noting the
30 positions received, Atty. De Castro instructed the Secretariat to proceed with the
31 drafting of the RCC Resolution carrying the most recent agreements of the body.

32 Atty. de Castro then spearheaded the review of the draft resolution for the subject
33 proposal prepared by the Secretariat. During the review, Mr. Rosales reiterated
34 the NGCP – SO's concerns on the agreed upon provisions regarding the
35 responsibility given to the NGCP-SO to coordinate with the aforementioned
36 entities. He also explained that should there be a need for NGCP – SO to
37 coordinate with the WESM Members, the same has to be done through the Market
38 Operator's (MO) interface. Furthermore, Mr. Rosales raised an apprehension that
39 this proposed revision, on whether the NGCP – SO and the WESM Members
40 convened for the review and revision of the load shedding allocation program may
41 yet again result to an audit finding. Atty. de Castro opined that the provision does
42 not require the NGCP – SO to convene with the WESM Members, it merely
43 requires for a coordination which can be executed by simply sending out an e-mail
44 to the concerned entities.

45 In the interest of addressing the NGCP – SO's concern regarding the possibility of
46 said provision resulting to an audit finding due to NGCP-SO's inability to comply
47 with said responsibility, Mr. Rosales suggested that said responsibility for holding
48 consultations be removed from the NGCP – SO since the same is being proposed
49 to be mirrored as a responsibility of all WESM Members' and further noting that
50 technically, the NGCP – SO is also considered a WESM Member. Mr. Ludovico
51 Lim then commented that if the responsibility is generally stated to be the WESM
52 Members' responsibility, concerns may be raised regarding which entity has the
53 overall responsibility over the load shedding allocation program. He added that
54 the manual must be clear on which organization shall facilitate the concerns of the
55 WESM Members.

56 On the mirroring of responsibilities for both the NGCP-SO and the WESM
57 Members, Mr. Isidro Cacho opined that such may lead to a confusion in the
58 interpretation of the provision as to who shall initiate the annual review of the load
59 shedding allocation program. He thus suggested that the RCC look into the
60 approval process for the load shedding program and the responsibilities of the
61 involved entities in the said review. Following the discussion, Ms. Geraldine
62 Rodriguez then recalled the comments of the BRC to the proposal during its
63 deliberation. She stated that although the BRC posed no disagreement with the
64 amendments, it questioned the basis for the removal of the PEM Board's approval
65 on the review of the load shedding program when the same annex on the load
66 shedding program was not proposed to be removed from the said Manual. She
67 added that per the WESM Rules, all alterations to the rules and manuals including
68 its annexes shall be subject to the PEM Board's approval. She further mentioned
69 that if the NGCP – SO is firm with its intention, the BRC opined that the proposal

70 should have included the removal of the entire annex on the load shedding
71 allocation program.

72 Mr. Rosales provided an example how the possible disapproval of the PEM Board
73 of the load allocation program may affect the allocation of load shedding. He cited
74 that the NGCP – SO, DUs and ECs are currently bound by an agreement for the
75 allocation of load shedding, which is currently on a 70-30 basis. According to him,
76 if this shall be subject to the PEM Board's approval, then it may be possible that
77 the same will be disapproved, giving emphasis that this has an impact with the
78 system security of the grid.

79
80 Mr. Abner Tolentino then opined that if there should be a body tasked with the
81 approval/disapproval of these types of allocation, it should be the GMC or the
82 Distribution Management Committee (DMC) since the concern is related to the
83 security of the grid. The RCC Secretariat then highlighted for the RCC's
84 information that the load shedding allocation program, as revised by the RCC was
85 stated in a general manner such that the PEM Board will not have to approve the
86 actual agreement between the involved entities. The PEM Board will only
87 approve any changes made to the annex included in the manual which annex as
88 it is currently written contains only the general manner of allocation and the
89 preferred prioritization of load shedding for the DUs and ECs.

90 Mr. Francisco Castro raised a query as to the original intention of providing for a
91 load shedding allocation program in the subject manual and assigning the
92 responsibility of reviewing the same to the NGCP – SO. Mr. Cacho stated that
93 during the time that the manual was being drafted, GMC has not been constituted
94 yet which may explain why the NGCP – SO was the one mandated in the provision.
95 He further suggested that in this case, the responsibility of the SO be clarified and
96 reviewed to establish whether the provision is still applicable or needs to mandate
97 to be taken on by other entities.

98 Mr. Rosales recalled that he already in fact suggested to change all references
99 to load shedding allocation program to load shedding procedures since it may be
100 more the more appropriate term for the same and since in practice, procedures in
101 a manual are the ones subjected for the PEM Board's approval. Mr. Lim added
102 that the load shedding allocation program only provides for the preferred
103 prioritization of load shedding by the SO, DUs and ECs which may not have a
104 significant effect in the operation or pricing in the market. Mr. Rosales further stated
105 that the load shedding procedures have already been approved and have been
106 included in the WESM Manual on Emergency Procedures and these should have

107 been captured in the Manual on the Management of Load Shedding. Ms.
108 Rodriguez then informed Mr. Rosales that no subsequent proposal was made to
109 amend the load shedding procedures in the Manual on the Management of Load
110 Shedding following the amendments in the WESM Manual on Emergency
111 Procedures. Noting the misalignment of the manuals, Mr. Cacho suggested that
112 both of the manuals be simultaneously reviewed for clarity. Mr. Rosales also
113 suggested that the subject proposal be reviewed and discussed during the next
114 scheduled MO-SO meeting. The MO and SO representatives volunteered to
115 undertake the comprehensive review of the Manual and draft the necessary
116 changes to the same, for presentation to the body in the next meeting.
117

Agreements/Action Plans:
The RCC agreed to defer further deliberations on the proposal pending the MO and SO's submission of proposed changes.

118 **2.2. Proposed Amendments on WESM Manuals for Pricing Error Notice and** 119 **Price Substitution Methodology regarding Publication Timeline**

120 Atty. De Castro spearheaded the discussion on the proposed amendments to the
121 subject proposal for which comments from the DOE were received. The proposal
122 aims to amend the timeline for publication of pricing errors notices and pricing
123 substitution in the market information website from two (2) business days to two
124 (2) working days.

125 Mr. Ferdinand Binondo relayed that the DOE found the proposal reasonable, but
126 was of the position that endorsing the proposal to the PEM Board may no longer
127 be necessary given that the Manuals are due for abolition with the forthcoming
128 promulgation of the amendments embodying the enhanced WESM design and
129 operations.

130 Atty. De Castro sought the RCC's comments from the body regarding the DOE's
131 recommendation. Mr. Cacho expressed that he is agreeable with the same,
132 although according to him, this may have an impact on the performance measures
133 of the Market Operator. Mr. Binondo then commented that the current provision
134 provides for a better timeline since the notice for pricing errors must be posted
135 immediately in the market information website.

The RCC recognized the practicality of the DOE's recommendation, but noting the discussions, notably the PEMC's comments, nonetheless agreed to push through with the endorsement of the proposal to allow the Board Review Committee and the PEM Board decide whether or not to submit the proposal to the DOE. Having considered its merits, the RCC subsequently approved the proposal as presented. The Secretariat was instructed to draft the corresponding RCC resolution on the approval of the proposed amendments.

Agreements/Action Plans:

The RCC approved as submitted the proposed amendments to the WESM Manuals for Pricing Error Notice and Price Substitution Methodology regarding Publication Timeline.

2.3. Proposed Amendments to the Registration, Suspension and De-Registration Criteria and Procedures Issue 2.0 and Billing and Settlement Manual Issue 4.0 regarding BCQ Declaration and Line Rental Calculation – comments from the DOE and SNAP

The RCC deliberated on the subject proposal giving due consideration to the comments received from SNAP and PEMC's responses to the same. It was noted, however, that some of SNAP's comments took off from the original version of the counter-part WESM Rules proposal, which called for shifting the timeline of BCQ declaration from D+1 to H-1. Since the proposal was since changed into retaining the current timeline of BCQ declaration, D+1, which the RCC thereafter approved, SNAP's comments were hence not applicable anymore.

In the interest of time, Atty. De Castro suggested to focus on the commented portions of the amendments to give due considerations on the same.

No.	Section & Title	Original Provision	Proposed Amendment	SNAP	PEMC Response	RCC Discussion (03 February 2017)
9.1.2	Declaration	(blank)	<u>To be valid, bilateral contract declarations submitted by a Trading Participant shall include:</u> a) <u>market trading node from the identified market trading nodes during the</u>	To be valid, bilateral contract declarations submitted by a Trading Participant shall include: a) market trading node from the identified market trading nodes during the enrolment of the	It should be noted that PEMC has modified its proposal. Instead of shifting the bilateral contract declaration timeline from day-after to hour-ahead, PEMC is proposing the strict implementation of the existing WESM Rules Clause 3.13.1.1(c) which	Mr. Cacho stated that the proposal being commented on by SNAP is still the earlier proposal regarding the timeline of Hour-Before BCQ Declaration which the RCC has also agreed to revise back to the Day-After submission. Atty. De

No.	Section & Title	Original Provision	Proposed Amendment	SNAP	PEMC Response	RCC Discussion (03 February 2017)
			<p><u>enrolment of the supply contract designated as the source of the supply from the selling Trading Participant,</u></p> <p>b) <u>the Trading Participant who will buy the declared volume pursuant to their bilateral contract,</u></p> <p>c) <u>market trading node from the identified market trading nodes during the enrolment of the supply contract and whose ex-ante energy settlement price will be used as reference during settlements, and</u></p> <p>d) <u>bilateral contract quantity in MWh.</u></p>	<p>supply contract designated as the source of the supply from the selling Trading Participant,</p> <p>b) the Trading Participant who will buy the declared volume pursuant to their bilateral contract,</p> <p>c) market trading node from the identified market trading nodes during the enrolment of the supply contract and whose ex-ante energy settlement price will be used as reference during settlements, and</p> <p>d) bilateral contract quantity or <u>Actual Metered Quantity (AMQ), provided by PEMC,</u> in MWh.</p> <p><i>Some contracts require the BCQ declarations to be based on their Actual Metered Quantities (AMQs). The AMQs are not available day-ahead so participants would have to estimate the BCQ declaration based on the projected consumption of the customer/buying Trading Participant.</i></p> <p><i>For contracts that require AMQs as the BCQ declaration for the buying Trading Participants, an option for PEMC to automatically use the AMQ, based on the</i></p>	<p>provides for the submission of counterparty agreement together with bilateral contract declarations. As such, actual metered quantities would still be available for the TPs during the contract declaration process.</p>	<p>Castro then noted the comments but did not consider the same due to its inapplicability.</p>

No.	Section & Title	Original Provision	Proposed Amendment	SNAP	PEMC Response	RCC Discussion (03 February 2017)
				<p>information they are receiving, should be available. The declaration based on the consumption of the buying Trading Participant would be confirmed by both Trading Participants at the end of the billing period.</p>		
9.2.1	Confirmation and Nullification	(blank)	<p><u>In order to be accounted for during settlements, valid bilateral contract declarations covered by supply contracts enrolled to require confirmation submitted by a Trading Participant should be confirmed by the buying Trading Participant to the Market Operator up to the end of the following trading day.</u></p>	<p>In order to be accounted for during settlements, valid bilateral contract declarations covered by supply contracts enrolled to require <u>a one-time joint</u> confirmation submitted by <u>both</u> Trading Participants <u>should be confirmed by the buying Trading Participant</u> to the Market Operator <u>that the declared quantities are correct at up to the end of the following trading day billing period.</u></p> <p><i>The inclusion of nullification by buying trading participants at the end of D+1 negates the benefit of day-ahead BCQ declarations. This can still be subjected to gaming/provides flexibility to the buying trading participants to reject outside market settlement if spot prices are low.</i></p> <p><i>Declarations will be bound by their respective contracts, which PEMC would have a copy of as part of the Participants registration to supply a customer. Any errors in</i></p>	<p>It should be noted that PEMC has modified its proposal. Instead of shifting the bilateral contract declaration timeline from day-after to hour-ahead, PEMC is proposing the strict implementation of the existing WESM Rules Clause 3.13.1.1(c) which provides for the submission of counterparty agreement together with bilateral contract declarations.</p> <p>On the proposed one-time joint confirmation, the existing WESM Rules Clause 3.13.1.1(c) provide that the evidence of counterparty agreement be attached to the submission of bilateral contract quantities. Since the deadline for BCQ declaration is the day after, it is reasonable to also require the confirmation / nullification be performed the day after.</p>	Same as above.

No.	Section & Title	Original Provision	Proposed Amendment	SNAP	PEMC Response	RCC Discussion (03 February 2017)
				<i>BCQ declarations and corresponding corrections would be guided by these contracts.</i>		
9.3.5	Line Rental Calculation	(blank)	<u>For a buying Trading Participant, the line rental trading amount associated with a bilateral contract declaration shall be equal to the sum of the line rental trading amounts calculated for each of its market trading nodes. The line rental trading amount for each market trading node of a buying Trading Participant is equal to the bilateral contract quantity or, if applicable, the pro-rated bilateral contract quantity calculated under Section 9.3.3 of the market trading nodes multiplied by the difference of the ex-ante energy settlement price at that market trading node and the ex-ante energy settlement price at the market trading node identified under Section 9.1.2(a).</u>	<p>For a buying Trading Participant, the line rental trading amount associated with a bilateral contract declaration shall be equal to the sum of the line rental trading amounts calculated for each of its market trading nodes. The line rental trading amount for each market trading node of a buying Trading Participant is equal to the bilateral contract quantity or, if applicable, the pro-rated bilateral contract quantity calculated under Section 9.3.3 of the market trading nodes multiplied by the difference of the ex-ante energy settlement price at that market trading node and the ex-ante energy settlement price at the market trading node identified under Section 9.1.2(a) (c).</p> <p><i>The proposed calculation for the line rental trading amount for the buying Trading Participant does not align with the calculation of the line rental trading amount for the selling Trading Participant which uses a reference node (or the trading node identified in Section 9.1.2(c)).</i></p> <p><i>By changing the calculation of the line</i></p>	<p>In the current process, the reference nodes of bilateral contracts are set at the node of the supplier by default. This may still be operationalized in the proposed process by setting the reference node of the contract in 9.1.2(c) to the node of the supplier in 9.1.2(a). By doing so, the amounts would be the same as the amounts under the current process.</p>	<p>Mr. Cacho explained that the amendment provides flexibility to the customers and the generators to decide on its preferred market trading nodes for the computation of its settlement. He further added that SNAP's comments is correct that the calculation will be different due to the possible modifications on the market trading nodes, but the resulting total amounts will be the same.</p> <p>The RCC noted the comments of SNAP but agreed to adopt the original proposal, as submitted by PEMC.</p>

No.	Section & Title	Original Provision	Proposed Amendment	SNAP	PEMC Response	RCC Discussion (03 February 2017)
				<i>rental amount for the buying Trading Participant to use the trading node identified in Section 9.1.2(c), the reference node, rather than the trading node identified in Section 9.1.2(a), the selling trading node. The proposed calculation would reflect the original line rental calculation when using the selling trading node as the reference node.</i>		

156 On the other hand, the DOE also submitted its general comment to proposal. Mr.
 157 Ferdinand Binondo stated that the DOE poses no objection to the proposal, but
 158 commented that it may not be necessary to immediately endorse the same to the
 159 PEM Board since, first, there is already another on-going proposal on the same
 160 Manuals based from the soon-to-be promulgated WESM Rules, amended to
 161 incorporate the new market design, and second, the amendments may not be
 162 immediately implementable until the Central Registration and Settlement System
 163 or the new MMS are in place.

164 The RCC acknowledged the DOE's comments but agreed to continue endorsing
 165 the proposal to the PEM Board and just let the Board Review Committee and the
 166 PEM Board decide whether or not the proposal should be endorsed to the DOE.
 167 The Secretariat was instructed to draft the corresponding RCC resolution
 168 approving the proposed amendments.

Agreements/Action Plans:

The RCC approved the proposed amendments to the WESM Manuals on Registration, Suspension and De-Registration Criteria and Procedures Issue 2.0 and Billing and Settlement Manual Issue 4.0 regarding BCQ Declaration and Line Rental Calculation.

3. New Business

3.1. Proposed Amendments to the WESM Rules and Market Surveillance, Enforcement and Compliance Market Manual Issue 3.0 (MSCEMM)

Atty. Doroteo Aguila and Prof. Peter Lee U from the Market Surveillance Committee presented the highlights of the subject proposal, which intends to enhance the Market Surveillance processes pertaining to: (a) market monitoring, assessment and surveillance; and (b) enforcement and compliance, as well as to harmonize the same with the ERC-PEMC Protocol pertaining to investigation of anti-competitive behavior.

The proposed changes are also consistent with the proposed separate Enforcement and Compliance Manual, which consolidates the enforcement and compliance provisions in the proposed manual with entirely new provisions.

The highlights of the proposed amendments, as presented during the meeting, are as follows:

a. Summary of Proposed Amendments to the WESM Rules

- On Section 1.6.2. *Responsibilities of the Market Surveillance Committee*
 - Harmonized the provisions in relation to matters pertaining to acts constituting anti-competitive behavior pursuant to Sec. 2.4 of the PEMC-ERC Protocol
- On Section 6.9.4 *Market Intervention Report* 6.9.5 *Market Suspension Report*
 - Revised the provisions in relation to the MSC's review of the market intervention and market suspension events
- On Section 1.4.7
 - Replaced "PEM Committee" with the term "WESM Governance Committee" consistent with WESM Rules Clause 7.2.9.2 (c) and (d)

b. Summary of Proposed Amendments to the MSCEEM 3.0

- Enhanced the processes of the MSC pertaining to:
 - market monitoring, assessment and surveillance; and
 - enforcement and compliance;
- Harmonized the Manual with the ERC-PEMC Protocol pertaining to investigation of anti-competitive behaviour

- Deleted provisions pertaining to the composition and qualifications of MSC which are already contained under the Guidelines Governing the Constitution of the PEM Board Committees
- Consolidated the provisions in the MSCEMM Issue 3.0 pertaining to enforcement and compliance into a separate Manual, i.e. proposed WESM Enforcement and Compliance Manual
- Retained the provisions on market monitoring, assessment and surveillance and introduced amendments as applicable
- Introduced other amendments to the MSCEMM Issue 3.0 involving clerical and style changes following the removal of references to enforcement and compliance
- Changed the title of the MSCEMM to Market Surveillance Manual (MS Manual) since all provisions pertaining to enforcement and compliance will be included in the proposed WESM Enforcement and Compliance Manual

In the absence of any objection from the body, the RCC approved the publication of the proposal in the market website, as presented, to solicit comments from WESM Members and stakeholders.

Agreements/Action Plans:

The RCC approved the publication of the proposal in the market website, as presented, to solicit comments from WESM Members and stakeholders

3.2. Proposed Amendments to the WESM Rules and Proposed Market Manual on Enforcement and Compliance

Atty. Rachel Angela Anosan from PEMC's Enforcement and Compliance Office presented the highlights of the subject proposal, which proposes the adoption of a separate manual that will contain the details of the guidelines and procedures for enforcement and compliance in the WESM. This entails amending applicable provisions in Chapters 1 and 7 of the WESM Rules and, concurrently, excising the sections and clauses pertaining to enforcement and compliance from the current MSCEMM.

The RCC was also informed that the effectivity of the proposed amendments are hinged on the following conditions:

- 232 • Commercial operations of the new Market Management System, particularly
233 the module on compliance reporting.
- 234 • Approval of PEMC market fees application which include revenue
235 requirements for resources to implement changes in processes.
- 236 • Completion of re-alignment of ECO functions and training of ECO personnel.

237 The RCC approved the publication of the proposal in the market website, as
238 presented, to solicit comment from WESM Members and stakeholders.

239 *The summary of the proposed amendments, as presented during the meeting, are*
240 *attached as Annex A of this minutes.*

Agreements/Action Plans:

The RCC approved the publication of the proposal in the market website, as presented, to solicit comments from WESM Members and stakeholders
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241 **3.3. Proposed Amendments to the WESM Market Manual on Registration,**
242 **Suspension and De-registration Criteria**

243 Atty. Phillip Adviento from PEMC's Corporate Planning and Communications
244 Department presented the subject proposed amendments, which aim to:

- 245
- 246 1) streamline the procedures for assessment of applications for WESM
247 Membership and post-registration transactions; and
- 248 2) harmonize the provisions with issuances by DOE and ERC (i.e., changes in
249 technical specifications, registration of ancillary services providers and retail
250 market participants)

251 The highlights of the proposed changes, as presented to the RCC, are as follows:

Sections	Proposed Changes
Level of Participation	• Direct WESM Membership for Generation Companies
Modeling of station use	• Inclusion of station use or house load of generating units in the MNM
Additional requirements for Ancillary Services Provider	• Comply with the technical requirements set by the System Operator in the provision of ancillary service

Sections	Proposed Changes
Facility-related Changes	<ul style="list-style-type: none"> Removal of certification of joint capability test to be issued by DOE, ERC and NGCP on request for changes in registered capacities Changes shall be based on the latest Certificate of Compliance or certification consistent with ERC's Rules on Issuance of COCs Removal of PEM Board's confirmation on changes in registered capacities since the Board's act is merely ministerial
Change in Level of Participation and Change of Counterparty of Indirect WESM Member	<ul style="list-style-type: none"> Effectivity of change in level of participation or change of counterparty shall take effect on the start of the succeeding billing period
Enrolment and De-listing of Supply Customers	<ul style="list-style-type: none"> Identification of market trading node that will be used as reference for the supply contract during settlements Indication of whether BCQs submitted would require daily confirmation
Cessation of Registration	<ul style="list-style-type: none"> Additional responsibility of the Trading Participant to remove or cancel its standing and regular offers in case of cessation of WESM Membership
General	<ul style="list-style-type: none"> Change of business days to working days Clerical errors

There being no objection to the posting of the proposal in the market information website, the RCC approved the publication of the same to solicit comment from WESM Members and stakeholders.

Agreements/Action Plans:

The RCC approved the publication of the proposal in the market website, as presented, to solicit comments from WESM Members and stakeholders

4. Other Matters

4.1. Proposed Revision of the Schedule of WESM Arbitrators' Fees and Administrative Expenses of WESM Arbitration

As regards the RCC's request during the previous meeting for the DRA to submit in writing a documentation justifying the proposed increase in WESM arbitration fees and costs, the Secretariat relayed the DRA's acceptance of the request and

his response that he would need more time to accomplish said document. The DRA recognized the merits of one of the comments raised during the previous RCC meeting that it might be helpful to solicit the inputs of WESM arbitrators themselves, and so wished to undergo such consultation, hence needing more time. However, no specific timeline of submission was given by the DRA.

Agreements/Action Plans:

The RCC noted the DRA's response and agreed that the subject be included in the agenda of the next RCC meeting, pending the submission of the DRA of the same.

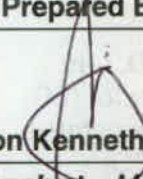
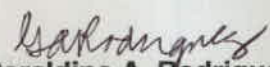
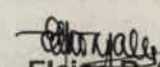
5. Next Meeting

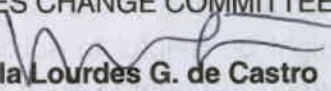
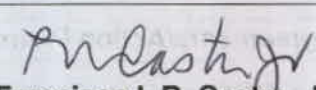


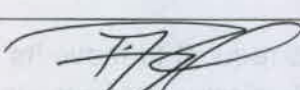
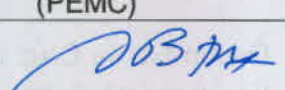
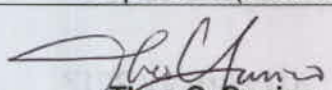

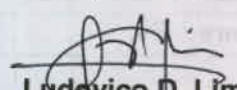

Ms. Divine Gayle Cruz informed the RCC of PEMC's request to move its scheduled meeting from 03 February 2017 to 10 February 217, to take into consideration, the deliberation on the proposed amendments related to the enhancements of the WESM Design and Operation. The RCC subsequently approved the request and agreed to set the meetings as follows:

- 10 February 2017
- 03 March 2017
- 07 April 2017

6. Adjournment

There being no other matter to be discussed, the meeting was adjourned at around 12:00 NN.

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

<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>Atty. Jose Ildebrando B. Ambrosio Generator Sector NorthWind Power Development Corp. (NorthWind)</p>	<p> Theo C. Sunico Generation Sector Vivant Corporation ✓</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> Lorreto H. Rivera Supply Sector Team (Philippines) Energy Corporation (TPEC)</p>	

**ANNEX A. Summary of the Proposed Amendments to the WESM Rules and Proposed
Market Manual on Enforcement and Compliance****a. Approach to and Scope of Enforcement**

Approach to Enforcement

- Enforcement is the process by which a WESM member is found in breach of the rules, and is imposed penalties, or required to pay compensation or carry out remedial measures as a consequence of a breach.
- **Enforcement in the WESM rests on the concept of absolute liability.**
 - Act or omission is directly attributable to the WESM member and pertain to compliance with the rules and manuals which a member agreed to be bound by having registered in the WESM.
 - Prevention of an act or omission is of importance given potential impact on market and power system.
 - Thus, intent, fault or exercise of diligence are not considerations.



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Approach to Enforcement

- Not all non-compliances are subject to WESM enforcement under clause 7.2. WESM enforcement applies only to obligations which –
 - ✓ A WESM member is expected to fully comply with and not merely exercise due diligence to ensure compliance.
 - ✓ If not complied with, can have adverse impact on the operations of the WESM or the power system.

Definition of breach is central to definition of the scope of and approach to WESM enforcement.



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In Scope - Breach

- WESM obligations, provided for in the WESM Rules and market manuals, that materially affect the efficiency of the operations of the market and the power system.
- For avoidance of doubt, these are -
 - Acts or omissions specified as constituting a breach in the WESM Penalty Manual. The manual is proposed to be re-designed to include, among other things, a list of acts or omissions constituting a breach.
 - Acts or omissions specified in the WESM Rules as subject of sanctions under clause 7.2 or the WESM Penalty Manual, e.g., *rule change proposals incorporating the must dispatch guidelines already include provisions expressly stating the non-compliances that are subject of sanctions under clause 7.2.*
- **Definition is intentionally restrictive.**
 - WESM members and the general public should know what acts or omissions WESM members can be sanctioned.



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In Scope – Breach

- **Market rules and manuals**
 - WESM Rules and its implementing market manuals
 - Retail Rules and its implementing market manuals
- **Market participants**
 - WESM members, except metering services providers
 - System Operator (except for imposition of penalties)
 - Market Operator (except for imposition of penalties)



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Out of Scope

- **WESM Obligations**
 - Non-compliance with registration requirements and loss of qualification for WESM membership
 - Default in payment of WESM settlement amounts, except non-payment of financial penalties and compensation imposed as consequence of breach.
 - Failure to comply with prudential requirements
- **Obligations under other rules, regulations and issuances**
 - Non-compliance with rules, regulations and issuances that are not within the scope of the WESM self-governance processes, although they may pertain to the operations of the WESM, its members, and of the power system.
 - Grid and Distribution Codes, ERC issuance, DOE rules and circulars (other than the WESM Rules and its amendments)



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Out of Scope

- **Anti-competitive behaviour and market power abuse**
 - Market monitoring, assessment and surveillance in the WESM will continue to cover market participant behavior, including abuse of market power and anti-competitive behaviour.
 - Enforcement, for purposes of imposing sanctions, is generally covered under competition laws, rules and regulations.
- **Breach and unethical acts of Metering services providers**
 - Metering services providers are licensed by and are under the jurisdiction of the Energy Regulatory Commission.
- **Other markets administered by PEMC and governed by the PEM Board**
 - Markets and services administered by PEMC or governed by the PEM Board but which are not part of the WESM. Enforcement in these markets will be governed by their own rules, unless the latter expressly provide that they are enforceable in accordance with the WESM Rules or the WESM enforcement processes.
 - IMEM and renewable energy market



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Enforcement Actions

- ❑ Refers to actions that can be taken as consequences of a breach. These are specified in the rules and manuals and are to be intentionally restrictive, in order to minimize exercise of discretion in deciding outcomes of a breach.
- ❑ Enforcement actions are –
 - Imposition of penalties, financial and non-financial, specified in WESM Penalty Manual
 - Implementation of remedial measures, authorized under the WESM Rules and ECO Manual
 - Payment of compensation, authorized under the WESM Rules and ECO Manual
 - Initiation of administrative action with ERC (only for breach by Market Operator or System Operator), authorized under the WESM Rules and ECO Manual.



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Enforcement Proceedings

- Enforcement proceedings refers to the various processes that are carried out for purposes of monitoring compliance, investigating breach, determining appropriate enforcement action and implementing the same.
- The guidelines and procedures governing these processes are set out in the WESM Rules and the ECO Manual.
- These are –
 - Compliance monitoring
 - Investigation
 - Imposition of sanctions or penalties
 - Implementation of remedial measures
 - Initiation of complaint with ERC
 - Determination and grant of compensation
 - Non-compliance reporting and exemptions



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b. Responsible Unit/s – Authority and Functions

Responsibilities - Highlights

- **PEM Board**
 - ✓ Overall supervision over the enforcement and compliance processes of the WESM, *in conjunction with the ECO and MSC.*
 - ✓ Approves imposition of penalties and final remedial measures in case of breach, award for compensation and grant of exemptions.
 - ✓ Appoints and supervises the Enforcement and Compliance Officer.
 - ✓ *May appoint ad hoc committee, from among its members, to assist in exercise of functions.*
- **Market Surveillance Committee**
 - ✓ Reviews results of ECO investigation, *confirms findings of fact of ECO and recommends sanctions and measures to the PEM Board.*
 - ✓ *May return cases for further investigation, but may not carry out its own investigation; may also not substitute its own findings and in case of conflicting findings, matter is submitted to PEM Board for resolution.*



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Responsibilities - Highlights

- **Enforcement and Compliance Office**
 - ✓ Headed by an Enforcement and Compliance Officer.
 - ✓ Primary unit that implements WESM enforcement and compliance processes. *Responsibility is on the Office and not the officer.*
 - ✓ *Monitors compliance, initiates and carries out investigations and makes findings of facts, evaluates applications for compensation and exemption, and with responsibility to submit recommendations on outcomes of the breach.*
 - ✓ Plans and implements activities to promote consultation and foster compliance.
- **Market Assessment Group**
 - ✓ Provides secretariat support to the Market Surveillance Committee. *Compliance monitoring function is transferred to ECO.*
- **Other WESM Committees**
 - ✓ May request for investigation – as a committee or individual members
 - ✓ Provides information or technical assistance in investigations



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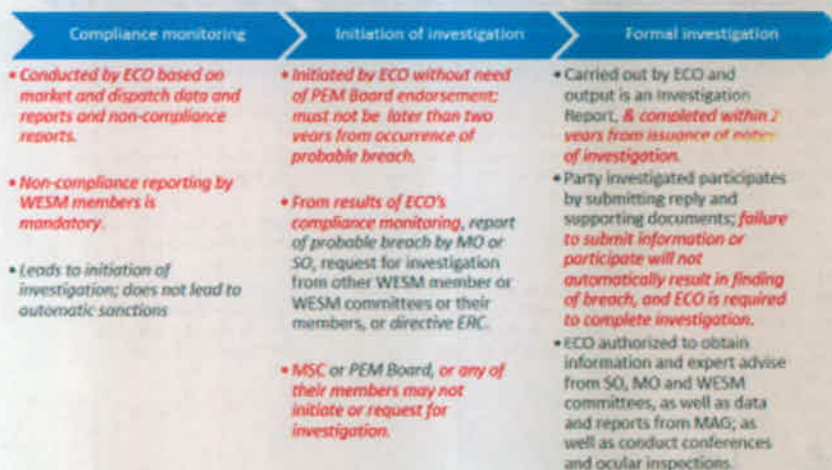
Responsibilities - Highlights

- **Market Operator**
 - ✓ Monitors and reports probable breach.
 - ✓ Provides information & technical assistance in investigations.
 - ✓ Complies with requirements in case of breach.
 - ✓ *Together with ECO, evaluates applications for compensation.*
- **System Operator**
 - ✓ Monitors and reports probable breach.
 - ✓ Provides information & technical assistance in investigations.
 - ✓ Complies with requirements in case of breach.
- **WESM Members**
 - ✓ May request for investigation of other WESM members, the Market Operator or the System Operator.
 - ✓ Complies with requirements in case of breach.
 - ✓ Designates WESM Compliance Officer and carries out internal compliance program.



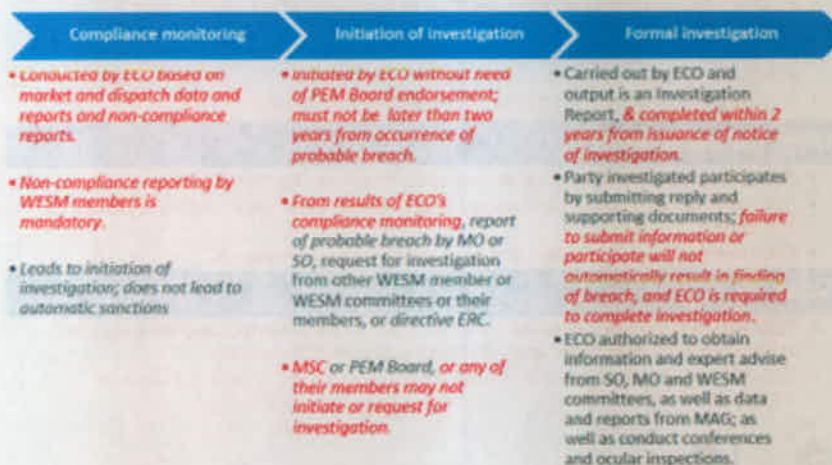
c. Enforcement Actions and Proceedings

Enforcement Process



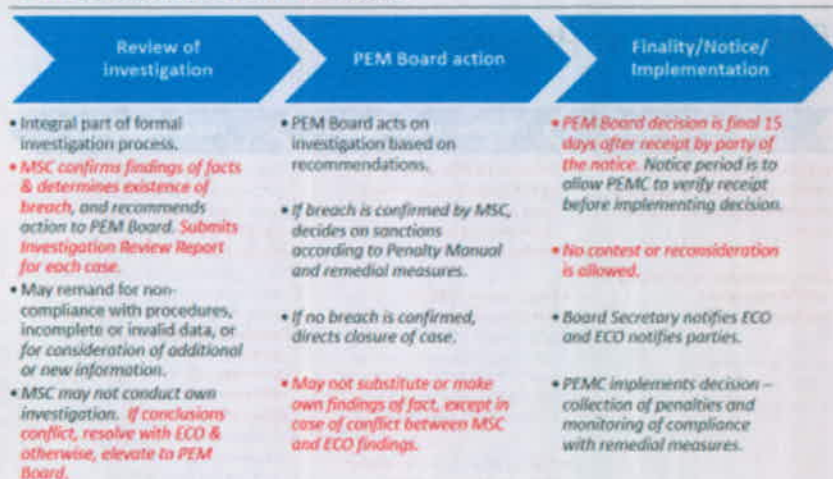
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Enforcement Process



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Enforcement Process



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Enforcement Process and Structure

Remedial measures

- ECO or MSC may require provisional measures pending an investigation. PEM Board approves final remedial measures.**
- ECO monitors implementation. Non-compliance amounts to a breach subject to automatic penalty.**
- May include corrective, mitigating or preventive measures.**

Offer for settlement

- Party may offer to settle penalties without further investigation.**
- ECO determines applicable penalties and remedial measures, and PEM Board approves.**
- Offer terminates investigation and may result in lower penalties.**

Cost

- PEM Board to approve schedule of costs that can be collected, and may include cost of incurred in investigation, and for implementation of decisions.**
- Excludes day-to-day cost of MSC and PEMC (MAG & ECO) which should be defrayed from market fees.**



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Enforcement Process

Investigation of System Operator & Market Operator

Processes	Current	Proposed
INITIATION OF INVESTIGATION	Any WESM Member/PEM Board • Submitted to PEM Board and endorsed to ECO	WESM Member/ECO • Upon request of WESM member • <i>ECO to review if request is complete</i>
FORMAL INVESTIGATION	ECO • Replies, available information and technical assistance from committees	ECO • Replies, available market data, technical assistance from committees
INVESTIGATION REPORT AND REVIEW	ECO and MSC • ECO submits report to MSC • MSC reviews and submits to PEM Board	ECO & MSC • ECO submits report to MSO • MSC reviews report and recommendations



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Enforcement Process

Investigation of System Operator & Market Operator

Processes	Current	Proposed
PEM BOARD ACTION	PEM Board • Rectify breach and order payment of compensation	PEM Board • Rectify breach • Compensation, upon application
IMPLEMENTATION	PEM Board • PEM Board directs payment of compensation	ECO • Monitors implementation of measures and reports to PEM Board
FILING OF COMPLAINT	PEM Board • PEM Board may file complaint against MO with ERC if MO fails to rectify breach.	PEM Board • PEM Board may file complaint with ERC • Grounds – breach not rectified



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Enforcement Process

Compensation

- *Applied for separately by Trading Participant financially disadvantaged by a confirmed breach of another WESM member, within one (1) year from publication of results of investigation.*
- *Evaluated by ECO and MO, and approved by PEM Board.*
- *Purpose of compensation is to put Trading Participants in same financial position in their WESM transactions as they would have been if breach did not occur.*
- *Compensation is paid by participants that financially benefitted to participants that were financially disadvantaged.*

Exemption

- *WESM members may apply for exemption from investigation and penalties for specific types of breach for a period of 3 months from WESM membership or from issuance of a new rule, manual or amendment.*
- *WESM member required to implement compliance plan.*
- *Does not exempt member from paying compensation, if warranted.*



d. WESM Member Internal Compliance

WESM Member Internal Compliance

- ☐ *WESM Member are encouraged to adopt internal compliance program to ensure that personnel, processes and infrastructure are geared for WESM compliance.*
- ☐ *Program to include training and education of personnel, counterparties and other third parties.*
- ☐ *Internal compliance to include counterparties and other parties whose transactions with WESM member impact on WESM compliance.*



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WESM Member Internal Compliance

- ☐ All WESM Members are required to designate WESM Compliance Officer within their organization.
- ☐ *WCO must hold senior management position and holds a position that enables him/her to recognize non-compliance and resolve the same. Must not be involved in day-to-day WESM trading activities.*
- ☐ **Obligations of WESM Compliance Officer - (set in WESM Rules)**
 - Monitor and ensure internal processes are compliant;
 - Submit proposals for changes to WESM Rules or manuals;
 - Main contact person for compliance-related matters
 - Submit annual report on activities



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e. Information Disclosure and Records Management

Information Disclosure

Obligation	Information
Published in market information website	<ul style="list-style-type: none"> List of cases – names of parties and facilities, type of breach and status of investigation Summarized report on results of investigation – parties and facilities investigated, breach confirmed, and penalties/sanctions imposed Exemptions applied for and granted – names of parties and facilities, nature of exemption applied for and granted
<i>Provided on request</i>	<ul style="list-style-type: none"> <i>Investigation reports & investigation review reports</i> <i>Assessment reports (on application for exemption)</i> <p><i>Except: Case & application records, including data/information included as annexes to the reports, may not be disclosed unless party (providing the information) consented in writing to disclosure</i></p>



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Information Disclosure

Obligation	Information
Monthly report to PEM Board, ERC and DOE	<ul style="list-style-type: none"> Status of investigations, applications for exemptions, and claims for compensation being carried out, with summarized description of the same; Summary of the results of non-compliance monitoring carried out; Summary of the development of non-compliance issues and enforcement processes; Recommendations that may arise from the experiences and observations in administering the compliance and enforcement procedures; and Issues and problems arising from the implementation of the procedures and provisions established in this Manual.



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Records Management

Obligation	Information
Compliance Database	<ul style="list-style-type: none"> ✓ Contents – <ul style="list-style-type: none"> • Records of investigations • <i>Non-compliance reports and supporting documents submitted by WESM members.</i> • Records of applications for exemptions • Records of claims for compensation • Monthly and periodic reports required to be prepared and published or disseminated ✓ <i>Access to database – ECO only, but information contained may be disclosed unless restricted.</i> ✓ <i>Retained in electronic form only.</i>
<i>Retention period</i>	<ul style="list-style-type: none"> ✓ <i>Records of investigations, exemption and compensation = 10 years from PEM Board final action</i> ✓ <i>Non-compliance reports = 10 years from submission</i> ✓ <i>Reports = 5 years from first dissemination/publication</i>



Records Management

Records Management is the systematic control of the creation, collection, organization, storage, retrieval, maintenance and disposal of records.

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