



Proposed Amendments to the WESM Manual on Registration, Suspension, and De-Registration Criteria and Procedures to Clarify Bilateral Contracts Accounted for In Settlements

**Independent Electricity Market Operator of the
Philippines**

January 2020

I. SUMMARY OF THE PROPOSED RULES CHANGE

The proposed amendments to the WESM Manual on Registration, Suspension, and De-Registration Criteria and Procedures Issue 5.0 is to clarify the types of bilateral contract transactions that will be accounted for in settlements in the Wholesale Electricity Spot Market (WESM).

II. BACKGROUND

WESM Rules Clause 3.13.1.1 provides that "trading participants who sell electricity pursuant to bilateral contracts and wish those bilateral contracts to be accounted for in settlements...shall submit a schedule to the Market Operator specifying the MWh bilateral sell quantities for each trading participant who buys electricity pursuant to that bilateral contract".

During the start of WESM operations, trading participants who sell electricity pursuant to bilateral contracts were interpreted to be generation company trading participants while trading participants who buy electricity pursuant to bilateral contracts were interpreted to be customer trading participants. This interpretation was consistent with the observed bilateral contracts in the power industry when deregulation of the power industry was still at its early years.

After more than a decade of WESM operations and the implementation of retail competition in 2013, it has been observed that there are bilateral contract arrangements in the power industry that do not follow the above interpretation. Hence, the direct translation of those bilateral contracts to WESM contract declarations has not been possible. For example, a contestable customer is allowed to register as a Direct WESM Member as a customer trading participant. To hedge against spot prices, a contestable customer contracts with a retail electricity supplier (RES), which also registers in the WESM as a customer trading participant. Under the current interpretation, the RES cannot submit a WESM contract declaration for the contestable customer since they are both customer trading participants. In order to reduce the exposure of the contestable customer, the RES has to coordinate with its generation company counterparty to submit WESM contract declarations for the contestable customer, which are not the parties to the contract for the supply of energy to the contestable customer.

In addition to the case where a contestable customer registers as a Direct WESM Member and has a bilateral contract with a RES, other bilateral contract cases observed in the power industry that cannot be declared in the WESM under the current interpretation of WESM Rules Clause 3.13.1.1 are as follows:

- a customer is registered as an Indirect WESM Member and has a secondary generation company supplier – the secondary generation company supplier cannot declare for an Indirect WESM Member and would have to declare for the Direct WESM Member Counterparty of its bilateral contract customers, which is also another generation company
- a generation company procures power from another generation company (e.g., replacement power, additional capacity) – the selling generation company cannot declare for the buying generation company and can only declare for the customers of the buying generation company in the WESM

III. THE PROPOSED RULES CHANGE

In view of the new bilateral contract arrangements observed in the power industry, it is proposed that the types of bilateral contracts that could be accounted for in WESM settlements be clarified. Generally, it is proposed that it be clarified that only entities licensed to sell electricity (i.e., generation companies and RESs) may enroll contracts in the WESM. Moreover, it is proposed that it be clarified that only suppliers may enroll contestable customers as supply customers in the WESM in accordance with Section 4.1 of DOE DC2012-05-0005. In summary, the proposed clarifications are as follows:

- only generation companies and RESs may enroll bilateral contracts in the WESM;
- generation companies may register other generation companies or customer trading participants, except for contestable customers, as supply customers; and
- RESs may only register contestable customers as supply customers.

Minor changes are also proposed to harmonize the WESM Manual on Registration, Suspension, and De-Registration Criteria and Procedures with WESM Manual on Billing & Settlement Issue 6.0 with regard to information submitted during enrollment of supply contracts in the WESM.

The proposed rules change may require enhancements to the market settlement system for its implementation.

IV. BACKGROUND AND DESCRIPTION OF THE PROPONENT

The proponent is the Independent Electricity Market Operator of the Philippines, Inc. IEMOP acts as the market operator of the WESM.

Top Officers:

Richard J. Nethercott – President and CEO

Robinson P. Descanzo – Acting Chief Operating Officer and Trading Operations Head

Arthur P. Pintado – Internal Audit Head

Rachel Angela P. Anosan – Chief Legal Officer

Isidro E. Cacho, Jr. – Chief Corporate Strategy and Communications Officer

Salvador D. Subaran – Chief Information Systems and Technology Officer

V. CONCLUSIONS AND RECOMMENDATIONS

The amendments to the WESM Manual on Registration, Suspension, and De-Registration Criteria and Procedures are proposed to clarify the types of bilateral contract transactions that will be accounted for in settlements in the WESM. This is to allow for the direct accounting in WESM settlements of bilateral contracts that are not consistent with the current interpretation of WESM Rules Clause 3.13.1.1.

VI. REFERENCES

1. Department of Energy Department Circular 2012-05-0005

2. WESM Manual on Registration, Suspension, and De-Registration Criteria and Procedures Issue 5.0