



Philippine Electricity
Market Corporation

II. Amendment Information

Proposed Amendments to the (please tick the box):

WESM Rules Retail Rules

Market Manual: Billing and Settlement Issue 9.1

Topic: Proposed Amendments to the WESM Manual on Billing
and Settlement on Additional Compensation

Proposed Classification of Amendments (please tick the box):

General Minor Urgent

If Urgent, reason for urgency:



III. SUMMARY OF THE PROPOSED RULES CHANGE

The amendments to the WESM Manual on Billing and Settlement are proposed to (i) reflect the formula for the calculation of additional compensation amount and specify the recovery process for additional compensation across all claim categories based on the External Auditor's recommendations from the (Supplemental) Audit of PDM-related Enhancements to NMMS and CRSS¹ and (ii) simplify the process in determining SO dispatch instructions during market intervention/suspension and include further condition on the calculation of quantity eligible for additional compensation during administered pricing.

IV. BACKGROUND

IES' Recommendations from the (Supplemental) Audit of PDM-related Enhancements to NMMS and CRSS

In their letter dated 18 August 2021, the PEM Audit Committee (PAC) requested from IEMOP an update on the status of implementation of the CRSS-Settlement module for the additional compensation claim and the action plans to address the following relevant areas of improvement detailed in the Final Audit Report of IES:

- The calculation of the additional compensation claim amount is not specified in the WESM Manual or the Price Determination Methodology (PDM). IES recommends that the formula included in the Business Requirements Document (BRD²) is reflected in the WESM Manual.
- The process of the recovery of additional compensation is not specified in the WESM Manual for claims other than MRU. The current recovery process is based on the recovery process for MRU in the PDM Manual Clause 8.3.4 (c). IES recommends that the recovery method for claims other than MRU be included in the WESM Manual.

¹ Audit of PDM-Related Enhancements to NMMS And CRSS – Supplemental Audit No.3
Final Report dated 13 August 2021 by *Intelligent Energy Systems Pty Ltd* under the oversight of PEM Audit Committee (PAC).

² CRSS Enhancement: Additional Compensation Business Requirements Document, BRD-2010-010.2011.003



In its letter dated 24 August 2021, IEMOP reiterated its commitment to submit the corresponding rules change proposal as part of its action plan on the abovementioned items.

New Condition on the Calculation of Quantity Eligible for Additional Compensation during Administered Pricing

Under the current ERC-approved methodology, in cases where there are no specific dispatch instructions from SO, the most recent RTD schedule will be used for calculating additional compensation claims. However, as observed during the market interventions/suspensions implemented since 26 June 2021, especially during the market suspension³ due to Typhoon *Odette*, the RTD schedules that were generated were largely infeasible to implement as the real time data that was available then were erratic and erroneous. In addition, noting that the market suspension lasted for about a month, the latest available accurate RTD schedules were about a month-old already.

In separate meetings with the SO, one issue that was discussed is the absence of available information to be used as dispatch instructions during market intervention/suspension. During market intervention or suspension, SO dispatchers would generally instruct generators to either increase or decrease their output to respond to situations that happen in real time. In most cases, however, there would be no specific instructions from SO, and as such, the generators would simply maintain their current loading. Considering the foregoing, the use of metered quantities instead of SO instructions or RTD schedules as basis for calculating additional compensation during administered pricing is proposed.

V. THE PROPOSED RULES CHANGE

The proposed rules change is in view of (i) the recommendations from the IES' Supplemental Audit of PDM-related Enhancements to NMMS and CRSS particularly on the calculation and recovery process of additional compensation claim amount and

³ Market suspension in **Visayas** due to Typhoon *Odette* started from 16 Dec 2021 1945H and was lifted on 17 January 2022 1000H excluding Bohol which continued to be on market suspension until 10 February 2022 2100H.



(ii) observation from the recent market suspension due to Typhoon Odette involving erroneous real time data.

The following table provides a summary of the proposed amendments:

Document	Proposed Amendments	Rationale
WESM Manual on Billing and Settlement Issue 9.1	<ul style="list-style-type: none"> • Reflect the formula for additional compensation claim amount included in the Business Requirements Document (BRD) • Specify the recovery process of additional compensation for claim categories other than MRU 	Reflect Audit Recommendations from Intelligent Energy Systems' (IES) Supplemental Audit of PDM-related Enhancements on CRSS
	<ul style="list-style-type: none"> • If there is no SO Dispatch Instruction for claims due to market intervention and/or market suspension, use the metered quantity in the calculation of additional compensation quantity 	To simplify the process in determining SO dispatch instructions during market intervention/suspension.

VI. BACKGROUND AND DESCRIPTION OF THE PROPONENT

The proponent is the Independent Electricity Market Operator of the Philippines, Inc. (IEMOP), the independent market operator of the WESM.

Top Officers:

Richard J. Nethercott – President and CEO

Robinson P. Descanzo – Chief Operating Officer

Rachel Angela P. Anosan – Chief Legal Officer

Arthur P. Pintado – Internal Audit Head

Isidro E. Cacho, Jr. – Head of Corporate Strategy and Communications

Salvador D. Subaran – Head of Information Systems and Technology



VII. CONCLUSIONS AND RECOMMENDATIONS

The amendments to the WESM Manual on Billing and Settlement are proposed to: (i) reflect the formula for the calculation of additional compensation amount and specify the recovery mechanism for additional compensation across all claim categories based on the IES' recommendations from their Audit of PDM-related Enhancements to NMMS and CRSS; and (ii) simplify the process in determining SO dispatch instructions during market intervention/suspension and include further condition on the calculation of quantity eligible for additional compensation during administered pricing. It is recommended that the proposed amendments be adopted.

VIII. REFERENCES

1. WESM Manual on Billing and Settlement Issue 10.1
2. WESM Manual on Price Determination Methodology 3.0
3. Audit of PDM-Related Enhancements to NMMS And CRSS – Supplemental Audit No.3- Final Report dated 13 August 2021 by Intelligent Energy Systems Pty Ltd.
4. CRSS Enhancement: Additional Compensation Business Requirements Document, BRD-2010-010.2011.003
5. ERC Decision on Case No. 2017-042RC



IX. Proponent's Information (for the Party Submitting the Comments)

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X. Proposed Amendments

A. WESM Manual on Billing and Settlement Issue 10.1

WESM Manual on Billing and Settlement Issue 10.1								
Title	Sec	Provision	Proposed Amendment	Rationale	Comment	Proposed Re-wording based on Comment	Proponent's Response	RCC Decision
					Please write general comments here, if any.			
Quantity Eligible for Additional Compensation	10.3	<p>10.3.3 The scheduled generation of a <i>generating unit</i> that filed a claim for additional compensation shall be calculated using the following formulas:</p> <p>a) If due to declaration of <i>market suspension</i> or <i>market intervention</i>,</p> $SG_{g,i} = \frac{DT_{g,i-1} + DT_{g,i}}{2} \times \frac{1}{12}$ <p>xxxx Where: xxxx <i>DI_{g,i}</i> refers to the most recent <i>dispatch instruction</i> from the <i>System Operator</i> received by <i>generating unit g</i> for <i>dispatch interval i</i></p>	<p>10.3.3 The scheduled generation of a <i>generating unit</i> that filed a claim for additional compensation shall be calculated using the following formulas:</p> <p>a) If due to declaration of <i>market suspension</i> or <i>market intervention</i>,</p> $SG_{g,i} = \frac{DT_{g,i-1} + DT_{g,i}}{2} \times \frac{1}{12}$ $SG_{g,i} = \frac{DI_{g,i}}{12}$ <p>xxxx Where: xxxx <i>DI_{g,i}</i> refers to the most recent <i>dispatch instruction</i> from the <i>System Operator</i> received by <i>generating unit g</i> for <i>dispatch interval i</i>. <u>In cases where there is no System Operator dispatch</u></p>	To simplify the process in determining SO dispatch instructions during market intervention/ suspension and include further condition on the calculation of quantity eligible for additional compensation during administered pricing in light of recent observations in market suspension during Typhoon Odette.	The proposed formula for scheduled generation assumes outright that the latest RTD schedule is inaccurate and unimplementable. Hence, only the most recent SO dispatch instruction, when available, or the gross energy settlement quantity is used in the computation. However, there may be times during certain market			

WESM Manual on Billing and Settlement Issue 10.1

Title	Sec	Provision	Proposed Amendment	Rationale	Comment	Proposed Re-wording based on Comment	Proponent's Response	RCC Decision
			<p><u>instruction issued for generating unit g at dispatch interval i during market intervention or market suspension, then its gross energy settlement quantity at dispatch interval i shall be used.</u></p>		<p>intervention events lasting for a short time that the latest RTD schedule generated by the WESM is still implementable.</p> <p>MEI and PEI suggest that the following order of priority should be followed in determining what quantities to use in calculating the scheduled generation:</p> <ol style="list-style-type: none"> 1. Most recent specific SO dispatch instruction 2. Latest accurate and/or implementable RTD schedule 3. Gross energy settlement quantity. 			

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WESM Manual on Billing and Settlement Issue 10.1

Title	Sec	Provision	Proposed Amendment	Rationale	Comment	Proposed Re-wording based on Comment	Proponent's Response	RCC Decision
					We believe this is keeping in line with the ERC-approved methodology.			
Billing and Settlement of Additional Compensation	10.4	(new)	<p><u>10.4.1. Using the formula below, the <i>Market Operator</i> shall determine the additional compensation claim amount in accordance with the claim category conditions on quantity eligible for additional compensation as set out in Section 10.3 of this Manual</u></p> $\underline{ACA_{g,i}} = \underline{ACQ_{g,i}} \times [\underline{\text{Approved Rate}_{g,i}} - \underline{FEDP_{g,i}}]$ <p><u>Where:</u> <u>ACA_{g,i}</u> refers to the <u>additional compensation amount of generating unit g for dispatch interval i</u> <u>ACQ_{g,i}</u> refers to the <u>additional compensation quantity or</u></p>	To reflect in the WESM Manual the formula for the calculation of the additional compensation claim amount in line with the general principle stated in Section 8.3.1 of the WESM Manual on Price Determination Methodology and as stated in the Business Requirement Document of the CRSS. This forms part of IES' recommendation in their audit report.				

WESM Manual on Billing and Settlement Issue 10.1

Title	Sec	Provision	Proposed Amendment	Rationale	Comment	Proposed Re-wording based on Comment	Proponent's Response	RCC Decision
			<p align="center"> <u>volume of generating unit g for dispatch interval i</u> <u>Approved Rate_{g,i} refers to the approved rate of generating unit g at dispatch interval i based on the evaluation of the claim</u> <u>FEDP_{i} refers to the final energy dispatch price of generating unit g at certain dispatch interval i</u> </p>					
Billing and Settlement of Additional Compensation	10.4	10.4.1 The <i>Market Operator</i> shall determine the share in the additional compensation amount of each <i>Trading Participant</i> in accordance with the provisions under Section 8.3 of the Price Determination Methodology Manual.	10.4.1– 10.4.2 The <i>Market Operator</i> shall determine the share in the additional compensation amount of each <i>Trading Participant</i> in accordance with the provisions under Section 8.3 of the Price Determination Methodology Manual. <u>For each claim category, the additional compensation amount shall be pro-rated among the customers</u>	To specify the process of recovery of additional compensation for claims other than MRU as recommended by IES.				

WESM Manual on Billing and Settlement Issue 10.1

Title	Sec	Provision	Proposed Amendment	Rationale	Comment	Proposed Re-wording based on Comment	Proponent's Response	RCC Decision
			<p><u>in the same region based on gross energy settlement quantities in accordance with the following formula</u></p> $\text{Allocation}_{c,i} = \text{ACR}_{R,i} \times \frac{\text{GESQ}_{c,i}}{\sum_{c \in R} \text{GESQ}_{c,i}}$ <p><u>Where:</u> <u>Allocation_{c,i}</u> refers to the <u>amount recovered for customer c at dispatch interval i</u></p> <p><u>ACR_{R,i}</u> refers to the <u>Additional Compensation Claim for region R at dispatch interval i</u></p> <p><u>GESQ_{c,i}</u> refers to the <u>gross energy settlement quantity for customer c at dispatch interval i</u></p> <p><u>$\sum_{c \in R} \text{GESQ}_{c,i}$</u> refers to the <u>total gross energy settlement</u></p>	<p>Renumbering due to insertion of new clause.</p>				

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WESM Manual on Billing and Settlement Issue 10.1

Title	Sec	Provision	Proposed Amendment	Rationale	Comment	Proposed Re-wording based on Comment	Proponent's Response	RCC Decision
			<u>quantity in region R at dispatch interval i</u>					
Billing and Settlement of Additional Compensation	10.4	10.4.2 The <i>Market Operator</i> shall calculate the possible rate impact to each <i>WESM Customer</i> of each approved claim in accordance with the following formula: xxxx	40.4.2 10.4.3 The <i>Market Operator</i> shall calculate the possible rate impact to each <i>WESM Customer</i> of each approved claim in accordance with the following formula: xxxx	Renumbering due to insertion of new clause.				
Billing and Settlement of Additional Compensation	10.4	10.4.3 The approved claim of each <i>Trading Participant</i> covering each <i>billing period</i> and for each claim category shall be billed on the <i>billing period</i> immediately following the approval of the claim and payments shall be collected as follows: xxxx	40.4.3 10.4.4 The approved claim of each <i>Trading Participant</i> covering each <i>billing period</i> and for each claim category shall be billed on the <i>billing period</i> immediately following the approval of the claim and payments shall be collected as follows: xxxx	Renumbering due to insertion of new clause.				
Billing and Settlement of Additional Compensation	10.4	10.4.4 The <i>Market Operator</i> shall collect payments for the approved claim within the following timeframe – xxxx	40.4.4 10.4.5 The <i>Market Operator</i> shall collect payments for the approved claim within the following timeframe – xxxx	Renumbering due to insertion of new clause.				
Billing and Settlement of Additional	10.4	10.4.5 The collected amounts from staggered payments shall be pro-rated to the	40.4.5 10.4.6 The collected amounts from staggered payments shall be pro-rated to	Renumbering due to insertion of new clause.				

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WESM Manual on Billing and Settlement Issue 10.1

Title	Sec	Provision	Proposed Amendment	Rationale	Comment	Proposed Re-wording based on Comment	Proponent's Response	RCC Decision
Compensation		<i>Trading Participants</i> which the payment is due.	the <i>Trading Participants</i> which the payment is due.					
Billing and Settlement of Additional Compensation	10.4	10.4.6 The payment for additional compensation of customers that have switched to a different <i>Direct WESM Member</i> shall be billed to the current <i>Direct WESM Member</i> provided that the bill shall reflect the period of consumption and the corresponding <i>Direct WESM Member</i> during the period of the additional compensation event under claim.	40.4.6 10.4.7 The payment for additional compensation of customers that have switched to a different <i>Direct WESM Member</i> shall be billed to the current <i>Direct WESM Member</i> provided that the bill shall reflect the period of consumption and the corresponding <i>Direct WESM Member</i> during the period of the additional compensation event under claim.	Renumbering due to insertion of new clause.				

Note: Please underline and put in bold letters the proposed changes to the Market Rules or Manual.

Handwritten signatures and initials in black ink, including a large signature on the left and a stylized 'we' on the right.