



2 August 2022

**RULES CHANGE COMMITTEE**

Philippine Electricity Market Corporation  
18/F Robinsons Equitable Tower,  
Ortigas Center, Pasig City

Attention: **Ms. Kathleen R. Estigoy**  
Rules Review Division, Market Assessment Group

Dear Rules Change Committee:

We wish to inform you that MERALCO has emailed the Committee Secretariat at [mag\\_rrd@wesm.ph](mailto:mag_rrd@wesm.ph) our comments on the proposed amendments to the WESM Rules and WESM Manuals, as follows:

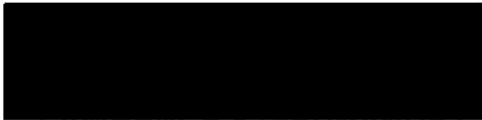
Topic	Attachment File Name	Date Submitted / Sending Email Address Used
Proposed Amendments to the WESM Manual on Billing and Settlement regarding Calculation for Additional Compensation (ORCP- WM-22-06)	ORCP-WM-22-06_IEMOP_Proposed_Amendments_regarding_Additional_Compensation - MERALCO Comments v3 final.docx	2 August 2022 / jivdelrosario@meralco.com.ph

For any question and clarifications, please do not hesitate to contact us through Mr. Manuel Luis Zagala, Lead Specialist, Utility Economics at [mlnzagala@meralco.com.ph](mailto:mlnzagala@meralco.com.ph).

For your consideration.

Thank you.

Sincerely yours,



**LAWRENCE S. FERNANDEZ**  
Vice President and Head  
Utility Economics





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:

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### **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 CRSS<sup>1</sup> 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 (BRD<sup>2</sup>) 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.

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<sup>1</sup> 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).

<sup>2</sup> 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 suspension<sup>3</sup> 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

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<sup>3</sup> 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"> <li>• Reflect the formula for additional compensation claim amount included in the Business Requirements Document (BRD)</li> <li>• Specify the recovery process of additional compensation for claim categories other than MRU</li> </ul>	Reflect Audit Recommendations from Intelligent Energy Systems' (IES) Supplemental Audit of PDM-related Enhancements on CRSS
	<ul style="list-style-type: none"> <li>• 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</li> </ul>	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)**

Name	<b>LAWRENCE S. FERNANDEZ</b>
Designation	Vice President and Head, Utility Economics
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Fax. No.	
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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<sub>g,i</sub></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<sub>g,i</sub></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>. <b><u>In cases where there is no System Operator dispatch</u></b></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.	<p>We would like to know and understand the specific circumstances when it is not possible for the SO to provide dispatch instruction during market intervention/suspension.</p> <p>SO dispatch instructions are essential in ensuring system security. In addition, the absence of specific</p>	<p>... <b><u>The gross energy settlement quantity of a generating unit at dispatch interval i shall be used in the following cases where there is no System Operator dispatch instruction issued for generating unit g at dispatch interval i during market intervention or market suspension:</u></b></p> <ol style="list-style-type: none"> <li>1. <b><u>[case #1]</u></b></li> <li>2. <b><u>[case #2]</u></b></li> <li>3. <b><u>...</u></b></li> </ol>		

**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><i>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.</i></u></p>		<p>instructions from the SO may have an impact on system supply costs.</p> <p>The provision should specify the circumstances when SO instructions are not available and the use of “gross energy settlement quantity” is allowed. It should not apply at all times when instructions are not available, e.g., due to negligence.</p>			
Billing and Settlement of Additional Compensation	10.4	(new)	<p><b><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></b></p>	To reflect in the WESM Manual the formula for the calculation of the additional compensation claim amount in line with the general principle				

**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
			$\underline{ACA_{g,i}} = \underline{ACQ_{g,i}} \times [\underline{\text{Approved Rate}_{g,i}} - \underline{FEDP_{g,i}}]$ <p><b>Where:</b>  <u>ACA<sub>g,i</sub></u> refers to the <b>additional compensation amount of generating unit g for dispatch interval i</b>  <u>ACQ<sub>g,i</sub></u> refers to the <b>additional compensation quantity or volume of generating unit g for dispatch interval i</b>  <u>Approved Rate<sub>g,i</sub></u> refers to the <b>approved rate of generating unit g at dispatch interval i based on the</b></p>	<p>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.</p>				

**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>evaluation of the claim</u>  <b>FEDP<sub>i</sub></b> refers to the <i>final energy dispatch price of generating unit g at certain dispatch interval i</i></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.	<p>10.4.1– <b>10.4.2</b> 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. <b><u>For each claim category, the additional compensation amount shall be pro-rated among the customers in the same region based on gross energy settlement quantities in accordance with the following formula</u></b></p> $\text{Allocation}_{c,i} = \text{ACR}_{R,i} \times \frac{\text{GESQ}_{c,i}}{\sum_{c \in R} \text{GESQ}_{c,i}}$ <p><b><u>Where:</u></b>  <b><u>Allocation<sub>c,i</sub></u></b> refers to the <b><u>amount recovered for customer c at</u></b></p>	<p>To specify the process of recovery of additional compensation for claims other than MRU as recommended by IES.</p> <p>Renumbering due to insertion of new clause.</p>	<p>Customers should be able to validate the charges for additional compensation adjustment in their bill using information provided by the Market. Like other costs being charged to market participants, these amount for additional compensation and their supporting calculations should be transparent to all market participants.</p>	<p>10.4.2                      x x x  <b><u>The Market Operator shall publish the following data to enable the customer to validate the amount of additional compensation that has been charged to it.</u></b></p> <ol style="list-style-type: none"> <li>1. <b><u>Approved cost for recovery</u></b></li> <li>2. <b><u>Cost assumptions and parameters used in calculation of the approved cost</u></b></li> <li>3. <b><u>Spot sales</u></b></li> </ol>		

**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><i>dispatch interval i</i></u></p> <p><u><math>ACR_{R,i}</math></u> refers to the <b>Additional Compensation Claim for region R at dispatch interval i</b></p> <p><u><math>GESQ_{c,i}</math></u> refers to the <b>gross energy settlement quantity for customer c at dispatch interval i</b></p> <p><u><math>\sum_{c \in R} GESQ_{c,i}</math></u> refers to the <b>total gross energy settlement quantity in region R at dispatch interval i</b></p>		<p>Considering that any additional compensation will increase the generation cost being passed on to end-users, we propose that these be published together with their supporting calculations to allow customers and the regulator to validate the additional charges.</p>	<p><b>4. <u>Approved additional compensation per generating unit</u></b></p> <p><b><u>The Market Operator shall likewise submit the said data to the Energy Regulatory Commission.</u></b></p>		
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 <b>10.4.3</b> 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	10.4	10.4.3 The approved claim of each <i>Trading Participant</i>	40.4.3 <b>10.4.4</b> The approved claim of each <i>Trading Participant</i>	Renumbering due to insertion of new clause.				

**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
of Additional Compensation		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	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					
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	<del>10.4.4</del> <b>10.4.5</b> 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 Compensation	10.4	10.4.5 The collected amounts from staggered payments shall be pro-rated to the <i>Trading Participants</i> which the payment is due.	<del>10.4.5</del> <b>10.4.6</b> The collected amounts from staggered payments shall be pro-rated to the <i>Trading Participants</i> which the payment is due.	Renumbering due to insertion of new clause.				
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</i>	<del>10.4.6</del> <b>10.4.7</b> 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	Renumbering due to insertion of new clause.				

**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
		<i>Member</i> during the period of the additional compensation event under claim.	additional compensation event under claim.					

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