

**MEETING MINUTES**

Subject/Purpose : 179<sup>th</sup> Rules Change Committee Meeting  
 Date & Time : 21 May 2021, 09:00  
 Venue : Online via Microsoft Teams  
 Page : 1 of 95

**ATTENDEES**

	<b>Name</b>	<b>Designation/Position</b>	<b>Department/Company</b>
1	Maila Lourdes G. De Castro	Chairperson, Independent	RCC
2	Francisco L.R. Castro, Jr.	Member, Independent	RCC
3	Allan C. Nerves	Member, Independent	RCC
4	Concepcion I. Tanglao	Member, Independent	RCC
5	Dixie Anthony R. Banzon	Member, Generation Sector	RCC
6	Cherry A. Javier	Member, Generation Sector	RCC
7	Carlito C. Claudio	Member, Generation Sector	RCC
8	Jessie Victorio	Member (Alternate), Generation Sector	RCC
9	Ryan S. Morales	Member, Distribution Sector	RCC
10	Ricardo G. Gumalal	Member, Distribution Sector	RCC
11	Nelson M. Dela Cruz	Member, Distribution Sector	RCC
12	Virgilio Fortich, Jr.	Member, Distribution Sector	RCC
13	Lorreto H. Rivera	Member, Supply Sector	RCC
14	Ambrocio R. Rosales	Member, System Operator	RCC
15	Isidro E. Cacho, Jr.	Member, Market Operator	RCC
16	Karen A. Varquez	RCC Secretariat	PEMC
17	Divine Gayle C. Cruz	RCC Secretariat	PEMC
18	Dianne L. De Guzman	RCC Secretariat	PEMC
19	Kathleen R. Estigoy	RCC Secretariat	PEMC
20	John Mark S. Catriz	Head, Market Assessment Group	PEMC
21	Marian Venussa S. Dela Fuente	Head, Legal Department	PEMC
22	Ma. Hazel M. Gubaton-Lopez	Head, Enforcement and Compliance Office	PEMC
23	Geraldine A. Rodriguez	Investigation Deputy Enforcement & Compliance Officer, Enforcement and Compliance Office	PEMC
24	Jesusito G. Morillos	Proponent	WESM DRA
25	Sheryll M. Dy	Proponent	IEMOP
26	Jonathan B. Dela Vina	Proponent	IEMOP
27	Katrina A. Garcia-Amuyot	Proponent	IEMOP
28	Edward I. Olmedo	Proponent	IEMOP
29	Valfia U. Gregorio	Proponent	IEMOP
30	Melanie C. Papa	Observer	DOE
31	Mari Josephine C. Enriquez	Observer	DOE
32	Kevin Lloyd C. delos Santos	Observer	DOE
33	Ryan Jasper M. Villadiego	Observer	DOE
34	Raycell D. Baldovino	Commenter	NGCP
35	Homernico Mari B. Palma	Commenter	NGCP
36	Joseph Alvaera	Commenter	TMI/TLI
37	Jayson Francisco	Commenter	TMI/TLI

**MEETING MINUTES**

Subject/Purpose : 179<sup>th</sup> Rules Change Committee Meeting  
 Date & Time : 21 May 2021, 09:00  
 Venue : Online via Microsoft Teams  
 Page : 2 of 95



Agenda	Agreements / Action Taken / Action Required
I. Call to Order / Determination of Quorum	<ul style="list-style-type: none"> <li>The meeting was conducted via Microsoft Teams and was called to order at 9:02 AM by Atty. Maila Lourdes G. De Castro (Chairperson/Independent).</li> <li>There were 14 RCC principal members and 1 alternate member in attendance.</li> </ul>
II. Presentation and Approval of the Proposed Agenda	<p>The Technical Committee letter to PEM Board regarding Technical Committee (TC) Composition was proposed to be included as agenda under Other Matters by the Secretariat. Mr. Francisco L.R. Castro, Jr. (Independent) moved to approve the revised agenda and was duly seconded by Mr. Virgilio Fortich, Jr. (Distribution).</p> <p>The revised provisional agenda of the meeting was approved and adopted by the body.</p>
<p>III. Review and Approval of the Minutes of the Previous Meetings</p> <p>A. 176<sup>th</sup> (Special) Meeting, 26 March 2021</p> <p>B. RCC Sub-Committee Meeting, 06 April 2021</p> <p>C. 177<sup>th</sup> (Regular) Meeting, 16 April 2021</p> <p>D. 178<sup>th</sup> (Special) Meeting, 21 April 2021</p>	<p><u>Presenter:</u> Ms. Dianne L. De Guzman (RCC Secretariat)</p> <p><u>Action Requested:</u> For approval and clearance to affix e-signature</p> <p><u>Proceedings:</u></p> <p>A. 176<sup>th</sup> (Special) Meeting, 26 March 2021</p> <ul style="list-style-type: none"> <li>On the comment of Mr. Carlito C. Claudio (Generation), on page 4 of the minutes, requesting confirmation if the real time data from the System Operator's (SO) Energy Management System (EMS) is updated every 10 seconds, Mr. Ambrocio R. Rosales (SO) clarified that it is the Market Operator (MO) that configures the timing for data transfer to the new Market Management System (NMMS). Said transfer will be automatic such that it does not require actual sending of data by the SO. It was also further confirmed by Mr. Rosales that snapshot data are sent to the NMMS thru Inter-Control Center Communications Protocol (ICCP).</li> </ul> <p>Mr. Claudio also inquired if the Supervisory Control and Data Acquisition (SCADA) could send data to the MO in a shorter period than 10 seconds using ICCP. Mr. Rosales responded that it is possible as the timing of sending is configurable.</p> <ul style="list-style-type: none"> <li>The RCC approved and adopted the minutes presented, as revised.</li> </ul> <p>B. RCC Sub-Committee Meeting, 06 April 2021</p> <ul style="list-style-type: none"> <li>Ms. De Guzman requested the Sub-Committee members for their comments on the draft minutes. Mr. Castro, Jr. confirmed that the draft minutes of meeting was in order and that the agreements during the meeting was complied with by the IEMOP (Proponent). No further comments were received from the members. With the concurrence of the members, Chairperson De Castro deemed that the minutes of meeting is approved.</li> </ul>



## MEETING MINUTES

Subject/Purpose : 179<sup>th</sup> Rules Change Committee Meeting  
 Date & Time : 21 May 2021, 09:00  
 Venue : Online via Microsoft Teams  
 Page : 3 of 95

	<p>C. 177<sup>th</sup> (Regular) Meeting, 16 April 2021</p> <ul style="list-style-type: none"> <li>No further comments were received from the body.</li> <li>Mr. Castro, Jr. moved to approve the minutes of meeting, which was duly seconded by Mr. Ricardo Gumalal (Distribution). The body approved and adopted the minutes presented.</li> </ul> <p>D. 178<sup>th</sup> (Special) Meeting, 21 April 2021</p> <ul style="list-style-type: none"> <li>The body noted and adopted the comments received from IEMOP.</li> <li>Ms. Lorreto H. Rivera (Supply) moved to approve the minutes of meeting, which was duly seconded by Mr. Ryan S. Morales (Distribution). The body approved and adopted the minutes presented. The RCC also provided clearance to affix e-signatures in all four (4) approved minutes, as applicable.</li> </ul>
<p>IV. Matters Arising from Previous Meeting</p>	
<p>1. Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership</p>	<p><u>Presenter:</u> Mr. Jonathan Dela Vina (IEMOP)</p> <p><u>Action Requested:</u> Continuation of deliberation for endorsement to PEM Board</p> <p><u>Meeting Materials:</u> Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership</p> <p><u>Proceedings:</u></p> <ul style="list-style-type: none"> <li>As a background, Mr. Jonathan Dela Vina (IEMOP) said that the split proposal complied to the directive of the RCC to segregate the proposal into two (2) parts – (1) Registration of Indirect WESM Members and (2) Treatment of Indirect WESM Members. He also requested that the second part of the proposal be first reviewed by the body.</li> </ul> <p><b>Treatment of Indirect WESM Members</b></p> <ul style="list-style-type: none"> <li>On Part 2, Treatment of Indirect WESM Members, below are the explanations propounded by the proponent and the comments of the members of the Committee:</li> </ul> <p><u>WESM Rules</u></p> <ul style="list-style-type: none"> <li>In view of the proposal in WESM Rules Clause 2.4 that the Indirect WESM Member will transact through a Direct WESM Member, the following amendments will be introduced:           <ol style="list-style-type: none"> <li>Per the RCC’s previous approval, insert the word “designated” to describe the Direct WESM Member</li> </ol> </li> </ul>

**MEETING MINUTES**

Subject/Purpose : 179<sup>th</sup> Rules Change Committee Meeting  
 Date & Time : 21 May 2021, 09:00  
 Venue : Online via Microsoft Teams  
 Page : 4 of 95



designated by the Indirect WESM Member, where it is applicable.

- (ii) Direct WESM Member will receive the suspension notice on behalf of the Indirect WESM Member.
- (iii) If the buying Trading Participant is an Indirect WESM Member, it will be the Direct WESM Member counterparty of that Trading Participant who will identify and validate any declared Bilateral Contract Quantities (BCQ) for that Trading Participant. It was also clarified that this is the current interpretation of the MO in the said provision.

Mr. Morales asked if the Distribution Utility (DU) as the Direct WESM Member would be the one to confirm the BCQ of its indirect WESM Member daily. Mr. Dela Vina answered in the affirmative and explained that there is an option for the Direct WESM Member to confirm it by default or not, and that the daily confirmation is not a requirement.

Mr. Morales further asked if there would be no way for the Indirect WESM Member to confirm their BCQ in the proposal and in the current process. Mr. Dela Vina answered in the affirmative and clarified that the Indirect WESM Member has a read-only access to market systems.

- (iv) It will only be the Direct WESM Member who will receive the billing and settlement statements and the same will include the transaction of its Indirect WESM Member.

Mr. Fortich, Jr. asked for confirmation if the MO will still only transact with the Direct WESM Member in cases where there are any payment surplus or outstanding bills to be settled. Mr. Dela Vina confirmed that this current process is still maintained in the proposal.

- (v) The Direct WESM Member will coordinate with the MO for any error or discrepancy identified in the WESM Billing and Settlement Statements.

Mr. Morales asked for confirmation if the process is the same for the current practice. Mr. Dela Vina confirmed that it is already the current practice.

- (vi) The final statement that will be received by the Direct WESM Member includes the statement of its Indirect WESM Member.
- (vii) Payments of settlement amounts will be made by the Direct WESM Member. This is also the current practice.
- (viii) Any receivable of the Indirect WESM Member will be paid to its Direct WESM Member.

**MEETING MINUTES**

Subject/Purpose : 179<sup>th</sup> Rules Change Committee Meeting  
 Date & Time : 21 May 2021, 09:00  
 Venue : Online via Microsoft Teams  
 Page : 5 of 95



- (ix) Any adjustments to the transaction of the Indirect WESM Member will be billed to the Direct WESM Member during the relevant billing period.

Mr. Dela Vina noted that this process is different from ERC's PDM decision, wherein it stated that the current Direct WESM Member counter-party will be charged with the Indirect WESM Member's adjustments. The MO currently charges the adjustments to the previous Direct WESM Member and the proposal is to continue the current process as they deem it more appropriate. He also mentioned that this proposal was coordinated and discussed with the ERC and the latter advised them to undergo the rules changes process if the current practice will be pursued.

- (x) The payment of adjustment amounts will be made by the Direct WESM Member.

- (xi) In the assessment of prudential requirement, the facilities of the Direct and Indirect WESM Member will be considered. In the current process, the Direct WESM Member which is a generation company does not put-up prudential requirement since it is the one which sells to the market. The proposal will clarify that the sales of that generation company will be checked if it will sufficiently cover the purchases of its Indirect WESM Member.

Chairperson De Castro suggested that amendment to Section 3.15.2.1 be worded as: "xxx for its own facilities and for its Indirect WESM Members, if any, xxx". Mr. Morales asked if the facilities to be considered is the sum for all the Direct and Indirect WESM Member or only the higher facility. Mr. Dela Vina answered that it is the sum of all the facilities. To this, Mr. Morales supported the suggestion of Chairperson De Castro and the same was adopted by the body.

Ms. Rivera asked for confirmation if the generation company will be charged for prudential security in a case where the generation company contracts more than its capacity (i.e. capacity is 3 MW but contracted 5 MW). Mr. Dela Vina confirmed that prudential security will be required from the generation company in that case.

- (xii) Prudential security will only be required from the Direct WESM Member. The prudential requirements of a Direct WESM Member shall include its own transactions and the transactions of its Indirect WESM Members.

- (xiii) In practice, it is both the Direct and Indirect WESM Member which enters into a Metering Services Agreement (MSA). The proposal is to make Section 4.3.1.1, 4.3.1.2 and 4.3.2.1 under Metering Obligations of

**MEETING MINUTES**

Subject/Purpose : 179<sup>th</sup> Rules Change Committee Meeting  
 Date & Time : 21 May 2021, 09:00  
 Venue : Online via Microsoft Teams  
 Page : 6 of 95



Trading Participant to be generic on which party will execute the MSA than specify it as the obligation of the Direct WESM Member to avoid re-execution of MSA containing same arrangement in case the Indirect WESM Member transfers to other Direct WESM Member.

In Section 4.3.2.1 (c), Ms. Karen Varquez (Secretariat) noted that IEMOP's original amendment states that the Direct WESM Member will ensure the entry of its Indirect WESM Member. Mr. Dela Vina explained that the said amendment was made with the assumption that all transaction, including the registration will be done by the Direct WESM Member. The original amendment was transferred to part (1) Registration of Indirect WESM Members upon the directive of the RCC to split the proposal.

#### Registration Manual

- Section 2.3.5 – The responsibility to pay the adjustment in settlement amount of Indirect WESM Members will be retained with their Direct WESM Members during the relevant billing period despite the transfer of the Indirect WESM Member after the said period.
- Section 2.5.6.3 – Currently, the Direct WESM Member is the one required to have a Market Participant Interface (MPI) access to the Market Management System. The proposal is for the Indirect WESM Member to have the option to subscribe to a digital certificate and access the MPI after payment to the MO for the digital certificate.

Mr. Morales inquired if the Indirect WESM Member will be able to confirm BCQ declarations or modify entries should they be given an option to have the access. Mr. Dela Vina clarified that Indirect WESM Member will have a view/read-only access. Chairperson De Castro asked about the kind of data that can be viewed by the Indirect WESM Member, to which Mr. Dela Vina answered that it will only be the Indirect WESM Member's own data.

Mr. Morales also asked if it will be possible that the Indirect WESM Member can be given an access to confirm their loads. Mr. Dela Vina explained that in that case, the Indirect WESM Member should register as the Direct WESM Member, or they may request the Direct WESM Member to give them access to their account. He noted, however, that the Direct and Indirect WESM Member can agree on the protocol for the access to the MPI, which Mr. Dela Vina agreed to.

Mr. Cherry Javier (Generation) asked if the provisions being discussed are different from what was originally proposed. Mr. Dela Vina clarified that there are some provisions which were modified to suit the splitting of proposal.

#### WESM Metering Manual Issue 12

**MEETING MINUTES**

Subject/Purpose : 179<sup>th</sup> Rules Change Committee Meeting  
 Date & Time : 21 May 2021, 09:00  
 Venue : Online via Microsoft Teams  
 Page : 7 of 95



- Mr. Dela Vina said that the proposed revision in this manual reflects the proposed changes in the WESM Rules.

#### WESM Manual on Billing and Settlement Issue 6.1

- Mr. Dela Vina explained that the proposal clarifies the set-up that the transactions of the Indirect WESM Members will be included in the bill of the Direct WESM Member.

Chairperson De Castro asked if the process is currently practiced even though Section 4.1.5 is an introduction of a new provision to which Mr. Dela Vina answered in the affirmative.

Mr. Fortich, Jr. requested for clarification if the settlement statement will no longer be sent to the Indirect WESM Member under the proposal. Mr. Dela Vina answered that sending of settlement statement to the Indirect WESM Member will be facilitated by the Direct WESM Member.

- Having no further comments and with the concurrence of the members, Chairperson De Castro deemed that Part 2 (Treatment of Indirect WESM Members) of the proposal is approved.

#### **Registration of Indirect WESM Members**

- On Part 1, Registration of Indirect WESM Members, Mr. Dela Vina explained that the purpose of this proposal is to find an alternative way of addressing the issue of unregistered loads since under the current process, the available remedy is going to the disconnection process that the MO would like to avoid as much as possible. Below are the explanations propounded by the proponent and the comments of the members of the Committee:

#### WESM Rules

- (i) The Direct WESM Member will register their Indirect WESM Members by submitting all the required documents. Indirect WESM Member's participation will become passive.

Chairperson De Castro asked if the proposal will also have a corresponding revision to the current forms used in WESM Member registration to which Mr. Dela Vina confirmed.

Mr. Rosales asked for clarification if the Indirect WESM Member can be an Ancillary Service Provider (ASP), and if their Direct WESM Member will be the one to register them as Indirect WESM Member. Mr. Dela Vina responded that there is an existing provision allowing an ASP to register as an Indirect WESM Member. Mr. Rosales noted that the proposal does not require the MO to monitor the Indirect WESM Member, but DOE issuances require that

**MEETING MINUTES**

Subject/Purpose : 179<sup>th</sup> Rules Change Committee Meeting  
 Date & Time : 21 May 2021, 09:00  
 Venue : Online via Microsoft Teams  
 Page : 8 of 95



	<p>the ASP must be monitored relative to settlement. He opined that an ASP should be a Direct WESM Member. Mr. Dela Vina suggested that the observation of Mr. Rosales can be part of the rules review for the Reserves Market.</p> <p>(ii) On the query of Ms. Javier if the proposal embodies the same issues tackled by the body in the previous meeting, Ms. Katrina Garcia-Amuyot (IEMOP) provided updates on the registration status of the unregistered loads. She said that despite virtual meetings with the unregistered loads, none has yet submitted complete requirements, though there were some submissions.</p> <p>Mr. Castro, Jr. asked if the unregistered loads were given a deadline on when to submit the requirements and if follow-up reminders were given by the IEMOP. Ms. Garcia-Amuyot responded that the deadline given to them has already lapsed.</p> <p>(iii) Notice of Cessation as Indirect WESM Member will be submitted by the Direct WESM Member.</p> <p>(iv) The Indirect WESM Member must expressly agree that it provides the Direct WESM Member its consent to register and transact on its behalf in the WESM. The counter-party confirmation form can serve as an agreement to this effect between the Indirect and Direct WESM Members.</p> <p>(v) Ms. Javier pointed out that the issue regarding the proposal is the WESM membership of Indirect WESM Members in the absence of them signing the Market Participation Agreement (MPA).</p> <p>(vi) On the transfer of Indirect WESM Member to the new Direct WESM Member, the latter will facilitate the transfer of the Indirect WESM Member from the ceased, de-registered or suspended Direct WESM Member (former counter-party).</p> <p>Chairperson De Castro noted that there is no timeline for the new Direct WESM Member to notify the MO of the transfer of the Indirect WESM Member, which Mr. Dela Vina confirmed. She also asked what the consequence of non-notification to MO of such transfer will be. Mr. Dela Vina agreed that the notification timeline and consequence of failure to notify must be included in the proposal.</p> <p>(vii) Ms. Javier reiterated her previous comment for the proposal to have a limit on the liability of the Direct WESM Member after contract expiration with the Indirect WESM Member. Mr. Dela Vina responded that their proposal is not to put a limit on the exposure and the proposal was not changed since it was remanded to IEMOP for further study. He explained that IEMOP is aware of the option to</p>
--	---

**MEETING MINUTES**

Subject/Purpose : 179<sup>th</sup> Rules Change Committee Meeting  
 Date & Time : 21 May 2021, 09:00  
 Venue : Online via Microsoft Teams  
 Page : 9 of 95



	<p>transfer the exposure to the market should the limit be considered. IEMOP, however, chose to retain its original proposal.</p> <p>Mr. Rosales stressed the comments of Ms. Javier and noted that the same issue has already been discussed during the Sub-Committee Meeting, and thereafter asked on how the body would proceed in the discussion.</p> <p>(viii) After the presentation of the proposal, Chairperson De Castro asked Ms. Javier for suggestions on how exposure or liability can be capped. Ms. Javier said that the MPA for Indirect WESM Member should still be executed and that date or period for the liability of Direct WESM Member must be indicated. Further, Mr. Rosales commented that the Indirect WESM Members must still have responsibility in the WESM. He also suggested that WESM Membership criteria must include the operational impact such that if the member has a capacity or load of below 5MW, that must be an Indirect WESM Member; for 5MW and above, that must be a Direct WESM Member.</p> <p>(ix) Mr. Dixie Anthony R. Banzon (Generation) agreed with the comment of Ms. Javier and explained that the proposal will remove the link of the Indirect Member from WESM. In the absence of that link, it will be the Direct WESM Member who will bear all the responsibilities for the Indirect WESM Member.</p> <p>(x) Mr. Fortich, Jr. asked if there have been experiences where the Direct and Indirect WESM Members had issues on their counter-party agreement. Mr. Dela Vina answered in the affirmative.</p> <p>(xi) Mr. Morales asked what will happen if the Direct WESM Member will not accept an Indirect WESM Member and further asked for clarification if the acceptance by the Direct WESM Member of the Indirect WESM Member is by virtue of a government issuance or on a voluntary basis.</p> <p>Mr. Castro, Jr. commented that Direct and Indirect WESM Members beforehand has agreed to transact in the WESM and that the proposal was to make the Direct WESM Member more responsible towards their agreement. To this, Mr. Morales asked Mr. Castro, Jr. if the acceptance by the Direct WESM Member of the risk for exposure/liability can be said as voluntary on the part of the Direct WESM Member. Mr. Castro, Jr. responded that it is not really voluntary because the binding agreement between them is a mutually beneficial arrangement, and it is logical that the Direct WESM Member assumes the responsibilities.</p> <p>(xii) Ms. Rivera expressed her support to the suggestion of Ms. Javier to put a limit on the exposure of the Direct WESM</p>
--	--

**MEETING MINUTES**

Subject/Purpose : 179<sup>th</sup> Rules Change Committee Meeting  
 Date & Time : 21 May 2021, 09:00  
 Venue : Online via Microsoft Teams  
 Page : 10 of 95



	<p>Member to be at least within the duration/expiration of contract.</p> <p>(xiii) Mr. Gumalal noted that the issue in the proposal is the retention of liability of Direct WESM Member for the exposures of Indirect WESM Member despite termination of contract between them.</p> <p>(xiv) Mr. Fortich, Jr. also asked what will happen to the Indirect WESM Member if the limit to the liability has lapsed provided that a limit has been imposed. Mr. Dela Vina responded that limit to the liability of Direct WESM Member is not part of the proposal.</p> <p>(xv) Mr. Morales clarified that the outstanding issue on the part of the generators is the absence of limit on the liability of the Direct WESM Member and that the Direct WESM Member is willing to take responsibilities for the Indirect WESM Member but on an agreed limit. Chairperson De Castro then asked Mr. Dela Vina if they are not moving from their position that there should be no limit on the liability of the Direct WESM Member. Mr. Dela Vina responded that they would have to discuss it within IEMOP.</p> <p>(xvi) Further, Mr. Morales asked if there are other options aside from disconnection if the limited exposure will not be considered by IEMOP in the proposal. Mr. Dela Vina answered that one option is for the Indirect WESM Member to register as Direct WESM Member but the same will still be subject to submission of requirements. Failure to submit the requirements for Direct WESM Member will still end up in disconnection, which is the current process. He also explained that the concerned Direct WESM Member has the option to request for the disconnection of unregistered Indirect WESM Member for the former to limit its exposure. In line with this, Mr. Morales asked for clarification if the exposure or liability of the Direct WESM Member is not actually unlimited considering the option to disconnect. Mr. Dela Vina answered in the affirmative and reiterated that disconnection is the current process for such case.</p> <p>(xvii) Ms. Rivera explained that there is actually three (3) options available to resolve the issue and those are (1) disconnection, that is admittedly difficult to be implemented in the energy sector which IEMOP also agrees to; (2) Indirect WESM Member transferring as Direct WESM Member; and (3) get a new Direct WESM Member counter-party. However, the issue at hand is the resolution of exposure if the three options will still fail.</p> <p>(xviii) Ms. Concepcion I. Tanglao (Independent) commented that the proposal imposes the risk and responsibilities to the Direct WESM Member, and that the body should consider</p>
--	--

**MEETING MINUTES**

Subject/Purpose : 179<sup>th</sup> Rules Change Committee Meeting  
 Date & Time : 21 May 2021, 09:00  
 Venue : Online via Microsoft Teams  
 Page : 11 of 95



that the members of the PEM Board may have the same issues as what were raised by the sectoral members of the body.

- (xix) Mr. Fortich, Jr. asked for the number of registered Indirect WESM Members and its breakdown. Mr. Dela Vina reported that there is eighty-five (85) registered Indirect WESM Members, with the following classification:
- 14 Electric Cooperatives (ECs) all from Luzon
  - 66 Directly Connected Bulk Users
  - 5 Private Users
- (xx) Considering that majority of the Indirect WESM Members are bulk users, Mr. Morales opined that those earning from the generation cost should take responsibility.
- (xxi) Ms. De Guzman requested for an update from Mr. Fortich, Jr. regarding the registration of PELCO III as it was noted in the previous RCC meeting that the matter of PELCO III's registration will be elevated to PHILRECA. Mr. Fortich responded that the matter is included in PHILRECA's agenda on 27 May 2020.
- (xxii) Upon inquiry of Chairperson De Castro on whether IEMOP will change its proposal regarding limitation to liability, Mr. Dela Vina confirmed that IEMOP will not change its proposal of not indicating a limit to the liability of Direct WESM Member.

After the deliberation, Chairperson De Castro called for votation on the endorsement of the proposal to the PEM Board. The result of the voting is shown below, which was casted thru the chat box:

<i>Vote</i>	<i>Part A Registration of Indirect WESM Member</i>	<i>Part B Treatment of Indirect WESM Member</i>
Approved as Presented	Mr. Cacho, Jr.	Approved by all 11 principal members
Disapproved	Ms. Rivera Ms. Javier Mr. Morales Mr. Fortich, Jr. Mr. Banzon Mr. Gumalal Mr. Claudio Mr. Rosales	-
Abstained	Ms. Tanglao Mr. Castro, Jr.	-

Chairperson De Castro did not register her vote as there is no need to break a tie. She asked Ms. Javier if they can submit a proposal regarding her suggestions on how to indicate limit on the exposure of the Direct WESM Member. Ms. Javier agreed and committed the submission of a proposal in July 2021.

**MEETING MINUTES**

Subject/Purpose : 179<sup>th</sup> Rules Change Committee Meeting  
 Date & Time : 21 May 2021, 09:00  
 Venue : Online via Microsoft Teams  
 Page : 12 of 95



	<p><u>Resolution:</u> The RCC approved the endorsement to the PEM Board of Part B (Treatment of Indirect WESM Member) and disapproved Part A (Registration of Indirect WESM Member).</p>
<p>2. Proposed Amendments to the WESM Rules WESM Manual on Dispute Resolution Administration</p>	<p><u>Presenter:</u> Atty. Andrea J. Mendiola (PEMC) and Atty. Jesusito G. Morillos (DRA/Proponent)</p> <p><u>Action Requested:</u> Continuation of deliberation for endorsement to PEM Board</p> <p><u>Meeting Materials:</u> Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments</p> <p><u>Proceedings:</u></p> <ul style="list-style-type: none"> <li>• Atty. Andrea J. Mendiola (PEMC) and Atty. Jesusito G. Morillos (DRA) jointly presented the matrix of proposal with the proponent’s corresponding response to the comments received from National Grid Corporation of the Philippines (NGCP), Manila Electric Company (MERALCO), Thermal Luzon Inc. (TLI) and Therma Mobile Inc. (TMO).</li> <li>• Atty. Morillos provided a background on the proposal by saying that in 2011, he submitted a similar proposal but the PEM Board disapproved it. Particularly, MERALCO and Aboitiz did not want to shift from the regulatory arbitration to agreement-based arbitration, while NGCP through its General Counsel agreed for the implementation of the agreement-based arbitration in the WESM. He explained that in agreement-based arbitration, WESM Members agree among themselves the resolution of their dispute to minimize the interference of coercive powers of the state. Arbitrators are basically appointed by the parties.</li> </ul> <p>He noted that the global trend is towards agreement-based arbitration.</p> <ul style="list-style-type: none"> <li>• Atty. Morillos explained that in <i>Mabuhay vs Sembcorp</i> (2018), the policy of the State is in favor of arbitration. In fact, government disputes must be resolved within the arbitration framework as private dispute resolvers are not tainted with politics.</li> <li>• On the comment regarding the mistake of arbitrators in rendering arbitral award, Atty. Morillos explained that where arbitrators may commit mistake in resolving dispute, this case is no different from instances where court judges commit mistake in rendering decisions. He added that WESM Arbitrators are lawyers who are trained about WESM and they are recognized internationally for their advocacy in pursuing private dispute resolution.</li> </ul> <p>He also stated that Article 2044 of the Civil Code provides “that any stipulation that arbitrators’ award or decision shall be final, is valid”. He continued explaining that mere errors in the interpretation of the law or factual findings would not warrant refusal of enforcement under the public policy ground. Remedy is available for error in the arbitral award as the party may move to</p>

**MEETING MINUTES**

Subject/Purpose : 179<sup>th</sup> Rules Change Committee Meeting  
 Date & Time : 21 May 2021, 09:00  
 Venue : Online via Microsoft Teams  
 Page : 13 of 95



vacate or set aside the arbitral award. Appeal is not a remedy. Error or mistake in the arbitral award is not an issue.

- Atty. Morillos described that there are two (2) levels of enforcement in PEMC. The first is the enforcement of police power as an organ of the state, which was delegated by the DOE and ERC to PEMC. This is not the subject matter of WESM arbitration as it remains to be within the adjudication power of PEMC appealable to the ERC. Second is the enforcement of commercial arbitration such as damages which is the subject of WESM dispute resolution process. The said damages has two (2) parts – (1) Policy, which is characterized by just and equity; and (2) *Quantum Meruit*, which determines the amount of damages. The policies are the ones crafted by the RCC, endorsed by the PEM Board and promulgated by the DOE through the issuance of Department Circulars. Policies are merely interpreted by the arbitrator. These policies remain to be within the province of the regulator.

The determination of quantum meruit is based on the interpretation of the policy. The arbitrator determines who is at fault and who shall pay for damages.

- Further, Atty. Morillos addressed the comment that arbitration is expensive. On the contrary, he relayed those studies and 2018 PEMC experience, which showed that arbitration is cheaper than going to courts.

He explained that in the previous regulatory-based agreement, five (5) arbitrators are paid by PEMC whether there is dispute or not. In the agreement-based arbitration, only the parties to the dispute are required to pay the arbitrator. He opined that this set-up is advantageous to the consuming public as this does not allow the consuming public to pay for cost of dispute of the guilty party. He also stressed that the shift to agreement-based arbitration is consistent with the spirit of the EPIRA to have an independent, autonomous, and mature market.

- Atty. Joseph Alvaera (TMO) explained their comments that the proposal will affect their pending dispute resolution proceedings and will diminish the remedies available to them if resort to ERC will be removed. On the regulatory adjudication and commercial disputes, the issue submitted to TMO in 2015 is arbitrable and is still pending with the Supreme Court. The said case will be rendered moot by the adoption of the proposed amendments.

Atty. Morillos explained on the retroactive effect of the proposal is a valid intervention by the State as enunciated in the 2020 and 2015 jurisprudence, which he will be providing the RCC.

[At this point, the body adjourned for a 40-minute lunch break. The meeting resumed at 12:40 PM.]

- On Section 7.3.1.4 (Enforcement and Dispute – Dispute Resolution), Atty. Alvaera asked how the deletion of the said

**MEETING MINUTES**

Subject/Purpose : 179<sup>th</sup> Rules Change Committee Meeting  
 Date & Time : 21 May 2021, 09:00  
 Venue : Online via Microsoft Teams  
 Page : 14 of 95



section will affect the cases that have already commenced and if the proposal will have a retroactive effect.

Atty. Morallos explained that the said Section is inconsistent with the provision that WESM dispute must be resolved by arbitration and with Alternative Dispute Resolution Act. The same provision has been the subject of rules change proposal for its deletion way back in 2011 but was disapproved by the RCC. On the retroactive application of the proposal, he stated that it is a well-settled rule by the Supreme Court that procedural rules cannot be given retroactive application.

Chairperson De Castro noted that the proposal does not indicate for its retroactive application.

- Atty. Alvaera said that they agree with MERALCO's comment to give parties the option on where to file the complaint – to the ERC or to the WESM dispute resolution process. In this case, party autonomy will still be exercised since they have the option on which tribunal should settle their dispute. Mr. Morallos explained that study conducted regarding the dispute resolution framework prescribes only one (1) framework and there must be no other option. Otherwise, the governance framework will be undermined.

Atty. Alvaera further explained that the option must not be exercised exclusively from each other, such that if the party opt to go to the ERC, then it will no longer be allowed to go to the WESM dispute resolution process and vice-versa.

Atty. Morallos responded that the proposal avoids multiplicity of suits. He also noted that the ERC protocol provides that the party must not go directly to the ERC and the WESM dispute resolution process must be first exhausted. He further explained that in the 2018 arbitration case, the outcome of the arbitration was reported to the PEM Board for the latter to note how dispute of the same kind can be avoided. If the forum provides for options, the dynamics by which arbitration operates will be disarrayed.

Chairperson De Castro clarified that the point of Atty. Alvaera is that there is no forum shopping when the parties will be given option on where to file its complaint. Mr. Morallos confirmed that the point of Atty. Alvaera is not forum shopping but concurrent jurisdiction. He noted that he handled a similar arbitration case involving a British-owned power company and a Philippine company. The former filed its complaint before the ICC Singapore while the latter filed its case in Construction Industry Arbitration Commission (CIAC) in the Philippines.

Atty. Alvaera explained that giving the parties the option to go to one arbitral tribunal over the other is not frowned upon by the Supreme Court as held in the jurisprudence regarding arbitration.

Atty. Morallos explained that there are two clashing arbitrations – agreement-based arbitration and statutory arbitration. Example of the former is when the parties have agreed to an arbitral clause in

**MEETING MINUTES**

Subject/Purpose : 179<sup>th</sup> Rules Change Committee Meeting  
 Date & Time : 21 May 2021, 09:00  
 Venue : Online via Microsoft Teams  
 Page : 15 of 95



their contract, while the latter is the arbitration in the CIAC. The proposal addresses the clash between agreement-based arbitration and regulatory-based adjudication by removing in the WESM Rules the regulatory-based adjudication since in the MPA of WESM Members, the members have agreed to the agreement-based arbitration. He added that WESM is a self-regulatory mandatory market, and it is within self-regulation that the WESM must have its own framework to resolve the dispute among its members.

- On Section 7.3.1.1 (Removal of the ERC-PEMC Protocol), Atty. Alvaera noted that the ERC-PEMC Protocol has a gap because of the provision that if PEMC found a breach, it can impose a penalty. ERC has also the investigatory power to investigate the same incident and has the authority to impose separate penalty. But if the ERC found no violation of the same incident, it will not affect PEMC's findings. Thus, if the PEM Board will be removed as impleadable entity, the WESM member will no longer have a remedy to challenge the award of PEMC.

Atty. Morillos agreed to the observation of Atty. Alvaera that there is a policy gap in the ERC-PEMC Protocol. He expounded that the same observation prompts the WESM DRA to delineate the violation cases from commercial dispute. He explained that there are two cases in the WESM – (1) violation case and (2) *inter-partes* case. Penalty in the WESM means that there is a violation of the rules, and it is appealable to the ERC. This is also called as vertical dispute, and this is not covered by WESM dispute resolution process. The *inter-partes* case is a horizontal dispute or such that exists between and among parties. This is the province of the WESM dispute resolution process.

Moreover, he explained that the power of the PEM Board to impose penalty is delegated by the ERC to the PEM Board, because only an entity allowed by law can impose penalty which was given to the ERC in the exercise of its regulatory functions.

He also explained that the PEM Board is being removed as impleadable entity because it has no juridical personality and it has no assets, but PEMC remains as an impleadable entity. The PEM Board of Directors cannot be made personally liable to pay for the actions of the Board.

Chairperson De Castro asked if PEM Board of Directors has an insurance covering them for the risks while performing their functions as directors. Atty. Morillos clarified that the Chairperson is referring to professional liability insurance which he is not sure if the PEM Board of Directors has. This insurance covers torts and quasi-delict offenses committed by the director due to abuse of discretion.

- Atty. Alvaera noted that if the proposal will be approved, their pending case before the Supreme Court will be overtaken by this proposal. Atty. Morillos also noted that such rules change development happens because the market is evolutionary.

**MEETING MINUTES**

Subject/Purpose : 179<sup>th</sup> Rules Change Committee Meeting  
 Date & Time : 21 May 2021, 09:00  
 Venue : Online via Microsoft Teams  
 Page : 16 of 95



- On the “opt-in” and “opt-out” proposal for the Retail Market, Atty. Morillos explained that if the dispute is of small scale, the parties may use pendulum arbitration, and if the dispute becomes complicated, then the parties may opt-out for the conventional arbitration. He noted that in contrast with the Renewable Energy Market, the latter has its own arbitration manual, while that of the Retail Market is included in the WESM.

Atty. Morillos explained that pendulum arbitration or final award is commonly used in sports arbitration in Europe and US, wherein the league has a higher offer while the player has a lower offer, resulting to a closer or middle offer. The arbitrator does not come up with its own evaluation but only selects which is fair. Coming up with an evaluation consumes more lawyer’s time and effort, making it more expensive.

- On the proposed Section 7.3.1 (list of disputes specific between the Supplier and Customer under the Retail Rules), Chairperson De Castro inquired whether it was an exhaustive list. Atty. Morillos responded that it is in a way exhaustive as the list was a result of study and consultation with other WESM Governance Committees (WGC).
- On Annex H (Final Offer Arbitration Supplementary Rules) and Annex I (Guideline for Virtual Hearings), the Secretariat noted that no comments were received. Atty. Morillos noted that Annex H can be used in the Dispute Resolution of the Retail Rules if the parties “opt-in”.

Chairperson De Castro requested for confirmation from the Secretariat if the said Annexes were discussed and presented in the previous RCC meeting, to which the Secretariat confirmed that the summary was discussed.

After the discussing the comments and responses and hearing the arguments of Atty. Morillos and Atty. Alvaera, Chairperson De Castro called for votation on the four parts of the proposal. Below are the results of voting casted through Teams Chat:

<i>Topic</i>	<i>Approved for Endorsement</i>	<i>Disapproved</i>
Dispute Resolution for Retail Rules	Ms. Rivera Mr. Fortich, Jr. Ms. Javier Mr. Gumalal Mr. Cacho Mr. Claudio Mr. Banzon Mr. Nerves Mr. Morales Ms. Tanglao Mr. Dela Cruz Mr. Claudio	-

**MEETING MINUTES**

Subject/Purpose : 179<sup>th</sup> Rules Change Committee Meeting  
 Date & Time : 21 May 2021, 09:00  
 Venue : Online via Microsoft Teams  
 Page : 17 of 95



	Guidelines for Virtual Hearings and Conferences During Arbitration	Ms. Tanglao Mr. Castro, Jr. Mr. Banzon Ms. Javier Mr. Fortich, Jr. Ms. Rivera Mr. Claudio Mr. Morales Mr. Gumalal Mr. Nerves Mr. Dela Cruz Mr. Cacho	-
	Final Settlement of Dispute and Its Binding Effect	-	Mr. Fortich, Jr. Mr. Gumalal Ms. Javier Mr. Castro, Jr. Mr. Claudio Ms. Tanglao Mr. Banzon Mr. Dela Cruz Mr. Nerves Mr. Morales Ms. Rivera
	Removal of PEM Board and WGCs as Impleadable Entities (and replacement with Governance Arm)	Mr. Banzon Mr. Fortich, Jr. Ms. Javier Mr. Nerves Mr. Morales Mr. Dela Cruz Ms. Rivera Mr. Cacho Ms. Tanglao Mr. Gumalal	
	<ul style="list-style-type: none"> <li>Atty. Marian Dela Fuente (PEMC) explained that under DOE DC 2020-10-0021 dated 22 October 2020 entitled Adopting Further Amendments to the WESM Rules (Provisions for the Implementation of Independent Market Operator) referred to the PEM Board as the Governance Arm.</li> </ul> <p><u>Resolution:</u></p> <ol style="list-style-type: none"> <li>The RCC approved for endorsement to the PEM Board the proposals regarding Dispute Resolution for Retail Rules, Guidelines for Virtual Hearings. Proposals regarding Final Settlement of Dispute and Its Binding Effect was disapproved for endorsement to the PEM Board.</li> <li>Replace “PEM Board and its Working Groups except the Dispute Resolution Administrator” with “Governance Arm” of under Section 7.3.1.1 (c) [Impleadable Entities] of the Dispute Resolution Manual Issue 6.0.</li> </ol>		
3. Additional Changes to the PEM Board-Approved Amendments to the	<p><u>Presenter:</u> Ms. Kathleen R. Estigoy (RCC Secretariat)</p> <p><u>Action Requested:</u> For information</p>		



## MEETING MINUTES

Subject/Purpose : 179<sup>th</sup> Rules Change Committee Meeting  
 Date & Time : 21 May 2021, 09:00  
 Venue : Online via Microsoft Teams  
 Page : 18 of 95

<p>WESM Rules, WESM Manual and Retail Manual on Audit and Performance Monitoring (PEM Board Resolution No. 2019-10-10)</p>	<p><u>Meeting Materials:</u> Annex C – Activities for Proposed Amendment on Audit and Performance Monitoring</p> <p><u>Proceedings:</u></p> <ul style="list-style-type: none"> <li>The RCC noted the activities undertaken for the proposal as presented by Ms. Estigoy and the request of the PEM Audit Committee (PAC) Chairperson to submit their comments/proposed amendments in the next RCC meeting.</li> </ul> <p><u>Resolution:</u> N/A (for information only)</p>
--	--

<p>4. Draft RCC Resolution 2021-04: Additional Changes to the PEM Board-Approved Proposed Amendments to the WESM Rules, and the Market Manual on Procedures for Changes to the WESM Rules, Retail Rules and Market Manuals (PEM Board Resolution No. 2020-24-13)</p>	<p><u>Presenter:</u> Ms. Dianne L. De Guzman (RCC Secretariat)</p> <p><u>Action Requested:</u> For approval for endorsement to PEM Board and clearance to affix e-signature</p> <p><u>Meeting Materials:</u> Annex C – Activities for Proposed Amendment on Audit and Performance Monitoring</p> <p><u>Proceedings:</u></p> <ul style="list-style-type: none"> <li>Ms. De Guzman presented the draft resolution for review/comments of the body. She explained that the resolution contains rewording of WESM Clause 8.4.1.2 and Rules Change Manual Section 7.5, as revised, in addition to the proposed amendments under RCC Resolution No. 2020-14 and PEM Board Resolution 2020-24-13.</li> <li>After review, Mr. Claudio moved for the approval of the draft resolution as presented and to affix their e-signature which was duly seconded by Mr. Gumalal. The body approved and adopted the resolution.</li> </ul> <p><u>Resolution:</u> Approved as presented and clearance to affix e-signature was given.</p>
--	---

### V. New Business

<p>1. Proposed Urgent Amendments to the WESM Rules and WESM Manual on Constraint Violation Coefficients and Pricing Re-Run regarding Automatic Pricing Re-runs for Under-generation and Over-generation</p>	<p><u>Presenter:</u> Ms. Dianne L. De Guzman (RCC Secretariat)</p> <p><u>Action Requested:</u> For deliberation for endorsement to PEM Board</p> <p><u>Meeting Materials:</u> Annex D – Matrix of Urgent Amendments on Constraint Violation Coefficients and Pricing Re-Run regarding Automatic Pricing Re-runs for Under-generation and Over-generation</p> <p><u>Proceedings:</u></p> <ul style="list-style-type: none"> <li>Ms. De Guzman informed the RCC that the proposal was submitted by PEMC in compliance to ERC's directives on maintaining the existing pricing mechanism during under-generation and over-generation, as provided in the ERC Decision</li> </ul>
---	---

## MEETING MINUTES

Subject/Purpose : 179<sup>th</sup> Rules Change Committee Meeting  
 Date & Time : 21 May 2021, 09:00  
 Venue : Online via Microsoft Teams  
 Page : 19 of 95

	<p>dated 29 August 2020 on ERC Case No. 2017-042RC approving the Price Determination Methodology (PDM), in time for the implementation of the DOE's policy on the enhanced WESM design and operations on 26 June 2020.</p> <ul style="list-style-type: none"> <li>The RCC deemed that the proposal satisfies the criteria for urgent amendments specified in Section 3.1 of the Procedures for Changes to the WESM and Retail Rules and Market Manuals</li> <li>Mr. Claudio moved for the approval and endorsement of the proposal to PEM Board, which was duly seconded by Mr. Fortich, Jr. The body approved and adopted the proposal.</li> </ul> <p><u>Resolution:</u> The RCC approved the proposal for endorsement to the PEM Board.</p>
<p>2. Proposed General Amendments to the WESM Rules and Various WESM Manuals on the Enhancements to Market Operator and System Operator Procedures</p>	<p><u>Presenter:</u> Mr. Edward I. Olmedo (IEMOP)</p> <p><u>Action Requested:</u> For approval to publish</p> <p><u>Meeting Materials:</u> Annex E – Summary of Proposal on Enhancements to MO and SO Procedures</p> <p><u>Proceedings:</u></p> <ul style="list-style-type: none"> <li>Mr. Edward Olmedo (IEMOP) explained that the proposal is the general amendments version of the previously approved urgent amendment on the same proposal. The submission complied to the request of the RCC to submit the proposal earlier.</li> <li>After review, Ms. Rivera moved for the publication of the proposal to solicit comments, which was duly seconded by Mr. Gumalal. The body approved and adopted the motion.</li> </ul> <p><u>Resolution:</u> Approved for publication.</p>
<p>3. Proposed Amendments to the WESM Rules and new WESM Manual regarding WCO Accreditation Program</p> <ul style="list-style-type: none"> <li>DOE Response/Instructions</li> <li>Proponent Recommendations</li> </ul>	<p><u>Presenter:</u> Atty. Ma. Hazel Lopez-Gubaton (PEMC)</p> <p><u>Action Requested:</u> For deliberation for endorsement to PEM Board</p> <p><u>Meeting Materials:</u> Annex F – Proposed Amendments regarding WCO Accreditation Program</p> <p><u>Proceedings:</u></p> <ul style="list-style-type: none"> <li>Atty. Ma. Hazel Lopez-Gubaton (PEMC) presented their revision to the proposal based on DOE's instructions.</li> <li>Secretariat will update PEMC-ECO on the RCC's latest decision on IEMOP's proposal on Indirect WESM Membership, as this affects PEMC's proposal.</li> </ul>

**MEETING MINUTES**

Subject/Purpose : 179<sup>th</sup> Rules Change Committee Meeting  
 Date & Time : 21 May 2021, 09:00  
 Venue : Online via Microsoft Teams  
 Page : 20 of 95



	<ul style="list-style-type: none"> <li>After review, Mr. Fortich, Jr. moved for the approval to endorse the proposal to the PEM Board, which was duly seconded by Mr. Claudio. The body approved and adopted the motion.</li> </ul> <p><u>Resolution:</u> Approved for endorsement to the PEM Board.</p>
<b>VI. Other Matters</b>	
<p>1. DOE Public Consultations Updates</p>	<p><u>Presenter:</u> Mari Josephine C. Enriquez (DOE)</p> <p><u>Action Requested:</u> For information</p> <p><u>Proceedings:</u></p> <ul style="list-style-type: none"> <li>Ms. Mari Josephine C. Enriquez (DOE) informed the body that there is no scheduled Virtual Public Consultation (VPC) as of meeting time. Below is the list of promulgated Department Circulars (DCs).</li> </ul> <ol style="list-style-type: none"> <li>DOE DC 2021-03-0004: Adopting Further Amendments to the WESM Rules and Market Manual on Procedures for the Monitoring of Forecast Accuracy Standards for Must Dispatch Generating Units for the Implementation of Enhancements to WESM Design and Operations</li> <li>DOE DC 2021-03-0005: Adopting Further Amendments to the WESM Market Manual on Load Forecasting Methodology for the Implementation of Enhancements to WESM Design and Operations (Provision for the Load Distribution Factors)</li> <li>DOE DC 2021-03-0006: Adopting Further Amendments to the WESM Market Manual on Dispatch Protocol for the Implementation of Enhancements to WESM Design and Operations (Provisions for Must-Run Unit)</li> <li>DOE DC 2021-03-0007: Adopting Further Amendments to the WESM Rules and Market Manual on the Management of Net Settlement Surplus (Harmonization with ERC Resolution No. 07 Series of 2019)</li> <li>DOE DC 2021-03-0008: Adopting Further Amendments to the WESM Rules and Market Manuals for the Implementation of Policy and Framework Governing the Operations of Embedded Generators</li> <li>DOE DC 2021-03-0009: Adopting a General Framework Governing the Operationalization of Reserve Market in the WESM Providing Further Policies to Supplement DC 2019-12-0018</li> </ol> <ul style="list-style-type: none"> <li>Posted also in the DOE Website for comments is the Draft DC regarding the Proposed Amendments to the WESM Rules and Various Market Manuals Concerning the Rationalization of Billing Timelines. Comments will be accepted until 26 May 2021.</li> </ul> <p><u>Resolution:</u> N/A (for information only)</p>

**MEETING MINUTES**

Subject/Purpose : 179<sup>th</sup> Rules Change Committee Meeting  
 Date & Time : 21 May 2021, 09:00  
 Venue : Online via Microsoft Teams  
 Page : 21 of 95



<p>2. Proposals published for Comments</p>	<p><u>Presenter:</u> Ms. Dianne L. De Guzman (RCC Secretariat)</p> <p><u>Action Requested:</u> For information</p> <p><u>Proceedings:</u></p> <ul style="list-style-type: none"> <li>Ms. De Guzman reminded the RCC of the following proposals that are posted in the PEMC website for comments:</li> </ul> <table border="1" data-bbox="581 838 1468 1698"> <thead> <tr> <th>Rules Change Proposal</th> <th>Update</th> </tr> </thead> <tbody> <tr> <td>Proposed Amendments to Various WESM Manuals for Improvements to Market Resource Modelling and Monitoring</td> <td>Commenting period on-going until <u>03 June 2021</u></td> </tr> <tr> <td>Proposed Amendments to the WESM Rules and WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures for Improvements to De-registration and Cessation Procedures</td> <td>Commenting period on-going until <u>02 June 2021</u></td> </tr> <tr> <td>(From DOE) Proposed Amendments to the WESM Manual on Registration, Suspension, and De-Registration Criteria and Procedures to Clarify Bilateral Contracts Accounted for In Settlements</td> <td>Commenting period on-going until <u>07 June 2021</u></td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>Ms. De Guzman likewise reminded the RCC of the following deferred proposals:</li> </ul> <table border="1" data-bbox="581 1857 1468 2287"> <thead> <tr> <th>Rules Change Proposal</th> <th>Update</th> </tr> </thead> <tbody> <tr> <td>Proposed Amendments to the WESM Registration Manual for General Enhancements to the Application Process of New WESM Members</td> <td>Deferred on 24 April 2020 subject to promulgation of DOE DC on T&amp;C</td> </tr> <tr> <td>Proposed Amendments to the WESM Rules, WESM Manual and Retail Manual on Validation Timeline Adjustment in Metering and Billing</td> <td>Deferred while waiting of DOE's response to IEMOP's letter</td> </tr> </tbody> </table> <p><u>Resolution:</u> N/A (for information only)</p>	Rules Change Proposal	Update	Proposed Amendments to Various WESM Manuals for Improvements to Market Resource Modelling and Monitoring	Commenting period on-going until <u>03 June 2021</u>	Proposed Amendments to the WESM Rules and WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures for Improvements to De-registration and Cessation Procedures	Commenting period on-going until <u>02 June 2021</u>	(From DOE) Proposed Amendments to the WESM Manual on Registration, Suspension, and De-Registration Criteria and Procedures to Clarify Bilateral Contracts Accounted for In Settlements	Commenting period on-going until <u>07 June 2021</u>	Rules Change Proposal	Update	Proposed Amendments to the WESM Registration Manual for General Enhancements to the Application Process of New WESM Members	Deferred on 24 April 2020 subject to promulgation of DOE DC on T&C	Proposed Amendments to the WESM Rules, WESM Manual and Retail Manual on Validation Timeline Adjustment in Metering and Billing	Deferred while waiting of DOE's response to IEMOP's letter
Rules Change Proposal	Update														
Proposed Amendments to Various WESM Manuals for Improvements to Market Resource Modelling and Monitoring	Commenting period on-going until <u>03 June 2021</u>														
Proposed Amendments to the WESM Rules and WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures for Improvements to De-registration and Cessation Procedures	Commenting period on-going until <u>02 June 2021</u>														
(From DOE) Proposed Amendments to the WESM Manual on Registration, Suspension, and De-Registration Criteria and Procedures to Clarify Bilateral Contracts Accounted for In Settlements	Commenting period on-going until <u>07 June 2021</u>														
Rules Change Proposal	Update														
Proposed Amendments to the WESM Registration Manual for General Enhancements to the Application Process of New WESM Members	Deferred on 24 April 2020 subject to promulgation of DOE DC on T&C														
Proposed Amendments to the WESM Rules, WESM Manual and Retail Manual on Validation Timeline Adjustment in Metering and Billing	Deferred while waiting of DOE's response to IEMOP's letter														
<p>3. PEMC Board Updates:</p> <p>a) Meeting Schedules:</p>	<p><u>Presenter:</u> Ms. Dianne L. De Guzman (RCC Secretariat)</p> <p><u>Action Requested:</u> For information</p>														

## MEETING MINUTES

Subject/Purpose : 179<sup>th</sup> Rules Change Committee Meeting  
 Date & Time : 21 May 2021, 09:00  
 Venue : Online via Microsoft Teams  
 Page : 22 of 95

<ul style="list-style-type: none"> <li>• BRC: 17 May 2021</li> <li>• PEM Board: 26 May 2021</li> </ul> <p>b) Update on Urgent Amendment (regarding Additional Compensation)</p>	<p><u>Proceedings:</u></p> <ul style="list-style-type: none"> <li>• Ms. De Guzman informed the RCC of the meeting schedules of the Board Review Committee (BRC) and PEM Board, wherein the RCC is requested to designate a presenter for the approved proposals (see items III.4 and V.1). The RCC noted the information and agreed to designate its presenter offline.</li> <li>• Ms. De Guzman also informed the RCC that the urgent amendments regarding additional compensation as approved by the RCC under Resolution 2021-03* was approved by the PEM Board and submitted to the ERC and DOE for information on 10 May 2021.</li> </ul> <p><i>*Proposed Urgent Amendments to WESM Manual on Billing and Settlement on Harmonization with ERC Decision on Case No. 2017-042RC</i></p> <p><u>Resolution:</u> N/A (for information only)</p>
<p>c) Technical Committee Letter to PEM Board regarding TC Composition</p>	<p><u>Presenter:</u> Ms. Dianne L. De Guzman (RCC Secretariat)</p> <p><u>Action Requested:</u> For information</p> <p><u>Proceedings:</u></p> <ul style="list-style-type: none"> <li>• Ms. De Guzman presented the letter from the Technical Committee (TC) to the PEM Board (copy furnished the RCC) regarding the revisions to the TC composition. TC's position regarding its proposed composition is that the majority of the TC members should be independent to maintain its impartial views on the matters and concerns involving various stakeholders.</li> <li>• The RCC noted the TC's letter and agreed to await the PEM Board's instructions to the RCC, if any, on the matter.</li> </ul> <p><u>Resolution:</u> N/A (for information only)</p>
<p>VII. Next Meeting</p>	<ul style="list-style-type: none"> <li>• 18 June 2021</li> <li>• 16 July 2021</li> <li>• 20 Aug 2021</li> </ul>
<p>VIII. Adjournment</p>	<p>There being no items for discussion, Chairperson De Castro called for the adjournment of the meeting at 03:51 PM.</p>



## MEETING MINUTES

Subject/Purpose : 179<sup>th</sup> Rules Change Committee Meeting  
Date & Time : 21 May 2021, 09:00  
Venue : Online via Microsoft Teams  
Page : 23 of 95

Prepared by:

KATHLEEN R. ESTIGOY  
Specialist, Rules Review Division  
Market Assessment Group

Reviewed by:

KAREN A. VARQUEZ  
Manager, Rules Review Division  
Market Assessment Group

Noted by:

JOHN MARK S. CATRIZ  
Head, Market Assessment Group

Approved by:

MAILA LOURDES G. DE CASTRO  
Chairman, Independent

FRANCISCO LEODEGARIO R. CASTRO, JR.  
Member, Independent

ALLAN C. NERVES  
Member, Independent

CONCEPCION I. TANGLAO  
Member, Independent

DIXIE ANTHONY R. BANZON  
Member, Generation Sector  
Masinloc Power Partners Co. Ltd. (MPPCL)

CHERRY A. JAVIER  
Member, Generation Sector  
Aboitiz Power Corp. (APC)

CARLITO C. CLAUDIO  
Member, Generation Sector  
Millennium Energy, Inc. / Panasia Energy, Inc.  
(MEI/PEI)

MARK D. HABANA  
Member, Generation Sector  
Vivant Corporation – Philippines (Vivant)

RYAN S. MORALES  
Member, Distribution Sector  
Manila Electric Company (MERALCO)

VIRGILIO C. FORTICH, JR.  
Member, Distribution Sector  
Cebu III Electric Cooperative, Inc. (CEBECO III)

RICARDO G. GUMALAL  
Member, Distribution Sector  
Iligan Light and Power, Inc. (ILPI)

NELSON M. DELA CRUZ  
Member, Distribution Sector  
Nueva Ecija II Area 1 Electric Cooperative, Inc.  
(NEECO II – Area I)

## MEETING MINUTES

Subject/Purpose : 179<sup>th</sup> Rules Change Committee Meeting  
Date & Time : 21 May 2021, 09:00  
Venue : Online via Microsoft Teams  
Page : 24 of 95



A handwritten signature in black ink, appearing to read "L. Rivera", is positioned above the name of Lorreto H. Rivera.

LORRETO H. RIVERA  
Member, Supply Sector  
TeaM (Philippines) Energy Corporation (TPEC)

A handwritten signature in blue ink, appearing to read "I. Cacho, Jr.", is positioned above the name of Isidro E. Cacho, Jr.

ISIDRO E. CACHO, JR.  
Member, Market Operator  
Independent Electricity Market Operator of the  
Philippines (IEMOP)

A handwritten signature in black ink, appearing to read "A. Rosales", is positioned above the name of Ambrocio R. Rosales.

AMBROCIO R. ROSALES  
Member, System Operator  
National Grid Corporation of the Philippines  
(NGCP)

## Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

**Proposed Amendments to the WESM Rules and WESM Manuals regarding Clarifications on Indirect WESM Membership****Part A. Registration of Indirect WESM Member****A. WESM Rules**

<b>Title</b>	<b>Clause</b>	<b>Provision</b>	<b>Proposed Amendment</b>	<b>Rationale</b>	<b>RCC Decision</b>
REGISTRATION	2.2.2.1	<i>Trading Participants:</i> (a) Shall register with the <i>Market Operator</i> under clauses 2.3.1, 2.3.2 or 2.4 as either a <i>Direct WESM member</i> or an <i>Indirect WESM member</i> , and (b) XXX	<i>Trading Participants:</i> (a) Shall register with the <i>Market Operator</i> under clauses 2.3.1, 2.3.2 or 2.4 as either a <i>Direct WESM member</i> or <b><u>be registered by its designated Direct WESM Member counterparty as</u></b> an <i>Indirect WESM member</i> , and (b) XXX	It is proposed that entities that would prefer to trade indirectly in the WESM be registered by their Direct WESM Members instead of registering by themselves since they would be transacting through that Direct WESM Member.	[Clerical Enhancement] Insertion of the word “ <b>designated</b> ” prior to the word “ <i>Direct WESM Member</i> ”
REGISTRATION	2.2.2.3	<i>Ancillary Services Providers:</i> (a) Shall register with the <i>Market Operator</i> under clauses 2.3.5 or 2.4 as either a <i>Direct WESM member</i> or an <i>Indirect WESM member</i> , and (b) XXX	<i>Ancillary Services Providers:</i> (a) Shall register with the <i>Market Operator</i> under clauses 2.3.5 or 2.4 as either a <i>Direct WESM member</i> or <b><u>be registered by its designated Direct WESM Member counterparty as</u></b> an <i>Indirect WESM member</i> and (b) XXX	It is proposed that entities that would prefer to trade indirectly in the WESM be registered by their Direct WESM Members instead of registering by themselves since they would be transacting through that Direct WESM Member.	Disapproved
INDIRECT WESM MEMBERS	2.4	A person or an entity who wishes to indirectly trade in the <i>spot market</i> shall register with the	A person or an entity who wishes to indirectly trade in the <i>spot market</i> shall <b><u>be registered</u></b> with the <i>Market</i>	It is proposed that entities that would prefer to trade indirectly in the WESM be registered by their	Disapproved

## Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
		<i>Market Operator as an Indirect WESM member. However, an Indirect WESM member may only transact through a direct WESM member.</i>	<i>Operator as an Indirect WESM member <b>by its Direct WESM Member counterparty.</b> However, <del>a</del>An Indirect WESM member may only transact through a Direct WESM Member.</i>	Direct WESM Members instead of registering by themselves since they would be transacting through that Direct WESM Member.	
APPLICATION FOR REGISTRATION	2.5.2	If an applicant applies for registration either as a <i>Direct WESM member</i> or as an <i>Indirect WESM member</i> that applicant shall: XXX	If an applicant applies for registration either as a <i>Direct WESM member</i> or <b>on behalf of</b> as an <i>Indirect WESM member</i> , that applicant <b>or the person or entity that it is applying for</b> shall:  XXX	It is proposed that entities that would prefer to trade indirectly in the WESM be registered by their Direct WESM Members instead of registering by themselves since they would be transacting through that Direct WESM Member.	Disapproved
APPLICATION FOR REGISTRATION	2.5.4	If an application for registration has been received by the <i>Market Operator</i> and: (a) All relevant prerequisites have been satisfied;  (b) The applicant is eligible to be registered in the category or categories in which registration is sought; and  (c) The <i>Market Operator</i> reasonably considers that the applicant will be able to comply and maintain compliance with the <i>WESM Rules</i> ,	If an application for registration has been received by the <i>Market Operator</i> and: (a) All relevant prerequisites have been satisfied;  (b) The applicant <b>person or entity being registered</b> is eligible to be registered in the category or categories in which registration is sought; and  (c) The <i>Market Operator</i> reasonably considers that the applicant will be able to comply and maintain compliance with the <i>WESM Rules</i> ,	Since it is proposed that the Indirect WESM Member will not apply for registration, use of applicant as reference to that entity is not appropriate.	Disapproved

## Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
		Then subject to clause 2.5.5, the <i>Market Operator</i> shall approve the application and register the applicant in that category or categories.	Then subject to clause 2.5.5, the <i>Market Operator</i> shall approve the application and register the applicant <b><u>person or entity being registered</u></b> in that category or categories.		
APPLICATION FOR REGISTRATION	2.5.5.2	The registration of the applicant shall take effect on the date specified in the notice of approval which shall be a date not more than seven (7) calendar days after the date from which the <i>Market Operator</i> sends the notice of approval under clause 2.5.5.1.	The registration of the applicant shall take effect on the date specified in the notice of approval which shall be a date not more than seven (7) calendar days after the date from which the <i>Market Operator</i> sends the notice of approval under clause 2.5.5.1.	Since it is proposed that the Indirect WESM Member will not apply for registration, use of applicant as reference to that entity is not appropriate.	Disapproved
CEASING TO BE A WESM MEMBER	2.6.1	If a person or an entity wishes to cease to be registered:  XXX  (b) As an <i>Indirect WESM member</i> , it shall notify the <i>Market Operator</i> in writing.	If a person or an entity wishes to cease to be registered:  XXX  (b) <b><u>For</u></b> As an <i>Indirect WESM member</i> , <b><u>its Direct WESM Member counterparty</u></b> it shall notify the <i>Market Operator</i> in writing.	For consistency with WESM Rules Clause 2.4 that Indirect WESM Members will transact through a Direct WESM Member, it proposed that the Direct WESM Member Counterparty will have the responsibility to notify the <i>Market Operator</i> of its Indirect WESM Member's wish to cease to be registered.	Disapproved

Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

**B. WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures Issue 5.2**

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
LEVEL OF PARTICIPATION AND INDIRECT WESM MEMBERSHIP	2.3.1	<p>A <i>Trading Participant</i> or an <i>Ancillary Services Provider</i> may be registered in the WESM as either a <i>Direct WESM Member</i> or <i>Indirect WESM Member</i> -</p> <p>2.3.1.1. XXX</p> <p>2.3.1.2. A person or entity that wishes to indirectly trade in the <i>WESM</i> shall register with the <i>Market Operator</i> as an <i>Indirect WESM Member</i>, provided, however, that an <i>Indirect WESM Member</i> can only transact through a <i>Direct WESM Member</i>.</p>	<p>A <i>Trading Participant</i> or an <i>Ancillary Services Provider</i> may be registered in the WESM as either a <i>Direct WESM Member</i> or <i>Indirect WESM Member</i> -</p> <p>2.3.1.1. XXX</p> <p>2.3.1.2. A person or entity that wishes to indirectly trade in the <i>WESM</i> shall <b><u>elect a Direct WESM Member as its counterparty which, on its behalf, shall</u></b> register <b><u>that person or entity</u></b> with the <i>Market Operator</i> as an <i>Indirect WESM Member</i>, <b>and</b> provided, however, that <del>an <i>Indirect WESM Member</i>, can</del> only transact through <b><u>that</u></b> a <i>Direct WESM Member</i>.</p>	<p>It is proposed that entities that would prefer to trade indirectly in the WESM be registered by their Direct WESM Members instead of registering by themselves since they would be transacting through that Direct WESM Member.</p>	<p>Disapproved</p>

## Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
LEVEL OF PARTICIPATION AND INDIRECT WESM MEMBERSHIP	2.3.2	A <i>Generation Company</i> may be registered as <i>Indirect WESM Member</i> if the generating units it owns, controls or operates or from which it otherwise sources electricity is or will be transacted in the <i>WESM</i> by a person or entity that is already registered in or is qualified to be registered in the <i>WESM</i> as <i>Generation Company</i> and as <i>Direct WESM Member</i> . If not yet registered, that <i>Generation Company</i> must register and be approved to become a <i>Direct WESM Member - Generation Company</i> , as a pre-requisite to approval of the Applicant's indirect WESM membership.	A <i>Generation Company</i> may be registered <b>by a <i>Direct WESM Member</i></b> as <b>an <i>Indirect WESM Member</i></b> if the generating units it owns, controls or operates or from which it otherwise sources electricity is or will be transacted in the <i>WESM</i> by a person or entity that is already registered in or is qualified to be registered in the <i>WESM</i> as <i>Generation Company</i> and as <i>Direct WESM Member</i> . If not yet registered, that <i>Generation Company</i> must register and be approved to become a <i>Direct WESM Member - Generation Company</i> , as a pre-requisite to <b>be qualified to register the <i>Generation Company</i> as an approval of the Applicant's <i>Indirect WESM Membership</i></b> .	It is proposed that entities that would prefer to trade indirectly in the WESM be registered by their Direct WESM Members instead of registering by themselves since they would be transacting through that Direct WESM Member.	Disapproved
LEVEL OF PARTICIPATION AND INDIRECT WESM MEMBERSHIP	2.3.3	A <i>Customer</i> may be allowed to register as an <i>Indirect WESM Member</i> under another <i>Trading Participant</i> registered as a <i>Direct WESM Member</i> .	A <i>Customer</i> may be allowed to <b>be registered</b> as an <i>Indirect WESM Member</i> <b>by</b> under another <i>Trading Participant</i> registered as a <i>Direct WESM Member</i> .	It is proposed that entities that would prefer to trade indirectly in the WESM be registered by their Direct WESM Members instead of registering by themselves since they would be transacting through that Direct WESM Member.	Disapproved

Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
LEVEL OF PARTICIPATION AND INDIRECT WESM MEMBERSHIP	2.3.4	An <i>Indirect WESM member</i> can only have one <i>Direct WESM member</i> transacting on its behalf in the <i>WESM</i> . If a <i>Customer</i> intending to register as an <i>Indirect WESM member</i> sources or intends to source electricity from more than one <i>Direct WESM member</i> , it shall specify which entity will serve as its <i>Direct WESM member</i> counterparty for its transactions in the <i>WESM</i> .	An <i>Indirect WESM member</i> can only have one <i>Direct WESM member</i> transacting on its behalf in the <i>WESM</i> . If a <i>Customer</i> intending to <b>be</b> registered <b>ed</b> as an <i>Indirect WESM member</i> sources or intends to source electricity from more than one <i>Direct WESM member</i> , it shall specify which entity will serve as its <i>Direct WESM member</i> counterparty for its transactions in the <i>WESM</i> .	For consistency with the proposal that Indirect WESM Members will be registered by their Direct WESM Members.	Disapproved

## Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
LEVEL OF PARTICIPATION AND INDIRECT WESM MEMBERSHIP	2.3.5	The <i>Direct WESM member</i> must expressly agree to transact in the <i>WESM</i> on behalf of the <i>Indirect WESM member</i> . Such agreement shall include agreement to assume all obligations of the <i>Indirect WESM member</i> in respect to the spot market transactions of the latter, including but not limited to the prudential requirements, trading imbalances, energy trading amounts, reserve trading amounts and line rental trading amounts. The parties shall submit proof of such agreement to the <i>Market Operator</i> .	The <i>Direct WESM member</i> <b><u>is responsible for registering the Indirect WESM Member and</u></b> must expressly agree to transact in the <i>WESM</i> on behalf of the <i>Indirect WESM member</i> . <b><u>The Indirect WESM Member must expressly agree that it provides the Direct WESM Member its consent to register it and transact on its behalf in the WESM.</u></b> Such agreement shall include agreement that the <i>Direct WESM Member</i> <del>to</del> <b><u>assumes</u></b> all obligations of the <i>Indirect WESM member</i> in respect to the spot market transactions of the latter, including but not limited to the prudential requirements, trading imbalances, energy trading amounts, reserve trading amounts and line rental trading amounts. The parties shall submit proof of such agreement to the <i>Market Operator</i> .	For consistency with the proposal that Indirect WESM Members will be registered by their Direct WESM Members.	Disapproved
LEVEL OF PARTICIPATION AND INDIRECT WESM MEMBERSHIP	2.3.7.	In the event of the cessation of registration, de-registration or suspension of the <i>Direct WESM Member</i> , the <i>Indirect WESM Member</i> may continue to transact in the <i>WESM</i> as such under	In the event of the cessation of registration, de-registration or suspension of the <i>Direct WESM Member</i> , the <i>Indirect WESM Member</i> may continue to transact in the <i>WESM</i> as such under	For consistency with WESM Rules Clause 2.4 that Indirect WESM Members will transact through a Direct WESM Member, the new Direct WESM Member shall	Disapproved

Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
		<p>another qualified <i>Direct WESM Member and Trading Participant</i>. In such an event, it must notify the <i>Market Operator</i> in writing of its new counterpart and submit proof of the agreement by the latter to transact in the WESM on its behalf. The <i>Indirect WESM member</i> may also choose to apply as <i>Direct WESM member and Trading Participant</i>. In either case, the notice or application shall have been submitted to and approved by the <i>Market Operator</i> prior to the cessation, de-registration or suspension of its original <i>Direct WESM member</i> counterpart from the WESM.</p>	<p>another qualified <i>Direct WESM Member and Trading Participant</i>. In such an event, its <b><u>new Direct WESM Member</u></b> must notify the <i>Market Operator</i> in writing of its <b><u>status as the</u></b> new counterpart <b><u>of the Indirect WESM Member</u></b> and submit proof of the agreement by the <b><u>former</u></b> <del>latter</del> to transact in the WESM on its behalf <b><u>of the latter</u></b>. The <i>Indirect WESM member</i> may also choose to apply as <i>Direct WESM member and Trading Participant</i>. In either case, the notice or application shall have been submitted to and approved by the <i>Market Operator</i> prior to the cessation, de-registration or suspension of its original <i>Direct WESM member</i> counterpart <u>y</u> from the WESM.</p>	<p>facilitate the transfer of the Indirect WESM Member from the ceased, de-registered or suspended Direct WESM Member.</p>	

## Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
REGISTRATION OF DIRECT MEMBERS AND TRADING PARTICIPANTS	2.5.3.4.c	<p><b>Prudential Requirements.</b></p> <p>XXX</p> <p>a. XXX</p> <p>b. XXX</p> <p>c. The <i>Applicant</i> is applying to become an <i>Indirect Member</i>, provided, however, that the obligation to comply with the prudential requirement shall rest with its <i>Direct WESM Member</i> counterparty.</p>	<p><b>Prudential Requirements.</b></p> <p>XXX</p> <p>a. XXX</p> <p>b. XXX</p> <p>c. The <i>Applicant</i> is <b>being registered</b> applying to become an <i>Indirect Member</i>, provided, <del>however</del>, that the obligation to comply with the prudential requirement shall rest with its <i>Direct WESM Member</i> counterparty.</p>	For consistency with the proposal that entities that would prefer to trade indirectly in the WESM be registered by their Direct WESM Members instead of registering by themselves.	Disapproved
OTHER REQUIREMENTS FOR APPROVED APPLICATIONS	2.5.6.3	<p>a) Market Participation Agreement. The <i>Applicant</i> shall execute a market participation agreement in the form prescribed by the <i>Market Operator</i>.</p> <p>b) Participant Interface Access. The <i>Applicant</i> shall subscribe to and allow the <i>Market Operator</i> to apply and install a method employing encryption in its computer to provide secure</p>	<p>a) Market Participation Agreement. The <i>Applicant</i> shall execute a market participation agreement in the form prescribed by the <i>Market Operator</i>. <b><u>For Indirect WESM Membership registration, its Direct WESM Member Counterparty shall execute this agreement on behalf of the Indirect WESM member.</u></b></p> <p>b) Participant Interface Access. The <i>Applicant</i> shall subscribe to</p>	Consistent with the proposal that Direct WESM Members will be liable for transactions of Indirect WESM Members, the Direct WESM Member should execute the Market Participation Agreement for the Indirect WESM Members.	Disapproved

Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
		access to the <i>Market Management System</i> .	and allow the <i>Market Operator</i> to apply and install a method employing encryption in its computer to provide secure access to the <i>Market Management System</i> .		
REGISTRATION OF INDIRECT WESM MEMBERS	2.8.1. 2.8.1.1. 2.8.1.2.	<p>2.8.1 A person or entity that wishes to be registered as an <i>Indirect WESM Member</i> must –</p> <p>2.8.1.1 comply with the membership criteria set forth in this Manual for <i>Trading Participants</i>, except only for the requirement to satisfy prudential requirements; and</p> <p>2.8.1.2 identify the <i>Direct WESM Member</i> that shall stand as its counterparty for its transactions in the WESM and shall, for this purpose, submit proof of agreement by the said <i>Direct WESM Member</i> to stand as counterparty and to transact on behalf of the <i>Applicant</i>.</p>	<p>2.8.1 A person or entity that wishes to be registered as an <i>Indirect WESM Member</i> must –</p> <p>2.8.1.1 comply with the membership criteria set forth in this Manual for <i>Trading Participants</i>, <del>except only for the requirement to satisfy prudential requirements;</del> and</p> <p>2.8.1.2 <b><u>be registered by its Direct WESM Member counterparty;</u></b> identify the <i>Direct WESM Member</i> that shall stand as its counterparty for its transactions in the WESM <del>and</del> shall, for this purpose, submit proof of agreement by the said <b><u>Applicant</u></b> <del>Direct WESM Member</del> to stand <b><u>serve</u></b> as <b><u>its</u></b> counterparty and <b><u>allowing the Direct WESM Member</u></b> to</p>	It is proposed that entities that would prefer to trade indirectly in the WESM be registered by their Direct WESM Members instead of registering by themselves since they would be transacting through that Direct WESM Member.	Disapproved

Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
			transact on behalf of the <i>Applicant</i> .		
CHANGE IN LEVEL OF PARTICIPATION AND CHANGE OF COUNTERPARTY OF INDIRECT WESM MEMBERS	3.4.1 3.4.3.1 3.4.3.2	<p>3.4.1 A <i>Direct WESM member</i> that wishes to become an <i>Indirect WESM member</i> shall file a new application and be approved by the <i>Market Operator</i> as such in accordance with the requirements and procedures for <i>Indirect WESM members</i> set forth in this Manual.</p> <p>3.4.2 XXX</p> <p>3.4.3 The change of the <i>Direct Member</i> counterparty of an <i>Indirect Member</i> may effected by any of the following means -</p> <p>3.4.3.1. By joint notice to the <i>Market Operator</i> stating the effective date of the change by the following -</p> <p>a) <i>Indirect WESM member</i> b) XXX c) XXX</p>	<p>3.4.1 A <i>Direct WESM member</i> that wishes to become an <i>Indirect WESM member</i> shall <b>elect a <u>Direct WESM Member</u> which shall</b> file a new application <b>on its behalf</b> and be approved by the <i>Market Operator</i> as such in accordance with the requirements and procedures for <i>Indirect WESM members</i> set forth in this Manual.</p> <p>3.4.2 XXX</p> <p>3.4.3 The change of the <i>Direct Member</i> counterparty of an <i>Indirect Member</i> may effected by any of the following means -</p> <p>3.4.3.1. By joint notice to the <i>Market Operator</i> stating the effective date of the change by the following -</p> <p>a) <del><i>Indirect WESM member</i></del> b) XXX c) XXX</p>	For consistency with WESM Rules Clause 2.4 that Indirect WESM Members will transact through a Direct WESM Member, the incoming Direct WESM Member should notify the Market Operator of the change in level of participation of the incoming Indirect WESM Member.	Disapproved

## Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
		<p>3.4.3.2 By notice from the <i>Indirect WESM member</i> and the new <i>Direct WESM member</i> counterparty if the change is due to the deregistration, suspension or cessation of registration of the <i>Direct WESM member</i> counterparty. The change shall become effective not later than the effective date of the deregistration, suspension or cessation of <i>WESM</i> membership of its previous counterparty. If the party wishes that the change will take effect on an earlier date, the written confirmation of the change from the previous counterparty shall likewise be submitted.</p>	<p>3.4.3.2 By notice from the <del><i>Indirect WESM member</i></del> and the new <i>Direct WESM member</i> counterparty if the change is due to the deregistration, suspension or cessation of registration of the <i>Direct WESM member</i> counterparty. The change shall become effective not later than the effective date of the deregistration, suspension or cessation of <i>WESM</i> membership of its previous counterparty. If the party wishes that the change will take effect on an earlier date, the written confirmation of the change from the previous counterparty shall likewise be submitted.</p>		

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

## Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

**Part B. Treatment of Indirect WESM Member****C. WESM Rules**

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
SUSPENSION	2.7.2	If a <i>Trading Participant</i> who is either a <i>Direct WESM member</i> or an <i>Indirect WESM member</i> receives a suspension notice from the <i>Market Operator</i> in accordance with any provision of the <i>WESM Rules</i> , that <i>Trading Participant</i> is suspended from participation in the <i>spot market</i> unless and until the <i>Market Operator</i> declares the suspension notice to be revoked in accordance with clause 3.15.7.	If a <i>Trading Participant</i> who is <del>either a <i>Direct WESM member</i> or an <i>Indirect WESM member</i></del> receives a suspension notice from the <i>Market Operator</i> in accordance with any provision of the <i>WESM Rules</i> <b><u>as a result of its own transactions or its <i>Indirect WESM Members</i></u></b> , that <i>Trading Participant</i> is suspended from participation in the <i>spot market</i> unless and until the <i>Market Operator</i> declares the suspension notice to be revoked in accordance with clause 3.15.7.	For consistency with WESM Rules Clause 2.4 that Indirect WESM Members will transact through a Direct WESM Member, it is proposed that the Direct WESM Member counterparty shall also be liable for the transactions of the Indirect WESM Member.	Approved
SUBMISSION OF BILATERAL CONTRACT DATA FOR ENERGY	3.13.1.1	<i>Trading Participants</i> who sell electricity pursuant to <i>bilateral contracts</i> and wish those <i>bilateral contracts</i> to be accounted for in <i>settlements</i> shall, after each <i>trading day</i> , in accordance with the billing and settlement timetable:  a. Submit a schedule to the <i>Market Operator</i> specifying the	<i>Trading Participants</i> who sell electricity pursuant to <i>bilateral contracts</i> and wish those <i>bilateral contracts</i> to be accounted for in <i>settlements</i> shall, after each <i>trading day</i> , in accordance with the billing and settlement timetable:  a. Submit a schedule to the <i>Market Operator</i> specifying the	For consistency with WESM Rules Clause 2.4 that Indirect WESM Members will transact through a Direct WESM Member, the Direct WESM Member counterparty shall confirm the bilateral quantity declarations of the Indirect WESM Member.	Approved

Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
		<p>MWH <i>bilateral sell quantities</i> at each <i>relevant market trading node</i>, in each <i>trading interval</i> of that <i>trading day</i>;</p> <p>b. Identify the counterparty to the bilateral contract and the party that will pay the line rental trading amount associated with the bilateral contract quantity submitted; provided, however, that in case only one of the bilateral counter parties is registered as a <i>Direct WESM Member</i>, that <i>WESM Member</i> shall be the party that will pay the line rental to the <i>Market Operator</i>; and</p> <p>c. Provide evidence that the counterparty to the <i>bilateral contract</i> agrees with the submission made under this clause 3.13.1.1. Such evidence shall be attached to the submission of schedule in 3.13.1.1(a).</p>	<p>MWH <i>bilateral sell quantities</i> at each <i>relevant market trading node</i>, in each <i>trading interval</i> of that <i>trading day</i>; <b><u>if the buying Trading Participant is an Indirect WESM Member, the Trading Participant to be identified in the schedule shall be its designated Direct WESM Member;</u></b></p> <p>b. Identify the counterparty to the bilateral contract and the party that will pay the line rental trading amount associated with the bilateral contract quantity submitted; provided, however, that in case only one of the bilateral counter parties is registered as a <i>Direct WESM Member</i>, that <i>WESM Member</i> shall be the party that will pay the line rental to the <i>Market Operator</i>; and</p> <p>c. Provide evidence that the counterparty to the <i>bilateral contract</i>, <b><u>or the Direct WESM Member for an Indirect WESM Member,</u></b> agrees with the submission made under this clause 3.13.1.1. Such evidence</p>		

## Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
			shall be attached to the submission of schedule in 3.13.1.1(a).		
SETTLEMENT PROCESS - Preliminary Statements	3.14.4.1	<p>Within 7 <i>days</i> after the end of each billing period, the <i>Market Operator</i> shall give each <i>WESM member</i> who has engaged in <i>market transactions</i> in that billing period a preliminary statement which sets out the <i>market transactions</i> of that <i>WESM member</i> in that billing period and the settlement amount payable by or to that <i>WESM member</i>.</p> <p>If the seventh day falls on a <i>Non-Working Day</i>, the issuance of the preliminary statements shall be made during the next immediate <i>Working Day</i>.</p>	<p>Within 7 <i>days</i> after the end of each billing period, the <i>Market Operator</i> shall give each <b><i>Direct WESM member</i></b> <del>who has engaged in <i>market transactions</i></del> in that billing period a preliminary statement which sets out the <i>market transactions</i> of that <b><i>Direct WESM member and its Indirect WESM members, if any,</i></b> in that billing period and the settlement amount payable by or to that <i>WESM member</i>.</p> <p>If the seventh day falls on a <i>Non-Working Day</i>, the issuance of the preliminary statements shall be made during the next immediate <i>Working Day</i>.</p>	For consistency with WESM Rules Clause 2.4 that Indirect WESM Members will transact through a Direct WESM Member, the settlement transactions of Indirect WESM Members will only be reflected in the settlement statements of the Direct WESM Members.	Approved
SETTLEMENT PROCESS - Preliminary Statements	3.14.4.3	If the <i>WESM member</i> reasonably believes there was an error or discrepancy in the preliminary statement given to the WESM Member by the <i>Market Operator</i> under this clause 3.14.4, the <i>WESM member</i> shall notify the <i>Market Operator</i> as soon as practicable	If the <i>WESM member</i> reasonably believes there was an error or discrepancy in the preliminary statement given to the <b><i>Direct WESM Member</i></b> by the <i>Market Operator</i> under this clause 3.14.4, the <b><i>Direct WESM member</i></b> shall notify the <i>Market Operator</i> as soon as practicable	For consistency with WESM Rules Clause 2.4 that Indirect WESM Members will transact through a Direct WESM Member, only Direct WESM Members may report errors in the settlement statements.	Approved

## Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
		of that error or discrepancy and the <i>Market Operators</i> shall review the preliminary statement.	of that error or discrepancy and the <i>Market Operators</i> shall review the preliminary statement.		
SETTLEMENT PROCESS - Preliminary Statements	3.14.4.4	If the <i>Market Operator</i> considers that a preliminary statement contains an error or discrepancy after reviewing the preliminary statement as notified by a <i>WESM member</i> pursuant to clause 3.14.4.3 or as independently identified by the <i>Market Operator</i> , the <i>Market Operator</i> shall ensure that correction of any error or discrepancy is reflected in the relevant final statements, provided that corrections requiring the input of an external party are received by the <i>Market Operator</i> at least two <i>Working Days</i> before the deadline of the issuance of the final statements. If the <i>Market Operator</i> receives notice of an error, discrepancy or correction of an earlier identified error after their relevant deadlines, clause 3.14.9.2 shall apply.	If the <i>Market Operator</i> considers that a preliminary statement contains an error or discrepancy after reviewing the preliminary statement as notified by a <b><i>Direct</i></b> <i>WESM member</i> pursuant to clause 3.14.4.3 or as independently identified by the <i>Market Operator</i> , the <i>Market Operator</i> shall ensure that correction of any error or discrepancy is reflected in the relevant final statements, provided that corrections requiring the input of an external party are received by the <i>Market Operator</i> at least two <i>Working Days</i> before the deadline of the issuance of the final statements. If the <i>Market Operator</i> receives notice of an error, discrepancy or correction of an earlier identified error after their relevant deadlines, clause 3.14.9.2 shall apply.	For consistency with the proposed revision in Clause 3.14.4.3	Approved

## Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
SETTLEMENT PROCESS – Final Statements	3.14.5.1	No later than eighteen <i>days</i> after the end of each billing period, the <i>Market Operator</i> shall give to each <i>WESM member</i> who has engaged in <i>market transactions</i> in that billing period a final statement stating the amounts payable by the <i>WESM member</i> to the <i>Market Operator</i> or payable by the <i>Market Operator</i> to the <i>WESM member</i> in respect of the relevant billing period. If the eighteenth day falls on a <i>Non-Working Day</i> , the issuance of the final statements shall be made during the next immediate <i>Working Day</i> .	No later than eighteen <i>days</i> after the end of each billing period, the <i>Market Operator</i> shall give to each <u><i>Direct WESM member who has engaged in market transactions</i></u> in that billing period a final statement stating the amounts payable by the <u><i>Direct WESM member, including the transactions of its Indirect WESM members, if any,</i></u> to the <i>Market Operator</i> or payable by the <u><i>Direct WESM member, including the transactions of its Indirect WESM members, if any,</i></u> in respect of the relevant billing period.  If the eighteenth day falls on a <i>Non-Working Day</i> , the issuance of the final statements shall be made during the next immediate <i>Working Day</i> .	For consistency with WESM Rules Clause 2.4 that Indirect WESM Members will transact through a Direct WESM Member, the settlement transactions of Indirect WESM Members will only be reflected in the settlement statements of the Direct WESM Members.	Approved
SETTLEMENT PROCESS – Payment by Trading Participant	3.14.6	No later than 3.00 pm on the twenty-fifth day of the calendar month following the billing period, each <i>WESM member</i> shall pay to the <i>Market Operator</i> in cleared funds the <i>settlement amount</i> (if any) stated to be	No later than 3.00 pm on the twenty-fifth day of the calendar month following the billing period, each <u><i>Direct WESM member</i></u> shall pay to the <i>Market Operator</i> in cleared funds the <i>settlement amount</i> (if any) stated	Consistent with the proposal that only Direct WESM Members will receive settlement statements, the revision is proposed to clarify that Direct WESM Members are	Approved

## Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
		payable to the <i>Market Operator</i> by that <i>WESM member</i> in that <i>WESM member's</i> final statement, whether or not the <i>WESM member</i> disputes, or continues to dispute, the amount payable. If the twenty-fifth day of the calendar month following the billing period falls on a <i>Non-Working Day</i> , the payment due date shall be moved to the next immediate <i>Working Day</i> .	to be payable to the <i>Market Operator</i> by that <b><i>Direct</i></b> <i>WESM member</i> in that <b><i>Direct</i></b> <i>WESM member's</i> final statement, whether or not the <b><i>Direct</i></b> <i>WESM member</i> disputes, or continues to dispute, the amount payable. If the twenty-fifth day of the calendar month following the billing period falls on a <i>Non-Working Day</i> , the payment due date shall be moved to the next immediate <i>Working Day</i> .	required to settle their obligations in the WESM.	
SETTLEMENT PROCESS – Payment to Trading Participants	3.14.7	On the following <i>Working Day</i> after the <i>Market Operator</i> is to be paid under clause 3.14.6, and in accordance with the schedule set in the billing and settlements timetable, the <i>Market Operator</i> shall pay to each <i>WESM member</i> in cleared funds the settlement amount (if any) stated to be payable in that <i>WESM member's</i> final statement.  XXX	On the following <i>Working Day</i> after the <i>Market Operator</i> is to be paid under clause 3.14.6, and in accordance with the schedule set in the billing and settlements timetable, the <i>Market Operator</i> shall pay to each <b><i>Direct</i></b> <i>WESM member</i> in cleared funds the settlement amount (if any) stated to be payable in that <b><i>Direct</i></b> <i>WESM member's</i> final statement.  XXX	Consistent with the proposal that only Direct WESM Members will receive settlement statements, the revision is proposed to clarify that Direct WESM Members will receive payments from the WESM.	Approved
SETTLEMENT PROCESS – Settlement Revisions	3.14.9.1	If an amount in a <i>final statement</i> issued under clause 3.14.5:	If an amount in a <i>final statement</i> issued under clause 3.14.5:	For consistency with WESM Rules Clause 2.4 that Indirect WESM Members	Approved

Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
		<p>(a) Has been the subject of a dispute and the dispute has been resolved; or</p> <p>(b) Was subject of a pending case before a Court of competent jurisdiction and that said Court has already rendered a final and executory Decision;</p> <p>If any of the abovementioned cases has caused a different amount payable as set out in the <i>final statement</i>, the <i>Market Operator</i> shall issue to each <i>WESM Member</i> affected, an adjustment to the <i>final statement</i> for the relevant billing period setting out:</p> <p>(a) The amount payable by the <i>WESM Member</i> to the <i>Market Operator</i> or the amount payable by the <i>Market Operator</i> to the <i>WESM Member</i>, and</p> <p>(b) Interest calculated on a daily basis at the interest rate for the <i>final statement</i> to which the adjustment relates to the payment date applicable to the</p>	<p>(a) Has been the subject of a dispute and the dispute has been resolved; or</p> <p>(b) Was subject of a pending case before a Court of competent jurisdiction and that said Court has already rendered a final and executory Decision;</p> <p>If any of the abovementioned cases has caused a different amount payable as set out in the <i>final statement</i>, the <i>Market Operator</i> shall issue to each <b><u>Direct WESM Member</u></b> affected, an adjustment to the <i>final statement</i> for the relevant billing period setting out:</p> <p>(a) The amount payable by the <b><u>Direct WESM Member including the transactions of its Indirect WESM Members during the relevant billing period, if any,</u></b> to the <i>Market Operator</i> or the amount payable by the <i>Market Operator</i> to the <b><u>Direct WESM Member including the transactions of its Indirect WESM Members</u></b></p>	<p>will transact through a Direct WESM Member, the settlement transactions of Indirect WESM Members will only be reflected in the settlement statements of the Direct WESM Members</p> <p>It is proposed that adjustments of Indirect WESM Members be retained with their Direct WESM Members during the relevant billing period and not based on the current billing period since that Direct WESM Member would have been liable for the amount if no adjustment was performed.</p>	

## Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
		<p>revised statement issued under this clause 3.14.9.1.</p> <p>The <i>Market Operator</i> shall issue the adjustment to the <i>final statement</i> not later than twelve (12) calendar months after the resolution of the dispute or receipt of the relevant final and executory Order unless parties to be billed agrees that the issuance of the particular WESM bill adjustment shall be at a later time.</p>	<p><b><u>during the relevant billing period, if any,</u></b> and</p> <p>(b) Interest calculated on a daily basis at the interest rate for the <i>final statement</i> to which the adjustment relates to the payment date applicable to the revised statement issued under this clause 3.14.9.1.</p> <p>The <i>Market Operator</i> shall issue the adjustment to the <i>final statement</i> not later than twelve (12) calendar months after the resolution of the dispute or receipt of the relevant final and executory Order unless parties to be billed agrees that the issuance of the particular WESM bill adjustment shall be at a later time.</p>		
SETTLEMENT PROCESS – Payment of Adjustments	3.14.10.2	By no later than the time and date specified by <i>the Market Operator</i> pursuant to clause 3.14.10.1, each <i>WESM member</i> shall pay to the <i>Market Operator</i> in cleared funds the net amount (if any) stated to be payable by that <i>WESM member</i> in the	By no later than the time and date specified by <i>the Market Operator</i> pursuant to clause 3.14.10.1, each <b><u>Direct WESM member</u></b> shall pay to the <i>Market Operator</i> in cleared funds the net amount (if any) stated to be payable by that <b><u>Direct WESM</u></b>	Consistent with the proposal that only Direct WESM Members will receive settlement statements, the revision is proposed to clarify that Direct WESM Members are required to settle their obligations in the WESM.	Approved

## Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
		revised statement issued to it under clause 3.14.9.	<i>member</i> in the revised statement issued to it under clause 3.14.9.		
SETTLEMENT PROCESS – Payment of Adjustments	3.14.10.3	On the following <i>Working Day</i> on which the <i>Market Operator</i> is to be paid under clause 3.14.10.2, the <i>Market Operator</i> shall pay to each WESM Member in cleared funds the net amount (if any) stated to be payable to that <i>WESM member</i> in the revised statement issued to it under clause 3.14.9.	On the following <i>Working Day</i> on which the <i>Market Operator</i> is to be paid under clause 3.14.10.2, the <i>Market Operator</i> shall pay to each <b><u>Direct</u></b> WESM Member in cleared funds the net amount (if any) stated to be payable to that <b><u>Direct</u></b> WESM member in the revised statement issued to it under clause 3.14.9.	Consistent with the proposal that only Direct WESM Members will receive settlement statements, the revision is proposed to clarify that Direct WESM Members will receive payments from the WESM.	Approved
PRUDENTIAL REQUIREMENTS – Provision of Security	3.15.2.1	Subject to clause 3.15.2.2, a <i>WESM member</i> wishing to participate in <i>Market Transactions</i> shall provide and maintain a security complying with the requirements of Clause 3.15.2.	Subject to clause 3.15.2.2, a <b><u>Direct</u></b> WESM member wishing to participate in <i>Market Transactions</i> <b><u>for its own facilities and for its Indirect WESM Members, if any,</u></b> shall provide and maintain a security complying with the requirements of Clause 3.15.2.	For consistency with WESM Rules Clause 2.4 that Indirect WESM Members will transact through a Direct WESM Member, the revision is being proposed to clarify that the prudential requirements of Direct WESM Members will include assessment of its sales and the exposure of its Indirect WESM Members.	Approved as revised
PRUDENTIAL REQUIREMENTS – Provision of Security	3.15.2.2	The <i>Market Operator</i> may exempt <i>WESM members</i> from the requirement to provide a security under clause 3.15.2.1, if:	The <i>Market Operator</i> may exempt <b><u>Direct</u></b> WESM members from the requirement to provide	For consistency with WESM Rules Clause 2.4 that Indirect WESM Members will transact through a	Approved

Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
		<p>(a) the <i>Market Operator</i> believes it is likely that the amount payable by the <i>Market Operator</i> to that <i>WESM Member</i> under the WESM Rules will consistently exceed the amount payable to the <i>Market Operator</i> by that <i>WESM member</i> under the <i>WESM Rules</i> in respect of that period; or</p> <p>(b) the <i>Market Operator</i> believes it is unlikely that the <i>WESM member</i> will be required to pay any amounts to the <i>Market Operator</i>, or</p> <p>(c) Deleted</p>	<p>a security under clause 3.15.2.1,if:</p> <p>(a) the <i>Market Operator</i> believes it is likely that the amount payable by the <i>Market Operator</i> to that <b><i>Direct WESM Member</i></b> under the WESM Rules will consistently exceed the amount payable to the <i>Market Operator</i> by that <b><i>Direct WESM member</i></b> under the <i>WESM Rules</i> in respect of that period; or</p> <p>(b) the <i>Market Operator</i> believes it is unlikely that the <b><i>Direct WESM member</i></b> will be required to pay any amounts to the <i>Market Operator</i>, or</p> <p>(c) Deleted</p>	<p>Direct WESM Member, it is proposed to clarify that only Direct WESM Members are assessed for prudential requirements.</p>	
<p>PRUDENTIAL REQUIREMENTS – Amount of Security</p>	<p>3.15.4</p>	<p>Using available historical data in the <i>WESM</i>, the <i>Market Operator</i> shall determine the initial <i>Prudential Requirements</i> of a new <i>WESM member</i> corresponding to the projected <i>settlement amount</i> in respect of the portion of its demand that is not covered by <i>bilateral contracts</i> and the line rental</p>	<p><b><u>The amount of security shall be assessed per <i>Direct WESM Member</i>. The prudential requirements of a <i>Direct WESM Member</i> shall include its own transactions and the transactions of its <i>Indirect WESM Members</i>.</u></b></p>	<p>For consistency with WESM Rules Clause 2.4 that Indirect WESM Members will transact through a Direct WESM Member, the revision is being proposed to clarify that the prudential requirements of Direct WESM Members will include assessment of its</p>	<p>Approved</p>

## Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
		resulting from its bilateral contracts	Using available historical data in the <i>WESM</i> , the <i>Market Operator</i> shall determine the initial <i>Prudential Requirements</i> of a new <i>WESM member</i> corresponding to the projected <i>settlement amount</i> in respect of the portion of its demand that is not covered by <i>bilateral contracts</i> and the line rental resulting from its bilateral contracts. <b><u>If the new <i>WESM Member</i> is an <i>Indirect WESM Member</i>, its calculated initial Prudential Requirements shall be considered in the assessment of the prudential requirements of its <i>Direct WESM Member</i>.</u></b>	sales and the exposure of its Indirect WESM Members.	
PRUDENTIAL REQUIREMENTS – Monitoring	3.15.10.1	The Market Operator shall review, on a monthly basis, its actual exposure to each <i>WESM member</i> in respect of previous billing periods in accordance with the <i>WESM Rules</i> .	The Market Operator shall review, on a monthly basis, its actual exposure to each <b><i>Direct WESM member</i></b> in respect of previous billing periods in accordance with the <i>WESM Rules</i> .	For consistency with the proposed revisions that only Direct WESM Members will receive settlement statements and pay to the WESM	Approved
PRUDENTIAL REQUIREMENTS – Margin Calls	3.15.11.1	If the <i>Market Operator</i> calculates that its exposure to a <i>WESM member</i> exceeds the <i>WESM member's trading limit</i> ,	If the <i>Market Operator</i> calculates that its exposure to a <b><i>Direct WESM member</i></b> exceeds the <b><i>Direct WESM member's trading</i></b>	The revision is being proposed to clarify that only Direct WESM Members are monitored for compliance	Approved

## Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
		then the <i>Market Operator</i> shall make a Margin Call on that <i>WESM member</i> by notice to the <i>WESM member</i> in writing (Margin Call Notice).	<i>limit</i> , then the <i>Market Operator</i> shall make a Margin Call on that <b><i>Direct WESM member</i></b> by notice to the <b><i>Direct WESM member</i></b> in writing (Margin Call Notice).	with prudential requirements.	
METERING - OBLIGATIONS OF TRADING PARTICIPANTS	4.3.1.1	Before a <i>Trading Participant</i> who is a <i>Direct WESM Member</i> will be permitted by the <i>Market Operator</i> to participate in the <i>spot market</i> in respect of a <i>market trading node</i> , the <i>Trading Participant</i> shall ensure that: (a) Each of its assigned <i>market trading node</i> has a metering installation; (b) Each <i>metering installation</i> has been installed in accordance with this chapter4 and in accordance with the <i>Grid Code and Distribution Code</i> ; and (c) Each <i>metering installation</i> is registered with the <i>Market Operator</i> .	Before a <i>Trading Participant</i> <del>who is a <i>Direct WESM Member</i></del> will be permitted by the <i>Market Operator</i> to participate in the <i>spot market</i> in respect of a <i>market trading node</i> , the <i>Trading Participant</i> shall ensure that: (a) Each of its assigned <i>market trading node</i> has a metering installation; (b) Each <i>metering installation</i> has been installed in accordance with this chapter4 and in accordance with the <i>Grid Code and Distribution Code</i> ; and (c) Each <i>metering installation</i> is registered with the <i>Market Operator</i> .	Requirement to have a meter applies to both Direct and Indirect WESM Members	Approved
METERING - OBLIGATIONS OF TRADING PARTICIPANTS	4.3.1.2	The <i>Market Operator</i> may refuse to permit a <i>Trading Participant</i> who is a <i>Direct WESM member</i> to participate in the <i>spot market</i> in respect of any assigned <i>market trading</i>	The <i>Market Operator</i> may refuse to permit a <i>Trading Participant</i> <del>who is a <i>Direct WESM member</i></del> to participate in the <i>spot market</i> in respect of any assigned <i>market trading node</i> if the	Requirement to have WESM-compliant meters applies to both Direct and Indirect WESM Members	Approved

## Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
		<i>node</i> if the <i>metering installation</i> associated with that <i>market trading node</i> does not comply with the provisions of this chapter 4, the <i>Grid Code</i> and <i>Distribution Code</i> .	<i>metering installation</i> associated with that <i>market trading node</i> does not comply with the provisions of this chapter 4, the <i>Grid Code</i> and <i>Distribution Code</i> .		
ELECTION OF METERING SERVICES PROVIDER BY A TRADING PARTICIPANT	4.3.2.1	<p>A <i>Trading Participant</i> who is a Direct <i>WESM member</i> shall:</p> <p>(a) Elect a <i>Metering Services Provider</i> who will have responsibility for arranging for the provision, installation, testing, calibration and maintenance of each metering installation for which that <i>Trading Participant</i> is financially responsible;</p> <p>(b) Enter into an agreement with the <i>Metering Services Provider(s)</i> which includes the terms and conditions for the provision, installation and maintenance of the relevant <i>metering installation</i> by the <i>Metering Services Provider</i>, and</p> <p>(c) Provide the <i>Market Operator</i> with the relevant details of the <i>metering installation</i> in</p>	<p>A <i>Trading Participant</i> <del>who is a Direct WESM member</del> shall:</p> <p>(a) Elect a <i>Metering Services Provider</i> who will have responsibility for arranging for the provision, installation, testing, calibration and maintenance of each metering installation for which that <i>Trading Participant</i> is financially responsible;</p> <p>(b) Enter into an agreement with the <i>Metering Services Provider(s)</i> which includes the terms and conditions for the provision, installation and maintenance of the relevant <i>metering installation</i> by the <i>Metering Services Provider</i>, and</p> <p>(c) Provide the <i>Market Operator</i> with the relevant details of the <i>metering installation</i> in</p>	An Indirect WESM Member may opt to sign the Metering Services Agreement so that the same arrangement may be used when it changes its Direct WESM Member counterparty.	Approved

## Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
		accordance with Appendix B2 within 10 <i>business days</i> of entering into an agreement with the <i>Metering Services Provider(s)</i> under clause 4.3.4(b).	accordance with Appendix B2 within 10 <i>business days</i> of entering into an agreement with the <i>Metering Services Provider(s)</i> under clause 4.3.4 <u>2.1</u> (b).		

1

9/15

Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

**D. WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures Issue 5.2**

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
LEVEL OF PARTICIPATION AND INDIRECT WESM MEMBERSHIP	2.3.5	The <i>Direct WESM member</i> must expressly agree to transact in the <i>WESM</i> on behalf of the <i>Indirect WESM member</i> . Such agreement shall include agreement to assume all obligations of the <i>Indirect WESM member</i> in respect to the spot market transactions of the latter, including but not limited to the prudential requirements, trading imbalances, energy trading amounts, reserve trading amounts and line rental trading amounts. The parties shall submit proof of such agreement to the <i>Market Operator</i> .	The <i>Direct WESM member</i> must expressly agree to transact in the <i>WESM</i> on behalf of the <i>Indirect WESM member</i> . Such agreement shall include agreement that the <i>Direct WESM Member</i> to assume all obligations of the <i>Indirect WESM member</i> in respect to the spot market transactions of the latter, including but not limited to the prudential requirements, trading imbalances, <b>payment of adjustment settlement amounts,</b> energy trading amounts, reserve trading amounts and line rental trading amounts. <b><u>The Direct WESM Member shall be responsible for all such payments during the relevant billing periods where the Direct WESM Member transacted on behalf of the Indirect WESM Member.</u></b> The parties shall submit proof of such agreement to the <i>Market Operator</i> .	It is proposed that adjustments of Indirect WESM Members be retained with their Direct WESM Members during the relevant billing period and not based on the current billing period since that Direct WESM Member would have been liable for the amount if no adjustment was performed.	Approved

## Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
OTHER REQUIREMENTS FOR APPROVED APPLICATIONS	2.5.6.3	<p>a) Market Participation Agreement. The <i>Applicant</i> shall execute a market participation agreement in the form prescribed by the <i>Market Operator</i>.</p> <p>b) Participant Interface Access. The <i>Applicant</i> shall subscribe to and allow the <i>Market Operator</i> to apply and install a method employing encryption in its computer to provide secure access to the <i>Market Management System</i>.</p>	<p>a) Market Participation Agreement. The <i>Applicant</i> shall execute a market participation agreement in the form prescribed by the <i>Market Operator</i>.</p> <p>b) Participant Interface Access. The <i>Applicant</i> shall subscribe to and allow the <i>Market Operator</i> to apply and install a method employing encryption in its computer to provide secure access to the <i>Market Management System</i>. <b><u>This is optional for Customers that will be registered as Indirect WESM Members.</u></b></p>	Customers to be registered as Indirect WESM Member may have the option to subscribe to a digital certificate and access the Market Participant Interface of the Market Management System.	Approved
EFFECTS OF SUSPENSION	4.4.1.	From the time of the issuance of the Notice of Suspension until such time the suspension is revoked, the suspended <i>WESM member</i> is ineligible to participate in the WESM. As such, the suspended <i>WESM member</i> shall be disconnected from the transmission or distribution system to which its facilities are connected. If the suspended <i>WESM member</i> is a <i>Wholesale</i>	From the time of the issuance of the Notice of Suspension until such time the suspension is revoked, the suspended <i>WESM member</i> is ineligible to participate in the WESM. As such, the suspended <i>WESM member</i> shall be disconnected from the transmission or distribution system to which its facilities are connected. If the suspended <i>WESM member</i> is a <del><i>Wholesale</i></del>	The revision is proposed to delete the WESM aggregator and to correct the reference clause (Clause 3.7 is non-existent in this manual).	Approved

## Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Clause	Provision	Proposed Amendment	Rationale	RCC Decision
		<i>Aggregator or a Retail Electricity Supplier, the Indirect WESM member for whom it transacts in the WESM shall likewise be suspended from trading in the WESM and shall be disconnected from the transmission or distribution system, unless the latter complies with the conditions set forth in Chapter II. Clause 3.7 of this Manual.</i>	<del><i>Aggregator or a Retail Electricity Supplier, the Indirect WESM member for whom it transacts in the WESM shall likewise be suspended from trading in the WESM and shall be disconnected from the transmission or distribution system, unless the latter complies with the conditions set forth in Chapter II. Clause</i></del> <b>2.3.7</b> <i>of this Manual.</i>		
EFFECTS OF DEREGISTRATION	5.6.2.2.	If the deregistered <i>WESM member</i> is a <i>Wholesale Aggregator or a Retail Electricity Supplier</i> acting as a <i>Direct WESM Member</i> counterparty to an <i>Indirect WESM member</i> and the latter does not comply with the requirements in Chapter II, Section 3.7 of this Manual, the facilities of the <i>Indirect WESM member</i> shall be disconnected.	If the deregistered <i>WESM member</i> is a <del><i>Wholesale Aggregator or a Retail Electricity Supplier</i></del> acting as a <i>Direct WESM Member</i> counterparty to an <i>Indirect WESM member</i> and the latter does not comply with the requirements in Chapter II, Section <b>2.3.7</b> of this Manual, the facilities of the <i>Indirect WESM member</i> shall be disconnected.	The revision is proposed to delete the WESM aggregator and to correct the reference clause (Clause 3.7 is non-existent in this manual).	Approved

Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

**E. WESM Manual on Metering Standards and Procedures Issue 12.0**

Title	Section	Provision	Proposed Amendment	Rationale	
GOVERNING PROVISIONS OF THE WESM RULES	APPENDIX C	<p>4.3.2.1 A <i>Trading Participant</i> who is a Direct <i>WESM member</i> shall:</p> <p>(a) Elect a <i>Metering Services Provider</i> who will have responsibility for arranging for the provision, installation, testing, calibration and maintenance of each metering installation for which that <i>Trading Participant</i> is financially responsible;</p>	<p>4.3.2.1 A <i>Trading Participant</i> <del>who is a Direct <i>WESM member</i></del> shall:</p> <p>(a) Elect a <i>Metering Services Provider</i> who will have responsibility for arranging for the provision, installation, testing, calibration and maintenance of each metering installation for which that <i>Trading Participant</i> is financially responsible;</p> <p><b><u>(b) Enter into an agreement with the <i>Metering Services Provider(s)</i> which includes the terms and conditions for the provision, installation and maintenance of the relevant <i>metering installation</i> by the <i>Metering Services Provider</i>, and</u></b></p> <p><b><u>(c) Provide the <i>Market Operator</i> with the relevant details of the <i>metering installation</i> within 10</u></b></p>	The revision is proposed to reflect the proposed change in the WESM Rules.	Approved

Annex A – Split Proposal on Proposed Amendments to the WESM Rules and WESM Manuals on Clarifications on Indirect WESM Membership

Title	Section	Provision	Proposed Amendment	Rationale	
			<b><u>business days of entering into an agreement with the Metering Services Provider(s).</u></b>		

F. WESM Manual on Billing and Settlement Issue 6.1

Title	Section	Provision	Proposed Amendment	Rationale	
CONTENTS OF SETTLEMENT STATEMENTS AND DATA	4.1	(NEW)	<b>4.1.5 <u>Settlement quantities and amounts of an Indirect WESM Member shall be incorporated in the Settlement Statement and Settlement Data issued to its Direct WESM Member. The Market Operator shall distinguish the transactions of the Indirect WESM Member to the transactions of the facilities of the Direct WESM Member in the Settlement Statement and Settlement Data provided to the Direct WESM Member.</u></b>	For consistency with WESM Rules Clause 2.4 that Indirect WESM Members will transact through a Direct WESM Member, the settlement transactions of Indirect WESM Members will only be reflected in the settlement statements of the Direct WESM Members.	Approved

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

**A. WESM Rules**

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
Enforcement and Disputes	7.3 Dispute Resolution	<p><b>7.3.1 Application and Guiding Principles</b></p> <p>7.3.1.1 The dispute resolution procedures set out in this clause 7.3 apply to all disputes relating to or in connection with transactions in the <i>WESM</i> which may arise between or among any of the following:</p> <ul style="list-style-type: none"> <li>(a) <i>The Market Operator;</i></li> <li>(b) <i>The System Operator;</i></li> <li>(c) <i>The PEM Board and its Working Groups except the Dispute Resolution Administrator;</i></li> <li>(d) <i>WESM members;</i></li> <li>(e) <i>Intending WESM members;</i></li> <li>(f) <i>Persons who have been notified by the Market Operator under clause 2.5.6.1</i></li> </ul>	<p><b>7.3.1 Application and Guiding Principles</b></p> <p>7.3.1.1 The dispute resolution procedures set out in this clause 7.3 apply to all disputes relating to or in connection with transactions in the <i>WESM</i> which may arise between or among any of the following:</p> <ul style="list-style-type: none"> <li>(a) <i>The Market Operator;</i></li> <li>(b) <i>The System Operator;</i></li> <li>(c) <i>The PEM Board and its Working Groups except the Dispute Resolution Administrator;</i></li> <li>(d) <i>WESM members;</i></li> <li>(e) <i>Intending WESM members;</i></li> <li>(f) <i>Persons who have been notified by the Market Operator under clause 2.5.6.1</i></li> </ul>	To align WESM Dispute Resolution with the law, specifically the Implementing Rules and Regulations of the ADR Act as well as the Special Rules of Court on ADR which states that an arbitral award is deemed final, binding and enforceable. <sup>1</sup>	<p><b>1. MERALCO's Comment</b></p> <p>It is observed that there appears to be an overlapping of jurisdiction between ERC and PEMC's Dispute Resolution for the Retail Rules over matters involving energy industry stakeholders. It should be noted that under the EPIRA, ERC has the original and exclusive jurisdiction over all cases involving disputes between and among participants or players in the energy sector. Thus, it is respectfully proposed that matters falling within the exclusive jurisdiction of ERC should be clarified and</p>	<p><b>MERALCO's Proposed Rewording</b></p> <p>"xxx "The aforementioned parties <b><u>shall not be precluded from filing a formal complaint with the ERC, in accordance to Section 43(v) of RA 9136. If they give consent to do so, they</u></b> shall bind themselves with the effect of submitting any dispute, controversy or claim arising out of or relating to, a WESM transaction to which they are or will be a party</p>	On TMO's comments re jurisdiction, the DRA submits that back in 2011 a choice was made then, which was to move from "Regulatory Adjudication" (i.e., by ERC, delegated to then PEMC through its Governance Committee DRG) to "Agreement-based Arbitration" – a move that was seen to be consistent with WESM's going "Autonomous" and eventually	Disapproved

<sup>1</sup> Under the Special ADR Rules:

Rule 19.7. *No appeal or certiorari on the merits of an arbitral award.*—An agreement to refer a dispute to arbitration shall mean that the arbitral award shall be final and binding. Consequently, a party to an arbitration is precluded from filing an appeal or a petition for certiorari questioning the merits of an arbitral award.

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
		<p>on the following grounds:                      (1) an application for registration as a <i>WESM member</i> has been unsuccessful;                      (2) the application or interpretation of the <i>WESM Rules</i>;                      (3) the application under or in relation to a contract between two or more persons or entities referred to in clauses 7.3.1.1 (a) to (f) where that contract provides that the dispute resolution procedures under the <i>WESM Rules</i> are to apply to any dispute under or in relation to the contract with respect to the application of the <i>WESM Rules</i>;                      (4) a dispute under or in relation to the rules and regulations issued</p>	<p>on the following grounds:                      (1) an application for registration as a <i>WESM member</i> has been unsuccessful;                      (2) the application or interpretation of the <i>WESM Rules</i>;                      (3) the application under or in relation to a contract between two or more persons or entities referred to in clauses 7.3.1.1 (a) to (f) where that contract provides that the dispute resolution procedures under the <i>WESM Rules</i> are to apply to any dispute under or in relation to the contract with respect to the application of the <i>WESM Rules</i>;                      (4) a dispute under or in relation to the rules and regulations issued</p>		<p>properly delineated (if not excluded) from the jurisdiction of the <i>WESM Dispute Resolution for the Retail Rules</i>.</p> <p>* * *</p> <p>General comment:                      It should be noted that as repeatedly and consistently pointed out, the arbitration costs and fees should be made reasonable, specifically if the sum in dispute is below One Hundred Million Pesos (Php100,000,000.00). Therefore, it is respectfully proposed that if the sum in dispute is below One Hundred Million Pesos (Php100,000,000.00), the proposed fees for 3 arbitrators and administrative costs should only be a small percentage of, or in proportion to the sum in dispute. Further, the fixing of fees should be</p>	<p>for final and binding settlement by arbitration in accordance with RA 9285 otherwise known as the Alternative Dispute Resolution Act of 2004 and the dispute resolution provisions provided herein.”</p>	<p>“Independent” (like the Philippine Stock Exchange). On another level, the move towards Agreement-based Arbitration was seen as a move to being a “mature” market – wherein <i>WESM</i> could resolve disputes within its ranks by itself and not to always run back to its “parent” State regulator ERC. In fact, RA 9184 requires all Government procurement contracts to be settled by Arbitration. In respect of this “maturing” or progressive trend in the 21<sup>st</sup> century, Section 181 of RA 11232 (Revised</p>	

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
		<p>by the <i>ERC</i> and the <i>DOE</i> under the <i>Act</i>, where such rules and regulations provide that the dispute resolution procedures under the <i>WESM Rules</i> are to apply to any dispute under or in relation to that industry code or rules and regulations; <u>(As amended by DOE No. 2005-11-010 dated 11 November 2005)</u></p> <p>(5) the failure of an entity or entities referred to in clauses 7.3.1.1 (a) to (e) to act or behave in a manner consistent with the <i>WESM Rules</i>;</p> <p>(6) an obligation to settle payment under the <i>WESM Rules</i>;</p> <p>The aforementioned parties shall bind</p>	<p>by the <i>ERC</i> and the <i>DOE</i> under the <i>Act</i>, where such rules and regulations provide that the dispute resolution procedures under the <i>WESM Rules</i> are to apply to any dispute under or in relation to that industry code or rules and regulations; <u>(As amended by DOE No. 2005-11-010 dated 11 November 2005)</u></p> <p>(5) the failure of an entity or entities referred to in clauses 7.3.1.1 (a) to (e) to act or behave in a manner consistent with the <i>WESM Rules</i>;</p> <p>(6) an obligation to settle payment under the <i>WESM Rules</i>;</p> <p>The aforementioned parties shall bind</p>		<p>circumspect because for DUs, these costs will ultimately be borne by the customers, for whose benefit the dispute is brought.</p> <p><b>2. TMO's Comment</b></p> <p><u>Comments for Clauses 7.3.1.1, 7.3.1.4, 7.3.11:</u></p> <p>The proposal which seeks to remove the recourse to the ERC of disputes covered under Clause 7.3 of the <i>WESM Rules</i> upon an adverse finding of the arbitral tribunal violates the due process and equal protection clause on the 1987 Constitution in so far as Therma Mobile, Inc. ("<b>TMO</b>") is concerned.</p> <p>We note that there is a case between TMO and PEMC pending before the Supreme Court<sup>2</sup> which involves the arbitrability of a violation of the Must Offer Rule under the <i>WESM Rules</i>. Upon a</p>	<p><b>TMO's Proposed Wording</b></p> <p>Propose to revert to original provision</p>	<p>Corporation Code) prescribes arbitration as mode to resolve intra-corporate disputes. Even the 1950 Civil Code recognizes (in its Article 2044) that "Any stipulation that the arbitrators' award or decision shall be final, is valid x x x".</p> <p>A question is thus thrown back to the <i>WESM Members</i>: does it want to go back to "Regulatory Adjudication" where it is the Government Regulators (ERC) that decides for the <i>WESM Members</i> their disputes, or</p>	

<sup>2</sup> *Philippine Electricity Market Corporation v. Therma Mobile, Inc.*, G.R. No. 224341. <sup>23</sup> G.R. No. 105371, 11 November 1993.

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
		<p>themselves with the effect of submitting any dispute, controversy or claim arising out of or relating to, a <i>WESM</i> transaction to which they are or will be a party for settlement by arbitration in accordance with the dispute resolution provisions provided herein.</p> <p><b>(As amended by DOE DC No. 2012-02-0001 dated 15 February 2012)</b></p>	<p>themselves with the effect of submitting any dispute, controversy or claim arising out of or relating to, a <i>WESM</i> transaction to which they are or will be a party <del>for settlement by arbitration in accordance with the dispute resolution provisions provided herein.</del> <b>for final and binding settlement by arbitration in accordance with RA 9285 otherwise known as the Alternative Dispute Resolution Act of 2004 and the dispute resolution provisions provided herein.</b></p> <p><b>(As amended by DOE DC No. 2012-02-0001 dated 15 February 2012)</b></p>		<p>favorable ruling therein, TMO expects to undergo the DRP and obtain a ruling from the arbitral tribunal. Retroactively applying this proposed amendment discriminates, without any reasonable basis, against TMO as it would deprive it of a remedy granted to it under the present <i>WESM</i> Rules. In <i>Philippine Judges Association v. Prado</i>,<sup>23</sup> the Supreme Court held:</p> <p><b>The equal protection of the laws is embraced in the concept of due process, as every unfair discrimination offends the requirements of justice and fair play.</b> It has nonetheless been embodied in a separate clause in Article III Sec. 1, of the Constitution to provide for a more <b>specific guaranty against any form</b></p>		<p>would it want to progress into being real “Autonomous” or “Independent”?</p> <p>Agreement-based Arbitration is not an issue of jurisdiction as contemplated in Judges Association v. Prado, otherwise why would the Supreme Court upheld in numerous cases Civil Code Article 2044 which (to reiterate) states: “Any stipulation that the arbitrators' award or decision shall be final, is valid x x x”.</p> <p>This is not to mention equally important laws for the 21<sup>st</sup> century-trend</p>	

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
					<p><b>of undue favoritism or hostility from the government.</b></p> <p>Arbitrariness in general may be challenged on the basis of the due process clause. But if the particular act assailed partakes of an unwarranted partiality or prejudice, the sharper weapon to cut it down is the equal protection clause. (Emphasis supplied.)</p> <p>A retroactive application of such proposal singles out TMO as it is the only WESM Member with a pending dispute with the PEMC which would not be allowed to appeal an adverse ruling from the arbitral tribunal to the ERC.</p> <p><b>3. NGCP'S Comment</b></p> <p>NGCP has reservations on the said proposal as it</p>		<p>commerce like RA 9285 and RA 9184.</p> <p>On Meralco's 1<sup>st</sup> comment (also re jurisdiction), it is submitted that the intention is: (a) not to preclude ERC on policy-decisions, which however is the province of RCC; but (b) to preclude ERC from deciding for WESM Members their commercial disputes and hand this decision (not back to the Government Regulators, but) to Private Dispute Resolvers upon whom the WESM Members have confidence and thereby appointed by them – again, consistent with</p>	

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
					believes that parties should have the remedy of appeal to ERC or the regular courts because of possible error of law and fact.		WESM's being mature, autonomous and independent self-regulatory market.	
Enforcement and Disputes	7.3 Dispute Resolution	7.3.1.4 WESM Members shall comply with the dispute resolution process of the WESM Rules before filing a formal complaint to the ERC.	<del>7.3.1.4 WESM Members shall comply with the dispute resolution process of the WESM Rules before filing a formal complaint to the ERC.</del>	To align WESM Dispute Resolution with the law, specifically the Implementing Rules and Regulations of the ADR Act as well as the Special Rules of Court on ADR which states that an arbitral award is deemed final, binding and enforceable. <sup>3</sup>	<b>1. MERALCO's Comment</b>  Rather than deleting the provisions that refer to the ERC's EPIRA-mandated original and exclusive jurisdiction over all cases involving disputes between and among participants or players in the energy sector, the premise of defining WESM Disputes that are subject to the Dispute Resolution Manual are those only "civil, commercial or business disputes out of market transactions," should be clarified and emphasized in the manual. To delete the pertinent provisions by	<b>MERALCO's Rewording</b>  <u><b>7.3.1.4 WESM Members may comply with the dispute resolution process of the WESM Rules, but they shall not be precluded from filing a formal complaint with the ERC, in accordance to Section 43(v) of RA 9136.</b></u>	On NGCP's comment re "possible error of law and fact", first even judges (who unlike WESM Arbitrators who are trained on the workings of WESM) are not infallible. In any case, there is, under Arbitration Laws, remedy of Vacating (or Setting Aside) Arbitral Awards on grounds prescribed therefor. Rather, in Mabuhay vs Sembcorp	Disapproved

<sup>3</sup> Under the Special ADR Rules:

Rule 19.7. *No appeal or certiorari on the merits of an arbitral award.*—An agreement to refer a dispute to arbitration shall mean that the arbitral award shall be final and binding. Consequently, a party to an arbitration is precluded from filing an appeal or a petition for certiorari questioning the merits of an arbitral award.

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
					<p>implication that the said provisions will never be applied is too broad of an application in defining WESM Disputes as those only that are "civil, commercial or business disputes out of market transactions."</p> <p>In any case, we understand the intention of the proposal to delete said provision is the promotion of the dispute resolution process before any formal complaint is filed before the ERC. However, the complete removal of reference to the ERC and its EPIRA-mandated jurisdiction (over all cases involving disputes between and among participants or players in the energy sector) from the Dispute Manual Provision is akin to amending the EPIRA or charter of the ERC, without going through the proper legislative process.</p>		<p>(2018), the Supreme Court enunciated "the State's policy in favor of arbitration", and thus "mere errors in the interpretation of the law or factual findings would not suffice to warrant refusal of enforcement under the public policy ground. The illegality or immorality of the award must reach a certain threshold such that enforcement of the same would be against Our State's fundamental tenets of justice and morality, or would be injurious to the public, or the interests of the society." In other words, in this time and age</p>	

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
					<p>***</p> <p>It is observed that the Market Participation Agreement with WESM includes a provision on submission by the market participants of WESM disputes to the dispute resolution process provided under WESM Rule 7.3. <b><u>This means that regardless of whether a market participant agrees to submit the same to WESM Dispute Resolution, it is left with no choice because the Market Participation Agreement is one of the WESM application requirements.</u></b></p> <p>Therefore, it is respectfully proposed that a party shall only be precluded from resorting to available concurrent remedy/ies before the regulatory bodies or judicial courts having jurisdiction on the matters involved, as provided under</p>		<p>where arbitration is the trend all over the world, value is placed in private dispute resolution over the archaic Regulatory Adjudication.</p> <p>On Meralco's 2<sup>nd</sup> item re Fees/Cost, WESM's fees is much lower than the leading PDRCI; yet this is much economical to the Consuming Public because, unlike in the older DRG Adjudicators are paid monthly salaries even without cases to resolve, the current Arbitrators are on call and not paid unless there is a live case to resolve.</p>	

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
					<p>prevailing laws, rules and regulations <b>if submission to WESM Dispute Arbitration is through voluntary and explicit consent of all parties concerned</b>, that is, there should be at the minimum a separate agreement on submission to WESM Dispute Arbitration.</p> <p><b>2. NGCP'S Comment</b> NGCP has reservations on the said proposal as it believes that parties should have the remedy of appeal to ERC or the regular courts because of possible error of law and fact.</p>			
Chapter 7 Enforcement and Disputes	7.3 Dispute Resolution	<p><b>7.3.11 Effect of Resolution</b></p> <p>7.3.11.4 If a party to a dispute is not satisfied with the resolution of the <i>dispute resolution panel</i>, the party may file a formal complaint to the <i>ERC</i>.</p>	<p><del>7.3.11.4 If a party to a dispute is not satisfied with the resolution of the <i>dispute resolution panel</i>, the party may file a formal complaint to the <i>ERC</i>.</del></p>	To align WESM Dispute Resolution with the law, specifically the Implementing Rules and Regulations of the ADR Act as well as the Special	<p><b>1. MERALCO's Comment</b></p> <p><i>See comment above.</i></p>	<p><b>MERALCO's Proposed Rewording</b></p> <p><b><u>7.3.11 Effect of Resolution</u></b> <b><u>7.3.11.4 If a party to a dispute is not satisfied with the resolution of the</u></b></p>	(Same comments as above)	Disapproved

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
				<p>Rules of Court on ADR which states that an arbitral award is deemed final, binding and enforceable.<sup>4</sup></p>	<p><b>2. NGCP'S Comment</b>                      NGCP has reservations on the said proposal as it believes that parties should have the remedy of appeal to ERC or the regular courts because of possible error of law and fact.</p>	<p><u>dispute resolution panel, the party may file a formal complaint to the ERC.</u></p>		

<sup>4</sup> Under the Special ADR Rules:

Rule 19.7. *No appeal or certiorari on the merits of an arbitral award.*—An agreement to refer a dispute to arbitration shall mean that the arbitral award shall be final and binding. Consequently, a party to an arbitration is precluded from filing an appeal or a petition for certiorari questioning the merits of an arbitral award.

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

**B. Dispute Resolution Manual Issue No. 6**

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
Definitions, Interpretation and Construction	Section 2.1. Definitions  Sub-sections (kk) to (qq)	(hh) Request for Arbitration has the meaning ascribed to it in Section 9 of this Manual.  (ii) Request for Mediation has the meaning ascribed to it in Section 8 of this Manual.  (jj) Respondent means a party to a WESM dispute against whom a claim is made.  (kk) Rules denote the WESM Rules  (ll) Rules Change Committee refers to the Committee established by WESM Rule 8.2 to review and propose amendments to the WESM Rules. Selection Committee refers to the committee composed of at least three (3) members of the PEM Board, one of whom should be an Independent PEM Board director, which is tasked to review and evaluate the qualifications of all	(hh) Request for Arbitration has the meaning ascribed to it in Section 9 of this Manual.  (ii) Request for Mediation has the meaning ascribed to it in Section 8 of this Manual.  (jj) Respondent means a party to a WESM dispute against whom a claim is made.  (kk) <u>Retail Rules refer to the rules promulgated by the Department of Energy governing the integration of retail competition in the operations and governance processes of the WESM and the management of the transactions of the Suppliers and Contestable Customers in the WESM, and the operations of the Central Registration Body as defined in Department Circular No. DC2013-01-0002.</u>	To include Retail Rules in the Definitions and refer to them as the rules under DOE Department Circular No. DC2013-01-0002.				Approved

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
		<p>persons nominated to any PEM Committee requiring appointment by the PEM Board.</p> <p>(mm) WESM-Accredited Arbitrator, WESM-Accredited Mediator and WESM-Accredited ADR Support Service Center have the meaning ascribed to them, respectively, in Sections 6 of this Manual.</p> <p>(nn) WESM dispute means a dispute of a category and between or among parties mentioned in Section 3.1 of this Manual, or ones relating to or in connection with transactions in the WESM within the context of Rule 7.3.1.1 of the WESM Rules.</p> <p>(oo) WESM Objectives refers to the objectives of the spot market as defined in Clause 1.2.5. of the WESM Rule</p>	<p><b>(ll)</b> Rules denote the WESM Rules</p> <p><b>(mm)</b> Rules Change Committee refers to the Committee established by WESM Rule 8.2 to review and propose amendments to the WESM Rules. Selection Committee refers to the committee composed of at least three (3) members of the PEM Board, one of whom should be an Independent PEM Board director, which is tasked to review and evaluate the qualifications of all persons nominated to any PEM Committee requiring appointment by the PEM Board.</p> <p><b>(nn)</b> WESM-Accredited Arbitrator, WESM-Accredited Mediator and WESM-Accredited ADR Support Service Center have the meaning ascribed to them, respectively, in</p>					

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
		<p>(pp) WESM Member means a person or entity registered with the MO in accordance with WESM Rules 2.3 and 2.4, which includes Trading Participants (customers, generation companies and suppliers), Metering Services Providers, Network Service Providers, Ancillary Services Providers and the SO.</p>	<p>Sections 6 of this Manual.</p> <p><b>(oo)</b> WESM dispute means a dispute of a category and between or among parties mentioned in Section 3.1 of this Manual, or ones relating to or in connection with transactions in the WESM within the context of Rule 7.3.1.1 of the WESM Rules.</p>					
		<p>(qq) WESM Participant means a WESM Member or an Intending WESM Member participating in a transaction in the WESM.</p>	<p><b>(pp)</b> WESM Objectives refers to the objectives of the spot market as defined in Clause 1.2.5. of the WESM Rule</p> <p><b>(qq)</b> WESM Member means a person or entity registered with the MO in accordance with WESM Rules 2.3 and 2.4, which includes Trading Participants (customers, generation companies and suppliers), Metering Services Providers, Network Service Providers, Ancillary</p>					

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
			<p>Services Providers and the SO.</p> <p><b>(rr)</b> WESM Participant means a WESM Member or an Intending WESM Member participating in a transaction in the WESM.</p>					

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

<p>General Procedural Provisions</p>	<p>Section 7.1. Disputes Between WESM Members and the System Operator and the Market Operator</p> <p><i>Section 7.1.1.</i></p>	<p>7.1.1. When a dispute regarding one of the matters described in this Manual arises between and/or among WESM Members including the System Operator and Market Operator, the parties must go through the following steps:</p> <p>(a) Subject to Section 8.3, the parties in dispute should make good faith efforts to amicably settle their dispute between and/or among themselves pursuant to their respective Dispute Management Protocols.</p> <p>(b) Should the negotiation fail, any of the parties may refer the matter in dispute to the DRA in accordance with Section 8.4. Such submission shall set in motion the WESM dispute resolution process established in this Manual. If the DRA determines that the dispute is a <i>WESM dispute</i> under Section 2.1(nn) of this Manual,</p>	<p>7.1.1. When a dispute regarding one of the matters described in this Manual arises between and/or among WESM Members including the System Operator and Market Operator, the parties must go through the following steps:</p> <p>a) Subject to Section 8.3, the parties in dispute should make good faith efforts to amicably settle their dispute between and/or among themselves pursuant to their respective Dispute Management Protocols.</p> <p>b) Should the negotiation fail, any of the parties may refer the matter in dispute to the DRA in accordance with Section 8.4. Such submission shall set in motion the WESM dispute resolution process established in this Manual. If the DRA determines that the dispute is a <i>WESM dispute</i> under Section 2.1 (oo) of this Manual, he shall initiate the selection of a mediator</p>	<p>The additional provision lays the foundation for the use of the Final Offer Arbitration or the Pendulum Rules for parties who agree to be bound by said Supplementary Rules subject to the issuance by the <i>Dispute Resolution Administrator</i> of a certification of the parties to such agreement.</p> <p>The certification by the DRA as to the parties' election will avoid future contests and refusal to recognize the arbitral award on the ground that the mode of arbitration was not mutually agreed upon by the parties.</p>	<p><b>NGCP'S Comment</b></p> <p>NGCP has reservations on the said proposal as it believes that parties should have the remedy of appeal to ERC or the regular courts because of possible error of law and fact.</p>	<p>(Same comments as above)</p>	<p>Disapproved</p>
--------------------------------------	--	--	---	---	---	---------------------------------	--------------------

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

		<p>he shall initiate the selection of a mediator under Section 8.5 of this Manual.</p> <p>(c) Should mediation efforts fail, the Claimant(s) may file with the DRA a Request under Section 9 to resolve the dispute by arbitration.</p> <p>(d) Should the parties decide to dispense with mediation and, provided that there has been a determination by the <i>Dispute Resolution Administrator</i> within ninety (90) calendar days from receipt of the dispute that the same is a WESM dispute under Section 2.1(oo) of this Manual, directly proceed to arbitration, the parties may elect to do so subject to the issuance by the <i>Dispute Resolution Administrator</i> of a certification stating that mediation is no longer a</p>	<p>under Section 8.5 of this Manual.</p> <p>c) Should mediation efforts fail, the Claimant(s) may file with the DRA a Request under Section 9 to resolve the dispute by arbitration.</p> <p>d) Should the parties decide to dispense with mediation and, provided that there has been a determination by the <i>Dispute Resolution Administrator</i> within ninety (90) calendar days from receipt of the dispute that the same is a WESM dispute under Section 2.1(oo) of this Manual, directly proceed to arbitration, the parties may elect to do so subject to the issuance by the <i>Dispute Resolution Administrator</i> of a certification stating that mediation is no longer a viable option for the parties.</p>					
--	--	---	--	--	--	--	--	--

## Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
		viable option for the parties.	<p>e) <u>Should the parties determine that their particular dispute would be better or more expeditiously resolved by Final Offer Arbitration, they may elect to be bound by the Final Offer Arbitration Supplementary Rules set forth in Annex H hereto subject to the issuance by the Dispute Resolution Administrator of a certification of the parties such agreement.</u></p>					

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
New provision	New provision		<p><b><u>7.3. Disputes Between Supplier and Customer under the Retail Rules</u></b></p> <p><b><u>7.3.1. Unless the parties agree otherwise, resolution of disputes on:</u></b></p> <p><b><u>(i) fees for early/pre-termination of a Retail Supply Contract;</u></b></p> <p><b><u>(ii) Retail Supply Contract price; and</u></b></p> <p><b><u>(iii) Retail Supply Contract period, within the contemplation of the Retail Rules shall be subject to the Final Offer Arbitration Supplementary Rules set forth in Annex H hereto.</u></b></p>	<p>The additional provision defines the disputes specific to those between the Supplier and Customer under the Retail Rules and makes the Final Offer Arbitration under the Supplementary Rules in Annex H the default mode for these types of disputes. To give primacy to the agreement of the parties, the proposed provision retained the caveat, “unless the parties agree otherwise” to give them the option to choose the conventional mode of arbitration instead.</p>				
Application	3.2. Resort to ERC	3.2.1. An entity belonging to any of the categories described in Section	<p><del>3.2. Resort to ERC</del></p> <p>3.2.1. An entity belonging to any of the</p>	To align WESM Dispute Resolution with the law,	1. <b>MERALCO's Comment</b>	<b>MERALCO's Proposed Rewording</b>		Retain original

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
		3.1.1 should first comply with the dispute resolution process set out in this Manual before filing a formal complaint with the ERC.	<del>categories described in Section 3.1.1 should first comply with the dispute resolution process set out in this Manual before filing a formal complaint with the ERC.</del>	specifically the Implementing Rules and Regulations of the ADR Act as well as the Special Rules of Court on ADR which states that an arbitral award is deemed final, binding and enforceable. <sup>5</sup> While the DRA recognizes that the EPIRA confers upon the ERC exclusive and original jurisdiction to hear and decide disputes involving participants and players in the energy sector (Sec. 43 [u], EPIRA), this is nonetheless without prejudice to the right of disputing parties, consistent with	Rather than deleting the provisions that refer to the ERC's EPIRA-mandated original and exclusive jurisdiction over all cases involving disputes between and among participants or players in the energy sector, the premise of defining WESM Disputes that are subject to the Dispute Resolution Manual are those only "civil, commercial or business disputes out of market transactions," should be clarified and emphasized in the manual. To delete the pertinent provisions by implication that the said provisions will never be applied is too broad of an application in defining WESM Disputes as those only that are "civil,	<b><u>3.2. Resort to ERC</u></b> <b><u>3.2.1. An entity belonging to any of the categories described in Section 3.1.1 may comply with the dispute resolution process set out in this Manual, but this shall not preclude them from filing a formal complaint with the ERC, in accordance to Section 43(v) of RA 9136.</u></b>		

<sup>5</sup> Under the Special ADR Rules:

Rule 19.7. *No appeal or certiorari on the merits of an arbitral award.*—An agreement to refer a dispute to arbitration shall mean that the arbitral award shall be final and binding. Consequently, a party to an arbitration is precluded from filing an appeal or a petition for certiorari questioning the merits of an arbitral award.

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
				<p>the principle of party autonomy enshrined in Sec. 2 of the ADR Act, to agree by contract to submit the resolution of their dispute to some other person, body or institution by a process that they had mutually agreed upon.<sup>6</sup></p>	<p>commercial or business disputes out of market transactions.”</p> <p>In any case, we understand the intention of the proposal to delete said provision is the promotion of the dispute resolution process before any formal complaint is filed before the ERC. However, the complete removal of reference to the ERC and its EPIRA-mandated jurisdiction (over all cases involving disputes between and among participants or players in the energy sector) from the Dispute Manual Provision is akin to amending the EPIRA or charter of the ERC,</p>			

<sup>6</sup> Sec. 2 of the ADR Act provides:

“SECTION 2. *Declaration of Policy.* — It is hereby declared the policy of the State to actively promote party autonomy in the resolution of disputes or the freedom of the parties to make their own arrangements to resolve their disputes. Towards this end, the State shall encourage and actively promote the use of Alternative Dispute Resolution (ADR) as an important means to achieve speedy and impartial justice and declog court dockets. As such, the State shall provide means for the use of ADR as an efficient tool and an alternative procedure for the resolution of appropriate cases. Likewise, the State shall enlist active private sector participation in the settlement of disputes through ADR. This Act shall be without prejudice to the adoption by the Supreme Court of any ADR system, such as mediation, conciliation, arbitration, or xx xx

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
					<p>without going through the proper legislative process.</p> <p>* * *</p> <p>It is observed that the Market Participation Agreement with WESM includes a provision on submission by the market participants of WESM disputes to the dispute resolution process provided under WESM Rule 7.3. <b><u>This means that regardless of whether a market participant agrees to submit the same to WESM Dispute Resolution, it is left with no choice because the Market Participation Agreement is one of the WESM application requirements.</u></b></p> <p>Therefore, it is respectfully proposed that a party shall only be precluded from resorting to available concurrent remedy/ies</p>			

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
					<p>before the regulatory bodies or judicial courts having jurisdiction on the matters involved, as provided under prevailing laws, rules and regulations <b><u>if submission to WESM Dispute Arbitration is through voluntary and explicit consent of all parties concerned</u></b>, that is, there should be at the minimum a separate agreement on submission to WESM Dispute Arbitration.</p> <p><b>2. NGCP'S Comment</b> NGCP has reservations on the said proposal as it believes that parties should have the remedy of appeal to ERC or the regular courts because of possible error of law and fact.</p>			
DISPUTE RESOLUTION	7.3.1.1	The dispute resolution procedures set out in this clause 7.3 apply to all disputes relating to or in	The dispute resolution procedures set out in this clause 7.3 apply to all disputes relating to or in	To make the list of possible parties more consistent with the design of	<p><b>1. TLI's Comment</b> <b>PEMC is a private corporation which acts</b></p>	<p><b>TLI's Proposal</b> Propose to re-include (c)</p>	PEMC is not being removed and may still be implemented. It is	Replace (c) with Governance Arm

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
Application and Guiding Principles		connection with transactions in the <i>WESM</i> which may arise between or among any of the following: (a) The <i>Market Operator</i> ; (b) The <i>System Operator</i> ; (c) The <i>PEM Board</i> and its Working Groups except the <i>Dispute Resolution Administrator</i> ; (d) <i>WESM members</i> ; (e) <i>Intending WESM members</i> ;	connection with transactions in the <i>WESM</i> which may arise between or among any of the following: (a) The <i>Market Operator</i> ; (b) The <i>System Operator</i> ; <del>(c) The <i>PEM Board</i> and its Working Groups except the <i>Dispute Resolution Administrator</i>;</del> <del>(d)(c) <i>WESM Members</i>;</del> <del>(e)(d) <i>Intending WESM Members</i>;</del>	the <i>WESM</i> Dispute Resolution Process, and/or with the State/statutory policy and legal philosophy of <i>commercial arbitration</i> of only resolving disputes that are civil, commercial or business in nature. (see Figures 1, 2 and Table 1 in the Discussion Paper)	through a board of directors elected according to its by-laws. The board governs pursuant to the powers granted to it under its by-laws. There is nothing in the by-laws of PEMC which makes PEM Board decisions exempt from legal challenge through arbitration.  As a private corporation acting through a board of directors, there is nothing in the by-laws of PEMC which makes PEM board decisions exempt from legal challenge through arbitration.  Carving out PEM Board decisions from the ambit of arbitration has no basis in law or the Articles of Incorporation of PEMC or its by-laws. In fact, PEMC's by-laws mandate the resort to the Dispute Resolution Process for disputes arising between the		PEM Board, which has no juridical personality, that is being removed.  (Same comments as above on TMO's jurisdiction issue)	

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
					<p>directors and members of PEMC.</p> <p>If the goal of PEMC is self-governance, there should be an internal process for resolving disputes rather than going beyond the confines of PEMC and resorting to the quasi-judicial powers of the ERC.</p> <p>The arbitration agreement in the Market Participation Agreement ("MPA") cannot be unilaterally limited by mere revision of the WESM Rules and the WESM Dispute Resolution Manual. When PEMC and the WESM members executed the arbitration agreement incorporated in the MPA, the parties intended to include disputes involving the actions of PEMC and the PEM Board among the arbitrable issues. Any</p>			

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
					<p>change can only be done by mutual consent.</p> <p>A more practical solution may be to give the aggrieved party the option to either (i) refer the dispute to the dispute resolution process, or (ii) file directly with the ERC. This way, the arbitration agreement is not disregarded and the policy of the state to actively promote the use of various modes of alternative dispute resolution and to respect party autonomy or freedom of the parties to make their own arrangement in the resolution of disputes is maintained.</p> <p><b>2. TMO's Comment</b></p> <p>As regards the proposal to remove disputes over actions of the PEM Board from the dispute resolution process ("DRP") and providing</p>			

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
					<p>that the same should instead be filed with the ERC, this proposed amendment involves the issue of jurisdiction notwithstanding that the WESM Rules are procedural rules,. As such, the relevant jurisprudence pertaining to amendment of jurisdictional laws may be applied analogously.</p> <p>Tribunals before whom cases are pending do not lose jurisdiction upon effectivity of a new law transferring jurisdiction to another tribunal. In <i>Bengzon v. Inciong</i>,<sup>7</sup> the Supreme Court held that ruling otherwise would be prejudicial to the orderly administration of justice:</p> <p><b>The rule is that where a court has already obtained and is exercising jurisdiction over a</b></p>			

<sup>7</sup> G.R. No. L-48706-07, 29 June 1979.

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
					<p>controversy, its jurisdiction to proceed to the final determination of the cause is not affected by new legislation placing jurisdiction over such proceedings in another tribunal. The exception to the rule is where the statute expressly provides, or is construed to the effect that it is intended to operate as to actions pending before its enactment. Where a statute changing the jurisdiction of a court has no retroactive effect, it cannot be applied to a case that was pending prior to the enactment of the statute.</p>			

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
					<p>We find the principles applicable to the case at bar. <b>To require petitioner to file a separate suit for damages in the regular courts would be to "sanction split jurisdiction, which is prejudicial to the orderly administration of justice.</b> (Emphasis supplied.)</p> <p>Considering that TMO initiated the DRP upon the service of its Notice of Dispute on PEMC pursuant to the WESM DRM, the process should be allowed to proceed until the final determination of the issues raised in the dispute. Amending the coverage of the amendments to the WESM DRM and giving it</p>			

Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
					<p>retroactive effect unduly deprives TMO of the DRP.</p> <p>The WESM Rules provides that any dispute (irrespective of whether the dispute pertains to commercial or regulatory dispute), even disputes involving the PEM Board, should be subject to the DRP. WESM members who relied on this rule and initiated the DRP against PEMC, as represented by PEM Board, should not be prejudiced by the retroactive application of amendments. Cases initiated before the approval of this proposed amendment should therefore not be covered therein as jurisdiction over them remains with the tribunal that had jurisdiction when they were filed.</p>			
New Annex	New Annex	<p><b>Please see attached ANNEX H - FINAL OFFER ARBITRATION SUPPLEMENTARY RULES</b> (also referred to as</p>		To outline the rule and processes applicable to Dispute				Approved as submitted for endorsement

## Annex B – Proposed Amendments on Dispute Resolution Administration Matrix with Consolidated Comments

Title	Section	Provision	Proposed Amendment	Rationale	Comments	Proposed Rewording	Proponent's Response	RCC Decision
		PENDULUM ARBITRATION SUPPLEMENTARY RULES)		Resolution for Retail Rules				
New Annex	New Annex	<b>Please see attached ANNEX I – GUIDELINE FOR VIRTUAL HEARINGS</b>		To provide for the guidelines for the conduct of virtual hearings				Approved as submitted for endorsement

## BACKGROUND

DATE	ACTIVITIES
04 Dec 2018	PAC submitted the proposal to the Secretariat
15 Mar 2019	RCC endorsed the proposal to PEM Board, except the provisions on SO audit (pending PEM Board's position)
23 Apr	PEM Board approved the proposal except the provision on SO Audit (SO Audit will be incorporated in PEMC-SO Protocol)
14 May	DOE received the proposal
15, 17 & 19 June 2020	DOE conducted the VPC series
22 Apr 2021	PEMC received DOE's letter remanding some provisions of the proposal
26 Apr 2021	RCC invited the PAC to 179 <sup>th</sup> Regular Meeting
12 May	Secretariat received PAC's letter deferring the discussion in June



# PROPOSED URGENT AMENDMENTS TO THE WESM RULES AND WESM MANUAL ON CONSTRAINT VIOLATION COEFFICIENTS AND PRICING RE-RUN

179<sup>th</sup> RCC Meeting | 21-May-2021  
Via Microsoft Teams

## THE PROPONENT

---

- Philippine Electricity Market Corporation (PEMC) is the Governance Arm of WESM



2

## OUTLINE



ACTION  
REQUESTED



RATIONALE OF THE  
PROPOSAL



SUMMARY OF THE  
PROPOSAL



OTHER RELEVANT  
MATTERS



3

## ACTION REQUESTED

---

- For approval as Urgent Amendment for endorsement to PEM Board



4

## RATIONALE OF THE PROPOSAL

### Background

---

- EWDO rules provide shortage pricing (at offer price cap) during under-generation and excess pricing (at offer price floor) during over-generation
- ERC Decision dated 20 August 2020 (and promulgated on 29 December 2020) on ERC Case No. 2017-042RC on Price Determination Methodology (PDM)
  - ERC acknowledges the importance of having the correct pricing signals and settlement-ready prices in real-time for efficiency and transparency in prices
  - However, the ERC deemed that prices during under-generation should reflect the cost that the consumers are willing to pay for a continuous supply of electricity, which price is not necessarily the offer price cap (PhP32,000/MWh)
  - ERC directed existing pricing mechanisms during under-generation and over-generation should be maintained



5

## RATIONALE OF THE PROPOSAL

### Purpose and Reason for Urgency

---

- To harmonize provisions on automatic pricing re-runs in the WESM Rules and Manuals for the enhanced WESM design and operations (EWDO) with the ERC directives (on PDM)
- Revised rules to be effective by Go-Live Date (i.e. commencement of EWDO on 26 June 2021) to ensure consistent Market Rules and Manuals



6

## Annex D – Matrix of Urgent Amendments on Constraint Violation Coefficients and Pricing Re-Run regarding Automatic Pricing Re-runs for Under-generation and Over-generation

**SUMMARY OF THE PROPOSAL**

Affected Clauses	Proposed Amendment	Rationale
WESM Rules (EWDO): <ul style="list-style-type: none"> <li>• 3.6.7.2</li> <li>• 3.6.7.3</li> <li>• 3.10.5.5</li> </ul>	Deletion of shortage pricing (for under-generation) and excess pricing (for over-generation)	Existing pricing mechanisms during under-generation and over-generation should be maintained. Such that, these events shall be treated just like other constraint violations
WESM Manual on CVC-PR (Issue 6): <ul style="list-style-type: none"> <li>• 5.1.3</li> <li>• 5.2.2. to 5.2.5</li> <li>• 5.3.1</li> </ul>	Deletion of shortage pricing (for under-generation) and excess pricing (for over-generation)	For consistency with WESM Rules



7

**OTHER RELEVANT MATTERS**

- ERC directive requires enhancement to the new Market Management System (NMMS), which specifications were originally aligned with the PDM proposed submitted to the ERC in 2017.
- As an update, said NMMS enhancement was audited by the PEM Audit Committee (PAC) through the Intelligent Energy Systems (IES) in January 2021 and was completed in the 4th week of March 2021.
- IES' audit of the NMMS enhancements was based on the ERC Decision. Test findings for changes to the automatic pricing re-run model during over-generation and under-generation have passing results.



8

**ACTION REQUESTED**

- For approval as Urgent Amendment for endorsement to PEM Board



9

Annex E – Summary of Proposal on Enhancements to MO and SO Procedures

[Awaiting copy from IEMOP]



## BACKGROUND



## BACKGROUND

### Original Proposal



9/15

## BACKGROUND

Revision (Oct 2020/Feb 2021 Version)



## BACKGROUND

Revision (Oct 2020/Feb 2021 Version)



## HIGHLIGHTS - DOE'S REVISIONS (MAY 2021 VERSION)

For Discussion:

- A. Conceptual Changes
- B. Other Changes
- C. DOE's Solicitation for Further Recommendations on Specified Topics

## HIGHLIGHTS - DOE'S REVISIONS (MAY 2021 VERSION)

**Conceptual Changes**

- 1. From Accreditation to Certification**  
*Back to original concept; but the term is certification. No more accreditation of the training service provider. What is being certified is the person or the individual meeting the requirements.*
- 2. Certification to precede the Registration**  
*Certification by fulfilling the required credit units; Once certified, may be registered in the WESM as "Registered WCO"*
- 3. No more WCO Accreditation Body**

**Governance Arm** to be responsible in the following:

- Compliance and enforcement of the WESM Rules on the registration of the Certified WCOs and continuing cert;
- Registration of the designated certified WCOs
- Review of competency standards
- Development and implementation of WCO certification program
- Trainings for the WCOs

The section was replaced by Responsible Parties (Governance Arm, Market Operator and the WESM Members)

## HIGHLIGHTS - DOE'S REVISIONS (MAY 2021 VERSION)

**Conceptual Changes**

- 4. Non-Designation of WCOs and non-compliance with the certification requirements are subject to Non-Compliance Fee**  
*Express mandatory provision subject to penalty under the WESM Penalty Manual*
- 5. Market Operator is exempted from certification program**  
*Only the Market Operator can register a WCO without undergoing a Certification program because of expertise, and it is responsible also for providing training services.*

Per proposed revised penalty manual (catch-all provision) – P5,000

However, the registered WCO by the Market Operator shall also occupy **senior management position** such as those pertaining, but not limited, to **legal, risk management, regulatory or compliance**

## HIGHLIGHTS - DOE'S REVISIONS (MAY 2021 VERSION)

**Conceptual Changes**

- 6. Extending the Compliance Period and Adding a Transitory Provision**  
*To ensure readiness and compliance by current WCOs*
- 7. Removal of the pro-rated compliance vis-à-vis the credit units**  
*Full compliance of the requirements*
- 8. Removal of the classification of Active, Inactive, and Probationary Members and Reinstatement provisions**  
*The consequence of non-compliance with the rules – subject to sanctions; no more classification whether active or inactive;*

**Compliance Period is 3 years**

- Original proposal is 1 year

**Full Credit Units is 36 units**

- Original proposal is 20 credit units
- Lecture or trainings (even without examination) will be adequate;

## HIGHLIGHTS - DOE'S REVISIONS (MAY 2021 VERSION)

**Other Changes (Nomenclature)**

1. **From "Accreditation/Accredited" to "Certification/Certified"**  
Global change to mean certification of individual
2. **Change of Manual Title**  
WESM Compliance Officers Certification and Registration Manual
3. **From PEMC to Governance Arm**  
For consistency with the recent amendments in the WESM Rules
4. **WESM Enforcement Offers**  
Covered by the term WESM Compliance Officers
5. **Re-arrangement of order/sequence; rewording; merging of related provisions under one main section**  
For coherence and clarity.

**Classification**

- o **Designated WCOs** - individuals duly designated by the WESM Members to complete the relevant lecture or training requirements
- o **Certified WCOs** - completed at least thirty-six (36) credit units of Compliance Lecture Series or trainings and are issued a WCO certification
- o **Registered WCOs** – registered in the WESM as officer authorized to represent the company in compliance-related matters

WCO Certification and Registration Manual | 10

## HIGHLIGHTS - DOE'S REVISIONS (MAY 2021 VERSION)

**Solicit Recommendations**

1. Delineation of Responsibilities Between Direct and Indirect WESM Members
2. Specific Non-Compliances of the Registered WCOs subject to penalty
3. Repercussions for the Non-Compliant WCOs.

Highly dependent on the outcome of the proposed rules change on the Registration. Recommendation: await final resolution to align the concept with this.

Breach of the obligations under 7.2.9.2 WR (Coordination/participation in the investigation proceedings; submission of annual WCO Report) plus non-compliance with the continuing certification requirement (36 units/3 years)

Will not be authorized to represent the company or the WESM Member in all compliance and enforcement proceedings.

WCO Certification and Registration Manual | 11

## PEMC SUBMISSION

- Matrix\_WESM Rules\_Amendments re: WCO Certification and Registration requirement
- Matrix\_WESM Manuals\_Proposed Revised WCO Certification and Registration Manual
- WCO Certification and Registration Manual Issue 1.0 (Manual Form)
- Appendix I – Process Flowchart (Certification and Registration), as provided by the DOE

*Handwritten initials/signature*

## REQUESTED ACTION

---

FOR APPROVAL

Proposed Revisions to the WESM Rules and the  
Proposed WESM Accreditation and Certification Manual and  
Endorsement to the Board



Handwritten initials or mark.