

**MINUTES OF THE 97th MEETING OF THE RULES CHANGE COMMITTEE
Regular Meeting No. 2015-02**

Meeting Date& Time:	04 February 2015	
Meeting Venue:	9th Floor PEMC Training Rooms 2&3	
Attendance List		
In-Attendance		Not In-Attendance
Committee Members: Rowena Cristina L. Guevara --Chairperson/ Independent Francisco L. R. Castro, Jr. -- Acting Chairperson/ Independent Maila Lourdes G. De Castro --Independent Concepcion I. Tanglao --Independent Joselyn D. Carabuena --Generation -- PSALM Jose Ferlino P. Raymundo --Generation -- SMC Global Theo Cruz Sunico -- Generation -- 1590 EC Ciprinilo C. Meneses --Distribution, MERALCO Gilbert A. Pagobo -- Distribution --MECO Jose P. Santos --Distribution --INEC Lorreto H. Rivera --Supply --TPEC Ambrocio R. Rosales --System Operator --NGCP Isidro E. Cacho, Jr. -- Market Operator --PEMC Alternate Members:		Sulpicio C Lagarde, Jr -- Distribution -- CENECO
PEMC Chrysanthus S. Heruela - MAG Geraldine A. Rodriguez - MAG Romellen C. Salazar – MAG Caryl Miriam Y. Lopez - Legal Marcial J. Jimenez – TOD Edward I. Olmedo –TOD		
Others: (DOE/ ERC Observers/Other Resource Persons): Ferdinand B. Binondo – DOE		

There being a quorum, Chairperson Dr. Rowena Cristina L. Guevara called the meeting to order at around 9:00 AM.

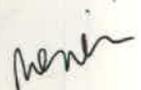
1 **I. AGENDA:**

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3 The Proposed Agenda for the 97th RCC Meeting was approved as presented.

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6 **II. REVIEW, CORRECTION AND APPROVAL OF THE MINUTES OF THE 96th RCC**
7 **MEETING**

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9 The RCC reviewed the Minutes of the 96th RCC Meeting and approved the same, as
10 presented, subject to the RCC's final review and confirmation of the Annexes of the Minutes
11 on the agreements made in relation to the proposed amendments to the WESM Rules and
12 Manual of Procedure for Changes to the WESM Rules. The RCC was given another week to
13 comment on the Annexes, the absence of further comments to which within the given time
14 frame, shall render the said Minutes as final and approved.

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16 Relative to the agreements reflected in said Annexes, Ms. Geraldine Rodriguez expressed the
17 Secretariat's withdrawal of its previous suggestion to revise Section 8.4.3.1 of the Manual in
18 order to provide authority for the RCC to correct clerical errors in proposals already approved
19 by the PEM Board, without securing the PEM Board's approval on further corrections. Ms.
20 Rodriguez explained that said instances of clerical errors are usually identified when the
21 Secretariat reflects the provisions as approved by the PEM Board in the Manuals or the Rules.
22 However, it was deemed that only amendments as approved by the PEM Board or circularized
23 by the DOE can actually be reflected in either the Rules or the Manual.

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25 The RCC acknowledged the concerns raised by Ms. Rodriguez and thereafter approved the
26 withdrawal of the previous suggestion to revise Section 8.4.3.1 of the Manual of Procedures
27 for Changes to the WESM Rules.

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30 **III. BUSINESS ARISING FROM THE PREVIOUS MEETING**

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33 **1. Proposed Amendments to the DOE Circulars on Disconnection (DOE DC2010-**
34 **05-0006 and DC2010-08-0010): Update from the RCC Sub-Committee on**
35 **Disconnection**

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37 Mr. Theo Sunico reported to the RCC the results of the discussion of the Sub-
38 committee, in its meeting held on February 3, in relation to the proposed amendments
39 to the subject DOE circulars on Disconnection. Below are the highlights of the Sub-
40 committee meeting, as imparted by Mr. Sunico:

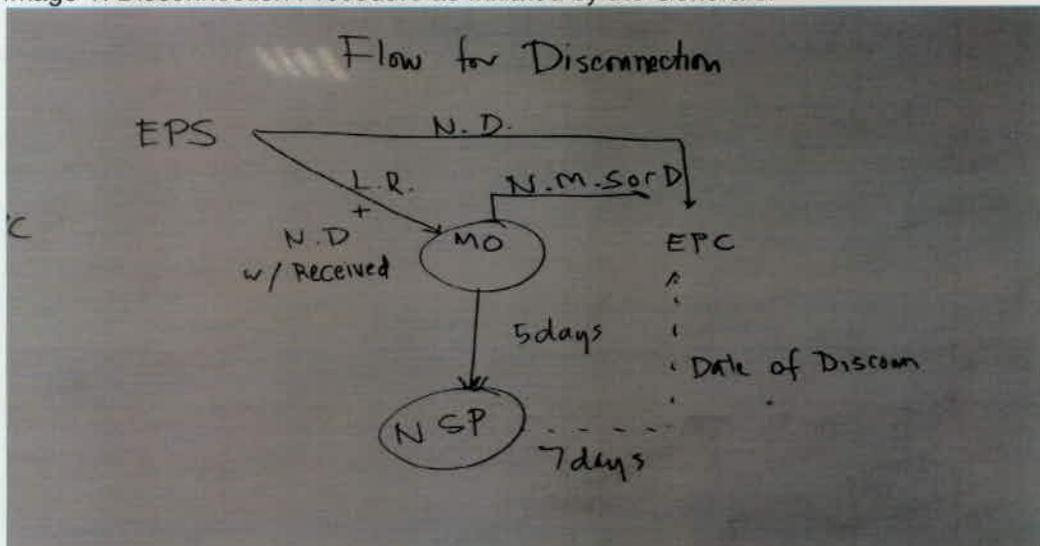
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42 i. From the current provision referring to National Grid Corporation of the
43 Philippines (NGCP) as the implementing agency for disconnection, the
44 proposal is to change this to the Network Service Provider (NSP), which shall
45 collectively cover both the NGCP and the Distribution Utilities (DU);
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47 ii. The Sub Committee does not recommend combining the procedure for
48 disconnection in the WESM and RCOA in one DOE Circular, since these have
49 different requirements and timelines and, thus, should be defined in separate
50 policy documents/DOE Circulars. Relatedly, another working group to
51 formulate the policy/DOE Circular for the retail side is proposed to be formed,
52 to be participated in by the DUs and ECs;
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54 iii. All requests for Disconnection (by the Generators) shall now be coursed though
55 the Market Operator instead of directly through the NGCP/NSP;

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- iv. It is proposed that once a Customer is suspended from the WESM, such suspension should automatically carry physical disconnection as a result of the suspension;
- v. It was noted that some of the terms used (such as the Electric Power Supplier/"EPS", Electric Power Customer/"EPC") are not the commonly used terms in the Manuals, the Rules or the EPIRA, and are used only for purposes of the pertinent DOE Circular. The body recommended aligning the terms used in the DOE Circular with the terms used under the WESM documents (WESM Rules and Manuals);
- vi. The Sub-committee raised its concerns on the procedure for approval of such proposal for amendments to the DOE circular, noting that it will be the first time the RCC will be proposing an amendment to a DOE Circular, which is not the normal course of the rules change process. Specifically, Mr. Sunico raised if the proposal to be submitted will be in bullet points as general comments, or if the RCC/Sub-committee should already submit the proposed wordings for the specific provisions in the DOE circular. The Sub Committee requests clarification from the DOE if said proposal will require an approval by the PEM Board or merely an endorsement from the PEM Board for the DOE's approval on the same;
- vii. The Sub-committee provided a rough draft of the flow of disconnection procedure initiated by: (a) a third party (Generator); and (b) the Market Operator (MO). (see image 1 and image 2 below).

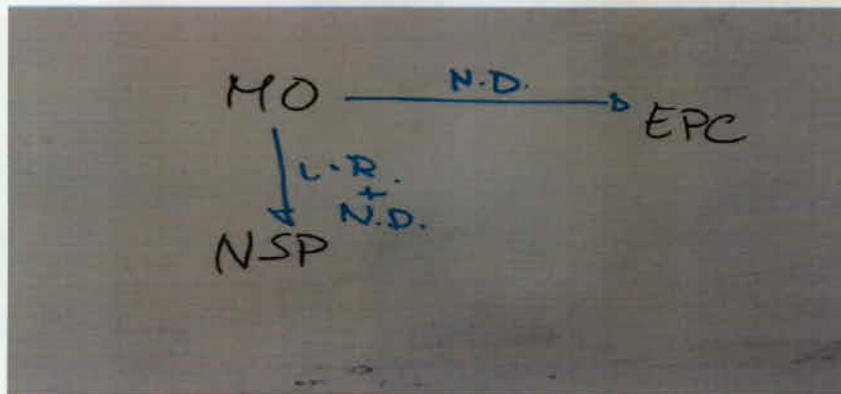
Image 1. Disconnection Procedure as Initiated by the Generator



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Image 2. Disconnection Procedure as Initiated by the Market Operator



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In response to the concern on the procedure for the approval of the Proposed Amendments to the DOE Circular, Dr. Guevara stated, that upon consulting with the DOE representative in the RCC, the procedure shall be as follows: 1) the RCC shall seek the PEM Board's endorsement to the DOE of the RCC-approved proposal.; 2) based on that submission, the DOE shall then review and approve the proposal, through the issuance of a DOE circular. It was duly noted that the PEM Board does not have the authority to approve such document since DOE Circulars are documents owned and issued by the DOE.

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Dr. Guevara explained that the proposal shall undergo the same procedure within the RCC. As such, the proponent will be the Sub-committee, and the Proposal shall be published within the prescribed period for comments, and deliberated upon by the RCC before it is finally approved and transmitted to the PEM Board and then to the DOE.

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As regard to the concern raised on the terminologies used in the DOE Circulars on Disconnection (e.g. EPC, EPS), the RCC commented that ideally, the terms to be used in the Circulars should be aligned with the generally accepted terms in the WESM as defined in either the EPIRA, WESM Rules or the Market Manuals. In addition, Mr. Ciprinilo Menescited, as an example, that the term "Supplier" is a technical term under the EPIRA and thus, should not be confused with the term "Generators" as they are totally different from one another. On this note, Mr. Ferdinand Binondo expressed that the RCC may propose changing the terminologies as it deems appropriate.

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Relative to the flow chart presented by the Sub-committee, Mr. Isidro Cacho raised his concerns, from the Market Operator's point of view, in relation to the proposal to coursing all requests for disconnection through the MO. He reiterated that the MO has no link to or knowledge of the contracts of Suppliers and Customers.

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Mr. Sunico responded that the procedure flow charts presented are mere rough drafts of the procedure being proposed, and the same may still be revised based on the requirements and timelines of the MO and the SO. He explained that their proposal is that the Electric Power Supplier will be responsible in sending the letter initially informing the Electric Power Customer that it will be disconnected. The Generators acknowledge that disconnection is a last resort and thus, it is assumed that prior to sending such letter, prior negotiations between the parties have been made, the end

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131 result of which proved to be unsuccessful. In this regard, the Electricity Power Supplier
132 will then be the one to inform the MO that it will move for disconnection. The EPS will
133 then write a letter to the MO requesting for disconnection, attaching thereto a copy of
134 the initial letter received by the Electricity Power Customer.

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136 In relation to the issue on suspension and de-registration of the Customer, Ms. Lorreto
137 Rivera explained that only the MO, and not the EPS, can request the suspension or
138 de-registration of a non-paying direct or indirect WESM member. As regards the
139 concern of Mr. Cacho that MO is not privy to the contracts of the EPS, Ms. Rivera
140 expressed that they acknowledge such concern, that all the risks or accountabilities
141 in relation to requests for disconnection seem to have been transferred to the MO.
142 Thus, she emphasized that their proposal to address such concern is that the EPS will
143 be the one to notify the EPC, and the received letter will form part of the EPS' request
144 for disconnection with the MO. The explanation was noted by Mr. Cacho.

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146 Mr. Sunico added that the proposed DOE circular shall mandate the EPS to provide
147 a justification for its request for the disconnection of an EPC. The Sub-committee
148 determined that the submitted letter to the EPC together with information that
149 negotiations have broken down, will be sufficient to trigger a disconnection.

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151 In relation to the timelines relative to disconnection, the RCC's comments are as
152 follows:

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- 154 • Mr. Cacho stated that the Philippine Code provides for a 7-day period to issue
155 a notice of interruption prior to physical disconnection. Such timeline was
156 concurred to by Mr. Rosales as their internal timeline for the issuance of the
157 notice of power interruption. He added the SO's timeline allows for sufficient
158 time to validate the data in relation to the disconnection request and likewise
159 to inform the EPC;
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 - 161 • Mr. Jose Ferlino Raymundo added that, at the same time, the MO implements
162 the 5-day prescriptive period on top of the 7-day timeline of the MO;
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 - 164 • Mr. Gilbert Pagobo expressed, on the other hand, that the ERC rules provide
165 for a 2-day prescriptive period or 48 hours. In response, Mr. Sunico stated that
166 the Sub-committee's proposal for 7 days is based on previous comments
167 from the SO on their internal timeline within NGCP.
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169 Mr. Rosales requested for further clarification regarding the procedure proposed by
170 the Sub-committee. He asked if the MO, upon receipt of the request for disconnection
171 from the EPS, shall already issue a notice of de-registration/suspension to the EPC
172 as well as a notice of disconnection to the SO, all at the same time, or, will the MO
173 first ask the EPC to pay its obligations and only upon failure to do such will the MO
174 issue a disconnection notice to the SO. In response, Mr. Sunico expressed that the
175 intent of the proposed procedure is for the immediate disconnection of the EPC upon
176 the MO's receipt of the request from the EPS as such request for disconnection
177 already assumes that negotiations between the parties have broken down. On this
178 note, Mr. Rosales commented that the effectivity date of market suspension and de-
179 registration should be once the EPC has been physically disconnected and as such,
180 the issuance of a notice of market de-registration and suspension is already deemed
181 unnecessary.

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In relation to the disconnection initiated by the MO, Mr. Cacho explained that such cases happen when a Customer violates applicable provisions in the WESM Rules such as those relating to prudential requirements. As a matter of procedure, the MO informs the non-complying WESM member, in this case, the Customer, and issues the disconnection notice within the 5-day prescriptive period.

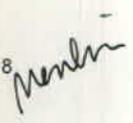
Mr. Rosales inquired from the Generators as to when the MO will issue the notice to SO to disconnect the EPC. Ms. Rivera responded that as mentioned in earlier discussions by Mr. Sunico, the intent of the proposed procedure is the immediate implementation of disconnection upon request from the Generator or Supplier once discussions and negotiations between the parties have failed.

On the concern regarding the issuance of separate DOE Circulars for wholesale and retail disconnection, Ms. Rivera likewise explained that given the different procedures for the two (e.g. the RES coordinates with the DU; there are direct and indirect customers), the Sub-committee recommends having separate sections in the same circular for the retail and wholesale disconnection, or having a separate circular for retail instead of putting it all together in one circular. Mr. Binondo expressed that ideally, the disconnection policy and procedures for both the wholesale and retail should be contained in one DOE circular to have a single promulgation of the policy on disconnection as a whole.

Relatedly, Ms. Rivera requested if another Sub-committee can be formed to craft the Proposed amendments to the DOE Circular incorporating the policy on disconnection for retail. She pointed out that in the RESA's proposed amendments to the Retail Rules on Disconnection, MERALCO commented that the procedures should be aligned with the DSOAR. In consideration of this comment, Ms. Rivera stated that it would be best, if the DUs and ECs will be involved in drafting the proposal of amendments to the DOE Circulars to ensure that the obligations under DSOAR, to which DUs and ECs are more knowledgeable, are considered in the disconnection policy of the DOE. In response, Dr. Guevara requested the DU and EC representatives, including the SO representative in the RCC, to form a sub-committee together with Ms. Rivera as suggested.

Further to the discussion, Mr. Rosales inquired on what the flow would be for the cancellation of disconnection. Specifically, he asked how the SO will be informed if settlement agreements were arrived at between the parties after the disconnection notice has been served by the SO. He explained that if procedures have been followed, all that the SO needs to do is to open the breaker to the lines of the Customer.

In response to the above query, Mr. Sunico responded that it should still follow the same process, that everything has to go through the MO, with a request coming from the EPS. Thus, from the EPS, a request shall be sent to the MO, which the MO will then forward to the SO. Mr. Sunico, however, acknowledged that the MO and SO may have internal procedures and timelines relative to reconnection that must be considered in the Proposal. Given this, the MO and SO were requested to provide to the Sub-committee their detailed flow charts for their procedures within their organizations.



232 The suggested procedures above were noted by Mr. Cacho. However, he emphasized
233 that if all the requests, both for disconnection and reconnection, will eventually be
234 coursed through the MO, what the MO would require is an official information or
235 request in writing from the concerned party.
236

237 On the part of the SO, Mr. Rosales raised his concern as to the liability of the NSP if
238 the disconnection was not implemented even if there was already a request from the
239 party. He pointed out instances where it became difficult for the SO to really cut off a
240 certain Customer. due to a third party, mostly political, intervention Mr. Sunico
241 expressed that for as long as the policy and procedures in the DOE Circular are clearly
242 defined, then that should already cover the SO and the DU, protecting them from any
243 third party intervention.
244

245 Dr. Guevara commented that the RCC should also consider that sometimes, in
246 situations involving non-paying DUs, the Rules are not enforced due to intervention of
247 interested parties. Mr. Francisco Castro similarly opined that the RCC may be trying to
248 formulate technical solutions to what can be considered as non-technical problems.
249 He expressed that a political problem should be matched with solutions that are also
250 political.
251

252 Atty. Caryl Lopez-Mateo also expressed her comments in relation to the concerns
253 raised by Dr. Guevara and Mr. Castro. The bottom line of her comments is that the
254 problems with the non-paying ECs is structural, and thus, the responsible oversight
255 agencies may probably consider stepping-in within the bounds of their authority to
256 rehabilitate the failing ECs to prevent the problem from spilling over to the private
257 sector. Relatedly, Mr. Binondo mentioned that the new charter of the National
258 Electrification Administration (NEA), the overall administrator of all ECs, has now given
259 it the power to step in relative to managing the financial performance of the ECs.
260

261 On the part of Mr. Sunico, he expressed that the primary concern of the Generators is
262 that they are the only ones bearing the burden as a result of the non-payment of some
263 Customers. He added that the problem is made worse by the fact that the Customers
264 are still able to draw power even if they have already been suspended from
265 participating in the WESM.
266

267 The concerns raised were noted by the body. Following the discussions, the RCC
268 agreed that the proposal for amendments to the DOE circular on wholesale and retail
269 disconnection will be finalized by the Sub-committees and shall be carried as a
270 proposal by the respective Sub-committees. Said proposals shall be presented during
271 the RCC meeting in March 2015.
272

273 Mr. Chrysanthus Heruela expressed that his understanding of the RCC's directions on
274 the matter is to craft the policy and procedure for wholesale and retail. However, he
275 opined that the RCC should also consider formulating a disconnection policy for the
276 wholesale, for the retail, and also for the DUs, in consideration that the DUs should
277 address disconnection for DU Customers (end-users) and the Contestable Customers.
278

279 Mr. Binondo commented that disconnection for the segments mentioned by Mr.
280 Heruela should be integrated rather than separated. He stated that the DU, being the
281 direct member in the WESM, is the one responsible for the disconnection of the indirect
282 Contestable Customer. Mr. Pagobo added that the applicable guidelines under the

283 DSOAR will just have to be reflected in the Proposal by the RCC. Ms. Rivera
284 commented that as a RES, their company is not covered under the DSOAR. Mr.
285 Meneses thus suggested to properly segment the coverage of disconnection, as
286 follows: (1) Disconnection for end-users, which is already covered under the DSOAR;
287 (2) Disconnection for DUs and RES for the retail side; and (3) Disconnection for
288 wholesale.

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290 Dr. Guevara agreed on the suggestion by Mr. Meneses. Further, she concurred with
291 the suggestion of Mr. Heruela that the consistency of the process under the DSOAR
292 should be validated against the provisions of the market Rules and Manuals,
293 particularly on prudential requirements and margin call cover. Mr. Heruela stated that
294 there may be inconsistencies between the requirements under the DSOAR and the
295 Market Rules and Manuals, as there was no RES yet at the time that the DSOAR was
296 formulated and promulgated

297
298 Following the discussions, Dr. Guevara summarized the assignments of the RCC, as
299 follows:

- 300 • Sub-committee on Disconnection by DUs (for End-users) – Mr. Meneses, Mr.
301 Santos, Mr. Pagobo, Mr. Rosales;
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303 • Sub-committee on Disconnection by DU and RES (for contestable – Mr.
304 Meneses, Mr. Santos, Mr. Pagobo, Mr. Rosales, Ms. Rivera; and
- 305
306 • Sub-committee on Disconnection for WESM – Atty. De Castro, Mr. Sunico, Mr.
307 Raymundo, Ms. Carabuena, Ms. Rivera

308
309 The three Sub-committees above were requested to craft their respective proposals
310 and make a presentation for the RCC in March, after which, the proposals will be
311 published to solicit comments following the RCC process. On the concern of Ms.
312 Rivera that RES is not covered by the DSOAR, Dr. Guevara recommended that the
313 sub-committee propose changes to the DSOAR to include the RES.

314
315 The assignments and instructions were duly noted.

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318 **2. Proposed New Market Manual on the Protocol for the Scheduling and Dispatch**
319 **of Energy and Contracted Reserves in relation to the DOE Department Circular**
320 **DC2014-12-0022**

321
322 Mr. Edward Olmedo of PEMC-TOD made a presentation relative to the previous
323 request from the RCC to craft the proposal for the RCC incorporating the MO-SO
324 protocol for the scheduling and dispatch of energy and reserve promulgated under the
325 pertinent DOE Circular. The presentation covered the following:

- 326
327 • Implementation updates in relation to the policy on central scheduling of energy
328 and contracted reserves;
- 329 • Process review relative to the MO-SO protocol, scheduling, and submission of
330 energy and reserve quantities;
- 331 • Determination of reserve requirement;
- 332 • Day-Ahead Scheduling;

- 333
- RTD Scheduling and Dispatch; and
 - Settlement of Reserve Capacities
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336 Mr. Olmedo stated that the determination of the reserve requirement relies on the
337 week-ahead projections (WAP) and day-ahead projections (DAP) by the MO, based
338 on submission of offers by the participants. However, it may be noted from the
339 published WAP and DAP reports that there is often a deficit in supply, which in reality
340 may not be the case, as the same is often only due to the non-submission by the
341 Generators of their standing offers. Based on observations, the demand is met in real
342 time and that participants often submit their offer within the 8:00PM and 10:00PM
343 trading intervals. He explained further that most participants submit their offers during
344 real time, however, the market projections are the basis for the determination of
345 reserves.

346
347 As an input to the discussion, Mr. Raymundo stated that under the Rules, participants
348 are required to submit their standing bids and offers. He added that said standing bids
349 and offers are submitted one time, for the year, and is supposed to be updated
350 regularly. He acknowledged that some Generators fail to update their standing offers
351 in the absence of a reminder for them to update their standing offers.

352
353 In response to the latter statement of Mr. Raymundo, Mr. Olmedo responded that a
354 Market Advisory was issued by the Market Operator on 22 January 2015 reminding all
355 participants to update their standing offers.

356
357 Mr. Rosales commented that the non-submission by Generators of their standing offers
358 on a day-ahead affects the determination of reserve requirements because such data
359 serves as the MO's basis for its projections, which data is then submitted to the SO.
360 The day-ahead projections are often in deficit because of the undeclared capacities
361 from the Generators. Mr. Rosales expressed that the problem was already raised by
362 the SO.

363
364 Atty. Lopez-Mateo shared that the same matter was discussed by the MSC in one of
365 its previous discussions and what was pinpointed by the Committee is that standing
366 bids and offers expire after a certain period, which is actually a limitation of the Market
367 Management System (MMS).

368
369 Dr. Guevara stated that given the limitation of the MMS, the MO should issue a
370 reminder to all participants to ensure that they submit their standing bids and offers.
371 Mr. Cacho expressed that since the requirement to submit standing bids and offers is
372 stipulated under the Rules, it is always assumed that participants are aware of such
373 Rules as participants in the WESM.

374
375 Atty. De Castro opined that what should probably be addressed is the limitation in the
376 MMS. She inquired if the prompt message reminding the participants to submit their
377 bids and offers can be automated.

378
379 Mr. Cacho responded that in relation to the limitation of the MMS regarding the
380 expiration of standing offers, the same was initially coordinated with the MMS provider,
381 and they quoted several millions for a simple patch to address such limitation. Thus,
382 it was decided by the MO to just include such enhancement in the new MMS.

383

384 As regard to the reminder to participants, Mr. Cacho stated that in the current MMS,
385 when participants submit offers below their registered capacity, they are prompted with
386 a message that their submitted offer is below their registered capacity. Based on the
387 WESM Rules, participants are required to submit their maximum available capacity,
388 which pertains to the registered Pmax less any hydro constraints and other technical
389 constraints. Mr. Cacho added that the expiration of standing bids and offers are also
390 determined by the participants and thus, provides for the exercise of self-commitment,
391 given their knowledge of their own plant's condition. He explained that in the market
392 participant interface, a field is provided for the participants for the start and end of their
393 standing bids and offers.

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395 Mr. Castro commented that given the assumption that the offer for each trading interval
396 does not vary much, it can likewise be assumed that the standing offers of a Generator
397 is more or less accurate unless their plants' condition change. Thus, he suggested
398 looking into how or when the standing offers should be reviewed and changed
399 accordingly, to avoid the inaccuracies in the market projections for each trading
400 interval. Mr. Rosales added that the WAP and DAP have become more critical now as
401 these will be the basis for the reserve requirements in the WESM.

402
403 Mr. Heruela stated that currently, there are no Rules requiring participants to submit
404 their day-ahead projections. However, the RCC may propose changing the Rules as it
405 deems necessary. He expressed however that there are policy issues in relation to
406 the day-ahead market, which he mentioned is not financially binding, because there is
407 still the real-time dispatch that prevails.

408
409 Moving forward with his presentation, Mr. Olmedo stated that with the protocol for
410 central scheduling, the SO still follows its process of submitting its day-ahead ASPA.
411 Such data is validated by the MO against the submission of nominations by the AS
412 provider to avoid clerical errors that may impact on scheduling and pricing in the
413 WESM. He also stated that when nominations for reserves are submitted, the prices
414 should be "0" in order not to affect the WESM prices.

415
416 Mr. Rosales emphasized that it is still the NGCP-SO that determines who provides the
417 day-ahead reserve schedules, which is the basis of the Generators for submitting their
418 offers in the market. However, because of the reference to the 12:00 DAP run, there
419 is the possibility of declaring under generation because of inaccurate projections.

420
421 Dr. Guevara commented that based on information shared by the parties, there are
422 existing Rules, duties and obligations that are not being followed. Having the limitations
423 mentioned by the parties, Dr. Guevara asked what provisions under the WESM Rules
424 can be changed to address such problem.

425
426 In response to Dr. Guevara, Mr. Cacho suggested that rather than simply requiring the
427 Generators to submit a standing offer, the RCC can probably propose provisions
428 requiring the submission of day-ahead offers.

429
430 Mr. Raymundo explained that the current WESM Rules provides that Generators
431 submit their standing offers. However, the MSC checks only the compliance of
432 Generators to their RTD schedule and not their submission of a standing offer.
433 Relatedly, Mr. Raymundo mentioned that when the MO called a meeting among the
434 Generators to discuss what would happen in the implementation of the central

435 scheduling, only those with ASPA were enjoined to participate in said meeting. Thus,
436 the other Generators with no ASPA were left uninformed and thus, were not reminded
437 to submit their standing offers. He suggested that probably, an information
438 dissemination by the MO may help resolve the problem of standing offers which are
439 not updated.

440
441 In response to the last statements of Mr. Raymundo, Mr. Olmedo stated that on 22
442 January 2015, all participants were reminded to submit their generations offers, which
443 reminder was made through a market advisory from the helpdesk. In this regard, Mr.
444 Raymundo requested to be provided with copy of said notice so that it can be sent
445 through an email blast to the members of PIPPA, with the intent of reminding them to
446 update their standing offers.

447
448 Following the discussions, the RCC, through a motion from Mr. Rosales, agreed to
449 propose the necessary changes in the appropriate Market Manual to address the
450 problem relative to the expiration of standing offers of Generators, with the following
451 suggested wordings:

452
453 **"In the absence of a standing offer, the maximum available capacity of the**
454 **Generator shall be considered as its standing offers."**

455
456 On a question raised by Dr. Guevara on what the next step shall be in relation to the
457 presentation made by Mr. Olmedo, Ms. Rodriguez explained that the request for the
458 MO to present the Protocol emanated from the RCC in its previous meeting.
459 Specifically, the RCC requested the MO to craft the proposed amendments to the
460 appropriate market Manual or to propose a new Market Manual incorporating the MO-
461 SO protocol in relation to central scheduling of energy and reserves as promulgated
462 under the DOE Department Circular DC2014-12-0022. Ms. Rodriguez expressed that
463 given the DOE's issuance of said circular, effectively approving the WESM Manual
464 Scheduling and Dispatch of Energy and Contracted Reserves, it is no longer
465 necessary to propose changes to the Market Manual as previously agreed upon by
466 the RCC. She expressed that the pertinent DOE Circular already approved the protocol
467 for implementation of all concerned.

468
469 Given the information from Ms. Rodriguez, the RCC decided to no longer push through
470 with the proposal to incorporate the protocol in the Market Manual. However, it agreed
471 to still submit the proposed revisions in relation to the submission of standing offers.

472
473 In relation to the scheduling of (regulating) reserves, Mr. Olmedo raised that the
474 Generators may be confused that once the RTD for energy is issued, Generators may
475 think that they should always abide by that RTD. However, he emphasized that upon
476 the implementation of the central scheduling, it may not always be the case because
477 the Generators may be dispatched upward or downward at anytime within the hour.
478 Thus, Generators should not be concerned with their being non-compliant with their
479 energy schedule because they will be exempted from the Rules on compliance with
480 RTD if they are certified as regulating reserve.

481
482 Mr. Raymundo expressed that hydro plants still have concerns relative to central
483 scheduling, thus, requesting the DOE for the deferment of its implementation while
484 ongoing internal discussions within PIPPA and with DOE are being conducted relative
485 to the matter. Mr. Raymundo explained that the hydro plants are particularly concerned

486 that the supply of water, which is scarce, may be depleted, given the nature of how the
487 regulating reserves can be dispatched (upward and downward regulation).
488

489 Dr. Guevara inquired if a simulation has already been conducted to see the impact of
490 the central scheduling in the market. Mr. Olmedo responded that only the actual
491 dispatch can be provided by the MO at the moment. Dr. Guevara asked when the
492 central scheduling would take effect. Mr. Binondo responded that the intent of the DOE
493 is to implement the DOE circular as soon as possible as part of the trial operations.
494 However, given the on-going discussions between the DOE and PIPPA, the
495 implementation has been deferred. He shared that a meeting has been set with PIPPA
496 within the week. It was also noted that PEMC will await the DOE's go signal before it
497 implements the central scheduling.
498

499 Mr. Raymundo expressed that the worst case scenario in case it happens that the
500 water supply is depleted particularly during summer, is that the capability of hydro
501 plants to provide energy will be reduced. He emphasized that these Generators'
502 capability is dependent on the water level. He stated that other than for power, the
503 National Irrigation Administration (NIA) also allocates water supply for irrigation
504 purposes.
505

506 Dr. Guevara commented that presumably, hydro plants have prior information on the
507 water supply a month ahead, thus, these plants can plan ahead on how they will make
508 their offer in the market and assuming that they foresee water supply problems, the
509 plants can always raise their concerns in relation to their participation in the WESM
510 with the DOE.
511

512 At this point, the RCC concluded its discussion on the matter and thanked Mr. Olmedo
513 for his presentation.
514
515

516 **3. Updates on PIPPA's Response to the RCC's Letter Inquiring on the Basis of**
517 **PIPPA for its Formulation of the Nominated Price in relation to the Proposed**
518 **Amendments to the Administered Price Determination Methodology**
519

520 Mr. Raymundo discussed PIPPA's response, through a letter to the RCC, on the RCC's
521 inquiry regarding the basis of PIPPA in formulating the Nominated Price (NP). As a
522 background, the RCC previously agreed that instead of the proposed formula by
523 PIPPA in determining the Administered Price (AP), the AP should be instead be
524 equated with the Generator Nominated Price, which the RCC noted is the rate
525 approved by the Energy Regulatory Commission (ERC) through the Power Supply
526 Agreement (PSA).
527

528 In essence, the PIPPA letter expressed its agreement to the RCC's suggestion of
529 equating the AP with NP, specifically, basing the NP from the latest-approved PSA. In
530 the absence of the PSA (for some Generators that do not have PSAs), the latest-
531 approved Ancillary Services Procurement Agreement (ASPA) shall be used as basis
532 for the NP. In the absence of the ASPA, the NP of Generators shall be equated with
533 the average nodal price of the Generator when dispatched on trading intervals that
534 have not been administered, for a period of one year, while trading intervals with "0"
535 dispatch shall not be included in the computation of the average nodal price.
536

537 Mr. Rosales commented that the ASPA rate will no longer be applicable in cases
538 when there is market intervention or suspension, because the applicable rate during
539 these times is the administered price.
540

541 Dr. Guevara explained that the ASPA rate will be applied only in the absence of the
542 PSA. Mr. Raymundo added that there is order of priority on which rate would be
543 applied. He added that details as to the implementation have not been determined yet
544 by PIPPA.
545

546 Mr. Meneses commented that the PSA rate should be provided by the Generator to
547 the MO as it would be difficult for the MO to calculate the rates on its own. Mr.
548 Raymundo responded that the effective rates based on the latest-approved PSA can
549 be calculated by the MO using the MWh and total amount in the billing. Mr. Meseses
550 commented further that the PSA rate is a complicated rate, and is not a simple addition
551 of two numbers. It will need a load factor to get such total PSA rate. He added that
552 such rate also moves based on the Philippine Consumer Price Index (CPI), among
553 others. He stated that the PSA rate is okay but expressed that he is more concerned
554 of the computational issues.
555

556 Dr. Guevara expressed that the operational concerns can probably be addressed as
557 the PIPPA finalizes its proposal. Meanwhile, RCC as a whole agreed that the PSA is
558 acceptable to be used as basis for the NP.
559

560 Mr. Binondo commented further that the Nominated Price should not be equated with
561 ASPA since the proposed AP formula is based on energy, while the ASPA price is
562 computed based on the Generator's capability to provide ancillary service.
563

564 Mr. Meneses again raised that the contract price is acceptable but, in reality, it will be
565 difficult to implement said rates for purposes of the AP. He cited, for instance, that in
566 one of their contracts, if they use the Generator for only a few hours in a month, the
567 average rate for that Generator could go as high as Php50million/KWh, as an example.
568 He expressed that while the PSA rate is approved by the ERC, the effective rate when
569 converted to per KWh, can be sky-high. Thus, he suggested qualifying the PSA rate
570 and establishing a base factor of capacity factor. For instance, for peaking plants, it
571 can be computed at 40% capacity factor, while for base load plants, it can be set at
572 80%. He also stated that the effective rates are variable as these are highly dependent
573 on dispatch. Mr. Meneses emphasized that he is amenable to the suggestion of using
574 the PSA but he reiterated that the PSA should be further qualified so as to consider
575 the capacity factor of plants in the calculation.
576

577 Mr. Raymundo acknowledged the concerns raised by Mr. Meneses. He stated that
578 these operational issues will be considered when the PIPPA comes up with a final
579 version of the revised proposal.
580

581 On the part of the MO, Mr. Cacho expressed that when PIPPA submits its final, revised
582 proposal, the process for operationalization should be clear. He also expressed that
583 based on discussions on the proposal, enhancements in the information exchange and
584 settlement process will be required, which Mr. Cacho stated, cannot be done in just a
585 month. He expressed though that the proposal can be implemented but will just need
586 to go through the revisions of the MO system to incorporate the formula in the design
587 of the Central Registration and Settlement System (CRSS) of PEMC.

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On this note, Mr. Raymundo reiterated that the MO is not required to calculate the administered price because this will be provided by the Generators. What would be required of the MO is to check the correctness and accuracy of the data provided to them, as against the supporting documents from the Generator. Mr. Raymundo likewise clarified that for Generators with several PSAs, the latest approved PSA shall be the one considered in the calculation of NP.

Following the discussions, the discussions, the RCC agreed as followed:

- PIPPA shall finalize its revised proposal, with complete details on the operationalization of said proposal. The AP shall be equated with NP, which NP is based on the latest ERC-approved PSA. The PIPPA shall likewise consider in the calculation of NP the capacity factor mentioned by Mr. Meneses;
- In the absence of the PSA, NP shall be equated with the average nodal price. PIPPA shall likewise clarify the one year period to be used for the computation of average nodal price; and
- For the MO, the necessary preparations shall be made for the enhancements required in the CRSS/billing and settlement system.

The RCC requested PIPPA through Mr. Raymundo to present the PIPPA's revised proposal in the next RCC meeting in March 2015.

IV. NEW BUSINESS

1. Proposed Amendments to the Manual on the Management of Must-Run Units and Must Stop Units Issue 5.0

Mr. Marcial Jimenez presented the PEMC's proposed amendments to the Manual on the Management of Must Run Units and Must Stop Units Issue 5.0.

Atty. Lopez-Mateo explained that the revisions being proposed, which were not part of the recently approved MRU revisions, is in compliance with the ERC Order dated 09 June 2008. However, she clarified that neither the PEMC's proposal nor the ERC Order changes the formula in the recently approved MRU-MSU manual. Rather, the proposal seeks to incorporate the detailed procedures for the implementation of the ERC Order dated 06 February 2008 on the calculation of the Generation Price Index (GPI). She added that the proposal only provides the detailed computation of the GPI, which is what is currently being done already.

In the course of discussions, the RCC made some comments on the note in the formula. For clarity, the RCC recommended changing the notes as follows:

"...trading day *d* ~~from~~ *in* billing period *m-1*..."

636 Following the presentation, the RCC approved the posting in the WESM website of the
637 Proposed Amendments to the MRU-MSU Manual Issue 5.0, subject to the revision
638 above, to solicit comments of participants and interested parties.
639

640 **2. PEM Board Presentation on Proposed Amendments to the Manual on the**
641 **Management of Must-Run Units and Must Stop Units Issue 5.0 relative to Section**
642 **9.2**

643 Ms. Rodriguez informed the RCC of the result of the last PEM Board meeting in relation
644 to the MRUs, as follows:
645

- 646 • The PEM Board approved the original-RCC approved Section 9.2 of the MRU-
647 MSU Manual on the verification of MRU data to conform with the provision of
648 the WESM Rules Clause 3.14.18 on Disputes, which provides for the 12-month
649 prescriptive period. It was recalled that when the RCC's proposed revisions on
650 the MRU was presented during the PEM Board meeting on 29 September
651 2014, the PEM Board resolved to revise the RCC-endorsed Section 9.2,
652 wherein Generators shall be given two weeks to controvert the MRU data,
653 otherwise, the report shall be deemed as final; and
654
- 655 • The PEM Board directed the RCC to review the WESM Rules clause 3.14.8
656 and other relevant Manuals that will be affected by the approved Section 9.2
657 and consider discussing the possibility of improving the time allowed to dispute
658 billing statements and its supporting data within a more reasonable period. The
659 PEM Board deemed that the two weeks is too short while one year is too long
660 a period.
661

662 Mr. Cacho expressed that the PEM Board instruction effectively leaves it up to the
663 RCC to determine a reasonable time relative to the verification of data.
664

665 In response to the PEM Board, the RCC agreed as follows:
666

- 667 • Retain the two-week prescriptive period in the Manual and the 12-month period
668 under the relevant provisions in the WESM Rules, and revise relevant
669 provisions for consistency. Dr. Guevara clarified that all affected Rules and
670 Manual provisions will be revised, inserting a provision/phrase that "**except for**
671 **MRU and MSU, which is governed by the Manual**" for the provisions
672 prescribing the 12-month period; and
673
- 674 • The RCC noted that the agreement above does not prevent the Market
675 Operator from proposing a different time frame as it determines reasonable,
676 based on PEM Board's comments.
677

678
679
680 **V. OTHER MATTERS**

681
682 **1. Confirmation on the Detailed Formula for the Payment of Displaced Generators**
683

684 Mr. Jimenez presented the detailed formula for the settlement of Displaced Generators,
685 which will form part of the PEMC's filing before the ERC on the changes in pricing relative

686 to the recently approved MRU-MSU Manual. Following are the discussions and the RCC's
687 comments relative to PEMC's presentation:
688

- 689
- 690 • Explanatory notes should be stated, including what the EAQ, EAQ-MQ, 0.03, etc.
691 represent, to make it a full-fledged Annex to the ERC filing;
 - 692 • In relation to the payment of MSU ($MSU_{Q_j} = MQ_j - 1.03 * EAQ_j$), the RCC
693 recommended removing the 1.03 in the formula. Dr. Guevara expressed that if a
694 Generator's deviation is within the 3% dispatch tolerance, that amount will not be
695 counted as a violation. However, in terms of payment, the Generator should not be
696 paid for any generation made that is not in accordance with its RTD;
697
 - 698 • Based on suggestions of Mr. Meneses, the RCC agreed that a clear definition and
699 graph of the EAQ and particularly, RTX, should be reflected in the appropriate
700 Market Manual. It was noted from the explanation of Mr. Cacho that the matter is
701 explained only in the WESM Training Courses;
 - 702
 - 703 • The RCC emphasized the concept of causer's pay. If a generator tagged as MSU
704 did not cause a Generator to be displaced, then it does not have to pay another
705 Generator. However, its non-compliance will still be subject to the Market
706 Surveillance Committee for possible investigation and penalties;
 - 707
 - 708 • The RCC agreed that if MQ equals EAQ, then the payment should be based on
709 the pro-rating of the MQ, in order to find a solution for such cases of zero values;
710 and
 - 711
 - 712 • In relation to the concern of Mr. Raymundo on accounting for station use and over-
713 payment to Generators, Mr. Cacho expressed that the rational thing to do to
714 reconcile the EAQ with MQ in cases of net metered quantities and higher EAQ, is
715 to adjust the EAQ. However, it has yet to be determined how to scientifically
716 compute the EAQ in such a case. He noted that data on some Generators' house
717 loads are not available with the MO. The RCC likewise noted that some Generators
718 have no meters to measure their station use.

719
720 Following the discussions on the station use of Generator's, which concern was raised by
721 Mr. Raymundo, the RCC requested the MO to present in the next RCC meeting a logical
722 and fair way to scientifically compute the EAQ and determine the house load of
723 Generator's located in the gross meter. In this regard, Mr. Meneses suggested using excel
724 look-up table in determining the house load of a Generator vis-à-vis its losses. The
725 instruction and suggestion were duly noted by Mr. Cacho
726

727 **2. Confirmation of the 2015 RCC Work Plan**

728
729 The RCC Confirmed the 2015 RCC Work Plan as a result of the Planning session held
730 last 14 January 2015, subject to the following:
731

- 732
- 733 • Mr. Jose Santos requested that the target submission date of the EC's Proposal
734 on SSLA (item 2) be moved from March 2015 to April 2015;

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- In relation to the Proposal agreed upon by the RCC on asset boundaries and the responsibilities on the maintenance of transmission facilities (item 16), Mr. Raymundo commented that such may be lodged with the ERC or the GMC instead of the RCC as it involves transmission which is covered under the PGC. Dr. Guevara responded that a review of the WESM Rules and Manuals should be made first, and if the opinion of the body eventually is that the RCC may not be the proper venue for tackling matters on transmission, then the Proposal may be to delete the relevant provisions in the Rules and/or Manuals on such; and
 - In relation to item 18 on the proposed abolition of the Ancillary Services Monitoring Market Manual, the RCC agreed that a thorough review shall be made jointly by the MO and the SO before proposing a deletion of the Manual. It was agreed to retain the Proposal in the Work Plan, with the appropriate action given to the MO and SO; and
 - It was agreed that the review of emergency procedures (item 14) be given to the MO and SO;

753 The RCC approved the revised Work Plan, subject to incorporation of the above
754 discussions. The RCC likewise agreed to transmit the revised 2014 Work Plan to the PEM
755 Board.

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757

758 **VI. NEXT MEETING**

759

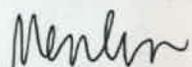
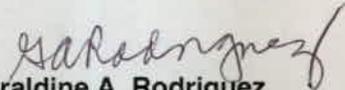
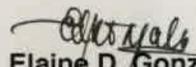
760 The RCC was reminded of the previous agreement to meet on the following dates in the
761 succeeding months of 2015:

- 762
- 763
- 764
- 765
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- 767
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- 98th RCC Meeting – Mar 4
 - 99th RCC Meeting – Apr 8
 - 100th RCC Meeting – May 6
 - 101st RCC Meeting – June 3

769 **VII. ADJOURNMENT**

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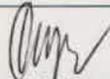
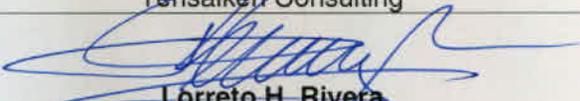
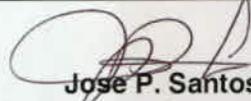
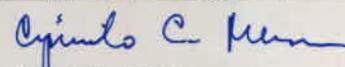
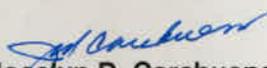
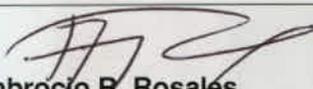
771 There being no other matters at hand, the meeting was adjourned around 3:15 PM.

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Public

Meneses