MINUTES OF THE 87th MEETING OF THE RULES CHANGE COMMITTEE

Meeting Date & Time:	07 May 2014 – 09:00 AM to 3:00 PM
Meeting Venue:	PEMC, 18th Floor PEM Board Room, Robinsons Equitable Tower, Ortigas Center, Pasig City

Attendance List

In-Attendance	Not In-Attendance
Rules Change Committee Members Rowena Cristina L. Guevara --Chairperson/ Independent --UP Francisco L. R. Castro, Jr. --Independent--Tensaiken Consulting Maila Lourdes G. De Castro –Independent Concepcion I. Tanglao --Independent Ambrocio R. Rosales --System Operator --NGCP Joselyn D. Carabuena --Generation -- PSALM Jose Ferlino P. Raymundo --Generation -- SMC Global Theo Cruz Sunico -- Generation -- 1590 EC Jose P. Santos --Distribution –INEC Gilbert A. Pagobo -- Distribution –MECO Lorreto H. Rivera --Supply --TPEC Sulpicio C. Lagarde, Jr. --Distribution –CENECO Ciprinilo C. Meneses --Distribution, MERALCO	Isidro E. Cacho, Jr. -- Market Operator --PEMC

Rules Change Committee Alternate Members

Edwin N. Mosa – Market Operator -- PEMC

PEMC – Market Assessment Group (MAG)
Geraldine A. Rodriguez
Divine Gayle C. Cruz

PEMC – Legal
Maria . Lourdes S. Sabundayao- Andres

PEMC - TOD
Edward I. Olmedo

PEMC-CSD
Yhardlee Centeno
Millan Libongco

ERC Observer(s)

Dir. Mylene C. Capongcol

DOE Observer(s) Ferdinand B. Binondo
Others Present Atty. Amanda Bengson Ms. Cherry Javier Ms. Bernadette Policarpio

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

1. Adoption of the Proposed Agenda

The Proposed Agenda for the 87th RCC Meeting was approved as amended, with the presentation of the proposed amendments by Global Business Power Corp. and Aboitiz Power Corp. moved, to be tackled earlier than the prescribed order in the agenda, to accommodate the schedules of both parties' representatives.

2. Reading of the Minutes of Meeting

o Minutes of the 86th RCC Meeting

The RCC reviewed the 86th RCC Minutes and the accompanying Annexes regarding the revisions made to the Proposed Amendments to the Dispatch Protocol Manual and the Manual on Must-Run Units (MRUs). The Committee made the following corrections on the said minutes:

Annex A - Proposed Amendments to the DPM

RCC Changes 04 April 2014	RCC Changes 07 May 2014
4.4. Over-Riding Constraints xx Imposition of Overriding Constraints in the MDOM include ~~among others~~ the following: • Security Limits; and ~~Nomination of Must-Run Units (MRU)~~ • Must Run Units • Emergency de-rating/ outage of specific transmission lines • Non Security Limits • Regulatory and Commercial Testing • ~~Emergency de-rating/ outage of specific transmission lines~~ • ~~Additional reserve requirements~~ • Generating unit limitations • Other types as may be recommended by the System Operator	**4.4. Over-Riding Constraints** xx Imposition of Overriding Constraints in the MDOM include ~~among others~~ the following: • Security Limits; and ~~Nomination of Must-Run Units (MRU)~~ • Must Run Units • Emergency de-rating/ outage of specific transmission lines • Other types as may be recommended by the System Operator • Non Security Limits • Regulatory and Commercial Testing • ~~Emergency de-rating/ outage of specific transmission lines~~ • ~~Additional reserve requirements~~ • Generating unit limitations

Annex B: Proposed Amendments to the Manual on Must Run Unit (MRU)

✓ Page 11:

RCC Discussion 04 Feb 2014	RCC Changes 07 May 2014
7. Must-Run Units/~~Must-Stop Units~~	7. Must-Run Units/~~Must-Stop Units~~
7.1. The System Operator shall select and designate the generating unit that will run as an MRU **andor will be** ~~tagged as~~ **MSU** for any relevant trading interval, in accordance with the criteria set forth in this Manual. ~~The dispatch of the selected MRU/s shall be based on the hour-ahead generation schedule generated by the Market Operator.~~	7.1. The System Operator shall select and designate the generating unit that will run as an MRU **andor will be** ~~tagged as~~ **MSU** for any relevant trading interval, in accordance with the criteria set forth in this Manual. ~~The dispatch of the selected MRU/s shall be based on the hour-ahead generation schedule generated by the Market Operator.~~
7.2. The criteria and considerations for selection of an MRU/MSU will depend on the reason for the designation of the MRU/MSU, as detailed in the table below.	7.2. The criteria and considerations for selection of an MRU/**MSU** will depend on the reason for the designation of the MRU/**MSU**, as detailed in the table below.

✓ Page 14:

RCC Discussion 04 Feb 2014	RCC Changes 07 May 2014
• The System Operator deviates from the WMOT and issue**s** dispatch instruction to the Generating unit/s with fast ramp rate capability to constrain-on its output to immediately address threat in security and reliability of the grid. • During islanding operation or whenever a portion or part of the grid was isolated, the System Operator may require the Generator/s to come on-line to supply the corresponding demand of the localized portion of the isolated part of the grid	• The System Operator deviates from the WMOT and issue**s** dispatch instruction to the Generating unit/s with fast ramp rate capability to constrain-on its output to immediately address threat in security and reliability of the grid. • During islanding operation or whenever a portion or part of the grid **was is** isolated, the System Operator may require the Generator/s to come on-line to supply the corresponding demand of the localized portion of the isolated part of the grid

✓ Page 15:

RCC Discussion 04 Feb 2014	RCC Changes 07 May 2014
9. Settlement of Must Run Units Generating units which are designated by the System Operator as Must Run Units shall be compensated based on the prevailing Generation Price Index (the "GPI"). GPI represents the blended price of bilateral and spot energy purchases. This approximates the generation charge component paid by the electricity end-consumers.	**10. Settlement of Must Run Units** Generating units ~~which~~ **that** are designated by the System Operator as Must Run Units shall be compensated based on the prevailing Generation Price Index (the "GPI"). GPI represents the blended price of bilateral and spot energy purchases. This approximates the generation charge component paid by the electricity end-consumers.

✓ Page 26-27:

RCC Discussion 04 Feb 2014	RCC Changes 07 May 2014
xx A separate or combined report shall be provided by the SO covering each of the grids with WESM operations in accordance with the timeline set forth in this WESM manual. Should there be any errors or revisions in any of the reports that has already been submitted by the SO; the SO shall submit a revised report within two days of identifying the errors or necessary revision. The Metered Quantities (MQs) provided by the MSP at the end of the billing period shall then be used for the settlement of MRUs and Displaced Generator MSUs based on the provisions of Items 9.3 and 10.1 of this manual.	xx A ~~separate or combined~~ report shall be provided by the SO covering each of the grids with WESM operations in accordance with the timeline set forth in this WESM manual. Should there be any errors or revisions in any of the reports that has already been submitted by the SO; the SO shall submit a revised report within two days of identifying the errors or necessary revision. The Metered Quantities (MQs) provided by the MSP at the end of the billing period shall then be used for the settlement of MRUs and Displaced Generator**s** MSUs based on the provisions of Items 9.3 and 10.1 of this manual.

Following the above revisions and noting Ms. Joselyn Carabuena's comment that she be removed from the Members in attendance during the subject meeting, the RCC motioned and seconded the approval of the Minutes of the 86th RCC meeting as amended.

3. Business Arising from the Previous Meeting

- **Proposed Amendments on the Disconnection Procedure**

Mr. Theo C. Sunico presented and ran through the pending proposed amendments to the disconnection policies and procedures provided in the WESM Rules, which aim to update and align the disconnection procedures of the WESM with those already formulated in the DOE guidelines, specifically DOE Circular Nos. 2010-05-0006 *("Terminating the Default Wholesale Supplier Arrangement for the Wholesale Electricity Spot Market [WESM] and Declaring a Disconnection Policy")* and 2010-08-0010 *("Prescribing the Implementing Rules and Procedures for DOE Circular No. 2010-05-0006").*

Going through the previous comments made on the proposal, below are the discussions which followed on the matter:

✓ Mr. Sunico explained that throughout the WESM Rules, the System Operator (SO) is indicated to be the one to implement the physical disconnection. However, Mr. Ambrocio Rosales' previous description of the process of disconnection segregated the NGCP and the SO in the performance of this task. Mr. Sunico further inquired from Mr. Rosales if there is a need to delineate the NGCP and the SO as regards who is actually responsible for disconnecting a WESM Member from the grid, an affirmation of which will be inconsistent with the WESM Rules that only mentions the SO. Mr. Rosales

explained that a series of administrative procedures exist in order to effect the physical disconnection, that simply stating that the SO performs said task would be inaccurate. To address the uncertainty on who implements the disconnection, the Committee subsequently requested Mr. Rosales to search for pertinent documentation to confirm whether there is a need for the distinction or not.

- ✓ On sub-clause 2.9.2.1. (b), which prescribes that the MO shall submit the Notice of Disconnection from the requesting party to the NGCP, Mr. Sunico inquired from Mr. Rosales what should be the time frame within which the MO should submit said notice. Dr. Guevara responded that the specific time frame would be based from the documentation of the disconnection process already requested from Mr. Rosales.

- ✓ Given that an Indirect WESM Member will likewise be suspended from trading and disconnected from the grid when the Direct WESM Member with whom it transacts is suspended, per sub-clause 2.7.2.1 of the proposal, Ms. Carabuena suggested that the negative repercussion on the indirect member from the disconnection should be addressed. She mentioned a scenario where indirect members who are Contestable Customers (CCs), malls for instance, whose distribution utility (DU), a direct member, is in default with the WESM would be cut off from the grid even though they are paying their obligations. Dr. Guevara, however commented that said scenario is a natural risk that such CCs face in partnering with a specific DU. Mr. Sunico further clarified that indirect members facing disconnection from the grid in this case have an option to either change their status into becoming a direct WESM member, look for a different supplier, or remove themselves from the line of the DU in default.

- ✓ Mr. Jose P. Santos forwarded another scenario to Mr. Sunico wherein a contestable customer, who is a direct WESM member, is connected to the sub-station of a sanctioned DU. The latter responded that the CC should then transfer to another DU or establish its own wire facility. In response, Ms. Carabuena stated that there should be remedies in such cases for the CC, since it just so happens that it is using the facility of the disconnected DU though it is drawing power from a separate supplier. Specifically, she suggested that existing rules or documents that may address or answer for the negative impact (i.e. financial losses) of the suspension and disconnection be added to the proposed amendments. She added that such documents should be inserted so that direct or indirect members would be informed right at the beginning that if they would be negatively affected during an implementation of the disconnection policy, there are pertinent documents that should be referred to that may address their issues.

- ✓ Though Mr. Sunico agreed with Ms. Carabuena's general concern that the impact of the policy from the side of the indirect (or direct) WESM member dragged into the suspension or disconnection should be dealt with as well, he commented that the subject should perhaps be more appropriately tackled in other manuals and not specifically in the WESM Rules.

- ✓ Noting the overall comments and highlighting Mr. Ciprinilo C. Meneses' assessment that the disconnection policy may not be legally feasible because of the potential 'collateral damage' and legal issues that may arise in the implementation, Dr. Guevara inquired from the Committee if the proposed amendments could actually push through. Ms. Carabuena simply explained that there must be rules, agreements or documents that should take effect to protect the disconnected WESM member as a result of the default of the DU. Identifying them would also protect the market and whichever entity implements the disconnection from being sued. Mr. Sunico believed that there are indeed agreements in place between the CCs and the DUs, so there is no need to include them in the WESM Rules.

- ✓ Mr. Sulpicio C. Lagarde further commented that a technical solution for the CCs and the DUs is to establish sub-stations for each CCs. This would naturally be expensive as that would involve capital expenditure which the consumers will pay for.

Having noted the comments made, the RCC approved the posting of the proposal in the market website to solicit comments from WESM participants and other similarly interested parties.

- **Proposed Amendments to various WESM and Retail Manuals as proposed by the DRA**

The RCC approved the PEMC - Metering Department's counter-proposal to replace 'Dispute Resolution Administrator' with 'Enforcement and Compliance Officer' in sections 1.3.4 and 1.4.1. of the WESM and Retail Market Manuals on Metering Standards and Procedures, respectively, instead of deleting the entire sections as proposed by the DRA.

The approved proposals are as follows:

Title	Section	Provision	Initial Proposed Amendment	RCC-Approved Proposed Amendment
WESM Manual on Metering Standards and Procedures	**1.3.4. Responsibilities**	xx **1.3.4.** The Dispute Resolution Administrator shall be responsible for the investigations on any infractions of the Trading Participants/Metering Services Provider or in cases where disputes which may arise involving meter data or tampering of any metering facilities that is detrimental to the integrity of the meter data; xx	xx **1.3.4.** ~~**The Dispute Resolution Administrator shall be responsible for the investigations on any infractions of the Trading Participants/Metering Services Provider or in cases where disputes which may arise involving meter data or tampering of any metering facilities that is detrimental to the integrity of the meter data;**~~ xx	xx **1.3.4.** The **Enforcement and Compliance Officer** shall be responsible for the investigations on any infractions of the Trading Participants/Metering Services Provider or in cases where disputes which may arise involving meter data or tampering of any metering facilities that is detrimental to the integrity of the meter data; xx
Retail Market Manual on Metering Standards and Procedures	**1.4.1. Compliance and Implementation**	**1.4.1. Compliance and Implementation** xx e) The *Dispute Resolution Administrator* shall be responsible for the investigation of any infraction by a *Retail Metering Services Provider* of a *Contestable Customer*, cases where disputes involved *metering data*, and tampering of any *metering installation* that is detrimental to the integrity of the *metering data*; xx	**1.4.1. Compliance and Implementation** xx **e) The *Dispute Resolution Administrator* shall be responsible for the investigation of any infraction by a *Retail Metering Services Provider* of a *Contestable Customer*, cases where disputes involved *metering data*, and tampering of any *metering installation* that is detrimental to the integrity of the *metering data*;** xx	**1.4.1. Compliance and Implementation** xx e) The ***Enforcement and Compliance Officer*** shall be responsible for the investigation of any infraction by a *Retail Metering Services Provider* of a *Contestable Customer*, cases where disputes involved *metering data*, and tampering of any *metering installation* that is detrimental to the integrity of the *metering data*; xx

The other part of the proposed amendment, to include the Dispute Resolution Market Manual as additional reference under the pertinent sections in the WESM Manual on *Registration, Suspension and De-registration Criteria and Procedures*, Retail Market Manual on *Registration Criteria and Procedures* and Retail Market Manual on *Market Transactions Procedures*, were retained.

RCC thus approved the proposal as amended and agreed to submit the said proposal to the PEM Board for its approval.

- **Further Simulations on CVC Values**

Mr. Edward I. Olmedo presented the results of further simulations with the revised CVC values without re-prioritizing the constraint violations, as previously suggested in the 02 April 2014 discussion of the RCC. The new values were provided taking into account the sufficiency of the gradations, with the intention of preventing the values from overlapping should any combination of simultaneous constraint violations occur. The proposed values are as follows:

Priority	Constraint Violation Coefficient Name	CVC, P/MWh
9	Deficit Interruptible Load Reserve	100,000
8	Deficit Dispatchable Reserve	150,000
7	Deficit Contingency Reserve	200,000
6	Contingency (N-1)	400,000
5	Nodal Value of Lost Load	900,000
4	Under Generation	1,000,000
	Over Generation	(1,000,000)
3	Deficit Regulating Reserve	1,500,000
2	TCG Constraint	1,800,000
1	Base Case Constraint	1,900,000

The differences between the CVC values, particularly from priority 1-6, were adjusted in a way that will more accurately reflect the distinction should constraint violations occur simultaneously. For instance, the value of Contingency (N-1) was set at 400,000 so that there will be sufficient difference from the sum of the CVCs of Deficit Dispatchable

Reserve and Deficit Contingency Reserve (350,000 + allowance of 50,000). As an example, Mr. Olmedo cited the areas of Zapote and Dasmariñas. If the difference between the coefficient of Contingency (N-1) and the coefficient of Deficit Dispatchable and Contingency Reserve is smaller or not sufficient, generators who will provide reserve will still be scheduled to be dispatched in those areas, and in turn violating Contingency (N-1) while the constraint violations with lower costs will not occur first. The same considerations were applied in setting the gradation levels and values for priorities 1-5.

Mr. Meneses raised that the new CVC value for the 'Under generation' constraint may not properly reflect its widely varying magnitude because the corresponding value is fixed. He cited that the impact to the scale of under generation of, say, Caliraya power plant shutting down is incomparable with the effect of a Malampaya shut down. He therefore suggested that the CVC value should be indexed to the extent of under generation. Mr. Olmedo however responded that this is not possible under the current Market Management System (MMS), but might be incorporated with the new MMS.

Mr. Gilbert A. Pagobo also inquired if the new CVC values will also apply within the Visayas, considering the proposed CVC values were based from the scenarios usually occurring in Luzon. Mr. Olmedo responded that the Base Case Constraint remains to be the first priority regardless of where the limitations occur.

The RCC noted Mr. Olmedo's presentation with appreciation. The said values will be considered in the re- submission of the CVC Manual as a regular amendment following the provisions of the Rules Change Manual that urgent amendments will be re-submitted to the Rules Change Committee as a regular amendment , with any changes as deemed necessary, as observed during implementation of the urgent amendment within the six-month effectivity period, already included.

4. New Business

- **Proposed Urgent Amendments to the WESM Rules and Dispatch Protocol Manual to Include provisions to Allow the Nomination of Stand-by Capacity**

After the Secretariat informed the RCC of the procedures as regards urgent amendments, the representatives from Global Business Power Corp. (GBPC) proceeded to present their proposal for the inclusion of the provisions allowing the nomination of Stand-by Capacity in the WESM Rules and Dispatch Protocol Manual.

Atty. Amanda Bengson relayed that on 28 March 2014, DOE Secretary Petilla conferred with generators to discuss the coming summer months as DOE was concerned of the repeat of the November-December 2013 occurrence of higher demand coupled with under generation. The generators noted that due to the Must Offer Rule (MOR), peaking plants that do not want to be dispatched, bid close to the Offer Cap. However, it was conceded that it was not possible to dispense with the MOR because the SO wants to account for all the available capacity in all trading intervals.

The proponent further explained that they deemed their proposal urgent because they believe the introduction of Stand-by Capacity, with corresponding offer prices and its own Merit Order Table, would mitigate possible high spot market clearing prices (MCP) during the summer months of May, June and July when electricity demand is high and occurrences of under-generation are likely due to the scarcity of water as resource for hydro plants.

The salient points of the GBPC's proposal are as follows:

a. Instead of offering as energy at very high prices to prevent from being dispatched in a given trading interval, generators, particularly peaking plants, shall account for their capacity as Stand-by Capacity. The Stand-by Capacity of each plant shall be taken out from their registered maximum capacity, and shall have its own nominated offer price and Merit Order Table.

b. The proponent also explained that depending on the generators, the Stand-by Capacity may be offered by plant or by unit. The Pmax may be offered by the plant either in the energy market or as Stand-by Capacity, depending on the generators.

c. The Stand-by Capacity will only be dispatched by the SO when there is under-generation during off-peak hours.

d. The proponents highlighted that in the event the Stand by Capacity plants are dispatched, the spot MCP set by the base load plants will not be affected since the Stand-by Capacity will have its own Merit Order Table, which should prevent spikes in the MCP set by the dispatched peaking plants.

e. The plant whose Stand-by Capacity is dispatched will be paid using 'pay-as-bid' pricing scheme, or the market clearing price, whichever is higher.

It was proposed that the following revisions be made accordingly in the WESM Rules and the Dispatch Protocol Manual:

- **WESM Rules**
  - Inclusion of definition of Maximum Available Capacity (redefined)
  - Inclusion of definition of Stand-by Capacity
  - Inclusion in Appendix A.1.1 the provision for Stand-by Capacity

- **Dispatch Protocol**
  - Redefinition of Maximum Available Capacity
  - Additional definition of Stand-by Capacity
  - Additional provision for MOT and dispatch instruction on Stand-by Capacity

The following comments were made by the RCC during the deliberation:

- ✓ Mr. Rosales commented that he would support the proposal only if there is true under-generation of supply capacity for which Stand-by Capacity plants shall be instructed to run. He would strongly oppose the proposal, however, if there is only an artificial under-generation due to lack of offers.

  He also added that a situation might occur where all plants would declare their plants on Stand-by Capacity, in which case other plants will bid higher because of the resulting decreased offers. As an outcome, there will be high MCPs as well as high Stand-by Capacity prices nominated by the dispatched plants.

  Atty. Bengson responded there are other market rules and mechanisms in place in addressing negative market behavior or sanctioning plants that purposely withhold their capacity resulting to artificial under-generation.

- ✓ Atty. Ma. Lourdes Sabundayo-San Andres pointed out that while the dispatched Stand-by Capacity plants will not deliberately affect the MCP, the fact that said capacity will be removed from the overall supply capacity (decreasing the supply) of the market would still have the effect of increasing the price.

  She further added that Stand-by Capacity might take time to implement, which might extend beyond the summer months it intends to address in the first place. Atty. San Andres noted that applying this will require changes in the Price Determination Methodology among other calculations, all of which still require the approval by the ERC.

- ✓ Mr. Jose Ferlino Raymundo noted that Stand-by Capacity is similar with Dispatchable Reserve, and an emphasis should be made that plants already in the ancillary market should not be allowed to offer as stand-be capacity anymore. He suggested that this should be reflected in the definition.

- ✓ Ms. Lorreto Rivera welcomes the idea, but raised 2 questions: (1) how would the SO prioritize in terms of getting from the spot, reserves or standby, as the mix will affect the price, and (2) how will this be incorporated in the pricing methodology. She was concerned how this will affect the overall price as a supplier that is getting also from the WESM.

- ✓ Mr. Pagobo raised if there is still a need for the proposal since the DOE and the ERC have come up with price mitigating measures to ensure that the price spikes during November-December 2013 will not happen again.

- ✓ Mr. Meneses supports the proposal as he deemed it as a solution to prevent offers from hitting the set offer cap. He suggested, however, that there should also be a limit on the offer price of plants' stand-by capacity bids, otherwise it will not solve the price spikes. Additionally, the theoretical possibility of many plants declaring their capacities on Stand-by Capacity, which will result to a decrease in supply that

warrants plants not on Stand-by Capacity to bid higher than their normal bids should be addressed.

- ✓ Dir. Mylene Capongcol suggested, to which Ms. Carabuena agreed, that there should be qualifications on which kinds of plants are permitted to offer on Stand-by Capacity to prevent a scenario where all plants would offer on stand-by. The proponents were amenable to the idea that only peaking plants like fast-start, oil-based and hydro plants should be allowed to nominate on Stand-by Capacity.

- ✓ Dr. Guevara echoed Mr. Meneses' earlier suggestion of setting an offer price cap for Stand-by Capacity. The proponents, however, were not amenable to said suggestion since the costs of running peaking plants in just an hour during off-peak periods is different from when the plant is running continuously due to the start-up costs. Therefore, the cumulative costs of running during off-peak will naturally hit the P32k/MWh bid cap.

- ✓ Mr. Lagarde commented that there is no assurance that electricity prices will be lowered by the proposal. He stated that the recently issued ERC Resolution No. 08-2014 mandating a secondary offer price cap or a price cap based from the actual costs of the peaking plants' production, as already measured and tested by the ERC, the DOE and the market, are sufficient to mitigate price increases.

The RCC's proposed amendments are summarized as follows:

a. The generators on Stand-by Capacity shall be dispatched only during 'true', not artificial, under-generation of supply capacity.

b. Only peaking plants (i.e., fast-start, diesel, hydro) can offer on stand-by capacity prevent a scenario where offers are low during off-peak hours, which jacks up the overall spot MCP, because all plants, even base load plants, opted to be on Stand-by Capacity.

c. Plants that already offered in the ancillary market should be restricted from offering for Stand-by Capacity.

The RCC voted that the GBPC's proposal:

a. Falls within the definition of an urgent amendment set forth in Section 3 of the Rules Change Manual (RCM), specifically satisfying sub-section 3.1.c., to wit:

> xx
> *to avoid, reduce the risk of or mitigate the unintended adverse effect of a WESM rule (or any of its amendments).*

xx

Vote Tally:

- YES - 9 votes (Meralco, TPEC, INEC, PSALM, 1590 EC, SMEC, 3 Independent Members)
- NO - 4 (SO, MO, MECO and CENECO)
- ABSTENTION – 1 (RCC Chairperson)

b. Meets the technical and commercial feasibility, one of the criteria provided in sub-section 4(b) of the RCM for warranting rules changes.

Vote Tally:

- YES - 3 (SMEC, MERALCO, Independent Member Francisco L. R. Castro, Jr.)
- NO - 5 (MO, SO, INEC, CENECO and MECO)
- ABSTENTION - 6 (Independent Member Concepcion I. Tanglao, Independent Member Maila Lourdes G. De Castro, RCC Chairperson, PSALM, TPEC, 1590 EC)

In summary, the RCC concluded that the proposal will not be endorsed to the PEM Board as an urgent amendment at this time, because it does not comply with the rules change criteria of being technically and commercially feasible. The RCC moreover recommends that a simulation be conducted by PEMC to determine its feasibility. The Secretariat was instructed to prepare the RCC Report to the Board on the action that the RCC has taken as regards the urgent proposal, following the provisions of RCM on the submission of such a report to the PEM Board.

- **PEMC's Proposed Amendments to the WESM Rules in relation to the Approval of Alterations to the Market Network Model**

The proposal, presented by Atty. Andres, intends to respond to the recommendation from the 2012 audit findings, which in summary, seeks to dispense with the PEM Board's approval of routine alterations to the Market Network Model. In current practice, such alterations are immediately implemented following the ICT Change Management Process and the approval of the PEMC President.

The RCC recommended retaining the original provision, which states that the SO may actually initiate changes to the MNM along with the MO, while also reflecting that the MO shall be the one to effect the alterations. The Secretariat was asked to park this

suggestion as an RCC suggestion when the same is again deliberated by the RCC in its subsequent meeting.

The proposal as presented was approved for posting to solicit comments from participants and interested parties.

- **Proposed Amendments to Manual on the Management of Net Settlement Surplus Issue 2**

The proposed amendments to the Manual, presented by Ms. Yhardlee Centeno, is meant to follow the recommendation of the 2011 audit findings to accurately reflect in the document the current practice. The highlights of the proposed revisions are as follows:

- ✓ Implement the new guidelines for writing Market Manuals.
- ✓ Revise the NSS allocation formula to reflect the ERC Resolution No. 6 Series of 2009.
- ✓ Explicitly mention in the Manual that the market operator is allowed to retain 10% of the total NSS amount for the previous three (3) months preceding the current WESM billing or invoice cycle.
- ✓ Additional references

The proponent explained that the ERC Resolution allows PEMC to retain from the NSS up to 10% but PEMC, at its option, does not retain any. Reflecting the order in the Manual is meant to address the audit finding for the said order to be included in the said Manual.

The proposal as presented was approved for posting to solicit comments from participants and interested parties.

- **Proposed Amendments on the WESM Rules and Manual - Price Dampener**

The representative from Aboitiz Power Corp. (APC), Ms. Cherry Javier, presented APC's proposal to incorporate the definition of the 'Offer Price Cap' in the WESM Rules, only currently defined in the Joint Resolution of the WESM Tripartite Committee, and the introduction of a 'Customer Price Dampener' mechanism to lessen the burden of high WESM prices to consumers. The highlights of the proposal are as follows:

a. Initial offer price cap shall be calculated so as to support the operation of peaking plants

b. The MO shall calculate the running average LWAP during peak periods, which will reset every start of Billing Month.

c. If the running average LWAP after 7 days at the start of the Billing Month goes beyond the Trigger, then new Offer Cap will automatically go down to the New Offer Price Cap

d. The proposed values:
   - Trigger is PhP13,000/MWh
   - New Offer Price Cap is PhP21,000/MWh

e. The Trigger was based on the historical running LWAP in which it will only be triggered during extreme situations like Nov-December 2013

f. The New Offer Price Cap is based on the SRMP of the most expensive oil based plant plus CRF, FOM and VOM.

The proposal as presented was approved for posting to solicit comments from participants and interested parties.

5. Next Meeting

The RCC agreed to hold its next meeting on 04 June 2014.

6. Adjournment

There being no other matter to be discussed, the meeting was adjourned at around 3:00 PM.

Prepared By:	Reviewed By:	Noted By:
Divine Gayle C. Cruz	**Geraldine A. Rodriguez**	**Elaine D. Gonzales**
Analyst *– Market Governance Administration Unit* ***Market Assessment Group***	***Assistant Manager*** *– Market Governance Administration Unit* ***Market Assessment Group***	***Manager*** *– Market Data and Analysis Division* ***Market Assessment Group***

Approved by:
RULES CHANGE COMMITTEE

Rowena Cristina L. Guevara
Chairperson
Independent
University of the Philippines
(UP)

Members:

Concepcion I. Tanglao Independent	**Francisco L.R. Castro, Jr.** Independent Tensaiken Consulting
Maila Lourdes G. de Castro Independent	**Lorreto H. Rivera** Supply Sector TeaM (Philippines) Energy Corporation
Jose P. Santos Distribution Sector (EC) Ilocos Norte Electric Cooperative, Inc. (INEC)	**Ciprinilo C. Meneses** Distribution Sector (PDU) Manila Electric Company (MERALCO)
Sulpicio C. Lagarde Jr. Distribution Sector (EC) Central Negros Electric Cooperative, Inc. (CENECO)	**Gilbert A. Pagobo** Distribution Sector Mactan Electric Company (MECO)
Jose Ferlino P. Raymundo Generation Sector SMC Global	**Joselyn D. Carabuena** Generation Sector Power Sector Assets and Liabilities Management Corporation (PSALM)
Ambrocio R. Rosales Transmission Sector National Grid Corporation of the Philippines (NGCP)	**Theo C. Sunico** Generation Sector 1590 Energy Corporation
Isidro E. Cacho, Jr. Market Operator Philippine Electricity Market Corporation (PEMC)	