

MINUTES OF THE 95th MEETING OF THE RULES CHANGE COMMITTEE Regular Meeting No. 2014-14	
Meeting Date& Time:	03 December 2014
Meeting Venue:	18th Floor PEMC Board Room
Attendance List	
In-Attendance	Not In-Attendance
<p>Committee Members: Rowena Cristina L. Guevara --Chairperson/ Independent Francisco L. R. Castro, Jr. -- Acting Chairperson/ Independent Maila Lourdes G. De Castro --Independent Joselyn D. Carabuena --Generation -- PSALM Jose Ferlino P. Raymundo --Generation -- SMC Global Jose P. Santos --Distribution --INEC Ambrocio R. Rosales --System Operator --NGCP Isidro E. Cacho, Jr. -- Market Operator --PEMC Gilbert A. Pagobo -- Distribution --MECO Lorreto H. Rivera --Supply --TPEC</p> <p>Alternate Members: Ernesto N. Padilla, Jr. --Supply --TPEC</p>	Concepcion I. Tanglao --Independent Theo Cruz Sunico -- Generation -- 1590 EC Ciprinilo C. Meneses --Distribution, MERALCO
<p>PEMC Chrysanthus S. Heruela - MAG Geraldine A. Rodriguez - MAG Ma. Delia B. Arenos - MAG Romellen C. Salazar - MAG Karen A. Varquez - MAG Caryl Miriam Y. Lopez - Legal Marcial J. Jimenez - TOD Rhe-an Abrasia - TOD</p>	
<p>Others: (DOE/ ERC Observers/Other Resource Persons): Ferdinand B. Binondo - DOE William Chan - MERALCO</p>	

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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The Proposed Agenda for the 95th RCC Meeting was approved as amended.

6 **II. REVIEW, CORRECTION AND APPROVAL OF THE MINUTES OF THE 93rd RCC**
7 **MEETING**

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9 The RCC reviewed the Minutes of the 94th RCC Meeting and approved the same, as
10 amended.

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

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16 **1. Proposed Amendments to the WESM Rules on Disconnection Procedure –**
17 **comments of MERALCO**

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19 In the earlier part of the meeting, the RCC initially agreed to defer the discussions on
20 the matter in the absence of Mr. Meneses to explain and discuss the comments
21 submitted by MERALCO relative to the Proposal.

22
23 In the course of the discussions on the matter on disconnection (Wholesale and
24 Retail), Mr. Ferdinand Binondo raised if it is still necessary to adopt the
25 Disconnection Policy in the Rules, when there already exist the DOE Department
26 Circulars on Disconnection and the ERC Distribution Services and Open Access
27 Rules (DSOAR) defining the Rules and Regulation on the Disconnection for the
28 Wholesale and Retail Markets. He expressed that the DOE can issue a new
29 Department Circular to address the issues and concerns of the Proponents on
30 Disconnection in the WESM and in the Retail Markets. He then suggested to the
31 RCC that instead of proposing amendments to the WESM and Retail Rules, the RCC
32 can instead propose changes to the pertinent DOE Department Circulars on
33 Disconnection. Mr. Cacho commented that the Circulars must be updated effectively
34 to reflect the concerns of the Proponents and agreements of the RCC on the matter.

35
36 Ms. Rodriguez likewise expressed her concerns relative to the previous agreement of
37 the RCC to propose the insertion of an annex to the WESM Rules, which annex is
38 supposed to detail the flow chart on the procedure and timelines for disconnection.
39 She expressed that such details may be best reflected in a manual instead of the
40 WESM Rules. However, she stated that currently, there is no Market Manual on
41 Disconnection. Relatedly, Mr. Binondo expressed that the DOE Circulars on
42 Disconnection, particularly the implementing guidelines for the disconnection policy,
43 is already detailed enough to be able to cover the concerns of the parties.

44
45 Dr. Guevara inquired on the process of proposing amendments to the DOE Circulars
46 as suggested by Mr. Binondo. Mr. Cacho opined that endorsement from the PEM
47 Board may be necessary in submitting the proposed revisions to the DOE.

48
49 Following the discussions above, the RCC agreed to write to the PEM Board to
50 request for endorsement to the DOE of the RCC's Proposed Changes to the DOE
51 Department Circulars on the Policy and implementing Guidelines on Disconnection
52 (DOE DC Nos. DC2010-05-0006 and DC20110-08-0010), reflecting the RCC's
53 discussions and agreements relative to the Proposed Amendments to the WESM
54 and Retail Rules on the Adoption of a Disconnection Policy.

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56 **2. Proposed Amendments to Retail Rules on Disconnection – comments of**
57 **MERALCO and SNAP**
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59 The RCC initially agreed to review the Retail Rules, noting that this is a separate
60 document from the WESM Rules.

61
62 In the course of discussions on the matter on Wholesale and Retail Disconnection,
63 Mr. Binondo suggested that instead of amending the WESM and Retail Rules for the
64 adoption of the DOE's disconnection policy, the RCC can instead propose changes
65 to the pertinent DOE Department Circulars. *(Please see discussions and agreements*
66 *under item III-1 of this Minutes of Meeting).*

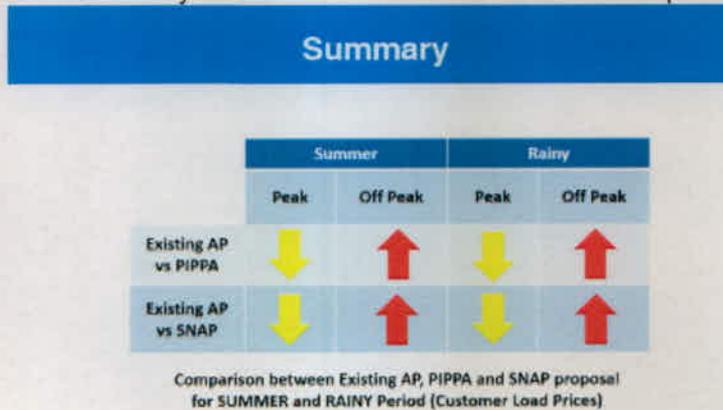
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68 **3. Proposed Amendments to the Administered Price Determination Methodology**
69 **Manual (APDM)– result of additional simulations by PEMC**

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71 Mr. Marcial Jimenez of PEMC-TOD presented the result of additional simulations as
72 requested by the RCC relative to the Proposed Amendments to the Administered
73 Price Determination Methodology. While the previous simulation presented by PEMC
74 focused on the generators, the additional simulations now focused on the customer
75 side. The additional simulation was requested to show the effect of the Proposed
76 APDM by PIPPA and SNAP as against the existing APDM, on the customers' load as
77 shown in P/kWh. The additional simulation likewise considered the additional
78 compensation of diesel plants, which rates, equivalent to 7.4877 Php/kWh, are based
79 on actual rates applied by PEMC in the settlement as approved by the ERC. He
80 explained that the Nominated Price (NP) is based on the average of ERC-approved
81 rates per resource type.

82
83 Below is the summary of the result of simulations.

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85 Summary of Resulting Prices: Comparison between existing Administered Price
86 (AP), SNAP and PIPPA Proposal for Summer and Rainy Period (Customer Load
87 Prices)

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89 Figure 1. Summary of Price Trend without Additional Compensation



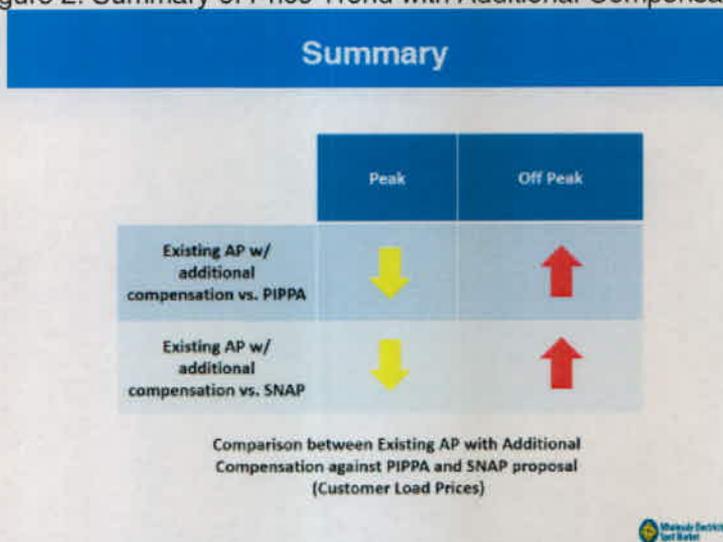
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Figure 2. Summary of Price Trend with Additional Compensation



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Below are the comments and discussions which followed the presentation:

- Mr. Pagobo commented that based on experience, the actual prices they implement are much lower than the ERC-approved rates.
- Mr. Raymundo expressed that prices are most likely to go up during peak hours. On the assumption that the simulation used full spot quantity, Mr. Raymundo commented that the reality is that Customers do not extract power during off-peak. Thus, the low prices during off-peak would have no impact on the Customers. Mr. Jimenez responded that prices during peak hours as a result of the simulation went up. Dr. Guevara commented that it would be difficult for the Customers to decide given the upward and downward movement in prices as shown in the result of the simulations using only a few trading days and intervals. She then inquired if it is possible for PEMC to conduct a simulation using one-year data, with additional consideration to certain conditions and parameters discussed by the RCC (e.g. Customers do not draw power during off-peak).
- Relatedly, Mr. Cacho expressed that there are a number of variables to consider that would impact on prices, such as the generator Nominated Price, spot level, Bilateral Contract Quantity (BCQ) level, Marginal Clearing Price (MCP), participant behavior, and other market forces, which make it difficult to make a qualified prediction based on the simulation results. Mr. Cacho added that the scenario would also change upon entry of about 200MW renewable energy (RE) from the North. Given this, the assumptions used for the simulation may no longer work once the RE resources participate in the market as price takers, as this may change the behavior of market participants.
- On the question relative to the historical data on the frequency of declaration of market intervention wherein administered price is implemented, Mr. Cacho responded that one week for the entire year is already a considerable period. Mr. Jimenez added that the condition in 2014 was affected mainly by the suspension implemented in the Visayas following typhoon Yolanda.

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- Dr. Guevara expressed her observation that the AP based on SNAP's proposed formula as against PIPPA's is generally higher, because of SNAP's consideration of current offer price (COP). Noting this observation, she inquired from the body on which formula to adopt.
 - In relation to the above, Mr. Raymundo shared that when the matter was taken up during the PIPPA's meeting, he raised the need for clarification on the definition of Nominated Price (NP)--whether the NP pertains to the current price or the approved price. He further commented that since there are only two diesel plants in Luzon, the impact of AP, in general, given the instances of market intervention in a year would be minimal.
 - Ms. Carabuena likewise raised her reservations since the impact of the proposed formula on geothermal plants is a significant downward movement of AP. Mr. Cacho again explained that the simulations are only based on average market prices, which are relatively higher than the approved ERC rates, particularly for geothermal plants. On the low frequency relative to the declaration of market intervention, Ms. Carabuena stated that the scenario may be different if another super typhoon once again hits the country. Dr. Guevara responded that typhoon Yolanda produced some other things that were not considered in the assumptions used in the simulations, including the prices as directed by the ERC.
 - Mr. Cacho suggested that since the proposal on AP emanates from the concerns of the diesel plants on recovering their variable costs, he suggested that the diesel plants instead opt to file for additional compensation to enable them to recover their costs.
 - Dr. Guevara reminded the body of the ERC's basis for approving the APDM Manual. She quoted from the guiding principles cited by the ERC in the ERC Case No. 2005-05 RC on "The Matter of the Application for the Approval of the Administered Price Determination Methodology for the Philippine Wholesale Electricity Spot Market," consistent with the PEMC's guiding principles for establishing the APDM. In said ERC Case, "the Commission has deemed it necessary to identify certain outcomes and principles in coming out with its decision. These outcomes and principles include:
 - 1) The methodology must result in reasonable prices.
 - 2) ...must promote competition.
 - 3) ...must take into account relevant market-based prices.
 - 4) ...must promote transparent pricing and minimize uncertainty."

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Noting the above principles, Dr. Guevara inquired from the body on which formula—PIPPA, SNAP, or existing formula—the RCC should push through with.

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Mr. Raymundo opined that the nominated price is already sufficient to be considered as the administered price, but with consideration to certain indices that need to be corrected based on actual operations of the generators. If the NP will be adopted, Dr. Guevara inquired on how it can be ensured that the NP that will be submitted by the generator is a reasonable and transparent NP level. Mr. Raymundo responded that this concern was already raised with PIPPA and that he already suggested reformulating the NP and providing a clearer definition of NP.

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Dr. Guevara inquired if under certain market Rules or ERC regulation, there is a cap on the profit of generators. Mr. Pagobo responded that the Philippine

- 186 Grid Code imposes a minimum requirement for the financial standards of
187 Generators. He added that failure to meet such requirements would result in
188 the inability of the Generator COCs to be renewed based on the requirements
189 of the ERC.
- 190 • Mr. Castro commented that based on the simulation results shown by PEMC,
191 the concerns on AP are still inconclusive based on discussions on the matter.
192 He then posed a question to the RCC whether the concern of PIPPA and
193 SNAP as basis for proposing their own formula for AP can be considered a
194 considerable problem, and if so, he asked whether it is the RCC which is the
195 proper forum in addressing the concern of the Generators and in making an
196 assessment/validation of the different proposals noting that it is a matter of
197 pricing.
 - 198 • Mr. Cacho opined that the concerns should be focused more on the diesel
199 plants since historically, it is the diesel plants that usually file for additional
200 compensation. Dr. Guevara expressed, however, that the concern of the
201 generators, while they are allowed to file for additional compensation, is the
202 long process of doing so. Mr. Cacho further added that the ERC ruling that
203 Generators may only recover so much additional compensation may also be
204 given consideration. Mr. Binondo stated that only the variable costs are
205 accounted for in filing for additional compensation. Relative to the issue on
206 the timing, Mr. Cacho expressed that the entire process for filing up to the
207 payment to Generators may take about one to 3 months depending on the
208 Generator's compliance to the documentary requirements.
 - 209 • Mr. Cacho added that price determination should consider how prices would
210 impact on the DUs. He expressed that the impact on the DUs would depend
211 on the level of contracted and spot quantities, and the price mechanism that
212 would be adopted (fixed vs. nodal). Mr. Cacho likewise commented that there
213 must be a separate mechanism during prolonged intervention and suspension
214 because administered price may only work for short periods (i.e. one week).
 - 215 • Dr. Guevara asked the body if the generators will be able to recover their
216 costs of operating their plants at any particular interval by simply considering
217 their nominated price. She believed that a certain level of return should be fair
218 for both the Generator and the Customer. She expressed that a fair payment
219 to the Generators should be achieved to encourage them to invest more in
220 developing new plants.
 - 221 • Mr. Raymundo reiterated that the nominated price would be a better price to
222 consider on the issue on administered price. On this note, Dr. Guevara again
223 stated that the nominated price, if this is to be considered, should be
224 transparent.

225
226 Following the discussions, Dr. Guevara suggested equating the administered price
227 with the generator nominated price. This is in consideration that the nominated price,
228 which generators submit to the ERC for the ERC's approval, should already account
229 for the costs of operating the plant and may thus already be considered as their
230 reasonable price. The RCC also gave consideration to the ERC's guiding principles
231 when it approved the administered price determination methodology. Dr. Guevara
232 expressed further that the proposal of PIPPA to submit the nominated price at the
233 beginning of the year may not be the proper way of determining the NP since there
234 are indices or dependent variables in the NP formulation that are to be considered.

235
236 In view of the above, the RCC agreed to write to PIPPA remanding the proposal and
237 requesting PIPPA to provide its basis for the formulation of its nominated price. The
238 PIPPA's response shall be considered by the RCC in its next deliberations and in

239 making a final decision on the matter. Mr. Raymundo stated that he will inform PIPPA
240 ahead regarding the RCC's letter.
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242 **4. Proposed Amendments to the Retail Manual on Metering Standards and**
243 **Procedures – comments from SMC Global, Technical Committee, Department**
244 **of Energy, and Team Philippine Energy Corporation**
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246 The RCC discussed the comments submitted by the parties relative to the Proposed
247 Amendments to the Retail Metering Manual. (Please see annex A on the matrix of
248 comments and the RCC's discussions).
249

250 Following the discussions, the RCC approved the Proposed Amendments to the
251 Retail Manual on Metering Standards and Procedures, as revised, incorporating the
252 changes discussed and agreed upon by the RCC. The RCC likewise agreed to
253 endorse the Proposal to the PEM Board, for the PEM Board's approval.
254

255 **5. Proposed Amendments to the WESM Rules and WESM Manual on Metering**
256 **Standards and Procedures– PEM Board Directives to the RCC**
257

258 Following the PEM Board's directives on the matter on Metering, the RCC once
259 again deliberated upon the Proposed Amendments to the WESM Rules and WESM
260 Manual on Metering Standards and Procedures.
261

262 The RCC commenced its discussion on the matter with Section 2.4.2 on the
263 *Requirements for Distribution Revenue Meters*, which is the highlight of the
264 comments raised by Director Nixon Hao of MERALCO when the RCC's approved
265 Proposal was presented. The Secretariat explained that the main point of the
266 comments of Dir. Hao was that if the backup meters are to be required only for
267 WESM participants, then the Section 2.4.2, which pertains to the retail side, should
268 not be in the WESM Metering Manual. Ms. Tanglao stated that probably, the concern
269 was raised by Mr. Hao because of the insertion of the term backup meter in that
270 Section. It was clarified by the RCC however that Section 2.4.2, as proposed, only
271 meant that main revenue meters and backup meters, if any, shall meet the
272 requirements as stated in the Manual.
273

274 In answer to Dir. Hao's concern on why the section on Distribution Revenue Meter is
275 in the WESM Metering Manual, Mr. Cacho recalled the explanation of Mr. Sotomil,
276 that there are embedded generators within the DU system that are treated as direct
277 WESM members because they are directly connected to the grid. He added that his
278 understanding is that the pertinent provision pertains to Customer that are embedded
279 within the DU system that are transacting in the WESM. Mr. Binondo explained that
280 what he recalled from Mr. Sotomil's explanation was that not all Contestable
281 Customers are within the DU network, and that some of them are directly connected
282 to the grid through the 69KV connection.
283

284 The RCC looked into the PEM Board directives. Mr. Cacho explained that the
285 interpretation of the PEM Board when the proposal was presented was that Section
286 2.4.2 on the Distribution Revenue Meter applies to all DUs and DU Customers.
287 However, DU Customers are composed of contestable customer, Captive
288 Customers, and embedded generators.
289

290 Ms. Carabuena recalled asking MERALCO during the discussions on the matter if all
291 Customers within the DU system is covered under Section 2.4.2. Her concern at the
292 time was, what if the Customer is not within the 69KV line, will it be covered by the

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293 Distribution revenue meter? If the DU is the provider then they are rightfully called
294 distribution revenue meter. However, there are CCs that are directly connected to the
295 grid whose provider is the NGCP. This situation probably made the confusion
296 between the grid and distribution revenue meters.

297
298 Following the discussions, the RCC checked on the distinctions between the
299 distribution and grid revenue meters. However, upon checking the WESM Rules and
300 the Market Manual, no definition was found on the same.

301
302 Mr. Pagobo raised that previously, there were generators or customers directly
303 connected to the grid, but which were eventually acquired by the DUs. Citing such
304 cases, he then inquired on how these WESM members will be treated, when they
305 have been acquired by the DUs but remain directly connected to the grid with the
306 same technical configurations. Mr. Rosales responded that the prior to the DUs'
307 acquisition of these assets, a generator directly connected to the grid performed
308 transmission functions when it supplied the load to its Customers. When the line was
309 acquired by the DU, the generator lost its transmission functions and became an
310 embedded generator.

311
312 Mr. Guevara expressed that the Applicability Section in the Manual defines that the
313 provisions in the WESM metering Manual is applicable only for WESM customers.

314
315 Mr. Rosales acknowledged that MERALCO expressed that it does not agree with the
316 requirement for backup meters because of the insertions of Section 2.4.2 in the
317 Manual. However, if the term backup is not considered in Section 2.4.2, which
318 section is also applicable to embedded generators, when the main meter fails, then
319 there will be a big problem. Thus, the NGCP opined that generators and embedded
320 generators shall be required to have backup meters. Mr. Rosales clarified that the
321 concern of Mr. Sotomil is not the load or the Customer but the embedded generators
322 that should be required to have back up meters.

323
324 Following the discussions, Dr Guevara suggested removing the distinctions between
325 the grid and distribution revenue meters, since the Manual has an applicability
326 section. She opined that this will clarify that the requirement for backup meter is
327 applicable only for WESM. Following are the revisions made by the RCC:

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- revision to Section 2.4.1 on the deletion of the term "Grid" in the Section title;
330 and
 - deletion of Section 2.4.2 entitled "Requirements for Distribution Revenue
331 Meters" since there is already an applicable Retail Manual for distribution
332 meters
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334
335 The RCC likewise agreed to route the Proposed Section 2 of the WESM Metering
336 Manual for final comments of the MERALCO, PEMC, and TC before the Proposal is
337 finalized and endorsed to the PEM Board.

338 339 **6. Proposed Amendments to the Dispatch Protocol Manual**

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341 Relative to the Proposal drafted by Mr. Cacho, the RCC reviewed the background of
342 said proposal prior to the discussions on the Proposal. Dr. Guevara stated that the
343 proposal emanated from the RCC's deletion of non-security related concerns as part
344 of the MRU criteria, including the plants on commissioning and testing, which may
345 have affected two market manuals: the Dispatch Protocol Manual for the scheduling
346 of plants, and the Billing and Settlement Manual for the payment of generators that

347 are on Commissioning and Testing. Dr. Guevara recalled the two issues cited by Mr.
348 Cacho on the matter—the imposition of limits on the period of commissioning and
349 testing, and the compensation of generators on commissioning and testing. In the
350 course of previous discussions on the matter, it was determined by the RCC that
351 since there are already provisions in the Dispatch Protocol Manual regarding the
352 scheduling of plants on commission and testing, the RCC should then focus on
353 making appropriate revisions in the Billing and Settlement Manual for the
354 compensation issue. Mr. Cacho was requested then to draft the necessary proposed
355 revision to the Billing and Settlement Manual. Finally, it was agreed by the RCC that,
356 since the proposal is related to the MRU revisions, then the proposed revisions to the
357 Billing and Settlement Manual will be carried as an RCC proposal.

358
359 Mr. Cacho explained that upon review, he determined that the more appropriate
360 Manual to be revised to incorporate the compensation for the plants that are on
361 commissioning and testing is the Dispatch Protocol Manual. He stated that the Billing
362 and Settlement Manual is focused more on the settlement timeline and formula. On
363 the other hand, the issue that the RCC needs to focus on is what would be the price
364 of plants on commissioning and testing, it was decided that revisions to the Dispatch
365 Protocol Manual be made. The RCC acknowledged that plants on commercial test
366 should be price takers but currently, this is not indicated anywhere in the market
367 manuals.

368
369 Mr. Raymundo stated that generators have quantities sold to the market and also
370 through their bilateral contacts. In which case, he suggested clarifying that only the
371 spot quantity will be paid as price taker to avoid double compensation. He suggested
372 the addition of the phrase “for generation sold to the Spot market,” thus, revising the
373 proposal, as follows.

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375 Appendix A.6 Section 4.4

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379 **Over-riding constraints in the scheduling and dispatch of generating units**
380 **which qualifies as must run units may be compensated based on the**
381 **mechanism set forth in the Management of Must-run Units. Over-riding**
382 **constraints for the scheduling and dispatch of generating units undergoing**
383 **Regulatory and Commercial testing process shall be considered as price**
384 **takers in the WESM, for generation sold to the Spot Market.**

385
386 Dr. Guevara additionally suggested to put as first bullet under Non-Security Limits the
387 Generating Unit limitations.

388
389 Mr. Rosales clarified that the “Other Considerations,” which was deleted as part of
390 the MRU criteria, is also covered under “Generating Unit Limitation.” Mr. Raymundo
391 likewise clarified that Pmin is also part of the Non-security related concern and is
392 covered under “Generating Unit Limitation.”

393
394 Mr. Raymundo inquired if the proposal already considered the outage of specific
395 transmission lines. Mr. Rosales stated that security limit is normally not imposed on
396 these generators as it is assumed that when the Market Operator provides the
397 schedule, the security differences are already considered in said schedule. However,
398 in instances where said security differences were not considered in the schedule
399 provided by the Market Operator, security limit imposition is done by the System
400 Operator to maintain the security of the grid. Mr. Cacho clarified that generator

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401 outages are already considered in the Proposal under the last bullet under Security
402 Limits pertaining to "other types as may be recommended by the SO."
403

404 Ms. Carabuena stated that her understanding of the Proposal is that the energy
405 generated by plants that are on commissioning and testing will not be bid in the
406 market. Mr. Cacho clarified that as he mentioned in the earlier discussions on the
407 matter, the compensation for plants that are for commissioning and testing is a
408 matter of both scheduling and payment that is based on nodal price. He added that
409 even if the generator makes an offer, as price taker, its offer will no longer be
410 considered in the calculation of dispatch, because plants on tests are scheduled as
411 over-riding constraints. As an additional clarification, Mr. Raymundo stated that a
412 generator may or may not request for over-riding constraints from SO during testing.
413 In the latter case, the generator makes an offer. Mr. Raymundo added that for new
414 plants that are not yet registered, they will not be able to make offers in the market.
415 Thus, the proposal is applicable only to plants that are on commercial operation.
416

417 Relative to the issue on the limit on period for commissioning and testing, it was
418 determined that the same is already defined in the ERC's guidelines for COC, which
419 is defined as two months being the maximum period.
420

421 Following the discussions, the RCC agreed to push through with the proposal, as
422 revised.
423

424 **7. Proposed Amendments to the WESM Rules on Submission of Offers / Battery**
425 **Energy Storage Systems**
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427 Ms. Delia Arenos made a presentation on the overview of energy storage system
428 facilities, and how they are defined and treated in other jurisdictions. She mentioned
429 that the same was presented before the MSC and TC. Part of her presentation is the
430 background relative to the AES proposal, the different energy storage facilities, the
431 battery energy storage system and how they can contribute in the market, and the
432 provisions in the WESM Rules that may be affected by the amendments being
433 proposed by the AES. In general, the presentation showed that certain legislations
434 were made in other jurisdictions to allow the entry and operation of battery energy
435 storage systems, having seen the benefits of such technology type.
436

437 Ms. Arenos identified that the entry of battery energy storage systems may affect the
438 WESM Rules on submission of offers as well as the definition of scheduled
439 generation company. The AES proposal will likewise affect Chapter 3 or Section on
440 *The Market* (for the unique characteristic of the new technology), Append A.1 on *The*
441 *Information to be supplied with Offers to Supply and to Buy Electricity*. She added
442 that the AES proposal also affects Clauses 2.3 and 5.1.
443

444 Dr. Guevara thanked Ms. Arenos for the comprehensive presentation.
445

446 Mr. Cacho noted that the jurisdictions covered in the presentation of Ms. Arenos
447 provided policy directives, grid specifications, and changes in market design (and
448 market dispatch optimization software) to accommodate the battery energy storage
449 system and similar technologies.
450

451 Relative to the AES Proposal, the RCC noted that the AES has not sought a
452 certificate of compliance (COC) from the ERC, since the project is still on-going. Ms.
453 Arenos expressed that a COC is issued only upon completion of a facility/project
454 where the ERC can already conduct inspection of the facility.

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Dr. Guevara requested from Ms. Arenos if the RCC can be provided with copy of the COC given to the PJM or a similar facility of the AES installed in the USA. This is to give the RCC an idea on how the battery energy storage system is treated in other jurisdictions.

Dr. Guevara expressed that while the battery energy storage system applies only as ancillary at the moment given its circumstances and the existing market rules, the DOE may already consider giving policy directives for the development and support of such new technologies, as these technologies may contribute significantly in resolving power crisis.

Relatedly, the RCC discussed the GMC's reply to the RCC's request of classifying the Battery Energy Storage System. In the letter, the GMC stated that it will consider the Battery Energy Storage System in the on-going revisions of the Philippine Grid Code (PGC).

The RCC noted the response of GMC. Dr. Guevara expressed that the RCC may have to await the revisions to the PGC, stating that even if the RCC decides to accommodate the Proposal of AES, the proposed rules changes may be inconsistent with the requirements of the amended PGC.

The RCC agreed to await the PGC revisions. Dr. Guevara requested from the DOE through Mr. Binondo if the on-going revisions to the PGC can be fast-tracked.

IV. NEW BUSINESS

1. Review of the Proposed Amendments to a) WESM Rules and Manual on the Registration of Ramp Rates and b) Registration Manual on the Provisional Approval of Request of Change in Generator's Pmax within a Prescribed Timeline

Ms. Rodriguez explained as a background that the above proposals were previously endorsed by the RCC to the PEM Board. However, at the Board Review Committee level, it was decided to take up the matter at the level of the WESM Tripartite Committee. When the RCC followed up with DOE on the status of the Proposals, the DOE responded that the matters can be addressed once the ERC issues the new COC Rules and by then, the RCC can decide whether or not to push through with the submission of the Proposals to the PEM Board.

Ms. Rodriguez stated that given the issuance of the new COC guidelines by the ERC, the RCC may now review the Proposals to determine later on whether or not the RCC would want to push through with the Proposals. It was explained however by Ms. Rodriguez that the re-submission of item b above may no longer be necessary as it was already determined that approval in any change in a Generator's Pmax is within the authority of the ERC and not PEMC. This was noted by the RCC.

The RCC went through the new COC guidelines first. The RCC likewise reviewed the Proposal of the RCC previously discussed at the BRC and made no revisions on the same.

508 Following the discussions, the RCC agreed that it will no longer push through with
 509 the Proposed Amendments to the Registration Manual on the Provisional Approval of
 510 Request for Change in Generator's Pmax. The RCC likewise agreed on the
 511 republication of the amendments relating the Proposed Amendments to the WESM
 512 Rules and the Manual on the Registration of Ramp Rates to solicit comments of
 513 participants.
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 515

516 **2. RCC Semestral Report for July to December 2014**

517
 518 The RCC reviewed the RCC Semestral Report for July to December 2014. Upon due
 519 deliberations, the RCC approved the Semestral Report, subject to the following changes:
 520

- 521 • Updates on the status of the proposals based on discussions arising from the 95th
 522 RCC Meeting;
- 523 • Include a table summarizing the status of all proposals, showing the PEM Board and
 524 DOE approval, as applicable.
 525

526 The Secretariat was requested to route the revised Report to the RCC through email
 527 for final comments, before the same is submitted to the PEM Board.
 528
 529

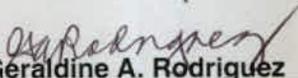
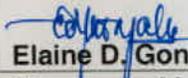
530 **V. NEXT MEETING**

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 532 The RCC agreed to meet on the following dates for the first part of 2015:
 533

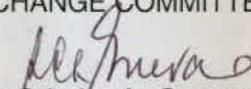
- 534 • 96th RCC Meeting (to coincide with the 2015 RCC Planning Workshop) – Jan 14
- 535 • 97th RCC Meeting – Feb 4
- 536 • 98th RCC Meeting – Mar 4
- 537 • 99th RCC Meeting – Apr 8
- 538 • 100th RCC Meeting – May 6
- 539 • 101st RCC Meeting – June 3
 540
 541

542 **VI. ADJOURNMENT**

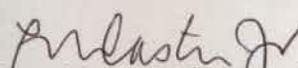
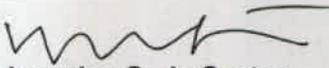
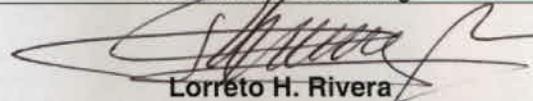
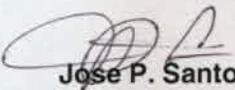
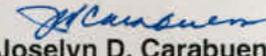
543
 544 There being no other matters at hand, the meeting was adjourned around 3:15 PM.
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 546
 547

Prepared By:	Reviewed By:	Noted By:
 Romellen C. Salazar	 Geraldine A. Rodriguez	 Elaine D. Gonzales
Analyst – <i>Market Governance Administration Unit</i> Market Assessment Group	Assistant Manager – <i>Market Governance Administration Unit</i> Market Assessment Group	Manager – <i>Market Data and Analysis Division</i> Market Assessment Group

Approved by:
RULES CHANGE COMMITTEE


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

Members:

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

I. Proposed Amendment to the Retail Manual on Metering Standards and Procedures

Title	Section	Provision/ Amendment	Rationale/Remarks	Comment/Suggested Provision
Redundancy Requirement	Article 2.4.1 - page 5	<p><u>Provision:</u></p> <p>"The Retail Metering Service Provider may provide for a back-up revenue meter upon the request of the Contestable Customer. The back-up revenue meter shall have a different make and model (i.e. different brand) from the main revenue meter"</p> <p><u>Amendment:</u></p> <p>The <i>Retail Metering Service Provider</i> may provide for a back-up revenue meter upon the request of the <i>Contestable Customer</i>. <u>The additional cost related to the acquisition and installation of the back-up meter and the operating and maintenance cost of this back up meter and system support will be shouldered by the contestable customer.</u> The back-up revenue meter shall have a different make and model (i.e. different brand) from the main revenue meter"</p> <p>RCC Agreement: Adopt DOE's suggestion</p>	<p>The DU's regulated metering charge covers the cost of acquiring, installing, operating and maintaining an ERC-prescribed end-user metering installation that contains only a single meter. Since the cost on the installation of back-up meter is not included in the standard, the same is not provided for in the DU's regulated rates, the contestable customer shall shoulder the costs (Installation Cost and O&M) of back-up meter (and system end-support) if he deems that a back-up meter is necessary.</p> <p>Article IV, Section 4.5.1 of the Amended Distribution Services Open Access Rules (DSOAR) states that: "<u>All DWS customers in the initial phase of the Open Access Retail Competition shall have installed the time of use metering facilities capable of measuring energy use and demand in a fashion consistent with WESM energy settlement intervals, and distribution and transmission demand charge intervals.</u>"</p> <p>It is also stated in Section 4.5.4 that: "<u>An End-user in the Contestable Market or a RES serving the End-user may request a new meter or meter upgrades with advanced technical capabilities to be provided by the MSP provided that all costs related to the new meter including upgrades are borne by the RES or End-user.</u>" (emphasis supplied)</p>	No Comment

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Title	Section	Provision/ Amendment	Rationale/Remarks	Comment/Suggested Provision
Current Transformer Requirements	Article 2.5.6.1 – page 10	<p><u>Provision:</u></p> <p>Number of core</p> <p>“Either one (1) or two (2) metering core for existing instrument transformers, or at least two (2) metering core for new instrument transformers”</p> <p><u>RCC Agreement / Amendment:</u></p> <p>Recommended to change to:</p> <p><u>“Only one metering core”</u></p>	<ul style="list-style-type: none"> • Having two metering core instrument transformers at the customer-level is unnecessary and it would only add to the financial burden of contestable customers. • Two metering core instrument transformers are generally much larger than the single metering core transformers, since they are normally installed on the pole. The requirement for two metering core instrument transformer may require significant changes that will entail costs and time for conversion. • Single core instrument transformer is normally used for customer metering (13.8kV to 34.5kV) while two core instrument transformers are normally used for Substation metering (69 kV and up)—one core is used for metering and the other is used for relaying. There is minimal or no advantage of using two core instrument transformers against single core instrument transformers for customer metering, since most (98%) of the contestable customers are rated at medium voltage (13.8kV to 34.5kV). Further, the cost significantly outweighs any advantage. 	<p>Provision of instrument transformer with two metering cores is upon request by the contestable customer. In case of defective single core, the registrations of data for both main and backup meters become invalid.</p> <p>The instrument transformer with 2 metering core shall be used solely for metering purposes only.</p> <p>Article 2.7b page 16 “Partial redundant metering using a single set of instrument transformers approved by the Central Registration Body where both the main and backup meters are connected to either common or separate core.”</p> <p>Proposed Amendment:</p> <p><u>“Either one (1) or two (2) metering core for existing instrument transformers or at least two (2) metering core for new instrument transformers upon request by the contestable customer who shall shoulder the operating and maintenance cost.</u></p>
Voltage Transformer Requirements	Article 2.5.6.2 page 11	<p><u>Provision:</u></p> <p>Number of core</p> <p>“Either one (1) or two (2) metering core for</p>	<ul style="list-style-type: none"> • Having two metering core instrument transformers at the customer-level is unnecessary and it would only add to the financial burden of contestable 	<p>Provision of instrument transformer with two metering cores is upon request by the contestable customer. In case of defective single core, the registrations of data in the backup</p>

Number

Title	Section	Provision/ Amendment	Rationale/Remarks	Comment/Suggested Provision
		<p>existing instrument transformers, or at least two (2) metering core for new instrument transformers"</p> <p><u>RCC Agreement / Amendment:</u></p> <p>Recommend to change to:</p> <p><u>"Only one metering core"</u></p> <p>(Same as Sec. 2.5.6.1)</p>	<p>customers.</p> <ul style="list-style-type: none"> Two metering core instrument transformers are generally much larger than the single metering core transformers, since they are normally installed on the pole. The requirement for two metering core instrument transformer may require significant changes that will entail costs and time for conversion. Single core instrument transformer is normally used for customer metering (13.8kV to 34.5kV) while two core instrument transformers are normally used for Substation metering (69 kV and up)—one core is used for metering and the other is used for relaying. There is minimal or no advantage of using two core instrument transformers against single core instrument transformers for customer metering, since most (98%) of the contestable customers are rated at medium voltage (13.8kV to 34.5kV). Further, the cost significantly outweighs any advantage. 	<p>meter become invalid.</p> <p>The instrument transformer with 2 metering core shall be used solely for metering purposes only.</p> <p>Article 2.7b page 16 "Partial redundant metering using a single set of instrument transformers approved by the Central Registration Body where both the main and backup meters are connected to either common or separate core."</p> <p>Proposed Amendment:</p> <p>"Either one (1) or two (2) metering core for existing instrument transformers or at least two (2) metering core for new instrument transformers <u>upon request by the contestable customer who shall shoulder the operating and maintenance cost.</u>"</p>
Physical Security	Article 2.6.1	<p><u>Provision:</u></p> <p>Physical Security "A metering installation shall be secured, tamper-proof, and conforms to the following applicable security requirements:"</p> <p><u>Amendment:</u></p>	<ul style="list-style-type: none"> We recommend to use the term tamper-resistant instead of tamper-proof as "tamper-proof" is not realistic. Available tamper-resisting techniques and technologies can protect to only a certain limit. thus, tamper-proofing is not attainable by all DUs. It is in the best interest of the DU that if said limits are reached new techniques and 	No Comment

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Title	Section	Provision/ Amendment	Rationale/Remarks	Comment/Suggested Provision
		<p>Recommend to change to: Physical Security "A metering installation shall be secured, tamper-resistant, and conforms to the following applicable security requirements:"</p> <p>RCC Agreement: Accept MERALCO's Proposal</p>	<p>technologies are adopted to reinstate, raise and strengthen the new tamper-resistant state.</p>	
Coverage	Article 3.1– page 16	<p><u>Provision:</u></p> <p>"This section describes the standard numbering system that the <i>Retail Metering Services Providers</i> must follow when numbering and identifying their <i>meter installations</i> and its individual equipment"</p> <p><u>Amendment:</u></p> <p>Recommend to change to: "This section describes the standard numbering system that shall be followed when numbering and identifying their <i>meter installations</i> and its individual equipment"</p> <p>RCC Agreement: Accept MERALCO's Proposal</p>	<ul style="list-style-type: none"> Based on the current scenario and format of the MIRF, it is the CRB that is providing the SEIN of a metering installation. 	No Comment
Access	Article 5.2.1.3– page 30 to 31	<p><u>Provision:</u></p> <p>"The only entities entitled to have either direct or remote access to metering data on a read-only basis from the metering database or the metering register in relation to a metering point are: a) Each Supplier whose settlement amounts</p>	<ul style="list-style-type: none"> Providing access to the installation and metering databases will expose the DU systems and IT infrastructure to security breaches and attacks because our databases are installed within our LAN and Firewalls. Direct access to our meter data in the metering installation will expose our 	<p>This should be a read-only basis and tampering is not an issue. Additional cost is the option of the entities requesting for direct or remote access to metering database.</p>

member

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Title	Section	Provision/ Amendment	Rationale/Remarks	Comment/Suggested Provision
		<p>are determined by reference to quantities of energy flowing through that metering point, b) The Retail Metering Services Provider who is responsible for the metering installation at that metering point, c) The Central Registration Body and its authorized agents, d) The Market Operator and its authorized agents, e) Any Contestable Customer with respect to the metering data in relation to the metering point registered to it, f) Any Distribution Utility with respect to Contestable Customers whose facilities are located in its franchise area and for whom said Distribution Utility is not the Retail Metering Services Provider, g) The Market Surveillance Committee, h) The Enforcement and Compliance Office, i) The Market Assessment Group, j) The PEM Auditor, k) The Department of Energy, and l) The Energy Regulatory Commission.”</p> <p><u>Amendment:</u></p> <p>Recommend to change to: The only entities entitled to be provided with metering data from the metering and/or installation database in relation to a metering point are:</p> <p>RCC Agreement: Retain Original Provision</p>	<p>meter to possible tampering through reprogramming using portable computers.</p> <ul style="list-style-type: none"> • Our current Advanced Metering Infrastructure (AMI) plan is that the MSP will provide metering data to the CRB system thru a gateway. MSP can also provide to suppliers and customers these metering data through a gateway or a batch file based on an agreement to be made within the MSP and concerned customer/supplier. • The CRB and other auditing entities can regularly audit the metering data being transmitted by the MSP to check if it also represents the data in the metering database. • Operational concerns about meter data and services are already addressed through the provision of Meter Trouble Reports (MTRs) and close coordination between the PEMC and the MSP • Providing access to the the installation and metering databases is not necessary and will result in additional cost for information systems/information technology infrastructure, security and communication. These costs will have to be borne by end-users. 	
	Article	<u>Provision:</u>	<ul style="list-style-type: none"> • We recommend the methodology 	Article 6.4.2.3 is part of the hierarchy

marker

Title	Section	Provision/ Amendment	Rationale/Remarks	Comment/Suggested Provision
	6.4.2.3 From Grid Off-Take Meter – page 41	<p>“If both the main and backup <i>meters</i> fail, the <i>metering data</i> on the <i>metering point</i> of the facility of the <i>Contestable Customer</i> shall be estimated using the <i>metering data</i> from its <i>grid off-take meter</i>. The <i>metering data</i> of the <i>Contestable Customer</i> shall be estimated by adjusting the <i>metering data</i> of its grid off-take meter using a historical factor obtained through the comparison of the historical grid off-take <i>metering data</i> and historical <i>Contestable Customer</i> main <i>metering data</i>. This method of estimation is not applicable for variable loads whose historical load profile is indeterminate.”</p> <p><i>Amendment:</i></p> <p><u>“Except as otherwise provided, if (1) the DU-MSP is unable to obtain usable meter data from a customer or to read the meter of a customer on the date scheduled due to a Force Majeure event or any event beyond the control of the DU, (2) the meter fails to register the consumption of the customer for an entire billing period or a portion thereof, the DU may bill the customer based upon their estimated usage for the billing period.”</u></p> <p><u>Any of the following methods shall be used in calculating a bill based on estimated usage, whichever is applicable and equitable to all concerned parties.</u></p> <p><u>1) The average daily usage of the customer during the portion of the</u></p>	<p>prescribed in the Distribution Services Open Access Rules (DSOAR) that has been approved by the Energy Regulatory Commission, which is in current use.</p> <ul style="list-style-type: none"> • In the case of the current implementation of RCOA, where a grid off-take meter point may serve large segments of both contestable and non-contestable customers, referring to the grid off-take meter data in this instance may provide only limited insight. 	<p>of the monthly process for the Estimation Procedure (6.4). It starts with Article 6.4.2.1 by method of interpolation, Article 6.4.2.2 the use of backup meter data. If in Article 6.4.2.3 is not suited for estimation, then the next procedure Article 6.4.2.4 Scientific Method of Estimation shall be used. If phase voltages, phase currents and other data are not available in the scientific method, then the next Article 6.4.2.5 Historical Meter Data of estimation shall be used. The historical meter data estimation is practically the same in the proposed amendment with some deviations on the methods but using the same historical meter data.</p> <p>The proposal is already considered in the Article 6.4.2.6 Other Technical Methods. However, PEMC disagree on the proposed item 3 using historical data for duration of the past 3 years.</p> <p>In addition, the backup meter once registered in the Retail MIRF shall be used and part of the estimation process depending on the historical deviation as written in Article 6.4.2.2.</p>

Member

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Title	Section	Provision/ Amendment	Rationale/Remarks	Comment/Suggested Provision
		<p><u>billing period registered by the new meter for at least seven (7) days shall be applied to the remaining portion in the billing period; or</u></p> <p>2) <u>The average usage of the customer during the preceding three (3) months; or</u></p> <p>3) <u>The usage of the customer during the same month of the preceding year where the monthly consumption level has persisted for the past three years; or</u></p> <p>4) <u>If time of use rates and metering are applicable, then the estimated bill shall rely on the relevant time of use load profile data during the previous month</u></p> <p><u>The procedure for the estimation of metering data must comply with the Distribution Services Open Access Rules (DSOAR), as amended or any relevant rules promulgated by the Energy Regulatory Commission. The ERC shall likewise resolve any disagreements regarding the estimation.</u></p> <p><u>A back-up meter may be used at the discretion of the contestable customer. The cost related to the acquisition and installation of the back-up meter and the operating and maintenance cost of this back up meter and system support will be shouldered by the contestable customer.</u></p> <p>RCC Agreement: Retail Original Provision</p>		

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Title	Section	Provision/ Amendment	Rationale/Remarks	Comment/Suggested Provision
	<p>Article 6.6 Approval and Exporting – page 42</p>	<p><u>Provision:</u></p> <p>“The Central Registration Body shall approve all received metering data before they are used in the settlement process. These metering data shall have been reviewed and verified using the methods discussed in Section 6.3 and 6.4. Settlement-ready metering data shall be exported to the settlement process and only approved data are transferrable.”</p> <p><u>Amendment:</u></p> <p>Suggest to change to “Metering data that will be used in the settlement process shall be jointly approved by the CRB and MSP. These metering data shall have been reviewed and verified using the methods discussed in Section 6.3 and 6.4. Settlement-ready metering data shall be exported to the settlement process and only approved data are transferrable.”</p> <p>RCC Agreement: Retail Original Provision</p>	<ul style="list-style-type: none"> • Metering data that will be used in the settlement process should be jointly approved by CRB and the MSP. • The joint approval is the current process being implemented in the WESM. 	<p>Article 6.6 clearly said approval by the Central Registration Body is based on the received metering data. All metering data are both reviewed and verified by both CRB and the RMSP as discussed in the Section 6.3 and Section 6.4. The final received metering data is provided by the RMSP which is considered settlement-ready metering data.</p>

Note: For convenience, please underline and put in bold letters the proposed changes to the RCOA Metering Manual.

Member