



PUBLIC

WESM Manual

Billing and Settlement

Issue 15.0 | WESM-BSM

This Market Manual sets out the concept, flowchart, and procedural steps in the preparation of settlement statement, payment of settlement amount, prudential requirements, and suspension.

Approval Date: 02-Aug-2023 | Publication Date: 14-Aug-2023

PEMC Website Posting Date: 11-Sep-2023 | Effective Date: 29-Aug-2023

In case of inconsistency between this document and the DOE Circulars, the latter shall prevail.

Document Change History

Issue No.	Proponent	Date of Effectivity	Reason for Amendment
1.0	PEMC-MO		Proposed amendment provides for the billing and settlement timetable
2.0	AES-MPPCL	11 April 2012	Changes to provide deadline for the Market Operator's issuance of final statement adjustments
3.0	PEMC	29 May 2014	Revised the level of Prudential Requirement from 63 days to 35 days and the Computation of Maximum Exposure (ME) and Actual Exposure (AE)
4.0	PEMC	09 July 2015	Compliance to Audit Findings
5.0	PEMC	15 June 2017	Implementation of Preferential Dispatch
6.0	PEMC	26 June 2021	Implementation of Enhancements to WESM Design and Operations
	PEMC	In Section 7.4.1 (Initial Assessment of Prudential Requirements), Section 3 of DOE Department Circular No. DC2020-06-0014 dated 02 June 2020 shall be applied, as appropriate, until one (1) year after the commencement date of the New Market Management System (26 June 2022) pursuant to DOE Department Circular No. DC2020-06-0014 dated 02 June 2020.	Amendments regarding Pre-Integration of Mindanao in the WESM
7.0	IEMOP		Amendments to the computation of initial prudential requirements*
	IEMOP		Urgent amendments to the procedures related to additional compensation to harmonize with ERC Decision on ERC Case No. 2017-042RC dated 29 December 2020**
	PEMC		Revised formatting for the commencement of the enhanced WESM design and operations per DOE Department Circular No. DC2021-06-0015.
8.0	IEMOP	17 July 2021	Reflect amendments to promote participation in the Retail competition per DOE Department Circular No. DC2021-06-0012
8.1	IEMOP	25 November 2021	Reflect urgent amendments for the implementation of the Green Energy Option Program per PEM Board Resolution No. 2021-42-07 dated 24 November 2021
9.1	IEMOP	07 January 2022	Reflect amendments regarding rationalization of billing timelines
10.1	IEMOP	24 March 2022	Reflect amendments regarding prudential requirements
11.1	PEMC	27 August 2022	General amendments to the procedures related to additional compensation to harmonize with ERC

Issue No.	Proponent	Date of Effectivity	Reason for Amendment
			Decision on ERC Case No. 2017-042RC dated 29 December 2020
12.1	IEMOP	09 December 2022	Reflect amendments regarding implementation of the Reserve Market
13.1	IEMOP	18 February 2023	Reflect DOE DC2023-01-0003 on Validation Timeline Adjustment on Metering and Billing
14.0	IEMOP	26 February 2023	Reflect DOE DC2023-02-0004 on Implementation of GEOP
15.0	IEMOP	29 August 2023	Reflect DOE DC2023-08-0024 providing the formula for the calculation of additional compensation amount and specify the recovery process

**Previously tagged as Issue 6.1 by PEMC. Per DOE, this version is Issue 7.0.*

***Previously tagged as Issue 6.2 by PEMC.*

Document Approval

Issue No.	RCC Approval	RCC Resolution No.	PEM Board Approval	PEM Board Resolution No.	DOE Approval	DOE DC No.
1	16 May 2006	2006-15	06 Jun 2006	2006-20	N/A	N/A
2	04 May 2011	2011-05	25 May 2011	2011-32	N/A	N/A
3	08 Jan 2014	2014-01	05 Feb 2014	2014-03	N/A	N/A
4	04 Mar 2015	2015-03	28 Apr 2015	2015-16	N/A	N/A
5	01 Jun 2016	2016-07	10 Nov 2016	2016-30	20 Mar 2017	2017-03-0002
6	11 Apr 2017	2017-05	18 Sep 2017	2017-16	28 Mar 2018	2018-04-0008
	25 Apr 2018	2018-01	03 May 2018	2018-19	26 Jun 2018	2018-06-0017
7.0	16 Aug 2019	2019-12	28 Aug 2019	2019-15-03	02 Jun 2020	2020-06-0014
	26 Apr 2021	2021-03	28 Apr 2021	2021-35-13	N/A	N/A
	N/A	N/A	N/A	N/A	25 Jun 2021	2021-06-0015*
8.0	15 Mar 2019	2019-02	23 Apr 2019	2019-10-08	03 Jun 2021	2021-06-0012
8.1	19 Nov 2021	2021-20	24 Nov 2021	2021-42-07	N/A	N/A
9.1	11 Dec 2020	2020-18	16 Dec 2020	2020-31-03	09 Nov 2021	2021-11-0037
10.1	16 Oct 2020	2020-17	25 Nov 2020	2020-30-05	01 Mar 2022	2022-03-0003
11.1	21 Oct 2021	2021-19	27 Oct 2022	2021-41-03	20 Jun 2022	2022-06-0025
12.1	22 Nov 2021	2021-21	24 Nov 2021	2021-42-08	07 Nov 2022	2022-11-0032
13.1	17 Dec 2021	2021-23	30 Mar 2022	2022-46-09	12 Jan 2023	DC2023-01-0003
	18 Mar 2022	2022-04				
14.0	20 May 2022	2022-07	25 May 2022	2022-48-06	31 Jan 2023	2023-01-0004
15.0	21 Oct 2022	2022-11	23 Nov 2022	2022-54-02	02 Aug 2023	2023-08-0024

*Declaring the Commercial Operations of Enhanced WESM Design and Providing Further Policies

Reference Documents

Document ID	Document Title
	WESM Rules
WESM-PDM	Price Determination Methodology
WESM-RSDCP	Registration, Suspension and De-registration Criteria and Procedures
	DOE DC2018-07-0019 (Rules Governing the Establishment of the Green Energy Option Program / GEOP)
	DOE DC2020-04-0009 (Guidelines Governing the Issuance of Operating Permits to Renewable Energy Suppliers Under the Green Energy Option Program)
	ERC Resolution No. 8, Series of 2021 (GEOP Rules)

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SECTION 1 INTRODUCTION

1.1 BACKGROUND

This Market Manual provides the procedures on the preparation of settlement statements as basis for the settlement of transactions of Trading Participants in the Wholesale Electricity Spot Market (WESM).

1.2 PURPOSE

This Market Manual implements relevant provisions from WESM Rules Clauses 3.14 and 3.15. It describes the procedures which the Market Operator and Trading Participants must follow in relation to the settlement process and compliance with the prudential requirements.

1.3 SCOPE

1.3.1. This Market Manual covers the following procedures:

- a) Section 4 – Issuance of Settlement Statements in accordance with WESM Rules Clauses 3.14.4, 3.14.5, 3.14.8, and 3.14.9;
- b) Section 5 – Collection and Payment of Settlement Amounts in accordance with WESM Rules Clauses 3.14.2, 3.14.3, 3.14.6, 3.14.7, and 3.14.10;
- c) Section 6 – Payment Default in accordance with WESM Rules Clauses 3.14.11 and 3.14.12;
- d) Section 7 – Prudential Requirement in accordance with WESM Rules Clause 3.15; and
- e) Section 8 – Suspension and Revocation of Suspension in accordance with WESM Rules Clauses 3.14.11.2(b) and 3.15.8;
- f) Section 9 - Bilateral contract declaration for energy and reserves in accordance with WESM Rules Clauses 3.13.1 and 3.13.2; and
- g) Section 10 - Filing of additional compensation in accordance with Section 8.3 of the Price Determination Methodology.

1.3.2. This Market Manual does not cover the following processes, which are all provided under the Price Determination Methodology Manual:

- a) Calculation of administered prices;
- b) Settlement amounts calculation;
- c) Net settlement surplus; and
- d) Must-run unit calculation.

SECTION 2 DEFINITIONS, REFERENCES AND INTERPRETATION
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2.1 DEFINITIONS

- 2.1.1. Unless otherwise defined or the context implies otherwise, the italicized terms used in this Market Manual shall bear the same meaning as defined in the WESM Rules and other Market Manuals.
- 2.1.2. The following words and phrases as used in this Market Manual shall have the following meaning:
- a) **Average Actual Market Price.** This refers to the ratio of the total spot market payment of a WESM Member, which may include spot market energy and reserve transactions to the total metered quantities net of bilateral contract quantities for each billing month.
 - b) **Credit Support Provider.** Banks, or insurance companies.
 - c) **FIT-All Administrator.** The National Transmission Corporation as administrator of the FIT-All Fund, as designated in Resolution No. 15, Series of 2012, amending the FIT Rules.
 - d) **Margin cost of congestion.** Congestion component of the locational marginal price as defined under Section 4.10.1 of the Price Determination Methodology.
 - e) **Marginal cost of losses.** Losses component of the locational marginal price as defined under Section 4.10.1 of the Price Determination Methodology.
 - f) **Preliminary Statement.** A statement issued by the Market Operator under WESM Rules Clause 3.14.4.
 - g) **Settlement.** The activity of producing bills and credit notes for WESM members in accordance with WESM Rules Clause 3.13, and with the processes defined in WESM Rules Clause 3.14.
 - h) **Settlement Statements.** Statements issued by the Market Operator that contains the settlement transactions of a WESM Member. It can either be a preliminary, final or revised statements.

2.2 REFERENCES

This Market Manual shall be read in association with the WESM Rules and other relevant Market Manuals.

2.3 INTERPRETATION

- 2.3.1 Any reference to a clause in any section of this Market Manual shall refer to the particular clause of the same section in which the reference is made, unless otherwise specified or the context provides otherwise.
- 2.3.2 Standards and policies appended to, or referenced in, this Market Manual shall provide a supporting framework.

SECTION 3 RESPONSIBILITIES

3.1 MARKET OPERATOR

- 3.1.1 The Market Operator shall be responsible for complying with the requirements set forth in this Market Manual and in the WESM Rules, as follows:
 - a) Preparation and issuance of preliminary, final and revised statement files and supporting data to Trading Participants;
 - b) Provision of copies of the final and revised statements and supporting data of generation companies with FIT-eligible generating units to the FIT All Administrator;
 - c) To respond to all queries by Trading Participants pertaining to settlement statements and to investigate discrepancy, if any;
 - d) Collect and pay the settlement amount in the Final and Revised Statements due from/to Trading Participant;
 - e) Issuance of the Default Notice and monitor payment of the default amount;
 - f) Assessment of the security deposit, notification and monitoring of compliance with the Prudential Requirements; and
 - g) Suspension of WESM Member.

3.2 WESM MEMBERS

WESM Members, including *Trading Participants* and the *System Operator*, shall be responsible for complying with the requirements set forth in this *Market Manual* and in the *WESM Rules*, as follows:

- a) Retrieve and review *settlement* statement files and supporting data issued by the *Market Operator*. The *Trading Participants* or the *System Operator* shall notify the *Market Operator* if files are not accessible or received within the timetable and if there are discrepancies or errors;
- b) Payment of the settlement amount in the Final and Revised Statements issued by the Market Operator;
- c) Remedy default events;
- d) Provide and maintain a sufficient amount of security deposit to comply with the Prudential Requirements;
- e) Remedy or rectify suspension.

SECTION 4 SETTLEMENT STATEMENTS
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4.1 CONTENTS OF SETTLEMENT STATEMENTS AND DATA

4.1.1 Settlement Quantity and Amounts

- a) The settlement quantity billed to each *Trading Participant* is in accordance with WESM Rules Clauses 3.13.5 and 3.13.6.
- b) The aggregate *trading amount* for a *Trading Participant* for a trading interval equals the sum of:
 - i. The *Energy Trading Amounts* for each market trading node for which the *Trading Participants* is responsible calculated in accordance with *WESM Rules* Clause 3.13.7 (which will typically be positive for a *Generation Company* and negative for a *Customer*); plus
 - ii. The *Reserve Trading Amounts* for each *reserve region* into which that *Trading Participant* contributes *reserve* calculated in accordance with *WESM Rules* Clause 3.13.8 (which will always

be positive for both *Generation Companies* and *Customers*);
plus

- iii. The *Transmission Right Trading Amounts* for each *transmission right* held by the WESM Participant calculated in accordance with *WESM Rules* Clause 3.13.10 (which will always be positive for both *Generation Companies* and *Customers*) plus
- c) For each *billing period*, the *Market Operator* shall determine the *settlement amount* for each *Trading Participant* as the sum of the aggregate *trading amounts* for the *settlement intervals* in that *billing period*, determined in accordance with *WESM Rules* 3.13.11.2 plus:
 - i. Any amount payable by the *Market Operator* to that *Trading Participant* in respect of that *billing period* and not accounted for in *WESM Rules* Clause 3.13.11.2, including payment for any *Ancillary Services* purchased on behalf of the *System Operator*, less the sum of
 - ii. Any *market fees* which that *Trading Participant* is required to pay in respect of that *billing period* as determined in accordance with *WESM Rules* Clause 2.10; plus
 - iii. Any other amounts payable by that *Trading Participant* to the *Market Operator* in respect of that *billing period*.
 - iv. It is provided, however, that the *Market Operator* may issue a separate settlement statement for the *Reserve Trading Amounts*, if applicable, for that *Trading Participant*.
- d) The aggregate *trading amount* for the *System Operator* for a *settlement interval* equals the total *reserve cost recovery* amount with respect to every *reserve category* and *reserve region* in accordance with *WESM Rules* Clause 3.13.9.
- e) For each *billing period*, the *Market Operator* shall determine the *settlement amount* for the *System Operator* as the sum of the aggregate *reserve cost recovery amounts* for the *settlement intervals* in that *billing period*, determined in accordance with *WESM Rules* Clause 3.13.11.5.

4.1.2 **Net Settlement Surplus.** If the transactions indicated in this Section 4.1.1, in aggregate, results in a surplus or deficit remaining, this will be known as the

net settlement surplus. This may be retained by the Market Operator, to fund deficit as a result of transactions required in WESM Rules Clause 3.13.11, or may be flowed back to the Market Participants in accordance with the procedures to be developed under WESM Rules Clause 3.13.12.3, or may be used by the Market Operator to establish and support the market for Financial Transmission Rights subject to the approval of the PEM Board;

- 4.1.3 **Must-Run Adjustment.** In a particular billing period where a must-run generating unit was implemented for a dispatch interval, the settlement for the Trading Participant of the generating unit for the affected dispatch interval shall be in accordance to the relevant market price under the Price Determination Methodology Manual and Section 10 of this Market Manual.
- 4.1.4 The *Market Operator* shall provide by electronic means to the *Trading Participants* their respective *settlement* data along with the preliminary and final statements, which *settlement* data shall include, as may be applicable, the market fee statements, *Energy Trading Amounts*, final *nodal energy dispatch prices*, *energy settlement quantity*, *Line Rental Trading Amount* of participants with *Bilateral Contract Quantity* and each of the participants' *Bilateral Contract Quantity*, final *reserve prices*, *Reserve Trading Amount*, *Net Settlement Surplus* rebated, and line loss and congestion charges.
- 4.1.5 The *Market Operator* shall provide by electronic means to the *System Operator* its *settlement* data, along with the preliminary and final statements, which *settlement* data shall include, as applicable, the market fee statements, *reserve cost recovery amounts*, final *reserve prices*, *reserve quantities* and *reserve Bilateral Contract Quantities*.

4.2 PROCEDURES

4.2.1 Issuance of Preliminary Statements

- a) Within seven (7) *business days* after the end of each billing period, the *Market Operator* shall give each *WESM member* who has engaged in market transactions in that billing period a preliminary statement which sets out the market transactions of that *WESM member* in that billing period and the settlement amount payable by or to that *WESM member*. If the seventh day falls on a *Non-Working Day*, the issuance of the preliminary statements shall be made during the next immediate *working day*¹.

¹WESM Rules Clause 3.14.4.1

- b) The preliminary statements shall include supporting data for all amounts payable sufficient to enable each WESM member to audit the calculation of the amount payable by or to that WESM member².
- c) If the WESM member reasonably believes there was an error or discrepancy in the preliminary statement given to the WESM Member by the Market Operator, the WESM member shall notify the Market Operator as soon as practicable of that error or discrepancy and the Market Operator shall review the preliminary statement³.
- d) If the Market Operator considers that a preliminary statement contains an error or discrepancy after reviewing the preliminary statement as notified by a WESM member or as independently identified by the Market Operator, the Market Operator shall ensure that correction of any error or discrepancy is reflected in the relevant final statements, provided that corrections requiring the input of an external party are received by the Market Operator at least two (2) Working Days before the deadline of the issuance of the final statements. If the Market Operator receives notice of an error, discrepancy or correction of an earlier identified error after their relevant deadlines, Market Operator shall issue revised statements in accordance to Section 4.2.4b) of this Manual.⁴

4.2.2 Issuance of Final Statements

- a) No later than eighteen (18) days after the end of each billing period, the Market Operator shall give to each WESM member who has engaged in market transactions in that billing period a final statement stating the amounts payable by the WESM member to the Market Operator or payable by the Market Operator to the WESM member in respect of the relevant billing period. If the eighteenth day falls on a Non-Working Day, the issuance of the final statements shall be made during the next immediate Working Day⁵.
- b) The final statements issued shall include supporting data for all amounts payable which shall be sufficient to enable each WESM member to audit the calculation of the amount payable by or to that WESM member⁶.
- c) No later than eighteen (18) days after the end of each billing period, the Market Operator shall provide the Fit All Administrator with the final

² WESM Rules Clause 3.14.4.2

³WESM Rules Clause 3.14.4.3

⁴ WESM Rules Clause 3.14.4.4

⁵WESM Rules Clause 3.14.5.1

⁶WESM Rules Clause 3.14.5.2

statements and supporting data of generation companies with FIT Eligible Generating Units as specified in WESM Rules Clause 5.3.2 (k).

- d) If the *WESM Member* reasonably believes there was an error or discrepancy in the final statement given to the *WESM Member* by the *Market Operator*, the *WESM member* may notify the *Market Operator* of that error or discrepancy within five (5) months from the *WESM Member's* receipt of its final settlement statement. Thereafter, the *Market Operator* shall review the final statement and render its decision no later than three (3) months from receipt of the *WESM Member's* notification of error or discrepancy.

4.2.3 Disputes in the Preliminary and Final Statements

- a) If disputes arise between the WESM member and the Market Operator concerning either the preliminary statement or its supporting data, both shall use reasonable endeavors to resolve the dispute within fifteen (15) days after the end of the relevant billing period⁷.
- b) Dispute in respect with the final statement and its corresponding data shall be raised within twelve (12) months of the relevant billing period⁸.
- c) Disputes in respect of the *Market Operator's* decision or revised final statements resulting from the *WESM Member's* notification of error or discrepancy in a final statement per Section 4.2.3(b), may be raised within six (6) months from the *WESM Member's* receipt of the *Market Operator's* decision. It shall be resolved by negotiation or pursuant to the dispute resolution procedure set out in the WESM Rules Clause 7.3.

4.2.4 Issuance of Revised Statements

- a) If any amount in the final statement has been the subject of a dispute and the dispute has been resolved or was subject of a pending case before a Court of competent jurisdiction and that said Court has already rendered a final and executory Decision, caused different payable amount as set out in the final statement, the Market Operator shall issue to each WESM Member affected, an adjustment to the final statement for the relevant billing period setting out:

⁷WESM Rules Clause 3.14.8.1

⁸ WESM Rules Clause 3.14.8.2

- i. The amount payable by the WESM Member to the Market Operator or the amount payable by the Market Operator to the WESM Member, and
- ii. Interest calculated on a daily basis at the interest rate for the final statement to which the adjustment relates to the payment date applicable to the revised statement issued.

The *Market Operator* shall issue the adjustment to the final statement not later than three (3) calendar months after the resolution of the dispute or receipt of the relevant final and executory Order unless parties to be billed agrees that the issuance of the particular WESM bill adjustment shall be at a later time⁹.

- b) If the Market Operator becomes aware of an error in an amount stated in a final statement and in the Market Operator's reasonable opinion, a WESM Member would be materially affected if a revision to the final statement was not made to correct the error, then the Market Operator shall issue the Revised Statement not later than six (6) calendar months from receipt of the Market Operator of written notice of error from the participant, or from the Market Operator's discovery of the same¹⁰.
- c) The Market Operator shall specify the time and date on which a payment of an adjustment under a revised statement issued under Section 4.2.4 of this Manual is due, which date shall be not less than ten business days and not more than fifteen business days after the issue of that revised statement¹¹.

SECTION 5 COLLECTION AND PAYMENT OF SETTLEMENT AMOUNT

5.1 ELECTRONIC FUND TRANSFER

- 5.1.1 The Market Operator shall ensure that an EFT facility is provided and made available for all WESM members for the purposes of facilitating settlements and the collection and payment of all market fees¹².

⁹ WESM Rules Clause 3.14.9.1

¹⁰ WESM Rules Clause 3.14.9.2

¹¹ WESM Rules Clause 3.14.10.1

¹² WESM Rules Clause 3.14.2.1

- 5.1.2 Unless otherwise authorized by the Market Operator, all WESM Members shall use the EFT facility provided by the Market Operator for the settlement of transactions and the payment of market fees¹³.
- 5.1.3 In the event the EFT system fails, the WESM Member and the Market Operator shall find other means of payment to ensure that payment is received on the due date.

5.2 PAYMENT OF SETTLEMENT AMOUNT

- 5.2.1 Where the settlement amount for a WESM member is a negative amount, the WESM member shall pay that amount to Market Operators accordance with Section 5.3.1 of this Manual. Where the settlement amount for a WESM member is a positive amount, Market Operator shall pay that amount to the WESM Member in accordance with Section 5.3.2 of this Manual¹⁴.
- 5.2.2 The maximum total payment which the Market Operator is required to pay in respect of any billing period is equal to the aggregate of;
- a) the total payments actually received from WESM Members in accordance with Section 5.3.1 of this Manual; plus
 - b) the total amount that the Market Operator is able to actually draw from the prudential security of the defaulting WESM Members in accordance with f) of this Manual, if one or more WESM Members is in default; plus
 - c) other sources of funds which the PEM Board may approve to be paid to the WESM Members if the total amount drawn from the prudential security deposit of the defaulting WESM Members is insufficient to cover the defaulted amounts.
- 5.2.3 If it becomes necessary for the Market Operator to draw upon the prudential security of a defaulting WESM Member in accordance with f) of this Manual, the corresponding payments to the WESM Members entitled to be paid shall be made only after the Market Operator is actually able to draw on the prudential security but not later than the date specified in the billing and settlement time table.
- 5.2.4 If the total payments actually received or drawn from the prudential security by the *Market Operator* for a particular *billing period* is insufficient to pay for the total amounts payable to the *WESM Members*, the total payments

¹³ WESM Rules Clause 3.14.2.2

¹⁴ WESM Rules Clause 3.14.3.1

received and drawn shall be distributed and paid to the relevant *WESM Members* in proportion to the amount payable to them for that *billing period*. Prior to the interconnection of the Mindanao *grid* with the Luzon and Visayas *grids*, total payments actually received or drawn from the prudential security shall be determined and distributed separately for each settlement region. For this purpose, the Luzon and Visayas *grids* shall be considered as one settlement region and the Mindanao *grid* as another settlement region.

- 5.2.5 The shortfall shall be paid upon collection from the defaulting WESM Member but not later than the date specified in the billing and settlement time table¹⁵.

5.3 PROCEDURES

5.3.1 Payment by WESM Member

- a) Subject to Section 5.3.4, each WESM Member shall pay to the Market Operator in cleared funds, the settlement amount (if any) stated to be payable to the Market Operator by that WESM member in that WESM member's final statement no later than 3.00 pm on the twenty-fifth day of the calendar month following the billing period, whether or not the WESM member disputes, or continues to dispute, the amount payable.

If the twenty-fifth (25th) day of the calendar month following the billing period falls on a Non-Working Day, the payment due date shall be moved to the next immediate Working Day¹⁶.

- b) After receiving payment from the WESM Member, the Market Operator shall validate and determine any discrepancy between the amount billed and the amount collected.
- c) In the event of shortfall, the Market Operator shall exercise its right to draw from the existing security deposit as discussed in Section 7.4.5 of this Manual.
- d) The amount collected and the amount drawn shall be paid by the Market Operator to the Trading Participant in accordance with Section 5.3.2 of this Manual.

¹⁵ WESM Rules Clause 3.14.7

¹⁶ WESM Rules Clause 3.14.6

5.3.2 Payment to the WESM Member

Subject to Section 5.3.4, the Market Operator shall pay to each WESM Member in cleared funds the settlement amount (if any) stated to be payable in that WESM member's final statement on the following Working Day after the Market Operator is to be paid under Section 5.3.1 of this Manual, and in accordance with the schedule set in the Appendix A of this Manual¹⁷.

5.3.3 Payment of Adjustment

- a) Subject to Section 5.3.4, each WESM Member shall pay to the Market Operator in cleared funds the net amount (if any) stated to be payable by that WESM member in the revised statement issued to it under Section 4.2.4 of this Manual, no later than the time and date specified by the Market Operator pursuant to Section 4.2.4c) of this Manual¹⁸.
- b) Subject to Section 5.3.4, the Market Operator shall pay to each WESM Member in cleared funds the net amount (if any) stated to be payable to that WESM member in the revised statement issued to it under Section 4.2.4 of this Manual, on the following Working Day on which the Market Operator is to be paid under Section 5.3.3(a) of this Manual¹⁹.

5.3.4 Payment Procedures for FIT-Eligible Generating Units

- a) An aggregated settlement amount of all FIT-eligible generating units shall be calculated by aggregating all settlement amounts of all FIT-eligible generating units for that billing period.
- b) The Market Operator shall pay to the FIT-All Administrator in cleared funds the aggregated settlement amount as calculated in accordance with Section 5.3.4(a) on the following Working Day after the Market Operator is to be paid under Section 5.3.1 of this Manual, and in accordance with the schedule set in the Appendix A of this Manual.
- c) In the event that the aggregated settlement amount of all FIT-eligible Generating Units indicate a settlement amount payable to the Market Operator, the said aggregated settlement amount, plus interest calculated in accordance with Section 6.2.1(e), shall be offset from the amount payable to the FIT-All administrator in succeeding payment due

¹⁷ WESM Rules Clause 3.14.7

¹⁸ WESM Rules Clause 3.14.10.2

¹⁹ WESM Rules Clause 3.14.10.3

dates following the issuance of the final settlement statement until the same is fully paid.

- d) If a revised statement is issued in accordance with Section 4.2.4, the aggregated settlement amounts for FIT-eligible generating units shall be calculated. If it results to an amount payable to the Market Operator, the amount due shall be offset from the amount payable to the FIT-All administrator in succeeding payment due dates following the issuance of the revised settlement statements until the same is fully paid. If it results to an amount payable by the Market Operator, the FIT All Administrator shall be paid in cleared funds on the following Working Day after the Market Operator is to be paid under Section 4.2.4(c) of this Manual.

SECTION 6 PAYMENT DEFAULT

6.1 DEFAULT EVENTS

6.1.1 As stated in Section 3.14.11 of the WESM Rules, each of the following events is a default event in relation to the WESM Member:

- a) The WESM member does not pay any money due for payment by it under the WESM Rules by the appointed time on the due date²⁰;
- b) The Market Operator does not receive payment in full of any amount claimed by the Market Operator under any credit support in respect of a WESM member, within ninety minutes after the due time for payment of that claim²¹;
- c) The WESM member fails to provide credit support required to be supplied under the WESM Rules by the appointed time on the due date²²;
- d) It is or becomes unlawful for the WESM member to comply with any of its obligations under the WESM Rules or any other obligation owed to the Market Operator or it is claimed to be so by the WESM member²³;

²⁰ WESM Rules Clause 3.14.11.1(a)

²¹ WESM Rules Clause 3.14.11.1(b)

²² WESM Rules Clause 3.14.11.1(c)

²³ WESM Rules Clause 3.14.11.1(d)

- e) It is or becomes unlawful for any Credit Support Provider in relation to the WESM member to comply with any of its obligations under the WESM Rules or any other obligation owed to the Market Operator or it is claimed to be so by that Credit Support Provider²⁴;
- f) An authorization from a government authority necessary to enable the WESM member or a Credit Support Provider which has provided credit support for that WESM member to carry on their respective principal businesses or activities ceases to have full force and effect²⁵;
- g) The WESM member or a Credit Support Provider which has provided credit support for that WESM member ceases or is likely to cease to carry on its business or a substantial part of its business²⁶;
- h) The WESM member or a Credit Support Provider which has provided arrangement (including a scheme of arrangement), composition or compromise with, or assignment for the benefit of, all or any class of their respective creditors or members, or a moratorium involving any of them²⁷;
- i) The WESM member or a Credit Support Provider which has provided credit support for that WESM member states that it is unable to pay from its own money its debts as and when they fall due for payment²⁸;
- j) A receiver or receiver and manager is appointed in respect of any property of the WESM member or a Credit Support Provider which has provided credit support for that WESM member²⁹;
- k) An administrator, provisional liquidator, liquidator, trustee in bankruptcy or person having a similar or analogous function is appointed in respect of the WESM member or a Credit Support Provider which has provided credit support for that WESM member, or any action is taken to appoint any such person³⁰;
- l) An application or order is made for the winding up or dissolution or a resolution is passed or any steps are taken to pass a resolution for the

²⁴ WESM Rules Clause 3.14.11.1(e)

²⁵ WESM Rules Clause 3.14.11.1(f)

²⁶ WESM Rules Clause 3.14.11.1(g)

²⁷ WESM Rules Clause 3.14.11.1(h)

²⁸ WESM Rules Clause 3.14.11.1(i)

²⁹ WESM Rules Clause 3.14.11.1(j)

³⁰ WESM Rules Clause 3.14.11.1(k)

winding up or dissolution of the WESM member or a Credit Support Provider which has provided credit support for that WESM member³¹;

- m) The WESM member or a Credit Support Provider which has provided credit support for that WESM member dies or is dissolved unless such notice of dissolution is discharged;³² and
- n) The WESM member or a Credit Support Provider which has provided credit support for that WESM member is taken to be insolvent or unable to pay its debts under any applicable legislation³³.

6.2 PROCEDURES

6.2.1 Default

- a) Where the default event has occurred in relation to the WESM Members, the Market Operator may issue a default notice which specifies the nature of the alleged default as soon as practicable.³⁴
- b) The WESM Member shall remedy the default within twenty-four hours of the issuance of the default notice.
- c) If the Market Operator considers that a default event is not capable of remedy or a default event is not remedied within twenty-four (24) hours of the issue of the default notice or any later deadline agreed to in writing by the Market Operator or the Market Operator receives notice from the defaulting WESM Member that it is not likely to remedy the default specified in the default notice, then the Market Operator may issue a suspension notice in accordance with WESM Rule 3.15.8 and 0 of this Manual, under which the Market Operator notifies the defaulting WESM member that it is prohibited from participating in the spot market.³⁵
- d) The Market Operator may immediately issue a suspension notice in accordance with Section 8 of this Manual if the Market Operator considers that the default is not capable of remedy and that failure to

³¹ WESM Rules Clause 3.14.11.1(l)

³² WESM Rules Clause 3.14.11.1(m)

³³ WESM Rules Clause 3.14.11.1(n)

³⁴ WESM Rules Clause 3.14.11.2(a)(1)

³⁵ WESM Rules Clause 3.14.11.3

issue a suspension notice would be likely to expose other WESM members to greater risk, and to notify in writing the appropriate regulatory and administrative bodies concerned of such suspension. If it has not already done so, make a claim upon any credit support held in respect of the WESM member for such amount as the Market Operator determines represents the amount of any money actually or contingently owing by the WESM member to the Market Operator pursuant to the WESM Rules.

- e) The *WESM Member* shall remit the overdue amount to the *Market Operator*. Such overdue amount shall bear the default interest rate reckoned from the first day such amount is due and payable, up to and including the date on which payment is made, with interest computed based on a 360-day year³⁶. The default interest rate is equivalent to the BSP lending rate on date of payment plus 3% will accrue to the remaining unpaid amount until the full payment is received.
- f) The amount collected from the defaulting *WESM Member*, including the default interest, shall be paid by the *Market Operator* to the *WESM Members* in accordance with Section 5.3.2 of this Manual.

SECTION 7 PRUDENTIAL REQUIREMENTS

7.1 PURPOSE OF PRUDENTIAL REQUIREMENTS

The purpose of the prudential requirements is to ensure the effective operation of the spot market by providing a level of comfort that WESM members will meet their obligations to make payments as required under the WESM Rules.³⁷

7.2 PROVISIONS OF SECURITY

- 7.2.1 Subject to Section 7.2.2 of this manual, a WESM member wishing to participate in Market Transactions shall provide and maintain a security complying with the requirements of Section 7.2 of this manual.³⁸
- 7.2.2 In reference to WESM Rules Clause 3.15.2.2, the Market Operator may exempt a WESM Member from the requirement to provide a security, if:

³⁶ WESM Rules Clause 3.14.12

³⁷ WESM Rules Clause 3.15.1

³⁸ WESM Rule Clause 3.15.2.1

- a) the *WESM Member* is registered or registering as a *Generation Company* under commercial operations; and
- b) for a registering *Generation Company*, its projected volume sales to the *WESM* is greater than its projected contracted quantities and, if any, the projected volume purchases of its *Indirect WESM Members*; or, for a registered *Generation Company*, its *WESM settlement amount* is positive for the past three (3) billing periods.

The *Market Operator* shall not exempt *Generation Companies* that are not yet in commercial operations and *Customers* from the *prudential requirements* even if their calculated amount of security is zero.

- 7.2.3 If the *WESM Member* has been deemed exempted by the *Market Operator* under Section 7.2.2 and WESM Rules Clause 3.15.2.2, the *Market Operator* shall send a written notice to the *WESM Member*. The *Market Operator* may vary or cancel the exemption given pursuant to Sections 7.2.1 and 7.2.2 of this Manual, at any time, by giving written notice of the variation or cancellation of the exemption to the *WESM Member*.
- 7.2.4 If, under Section 7.2.2 of this Manual, the *Market Operator* has exempted a *WESM Member* from the requirement to provide a security for a period; then the *Market Operator* shall not set a *Trading Limit* for that *WESM Member* for that period during which that exemption applies.³⁹
- 7.2.5 A *WESM Member* who is exempt from providing a security deposit shall be required to pay in cleared funds the total negative settlement amount due, if any, on the due date as provided under Section 5.3.1 of this Manual.⁴⁰
- 7.2.6 Failure to comply with Section 7.2.5 of this Manual shall be a ground for the cancellation of exemption and said failure shall cause the *WESM Member* to be assessed and be required to put up prudential requirement. Upon written request of the *WESM Member*, the *Market Operator* may lift the cancellation of exemption from prudential requirement, provided that the *WESM Member*;
 - a) has settled all its outstanding obligations including interest, if any; and

³⁹ WESM Rule Clause 3.15.9.2

⁴⁰ WESM Rule Clause 3.15.2.4

- b) has no record of default in payment for non-compliance with the PR for the immediately preceding six (6) billing periods from the cancellation of exemption⁴¹

7.2.7 If a WESM Member that is exempt from Prudential Requirement under Section 7.2.2 of this Manual becomes a net buyer and fails to pay its obligations, the prudential security that shall be imposed pursuant to Section 7.2.6 of this Manual shall be computed based on:

- a) The average of the previous six (6) negative settlement amounts for the past twelve (12) consecutive billing periods; or,
- b) In the absence of the previous six (6) negative settlement amounts, the average of the available negative settlement amounts for the past twelve (12) consecutive billing periods.⁴²

7.3 FORMS OF SECURITY

7.3.1 The security provided by a *WESM Member* shall be in either of the following forms of security:

- a) Cash; or
- b) Other forms of security payable upon demand, irrevocable and unconditional commitment in a form and from a bank or other financial institutions acceptable to the *Market Operator*; or,
- c) Surety bond issued by a surety or insurance company duly accredited and authorized by the Office of the Insurance Commissioner of the Philippines.

For items b and c, the instrument must indicate that it is payable upon demand, irrevocable and unconditional.

All forms of security must be payable to the *Market Operator*. Its validity must be in accordance to the requirements of relevant rules and manuals.

7.3.2 Provided, however, that in all cases where the security deposit provided is other than in the form of Cash, the following conditions shall apply in

⁴¹ WESM Rule Clause 3.15.2.5

⁴² WESM Rule Clause 3.15.4.1

determining whether or not the Market Operator will allow such alternative form of security:

- a) A security deposit other than Cash may be allowed by the Market Operator only in the event it is determined that the amount of default can be immediately drawn on due date from such form of security; and
- b) Said WESM Member proposing to post a security deposit in a form other than Cash has no record of default in payment or non-compliance with the PR for the immediately preceding six (6) billing periods.⁴³

7.4 PROCEDURES

7.4.1 Initial Assessment of Prudential Requirement⁴⁴

- a) The initial *prudential requirement* of a *WESM Member* shall be calculated as the average of the projected *settlement amount* for each complete *billing period* covered considering the following:
 - (i) if the *WESM Member* aims to begin trading in the *WESM* before August 26 of the current year, the initial prudential requirement shall be calculated using the data of complete *billing periods* within March 26 to September 25 of the same year; or
 - (ii) otherwise the initial prudential requirement shall be calculated using the data of complete *billing periods* within March 26 to September 25 of the succeeding year.
- b) The projected *settlement amount* for each *billing period* of a *WESM Member* shall be calculated using the following formula:

$$PSA = \sum_{i \in I} (PQ_i \times P_i) - \sum_{i \in I} \sum_{c \in C} (PBCQ_{c,i} \times P_{c,i})$$

Where:

⁴³ WESM Rule Clause 3.15.3

⁴⁴ Section 3 of DOE Department Circular No. DC2020-06-0014 dated 02 June 2020 shall be applied, as appropriate, for the initial assessment of prudential requirement for (a) WESM in Mindanao and (b) Luzon and Visayas WESM upon the effectivity of said Circular on 02 July 2020 until one (1) year after the commencement date of the New Market Management System as determined by the DOE.

PSA	projected <i>settlement amount</i> in PhP
PQ _i	either projected <i>gross energy settlement quantity</i> for energy, in MWh, or projected <i>reserve quantity</i> for <i>dispatch interval i</i>
P _i	either projected <i>final energy dispatch price</i> for energy, or projected <i>reserve price</i> in PhP/MWh, for <i>dispatch interval i</i>
PBCQ _{c,i}	either projected <i>bilateral contract</i> quantity for energy or projected <i>reserve bilateral contract</i> quantity, in MWh, from counterparty c for <i>dispatch interval i</i>
P _{c,i}	either projected <i>final energy dispatch price</i> for energy or projected <i>reserve price</i> , in PhP/MWh, associated with the <i>bilateral contract</i> with counterparty c for <i>dispatch interval i</i>
I	set of <i>dispatch intervals</i> within the <i>billing period</i>
C	set of counterparties

- c) The *WESM Member* shall submit the following information to the *Market Operator* for each *dispatch interval* in the period defined in Section 7.4.1(a):
- (i) Projected *gross energy settlement quantities*; and
 - (ii) Projected *Bilateral Contract Quantities* from each *Trading Participant* counterparty

The projected *Bilateral Contract Quantity* shall not exceed the projected *gross energy settlement quantity* for each *dispatch interval*.

- d) The *WESM Member* shall submit to the *Market Operator* its assumptions for determining its projected *gross energy settlement quantities*. The *Market Operator* may require the *WESM Member* to submit supporting documents if necessary. The *Market Operator* shall assist the *WESM Member* in determining the projected *gross energy settlement quantities*.
- e) To be considered in the determination of the initial *prudential requirement*, the *bilateral contract* quantities submitted under Section 7.4.1(d)(ii) should have a corresponding contract enrolled with the *Market Operator*.
- f) The projected *final energy dispatch price* of a *WESM Member* for a *dispatch interval* shall be equal to the *final energy dispatch price* of the geographically nearest *market trading node* from the *connection point* of the *WESM Member* at the same *dispatch interval* and most recent same date.
- g) The projected *final energy dispatch price* associated with a *bilateral contract* quantity from a counterparty for a *dispatch interval* shall be equal to the *final energy dispatch price* of the *market trading node* of the

counterparty identified during enrollment of the *bilateral contract* at the same *dispatch interval* and most recent same date.

- h) Subject to 7.2.4 of this Manual, the Market Operator shall set a trading limit for each WESM member who participates in market transactions.⁴⁵

The trading limit for a WESM member, at any time, shall be equal to the total value of the security, including Interest Rate, if any, provided by the WESM member to the Market Operator.⁴⁶

- i) The Market Operator shall notify the WESM Member, of the required security based on the established Trading Limit as soon as practicable.
- j) The WESM Member shall provide the required security deposit in the form acceptable to the Market Operator as part of the requirements that the WESM Member must comply before participating in the Spot Market.
- k) The Market Operator shall confirm receipt of the security deposit provided by the WESM Member as soon as practicable.
- l) The *System Operator's* compliance on *prudential requirement* shall be subject to *ERC* approval.

7.4.2 Assessment of Actual Exposure and Margin Call

- a) The Market Operator shall review, on a monthly basis, its actual exposure to each WESM member in respect of previous billing periods in accordance with the WESM Rules.⁴⁷
- b) In calculating the Market Operator's actual exposure to a WESM member under Section 7.4.2 c) of this Manual, the Market Operator shall take into account:
 - i. Outstanding settlement amounts for the WESM member in respect of previous billing periods; and
 - ii. Settlement amounts for the WESM member for the billing period that will be due on the period in which the review occurs based on the available settlement statement.⁴⁸

⁴⁵WESM Rule Clause 3.15.9.1

⁴⁶ WESM Rule Clause 3.15.9.3

⁴⁷ WESM Rule Clause 3.15.10.1

⁴⁸ WESM Rule Clause 3.15.10.2

- c) If the Market Operator calculates that its exposure to a WESM member exceeds the WESM member's trading limit, then the Market Operator shall make a Margin Call on that WESM member by notice to the WESM member in writing (Margin Call Notice).⁴⁹
- d) If the Market Operator makes a Margin Call on a WESM member under Section 7.4.2 c) of this Manual, then the WESM member must satisfy the Margin Call by providing the amount of shortfall within three (3) working days from receipt of the Margin Call Notice by either:
 - i. Providing to the Market Operator an additional security or securities complying with the requirements of the WESM Rule Clause 3.15, or
 - ii. Prepaying the amount payable or which will become payable.⁵⁰
- e) For the purposes of this Manual, a prepayment under Section 7.4.2 d) is taken to relate to the earliest billing period in respect of which the relevant WESM member owes the Market Operator an amount of money under the WESM Rules and if, the amount the WESM Member owes under the WESM Rules in respect of that billing period is less than the amount of the prepayment, then the excess is taken to relate to the billing period occurring immediately after the earliest billing period in respect of which the relevant WESM Member owes the Market Operator an amount of money under the WESM Rules in chronological order until there is no excess.
- f) If a WESM member fails to satisfy a margin call by providing additional security or making a prepayment under Section 7.4.2 d) of this Manual, then the Market Operator shall issue the WESM member a Suspension Notice in writing in accordance with WESM Rule 3.15.8 and 0 of this Manual.⁵¹

7.4.3 Assessment of Maximum Exposure

- a) Prior to the end of each Financial Year, the Market Operator shall determine and provide written confirmation to each WESM member of its Maximum Exposure to the Market Operator in respect of a billing period in the following Financial Year. The amount of security to be provided by each WESM member pursuant to Section 7.2.1 and 7.2.2 of this Manual shall be equivalent to the Maximum Exposure.⁵²

⁴⁹ WESM Rule Clause 3.15.11.1

⁵⁰ WESM Rule Clause 3.15.11.2(b)

⁵¹ WESM Rule Clause 3.15.11.3

⁵² WESM Rule Clause 3.15.4.1

- b) The Market Operator may review its method of determination of a WESM member's Maximum Exposure at any time, provided that any change to a WESM member's Maximum Exposure will apply no earlier than thirty (30) days following receipt of written notification from the Market Operator by a WESM member of that change, or such earlier period agreed to in writing by the PEM Board.⁵³
- c) After receipt of the written confirmation, the WESM Member shall determine if the calculated amount by the Market Operator is equivalent to its expected Maximum Exposure in the following financial year.
- d) The WESM Member shall provide additional security to Market Operator to cover its Maximum Exposure.
- e) Each WESM member shall ensure that at all times the aggregate undrawn and unclaimed amounts of current and valid security held by the Market Operator in respect of that WESM member is not less than that WESM member's Maximum Exposure.⁵⁴
- f) To diminish the possibility of incurring a Margin Call under Section 7.4.2a) of this Manual, a WESM member may provide a security or securities in accordance with Section 7.3 of this Manual for an aggregate amount that exceeds its Maximum Exposure.

If said additional security or securities is not in the form of Cash, the WESM member shall secure the prior written determination and approval of the Market Operator.⁵⁵

- g) The WESM Member may request for a recalculation of Maximum Exposure if it disagrees with the amount of Maximum Exposure calculated by the Market Operator.
- h) Upon the request of a WESM Member, the Market Operator may consider a replacement month within the 26th March to 25th September billing periods, having the same number of calendar days if:
 - i. There is a disagreement between the Market Operator and the WESM Member on the Final Statement during the months covered in the computation of the Maximum Exposure;

⁵³ WESM Rule Clause 3.15.4.2

⁵⁴ WESM Rule Clause 3.15.4.3

⁵⁵ WESM Rule Clause 3.15.4.4

- ii. There is a positive settlement amount in any billing period in the computation of the Maximum Exposure⁵⁶; or
 - iii. There is a force majeure event that affected at least 50% of the settlement intervals within a billing period.
- i) If there is a change or expected change in the settlement quantities of a *WESM Member* due to a change in bilateral contract, reduction in load served, or occurrence of force majeure events, the *WESM Member* may, at any time, request the *Market Operator* to determine its *Maximum Exposure* based on its average estimated settlement amount.

The estimated settlement amount for each billing period of a *WESM Member* shall be calculated using the following formula:

$$ESA = \sum_{i \in I} (EGESQ_i \times EFEDP_i) - \sum_{i \in I} \sum_{c \in C} (EBCQ_{c,i} \times EFEDP_{c,i})$$

Where:

ESA	estimated <i>settlement amount</i> in PhP
EGESQ _i	estimated <i>gross energy settlement quantity</i> , in MWh, for <i>dispatch interval i</i>
EFEDP _i	estimated <i>final energy dispatch price</i> , in PhP/MWh, for <i>dispatch interval i</i>
EBCQ _{c,i}	estimated <i>bilateral contract</i> quantity, in MWh, from counterparty <i>c</i> for <i>dispatch interval i</i>
EFEDP _{c,i}	estimated <i>final energy dispatch price</i> , in PhP/MWh, associated with the <i>bilateral contract</i> with counterparty <i>c</i> for <i>dispatch interval i</i>
I	set of <i>dispatch intervals</i> within the billing period
C	set of counterparties

- i. if the request is due to a change in *bilateral contract*, the *WESM Member* shall submit to the *Market Operator* its estimated *bilateral contract* quantities from each *Trading Participant* counterparty for each *dispatch interval* in the immediate complete 26 March to 25 September period; the estimated *gross energy settlement quantity* and *estimated final energy dispatch prices* of the *WESM Member* for a *dispatch interval* shall be equal to its *gross energy settlement quantity* and *final energy dispatch prices*, respectively, at the same *dispatch interval* and most recent same date.

⁵⁶ WESM Rule Clause 3.15.4.1

- ii. if the request is due to a reduction in load served, the *WESM Member* shall submit to the *Market Operator* its estimated *gross energy settlement quantities* and estimated *bilateral contract quantities* from each *trading participant* counterparty for each *dispatch interval* in the immediate complete 26 March to 25 September period; the estimated *final energy dispatch prices* of the *WESM Member* for a *dispatch interval* shall be equal to its *final energy dispatch prices* at the same *dispatch interval* and most recent same date.
- iii. if the request is due to a force majeure, the *WESM Member* shall submit to the *Market Operator* its estimated *gross energy settlement quantities* and estimated *bilateral contract quantities* from each *trading participant* counterparty for each *dispatch interval* in the immediate complete 26 March to 25 September period; the estimated *final energy dispatch prices* of the *WESM Member* for a *dispatch interval* shall be equal to its *final energy dispatch prices* at the same *dispatch interval* and most recent same date, or from the replacement date in accordance with Section 4.7.3(h).
- iv. The estimated *bilateral contract quantity* shall not exceed the estimated *gross energy settlement quantity* for each *dispatch interval*.
- j) If the *Market Operator* determines that the security provided by a *WESM Member* is below the assessed *Maximum Exposure*, the *Market Operator* shall require such *WESM Member* to increase its security deposit up to the level of its *Maximum Exposure* within three (3) working days after the receipt of the written notification of the annual assessment. If the *WESM Member* fails to comply within the prescribed date or any later date agreed to in writing with the *Market Operator*, then the *Market Operator* shall issue a default notice in accordance with SECTION 6 of this Manual.⁵⁷

7.4.4 Replacement of Security

- a) The *WESM member* shall deliver to the *Market Operator*, at least ten (10) working days prior to the time at which that existing security is due to expire or terminate, if:
 - i. An existing security provided by a *WESM member* under this Section 7 of this Manual is due to expire or terminate; and

⁵⁷ WESM Rule Clause 3.15.4.1

- ii. After that security expires or terminates, the maximum amount which the Market Operator will be entitled to be paid in aggregate under any remaining security or securities provided by the WESM member under this Section 7 of this Manual will be less than WESM member's Maximum Exposure.
- b) The amount of Replacement security shall be:
 - i. of sufficient value to enable the WESM member to comply with Section 7.4.3e) of this Manual;
 - ii. Compliant with the requirements of this f) of this Manual; and
 - iii. Shall take effect no later than the date on which the existing security is due to expire or terminate.⁵⁸
- c) The WESM member is deemed to be in default and the Market Operator shall give the WESM member a Suspension Notice in accordance with Section 8 of this Manual, if:
 - i. A WESM member fails to comply with Section 7.4.4 a) of this Manual; and,
 - ii. A WESM member does not remedy that failure within three (3) working days after being notified by the Market Operator of the failure.⁵⁹
- d) If the Market Operator determines that a WESM Member is not qualified to provide a non-cash security deposit (i.e., Stand-by Letter of Credit, Surety Bond), the Market Operator shall inform in writing that WESM Member to change its existing security deposit to Cash at any time or before the expiry date of the existing non-cash security.

7.4.5 Drawdown of Security

- a) The Market Operator shall exercise its right to draw from the existing security deposit of the WESM Member in the event of shortfall in payment as discussed in Section 7.4.5 c) of this Manual. The amount drawn plus the amount collected, if any, shall be paid by the Market Operator to the Trading Participant, in accordance with Section 5.3.2 of this Manual.

⁵⁸ WESM Rule Clause 3.15.5.1

⁵⁹ WESM Rule Clause 3.15.5.2

- b) The Market Operator shall notify a WESM member, in writing, once the Market Operator exercises its rights in accordance with f) of this Manual under a security provided by said WESM member⁶⁰.
- c) If, as a result of the Market Operator exercising its rights under a security provided by a WESM member under f) of this Manual, the maximum amount which the Market Operator is entitled to be paid under the security or securities provided by the WESM member under this f) of this Manual is less than the WESM member's Maximum Exposure, then, within three (3) working days from receipt of the written notice under Section b) of this Manual, the WESM member shall provide an additional security to ensure that, at all times, it complies with the requirements of the WESM Rule 3.15.⁶¹
- d) If a WESM member fails to comply with Section 7.4.5 c) of this Manual, within the time period referred to in that clause, then the Market Operator shall give the WESM member a suspension notice in accordance with Section 8.1.1a) of this Manual.⁶²

7.4.6 Refund of Security

- a) Upon written request from the WESM Member, the Market Operator shall refund the prudential security under the following conditions:
 - i. if the *Market Operator* has exempted the *WESM Member* under Section 7.2.2 or lifted the cancellation of exemption after the *WESM Member* complied with its obligations under Section 7.2.6 of this Manual; or
 - ii. if the security deposit of a WESM Member consistently exceeds the Maximum Exposure in previous six (6) consecutive billing periods⁶³; or
 - iii. if the calculated *Maximum Exposure* of the *WESM Member* under Section 7.4.3 is lower than the amount of security it has provided to the *Market Operator*.
- b) The refund of security deposit shall be allowed by the Market Operator after the assessment of the amount of refund, provided that the WESM Member has no record of default and non-compliance with the Prudential

⁶⁰ WESM Rule Clause 3.15.6.1

⁶¹ WESM Rule Clause 3.15.6.2

⁶² WESM Rule Clause 3.15.6.3

⁶³ WESM Rule Clause 3.15.7

Requirement in previous six (6) consecutive billing periods.⁶⁴ The amount of refund shall not be more than the excess of existing security deposit over the Maximum Exposure.

7.4.7 Switch Request

- a) Upon receipt of a valid *switch request*, the *Market Operator* as the *Central Registration Body* shall immediately assess the compliance of the new *Supplier* and *Retail Customer*, as applicable, with the *prudential requirements*.
- b) The *Market Operator* shall calculate the additional security required from the new *Supplier* and *Retail Customer*, as applicable, using the following formula:

$$AS_{s,c} = \frac{HMQ_c}{n_c} \times \frac{35}{30} \times MQE_{s,c} \times AAMP_{past\ 12\ billing\ periods}$$

Where:

$AS_{s,c}$ additional security, in PhP, to be provided by *Supplier s* for the switch of *Retail Customer c*

HMQ_c historical total *metered quantity*, in MWh, of *Retail Customer c* from the past twelve (12) months

n_c number of days covered by the historical total *metered quantity* of *Retail Customer c*

$MQE_{s,c}$ *metered quantity* exposure to the WESM, in %, of *Retail Customer c* when supplied by *Supplier s*

$AAMP_{past\ 12\ billing\ periods}$ *average actual market price*, in PhP/MWh, for the past twelve (12) *billing periods*

- c) The *Market Operator* shall calculate and provide to the new *Supplier* the amount of additional security required within two (2) *working days* from the receipt of the *switch request*.

⁶⁴WESM Rule Clause 3.15.7

SECTION 8 SUSPENSION AND REVOCATION

8.1 PROCEDURES

8.1.1 Suspension

- a) The Market Operator shall issue a Suspension Notice to WESM Member after the Market Operator determines that the WESM Member is incapable to rectify the default event and fails to continue to satisfy the Prudential Requirements in accordance with Section 8.1.1 of this Manual.
- b) As soon as practicable after a Suspension Notice is issued by the Market Operator, the Market Operator shall publish the suspension notice in the WESM website and in a newspaper of general circulation and shall notify in writing the ERC, the DOE and National Electrification Administration of such suspension⁶⁵.
- c) Upon receipt of Suspension Notice, the WESM Member shall remedy or rectify the grounds of suspension.
- d) A WESM member shall comply with a suspension notice issued to it under the WESM Rules, if:
 - i. The Market Operator has issued a Suspension Notice to a WESM member due to a default event and in the Market Operator's reasonable determination, the WESM member is incapable of rectifying the default event for any reason; or,
 - ii. The Market Operator has issued a suspension notice to a WESM member due to a failure by the WESM member to continue to satisfy the Prudential Requirements and in the Market Operator's reasonable determination, the WESM member is incapable of rectifying that failure for any reason,⁶⁶
- e) The Market Operator, in either case, shall deregister that WESM member as soon as practicable and promptly publish a notice of that fact in accordance with Registration, Suspension and De-registration Criteria and Procedures

⁶⁵ WESM Rules Clause 3.15.8.1

⁶⁶ WESM Rules Clause 3.15.8.6

- f) In the event of suspension, all the settlement statements issued to such WESM member, including an estimate of the accrued trading amounts, shall become immediately due and demandable⁶⁷.
- g) From the time that the Market Operator issues a written Suspension Notice to a WESM member under the WESM Rules, the WESM member is ineligible to participate in the spot market, until such time as the Market Operator notifies the WESM member and all other relevant WESM members, in writing, that the Suspension Notice has been revoked⁶⁸.

8.1.2 Revocation of Suspension

- a) The Market Operator shall revoke Suspension Notice and issue a Revocation Notice if:
 - i. In the case of a default event, the default event is remedied; or
 - ii. In the case of a failure to maintain compliance with prudential requirements under f) of this Manual, that failure has been remedied; and
 - iii. There are no other circumstances in existence, which would entitle the Market Operator to issue a Suspension Notice.

The Market Operator shall not revoke a Suspension Notice more than one month after it was issued⁶⁹.

- b) If a suspension notice is revoked, the Market Operator shall publicize that fact in the same manner in which the suspension notice was publicized in accordance with Section 8.1.1b) of this Manual⁷⁰.

SECTION 9 BILATERAL CONTRACT DECLARATION

9.1 DECLARATIONS FOR ENERGY TRANSACTIONS

- 9.1.1 Trading Participants who will sell electricity pursuant to bilateral contracts during a dispatch interval and wish those bilateral contracts to be accounted for in

⁶⁷ WESM Rules Clause 3.15.11.3

⁶⁸ WESM Rules Clause 3.15.8.4

⁶⁹ WESM Rules Clause 3.15.8.2

⁷⁰ WESM Rules Clause 3.15.8.3

settlements may declare to the Market Operator bilateral contract data up to the end of the following trading day.

9.1.2 To be valid, bilateral contract declarations submitted by a Trading Participant shall include:

- a) market trading node from the identified market trading nodes during the enrolment of the supply contract designated as the source of the supply from the selling Trading Participant;
- b) the Trading Participant who will buy the declared volume pursuant to their bilateral contract;
- c) market trading node from the identified market trading nodes during the enrolment of the supply contract and whose final nodal energy dispatch price will be used as reference during settlements; and
- d) bilateral contract quantity in MWh for each dispatch interval for that trading day.

9.1.3 Bilateral contract declarations may include the market trading node from the identified market trading nodes during the enrolment of the supply contract designated as the withdrawal point of the buying Trading Participant.

9.1.4 Bilateral contract declarations submitted by a Trading Participant should be covered by a supply contract enrolled by the Trading Participant to the Market Operator in accordance with the relevant Market Manual.

9.1.5 The Market Operator shall immediately send to each Trading Participant with whom it has received a valid bilateral contract declaration an electronic confirmation of receipt of that bilateral contract declaration.

9.1.6 If the enrollment of the supply contract covering the bilateral contract declaration requires confirmation from the buying Trading Participant, the valid bilateral contract declaration shall be accounted for during settlements only upon confirmation by the buying Trading Participant in accordance with Section 9.2.

9.1.7 If the enrollment of the supply contract covering the bilateral contract declaration does not require confirmation from the buying Trading Participant, the valid bilateral contract declaration shall be accounted for during settlements unless nullified by the buying Trading Participant in accordance with Section 9.2.

- 9.1.8 If the bilateral contract declaration is invalid, the Market Operator shall promptly inform the Trading Participant and such bilateral contract declaration shall not be accounted for in settlements.
- 9.1.9 Prior to the interconnection of the Mindanao *grid* with the Luzon and Visayas *grids*, a selling *Trading Participant* may only declare *bilateral contract* data for buying *Trading Participants* from the same settlement region. A selling *Trading Participant* and a buying *Trading Participant* shall be deemed to be from the same settlement region if both *Trading Participants* have *market trading nodes* from the same settlement region. In addition, the *market trading nodes* specified under Section 9.1.2(a) and 9.1.2(c) should be in the same settlement region as the selling and buying *Trading Participants*. For this purpose, the Luzon and Visayas *grids* shall be considered as one single settlement region and the Mindanao *grid* as another settlement region.
- 9.1.10 If the buying *Trading Participant* is a *Renewable Energy Supplier*, it shall ensure that its *gross energy settlement quantity* for each *dispatch interval* shall be fully covered by bilateral contract declarations.
- 9.1.11 If the selling *Trading Participant* is a *Renewable Energy Supplier* and the buying *Trading Participant* is a *GEOP End-User*, the *Renewable Energy Supplier* shall ensure that the *gross energy settlement quantity* of the *GEOP End-User* for each *dispatch interval* shall be fully covered by bilateral contract declarations.
- 9.1.12 In case of non-compliance with Clauses 9.1.10 and 9.1.11, the *Market Operator* shall promptly inform the affected parties to re-submit bilateral contract declaration.

In view of the need for enhancements to the Central Registration and Settlement System (CRSS) to implement the verification of 100% RE sourcing requirement for *Renewable Energy Suppliers*, it is understood that the said process shall take effect no later than fifteen (15) days from the date of issuance of the requisite software certificate of the system enhancements.

9.2 CONFIRMATION AND NULLIFICATION FOR ENERGY TRANSACTIONS

- 9.2.1 In order to be accounted for during settlements, valid bilateral contract declarations covered by supply contracts enrolled to require confirmation submitted by a Trading Participant should be confirmed by the buying Trading Participant to the Market Operator one day after each trading day.

- 9.2.2 If the enrollment of the supply contract does not require confirmation from the buying Trading Participant, the valid bilateral contract declarations submitted by a Trading Participant shall be accounted for during settlements unless the buying Trading Participant submits to the Market Operator a notice of nullification one day after each trading day.
- 9.2.3 The Market Operator shall immediately send to each buying Trading Participant with whom it has received a confirmation or notice of nullification an electronic confirmation of receipt of that confirmation or notice of nullification.
- 9.2.4 Upon receipt of a confirmation or notice of nullification, the Market Operator shall immediately notify the relevant selling Trading Participant to the supply contract that the valid bilateral contract declaration has been confirmed or nullified.
- 9.2.5 At the end of each trading day, the Market Operator shall notify all buying and selling Trading Participants, whose supply contract was enrolled to require confirmation and whose valid bilateral contract declarations was not confirmed, that their bilateral contract declarations shall not be accounted for during settlements.
- 9.2.6 At the end of each trading day, the Market Operator shall notify all buying and selling Trading Participants, whose supply contract was enrolled to not require confirmation and whose valid bilateral contract declarations was not nullified, that their bilateral contract declarations shall be accounted for during settlements.

9.3 LINE RENTAL CALCULATION FOR ENERGY TRANSACTIONS

- 9.3.1 WESM Rules Clause 3.13.7.2 provides that the Market Operator shall calculate line rental trading amounts for each bilateral contract quantity declaration, for informational purposes.
- 9.3.2 For the purpose of calculating line rental trading amounts, bilateral contract quantities declared for buying trading participants shall be:
- a) if available, assigned to each of its market trading nodes as identified in Section 9.1.3; or
 - b) pro-rated to each of its market trading node based on metered quantities.
- 9.3.3 For a selling Trading Participant, the line rental trading amount associated with a bilateral contract declaration shall be equal to the bilateral contract quantity multiplied by the difference of the final energy dispatch price at the market

trading node identified under Section 9.1.2(a) and the final energy dispatch price at the market trading node identified under Section 9.1.2(c).

- 9.3.4 For a buying Trading Participant, the line rental trading amount associated with a bilateral contract declaration shall be equal to the sum of the line rental trading amounts calculated for each of its market trading nodes. The line rental trading amount for each market trading node of a buying Trading Participant is equal to the bilateral contract quantity or, if applicable, the pro-rated bilateral contract quantity calculated under Section 9.4.3 of the market trading nodes multiplied by the difference of the final energy dispatch price at the market trading node of the buying Trading Participant and the final energy dispatch price at the market trading node identified under Section 9.1.2(c).
- 9.3.5 The line rental trading amount associated with each bilateral contract declaration of a Trading Participant may be segregated into:
- a) the line rental trading amount attributable to losses calculated by applying the same formula in Sections 10.1.3 and 10.1.4 but only using the marginal cost of losses component of the final energy dispatch prices in place of the final energy dispatch prices; and
 - b) the line rental trading amount attributable to congestion calculated by applying the same formula in Section 10.1.3 and 10.1.4 but only using the marginal cost of congestion component of the final energy dispatch prices in place of the final energy dispatch prices.
- 9.3.6 Line rental trading amounts segregated into the amounts attributable to the cost of losses and of congestion shall be calculated by the Market Operator and included in the settlement statements of Trading Participants. Additional information to validate segregated line rental trading amounts may be provided by the Market Operator subject to the pertinent provisions of the WESM Rules and the relevant Market Manual.

9.4 DECLARATION FOR RESERVE TRANSACTIONS

- 9.4.1 The System Operator shall submit to the Market Operator the following information on bilateral contracts for reserves up to the end of the following trading day:
- a) Trading Participant who provides the ancillary service;
 - b) Reserve bilateral contract quantity; and
 - c) Reserve category.

- 9.4.2 The Market Operator shall confirm the receipt of reserve bilateral contract quantity declaration.

SECTION 10 FILING OF CLAIMS FOR ADDITIONAL COMPENSATION

10.1 CRITERIA FOR ADDITIONAL COMPENSATION

10.1.1 In accordance with Section 8.3 of the Price Determination Methodology Manual, *Trading Participants* may be entitled to additional compensation when the cost incurred in complying with the *dispatch instruction* are not sufficiently covered by the trading amounts, related to *settlement intervals* with *dispatch intervals* under any of the following conditions:

- a) *Market suspension* or *Market intervention*; or
- b) When the *Trading Participant* has a *generating unit* that is designated as *must-run unit* or *constrain-on generating unit* as shown in the Dispatch Instruction Report submitted by the *System Operator* to the *Market Operator* in accordance with the *WESM Rules* or relevant *market manual*; or
- c) When the *Trading Participant* has a *generating unit* that was scheduled and dispatched as a *constrained-on generator* in *dispatch intervals* when price substitution methodology due to congestion was applied; or
- d) A *Trading Participant* has a *generating unit* that was scheduled and dispatched in *dispatch intervals* when price mitigation measure imposed by the *ERC* or other competent government agency was applied may also be entitled to additional compensation in accordance with and subject to the conditions set out in the issuance of the *ERC* or the competent government agency that imposed the price mitigation measure. In case of conflict between the provisions of this *Market Manual* and said issuances in respect to payment of compensation to affected *Trading Participants*, the latter issuances shall prevail.

10.1.2 In the event that two (2) or more of the conditions occur in the same *dispatch interval* and a *Trading Participant* is entitled to additional compensation due to more than one condition, the *Trading Participant* and the *Market Operator* shall adhere with the procedures and timelines of the condition with the highest priority based on the following hierarchy:

- a) Claim category in Section 10.1.1(a)

- b) Claim category in Section 10.1.1(d)
- c) Claim category in Section 10.1.1(c)
- d) Claim category in Section 10.1.1(b)

10.2 FILING OF CLAIMS

10.2.1 *Trading Participants* shall submit the written claim for additional compensation within the allowable timeframe and basis of computation, as follows:

- a) *Market suspension or market intervention* – not later than fourteen (14) *working days* after the issuance of the WESM final statement bill and settlement data;
- b) *Must-run unit or constrain-on generating unit* – within one (1) year from the time the affected *Trading Participant* complied with *dispatch instructions* as *must-run unit or constrain-on generating unit*;
- c) *Constrained-on generators in dispatch intervals* when the price substitution methodology due to congestion was applied – not later than fourteen (14) *working days* after the issuance of the WESM final statement bill and settlement data;
- d) Qualified *Trading Participants* in *dispatch intervals* when price mitigation measure was applied – not later than fourteen (14) *working days* after the issuance of the WESM final statement bill and settlement data.

Any claims not filed within such period shall be deemed waived.

10.2.2 Within a maximum period of sixty (60) *business days* from the *Market Operator's* receipt of the written claim, *Trading Participants* shall submit the complete documentation that provides sufficient proof regarding the costs incurred, which are limited to fuel cost and variable operating and maintenance costs, which may include start-up and shut down cost. Below is the non-exhaustive list of requirement documents in filing claims for additional compensation:

- a) *Market suspension, market intervention, must-run unit or constrain-on generating unit* –
 - i. Certified correct Fuel Consumption and Inventory Report;
 - ii. Purchase Invoices, Official Receipts and other supporting documents; and
 - iii. ERC approved rate or List of Variable Operation and Maintenance Costs supported by photocopies of invoices/receipts.

- b) *Constrained-on generators* in *dispatch intervals* when the price substitution methodology due to congestion was applied or qualified *Trading Participants* in *dispatch intervals* when price mitigation measure was applied, unless a different set of requirements is set out in the relevant issuance of the *ERC* or competent government agency imposing the price mitigation measure, –
 - i. Actual fuel consumption and inventory report, duly certified by the Vice President of Finance of the power plant applying for additional compensation;
 - ii. Purchase Invoices, Official Receipts and other supporting documents; and
 - iii. List of Variable Operation and Maintenance Costs supported by photocopies of invoices/receipts.

The *Trading Participant* shall also ensure that any data or document required from the *System Operator* or other *WESM Service Providers*, as may be applicable, shall be submitted to the *Market Operator* within the same sixty-*business day* period.

The *Market Operator* may allow submission of electronic or scanned copy of documents, provided that physical copy of the required documents shall also be submitted. Final validation shall be done only after receipt of the physical copy of the documents within the same sixty-*business day* period.

Any data or document submitted after the prescribed period shall not be used by the *Market Operator* as basis for additional compensation.

10.2.3 The *Market Operator* shall determine validity of the claim and the costs incurred based on the aforementioned supporting documents.

10.2.4 The *Market Operator* shall inform the requesting *Trading Participant* of the approval or disapproval of the claim within the following periods reckoned from receipt of the complete documents from the *Trading Participant*:

- a) For claims under the claim category in Section 10.1.1 (a), (b), and (c) - within fourteen (14) *working days*;
- b) For claims under the claim category in Section 10.1.1 (d) - within thirty (30) *business days*, unless a different period is set out in the relevant issuance of the *ERC* or competent agency imposing the price mitigation measure.

If the claim or part of the claim is approved, the approved portion of the claim shall be allocated and billed in accordance with Sections 10.4.3 and 10.4.4.

If the claim or part of the claim is disapproved, the *Trading Participant* may seek due recourse in accordance with pertinent *WESM Rules* and *Market Manuals*.

10.3 QUANTITY ELIGIBLE FOR ADDITIONAL COMPENSATION

10.3.1 For claims due to designation as *must-run units*, the *Market Operator* shall determine the *must-run unit* quantity or volume that shall be eligible for additional compensation in accordance with the relevant provision under Section 8.3 and Section 17 of the Price Determination Methodology Manual and Section 17 of the Dispatch Protocol Manual.

10.3.2 For claims due to *market suspension*, *market intervention*, designation as *constrain-on units*, implementation of price substitution methodology, or imposition of price mitigation measures unless a different formula is set out in the relevant issuance of the *ERC* or competent government agency imposing the price mitigation measure, the *Market Operator* shall determine the volume that shall be eligible for additional compensation in accordance with the following formula:

- a) If the actual generation of the *generating unit*, $GESQ_{g,i}$, is less than or equal to its scheduled generation plus the allowable deviation, $SG_{g,i} + \text{Max}[1, (1.5\% \times SG_{g,i})]$,

$$ACQ_{g,i} = GESQ_{g,i} - \sum_{b \in B} BCQ_{g,b,i} - ASIE_{g,i}$$

- b) If the actual generation of the *generating unit* is more than its scheduled generation plus the allowable deviation,

$$ACQ_{g,i} = SG_{g,i} - \sum_{b \in B} BCQ_{g,b,i} - ASIE_{g,i}$$

Where:

$ACQ_{g,i}$	refers to the additional compensation quantity of <i>generating unit g</i> for <i>dispatch interval i</i>
$GESQ_{g,i}$	refers to the <i>gross energy settlement quantity</i> of <i>generating unit g</i> for <i>dispatch interval i</i>
$BCQ_{g,b,i}$	refers to the <i>bilateral contract quantity</i> of <i>generating unit g</i> to buying <i>trading participant b</i> for <i>dispatch interval i</i>
B	set of all buying <i>trading participants</i> that <i>generating unit g</i> has a contract with

ASIE _{g,i}	refers to the <i>ancillary services</i> incidental energy of <i>generating unit g</i> for <i>dispatch interval i</i>
SG _{g,i}	refers to the scheduled generation of <i>generating unit g</i> for <i>dispatch interval i</i> calculated in accordance with Section 10.3.3

10.3.3 The scheduled generation of a *generating unit* that filed a claim for additional compensation shall be calculated using the following formulas:

a) If due to declaration of *market suspension* or *market intervention*,

$$SG_{g,i} = \frac{(DI_{g,i})}{12}$$

b) If due to designation as *constrain-on unit*,

$$SG_{g,i} = \frac{(IL_{g,i} + DI_{g,i})}{2} \times \frac{1}{12}$$

c) If due to scheduling and dispatch as a *constrained-on unit* during price substitution methodology,

$$SG_{g,i} = \frac{(IL_{g,i} + DT_{g,i})}{2} \times \frac{1}{12}$$

d) If due to imposition of a price mitigation measure, unless a different formula is set out in the relevant issuance of the *ERC* or competent government agency imposing the price mitigation measure,

$$SG_{g,i} = \frac{(IL_{g,i} + DT_{g,i})}{2} \times \frac{1}{12}$$

Where:

SG _{g,i}	refers to the scheduled generation of <i>generating unit g</i> for <i>dispatch interval i</i>
DT _{g,i}	refers to the most recent dispatch target either based on the <i>dispatch schedule</i> from the <i>Market Operator</i> or a <i>dispatch instruction</i> from the <i>System Operator</i> received by <i>generating unit g</i> for <i>dispatch interval i</i>
IL _{g,i}	refers to the initial loading of <i>generating unit g</i> as determined by the <i>Market Management System</i> for <i>dispatch interval i</i>
DI _{g,i}	refers to the most recent <i>dispatch instruction</i> from the <i>System Operator</i> received by <i>generating unit g</i> for <i>dispatch interval i</i> . In cases where there is no <i>System Operator dispatch instruction</i> issued for <i>generating unit g</i> at <i>dispatch interval i</i> during <i>market intervention</i> or

market suspension, then its *gross energy settlement quantity* at *dispatch interval i* shall be used.

10.3.4 In the event that the *scheduling point* of the *generating unit* is not at the same location as its *market trading node*, the *Market Operator* shall adjust the scheduled generation calculated under Section 10.3.3 such that the volume shall correspond to the scheduled output of the *generation unit* at its *market trading node*. The *Market Operator* shall adjust the scheduled generation in accordance with the following formula:

$$SG_{n,g,i} = SG_{sp,g,i} \times \frac{\sum_{n \in N_g} SQ_{n,i}}{\sum_{sp \in SP_g} SQ_{sp,i}}$$

Where:

$SG_{n,g,i}$	refers to the scheduled generation of <i>generating unit g</i> at its <i>market trading node n</i> for <i>dispatch interval i</i>
$SG_{sp,g,i}$	refers to the scheduled generation of <i>generating unit g</i> at its <i>scheduling point sp</i> for <i>dispatch interval i</i>
$SQ_{n,g,i}$	refers to the <i>snapshot quantity</i> at <i>market trading node n</i> for <i>dispatch interval i</i>
$SQ_{n,g,i}$	refers to the <i>snapshot quantity</i> at <i>scheduling point sp</i> for <i>dispatch interval i</i>
N_g	refers to the set of <i>market trading nodes</i> of the <i>generating units</i> within the <i>generating system</i> of which <i>generating unit g</i> is a member
SP_g	refers to the set of <i>scheduling points</i> of the <i>generating units</i> within the <i>generating system</i> of which <i>generating unit g</i> is a member

10.4 BILLING AND SETTLEMENT OF ADDITIONAL COMPENSATION

10.4.1 Using the formula below, the *Market Operator* shall determine the additional compensation claim amount in accordance with the claim category conditions on quantity eligible for additional compensation as set out in Section 10.3 of this Manual.

$$ACA_{g,i} = ACQ_{g,i} \times [\text{Approved Rate}_{g,i} - \text{FEDP}_{g,i}]$$

Where:

$ACA_{g,i}$	refers to the additional compensation amount of <i>generating unit g</i> for <i>dispatch interval i</i>
$ACQ_{g,i}$	refers to the additional compensation quantity or volume of <i>generating unit g</i> for <i>dispatch interval i</i>

Approved Rate_{g,i} refers to the approved rate of *generating unit g* at *dispatch interval i* based on the evaluation of the claim

FEDP_{g,i} refers to the final energy dispatch price of *generating unit g* at certain *dispatch interval i*

However, if the result of the computation is a negative value caused by FEDP being higher than the approved rate, generators will not be entitled to additional compensation or payments.

10.4.2 The *Market Operator* shall determine the share in the additional compensation amount of each *Trading Participant* in accordance with the provisions under Section 8.3 of the Price Determination Methodology Manual. For each claim category, the additional compensation amount shall be pro-rated among the customers in the same region based on *gross energy settlement quantities* in accordance with the following formula:

$$\text{Allocation}_{c,i} = \text{ACR}_{R,i} \times \frac{\text{GESQ}_{c,i}}{\sum_{C \in R} \text{GESQ}_{C,i}}$$

Where:

Allocation_{c,i} refers to the amount recovered for customer *c* at *dispatch interval i*

ACR_{R,i} refers to the Additional Compensation Claim for region *R* at *dispatch interval i*

GESQ_{c,i} refers to the *gross energy settlement quantity* for customer *c* at *dispatch interval i*

$\sum_{C \in R} \text{GESQ}_{C,i}$ refers to the total *gross energy settlement quantity* in region *R* at *dispatch interval i*⁷¹

10.4.3 The *Market Operator* shall calculate the possible rate impact to each *WESM Customer* of each approved claim in accordance with the following formula:

$$\text{RI}_{c,ac} = \frac{\text{ACA}_{c,ac}}{\text{GESQ}_{c,m}}$$

Where:

RI_{c,ac} refers to the rate impact to customer *c* of additional compensation claim *ac*

ACA_{c,ac} refers to the share in the additional compensation amount of customer *c* for additional compensation claim *ac*

⁷¹ Per confirmation from the DOE through email, reflected the correct definition of $\sum_{C \in R} \text{GESQ}_{C,i}$ in line with RCC Resolution No. 2022-11.

$GESQ_{c,m}$ refers to the total *gross energy settlement quantity* of customer *c* for the *billing period m* when the additional compensation amount *ac* will first be recovered

The customer rate impact shall be calculated for each claiming *Trading Participant* and shall cover its claim for each *billing period* and for each claim category.

10.4.4 The approved claim of each *Trading Participant* covering each *billing period* and for each claim category shall be billed on the *billing period* immediately following the approval of the claim and payments shall be collected as follows:

- a) If the calculated customer rate impact is less than or equal to PhP0.005/kWh – in one (1) payment on the scheduled due date of the *billing period* immediately following the approval of the claim; or
- b) If the calculated customer rate impact is more than PhP0.005/kWh – in four (4) equal installments over four (4) successive *billing periods* starting on the scheduled date of the *billing period* immediately following the approval of the claim.

10.4.5 The *Market Operator* shall collect payments for the approved claim within the following timeframe –

- a) For claims with rate impact equal or less than PhP0.005/kWh – on the due date of the *billing period* immediately following the approval of the claim; and
- b) For claims with rate impact of higher than PhP0.005/kWh – installment payment shall be collected starting from the due date of the *billing period* immediately following the approval of the claim.

It is provided, however, that if a *Trading Participant* has more than one (1) approved claim for each claim category (i.e., covering more than one (1) billing period), only one claim shall be billed in a *billing period*, starting with the earliest *billing period*.

10.4.6 The collected amounts from staggered payments shall be pro-rated to the *Trading Participants* which the payment is due.⁷²

10.4.7 The payment for additional compensation of customers that have switched to a different *Direct WESM Member* shall be billed to the current *Direct WESM*

⁷² Per confirmation from the DOE through email, retained the original Section 10.4.5 and renumbered the same to Section 10.4.6.

Member provided that the bill shall reflect the period of consumption and the corresponding *Direct WESM Member* during the period of the additional compensation event under claim.

10.4.8 The *Market Operator* shall publish the following data relating to issued additional compensation statements for the information of customers, subject to the provisions of the Market Operator Information Disclosure and Confidentiality Manual:

- a. The aggregate approved and issued additional compensation claim amount, in PhP, per region, including the total number of trading intervals; and
- b. The estimated rate impact to customers, in PhP/MWh, is computed by dividing the aggregate approved additional compensation claim amount by the aggregate *gross energy settlement quantity* of customers per region.

Said publication shall be done on the *Market Information Website* no later than 30 business days after the issuance of settlement statements containing the additional compensation settlement amounts. The *Market Operator* shall likewise submit the said date to the *Energy Regulatory Commission*.

SECTION 11 AMENDMENT, PUBLICATION AND EFFECTIVITY
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11.1 AMENDMENTS

Any amendments to this Manual shall be approved by the DOE, following the procedures for changes to Market Manual set out in the WESM Rules and in the relevant Market Manual.

11.2 PUBLICATION AND EFFECTIVITY

This Market Manual, as it may be amended from time to time, shall be published in the market information website maintained by the Market Operator.

This Market Manual or any amendments thereto shall become effective upon approval of the DOE in accordance with the WESM Rules Clause 8.6.4. The date of effectivity shall be indicated in this document.

SECTION 12 APPENDICES

Appendix A BILLING AND SETTLEMENT TIMETABLE

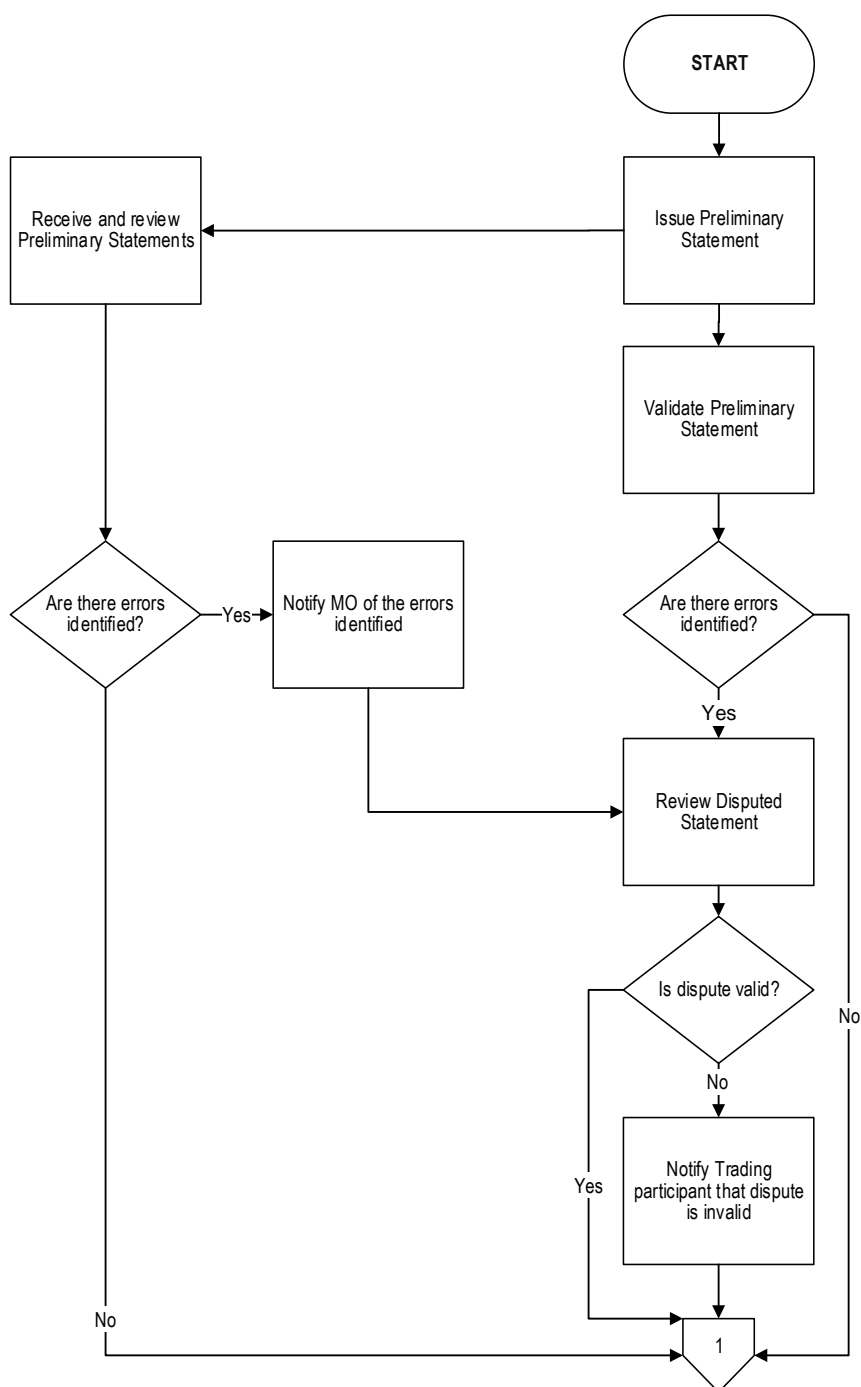
PROCEDURES	TIMETABLE
Issuance of Preliminary Statement	Within 7 business days after the end of each billing period. If the seventh day falls on a non-working day, the issuance of the preliminary statements shall be made during the next immediate working day.
Resolution of Dispute to Preliminary Statement	Within 15 business days (15) after the end of each relevant billing period.
Error in the Preliminary Statement	Corrections to error or discrepancy of the preliminary statement requiring input from external party to be included in the issuance of final statement should be received by the Market Operator at least two working days before the issuance of the final statement.
Issuance of Final Statement	Within 18 business days after the end of each billing period. If the eighteenth day falls on a non-working day, the issuance of the preliminary statements shall be made during the next immediate working day.
Issuance of Revised Statement	<p>Shall not be more than six (6) months from receipt of the <i>Market Operator</i> of written notice of error from the participant or from the discovery of the <i>Market Operator</i> of the same.</p> <p>No later than twelve months from the resolution of dispute or receipt of the final and executory Order unless parties to be billed agrees that the issuance of the relevant statement will be on a later time</p>
Payment by WESM Members	<p>No later than 3.00 pm on the twenty-fifth day of the calendar month following the <i>billing period</i>.</p> <p>If the twenty-fifth day of the calendar month following the <i>billing period</i> falls on a <i>Non-Working Day</i>, the payment due date shall be moved to the next immediate <i>Working Day</i>.</p>
Payment to WESM Members	On the following <i>Working Day</i> after the <i>Market Operator</i> is to be paid by <i>WESM Members</i> .
Payment of Adjustments by WESM Members	By no later than the time and date specified by the <i>Market Operator</i> , which date shall be

PROCEDURES	TIMETABLE
	not less than ten <i>business days</i> and not more than fifteen <i>business days</i> after the issue of that revised statement
Payment of Adjustments to WESM Members	On the following <i>Working Day</i> on which the <i>Market Operator</i> is to be paid by the <i>WESM Members</i> of the adjustments.
Issuance of Default Notice	As soon as practicable
Remedy to Default	Within 24 hours of the issue of the default notice or any later deadline agreed to in writing by the <i>Market Operator</i>
Issuance of written confirmation of Maximum Exposure in respect of a billing period in the following Financial year	Prior to the end of each <i>Financial Year</i>
Compliance with the Maximum Exposure	Within three (3) <i>working days</i> after the receipt of the written notification of the annual assessment.
Replacement of Expired Security	At least ten (10) <i>working days</i> prior to the time at which that existing security is due to expire or terminate.
Issuance of Drawdown Notice	As soon as practicable.
Replenishment of the drawn security deposit	Within three (3) <i>working days</i> from receipt of the written notice under Clause 3.15.6.1
Monitoring of Actual Exposure (Margin Call)	On a monthly basis after the issuance of the Preliminary Statement
Response Time to Margin Call	Within three (3) <i>working days</i> from receipt of the Margin Call Notice
Issuance of Suspension Notice	After failure of TP to comply with the default or prudential requirement and MO considers that the failure is incapable of remedy.
Publication of Suspension Notice	As soon as practicable after a Suspension Notice is issued
Declaration of Bilateral Contract Quantities for Energy and Reserves	Within one (1) day following the trading day
Filing of Claims for Additional Compensation	<ul style="list-style-type: none"> a. Market suspension or market intervention – fourteen (14) working days two billing periods after the resumption of the market; and b. Must-run unit or constrain-on generating unit – within one (1) year after the trading participant was designated as MRU or constrain-on generating unit

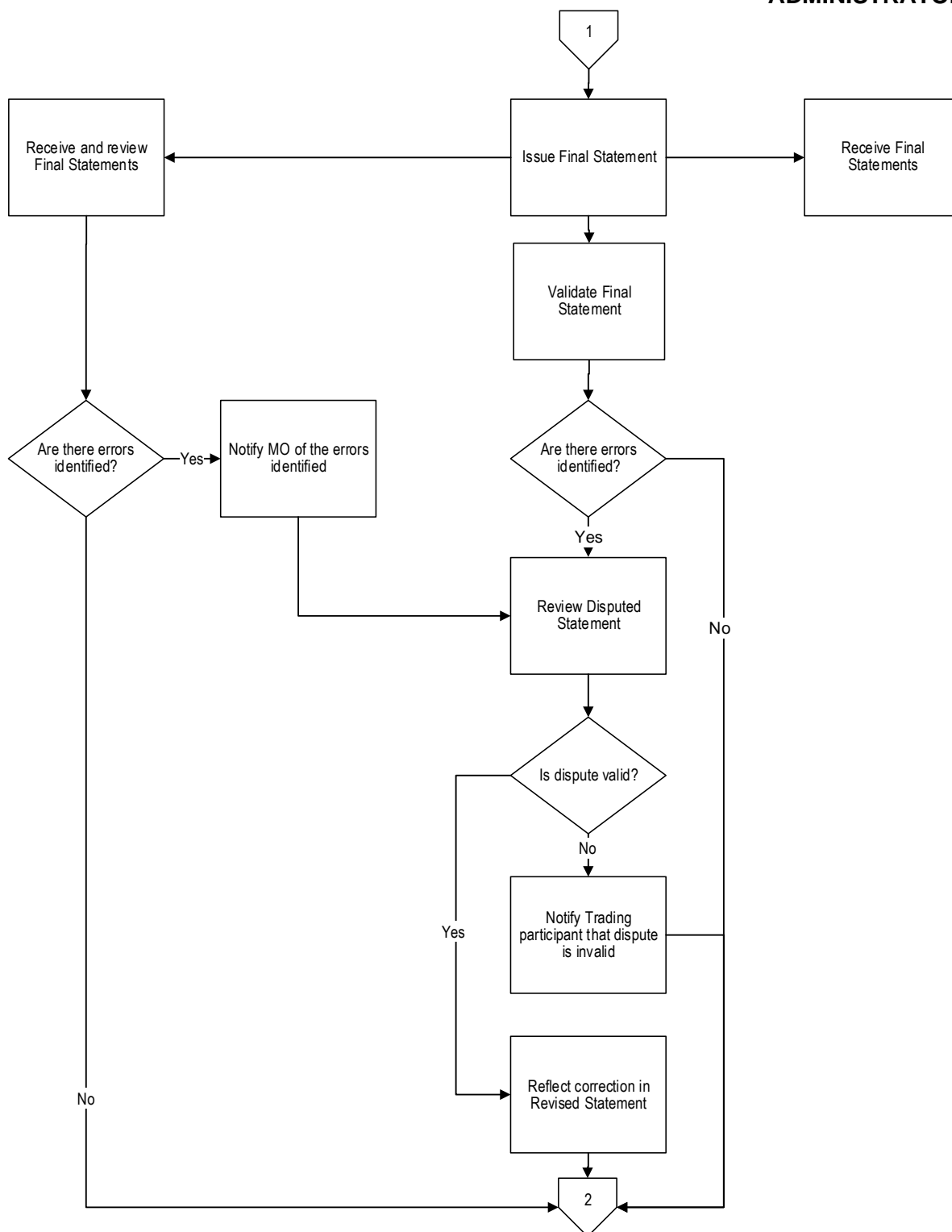
Appendix B ISSUANCE OF PRELIMINARY STATEMENT FLOWCHART

WESM MEMBER

MARKET OPERATOR



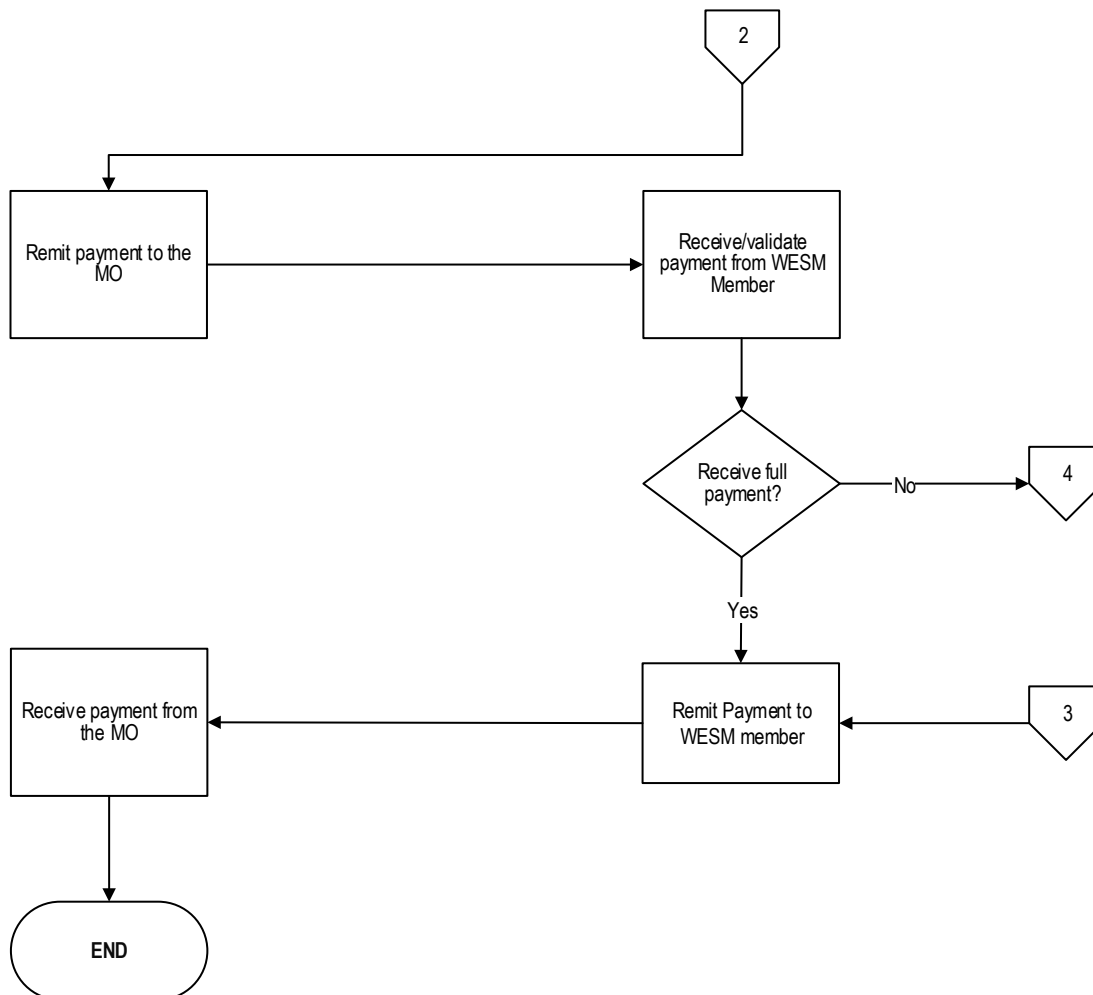
Appendix C ISSUANCE OF FINAL & REVISED STATEMENT FLOWCHART

WESM MEMBER
MARKET OPERATOR
**FIT-ALL
ADMINISTRATOR**


Appendix D PAYMENT BY TRADING PARTICIPANT FLOWCHART

WESM MEMBER

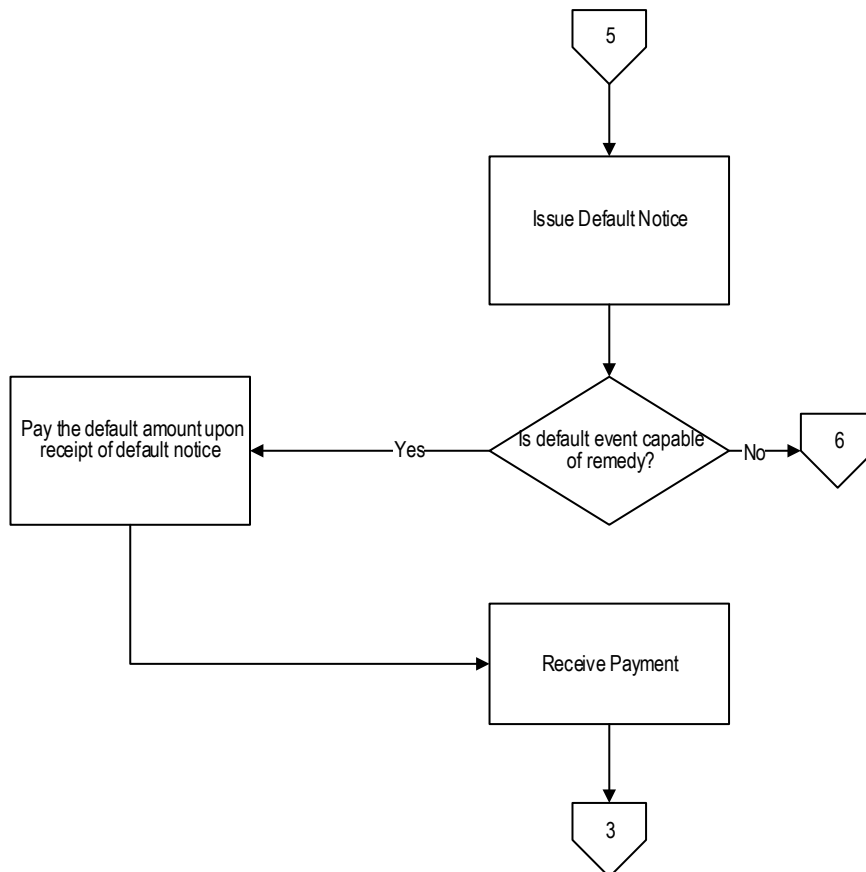
MARKET OPERATOR



Appendix E DEFAULT FLOWCHART

WESM MEMBER

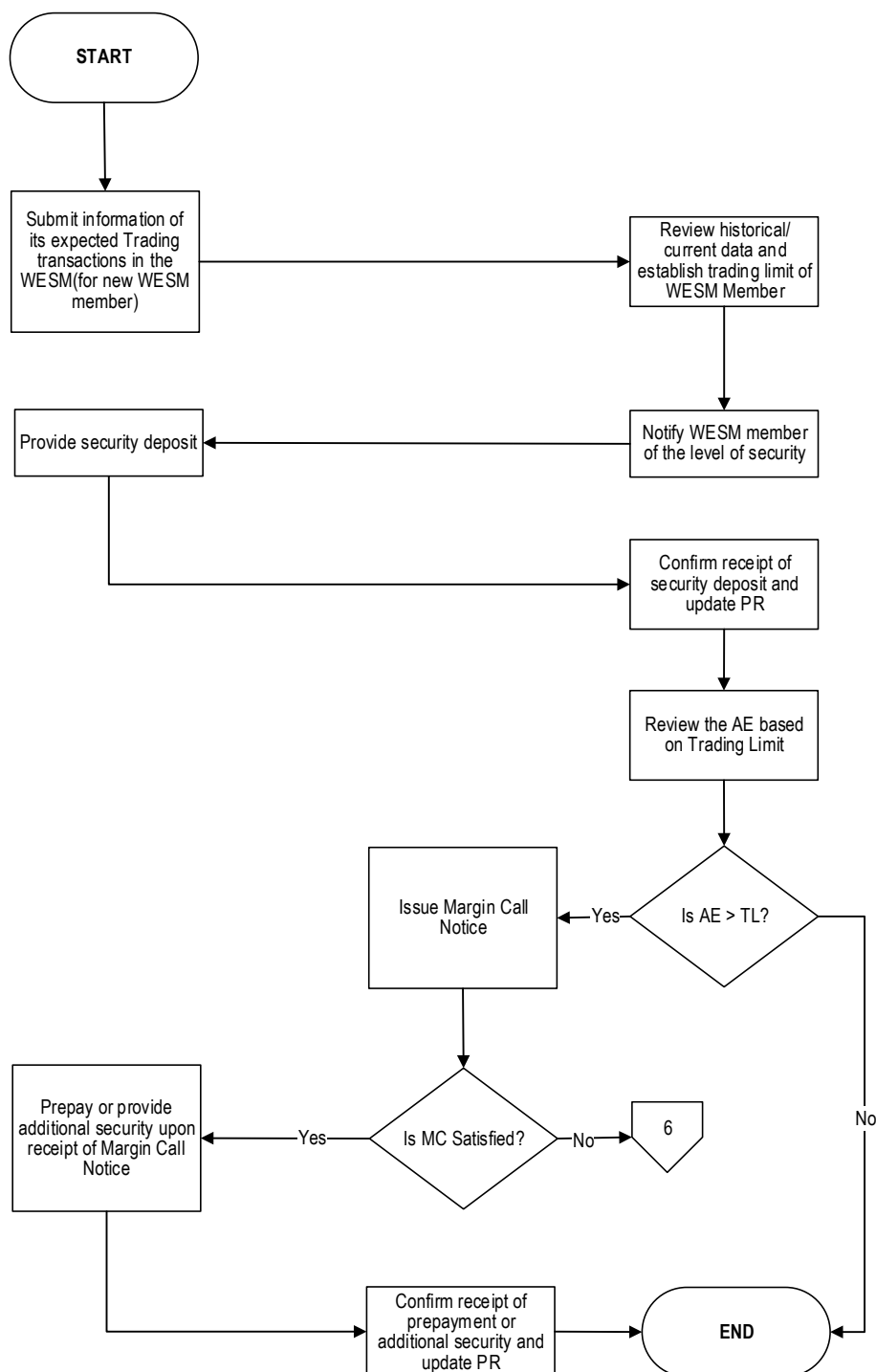
MARKET OPERATOR



Appendix F INITIAL PR AND MARGIN CALL FLOWCHART

WESM MEMBER

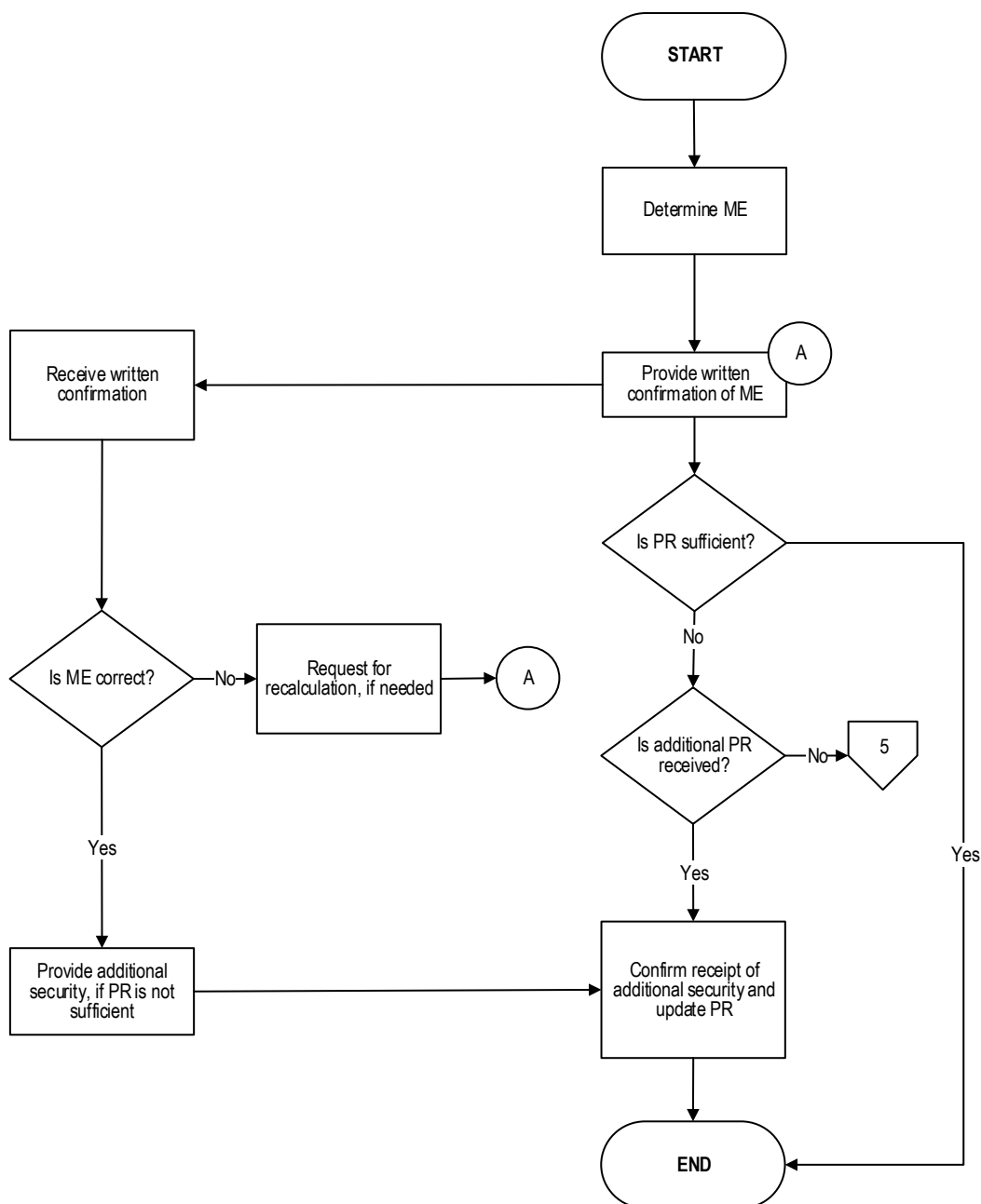
MARKET OPERATOR



Appendix G MAXIMUM NET EXPOSURE FLOWCHART

WESM MEMBER

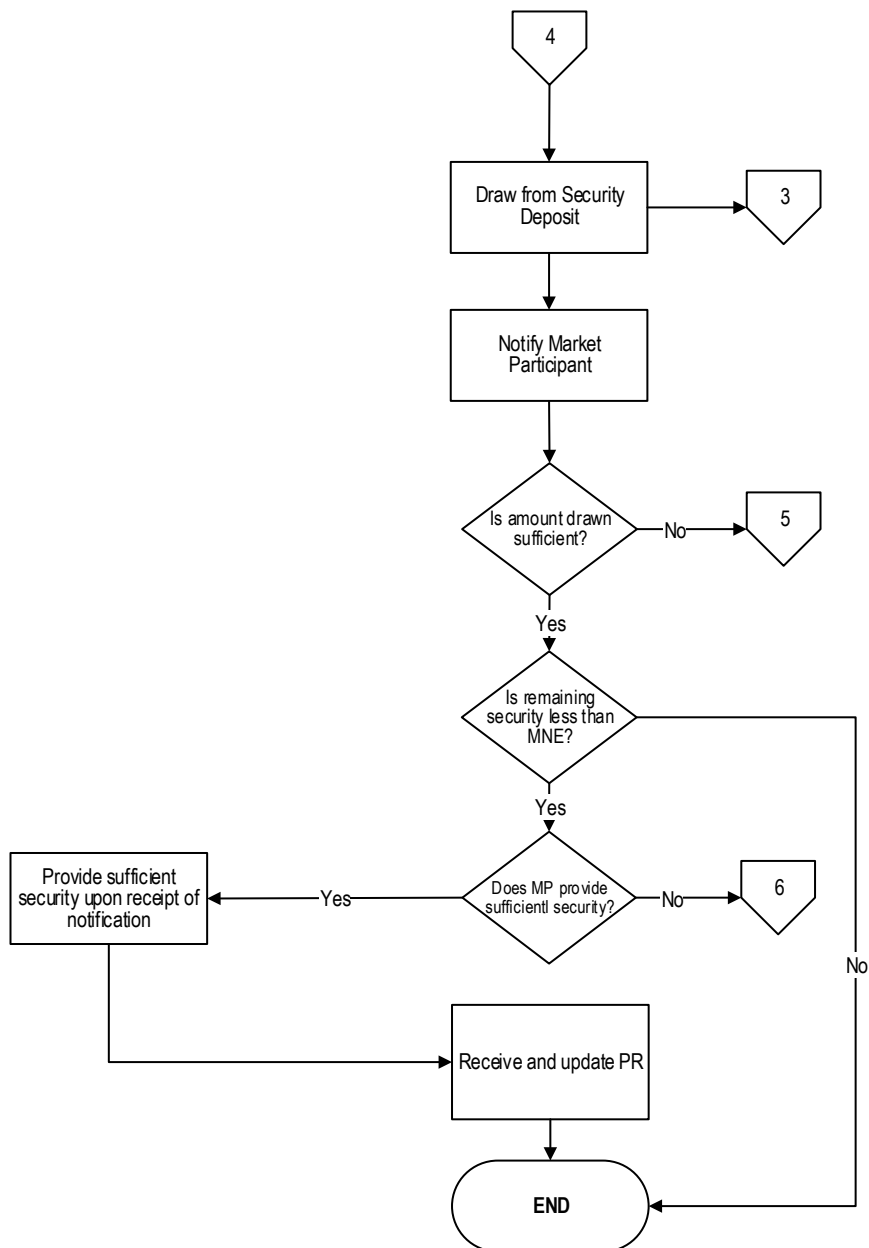
MARKET OPERATOR



Appendix H DRAWDOWN FLOWCHART

WESM MEMBER

MARKET OPERATOR



Appendix I SUSPENSION FLOWCHART

WESM MEMBER

MARKET OPERATOR

