

**MINUTES OF THE 81st MEETING OF THE RULES CHANGE COMMITTEE**

<b>Meeting Date &amp; Time:</b>	04 December 2013 – 09:00 AM to 3:01 PM
<b>Meeting Venue:</b>	PEMC Training Rooms 2 and 3, 9 <sup>th</sup> Floor, Robinsons Equitable Tower, Ortigas Center, Pasig City
<b>Attendance List</b>	
<b>In-Attendance</b>	<b>Not In-Attendance</b>
<b>Rules Change Committee Members</b> Rowena Cristina L. Guevara --Chairperson/ Independent --UP Francisco L. R. Castro, Jr. --Independent--Tensaiken Consulting Maila Lourdes G. De Castro --Independent Joselyn D. Carabuena --Generation -- PSALM Jose Ferlino P. Raymundo --Generation -- SMC Global Ciprinilo C. Meneses--MERALCO Jose P. Santos --Distribution --INEC Sulpicio C. Lagarde, Jr. --Distribution --CENECO Isidro E. Cacho, Jr. -- Market Operator --PEMC Ambrocio R. Rosales --System Operator --NGCP Theo Cruz Sunico --Generation -- 1590 EC Lorreto H. Rivera --Supply --TPEC	Gilbert A. Pagobo --Distribution --MECO  Concepcion I. Tanglao --Independent
<b>Rules Change Committee Alternate Members</b>	
<b>PEMC – Market Assessment Group (MAG)</b> Chrysanthus S. Heruela Geraldine A. Rodriguez Romellen C. Salazar  <b>PEMC – Legal</b>	
<b>ERC Observer(s)</b> Isabelo Joseph P. Tomas II	
<b>DOE Observer(s)</b> Ferdinand B. Binondo	
<b>Others Present</b>	



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

1  
2 **1. Adoption of the Proposed Agenda**  
3

4 The Proposed Agenda for the 81st RCC Meeting was approved, as amended, with  
5 the inclusion in the Agenda items of the Proposed Amendment on Disconnection  
6 Policy as submitted by AES Masinloc Power Partners Co. Ltd as endorsed by the  
7 Philippine Independent Power Producers, Inc. (PIPPA), as well as the RCC July to  
8 December 2013 Semestral Report.  
9

10  
11 **2. Review, Correction, and Approval of the Minutes of the 80th RCC Meeting**  
12

13 The Minutes of the 80th RCC Meeting was approved, as amended. Corrections  
14 made are as follows:  
15

- 16 ➤ On page 4, lines 26 to 32:  
17 "...**administrative** and regulatory bodies..."  
18  
19 ➤ On page 6, line 38:  
20 -"Mr. Ciprinilo Meneses..."  
21  
22 ➤ On page 9, line 35:  
23 "We **expect** that the MRU settlement mechanism will still be the same.  
24 However, it will depend on the ERC approval..."  
25  
26 ➤ On page 9, line 40:  
27 -change all **ASPP to ASPA** and do the same for all relevant sections in the  
28 Minutes  
29  
30 ➤ On page 9, line 45-46:  
31 ".... that is the only time that the Customer has to pay for the **same MRU**..."  
32  
33 ➤ On page 26, Mr. Cacho expressed that he will have to double check the legal  
34 implications on the use of Price Substitution Methodology (PSM) as a  
35 colloquial term for the Manual on the Methodology for Determining Pricing  
36 Errors and Price Substitution Due to Congestion for Energy Transactions in  
37 the WESM.  
38

39  
40 Following the RCC's review of the subject Minutes and noting the corrections made  
41 on the same, the Minutes of the 80th RCC Meeting held on 06 November 2013 was  
42 approved, as amended.  
43

44  
45 **3. Business Arising from the Previous Meeting**  
46

- 47 ○ **Must Run Unit**  
48  
49  
50



1        DISPATCH PROTOCOL MANUAL

2  
3        Mr. Jose Ferlino Raymundo presented to the RCC the revised proposal on the  
4        changes to the Dispatch Protocol Manual. Following are the changes made on the  
5        original proposal:

- 6  
7        • Appendix A5. The correct title of the Manual is "Management of Must Run  
8        Units"
- 9        • Differentiation of the Scheduled MRU from Real-Time MRU--inclusion of the  
10       word "Scheduled"
- 11       • Indication that resorting to MRU happens only when available ancillary  
12       services are already exhausted
- 13       • Change of the term "Participants" to "Generators" in relevant sections in the  
14       Manual.

15  
16       Mr. Raymundo explained the reason for the proposal to change the Participants to  
17       Generators. He said that "Generators" were also the "Trading Participants" as  
18       originally referred to in the relevant provisions of the Manual and are supposed to  
19       be economic-driven. With the advent of the IPPAs, the structure was set up such that  
20       the System Operator instead sends instructions to the Generators and not to the  
21       Trading Participants. He thus posed the question to the RCC if it might be proper to  
22       change all the references to Trading Participants to Generators in the Manual.

23  
24       Mr. Isidro Cacho stated that with regard to Dispatch Instructions by the SO, it is also  
25       possible that such instructions are given for interruptible load dropping (ILD) in  
26       which case, not only Generators will be affected by the relevant proposed  
27       provisions mentioned in the presentation made by Mr. Raymundo. He explained the  
28       concept of demand bidding in the WESM where a participant offers a price for the  
29       load which it is willing to shed, although he added that nobody as yet, is participating  
30       in such mechanism.

31  
32       Dr. Guevara commented that since Dispatch Instructions are given solely to  
33       Generators, then it may be correct to use the term "Generator" instead of "Trading  
34       Participant," although this may have an implication on the ILD. Mr. Ferdinand  
35       Binondo added that once the reserve market kicks in, interruptible loads will also be  
36       given dispatch instructions. Mr. Ambrocio Rosales, however, stated that dispatch  
37       instructions focus more on the implementation of dispatch schedules but for the  
38       case of ILD, if ever, would be classified as an instruction from the System Operator  
39       since the SO simply issued instruction to ILD to be switched off.

40  
41       Following the discussions above, the RCC agreed to use the term "Generator"  
42       instead of "Trading Participant" in the relevant provisions covered in the presentation  
43       of Mr. Raymundo with respect to the section on Dispatch Instructions which tackles  
44       the Generators' compliance to issued Dispatch Instructions. With regard to the  
45       provisions pertaining to facilities, it was agreed that the term "Trading Participant"  
46       shall be retained. The RCC likewise agreed that the dispatch tolerance limits will be  
47       set by the WESM Rules instead of the System Operator. Finally, the RCC agreed to  
48       use the term "System Security and Reliability" instead of merely referring to  
49       "Reliability" or "Security" in relevant sections in the proposed provisions.





1        APPENDIX A.6 Real Time Dispatch Schedule

2  
3        Mr. Rosales presented the proposed revisions to Appendix A.6 of the Dispatch  
4        Protocol Manual. Essentially, the proposal emphasized the intrahour monitoring of  
5        the linear ramping of plants from the start until the end of the interval of plants and  
6        the compliance with the dispatch tolerance of 3%.

7  
8        Mr. Raymundo stated that there are instances of violations on said dispatch tolerance  
9        because some plants have slow ramp rates. Mr. Theo Sunico likewise shared that  
10       the issue on the 3% dispatch tolerance is already being tackled by the generators.  
11       He said that said dispatch tolerance at the end of the hour is found to be very rigid by  
12       the generators, considering the peculiarities and the different technologies of the  
13       plants. He added that as an initiative of the generators, they have actually proposed  
14       to hire consultants who will do a study of the plants on a per technology basis in  
15       order to determine the more realistic ranges relative to ramp rates per plant type. He  
16       expressed that generators in general understand that definitely, guidelines are need  
17       to provide some predictability relative to the ramping of plants. At the same time,  
18       however, they recognize that the Rules should reflect more realistic dispatch  
19       tolerance limits given how the systems run.

20  
21       Mr. Rosales raised that retaining the MW target loading to be monitored for  
22       compliance to dispatch tolerance at the end of the trading hour would have huge  
23       implications for other generators specifically ranked in the highest order in the Merit-  
24       Order Table because the non-complying generators who take advantage within the  
25       intra-hour causes the other generators to deviate from their dispatch schedules. He  
26       stated that with his proposal, the generators should be monitored in terms of the  
27       MWhr delivered within the interval and not in MW only as the target loading at the  
28       end of the interval. He further explained that even if the generator fails to observe the  
29       required linear ramping, it can still meet its target if it runs within its scheduled energy  
30       from the start until the end of the interval.

31  
32       Moving forward with the discussion, on the provision relative to System Advisories,  
33       Mr. Sulpicio Lagarde commented that such advisories, even during emergencies,  
34       should be sent in advance not only to the DUs but to all concerned. Mr. Rosales  
35       responded that the SO has an established protocol regarding the issuance of System  
36       Advisories which is being handled by the NGCP's Corporate Affairs, of which  
37       included is the media advisory done after the fact. He explained, however, that during  
38       emergencies, System Advisories cannot be made available to all.

39  
40       Mr. Cacho for his part commented that the inclusion of the MO as the issuer of the  
41       System Advisories may not be appropriate because the focus of the subject provision  
42       is more on the issue on the power system related to dispatch. He added that there is  
43       another section that covers the advisories being issued by the MO on market-related  
44       issues. The RCC thus agreed to revise the proposal to remove the MO in the  
45       provision as proposed by Mr. Cacho.

46  
47       On the provision on Over-riding Constraints, Mr. Rosales clarified that the term  
48       Security Limit should not be used for non-security related concerns. He explained  
49       that the current criteria allows a Generator to be covered by imposition of Security  
50       Limit even it is under the Regulatory and Commercial Testing. Since this case  
51       concerns non-security related matters, he recommend that the use of security limit  
52       focus only on security-related concerns and for non-security issues, it should be  
53       treated as overriding constraint limit.



Following the RCC discussion, the RCC accepted the proposal as discussed. The RCC likewise agreed to reflect in the WESM Rules the proposals made on the Dispatch Protocol Manual.

#### APPENDIX A.7 DISPATCH IMPLEMENTATION

Mr. Rosales presented the proposed amendments to APPENDIX A.7 of the Dispatch Protocol Manual.

On Section 4.1, Mr. Cacho commented that the MOT is an outcome of the MDOM, thus, may no longer be necessary to be used for the calculation of the RTD Schedule, which comment was accepted by the RCC.

On Section 4.1.1, the generators raised several issues specifically on the linear ramping of plants over the trading interval and compliance with the 3% dispatch tolerance. Mr. Raymundo commented that the imposition of the 3% dispatch tolerance may be difficult to comply with since it would require monitoring of the ramp rate on a per minute basis. He stated that based on the Rules, the 3% applies only at the end of the trading interval.

In relation to the ramp rates of the generators, Mr. Cacho stated that ideally, the generators should be able to provide the range of their ramp rates from the minimum to maximum. Currently, only the maximum ramp rate is being submitted by the generators together with their offers, and because of which, some generators are able to change their offers during real time.

Mr. Cacho likewise clarified that the MDOM, when calculating schedules, already takes into consideration the ramp rate submitted by the generator, which leads to the assumption of a linear ramp rate. He added that when the MDOM determines the schedules, it takes into consideration the ramp rate where plants with a higher ramp rate are given higher MW schedules. But basically, the Rules states that the ideal trajectory of the path of the ramping of plants from point A to point B is linear, which is part of the optimization model and as such, the Rule is violated when the plant runs at its maximum ramp rate.

Mr. Raymundo said that is difficult to calculate the violation because the dispatch is based on gross, with consideration to the station service use.

Mr. Sunico likewise raised that it is unfair for the generators for instance if it was given a lower dispatch relative to the MOT, and considering that it complied with all the requirements of the Rules. He expressed that there should also be checks on the SO process in this regard. Similarly, he suggested the use of MW or MWhr equivalent of dispatch instead of the 3%.

Given the issues raised on the matter of dispatch tolerance, the RCC requested Mr. Cacho to draft a proposal on the feasible dispatch tolerance levels for the generators, and to likewise review the provisions that will be affected by the proposed changes in the Manual as discussed by the RCC. The rest of the proposal presented by Mr. Rosales relative to Dispatch implementation was accepted, as discussed.



On Section 2.2 on the Dispatch Instructions, Mr. Rosales expressed that the current practice is that the generators communicate with the SO in relation to their target load levels. He also shared that although the Rules states that it should be the SO that should communicate with the generators, the same is impossible to implement given the number of generators and with only one person handling all the dispatch from the SO. The RCC gave as a general comment that when a dispatch is already issued to the generators, then it is no longer necessary for them to still call the SO. It was further commented that there is no reason for the generator to call the SO unless there have been changes in its target load levels. Further, unless the SO communicates with the plant that there have been changes in the schedules, the plant will not be aware of such changes because the plant's responsibility is to operate based on certain parameters given to it by the SO. It was emphasized that dispatch instructions is the sole responsibility of the SO and therefore the SO must communicate with the concerned plant whatever changes have been made thereto. Thus, the RCC did not accept the proposal presented by Mr. Rosales relative to the manner of communicating Dispatch Instructions and instead retained the original provision.

The RCC recommended that the communication process be studied such that the current provisions of the Rules can be implemented. It was noted that if manpower is the primary issue of the SO with regard to communicating with all the generators relative to their target loads, it should find other better and more effective means of communication than through phone calls.

#### APPENDIX A.9 POST DISPATCH REPORT

Mr. Rosales presented the proposed revisions to Appendix A.9 of the Dispatch Protocol Manual. On Section 4.3.1, Mr. Rosales suggested the deletion of item c or the "Significant incidents in which contingency reserve was called upon during the trading interval" in the provision, pointing out that this is already included in the regular reports submitted by the MO to the SO, thus, there is no need to single out the report in the provisions of the Manual.

Mr. Cacho, however, opined that this item should not be deleted as this may serve as an important report for the MO in the implementation of the reserve market. He added that currently, said report is also being submitted to the Market Surveillance Committee. Mr. Cacho emphasized that the provision should not be limited to significant incidents related to contingency reserve, but should pertain to significant incidents in general. Thus, he recommended retaining item c) on significant incidents if such will not have any negative impact on the NGCP-SO.

Mr. Rosales expressed that the proposal of Mr. Cacho will impact on the NGCP-SO's reporting since SO will be required to separate its reporting on contingency.

Noting the concern of Mr. Rosales, Dr. Guevara inquired if the NGCP is ISO accredited, because if so, then it will be easy for the NGCP-SO to provide the significant incidents to the MO. Dr. Guevara stated that such reporting will only require tagging of the specific reports being required by the MO. She added that the reports can even be easily submitted electronically to the MO.

In reponse, Mr. Rosales reiterated that he does not see the need to single out the report on significant incidents for contingency since it is already being submitted to the MO as part of a larger report.



1  
2 Noting the concerns of both the MO and the SO on the matter, the RCC agreed to  
3 revise the section rather than delete the entire item c, by removing the word  
4 "contingency" in item c) so that it will not be limited to the reporting of significant  
5 incidents related to contingency, rather, capture all significant incidents in general.  
6

7 On Section 4.3.2, Mr. Rosales commented that SO does not have the capability to  
8 notify the MO, since the data on market prices is not available to them.  
9

10 D. Guevara clarified that the section only requires the SO to provide the details of  
11 security limit violations and not the data on market prices.  
12

13 Mr. Rosales responded that the SO has no information on security limit violations  
14 related to constraints violations. He stated the possibility that from the SO side, it  
15 does not see any violation as identified by the MO. He stated further that when a  
16 violation exists during real time, the SO already addresses such violation also during  
17 real time. Thus, he inquired on what the SO should report if the violation has already  
18 been addressed in the first place.  
19

20 In response, Mr. Cacho stated that the SO can report the violations that the SO is  
21 unable to address, such as when the SO imposed a security limit upon a generator or  
22 line but such was not followed.  
23

24 Mr. Rosales answered that the case being cited by Mr. Cacho is not a security limit  
25 violation, because his understanding of security limit violation is that it happens only  
26 when a generator or line has been put under security limit.  
27

28 Dr. Guevara inquired whether the proposed provisions, as stated, pertains to the  
29 case when the SO encounters a problem with grid frequency, and then the SO calls  
30 a generator or generators to reduce or increase energy provision, but fails to do so.  
31 Mr. Meneses stated, as explained previously by Mr. Rosales, that such case  
32 constitutes a general violation pertaining to security limits. Mr. Rosales added that  
33 the NGCP does not submit contingency planning criteria to the ERC. He noted  
34 though that this may have been the previous process by the former TransCo.  
35

36 Following the discussions and noting the explanations given, the RCC agreed to  
37 delete the entire section,  
38

39 The RCC then approved the proposal, as discussed.  
40  
41

#### 42 APPENDIX A.3 OUTAGE SCHEDULING

43

44 Mr. Rosales made a short presentation on the proposed amendment to APPENDIX  
45 A.3 of the Dispatch Protocol Manual. Essentially, the proposal changed the term  
46 "Trading Participant" with "Generator." The proposal likewise deleted the impending  
47 outage request coming from the MO. Noting that there are no further questions  
48 among the members on the matter, the proposal was approved by the RCC, as  
49 discussed.  
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51  
52  
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MRU MANUAL

Mr. Rosales presented the proposed revisions to the MRU Manual, taking off from the previously approved RCC amendments. The proposal presented by Mr. Rosales incorporated the revisions below following the previous RCC agreements and discussions on the matter:

- incorporation of the RCC-approved PGC amendment relative to MRU and MSU, which was submitted to the DOE for endorsement to the GMC;
- relaxation of constraints by the MO;
- review and update the criteria for MRU and the methodology to be used for its settlement and compensation
- introduction of the concept of MSU
- deletion of non-security related criteria for the MRU (and its inclusion in the Administered Price Determination Methodology Manual)
- deletion of islanding in the MRU Manual and its inclusion in the APDM;

Mr. Rosales explained that relaxation of constraints is an MO and not an SO responsibility, as it pertains to having a feasible solution.

In relation to the additional consideration for the MRU, Mr. Cacho stated that such pertains only to commercial testing. He expressed that his understanding of the process, however, is that for the generators undergoing commercial testing as part of their commercial operations requirements, it is similar to the process for calling a must run but the compensation is different. In order to clarify this, he recalled that the RCC previously agreed to include commercial testing in the APDM. He stated that this proposal will be part of his succeeding presentation on the proposed changes to the APDM Manual. Along with this is the proposal to include grid islanding in the provisions of the APDM.

Mr. Rosales highlighted that part of the role of Generators is to provide and absorb reactive power. He likewise emphasized that SO is responsible in calling a generator as MRU if transmission encounters voltage problems.

Mr. Rosales raised that the issue on islanding pertains to how a generator will be compensated (i.e. MRU or administered price). Dr. Guevara responded that this issue will be answered by the presentation of Mr. Cacho on the proposed amendment to the APDM Manual. She stated that if the APDM proposal will be approved subsequently by the body, the provision on islanding will be removed from the MSU Manual. Mr. Rosales noted, however, that if the RCC rejects the proposal, the provision should be captured in the MRU Manual.

Dr. Guevara inquired whether it is more expensive to call the generator as MRU or implement an administered price. Mr. Rosales responded that MRU is more favorable to generators. Ms. Rivera added that additional compensation can be filed under MRU. Mr. Cacho clarified that additional compensation is also allowed under Administered Price so the two are almost the same relative to compensation, although operationally, in the settlement, it is easier to implement the MRU.

In relation to settlement and calculation of the MRU and MSU, Dr. Guevara requested that the same be further reviewed by the RCC members especially the Generator sector representatives and make a proposal, noting the changes made on

*monin*



1 the definition of the MRU and MRU, and the concern that the station use of  
2 generators should be accounted for in the calculation.

3  
4 On this note, the RCC approved the proposal, as discussed. The RCC likewise  
5 agreed to review the WESM Rules to effect the necessary changes relative to the  
6 MRU proposal.  
7

#### 8 9 EXCESS GENERATION MANUAL

10  
11 Mr. Rosales presented his comments and proposed revision to the Excess  
12 Generation Manual. Following are some of the highlights of his presentation:

- 13  
14
  - deletion of Must Run Units since MRUs should not be called when excess  
15 generation exists
  - to refer to MOT as WESM MOT
  - use of military time for the provisions relative to the DAP run
  - reporting to the concerned parties if generators fail to comply with dispatch  
19 instructions  
20

21 In relation to the section Background, Mr. Rosales commented that the PEM Board's  
22 approval is no longer necessary relative to the management of dispatch and pricing  
23 since this procedure is already established in the WESM.  
24

25 Relative to section 4.5 on creating the day-ahead projection in the dispatch schedule,  
26 Mr. Rosales explained that excess generation may be realized using day-ahead  
27 projections, if the total offers exceeds the Pmin, and during real time, when the grid  
28 frequency breaches the 60.6 Hz limit. He stated that real time excess generation  
29 happens when all synchronized units including Regulating Reserves are already at  
30 their Pmin value during off-peak.  
31

32 In relation to the explanation of Mr. Rosales, Mr. Cacho stated that over-generation  
33 based on plant offers corresponds to over-generation constraint violation coefficient.  
34 Noting the explanations, the RCC agreed to revise the subject provision accordingly,  
35 to put in a separate paragraph the Real-Time Excess Generation.  
36

37 Mr. Rosales proposed to reconsider the MRU as criteria for excess generation. The  
38 RCC, however, agreed that there should be no MRU when excess generation exists,  
39

40 The RCC agreed that MOT should be referred to WMOT in the proposal. The rest of  
41 the proposed amendments presented by Mr. Rosales were accepted and approved  
42 by the RCC, with minor revisions.  
43  
44

#### 45 ADMINISTERED PRICE MANUAL

46  
47 Mr. Cacho presented to the RCC the proposed amendments on the Administered  
48 Price Determination Methodology Manual, as part of the proposal being crafted on  
49 the MRU. He explained that said proposal on the APDM is being made in relation to  
50 the issue on grid islanding and the removal of "Local Calamities and Emergencies"  
51 as one of the criteria for MRU. He also stated that one of the issues that have yet to  
52 be settled by the RCC is the deletion of Regulatory Testing (Commercial and  
53 Operational Requirements) as another criteria for MRU. He suggested to either make



1 another procedure during testing where the plant undergoing testing will have no  
2 compensation, or to consider the plant as a price-taker. As such, the plant will be put  
3 under security limit in order for it not to affect the scheduling. Mr. Cacho however  
4 reiterated that the focus of his presentation is on the Local Calamities and  
5 Emergencies.

6  
7 Mr. Cacho emphasized that the proposal deletes the local calamities and  
8 emergencies as one of the criteria for MRU. Instead, it may be appropriately  
9 managed by the WESM Participant. The current provisions on Market Intervention  
10 focus on grid wide basis, without mention of the islanding portion. Under the Rules, a  
11 grid could be Luzon, Visayas, or Mindanao, or any other definition as approved by  
12 the ERC. Thus, Mr. Cacho proposed changing "the Grid" to "a Grid" or "a portion of a  
13 Grid." He added that currently in the Visayas, only Bohol has no capability to be  
14 calculated in terms of prices and schedule. Relatively, Mr. Cacho clarified that a  
15 regional declaration of Suspension and Intervention is supported under the Rules,  
16 similar to the Market Suspension that was declared in the Visayas after a typhoon  
17 which hit the area. He further stated that it is being proposed that upon the  
18 declaration of Market Intervention during Grid Islanding, the administered price as  
19 provided under the APDM shall apply. He explained that the basic concept of the  
20 proposal is that during Market Intervention and a plant was asked to run, whatever  
21 the cost is for running that plant will be exactly the same fees that will be collected  
22 from the Customer. It was also clarified that under such condition, the market will not  
23 collect line rental fees from the Customer, if that Customer declares a bilateral  
24 contract outside that region where no Market Intervention is declared.

25  
26 Noting the presentation, Dr. Guevara expressed the need to likewise propose a  
27 definition of grid islanding in the PGC since it is not yet currently defined in the Grid  
28 Code.

29  
30 Mr. Rosales inquired whether a Market Intervention will be declared during grid  
31 islanding of Luzon. Mr. Cacho responded that the proposal would allow a declaration  
32 of Market Intervention in the Grid or a portion of a Grid. In this regard, Dr. Guevara  
33 requested the MO and the SO to coordinate and discuss the relevant proposal  
34 relative to the matter.

35  
36 As a final comment on the presentation of Mr. Cacho, Mr. Ciprinilo Meneses pointed  
37 out the "partial suspension" that was declared in the Visayas after the typhoon  
38 Yolanda. He stated that the term "partial suspension" is currently not defined under  
39 the Grid Code. He thus expressed the need to make a proposal that provides its  
40 definition in the grid code in order for the term to have a legal definition or basis. In  
41 response, Dr. Guevara stated that "partial suspension" is not a technical term, rather,  
42 a colloquial term. Nonetheless, Dr. Guevara noted the suggestion of Mr. Meneses to  
43 define the term in the PGC.

44  
45  
46 **o Additional Proposed Amendment on Prudential Requirement--Comment**  
47 **from BATELEC II**

48  
49 The RCC discussed the following comment received from the BATELEC II regarding  
50 the proposal on Prudential Requirement.

51  
52 Maximum Net Exposure/Margin Call/Market Suspension:  
53



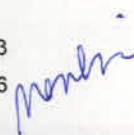
\* The market operator should consider the abnormality of the Bilateral Contract quantity of the WESM Member (like Batelec II - Load) due to inability of its bilateral supplier (GNPower - Generator/Wholesale Aggregator). In this regard, the MO may exempt WESM member for possible margin call notice or market suspension if the cause of the exposure is due to bilateral supplier plant shutdown.

To avoid suspicion, the WESM Member shall issue a proof corresponding to its claim.

Ms. Lorreto Rivera opined, based on the above context, that the BATELEC II is getting penalized for the reason that the Generator cannot supply for them based on their contract, thus, the Customer is forced to purchase from the spot. She expressed however, that such abnormalities in the contract implementation are part of the WESM member's lookout so it must ensure that their back-up arrangement with the Generator should have been covered in the contract.

After the discussion above, the Secretariat raised with the RCC some clarifications and additional revisions on the proposal, namely changing the references to provisions of the WESM Rules as Clauses and the provisions of Manuals as section and as follows:

	<u>From</u>	<u>To</u>
<u>3.15.2.5</u>	Failure to comply with clause 3.15.2.4 shall be a ground for the cancellation of exemption and the WESM member shall 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 b) has no record of default in payment or non-compliance with the PR for the immediately preceding six (6) billing periods from the cancellation of exemption.	Failure to comply with clause 3.15.2.4 shall be a ground for the cancellation of exemption and <b><u>said failure shall cause</u></b> the WESM member <b><u>shall to</u></b> 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 b) has no record of default in payment or non-compliance with the PR for the immediately preceding six (6) billing periods from the cancellation of exemption.
3.15.4.1	Subject to clause 3.15.2.2, prior to the end of each <i>financial year</i> , the <i>Market Operator</i> shall determine and provide written confirmation to each <i>WESM member</i> of its Maximum Exposure (ME) to the <i>Market Operator</i> in respect of a billing period in the following financial year.	xxx





<p>The ME of a <i>WESM member</i> shall be computed as the Average Monthly Settlement Amount (AmSA) of the billing periods covering 26 March through 25 September prior to the end of the financial year multiplied by the factor (35/30). The amount of security to be provided by each <i>WESM member</i> pursuant to clauses 3.15.2.1 and 3.15.2.2 shall be equivalent to the ME.</p> <p>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:</p> <p>a) There is a disagreement between the Market Operator and the Market Participant on the Final Statement during the months covered in the computation of the ME, upon the request of a <i>WESM member</i>; or</p> <p>b) There is a positive settlement amount in any billing period in the computation of the ME.</p>	<p>xxx</p> <p>The Market Operator, <u>upon the written request of a WESM Member</u>, may consider a replacement month within the 26th March to 25th September billing periods, having the same number of calendar days if:</p> <p>a) There is a disagreement between the Market Operator and the Market Participant on the Final Statement during the months covered in the computation of the ME, <u>upon the request of a WESM member</u>; or</p> <p>b) There is a positive settlement amount in any billing period in the computation of the ME.</p>
<p>If there is a change in the bilateral contract of a <i>WESM member</i>, the ME shall be computed based on the settlement amounts estimated by the Market Operator using the average actual market price based on the billing period of 26th March to 25th September. In no case shall the ME be less than ten percent (10%) of the total demand. Average actual market price shall refer to the ratio of the total spot market payment of a <i>WESM member</i>, which may include spot market energy and reserve transactions and line rental amount for contracted quantities, to the total metered quantities net of bilateral contract quantities for each billing month.</p> <p>If <i>WESM member</i> that is exempt from Prudential Requirement under section 3.15.2.2 becomes a net buyer and fails</p>	<p>xxx</p> <p>If a <i>WESM member</i> that is exempt from Prudential Requirement under <u>section clause 3.15.2.2</u> becomes a</p>





<p>to pay its obligations, the prudential security shall be computed based on:</p> <p>a) the average of the previous six (6) negative settlement amounts for the past twelve (12) consecutive billing periods; or,</p> <p>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.</p> <p>If the MO determines that the security provided by a WESM member is below the assessed ME, the MO shall require a WESM member to increase its security deposit up to the level of its ME within 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 MO, then the MO shall issue a default notice under section 3.14.11.1.c.</p>	<p>net buyer and fails to pay its obligations, the prudential security that shall be imposed pursuant to <b><u>section clause</u></b> 3.15.2.5 shall be computed based on:</p> <p>a) the average of the previous six (6) negative settlement amounts for the past twelve (12) consecutive billing periods; or,</p> <p>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.</p> <p>If the MO determines that the security provided by a WESM member is below the assessed ME, the MO shall require a WESM member to increase its security deposit up to the level of its ME within <b><u>three (3)</u></b> 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 MO, then the MO shall issue a default notice under <b><u>section clause</u></b> 3.14.11.1.c.</p>
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Noting the above, the RCC agreed to consider the changes, as proposed, except the proposed revision in the third paragraph of clause 3.15.4.1 and thereafter submit the proposal to the PEM Board if no further comments are received on the deadline of submission of comments set on 13 December 2013.

#### 4. New Business

##### o Proposed Amendment on the Disconnection Policy

In behalf of PIPPA, Mr. Sunico presented to the RCC the proposal submitted by the AES as endorsed by the PIPPA on the Disconnection Policy, in connection with the disconnection policy in the WESM as contained in a specific DOE Circular. He stated that currently, off takers may be suspended but are still able to draw from the grid, and what the proposal essentially recommends is that a notice of Suspension should accompany physical disconnection from the Grid for those who have been suspended from the market. He expressed that under the current Rules, the Customer has no compelling reason to pay the Generator since it is able to draw





electricity from the Grid even during Suspension. He emphasized that the proposal being made is just in line with the DOE Circular as mentioned previously.

Mr. Sunico stated that the proposal basically has four main points, as indicated below.

- 1) Disconnection as an effect of Suspension
- 2) Procedures for the Disconnection of a person or entity from the grid
- 3) Remedial actions to stay or defer the disconnection
- 4) Procedures for the re-connection of a disconnected person or entity from the grid.

Dr. Guevara inquired from the SO whether it is capable of implementing actual disconnection based on the timeline provided in the proposal. Mr. Rosales responded that there are certain protocols that the NGCP-SO follows in relation to disconnection, which takes more than the timeline being proposed by the AES/PIPPA, which is five (5) days from receipt of the disconnection notice. He explained that as a matter of procedure, the disconnection notice is served to the NGCP's office of Regulatory Affairs, which is then forwarded to the grid owner within the concerned district. After which, the grid owner shall request the disconnection with the SO. Mr. Rosales explained that it is in the Grid Owner's sub-station facility where the disconnection (i.e. switching-off) of power is being realized. to isolate the the Customer.

On the side of the Customer, Mr. Meneses commented on the potential conflict that the proposal may have relative to the Customer with multiple sources. He explained that when a Customer is connected to three (3) Generators, for instance, it chooses to pay only two of them, it cannot be disconnected since it is unable to pay only one (1) of the three (3) Generators to which it is connected. Ms. Rivera added that the case is true for suppliers which have certain connection points that are shared and such, when one Customer is disconnected, it would also mean disconnecting even the other Customers even if they are paying.

Noting the above comments and discussion relative to the AES/PIPPA proposal, the RCC recommended further review of the proposal. The RCC agreed to defer the posting of the proposal and to form a team, composed of Mr. Sunico as Chairman and with the SO, MO, and MERALCO representatives as members, who will coordinate for further review and polish the proposal based on the RCC discussion on the matter. The RCC requested that it be provided with the revised proposal 10 days prior to the next RCC meeting.

#### o RCC Semestral Report

On the RCC July to December 2013 RCC Semestral Report, Dr. Guevara gave minor comments, as follows:

1. On the formatting, Dr. Guevara suggested to list as separate each in the Table of Contents the various Proposed Manual Changes submitted by the PEMC-TWG;
2. On the portion Moving Forward, she inquired whether all the items indicated as carryover activities from 2013 shall be set for submission on the First Quarter 2014;



3. Dr. Guevara also suggested to emphasize that the RCC is proposal-driven and as such, it can only act on a proposal submitted by a WESM member or any proponent, unless it is a Directive coming from the DOE, ERC or the PEM Board.
4. Dr. Guevara instructed the Secretariat to update the Report with the inclusion of all the items/matters discussed by the Committee as of the 81st RCC Meeting.

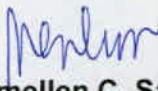
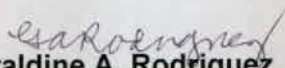

In relation to item 2 above, Ms Geraldine Rodriguez explained that all carry-over activities initially set for submission by December 2013 based on original commitment, should have been submitted by 1st Quarter 2014, although the timelines may still change based on new commitments of the proponent and on the result of the RCC Planning for 2014. Ms. Rodriguez likewise noted the other comments and instructions given by the RCC Chairperson.

### 5. Next Meeting


January 8-- 82nd Regular Meeting and 2014 Planning Session  
February 5-- 83rd Regular RCC Meeting  
March 5- 84th Regular RCC Meeting

### 6. Adjournment


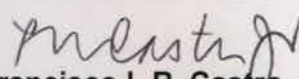
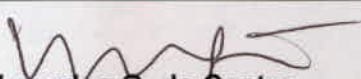
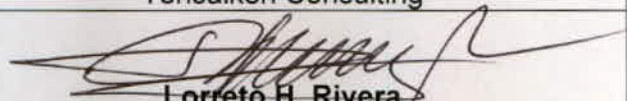
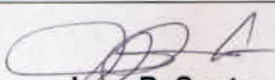
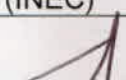



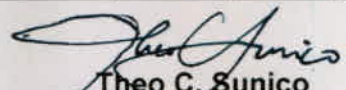
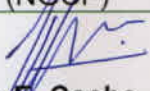
There being no other matter to be discussed, the meeting was adjourned at around 3:01 PM.

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

Approved by:  
RULES CHANGE COMMITTEE

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



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

