

MINUTES OF THE 81st MEETING OF THE RULES CHANGE COMMITTEE

Meeting Date & Time:	04 December 2013 – 09:00 AM to 3:01 PM	
Meeting Venue:	PEMC Training Rooms 2 and 3, 9 th Floor, Robinsons Equitable Tower, Ortigas Center, Pasig City	
Attendance List		
In-Attendance	Not In-Attendance	
Rules Change Committee Members Rowena Cristina L. Guevara --Chairperson/ Independent --UP Francisco L. R. Castro, Jr. --Independent--Tensaiken Consulting Maila Lourdes G. De Castro --Independent 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	
Rules Change Committee Alternate Members		
PEMC – Market Assessment Group (MAG) Chrysanthus S. Heruela Geraldine A. Rodriguez Romellen C. Salazar PEMC – Legal		
ERC Observer(s) Isabelo Joseph P. Tomas II		
DOE Observer(s) Ferdinand B. Binondo		
Others Present		

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:

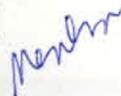
- 6
7 • Appendix A5. The correct title of the Manual is "Management of Must Run
8 Units"
- 9 • Differentiation of the Scheduled MRU from Real-Time MRU--inclusion of the
10 word "Scheduled"
- 11 • Indication that resorting to MRU happens only when available ancillary
12 services are already exhausted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

1
2 Following the RCC discussion, the RCC accepted the proposal as discussed. The
3 RCC likewise agreed to reflect in the WESM Rules the proposals made on the
4 Dispatch Protocol Manual.
5

6
7 APPENDIX A.7 DISPATCH IMPLEMENTATION
8

9 Mr. Rosales presented the proposed amendments to APPENDIX A.7 of the Dispatch
10 Protocol Manual.
11

12 On Section 4.1, Mr. Cacho commented that the MOT is an outcome of the MDOM,
13 thus, may no longer be necessary to be used for the calculation of the RTD
14 Schedule, which comment was accepted by the RCC.
15

16 On Section 4.1.1, the generators raised several issues specifically on the linear
17 ramping of plants over the trading interval and compliance with the 3% dispatch
18 tolerance. Mr. Raymundo commented that the imposition of the 3% dispatch
19 tolerance may be difficult to comply with since it would require monitoring of the ramp
20 rate on a per minute basis. He stated that based on the Rules, the 3% applies only at
21 the end of the trading interval.
22

23 In relation to the ramp rates of the generators, Mr. Cacho stated that ideally, the
24 generators should be able to provide the range of their ramp rates from the minimum
25 to maximum. Currently, only the maximum ramp rate is being submitted by the
26 generators together with their offers, and because of which, some generators are
27 able to change their offers during real time.
28

29 Mr. Cacho likewise clarified that the MDOM, when calculating schedules, already
30 takes into consideration the ramp rate submitted by the generator, which leads to the
31 assumption of a linear ramp rate. He added that when the MDOM determines the
32 schedules, it takes into consideration the ramp rate where plants with a higher ramp
33 rate are given higher MW schedules. But basically, the Rules states that the ideal
34 trajectory of the path of the ramping of plants from point A to point B is linear, which
35 is part of the optimization model and as such, the Rule is violated when the plant
36 runs at its maximum ramp rate.
37

38 Mr. Raymundo said that is difficult to calculate the violation because the dispatch is
39 based on gross, with consideration to the station service use.
40

41 Mr. Sunico likewise raised that it is unfair for the generators for instance if it was
42 given a lower dispatch relative to the MOT, and considering that it complied with all
43 the requirements of the Rules. He expressed that there should also be checks on the
44 SO process in this regard. Similarly, he suggested the use of MW or MWhr
45 equivalent of dispatch instead of the 3%.
46

47 Given the issues raised on the matter of dispatch tolerance, the RCC requested Mr.
48 Cacho to draft a proposal on the feasible dispatch tolerance levels for the generators,
49 and to likewise review the provisions that will be affected by the proposed changes in
50 the Manual as discussed by the RCC. The rest of the proposal presented by Mr.
51 Rosales relative to Dispatch implementation was accepted, as discussed.
52

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

18
19 The RCC recommended that the communication process be studied such that the
20 current provisions of the Rules can be implemented. It was noted that if manpower is
21 the primary issue of the SO with regard to communicating with all the generators
22 relative to their target loads, it should find other better and more effective means of
23 communication than through phone calls.

24 25 26 APPENDIX A.9 POST DISPATCH REPORT

27
28 Mr. Rosales presented the proposed revisions to Appendix A.9 of the Dispatch
29 Protocol Manual. On Section 4.3.1, Mr. Rosales suggested the deletion of item c or
30 the "Significant incidents in which contingency reserve was called upon during the
31 trading interval" in the provision, pointing out that this is already included in the
32 regular reports submitted by the MO to the SO, thus, there is no need to single out
33 the report in the provisions of the Manual.

34
35 Mr. Cacho, however, opined that this item should not be deleted as this may serve as
36 an important report for the MO in the implementation of the reserve market. He
37 added that currently, said report is also being submitted to the Market Surveillance
38 Committee. Mr. Cacho emphasized that the provision should not be limited to
39 significant incidents related to contingency reserve, but should pertain to significant
40 incidents in general. Thus, he recommended retaining item c) on significant incidents
41 if such will not have any negative impact on the NGCP-SO.

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

44
45 Noting the concern of Mr. Rosales, Dr. Guevara inquired if the NGCP is ISO
46 accredited, because if so, then it will be easy for the NGCP-SO to provide the
47 significant incidents to the MO. Dr. Guevara stated that such reporting will only
48 require tagging of the specific reports being required by the MO. She added that the
49 reports can even be easily submitted electronically to the MO.

50
51 In reponse, Mr. Rosales reiterated that he does not see the need to single out the
52 report on significant incidents for contingency since it is already being submitted to
53 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.
50
51
52
53

1 MRU MANUAL

2
3 Mr. Rosales presented the proposed revisions to the MRU Manual, taking off from
4 the previously approved RCC amendments. The proposal presented by Mr. Rosales
5 incorporated the revisions below following the previous RCC agreements and
6 discussions on the matter:

- 7
8
 - 9 • incorporation of the RCC-approved PGC amendment relative to MRU and
10 MSU, which was submitted to the DOE for endorsement to the GMC;
 - 11 • relaxation of constraints by the MO;
 - 12 • review and update the criteria for MRU and the methodology to be used for its
13 settlement and compensation
 - 14 • introduction of the concept of MSU
 - 15 • deletion of non-security related criteria for the MRU (and its inclusion in the
16 Administered Price Determination Methodology Manual)
 - 17 • deletion of islanding in the MRU Manual and its inclusion in the APDM;

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

20
21 In relation to the additional consideration for the MRU, Mr. Cacho stated that such
22 pertains only to commercial testing. He expressed that his understanding of the
23 process, however, is that for the generators undergoing commercial testing as part of
24 their commercial operations requirements, it is similar to the process for calling a
25 must run but the comepensation is different. In order to clarify this, he recalled that
26 the RCC previously agreed to include commercial testing in the APDM. He stated
27 that this proposal will be part of his succeeding presentation on the proposed
28 changes to the APDM Manual. Along wit this is the proposal to include grid islanding
29 in the provisions of the APDM.

30
31 Mr. Rosales highlighted that part of the role of Generators is to provide and absorb
32 reactive power. He likewise emphasized that SO is responsible in calling a generator
33 as MRU if transmission encounters voltage problems.

34
35 Mr. Rosales raised that the issue on islanding pertains to how a generator will be
36 compensated (i.e. MRU or administered price). Dr. Guevara responded that this
37 issue will be answered by the presentation of Mr. Cacho on the proposed
38 amendment to the APDM Manual. She stated that if the APDM proposal will be
39 approved subsequently by the body, the provision on islanding will be removed from
40 the MSU Manual. Mr. Rosales noted, however, that if the RCC rejects the proposal,
41 the provision should be captured in the MRU Manual.

42
43 Dr. Guevara inquired whether it is more expensive to call the generator as MRU or
44 implement an administered price. Mr. Rosales responded that MRU is more
45 favorable to generators. Ms. Rivera added that additional compensation can be filed
46 under MRU. Mr. Cacho clarified that additional compensation is also allowed under
47 Administered Price so the two are almost the same relative to compensation,
48 although operationally, in the settlement, it is easier to implement the MRU.

49
50 In relation to settlement and calculation of the MRU and MSU, Dr. Guevara
51 requested that the same be further reviewed by the RCC members especially the
52 Generator sector representatives and make a proposal, noting the changes made on

mantri

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

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

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

7
8 To avoid suspicion, the WESM Member shall issue a proof corresponding to
9 its claim.

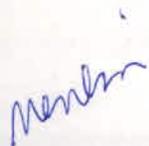
10
11 Ms. Lorreto Rivera opined, based on the above context, that the BATELEC II is
12 getting penalized for the reason that the Generator cannot supply for them based on
13 their contract, thus, the Customer is forced to purchase from the spot. She expressed
14 however, that such abnormalities in the contract implementation are part of the
15 WESM member's lookout so it must ensure that their back-up arrangement with the
16 Generator should have been covered in the contract.

17
18 After the discussion above, the Secretariat raised with the RCC some clarifications
19 and additional revisions on the proposal, namely changing the references to
20 provisions of the WESM Rules as Clauses and the provisions of Manuals as section
21 and as follows:
22

	<u>From</u>	<u>To</u>
3.15.2.5	<p>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.</p> <p>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.</p>	<p>Failure to comply with clause 3.15.2.4 shall be a ground for the cancellation of exemption and said failure shall cause the WESM member shall to be assessed and be required to put up prudential requirement.</p> <p>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.</p>
3.15.4.1	<p>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.</p>	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>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>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>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>
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<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, 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 section clause 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, 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 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 MO, then the MO shall issue a default notice under section clause 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

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

3
4 Mr. Sunico stated that the proposal basically has four main points, as indicated
5 below.

- 6
7 1) Disconnection as an effect of Suspension
8 2) Procedures for the Disconnection of a person or entity from the grid
9 3) Remedial actions to stay or defer the disconnection
10 4) Procedures for the re-connection of a disconnected person or entity from the grid.

11
12 Dr. Guevara inquired from the SO whether it is capable of implementing actual
13 disconnection based on the timeline provided in the proposal. Mr. Rosales responded
14 that there are certain protocols that the NGCP-SO follows in relation to
15 disconnection, which takes more than the timeline being proposed by the
16 AES/PIPPA, which is five (5) days from receipt of the disconnection notice. He
17 explained that as a matter of procedure, the disconnection notice is served to the
18 NGCP's office of Regulatory Affairs, which is then forwarded to the grid owner within
19 the concerned district. After which, the grid owner shall request the disconnection
20 with the SO. Mr. Rosales explained that it is in the Grid Owner's sub-station facility
21 where the disconnection (i.e. switching-off) of power is being realized. to isolate the
22 the Customer.

23
24 On the side of the Customer, Mr. Meneses commented on the potential conflict that
25 the proposal may have relative to the Customer with multiple sources. He explained
26 that when a Customer is connected to three (3) Generators, for instance, it chooses
27 to pay only two of them, it cannot be disconnected since it is unable to pay only one
28 (1) of the three (3) Generators to which it is connected. Ms. Rivera added that the
29 case is true for suppliers which have certain connection points that are shared and
30 such, when one Customer is disconnected, it would also mean disconnecting even
31 the other Customers even if they are paying.

32
33 Noting the above comments and discussion relative to the AES/PIPPA proposal, the
34 RCC recommended further review of the proposal. The RCC agreed to defer the
35 posting of the proposal and to form a team, composed of Mr. Sunico as Chairman
36 and with the SO, MO, and MERALCO representatives as members, who will
37 coordinate for further review and polish the proposal based on the RCC discussion
38 on the matter. The RCC requested that it be provided with the revised proposal 10
39 days prior to the next RCC meeting.

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41
42 ○ RCC Semestral Report

43
44 On the RCC July to December 2013 RCC Semestral Report, Dr. Guevara gave minor
45 comments, as follows:

- 46
47 1. On the formatting, Dr. Guevara suggested to list as separate each in the
48 Table of Contents the various Proposed Manual Changes submitted by the
49 PEMC-TWG;
50 2. On the portion Moving Forward, she inquired whether all the items indicated
51 as carryover activities from 2013 shall be set for submission on the First
52 Quarter 2014;

- 1 3. Dr. Guevara also suggested to emphasize that the RCC is proposal-driven
2 and as such, it can only act on a proposal submitted by a WESM member or
3 any proponent, unless it is a Directive coming from the DOE, ERC or the PEM
4 Board.
5 4. Dr. Guevara instructed the Secretariat to update the Report with the inclusion
6 of all the items/matters discussed by the Committee as of the 81st RCC
7 Meeting.
8

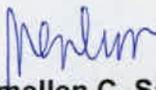
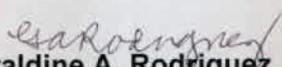
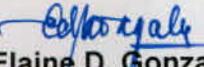
9 In relation to item 2 above, Ms Geraldine Rodriguez explained that all carry-over
10 activities initially set for submission by December 2013 based on original
11 commitment, should have been submitted by 1st Quarter 2014, although the
12 timelines may still change based on new commitments of the proponent and on the
13 result of the RCC Planning for 2014. Ms. Rodriguez likewise noted the other
14 comments and instructions given by the RCC Chairperson.
15

16
17 **5. Next Meeting**

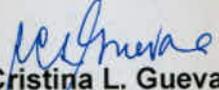
18 January 8-- 82nd Regular Meeting and 2014 Planning Session
19 February 5-- 83rd Regular RCC Meeting
20 March 5- 84th Regular RCC Meeting
21

22
23
24 **6. Adjournment**

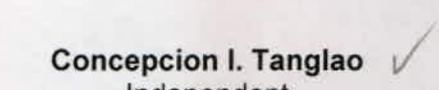
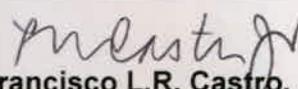
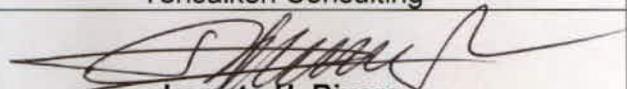
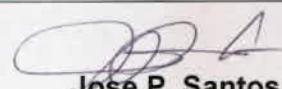
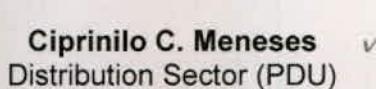
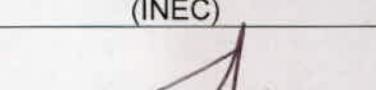
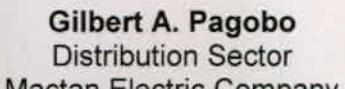
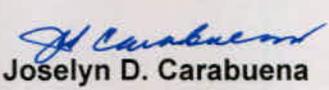
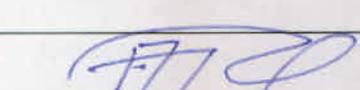
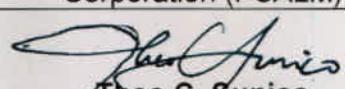
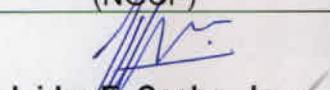
25 There being no other matter to be discussed, the meeting was adjourned at around
26 3:01 PM.
27

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

Approved by:
RULES CHANGE COMMITTEE


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



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

