

MINUTES OF THE 61ST MEETING OF THE RULES CHANGE COMMITTEE

Date : 09 May 2012
Time : 9:00 A.M.
Venue : PEMC Training Rooms 2&3
9th Floor, Robinsons-Equitable Tower
Ortigas Center, Pasig City

MEMBERS PRESENT:

Rowena Cristina L. Guevara	-	Chairperson/Independent – UP
Epictetus E. Patalinghug	-	Independent – UP
Francisco L.R. Castro, Jr.	-	Independent
Maila Lourdes G. de Castro	-	Independent – Unitel Productions, Inc.
Cherry Aquino-Javier	-	Generation Sector – AES
Ralph T. Crisologo	-	Generation Sector – SNAP
Liberty Z. Dumlao	-	Generation Sector – PSALM
Cynthia R. Encarnacion	-	Generation Sector – NPC
Ciprinilo C. Meneses	-	Distribution Sector – MERALCO
Augusto D. Sarmiento	-	Distribution Sector – DECORP
Jose P. Santos	-	Distribution Sector – INEC
Raul Joseph G. Seludo	-	System Operator – NGCP
Robinson P. Descanzo	-	Market Operator – PEMC
Conrado D. Pecjo	-	Supply Sector – Angeles Power, Inc.

MEMBERS NOT PRESENT:

Sulpicio C. Lagarde Jr.	-	Distribution Sector – CENECO
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ALTERNATE MEMBERS PRESENT:

Isidro E. Cacho	-	PEMC – MO
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OBSERVERS PRESENT:

Luningning G. Baltazar	-	DOE Representative
Wilbert S. Balilia	-	ERC Representative

OTHERS PRESENT:

Phillip C. Adviento	-	PEMC – Legal
Millan H. Libongco	-	PEMC0 – BSMD
Raycell Baldovino	-	NGCP – SO
Erwill Bugaoisan	-	NGCP – SO
Jesusito G. Morillos	-	Dispute Resolution Administrator

SECRETARIAT

Elaine D. Gonzales	-	PEMC – MAG
Geraldine A. Rodriguez	-	PEMC – MAG
Rheinhardt O. Banogon	-	PEMC – MAG
Hiyasminh Aleia Dagum	-	PEMC – MAG

After determining the presence of a quorum, the 61st RCC meeting was called to order by Chairperson Dr. Rowena Guevara, at about 9:00 A.M.

1. Adoption of the Proposed Agenda

The Proposed Agenda for the 61st RCC Meeting was approved, as presented.

2. Review, Correction and Approval of the Minutes of the 60th RCC Meeting

The Minutes of the 60th RCC Meeting was approved, as amended. The revisions are as follows (underlined and in bold letters):

- On page 4, on the Removal of Penalty of Imbalance, 2nd paragraph was deleted and 1st paragraph was rephrased to read as follows:

~~“On Ms. Cynthia Encarnacion’s proposal on the removal of the imbalance penalty during the previous meeting, Ms. Javier explained three ways on how to remove the penalty of imbalance and one way is to treat the ex-ante quantity (EAQ) of the ex-ante side as metered quantity (MQ):~~ **(1) treat the ex-ante quantity (EAQ) of the ex-ante side as metered quantity (MQ); (2) treat the MQ at the ex-post side as EAQ; (3) make ex-ante price equal to ex-post price.”**

~~Ms. Javier further explained that the source of imbalances is the ex-post because EAQ is different from actual quantity (AQ) scheduled injection and that by making one equal to the other, ex-post will be zero causing the ex-ante to remain, thereby eliminating the imbalance. She went on to explain that another approach is by making EAQ AQ and amending the ex-ante to AQ instead of the EAQ. Lastly is to make the ex-ante price equal to ex-post price which has the same effect.~~

- On page 8, on MERALCO Proposal for additional section of Prepayment Option, 3rd line of 2nd paragraph and 5th line of 3rd paragraph were revised to read as follows:

~~“...MERALCO has been doing this already but it is actually an unwritten rule~~ **informal arrangement** so...”

~~“...Mr. Meneses explained that Section 3.15.10.2(b) requires that the remaining~~ **prepayment** amount must be sufficient to reduce the actual exposure, whereas the proposal allows the WESM member to pay less than the amount needed to maintain the prudential requirement...”

3. Business Arising from the Previous Meeting

a. Proposed Amendments to the WESM Manual on Management of Must Run Units

Dr. Rowena Guevara informed the RCC that the copy of the MRU Manual that they have which was furnished by the Secretariat was the amended version by Ms. Cherry Javier and which was further re-amended by Mr. Raul Seludo.

Ms. Javier explained to the Committee that the revisions made were more on the aesthetic side to make the provisions clearer and that there were no substantial changes that affected the provisions.

The RCC made further revisions to the MRU Manual after discussing the proposed amendments submitted by the RCC members and after giving due course to the comments

of the Chairman of the Market Surveillance Committee (MSC). The RCC adopted changes to the Manual after due deliberations as follows:

- **Inclusion of Must-Stop Unit (MSU)**

Mr. Seludo notified the body that he proposed the modification of MRU Manual title to "Management of Must-Run/Must Stop Units" considering the inclusion of Must Stop in the document. He, however, raised a query on whether the document will be a new document or a newer version of the said Manual.

In response, the body agreed that the document, although re-titled differently, will be a newer version of the WESM Manual on the Management of Must Run Units. The RCC proposed various ways by which to name the said Manual and finally agreed to name the same as "Management of Must-Run/ Stop Units"

The RCC likewise agreed that all other references to "MRU" or "Must-Run Unit" when intended to be mentioned side by side with "MSU" or "Must-Stop Unit" in the Manual shall be revised to include such, i.e. "MRU /MSU" or "Must-Run Unit/Must-Stop Unit" respectively and that all subsequent references to the same shall already be in abbreviated form.

- **On Section 4, Definition of Terms**

- ✓ Ms. Javier informed the body of the further refinement of the definition of the Must-Run Unit as follows: "Must-Run Unit (MRU) – a generating unit identified ~~to be out of Merit Dispatch~~ and instructed, on a real-time or scheduled basis, by the System Operator ~~out of merit dispatch~~ to either (a) come on-line or (b) provide additional energy power in an interval on a particular Trading Interval but the dispatch is said to be Out of Merit to address System Security requirements and other considerations as provided in this manual." There being no objection to the proposed definition, the same was approved by the body

On the comment of the Market Surveillance Chair, Engr. Francis V. Mapile, submitted to the RCC, that the definition of the MRU is confusing; Ms. Javier replied that the definition was already revised to make the definition clearer. The version that the MSC Chair commented on was the earlier version before the redefinition was made.

- ✓ Mr. Isidro Cacho suggested putting all terms defined in the Manual under Section 4.
 - Definition of Terms for consistency rather than defining these outside the section, which suggestion the RCC agreed to.
- ✓ Mr. Cacho raised a clarification whether a generator, which set the marginal price, and has a schedule in the Merit Order Table, when asked to ramp up or down, will be considered an MRU or an MSU. Ms. Javier replied that in this case, it will not be considered an MRU or an MSU since it is the one supposed to be scheduled next given the MOT.

Mr. Ralph Crisologo, however, raised an issue on the number of times that a marginal plant is asked to ramp up and down, stating that there is a fine line between using it for ramping or regulating. He stated that if the plant is the marginal plant, then it should be used as energy based on forecast demand, from end to end, and should not be used in intra-hour operation since there is ancillary that functions for that purpose.

Mr. Robin S. Descanzo added that currently, there are no defined scenarios on the possible actions of SO in such a way that it does not violate the regulation requirements or override the ex-post scenarios. He suggested that the market scenarios be defined properly to determine whether the SO's action is entitled to MSU/MRU payments. According to him, if these market scenarios for MRUs and MSUs and the corresponding actions of SO are defined accurately, such will guide the MO in determining what will be entitled to MRU/MSU payments.

In this regard, Mr. Cacho suggested including a list of possible market scenarios for MRUs and MSUs in the Appendix.

Mr. Seludo voiced out the NGCP's reservations in coming out with a list of specific market scenarios for MRU/MSU cases and corresponding SO actions, since the SO deals with these cases in real time and as this list may box the SO in with the actions that it may take given a specific case. He said that SO fears encountering situations where certain actions deemed needed are not included in those defined, thus limiting SO's actions. He added that at the end of the day, the bottom line for MRU/MSU designations is to meet the system security reliability guidelines.

Mr. Descanzo remarked that it is precisely the reason why there is a need to define the possible scenarios in the Appendix. He expected that later on, depending on experience, the list may grow longer as it continues to be revised considering the new experiences. He added that if these scenarios are not defined, the problem will be passed on to settlements.

Agreeing to the above statement, Ms. Encarnacion shared the NPC's own experience in reconciling their MRU claims for one year's transaction with the assistance of NGCP. The volume initially picked up by the market was much different from the volume reconciled with the NGCP. She added that NPC tried to dissect the transactions to determine whether the transactions are must run or ancillary. She said that this exercise together with the data that they came out with may be used as reference for the committee in defining these market scenarios.

After further deliberation, the body agreed to start off with the general scenarios for an open-ended or a non-exhaustive list which shall afford SO elbow room for alternative action on other possibilities not initially considered in the list. Dr. Guevara assigned the MO and SO to work out the said inexhaustive list of the possible market scenarios for MRUs/MSUs for reference in the manual and requested that the same be submitted to the Secretariat by 11 May 2012.

- ✓ Ms. Rodriguez said that another comment made by MSC Chair Mapile was on the inconsistency of the definition of the Merit Order Table (MOT) adopted by the RCC with the definition of the Philippine Grid Code (PGC). Per the MSC Chair, the RCC definition is violative of the PGC. To address the concern, Mr. Crisologo suggested renaming the Merit Order Table (MOT) as referred to and defined in the MRU/MSU Manual to WESM Merit Order Table (WMOT), justifying that the said table will be for the use of the WESM. The Committee posed no objection to the suggestion and directed the Secretariat to use WESM Merit Order Table (WMOT) for all references to Merit Order Table in the said manual.
- ✓ On the matter of the definition of MSU under Article 4.3, another comment of the MSC Chair was that if the MSU referred to in the said article was referring to MRUs that need to be constrained during the intra hour dispatch due to sudden change in

demand, then he opined that this condition is best addressed by a clearly defined operating procedures on Ancillary Services (AS) that included MRUs and thus there is no need for an MSU definition. Reacting to the comment, the body said that the MSU does not refer to an MRU which has been constrained and is entirely different as defined. Mr. Crisologo said that the proposed list of market scenarios with corresponding SO actions will already address the concern on the need for clearly defined operating procedures.

- ✓ On the MSC Chair's suggestion to delete the definition of Out of Merit Dispatch, saying that it is clearly understood that if it is not in accordance with the Merit Order Table then it is outside the Merit Order Table, the RCC opined that the same is still needed. The definition will only be revised to indicate that it will be the dispatch of a generating unit not in accordance with or outside WESM Merit Order Table.
- ✓ Mr. Ciprinilo Meneses commented that the proposed definition of the Must Stop Unit (MSU) should be from the viewpoint of the generator and not the grid. After further discussions and clarifying what "Must Stop" really means, that is, it is an instruction to reduce its injection to the grid in reference to its RTD instruction, the body agreed to revise the definition as follows: "Must-Stop Unit (MSU) – a generating unit identified and instructed by the SO System Operator in an Out of Merit Dispatch to reduce the provision of relevant energy specified in its RTD instruction. ~~but the dispatch is said to be Out of Merit~~ Inexhaustive list of possible market scenarios are listed in Appendix A.
- ✓ The Secretariat was instructed to move all other definitions defined in the Manual particularly, Average Offer Price (AOP), Marginal Clearing Price (MCP), and Nominated Price (NP), Ramp Down Requirement under Sec. 6.1.5(a) and "Residual energy incidental to an MRU event" under Section 7.2 to Section 4 of the MRU Manual for consistency and re-arranged them alphabetically.

- **On Section 5, Responsibilities**

- ✓ Ms. Rodriguez relayed the comment made by the MSC Chair on items 5.2 and 5.3 of the manual – that these contain a mixture of policies which cut across ancillary and MRUs. The MSC Chair opined that the MRU use must be part of the AS operating policies and procedures in terms of protocol and used in order that SO will exercise due diligence, fairness, good electrical engineering practice and transparent technical analysis on the use of MRUs.

Reacting to the above, Mr. Descanzo said that what the MSC Chair probably meant was that there should not be an overlap on what should be for regulating and energy in the management of MRU/MSU. The inexhaustive list of the market scenarios being proposed by the RCC according to him will already address this concern.

In addition, Ms. Javier explained the deletion of the word dispatch in line three of the said section as this is already redundant.

- ✓ Mr. Cacho added that for consistency, the list referred to in Section 5.3 should be both for MRU and MSU.

Section 5.3 was then revised as follows: "When the System Operator deviates from the ~~MOT~~-WMOT due to system security and reliability concerns, generating units dispatched outside of ~~MOT~~-WMOT and/or out of merit ~~dispatch~~ shall be considered

MRUs **and MSUs** and shall fall under one of the MRU **or MSU** criteria identified in this Manual. The SO shall submit to the MO the list of MRUs **and MSUs** to be considered in the next interval/s."

- ✓ On another comment by the MSC Chair, whether the MRU list referred to in Article 5.7 refers to the eligibility and/or qualifications and on the capacity that was delivered, Mr. Descanzo replied that the MRU list will clarify the data (i.e., the unit, the deliveries, the reason, etc.) being given by SO to MO as well as the frequency of the report and the manner of publication.

Mr. Wilbert Balilia suggested referring to the quarterly report on MRUs being submitted by MO to the ERC for the information that the SO would be submitting to the MO later on for publication, as this already contains the information on plants designated as MRUs as well as the time of designation.

He also inquired how the MO currently receives the list of MRUs from the SO. Mr. Cacho replied that the SO provides on a weekly basis the data on the MRU, what plants have been designated, the megawatt and basic reasons.

Mr. Descanzo explained further that currently, on a weekly basis, the SO informs the MO of the following: the plants being designated as MRU or MSUs, the time of designations, how many were nominated as MRUs and MSUs and the reason for such designations. He stated that what they now wish to address is the generator's need for assurance that once they are designated as MRU/MSU, they will be paid so they are requiring that after real time, SO furnishes the MO with the said report. This will also serve as the basis for the settlement.

He explained that when it comes to settlement, the settlement unit will wait for actual metering quantities based on the ERC Order formula regarding MRU settlements. He further pointed out that aside from the report to be received hourly, the settlement unit needs to reconcile the MQs to know the volume to be settled for that unit.

Regarding the MRU/MSU designations, he stated that what's currently happening is that it is verbal. What they are proposing now is that even before SO nominates the generator, the generator will first be informed after which SO must report to MO and MO will publish this information and provide it to trading parties.

He pointed out that maybe in the interim, until such time that an IT solution is available, the reporting would be a bit a slow. He also stated that SO must develop a template for the report which MO will use for publication. He inferred that what Mr. Cacho wants is to define those data so that the template can be designed already.

Mr. Seludo, however, pointed out his reservation on an hourly reporting. He explained that when there's a problem, the report can only be done after the shift but not on real time or on that exact hour itself.

Mr. Crisologo, however, clarified that the hourly report being proposed is the report that should be done on an hourly basis but which will not be submitted on an hourly basis.

Mr. Seludo, thus, suggested on the submission of 'an *hourly list of MRU and MSU*' instead of submitting '*the list of MRUs and MSUs on an hourly basis*' pointing that it could be interpreted differently.

Mr. Cacho suggested to put a timeline on the submission of the report to which Mr. Augusto Sarmiento suggested making the '*end of the day*' as earlier proposed to '*not later than 12 noon of the following day*' to simplify the section.

After its discussions on the matter, the RCC agreed to revise Section 5.7 to read as follows: "*The System Operator shall submit **an hourly list of MRU and MSU** to the Market Operator ~~the list of MRUs and MSUs on an hourly basis~~ **the information as listed in Appendix B not later than 12 noon of the following day**. The Market Operator shall publish the same in the market information website.*"

- **On Section 6.1, System Security**

- ✓ Mr. Cacho inquired on Section 6.1.4(a) the clarification of undergeneration whether it refers to real or artificial undergeneration. In response, Dr. Guevara stated that under the Must-Offer Rule, artificial undergeneration should not exist therefore it must not be included since it's not recognized.

Mr. Seludo raised the NGCP's concern on the said section particularly on limiting the generators to offering for after two hours after learning of undergeneration might limit SO in its actions towards maintaining security and reliability of the grid.

Dr. Guevara stated that the SO's fear that it might not be able to call upon the generators after two hours is unfounded because it does not provide so in this section. She clarified that this provision is an instruction to the generators and does not limit the SO in calling upon the generator as an MRU if needed by the grid. She pointed out that the section is an instruction for the generators to follow and not for the SO, even emphasizing particularly on the phrase stating '*...upon learning that there is undergeneration **should offer** after two hours...*'. She explained that the SO can still call on the generators because the SO has the primary and higher mandate, and it is the generators, not the SO, who will be penalized if they do not follow the said provision because of the said rule.

Mr. Balilia inquired regarding cases when there is undergeneration, whether a generator who has offered can no longer be dispatched as an MRU, citing an instance where a generator has offered but was still dispatched as MRU. In response, Mr. Crisologo explained that it is possible that it can still be dispatched as MRU even if it has previously offered, if it was not dispatched because its price was high, or it may have been shut down.

Ms. Javier commented that currently there is scheduled and real time dispatch and what was being done is when the demand is high and the supply is lacking, the SO would immediately schedule the generator.

Responding to Dr. Guevara's query if there are further comments on the above section, Ms. Javier raised her reservation on the phrase "*but the end is not precluded to call upon the generator*" as initially included in the section, pointing out that the statement removes the significance of the two-hour timeline, thereby making the provision revert to the original where undergeneration is acceptable.

Atty. Dumlao suggested making the provision tighter for system reliability adding in consideration the instances when the SO can still call upon the generator even beyond the two hours.

However, Mr. Crisologo stated that the SO has the power to call upon the generators by the authority of the PGC, rebutting the fear that the SO declared.

In view of the foregoing discussion, Mr. Descanzo commented that on the section of settlement, it must also be clarified what kind of settlement price to be used in the MRU beyond the two hours.

To address Mr. Seludo's concern, Mr. Sarmiento suggested making the generators as price takers if they did not offer and are still required to run by SO.

The RCC thereafter concluded the discussion on Section 6.1.4(a) and agreed on the revised version of the section as follows: *"The generators called to run, upon learning that there is undergeneration, should offer after two hours **otherwise shall be settled as a price taker.**"*

- ✓ Fast Ramp-down requirement under 6.1.5 (a) was deleted and transferred to Section 4 as suggested by Mr. Cacho and agreed to by the RCC.

- **On Section 8 – Scheduling and Dispatch Procedures**

- ✓ Ms. Rodriguez enumerated the following comments of the MSC Chair on Section 8 as follows:
 - a) What is the definition of MRU default offers?;
 - b) What is the nominated price submitted to the MO? A nominated price is being used for AS only; and
 - c) Assuming that the MRU is a test requirement, regulatory or commercial requirement; shouldn't the generator shoulder the expenses for commercial reasons?
- ✓ On the first MSC comment, Ms. Javier suggested changing the MRU default offers and replacing it with Nominated Price (NP). On the second comment, she said that the term Nominated Price is defined under Section 9. On the third comment, she stated that plants which request their plants to be designated as MRUs in order to comply with test requirements will be price takers.

Mr. Cacho commented that once the RCC submits the manual, the Board would probably ask for the basis or possible criteria of the generators for submitting the Nominated Price. He also added that since this is a submission to the MO, maybe it would be better to put a process, whether the Nominated Price would be submitted annually or be revised weekly. In response, Ms. Javier said that it shall be submitted beginning each year. Ms. Javier also added that if you look at the formula, you will see that it is just being compared with the maximum of MCP and AOP.

In response to the question of Mr. Cacho on the submission of the NP, Dr. Guevara read from the previous minutes which said that if an NP will not be submitted then the NP of the previous year will be adopted.

Dr. Guevara inquired from the body if it is necessary to spell out the basis for the Nominated Price. Atty. Maila de Castro commented that since she'll be presenting the Manual to the Board, she probably needs clarifications from the RCC on what the basis is so that she may be able to defend it during the presentation.

Ms. Javier said that the Must Run Unit Price (MRUP) is either the minimum of the NP or the maximum of MCP or AOP. The AOP already reflects the amount that the generators should be given for the energy as it already reflects the offer of the generator and the MCP, if it is higher than the AOP should be what the generator should be getting since it reflects the opportunity cost for the generator. The two variables would have been sufficient except that the NP was included as basis for further deciding if there are two competing MRUs.

Atty. Dumlao asked why the generators have to compete for being designated as MRUs. By its very nature, MRUs are supposed to be designated. MRU is involuntary and having them compete contradicts the Must Offer Rule and the MRU being a last resort for systems requirement.

Mr. Sarmiento commented that before the RCC came up with the proposal for a Nominated Price, what was being used was the Generation Price Index (GPI). He stated further that prices would have to pass through ERC approval and ERC would eventually ask for the basis whether it be capacity fee, O&M, etc.

Dr. Guevara then quoted Atty. Layugan's statement on the minutes of the previous meeting that "...with the submission of the entire scheme, NP will be included in the review for approval but only the principle not the price." Mr. Sarmiento, however, commented that the principle still includes the variables such as O&M, capacity fee, etc. though not necessarily including the figures.

Mr. Balilia commented that in the case of the submission of the formula for the GPI, the commission also looked into the variables or factors affecting the GPI. He added that when the MRU Manual is filed with the commission, variables on how the NP was computed will still be examined.

Ms. Sarmiento commented that basically NP is just used for comparison and suggested that it would be best to remove the subsections on Section 8 if it will just cause an issue on the submission, in which case the price would just be based on the maximum of either the MCP or the AOP. Mr. Cacho informed the RCC that previous simulations showed that it was NP which was the resulting MRU Price.

Atty. de Castro clarified if another simulation will be done for the new formula. Dr. Guevara commented that the proposed revisions cannot be submitted in the absence of the new simulations, this time, without the NP. She thus suggested on reverting to the inclusion of the NP in the formula and to just redefine it accordingly.

Ms. Gonzales commented that since the NP is just for the purpose of settlement and not for scheduling purposes, she suggested that the definition remove the references to competition. Thus, the Nominated Price was defined as follows:

Nominated Price (NP) (P/MWh) – the Nominated Price is a price submitted by each Generator at the beginning of each year ~~allowing each market to compete to be the first to Must Run or to Must Stop within the technical limitations of the system. Competition to Must Stop or Must Run may be possible to a limited extent or not~~

~~possible at all depending on the technical limitations for the particular interval.~~ The NP is based on fixed, variable cost and fuel cost.

Section 8.1 was revised to read as follows: "All generating units shall submit to the Market Operator a Nominated Price ~~as defined in Section 9~~". Mr. Cacho also suggested the removal of section 8.1.2 which the RCC concurred with.

- ✓ On Section 8.4 "Trading Participants" was suggested to be replaced with "the plant operator" by Mr. Seludo since the SO does not at all talk to the Trading Participant, which revision was agreed upon by the RCC.

Ms. Encarnacion clarified that the official information made by the SO to the plant operators shall be done in writing. Mr. Seludo agreed that the official information shall be made in writing the following day as already agreed upon earlier.

On Article 8.4, Mr. Cacho also raised the MO's concern regarding the time, fifteen minutes to be exact, within which the MO shall inform all Trading Participants of the generating units dispatched as MRUs. Dr. Guevara suggested including a deadline in the same way they have done for the other sections in the manual. Mr. Cacho replied that Trading Participants of the generating units dispatched as MRU must be informed *'within the next trading interval'*.

Article 8.4 was thus revised to read as follows: "For MRUs designated by System Operator during real-time, the System Operator shall inform the ~~Trading Participant~~ **plant operator** that their generating unit will run as MRU. After the trading interval, System Operator shall inform Market Operator of the generating units dispatched as MRU, as well as the reason for such, when available. Moreover, ~~MO~~ **Market Operator** shall ~~within fifteen minutes~~ inform all the Trading Participants of the generating units dispatched as MRU and the reasons for such within the next trading interval."

- **On the Diagrams, pages 9-12**

In consideration of the comment made by Mr. Cacho that only MRUs are included in the diagrams, the RCC requested Mr. Seludo to work on the diagrams to include MSUs and submit this to the RCC Secretariat by 11 May 2012.

- **On Section 9**

- ✓ Section 9.1 MRU Price

Mr. Cacho informed the RCC that one of the issues of the MO is the interaction of the MRU price with the MCP. He suggested the inclusion of conditions when there are pricing errors or price substitution in the market for the determination of MCP.

To address the issue on the absence of MCP, Mr. Sarmiento proposed to adopt PSM or PDM if there is no MCP so it won't have a zero value, if the generators agree. Mr. Meneses, on the other hand, suggested including the GPI in the formula since the GPI will always have a value to which Dr. Guevara replied that a simulation has already been done using the present formula, causing any addition to the formula to be rejected. The RCC thus agreed with the suggestion of Mr. Sarmiento on the use of PDM or PSM if there is no MCP.

In the case of generators which do not have AOP's, Mr. Descanzo suggested the addition in the AOP definition the sentence stating '*If AOP is non-existent, the NP shall be used*' which the RCC approved.

The RCC agreed on transferring the definitions of NP, MCP and AOP definitions in Section 4 retaining only the equation $MRUP = \min(NP, \max(MCP, AOP))$ for the section 9 as suggested by Atty. de Castro.

- ✓ Section 9.2.2 was rephrased to read as follows: "The end-of-the-day summary report **submitted by the System Operator** shall be used by the **MO Market Operator** to validate the MRU data submitted by the SO.
- ✓ Section 9.3, Calculation of MRU Settlement Amounts

Mr. Cacho commented that the manner of the calculation of MRU volume is not clear. He clarified whether the ERC Order on the same still applies. He also suggested that the manner by which the volume is computed be also included in the Manual so it will be clear to all concerned. Dr. Guevara thus instructed for the inclusion of an additional subsection regarding the ERC-approved volume computation in the Manual given that the ERC-order still applies and to reflect the same as previously presented by BSMD.

Mr. Libongco subsequently explained that according to ERC, the computation of volume simply states that the volume will be the MQ-EAQ-BCQ. It is not that simple however. He added that EAQ is in the formula for two reasons; if it is designated as MRU and put in security limit in which case it must not be subtracted. If EAO is due to his bid then it should be subtracted. He further discussed that there are two types of security limits that the SO can declare; one limit and with range. If it is with range, you have to filter anew, whether it is partial or full and several other things have to be determined before EAQ can be subtracted.

On the inquiry made by Dr. Guevara whether the MRU recovery is regional, Mr. Libongco replied that the market is single, i.e., the distribution to customers is pro-rated and not per grid.

Ms. Encarnacion drew the attention of the body to the last sentence of Article 8.3 referring to the fifteen day period timeline mentioned, proposing to add to the phrase, "within which MO will issue the final statement". Mr. Descanzo, on the other hand, proposed to follow the settlement timeline instead of the fifteen days provided in the section to which Ms. Encarnacion concurred.

Therefore, the RCC agreed on the inclusion of provision that settlement shall be made in accordance with the energy settlement billing cycle and any reconciliation not captured will be reflected in the next billing cycle.

Article 9.3 was thus revised as follows:

9.3 Calculation of MRU Settlement Amounts

MO will process data from SO, MSP and MMS as basis of settlement for MRU. For every billing period, the Market Operator will calculate the initial payments to be made to each designated MRU. These calculations shall be submitted to MRU plants for reconciliation and later on for settlements. **The settlement of MRU will be in accordance with energy settlement billing cycle. Any adjustment in the**

final statement shall be reflected in the next billing cycle. In case there will be a discrepancy in the calculation of volume, a 15 day period must be given to the Market Operator for revalidated volume.

✓ Section 9.4, Allocation of MRU Settlement Amounts to Customers

Mr. Cacho suggested the deletion of “*additional compensation*” in the amount to be calculated for the customer as the new formula already dispenses with the additional compensation as this has been considered in the price formula. Section 9.4 has thus been revised as follows: “The amount to be allocated to each Customer will be the Total Settlement Amounts for all MRUs, ~~including the amount paid as additional compensation~~ pro-rated to the Customers based on their metered quantities.”

• On Section 10

✓ Settlement of Must Stop Units

Mr. Seludo proposed the deletion of the 2nd paragraph of Sections 10 and 10.3 since NGCP believes that this is not part of the MSU settlement process. If ever the generator feels aggrieved, the recourse for them is the dispute resolution process. On the matter of the causer’s pay, NGCP says that they also do not agree for SO to pay for MSUs allegedly caused by them. Again, Mr. Seludo pointed out to the availability of the dispute resolution process in settling this type of dispute. Dr. Guevara however said that dispute resolution has a cost to it.

The generators expressed their disagreement with the SO on the matter. Dr. Guevara then stated that the bottom line is the generators want to be assured that the MOT will be followed. She further added that if the basic premise is that the SO has this mandate to ensure the reliability of the grid, the generators also want an assurance.

Atty. Raycell Baldovino pointed out that there must be an agreement between the parties since the matter is a settlement. In the questioned provision, there is already a presumption of guilt on the part of the NGCP. He proposed to have a procedure first before the SO can be declared guilty of a wrong doing instead of being immediately imposed a penalty. Instead of a penalty, what they suggested is a provision indicating that SO will exercise due diligence in the implementation of MSU and MRU taking into consideration the MOT.

Atty. Dumlao commented that the causer’s pay policy has been adopted and the generators have recognized this by virtue of the MSU provision. She thus raised the question on why they would make an exception to the SO stating that generators are not exempted and the generators are at the receiving end of the MSU orders.

Ms. Javier added that the most affected are the generators. Atty. Dumlao further added that these are just consequences of how the grid works citing that in the causer’s pay concept both are affected.

After a lengthy discussion on the same without having resolved the matter, the Chair ruled that voting shall be made to decide on the questioned provisions. The result of the voting regarding the provisions on causer’s pay and payment by NGCP on MSUs it has caused was 10-1-1, with ten (10) voting for the said proposals, (Messrs. Castro, Meneses, Sarmiento, Santos, Pecjo and Mesdames Javier,

Encarnacion, Dumlao, de Castro); one (1) against (Mr. Seludo); and one (1) abstention (Mr. Descanzo). The RCC thus decided to retain the said sections and submit the same to the Board for its approval.

✓ Settlement of MSUA

Ms. Gonzales clarified on who will determine what generating plants are not following the SO's instructions. She suggested that this process must be included in the document, specifically stating that SO will report to MO, which report will in turn serve as a basis for the MO.

Thereafter, the RCC incorporated a statement on the determination of SO of generating plants which do not follow the instructions and SO's submission to MO of the list of the said plants. The statement stating that *'MSU will initiate the process of settlement'* was also included in the 2nd paragraph as suggested by Ms. Javier.

Atty. de Castro suggested that a timeframe when the MSU payment shall be made be included in the section. As agreed upon, settlement for MSU will also be in accordance with the energy settlement billing cycle and any adjustments not captured will be reflected in the next billing cycle. Dr. Guevara agreed on making a similar statement for MRU.

- ✓ Dr. Guevara reminded Mr. Seludo and Mr. Descanzo on their assignments which include the computation of volume on actual practice as stated by the PEMC-BSMD, their assignment on the different market scenarios, and SO's assignment on the diagrams on the MSU, to be submitted on 11 May 2012.
- ✓ The Secretariat was instructed to e-mail the RCC the latest draft of the MRU Manual by 11 May 2012, incorporating the above revisions made by the RCC.

b. Update on the RCC's Action on Various Audit Recommendations

- **On the review of prudential requirements**

The RCC deferred the discussion of the matter in the absence of Mr. Lagarde and his delayed submission of an additional proposal which was not included in the discussion paper already prepared by the group tasked to take on the review of prudential requirement.

- **On the review of Pmin Procedures**

Mr. Seludo presented the three options on the Procedure of Start-up and Shutdown of a Generating Unit Issue 1.0.

On the information that the secondary Pmin is also being reviewed by the RCC Subcommittee on Must Offer Rule, Dr. Guevara suggested that the two groups discuss on the division of their work on the issues regarding secondary Pmin.

The group discussed the next steps: 1) RCC Secretariat to research on other Market Operators' practices in regard to the Pmin; and 2) MO to conduct a simulation study on possible impact on price given the three options.

Dr. Guevara reminded the subcommittees that she expects the final recommendations by 06 June 2012.

- **On the review of pricing error and market re-run procedures**

Dr. Guevara requested Ms. Javier to draft a brief report for the signature of Dr. Guevara for submission to the PEM Board, stating that the matter of pricing errors and market re-runs has been addressed by the RCC with the submission to the Board of proposed revisions to the Manual on Localized Non- Congestion on Pricing Error.

- **Review of SO with respect to its responsibilities under the Market Rules**

Dr. Guevara presented the minutes of her subgroup's meeting on the review of the above concern. Some of the highlights include a discussion on the need for the MO to model MERALCO system such that MO and SO models produce the same output during simulations – for consideration of PEMC in the procurement of new MDOM; b) proposal for the execution of a transactional contract by NGCP with each generator-which per NGCP feedback, management is not amenable to; and c) for generators to also participate in the regular SO- MO coordination meetings to give the perspective of the generators in these meetings.

Dr. Guevara said she hopes to finish the output of her subgroup for submission to the RCC by 6 June 2012.

4. **New Business**

Issues/ Topics Discussed	Remarks	Agreement/ Action Item
A. PEM Board Directives re RCC-Approved Proposed New Technical Committee Market Manual	The RCC was informed of the BRC's decision to defer approval of the RCC-proposed Technical Committee Market Manual in the agenda of the 69 th PEM Board Meeting last 26 April 2012 and remand the same to the RCC for further study.	The RCC agreed to refer the Board recommendation to the TC for their appropriate action.
B. Presentation on the Must-Offer Rule	Atty. de Castro presented the Subcommittee's initial recommendations. She informed the RCC that the group needs more time to further discuss the recommendations presented.	The subcommittee agreed to have the next RCC Subcommittee Meeting on 21 May 2012, 10 AM at PEMC. MO was requested to present in the next subcommittee meeting re Submission of Technical Pmin and Secondary Pmin.
C. Proposed Changes to the WESM Rules Provision on Notice of Non-approval of Application for Registration as WESM Member	In compliance with the ERC Order directing the PEMC to amend Clauses 2.5.6.1 and 2.5.6.2 of the WESM Rules to indicate that the ERC shall be furnished a copy of the denial of an application for membership. Atty. Phillip Adviento presented to	The RCC noted the proposed amendments and agreed to publish the said proposed changes in the website for comments.

Issues/ Topics Discussed	Remarks	Agreement/ Action Item
	the RCC its proposed revisions to said Clauses.	
D. Proposed Amendments to the WESM Dispute Resolution Market Manual	DRA Jesusito Morillos briefly presented to the RCC the proposed amendments to the WESM DRMM. He briefed the RCC that the proposed revisions underwent public consultations in Cebu and Manila in April, 2012.	The RCC agreed to post the proposed revisions to the WESM DRMM and instructed the Secretariat to post the same in the website for comments.
E. RCC Action Plans on IAD's Audit Recommendations	The Secretariat reminded the RCC of the RCC's committed action plans in response to IAD's findings on the need to revise the provisions of the Manual of Procedures for Changes to the WESM Rules (RCM Manual) regarding the publication and the need for sectoral reporting to update their respective sectors.	<p>On the revision of the Manual of Procedures for Changes to the WESM Rules (RCM Manual) to clarify what needs to be published in the WESM website, the RCC agreed to revise the pertinent provisions in the manual to make the requirement of publication apply to the WESM website only.</p> <p>Dr. Guevara requested Atty. Dumlao to study the matter and present the same to the RCC in July 2012.</p> <p>On the need for the sectoral representatives to report their efforts and to update their respective sectors on matters concerning rules changes and other activities, it was agreed that reporting may be done through email, copy furnish the RCC and Secretariat. The RCC sectoral representatives agreed that one way to update their sector is by referring their constituents to the Minutes of RCC Meetings being published in the WESM website.</p>

5. Other Matters

- **Proposed Rules Changes on Line Rental**

Noting the absence of Mr. Lagarde, the RCC agreed to defer the discussion on the proposed rules change on line rental which he has just submitted.

- **Aboitiz Power Corporation (APC) Letter to RCC re VECO issue on settlement re-run**

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The RCC agreed that the issue raised by APC in its letter to the RCC is technical in nature and is not within the RCC's scope. The RCC, thus, decided to write APC a letter requesting for submission of proposal for any rules change that will address the issue.

6. Next Meeting

The RCC was reminded of the schedule of its next meeting (62nd RCC Meeting) on 06 June 2012.


7. Adjournment

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

Prepared by:


Hiyasmint Aleia D. Dagum

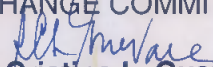
Reviewed by:


Geraldine A. Rodriguez

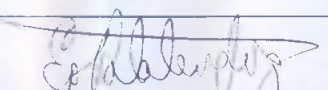
Noted by:



Elaine D. Gonzales


Approved by:
RULES CHANGE COMMITTEE



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


Members:

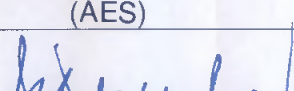

Epictetus E. Patalinghug
Independent
University of the Philippines
(UP)



Francisco L.R. Castro, Jr.
Independent
The Herma Group

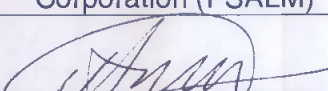

Maila Lourdes G. de Castro
Independent
Unitel Productions, Inc.


Cherry Aquino-Javier
Generation Sector
AES Philippines
(AES)

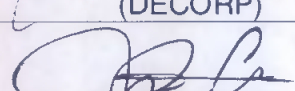

Cynthia R. Encarnacion
Generation Sector
National Power Corporation
(NAPOCOR)

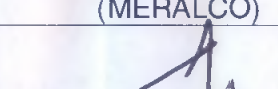

Liberty Z. Dumlaog
Generation Sector
Power Sector Assets and Liabilities Management
Corporation (PSALM)



Ralph T. Crisologo
Generation Sector
SN Aboitiz Power
(SNAP)



Augusto D. Sarmiento
Distribution Sector (PDU)
Dagupan Electric Corporation
(DECORP)

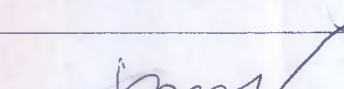

Ciprinilo C. Meneses
Distribution Sector (PDU)
Manila Electric Company
(MERALCO)


Jose P. Santos
Distribution Sector (EC)
Ilocos Norte Electric Cooperative, Inc.
(INEC)


Sulpicio C. Lagarde Jr.
Distribution Sector (EC)
Central Negros Electric Cooperative, Inc.
(CENECO)


Conrado D. Pecjo
Supply Sector
Angeles Power, Inc.


Raul Joseph O. Seludo
Transmission Sector
National Grid Corporation of the Philippines
(NGCP)


Robinson P. Descanzo
Market Operator
Philippine Electricity Market Corporation
(PEMC)