

MINUTES OF THE 62ND MEETING OF THE RULES CHANGE COMMITTEE

Date : 06 June 2012
Time : 9:00 A.M.
Venue : PEMC Board Room
18th 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 – Tensaiken Consulting
Maila Lourdes G. de Castro	-	Independent – Unitel Productions, Inc.
Cherry Aquino-Javier	-	Generation Sector – AES
Liberty Z. Dumlao	-	Generation Sector – PSALM
Cynthia R. Encarnacion	-	Generation Sector – NPC
Ciprinilo C. Meneses	-	Distribution Sector – MERALCO
Jose P. Santos	-	Distribution Sector – INEC
Sulpicio C. Lagarde Jr.	-	Distribution Sector – CENECO
Raul Joseph G. Seludo	-	System Operator – NGCP
Conrado D. Pecjo	-	Supply Sector – Angeles Power, Inc.

MEMBERS NOT PRESENT:

Ralph T. Crisologo	-	Generation Sector – SNAP
Augusto D. Sarmiento	-	Distribution Sector – DECORP
Robinson P. Descanzo	-	Market Operator – PEMC

ALTERNATE MEMBERS PRESENT:

Isidro E. Cacho	-	Market Operator – PEMC
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OBSERVERS PRESENT:

Gloria Victoria C. Yap-Taruc	-	ERC Commissioner
Isabelo Joseph P. Tomas, II	-	ERC
Nelson G. Canlas	-	ERC (<i>alternate</i>)
Rodel A. Meris	-	ERC (<i>alternate</i>)
Remedios M. Franscisco	-	ERC (<i>alternate</i>)
Ferdinand B. Binondo	-	DOE (<i>alternate</i>)
Luningning G. Baltazar	-	DOE (<i>alternate</i>)

OTHERS PRESENT:

Phillip C. Adviento	-	PEMC – Legal
Caryl Miriam L. Mateo	-	PEMC – Legal
Jesusito G. Morillos	-	PEMC – Dispute Resolution Administrator
Ariston P. Martinez	-	PEMC – Finance
Edward I. Olmedo	-	SNAP
Senen D. Fenomeno	-	SNAP
Rienzi O. Zaño	-	SNAP
Mark S. Actub	-	NGCP
Michael L. Pascual	-	NGCP

SECRETARIAT

Chrysanthus S. Heruela	-	PEMC – MAG
Elaine D. Gonzales	-	PEMC – MAG

Geraldine A. Rodriguez	-	PEMC – MAG
Rheinhardt O. Banogon	-	PEMC – MAG
H'iyasminh Aleia C. Dagum	-	PEMC – MAG

After determining the presence of a quorum, the 62nd RCC meeting was called to order by Chairperson Dr. Rowena Guevara at 9:12 A.M.

1. Adoption of the Proposed Agenda

As requested by Dr. Guevara and agreed upon by the RCC, Part V, Item 3: Proposed Amendments to the WESM Dispute Resolution Market Manual was moved for discussion after lunch noting the length of time it will take to discuss Part V Items 1 and 2 of the agenda. With no further comments, the Proposed Agenda for the 62nd RCC Meeting was approved, as presented.

2. Review, Correction and Approval of the Minutes of the 61st RCC Meeting

Corrections were made on the minutes as follows (in bold letters):

- On page 2, 2nd paragraph of part 3(a)
*"Ms. Javier explained to the Committee that the revisions **she** made were more on the aesthetic side..."*
- On page 3, 4th paragraph
*"Ms. Javier informed the body **that she further refined of the further refinement of the definition of the Must-Run Unit...**"*
- On page 5, 7th paragraph, 1st sentence
*"In addition, Ms. Javier **proposed and** explained the deletion of the word dispatch..."*
- On page 10, 7th paragraph, last sentence
*"The RCC thus agreed with the suggestion of Mr. Sarmiento on the use of PDM or **PDM PSM** if there is no MCP..."*
- On page 12, 7th paragraph, 2nd sentence
*"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. J Seludo); and one (1) abstention (Mr. Descanzo)...**"*

On motion duly made and seconded, the Minutes of the 61st RCC Meeting was approved, as amended.

Dr. Guevara inquired why there were only 12 people who voted when there were 14 committee members present as recorded in the attendance. Dr. Guevara was informed that Mr. Ralph Crisologo left before the voting was made and that the Chairperson did not cast her vote.

During the reading of the Minutes, the Chairperson drew the attention of those concerned to the following items mentioned in the minutes:

1. MO to conduct a simulation study on possible impact on price given the three options.

Mr. Cacho advised the body that they have done preliminary work on the same but are not ready to make any presentations regarding the matter at the moment.

2. 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.

Ms. Javier noted the action item and said she will accordingly prepare the report.

3. Business Arising from the Previous Meeting

During the meeting, PEMC Pres. Melinda Ocampo came over and introduced the guests from the ERC who were attending the RCC's meeting for that day. ERC Commissioner Gloria Taruc informed the RCC that the ERC recently had a re-organization, with Atty. Debora Layugan reassigned to Office of the General Counsel and Mr. Wilbert Balilia moved to the Investigation and Enforcement Division. With these changes, ERC Commissioner Taruc informed the RCC that Atty. Isabelo Joseph Tomas shall now be the official ERC Representative to the RCC as Observer vice Atty. Layugan while Mr. Nelson Canlas will be the designated alternate ERC representative vice Mr. Balilia. Other ERC personnel, Mr. Rodel Meris and Ms. Medie Francisco were also introduced by Commissioner as ERC alternate representatives to the RCC.

In response, the RCC and MAG-Secretariat also introduced themselves. Dr. Guevara thereafter welcomed ERC Commissioner Taruc and the other ERC officials and directed them to the matter currently being discussed in the meeting. With the introductions done, the RCC proceeded to the discussion of the matters in the agenda.

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

Dr. Guevara proposed to go through the manual page by page but before doing so, she requested Mr. Isidro Cacho to first present PEMC's issues and proposed recommendations to address the said concerns since it would have an impact on the MRU Manual.

Mr. Cacho stated that PEMC made a final review of the proposed Manual and after going through the provisions on the Settlement in the Validation of MRU, it noted that certain processes still need to be clarified with the RCC. He then requested Mr. Edward Olmedo of PEMC-TOD to present the operational issues as identified.

- Operational Issues on the Proposed Revisions to the MRU Manual

Mr. Olmedo presented the operational issues on the proposed revisions to the MRU Manual which he outlined as follows: (a) Operational Concerns on the use of WMOT in the MRU; (b) Determination of MRU Quantity and (c) Settlement of MRUs.

a) Operational Concerns on the use of WMOT in the MRU

Mr. Olmedo discussed that in the proposed revisions to the MRU Manual, a generating unit that was instructed to increase its dispatch out of merit based on the WESM Merit Order Table (WMOT) shall be considered as an MRU by the System Operator. He added that generators that are dispatched according to the WMOT undergo the normal settlement process which presents some issues given the following concerns: (1) Separate WMOT between Luzon and Visayas and (2) The ex-post results may not reflect the actions of SO based on WMOT.

Mr. Olmedo cited in his example, the case where based on the Single WMOT, Visayas Generator 1 (Vis 1) was the one that cleared the market at ex-ante. However, with separate MOTs, where both Luzon and Visayas MOTs actually include generators stacked according to price, a problem may occur when Visayas System Operator (VSO) required the further dispatch of Vis 1 and Visayas Generator 2 (Vis 2) from their MOT list. From the Visayas MOT list, VSO sees that these plants were next in line based on their MOT, when in fact in the single WMOT, what should be dispatched next are Luzon Generator 1 (Luz 1) and Luzon Generator 2 (Luz 2). As this is a single market, the VSO's dispatch will thus not be reflected in the ex-post. When the MMS runs the ex-post, Luz 1 will actually be the one to clear the market and prices of Vis 1 and Vis 2 will essentially be as MRU.

Mr. Cacho further explained that even with this WMOT process, there are still issues as there may still be a mismatch in the ex-post price and the WMOT with the presumption that if the SO follows WMOT, then the one dispatched will get its price. He added that in this case, there are still possibilities that even when the plant dispatched is costly, the price that cleared the market will be lower.

Ms. Javier queried if it is possible that in the integrated WMOTs, a plant run for example in one grid but is not the next in line in the WMOT in the single market will be considered as MRU.

Mr. Olmedo replied that the mentioned case of Ms. Javier is the first example discussed which can actually be cured with a single WMOT. He, however, pointed out that PEMC-TOD is just enlightening the body because there are presumptions made that whatever actions made based on the WMOT will actually be reflected in the ex-post, which in some cases will not apply.

He commented that even under causers pay, the price to be paid by the one which caused the MRU may still be lower than the offer price

Mr. Olmedo replied that there are some generating units that claim that they were used based on WMOT but the prices are lower in the ex-post.

Ms. Javier commented that the reason generators proposed amendments in the MOT and MRU is because of the said issue. She explained that the reason for

the mismatch is that MO based the ex-post price on the stacking of offers but demand is ex-post. She added that generators proposed revisions in the MOT and MRU to cure the ex-post price but since it can't still be cured, she suggested that perhaps the manner of dispatching should be the one addressed so it can match the ex-post.

Mr. Olmedo replied that even given these proposals, the problems will still exist though these are rare occurrences. Dr. Epictetus Patalinghug asked what is the probability of the occurrences and its financial effect. Mr. Cacho replied that when it is translated not just in operations but into financial terms, it is unknown.

On the possibility of the mismatch occurrence, Comm. Taruc inquired what the percentage of it happening is and when it does happen, what would be done to address the issue because it will cause a financial impact. She added if it is addressed, the generators might agree to it since there's clarity and certainty.

Mr. Cacho replied that there are multiple reasons, making it hard to quantify the percentage. He also added that in terms of peso amount the impact is just small when it is off-peak. However, if it happens at peak when prices are very high, it could have a large impact if translated into financial terms, even if the MW impact is small.

Comm. Taruc wanted to be clarified if there is no way of predicting the frequency of the mismatch occurrences and if there are solutions, i.e. whether the situation needs further validation, when it happens.

Mr. Cacho replied that validations can be possible though MO is still developing the process of monitoring. He added that probably later on, the percentage can be provided but currently no data is available.

Considering that the percentage cannot be provided yet, Comm. Taruc asked what the process of validation is, if this happens. Mr. Cacho replied that currently MO is trying to design a monitoring system using snap shots and probably additional information from SO regarding this process. He stated further that the information being considered primarily would come from the SCADA or real time snap shot which will be used to validate the use of MRU and the MOT.

With the clarification whether the stacking is based only in Php/MWh with no references to transmission charges, Mr. Francisco Castro asked whether Visayas grid will be called if there's a deficit in Luzon grid to fill in the void. He pointed out that if this happens, in the end the consumers in Luzon will be affected.

Mr. Cacho replied that MRU primarily addresses the localized system security issue and that even if SO bases it in the single market MOT, generators in Visayas will still be tapped as only generators in Visayas will address their security issue even if Luzon generators are next in line in the stacking.

In connection to Mr. Cacho's reply, Dr. Patalinghug queried why it is called a single market if it goes like that. Mr. Cacho replied that because the offers are stacked in the appropriate order whether it is from Luzon or Visayas.

Dr. Guevara asked the body if they have proposals that would address the issue. Ms. Javier commented that the problem increased since the ex-ante is always in error, it follows that the prices are always ex-post. She explained that if the ex-

ante is not in error, i.e. scheduled as it is, then the ex-post is just used for imbalances. Currently, since the ex-ante is always at error and the ex-post prices are being used, then it causes a bigger problem.

On Dr. Guevara's query on addressing the issue right now, Ms. Javier commented that unless the pricing errors in ex-ante are resolved, then the 2nd example presented would be fine.

Mr. Seludo clarified that in the example given, Vis2 is referred to as MRU, but SO is using it based on MOT because the use of MRU is specifically for security reasons. He laid his concern stating that in the concept laid out, when additional power is needed in Visayas but Luzon is next in line in MOT, it is categorized as MRU, when in fact it is being used based on MOT, thus it should not be treated as an MRU.

Dr. Guevara commented that it would be classified as MRU in the context of a single market but if the Luzon and Visayas MOT are separate, it will not be classified as MRU. Mr. Seludo affirmed the comment.

Ms. Javier commented that in MDOM, what is being considered is the HVDC flow. Mr. Olmedo explained that in the ex-post, the actual demand of Luzon is computed, determining the actual generation plus or minus the HVDC and the same is done for the Visayas, so there would be a total demand for both grids.

Ms. Javier explained that the reason why there is stacking because it is the result of MDOM which considered the HVDC, meaning there is a possibility of energy flow towards Visayas when Luzon is run due to deficiency.

Mr. Olmedo affirmed Ms. Javier's statement and replied that the resulting issue however is even if Luz1 is called, it is the generator closest in the area that can compensate the problem, say in Panay area, it is Panay generator that can compensate the deficiency and even if the list is checked, it is Panay generator that is next in line.

For clarification on the use of ex-post price instead of ex-ante due to error as mentioned by Ms. Javier, Mr. Ferdinand Binondo inquired on the reason why ex-post price is used instead of RTD.

Ms. Javier replied that it's because there are occurrences of pricing errors in the ex-ante due to contingency violation at substations owned by NGCP, i.e. Araneta, Zapote, Duhat and Sucat. Mr. Binondo then queried if there are problems if ex-post is to be used.

Ms. Javier replied that according to the WESM Rules, if ex-ante is a pricing error, ex-post shall be used. But since ex-ante is always in error, then up until now ex-post prices are still used. She also explained that ex-post has a different process than the ex-ante.

Mr. Binondo inquired if what Ms. Javier meant is the price on ex-post price is not fair for the ex-ante. Ms. Javier said that the market was designed to have scheduled and actual runs pertaining to ex-ante and ex-post results, respectively. Mr. Fenomeno added that the market design is to use the ex-post price if there is an error on ex-ante price.

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Mr. Binondo clarified whether it is fair to substitute the ex-post to the ex-ante price. On the issue of the ex-ante price being different from the ex-post price, Mr. Fenomeno commented that ex-ante prices are determined differently from the way the ex-post prices are determined. He stated that single outage contingency is used in ex-ante but not in ex-post so there is really a big effect in pricing.

Mr. Binondo commented then that the probable solution is to run the ex-ante immediately on which Mr. Fenomeno replied that unless the inputs are changed, even if it is run several times, the results would be the same.

Dr. Guevara stated that since the MO cannot provide the percentage for the said occurrences of mismatches, 100% is assumed which is a worst case scenario. She asked what would be acceptable to the generators. Ms. Javier commented as far as single market is concerned, MRU is preferred.

Dr. Guevara asked the body for any proposal on how to deal with the problem and whether it is enough to use NP as suggested. Ms. Javier commented that it is already MRU based on the single market with basing the price on single market. She suggested expanding the MRU definition considering the two MOTs, that if a plant is next in the MOT in one grid but is not in the single MOT, it will be considered as MRU if tapped, without no harm on SO.

Dr. Guevara commented that in the end those who will be affected will be the consumers because the price is different. Mr. Meneses proposed to use the same analogy in the algorithm used for the PSM, where those that are constrained-on be given their bid price but those constrained-off be given the clearing price.

Dr. Guevara asked the body if the proposal is acceptable, to which Ms. Javier agreed. Atty. Liberty Dumlao commented that to address the issue, it must be made clear that the treatment is for exceptional circumstances only.

Mr. Cacho suggested including the proposal in the manual to which the RCC agreed. Mr. Seludo inquired if MRU lists are just to be supplemented or submission of the same is needed since SO cannot see it.

Dr. Guevara clarified that in the particular case, SO will not be able to see it but MO will, so it is up to MO to flag it as MRU to which Mr. Cacho replied that they will just have to discuss it with SO.

The RCC agreed on the proposal to use the same analogy in the algorithm used for the PSM to address exceptional circumstances such as those discussed in the examples cited and to include the same in the MRU Manual.

b) Determination of MRU Quantity

Mr. Olmedo presented that MRU Quantity is equal to MQ-BCQ-EAQ as adopted from the ERC decision. He stated that issues have been raised on instances that the MRU quantity would result to a negative value. He added that currently when the value is negative, it is assumed that MRU has no quantity.

The RCC however expressed that this topic has already been discussed during the previous RCC meetings. Mr. Olmedo explained the proposal to make the MRU quantity as MQ less the maximum between the BCQ and EAQ.

Dr. Guevara asked if it will be applicable to all cases. Mr. Olmedo explained that in cases that the SO declares the generator to have no offer and no security limit then it will just be MQ-BCQ and in cases that it is declared under security limit, regardless if it is hard limit or not, and its schedule is equal to the minimum security limit, then the ex-ante quantity will not be considered.

Furthermore, he explained that when the generator was able to clear the market, i.e. the dictated prices within the range were cleared above the minimum, cases like these will have no MRU.

Mr. Cacho added that assuming the generators comply with the SO's instructions then it is just okay, however there could be instances that the generators would maximize its MRU payment. Dr. Guevara asked whether or not the generators will take advantage of the situation when they are declared as MRU, if this formula is used.

Mr. Cacho clarified that the equation can simplify things, however, it could also be subject to abuse. He explained that there is a possibility that the generators would maximize its MRU if the MRU payment is high.

Mr. Meneses inquired whether it will ever happen that the MRU price would be higher than the clearing price for the formula to be abused, citing that normally MRU is scheduled during peak times only because of high price. He also added that all outputs of MERALCO's IPPs are fully contracted to MERALCO, so it will be impossible for the formula to be taken advantage of, at least by MERALCO's IPPs.

Mr. Cacho replied that there could be a lot of factors involved considering that there is NP and MCP pointing out that it is possible that the MRU price could be higher.

Dr. Guevara asked Mr. Meneses if he does not agree with the new formula, would he just retain the formula that they already have. Ms. Javier replied that the formula is okay but it just introduces additional problems to which Mr. Cacho clarified that they are not introducing another problem but just enlightening the body of the other side of matter.

Mr. Olmedo was requested to continue with his presentation. He explained that when SO would request the generator to run at a certain level, there is a possibility that it would slightly increase its generation considering that imbalance will be priced at MRU. He added that when this happens, another generator would be impeded resulting to an MSU. He stated that as additional information, MO needs what level it was instructed to run and the actual instruction by SO to differentiate what will be settled in MRU to prevent abuse of the formula.

Dr. Guevara asked Mr. Seludo if the SO would be able to provide the intra-hour level of MRU. Mr. Olmedo stated that one of the highlighted problems is the use of MRU in intra-hour where it was observed that in some cases when the generator is run as MRU, there's a slight ramping up during intra-hour. He inquired on how the intra-hour is being considered since in the drafting of the MRU Manual, monitoring is done at the end of the hour.

Dr. Guevara inquired if the MRU is counted intra-hour to which Ms. Javier affirmed, adding that it is SO who does the scheduling and gives to MO those that are scheduled as MRU. Ms. Encarnacion commented that there is a protocol that SO must put into writing their report, citing that sometimes the report is just done verbally. Mr. Olmedo suggested adding it in Appendix B of the manual.

Dr. Guevara inquired from Mr. Seludo whether the SO can provide the level of MRU intra-hour, to which he replied that providing it would be difficult but if it's just the target then it's available.

With this, Mr. Olmedo continued discussing the remaining points in the presentation.

c) Additional Comment on the Settlement of MRUs

Mr. Olmedo stated that the additional comments be included in the MRU manual in the Settlement of MRUs.

On the operational concern raised in the use of the WMOT in the MRU that the separate utilization of the WMOTs between Luzon and Visayas grids may not be reflected in the ex-post process, the RCC agreed that the market will be using the single market WMOT and the declaration of the MRU will be based on that single WMOT where Luzon and Visayas generators' offers are combined and stacked together. MO shall provide the SO with the Single Merit Order Table for Luzon and Visayas.

After the presentation, the RCC also agreed to replace the formula of calculation of MRU Volume in the Settlement of MRU with the formula presented with the addition of the recommendations as follows: (1) the imbalance shall be initially paid at ex-post (EPETA); (2) after obtaining the MRU price, the MRU Trading Amount shall then be computed and (3) adjustments shall be made given the discrepancy between the EPETA and the MRU Trading Amount.

- Revisions on the MRU Manual

The RCC made further revisions to the MRU Manual with the inclusion of some proposals presented by PEMC-TOD. After due considerations, the RCC adopted the changes to the Manual as follows:

- ✓ Correction of clerical errors in Section 4.5, Section 4.6 and Appendix A;

~~"...Inexhaustive~~ **A non-exhaustive** list of possible market scenarios ~~are listed~~
is in Appendix A."

~~±~~ **e.g.** Outage of San Jose Transformer; and all others with this format.

- ✓ Addendum to the WMOT definition on Section 4.13

Chair Guevara queried if 'single market' needs to be mentioned in the WMOT definition. The RCC agreed to do so and Atty. Dumlao suggested specifying it. Therefore, WMOT definition was revised as follows:

“WESM Merit Order Table (WMOT) – for purposes of dispatch protocol under the WESM, defined based on the Grid Code ... price offers; the WMOT is based on a single market.”

- Revision/Correction of Section 5.2 and Section 5.7

Commissioner Taruc raised her observation on the forecast, stating one incident where MO used the hour ahead while the SO used the day ahead resulting in different opinions as to whether an MRU is indeed needed in the first place. She therefore suggested that SO use the same forecast by the MO in Section 5.2.

Ms. Javier replied that before, the forecast is day ahead however the RCC changed it to RTD-1 which is the previous hour result. She clarified further that the WMOT results is not RTD-1 but the current hour. Mr. Fenomeno suggested making the revision as ‘current trading interval’ to which Ms. Javier agreed. Therefore Section 5.2 was revised as follows:

“The System Operator shall schedule MRU/s based on the RTD-1 (previous RTD) results and WMOT of the current trading interval as submitted by the Market Operator...”

Atty. De Castro corrected Section 5.7 as follows: ***“The System Operator shall submit an hourly list of MRU and MSU to the Market Operator containing the information as listed...”***

- Revision of Section 6.2.2, Commercial Operation Requirements

Mr. Meneses proposed including commercial operations required in bilateral contracts between generators and DUs and move out the SO into another category and move the PGC under regulatory requirements. He added that SO is out of place under commercial since its relationship with other participants is not commercial. He proposed making Section 6.2 into the following: (1) System Operator Requirements; (2) Regulatory Requirements; (3) Commercial Operations Requirements and (4) Local Calamities and Emergencies.

Mr. Chrysanthus Heruela however commented that under Regulatory Requirements, there are non-industry related and environmental requirements, such as emission tests, required by DENR, etc. He continued that under Commercial, these are more or less industry- related and PGC is included in Commercial since it is an industry code.

Dr. Guevara inquired if Mr. Heruela was proposing to retain PGC and just add bilateral contract in Section 6.2.2 to which he replied in the affirmative

Atty. Maila de Castro suggested including examples of what is meant by bilateral contract requirements for clarification. Mr. Meneses replied that these refer to as Heat Rate Test, Net Dependable Capacity Test, etc. After further discussions, the above section was revised as follows:

“Commercial Operation Requirements – these are unit tests ... in the Philippine Grid Code (i.e., performance, ..., Ancillary Service, etc.) or in Bilateral Contracts (i.e., heat rate, net dependable capacity, etc).”

- The RCC agreed on the inclusion of Must-Stop Units or MSU on Section 6, Section 7 and diagram on Section 8, as necessary. Also, diagrams in Section 8, pages 12-14 was corrected with the addition of missing connector and letter as corrected by Mr. Seludo.
- Revision of Section 9.3.1 title and content

Mr. Cacho suggested changing the section title to '**Calculation of MRU Volume**' to be consistent with its content.

As what the RCC agreed upon after the presentation, the formula for calculation of MRU quantity was modified as to what PEMC-TOD presented.

MRU Volume formula was changed to the following:

$$MRU\ Volume = MQ - BCQ - EAQ \quad MQ - \max(BCQ, EAQ),\ MWh$$

Mr. Fenomeno inquired on how to ensure that the MRU Volume will always be positive citing as example a generator that is a net buyer in the market during that particular interval and then declared BCQ more than the actual generation. He continued that there is a possibility that the MRU volume based on the above formula would be negative.

Dr. Guevara clarified whether what Mr. Fenomeno meant was there was no offer. Mr. Fenomeno replied that there was an offer and was in fact scheduled but that the declaration of BCQ was higher than MQ. He added that this situation is possible since scheduling is based on offers in the market. He suggested adding a provision which states that if the MRU volume is negative, then it should be equated to zero, to eliminate the possibility of a negative value.

With the discussions and changes agreed upon, the RCC revised Section 9.3.1 as follows, with the inclusion of the Additional Considerations in the Determination of MRU Volume:

- ☐ **With no offer and no security limit**

$$MRU\ Volume = MQ - BCQ$$

- ☐ **With security limit and $RTD = S_{min}$**

$$MRU\ Volume = MQ - BCQ$$

- ☐ **With security limit and $RTD > S_{min}$**

$$MRU\ Volume = 0$$

Where:

RTD = target schedule at ex-ante

S_{min} = minimum loading in the SO-submitted security limit

In cases where the calculated MRU Volume is less than zero, then the MRU Volume is equal to zero.

The imbalance shall be initially paid at ex-post (EPETA). After obtaining the MRU price, the MRU Trading Amount shall then be computed. Adjustments shall be made given the discrepancy between the EPETA and the MRU Trading Amount.

- Additional provision on the final MRU/MSU Volume in Appendix B

Mr. Olmedo added letter (g) Target Loading, in the List of Information for the Verification and Settlement of MRUs and MSUs. Dr. Guevara asked if SO can provide the target loading or not. Mr. Seludo replied that it is hard to quantify it. Dr. Guevara queried what information the SO could provide the MO to which Mr. Seludo replied that they can provide the target loading but only during reconciliation. After the discussion, the RCC agreed to add an additional paragraph in Appendix B stating as follows:

"The Metered Quantities (MQs) provided by the MSP ... based on the provisions of Items 9.3 and 10.1 of this manual.

The final MRU/MSU Volume shall be determined and certified by the SO upon reconciliation with the Trading Participant."

The Secretariat took note of Atty. De Castro's suggestion in making WMOT, SO, MO, etc. consistent throughout the draft of the Manual for uniformity.

The RCC thereafter approved the MRU Manual as revised. Dr. Guevara informed the body that the Secretariat will just prepare the resolution on the RCC's approval of the amendments to the MRU Manual.

- Procedure for Re-dispatch based on Merit Order Table

In connection with the Procedure for Re-dispatch based on Merit Order Table emailed by Mr. Ralph Crisologo, Dr. Guevara suggested including it under Section 8 of the MRU Manual. Ms. Javier suggested including it as an Annex.

On the items left blank and still to be filled up, Mr. Fenomeno explained that these are values to be confirmed with the SO since SNAP cannot just indicate the values.

Atty. De Castro inquired why Normal State is in quotation to which Mr. Fenomeno replied that Normal State is defined in the grid code. Atty. De Castro commented that it is not needed to be put in quotation since it is already defined.

The RCC agreed to include the proposal as Appendix and reflect it in Section 8 of the MRU Manual subject to the inputs from SO on the portions left blank. Mr. Seludo was given a week to review and revise the proposal.

An additional sub-section was proposed in Section 8 of the MRU Manual which Ms. Javier suggested as 'Procedure for the re-dispatch based in WMOT'. Mr. Seludo however commented that what was only seen is a single market. Dr. Guevara proposed to change the title so that the dispatch is based on regional MOT, i.e. Luzon and Visayas.

Dr. Guevara explained that since it is not yet based on a single market, i.e. the two grids still operate separately, then Regional must be defined. Mr. Fenomeno commented that in the procedure emailed by SNAP, Ancillary Services was mentioned for the purpose of providing the distinction between the use of the two in addressing security limits.

After the RCC's discussion on the same, Dr. Guevara reminded the body that the procedures have not been included yet in the Dispatch Protocol Manual and queried if the body instead agrees to its inclusion in the Dispatch Protocol Manual.

Dr. Guevara stated that since it will take some time for the MRU Manual to be approved, she proposed to table the Dispatch Protocol Manual next month with the inclusion of the Procedure for Re-dispatch based on MOT submitted by Mr. Crisologo so that by the time the Dispatch Protocol Manual is approved, the procedure submitted is already annexed to the Dispatch Protocol Manual thereby eliminating the need for its inclusion as Appendix in the MRU Manual.

The RCC thereafter agreed to have the Procedure for Re-dispatch based on Merit Order Table included in the Dispatch Protocol Manual for discussion in the next meeting.

b. Proposed Changes to the WESM Rules Provision on Notice of Non-approval of Application for Registration as WESM Member

Dr. Guevara informed the RCC that the Secretariat received a comment from La Union Electric Cooperative on the proposed amendment. Essentially, LUELCO asked if there is a time allotted for an applicant to comply with the notice and if the applicant failed to comply, what is the possible punishment?

Dr. Guevara commented that the comments seemed to be out of context since it was the applicant who was not approved for membership, so there is no longer any action expected from the applicant.

Atty. De Castro on the other hand, opined that maybe what LUELCO meant was if they can still appeal and if there is a possibility for appeal. Dr. Guevara then said that LUELCO should then re-apply. On this note, Chair Guevara inquired if the body already approves the proposal.

On motion made and duly seconded, the Proposed Changes to the WESM Rules Provision on Notice of Non-approval of Application for Registration as WESM Member was approved as presented.

Mr. Jose Santos was requested to inform LUELCO, the lone WESM Participant which commented on the proposed amendment, about the results of the discussion including how its comments were responded to by the RCC. Mr. Santos replied that he will give LUELCO feedback regarding RCC's action on its comments.

c. Proposed Amendments to the WESM Dispute Resolution Market Manual

- Atty. De Castro inquired on the difference between the Arbitrators and the Dispute Resolution Administrator. Atty. Morillos replied that the Arbitrators comprise the Tribunal which renders the decision on the dispute while the DRA is part of the Secretariat that will help administer the dispute resolution process.
- On the query of Mr. Castro regarding the deletion of MSC and replacing it with MAG, Atty. Morillos explained that from the issuance of PEMC it is MAG that supports the DRA rather than MSC.
- Ms. Javier inquired what the ADR Support Service Centers are, to which Atty. Morillos replied that these act as Clerks of Court which provide the venues and all

other administrative and technical supports for actual cases, akin to the services being provided by the MAG to the DRA.

Ms. Javier inquired who would pay for the ADR Support Services and if this is included in the arbitration costs. In response, Atty. Morillos replied that it is included in the table of costs.

Atty. Tomas clarified who would pay for the ADR Support Services citing that the manual provides they will not be paid for maintaining their availability.

Dr. Guevara replied that they are not on retainer and will be paid only when their services are availed of. Noting that there is no provision on how these service providers may be removed from the list, Dr. Guevara asked for the basis of their removal from the list. Atty. Morillos replied that they are supposed to maintain a good standing and their services are supposed to be renewed every year.

- Dr. Guevara inquired about the exam to be administered for the DRA, and the mediators, if these would be given on a yearly basis. Atty. Morillos replied that the DRA, arbitrators and mediators take a qualifying exam only once, after which they are supposed to undertake continuing education.

Dr. Guevara raised a question on who would administer the exam. Atty. Morillos replied that for non-WESM practitioners, they will undergo a basic WESM course and the non-Arbitration practitioners will undergo an arbitration course. He continued that for the purpose of the exam to be administered, these tutors will submit exams to the DRA who will in turn select the questions to be given out during the exam day.

Dr. Guevara asked who would be checking the papers. Atty. Morillos replied that it will be the DRA based on the suggested answers provided by the tutor with a passing score of 75.

With this, Dr. Guevara inquired if there are Arbitrators who are willing to take the exam. Atty. Morillos replied that there are some, however there is also a provision that the DRA can also recommend to the PEM Board possible arbitrators who will in turn evaluate the recommendation.

Atty. De Castro stated whether there is an independent or impartial body that can administer the test instead of the PEM Board. Atty. Morillos replied that with the current proposed revised manual, it is the DRA so far. Atty. De Castro however raised her concern on the continuity and standardization of the exams administered; pointing out the need to make sure that even after the term of the current DRA or for the subsequent years, there is a body that can continuously administer the test.

Dr. Guevara suggested having a third party giving the exam instead of the PEMC and the DRA. Atty. De Castro proposed to put a 3rd party provider approved by the PEM Board to avoid the relying on just one person for the administration of the exam, which recommendation Atty. Morillos also agreed with.

- Atty. De Castro raised clarification on the Dispute Management Protocol if this meant that each member will be submitting his own dispute management protocol.

Atty. Mateo explained that the Dispute Management Protocol is just a designation of contact person, for the purposes of contacting another participant in case that there is an issue that needs to be to be threshed out, prior to a formal dispute and

establishing the process. Such was intended so that when a trading participant has an issue, it deals with this person first. It also contains the process for example if that trading participant has some request for information and also the period within which to reply to such notice. The provisions related to the Dispute Resolution Process are in the Annex of the proposed DRMM.

- On Clause 8.5.15, Dr. Guevara asked what the next step would be after the failure to comply with the agreements reached was considered as breach. Atty. Philip Adviento replied that the next step is settlement or amicable agreement. Atty. Dumlao however queried what if it is the agreement that the trading participants did not exactly agree on. Atty. Adviento commented that within the DRMM, there are forms prescribed with some templates for further agreements, for the award and for the Terms of Reference.
- On Clause 9.2.7(b), Dr. Guevara queried whether it is possible that MO will be included in the dispute to which Atty. Morillos replied in the affirmative. Dr. Guevara asked if the MO has a role in determining who will be part of the dispute, then it seems it is not on equal footing with the WESM participants. She noted the sudden shift in power. Atty. Morillos explained that MO is both a participant and an operator and in this situation it uses its role as an operator by determining which other parties may be involved in the dispute.

Atty. De Castro commented that the two roles are hard to distinguish at some point. Dr. Guevara also added that the section is unclear and that she has a little bit of a problem with it.

Dr. Guevara suggested removing part (b) of the said section, however, Atty. De Castro proposed retaining part (b) but take away the statement stating that the recommendations made by the MO will be taken into account in deciding whether to consolidate.

- On Clause 9.6.7.1(g), Dr. Guevara queried whether one can really depart from the strict application of rules of law as stated in the provision. Atty. Morillos commented that the reason for that is because there are set of rules that are not reasonable so the parties may agree to this in arbitration. Dr. Guevara presented her reservation with the clause and requested Atty. Adviento to reword the same.
- For consistency, the RCC agreed on the use of WESM Participants instead of WESM Member. Atty. Adviento explained that the distinction between the two is contained in the Glossary. A WESM participant covers the system operator, distribution companies ancillary service providers, DUs, suppliers, MSP, bulk consumers, end users and other similar entities authorized by the ERC to become members of the WESM, while the WESM member is one who is registered with the market operator in accordance with clause 2.3 and 2.4, generator and customer.
- The RCC also agreed on the use of his/her in reference to for example the DRA.
- The RCC also requested the terms in Latin be replaced with applicable English words or if the same is not available for the term to be explained.
- After the further review and correction of the 92-page proposal of the DRA page by page until page 59, the RCC decided to continue the discussion/approval of the same for the next RCC Meeting.

The RCC Chair requested the members to study the remaining pages of the proposed DRMM. To facilitate faster discussion of the proposed Manual in the next RCC Meeting, the RCC Chair assigned the remaining pages to the following:

- Pages 60-69; Mr. Cacho, Mr. Seludo, Mr. Pecjo, Mr. Santos, Mr. Fenomeno
- Pages 70-80; Atty. Dumlao, Mr. Lagarde, Atty. de Castro
- Pages 81-92; Mr. Castro, Ms. Encarnacion, Chairman Guevara

d. Update on the RCC's Action on Various Audit Recommendations on the review of prudential requirements

Mr. Joey Santos presented to the RCC the group's proposal on Prudential Requirements. With the submission of this proposal, Mr. Lagarde manifested that he is already withdrawing the proposal he previously submitted on the same subject and will just officially submit a formal communication withdrawing the same.

The group recommended the reduction of the size of the prudential requirement, from the current 63 days worth of trading amount, to the proposed 30 days. Mr. Santos said that the problem of the DUs is that there is no provision that addresses the accumulation of funds that will be allocated for the posting of such prudential requirement. The prudential requirement could not be passed on the member consumers. He added that most ECs prefer to be an Indirect Member of the WESM because they cannot afford the required prudential requirement. The prudential requirement required by WESM is too much compared to the security deposits required by the DUs' bilateral contract counterparty and the NGCP.

Dr. Patalinghug asked what is the risk that MO faces if the number of days for the prudential requirement is reduced. Mr. Cacho explained that the billing process has a cut-off on the 25th of the month. PEMC then issues a preliminary statement and then a final statement with another few days before the final settlement, covering a total of sixty-three (63) days. He continued that the risk is really on the non-payment for the portion not covered. He also added that the billing process is tied up to the settlement.

Atty. De Castro asked whether the 63-day set period cannot be adjusted anymore. Mr. Cacho explained that according to the WESM rules, the preliminary statement is released seven (7) days after the end of the billing period and another eleven (11) days for the final statement before final payment. This is the 63 days worth of risk. One way to possibly address the problem is to synchronize the billing cycle with the settlement.

Mr. Senen Fenomeno replied that the risk is really not with PEMC because whatever PEMC collects, it just uses to pay the generators. The risk is really with the generators not getting paid.

Dr. Guevara asked the body if it is feasible to have a 30-day prudential requirement. Mr. Aris Martinez commented that the 63-day period is covered by a Board resolution. He clarified that the 63 days is two (2) months plus the three (3) days reaction period.

Dr. Guevara asked if it's possible to decrease the prudential requirement and make the billing cycle every 15 days. Mr. Santos commented that it would be difficult for the cooperatives to do collection for this very short billing cycle.

Mr. Cacho commented that if the prudential requirement is reduced to 30 days, it will just be final settlement and if there is probable adjustment, it will then be issued in the next billing cycle. He is however unsure if that is feasible.

With the discussions that followed, noting that the concerned unit is the PEMC-Billing and Settlements Department of the PEMC, the RCC Chair requested the Secretariat to provide a copy of the proposal to the -Billing and Settlement Department and request them to figure out how to make the proposal operational and feasible.

Further, the RCC Chair requested the ERC Representatives, Atty. Tomas and Mr. Canlas, to also study and consider the provision of passing onto the next billing cycle the corrections from the previous month and present its review of the same in the next RCC Meeting.

In addition, the Generators and ECs were also requested to study the same as suggested by Mr. Cacho and agreed to by Dr. Guevara.

4. Next Meeting

The RCC Chair decided to adjourn the meeting at 3:18 PM and defer discussion of the other matters in the agenda for the next RCC meeting.

The RCC was reminded of the schedule of its succeeding meetings: (63rd RCC Meeting) on 04 July 2012, (64th RCC Meeting) on 01 August 2012 and (65th RCC meeting) on 05 September, 2012.

5. Adjournment

There being no other matter to be discussed, the meeting was adjourned at 3:18 P.M.

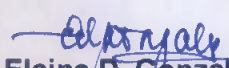
Prepared by:


Hiyasminh Aleia C. Dagum

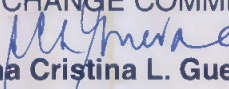
Reviewed by:


Geraldine A. Rodriguez

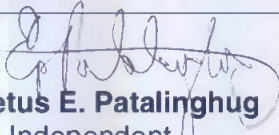
Noted by:



Elaine D. Gonzales


Approved by:
RULES CHANGE COMMITTEE



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

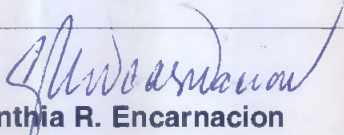
Members:

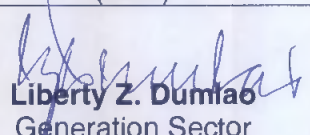

Epictetus E. Patalinghug
Independent
University of the Philippines
(UP)



Francisco L.R. Castro, Jr.
Independent
Tensaiken Consulting

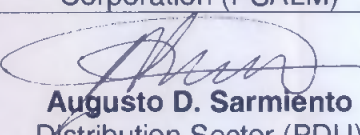

Maila Lourdes G. de Castro
Independent
Unitel Productions, Inc.



Cherry Aquino-Javier
Generation Sector
AES Philippines
(AES)



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

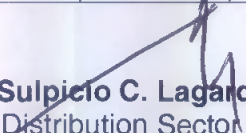

Liberty Z. Dumlaog
Generation Sector
Power Sector Assets and Liabilities Management
Corporation (PSALM)

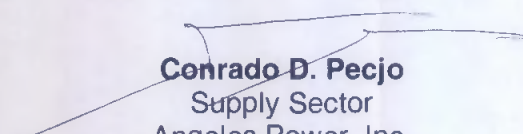

Ralph T. Crisologo
Generation Sector
SN Aboitiz Power
(SNAP)

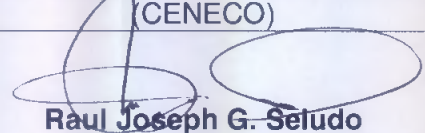

Augusto D. Sarmiento
Distribution Sector (PDU)
Dagupan Electric Corporation
(DECORP)


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 G. Seludo
Transmission Sector
National Grid Corporation of the Philippines
(NGCP)

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