

MINUTES OF THE 65TH MEETING OF THE RULES CHANGE COMMITTEE

Date : 01 August 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
Ralph T. Crisologo	-	Generation Sector – SNAP
Cynthia R. Encarnacion	-	Generation Sector – NPC
Ciprinilo C. Meneses	-	Distribution Sector – MERALCO
Augusto D. Sarmiento	-	Distribution Sector – DECORP
Jose P. Santos	-	Distribution Sector – INEC
Sulpicio C. Lagarde Jr.	-	Distribution Sector – CENECO
Conrado D. Pecjo	-	Supply Sector – Angeles Power, Inc.
Raul Joseph G. Seludo	-	System Operator – NGCP

MEMBERS NOT PRESENT:

Robinson P. Descanzo	-	Market Operator – PEMC
Liberty Z. Dumlao	-	Generation Sector – PSALM

ALTERNATE MEMBERS PRESENT:

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

Isabelo Joseph P. Tomas, II	-	ERC
Luningning Baltazar	-	DOE (<i>alternate</i>)
Ferdinand B. Binondo	-	DOE (<i>alternate</i>)

OTHERS PRESENT:

Caryl Miriam Lopez-Mateo	-	PEMC – Legal
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SECRETARIAT

Geraldine A. Rodriguez	-	PEMC – MAG
Rheinhardt O. Banogon	-	PEMC – MAG
Hiyasminh Aleia C. Dagum	-	PEMC – MAG

After determining the presence of a quorum, the 65th RCC meeting was called to order by Chairperson Dr. Rowena Guevara at 9:55 A.M.

1. Adoption of the Proposed Agenda

The RCC approved the Proposed Agenda for the 65th RCC Meeting as presented.

2. **Review, Correction and Approval of the Minutes of the 64th RCC Meeting**

The Minutes of the 64th RCC Meeting was approved as amended. Correction on Page 5 line 1 is shown as follows:

"...With the discussions that followed, ~~the RCC~~ Dr. Guevara suggested that the Generator Sector revise its proposal based on 'founded and unfounded fears' raised during the discussions."

3. **Business Arising from the Previous Meeting**

a. **Update on the RCC's Action on Various Audit Recommendations**

Review of Prudential Requirements

- Dr. Guevara informed the RCC of the receipt of PEMC's response to the RCC's request for comments on the proposed reduction of the prudential requirements from 63 days to 30 days. The PEMC memo attached a DOE Department Circular (DC) to National Electrification Administration (NEA) containing its directives to NEA regarding the prudential requirement concern of the Electric Cooperatives (ECs).

The RCC reviewed the memo of PEMC President Melinda L. Ocampo and noted the comments of PEMC as follows:

- ✓ That should the proposed amendments on the shortening of the prudential requirements be considered, related provisions that would be affected also be looked into;
- ✓ That at the moment, PEMC is not yet prepared for the shift to the proposed shortened prudential requirement and would have to still adjust its systems to the proposed change;
- ✓ That there was a DOE circular directing the NEA to come up with measures to address the concern regarding the prudential requirement as follows:
 - Review the current regulatory policies applied to ECs and recommend within 90 days from the issuance of the circular the proposed mechanism to ensure that the ECs shall be able to generate funds that adequately cover the WESM prescribed minimum PR;
 - Provide guidance to ECs in the appropriate consolidated filing or petition for ERC approval of the proposed amendment on the current rate methodology taking into consideration the objective of providing ECs the adequate cover.
- ✓ That the RCC consider prioritizing in their review the said DOE Circular addressed to NEA which also directed the RCC to review the WESM Rules and recommend amendments as necessary to support the directives to NEA.

- On the mandate of NEA provided in the EPIRA that was cited in the DC attached to the memo, Mr. Augusto D. Sarmiento stated that currently, there are two types of ECs, those that are registered under the Cooperative Development Authority (CDA) and those registered under NEA and that the DOE Circular might not be applicable to CDA-administered ECs.

1
2 Atty. Isabelo Joseph Tomas commented that under the mandate of the EPIRA,
3 regardless of whether the ECs are registered under CDA or NEA, NEA is obliged to
4 support the ECs.

5
6 Mr. Chrysanthus S. Heruela clarified that it was contemplated in the EPIRA, that the
7 NEA would not only support ECs but also private DUs. Dr. Guevara commented that
8 the Department Circular does not specifically qualify the ECs under NEA but only
9 ECs thus the RCC continued with their discussion with the assumption that all ECs
10 are considered.

- 11
12 ■ Considering PEMC's memo, Dr. Guevara asked the committee whether the RCC
13 wishes to proceed with its discussion on the prudential requirement or proceed with
14 the DOE Circular.

15
16 Mr. Ciprinilo C. Meneses responded that the DOE Circular pointed out that it is the
17 RCC's responsibility to review the WESM Rules and recommend amendments as
18 necessary, and part of that responsibility is what the RCC has started before with the
19 amendment on the prudential requirement.

20
21 Dr. Epictetus Patalinghug commented that compared with other electricity markets,
22 where the transaction and settlement is done on the same day, the current 60-day
23 settlement is too long and too risky. Under the current scheme, PEMC treats risks in
24 all participants equally. He said that most modern financial markets now employ risk-
25 based analysis. He, therefore, suggested that RCC ask PEMC to assess the
26 probability of default for each participant.

27
28 Following Dr. Patalinghug's comment, Mr. Francisco Castro commented that as he
29 understood it, what is being suggested is for the prudential requirement not to be
30 imposed uniformly for all Trading Participant (TP) equally and should be customized
31 based on risk.

32
33 Ms. Javier, however, commented that most of the TPs who are risky are those that
34 cannot get Letters of Credits (LC) and cannot post prudential requirements. Mr.
35 Meneses agreed with the proposal of customizing the prudential requirement
36 according to the risk profile of the TPs.

37
38 On the matter of customizing the prudential requirement, Mr. Isidro Cacho
39 commented that those TPs that are risky are already identified right from the start. He
40 opined that the better approach is to stick to the original proposal since the problem
41 originally is the inability of some TPs to post the 63-day prudential requirement. He
42 added that one of the options is to see whether the 63 days can be further reduced.
43 Correspondingly what can be reviewed is the WESM settlement timetable. He said
44 that risk exposure is effectively reduced when the settlement timetable is reduced.
45 As a consequence, the prudential requirement is also reduced.

46
47 Dr. Guevara asked clarification on what Mr. Cacho meant by 'generally identified
48 TPs' that are risky. Mr. Cacho explained that in a general sense, even if entities or
49 DUs' risks have yet to be analyzed, those risky entities can already be identified right
50 at the moment because these are the entities that are not paying currently.

51
52 Mr. Ralph Crisologo commented that the current situation is dynamic and that entities
53 that are presently paying might possibly not pay in the future. He added that the

1 issue must be seen as a problem that can recur in the future due to several factors
2 rather than considering the issue as something that can be resolved in one shot.
3

4 Pointing that the PEC memo contains a lot of the term 'risks', Dr. Guevara asked if
5 there is a Risk Management Team in PEMC or somebody performing the function of
6 assessing the risks of exposure. Mr. Cacho replied that the PEMC-BSMD is capable
7 of doing the risk assessment. He added that once the risks have been identified, the
8 assessment of timetables and rules should be a part of the risk assessment.
9

10 Ms. Javier commented that at the start of the market both in Luzon and Visayas, all
11 the ECs were registered as members despite the fact that it may have already been
12 established that some cannot pay thus posing a problem for PEMC. She added that
13 the issue is also a problem in policy since despite non-payment, disconnection
14 cannot be implemented. With regard to the 63-day prudential requirement, she stated
15 that entities that are not risky can post LCs because they can borrow from banks
16 however those that are risky are those that are not able to get LCs and all PEMC can
17 do is provide them with margin calls.
18

19 In connection with the 63-day prudential requirement, Dr. Guevara asked the ECs
20 their comments on the matter since they are the ones affected by the proposal. Mr.
21 Jose Santos commented that the 30-day proposal on prudential requirement is
22 actually what is being proposed particularly for indirect members since the 63-day
23 prudential requirement would be difficult for indirect members.
24

25 Ms. Cynthia Encarnacion informed the RCC that the NPC waived the requirements
26 for the security deposits then, on the premise that the ECs would be a member of the
27 market and based on the fact that ECs would request the ERC for the recovery of the
28 security deposit from the customers. She continued that ERC, however, did not grant
29 the request and the burden of the risk from indirect members is now with the
30 generators since indirect members are not posting security deposits.
31

32 Mr. Crisologo also added that the rate mechanism approved by ERC and which
33 serves as the ECs way to pay its obligations does not support the mechanism of the
34 market. He stated that the payment is not only the issue but also the mechanism by
35 which the ECs can acquire money in advance to cover some of the payments. He
36 added that the rate mechanism is very tight that any delay of a month or two would
37 pose as a problem for the ECs. He continued that if the rate mechanism can be
38 changed, the non-payment can be minimized.
39

- 40 ▪ Dr. Guevara quoted *Section. 2 Mandate of National Electrification Administration* in
41 the DOE Circular attached with the memo, stating as follows: *"Review the current*
42 *regulatory policies applied to ECs and recommend within 90 days from the issuance*
43 *of the circular the proposed mechanism to ensure that the ECs shall be able to*
44 *generate funds adequately covering the WESM prescribed minimum PR"*. Dr.
45 Guevara asked if the 'proposed mechanism' meant that NEA would be shouldering
46 the deficiency.
47

48 Mr. Sarmiento commented that the phrase could be interpreted as a guarantee, that
49 all unpaid accounts of an EC, in case of default, can be charged against NEA. Dr.
50 Patalinghug added that the spirit of the EPIRA for the inclusion of the NEA was that
51 most ECs have no capital structure and so they cannot be accepted as members of
52 the market, so NEA will guarantee for the ECs to be accepted as members of the
53 WESM.
54

Further, Dr. Guevara quoted the second provision stating: *"Provide guidance to ECs in the appropriate consolidated filing or petition for ERC approval of the proposed amendment on the current rate methodology taking into consideration the objective of providing ECs the adequate cover"*. With this, she interpreted that NEA would extend help to ECs in filing the petition to ERC in charging cost to customers thus the 63-day prudential requirement would in effect no longer pose as an issue and may be retained.

Atty. Mateo commented that under the EPIRA, the NEA, in exchange for adequate security and a guarantee fee, may act as a guarantor and for that purpose NEA was supposed to have been funded by the government, however, the money was never released thus NEA could never fulfill the mandate unless the government provides the fund. She continued that under the EPIRA, all the previous debts of the ECs already went to PSALM. Furthermore, she added that the DC simply pertains to the need of incorporating a way for all ECs, regardless whether under NEA or CDA, to be able to collect the prudential and security deposit as part of the rates because currently it is not included in the rates structure.

Mr. Sarmiento commented that even with the private DUs, the prudential requirement is not part of the rate base and is not an expense. Dr. Guevara however replied that the approach of MERALCO is to bill customers based on the preliminary billing and later adjust for corrections. In reaction, Mr. Meneses commented that MERALCO still spends millions of pesos for the prudential requirement which is not recoverable from the customers.

Mr. Santos commented that the pricing of MERALCO is cyclical but the same is not true with INEC. He explained that MERALCO collects daily, however, INEC's meter reading starts on the 18th of the month which is almost the same for all the ECs, thus even if the bill is early, it still won't matter since they will be reading on the 18th.

Ms. Encarnacion commented that other ECs, especially from Visayas, are in fact requesting that the preliminary billing be done away with so that the customers will be billed directly. She added that the billing cycle of PEMC in Visayas is being questioned because the ECs cannot collect from the customers if there is a back log in billing.

Dr. Guevara asked Atty. Tomas if there is any chance for the ERC to approve a proposal from NEA for the ECs to allow collection for the prudential requirement. Atty. Tomas replied that if the proposal is filed and the Commission finds it reasonable then the Commission would have to consider it. In this regard, Dr. Guevara requested Atty. Tomas to ask the ERC if a proposal for the ECs to collect the 63 days prudential requirement from its customers is something that the ERC would be amenable to.

- In line with the preceding discussions, the RCC agreed on the following:
 - Invite the NEA in the next RCC meeting for further clarifications on the DOE DC;
 - Defer further discussions on the initial proposal to shorten prudential requirement to 30 days pending the inputs of NEA on the matter;
 - Propose to PEMC a more systematic risk assessment system where the risk profile of TPs with respect to the prudential requirements is considered; and

- Request Atty. Mateo to provide her opinion regarding the legal implications, if any, on the proposal to impose different levels of prudential based on the risk.

Review of Pmin Rules and Procedures and Review of the Must-Offer Rule

Dr. Guevara recapped that during the previous RCC Meeting held last 18 July 2012, updates on the review of the MOR regarding the cancellation of offers were discussed during which the Generator Sector was requested to submit guidelines to be followed by MO in the cancellation of offers.

As a backgrounder, because of the previous discussions of the Subcommittees on Pmin and Must Offer rule on the technical difficulties regarding the Pmin and secondary Pmins, the discussion focused on the possibility of introducing the concept of cancellation of offers to be initiated by the MO instead of the Generators.

Ms. Javier informed the committee that she has emailed her proposed guidelines on the cancellation process for comments, however, no response was provided by other members of the RCC Sub-Committee.

As discussed during the previous meeting that MO has the authority to approve the cancellation of offers, Ms. Javier stated that she based her proposal on the premise that MO can provide the hourly demand/supply after DAP runs so that every TP knows the supply/demand status per hour.

She continued that if MO sees that the supply is greater than demand, then MO would initiate the cancellation of offers. She premised that such action will be done by MO once the supply is over demand by 10% but she clarified that she still has no basis for the 10% so the proposal is still open on what value it should be and whether it shall be in percentage or absolute amount in MW. She also stated that it can be changed into a MW value instead of percentage if the subcommittee deems it fit. She continued that the premise on an oversupply and how much that oversupply still needs to be discussed.

She explained that if MO sees an oversupply, then the generators on the MOT would be instructed to cancel. She added that the generators may opt to cancel or not, however, the time when TPs may still be instructed to cancel needs to be considered. As another assumption, she stated that there are TPs with default offers which the MO has complete data of even on the twelve (12) noon DAP. Ms. Javier said that TPs can still cancel until 0400H of that day but not later.

With regard to Dr. Patalinghug's question on how to define the trigger supply, Mr. Meneses commented that the SO has a regulatory mandate to maintain a 4% regulating reserve per grid per hour so if the excess is more than 4% then that is the time when the offers will be allowed to cancel.

- Mr. Crisologo commented that when doing a system operation on a controlled basis, it is not only the conditions for that particular trading hour that are being looked into but also the conditions 6 hours or 8 hours prior to that, which means that if a generator takes a place at 3rd hour start-up time and it is seen as excess in the SO's hourly outlook then it will be cancelled. He continued that when the cancelled offer is needed at the 5th-hour then it is where there will be a problem.

1 He added that the system operation being done has a unit commitment for 24-hour
2 planning where all of the start-ups and shut-downs are put in proper order, however
3 in actual operation it is hard to go back once the offers have been cancelled.
4

5 Mr. Meneses commented that the concern of SO would be easily addressed either by
6 the MO and SO because the MO and SO know the characteristics of the plant, i.e.
7 the start-up time, shut-down time, so if the offers are cancelled, both MO and SO
8 would also be able to determine when the plants will be put back online.
9

10 Mr. Crisologo commented that the DAP would however have to be firmed up
11 because as of now the DAP is currently taken for granted. On Dr. Guevara's
12 question whether the DAP is accurate, Mr. Crisologo replied that it is not. Mr. Cacho
13 clarified that the inaccuracy of the DAP is due to deficient offers.
14

15 Noting that the premise of the proposal is based on the DAP, Dr. Guevara asked if it
16 is technically feasible to come up with the accurate DAP. Mr. Crisologo replied that
17 even the owners of the plants cannot accurately say for the next hour if the plant will
18 trip, which is the real issue. He stated his concern with the effect on the plants' side
19 because it might be difficult to bring back something that has already been cancelled.
20

21 Ms. Javier replied that that concern should have been covered in the reserve. Mr.
22 Meneses also added that if it is forced outages, it can also happen that the reserves
23 are off, which can happen at any time.
24

25 Dr. Guevara stated that there is a requirement for the 1200 hour DAP to be accurate
26 and for the accuracy of DAP, it is incumbent upon the generators to make sure to
27 submit the needed data.
28

29 Ms. Javier commented that the DAP is actually quite accurate during midnight. She
30 stated that the system and the bids of the generators are almost stable and it is only
31 the demand that changes.
32

- 33 ▪ As instructed by Dr. Guevara, Ms. Javier re-stated her initial proposals in the email
34 as follows, which the RCC has noted:
35

- 36 1) Generators must have default offers for the accuracy of Day Ahead Projection
37 (DAP);
- 38 2) MO will be the one responsible and provide in the system messages surplus
39 in supply thus allowing cancellation for transparency; and
- 40 3) TPs that are allowed to cancel may opt to cancel or not and since there is a
41 report that the cancelation is allowed thus the TPs would not undergo market
42 surveillance.
43

44 With regard to the proposal that the MO would be responsible on cancellation of
45 offers, Dr. Guevara asked Mr. Seludo if SO is amenable to it and if the proposal is
46 technically feasible. Mr. Seludo commented that the issue is on the event where
47 there is a requirement during peak but the generator would not be able to run thus
48 causing problems in the system. Dr. Guevara stated that since it is DAP, then offers
49 must not be cancelled as seen in the projection.
50

51 Dr. Guevara asked Mr. Cacho if MO agrees with the proposal. Mr. Cacho replied
52 that technically the MO would just relay information and it is up for the generators to
53 cancel. Dr. Guevara asked the MO if the trigger point can be simulated to which Mr.
54 Cacho replied that it should be proposed first.

In connection with the discussions above, Dr. Guevara requested that the above proposal be finalized and presented in the next RCC meeting.

Subsequently, the Subcommittee on MOR and Pmin agreed to meet on 14 August 2012, at about 2-3 PM (right after the 6th WESM Annual Participants' Meeting) at the PEMC Board Room for further discussion of the proposal.

b. SNAP's Proposed Amendments to the WESM Dispatch Protocol Manual regarding Re-Dispatch Procedures based on Merit Order Table (MOT)

Mr. Raul Seludo presented to the committee the position of NGCP-SO on SNAP's proposed amendments to the WESM Dispatch Protocol manual regarding Re-Dispatch Procedures based on Merit Order Table (MOT). He explained that the proposed amendments pose limitations to the actions that may be taken by SO in operating and securing the grid, which the SO opposes.

He continued that per PGC Section 3.2.2.2, the control of system frequency shall be the responsibility of the SO, i.e. maintaining the fundamental frequency during normal conditions and intervening when the frequency limits are breached.

He stated that in reality, the initiating cause affecting the system frequency is mainly due to generators, MO and loads and that SO only reacts to restore the system frequency to normal condition. He stated that based on SNAP's proposal, the actions to be done by SO were limited which restrictions/limitations the SO objects to.

He added that if ever there is a question on the actions done by SO, the generators can always contest and file its complaints with the appropriate body. He further pointed out that the system is very dynamic and that varied and differing responses need to be taken to address different scenarios.

Noting the NGCP-SO's opposition to SNAP's proposal and the lengthy discussion that followed, Mr. Crisologo proposed to further discuss the matter with NGCP-SO in a separate venue. Dr. Guevara instructed that the harmonized proposal resulting from further discussion be presented in the next RCC Meeting. The same was duly noted by the body.

In connection, SNAP and NGCP-SO agreed to meet on 23 August 2012, 1:30 PM at NPC together with representatives from the Generation Sector, MO and Independent Sector.

c. Review of the WESM Manual of Procedures for Changes to the WESM Rules

Dr. Guevara stated that although the Committee has discussed the Procedures for Changes to the WESM Rules presented by Atty. Liberty Dumlaog during the previous RCC meeting, RCC has not agreed on any action relating to the same.

Noting information provided by Dr. Guevara, the RCC approved the Procedures for Changes to the WESM Rules for publication in the WESM website for comments.

4. New Business

a. Board Review Committee Updates

Ms. Javier provided an update regarding the last Board Review Committee (BRC) meeting during which she presented the proposed amendments to the MRU/MSU Manual. Ms. Javier informed the RCC that the DOE requested that it be given time to first study the proposal since the DOE will also be doing a parallel analysis on the same. Ms. Javier added that the said Manual's submission to the Board has been requested to be deferred for a month for inclusion in the next PEM Board Meeting together with the DOE's recommendations on the same.

In addition, Dr. Guevara informed the committee that she received a letter from the DOE informing her that the DOE wants to discuss the MRU/MSU Manual with the RCC.

Mr. Ferdinand Binondo informed the committee that the DOE has requested for time to study the proposal as it intends to still call for a series of meetings on the proposed manual to gather inputs and comments from various sectors on the proposal. The results of the consultations will then serve as their inputs to the DOE Secretary when the matter is already submitted before the PEM Board for discussion.

Mr. Crisologo commented that this should probably have been part of the function of the DOE observers in the Committee meetings. Mr. Binondo responded that the DOE observers provided the highlights to concerned DOE officials after each meeting. The DOE, however, as needed, may call upon any proponent or sector for matters which it needs clarification on. Mr. Binondo added that the DOE intends to consult with various sectors such as the MO, the SO, the RCC and other stakeholders. The DOE will just provide the RCC with the final schedule later.

Noting the information provided, Dr. Guevara stated that Dr. Patalinghug and Ms. Javier would be attending the said meeting as representatives of RCC

b. Proposed WESM Rules Change re Minimum Bid Block

Mr. Cacho presented the Rules Change Proposal on the Reduction of Minimum Offer/Bid Block Size from 5 MW to 1 MW.

He explained that the reduction of the Minimum Bid Block Size from 5 MW to 1 MW would allow generating units below 5 MW to have the option to be registered as a scheduled generating unit and be able to submit energy offers. He added that this will enable smaller units to have price setting capability and enhance competition in the market thereby encouraging the development of smaller units by providing additional options for registration.

Noting that the MO was able to reduce the Minimum Bid Block Size, Mr. Crisologo asked if the bid block size can be reduced further to 0.5 MW or 0.1 MW. Mr. Cacho replied that it can be done both theoretically and system-wise, however, it must be validated first.

Dr. Guevara asked the reason why there is a need to further reduce the Minimum Bid Block Size. Mr. Crisologo replied that with the generators' installed capability, the generator can bid up to 32.5 MW because in the reading of the meter, that is the generators' capability but generators were held back due to the 5 MW/1 MW bid block limitations causing the bid to be rounded off.

1 Dr. Guevara asked what the lowest bid block the generators would want theoretically.
2 Mr. Crisologo replied that the most accurate would be up to 0.1 digit taking into
3 account the financial payment.
4

5 In connection with the above discussions, the RCC proposed the further reduction of
6 the Minimum Bid Block Size to 0.5 MW or 0.1 MW. Mr. Cacho noted the proposal
7 and informed that MO will validate and simulate the proposal and present the results
8 in the next RCC meeting.
9

10 With regard to the possible reduction of Minimum Bid Block Size to 0.1 MW, Ms.
11 Javier asked if the 100 kW units would also be allowed to register in case the
12 Minimum Bid Block Size would indeed be reduced to 0.1 MW. Mr. Cacho replied that
13 as a basic requirement, units connected to the grid are mandated to be registered
14 however embedded units have the option to register or not. So if the 100 kW units
15 would really want to export in the grid, they have to be registered first. However,
16 exporting 100 kW to the grid is quite negligible.
17

18 The RCC noted the information presented and approved the same. In addition, Dr.
19 Guevara instructed the Secretariat to have the same published in the WESM website
20 for comments.
21

22 **c. Proposed WESM Rules Change re Publication of Suspension Notice**
23

24 Atty. Criselda Funelas presented to the committee the proposed removal of the
25 publication of the suspension notice in a newspaper of general circulation. The
26 rationale she presented states that publishing notices in newspapers of general
27 circulation is costly and that posting the same on the website will achieve the same
28 purpose without incurring expenses. Also, for consistency with the proposed
29 amendment to the WESM Rules, other sections affected by the proposed
30 amendment would be revised too.
31

32 Pointing out that the dissemination of information is already electronic, Mr. Crisologo
33 asked what the substitute is in case the website or server fails. Atty. Funelas replied
34 that a policy on sending out the notice to all WESM members through fax or e-mail
35 can be adopted. Mr. Crisologo commented that Atty. Funelas' suggestion should be
36 included in the proposed amendment which the RCC has also conceded.
37

38 Noting that the suspension notice is only to be published on the market information
39 website as proposed, the RCC suggested that the notice would also be sent through
40 e-mail in case the website is down.
41

42 In connection, the RCC suggested reflecting the above suggestion in specific
43 sections to read as follows:
44

45

- Section 1.4.5

46
47 *"As soon as a Suspension Notice is revoked, the PEM Board shall cause the*
48 *publication of a notice thereof in the Market Information Website ~~and in a~~*
49 *~~newspaper of general circulation~~ **and send e-mail to all WESM Participants.**"*
50

51

- Section 5.1

1 *"As soon as practicable after a suspension is issued to the Market Participant, the*
2 *Market Operator shall publish the suspension notice in the WESM website and in*
3 *a newspaper of general circulation and send e-mail to all WESM Participants."*
4

5 The RCC approved the proposal on WESM Rules Change regarding the Publication
6 of Suspension Notice presented by Atty. Funelas with the inclusion of the additional
7 suggestion agreed upon by the RCC and instructed the Secretariat to publish the
8 same.
9

10
11 **5. Other Matters**
12

13 Update on the APC-Trading Counterparties Meeting
14

15 Mr. Crisologo informed the committee of the updates on the APC-Trading Counterparties
16 Meeting held last 20 July 2012. He informed the committee that he represented Aboitiz
17 Power as a resource person rather than a spokesperson for RCC or PEMC.
18

19 As a feedback, he informed the committee that issues on line rental as raised by Mr.
20 Lagarde were also raised by another group during the meeting and the reduction of 1
21 Hour Trading Interval to 15 Minutes. The RCC noted the information provided by Mr.
22 Crisologo on the matter.
23

24 Updates on RCOA
25

26 Dr. Guevara asked Mr. Binondo for updates on the RCOA. She stated that the RCC
27 understands that the DOE has a Technical Working Group drafting the rules while the
28 RCC's task would simply be to review the drafted rules. She asked when the rules
29 would be given.
30

31 Mr. Binondo replied that the TWG started drafting the rules but amendments and
32 clarifications have yet to be issued on the original DOE policy as contained in DC No.
33 2012-05-005 which is the general policy on RCOA.
34

35 He informed the committee that the same was already subjected to public consultation in
36 Cebu with generators, contestable market and DUs as attendees. He added that RCC
37 was also to provide comments on the amendments to the general policy for open
38 access.
39

40 Furthermore, the detailed retail market rules, including billing and settlements and
41 formula to be followed by WESM, are still being drafted with target for completion in
42 September.
43

44 Mr. Binondo committed to provide the amendments to the original DOE policy to RCC for
45 comments. The RCC noted the information given by Mr. Binondo.
46

47 Updates on the RCC Workplan
48

49 The RCC reviewed the RCC Workplan and provided updates on the same.
50

- 51 ▪ With regard to the proposal for Line Rental, Mr. Sulpicio Lagarde informed the
52 committee that the ECs in the entire Visayas have not met regarding the issue yet
53 and that the private DUs such as CEBECO and PECO will also be joining. He stated
54 the general sentiment of ECs in Visayas is that the rules in Luzon are not applicable

in Visayas. Noting the information provided, the RCC deferred the discussion on Line Rental since the proposal on the same has not been submitted yet.

- The RCC noted that updates on Net Settlement Surplus (NSS) would be provided in the next RCC meeting.
- Further, the RCC noted the recommendation of Mr. Cacho to move the study of Value of Lost Load (VoLL) for the first quarter (Q1) of 2013.
- On Reserve Market, Mr. Cacho informed the committee that the ERC sent an order reiterating ERC's original order on the 8 items, i.e., implementation of Reserve Effectiveness Factor, implementation of Realignment of Reserve, full implementation of Interruptible Load Drop (ILD) and Fast Contingency, implementation of New Lower Reserve Service, changes to the Philippine Grid Code (PGC), Automatic Mitigating Measure for Energy and Reserve, etc.

He informed the committee that PEMC-MO and NGCP-SO are currently working together in setting the criteria and procedure on the determination of Reserve Effectiveness Factor.

With regard to the ILD, Fast Contingency and New Lower Reserve Service, he informed the committee that there is an ongoing development on the technical requirements being studied.

He stated that the full implementation of ILD as directed by the regulator will compete with the generator for the provision of contingency which will entail an enhancement in the MMS System. He explained that currently there is Regulating Contingency, Dispatchable and Interruptible Load which are distinct products in the market and with the full implementation of ILD both the generator and load will be considered in providing contingency.

With regard to Fast Contingency Reserve, he stated that parameters on the same are still being developed. On the New Lower Reserve Service, he stated that the assessment on the same is similar to the Must-Stop Unit thus discussions are still being done particularly on its alignment with the MSU.

In addition, he informed the committee that all the requirements, i.e. the documentations and processes, including the pricing and cost recovery mechanism for reserve and the materials for approval will be submitted to ERC by 21 December 2012.

The RCC noted the information provided and decided to study the same in parallel with the ERC. With this regard, the RCC requested for the proposal on Reserve Market which the MO noted.

With regard to the further study of VoLL, the RCC recommended for PEMC to consider engaging an external consultant for the study of the same, which suggestion, the MO noted.

The RCC Chair stated that the remaining issues will be discussed on 05 September 2012 RCC Meeting including additional issues submitted by PEMC and that the last quarter would be allocated for RCOA.

WESM Participants' Meeting

Ms. Rheinart Banogon followed up with the committee members regarding their confirmation for the 14 August 2012 WESM Participants' Meeting. She noted that only Dr. Guevara and Mr. Seludo could not confirm yet for the said event.

Ms. Banogon further informed the committee that the RCC members appointed last year would have their oath taking on the same date, before DOE Secretary Rene Almendras.

6. Next Meeting

The RCC was reminded of the schedule of its succeeding meetings: (66th RCC Meeting) on 05 September 2012; (67th RCC Meeting) on 03 October 2012; and (68th RCC Meeting) on 07 November 2012.

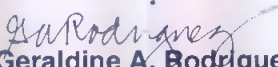
7. Adjournment

There being no other matter to be discussed, the meeting was adjourned at 1:10 P.M.

Prepared by:



Hiyasminh Afela C. Dagum

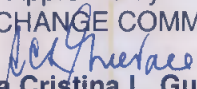
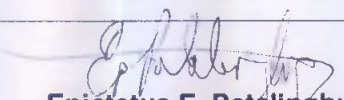
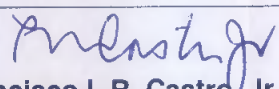

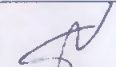
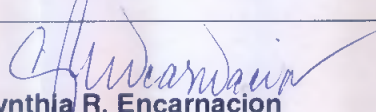

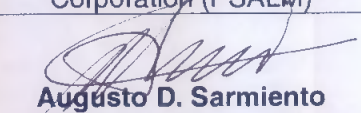
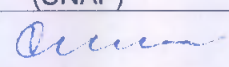
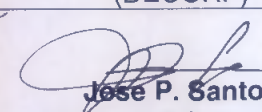
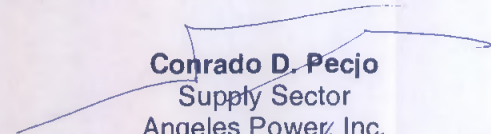
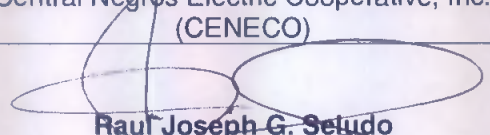
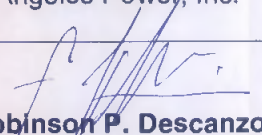
Reviewed by:


Geraldine A. Rodriguez

Noted by:


Elaine D. Gonzales



<p>Approved by:</p> <p>RULES CHANGE COMMITTEE</p> <p> Rowena Cristina L. Guevara Chairperson Independent University of the Philippines (UP)</p>	
<p>Members:</p>	
<p> Epictetus E. Patalinghug Independent University of the Philippines (UP)</p>	<p> Francisco L.R. Castro, Jr. Independent Tensaiken Consulting</p>
<p> Maila Lourdes G. de Castro Independent Unitel Productions, Inc.</p>	<p> Cherry Aquino-Javier Generation Sector AES Philippines (AES)</p>
<p> Cynthia R. Encarnacion Generation Sector National Power Corporation (NAPOCOR)</p>	<p>Liberty Z. Dumlao Generation Sector Power Sector Assets and Liabilities Management Corporation (PSALM)</p>
<p> Ralph T. Grisologo Generation Sector SN Aboitiz Power (SNAP)</p>	<p> Augusto D. Sarmiento Distribution Sector (PDU) Dagupan Electric Corporation (DECORP)</p>
<p> Ciprinilo C. Meneses Distribution Sector (PDU) Manila Electric Company (MERALCO)</p>	<p> Jose P. Santos Distribution Sector (EC) Ilocos Norte Electric Cooperative, Inc. (INEC)</p>
<p>Sulpicio C. Lagarde Jr. Distribution Sector (EC) Central Negros Electric Cooperative, Inc. (CENECO)</p>	<p> Conrado D. Pecjo Supply Sector Angeles Power, Inc.</p>
<p> Raul Joseph G. Seludo Transmission Sector National Grid Corporation of the Philippines (NGCP)</p>	<p> Robinson P. Descanzo Market Operator Philippine Electricity Market Corporation (PEMC)</p>