

1 **MINUTES OF THE 69<sup>TH</sup> MEETING OF THE RULES CHANGE COMMITTEE**

2  
3 Date : 05 December 2012  
4 Time : 9:00 A.M.  
5 Venue : PEM Board Room  
6 18<sup>th</sup> Floor, Robinsons-Equitable Tower  
7 Ortigas Center, Pasig City  
8  
9

10 **MEMBERS PRESENT:**

11 Rowena Cristina L. Guevara - Chairperson/Independent – UP  
12 Epictetus E. Patalinghug - Independent – UP  
13 Francisco L.R. Castro Jr. - Independent – Tensaiken Consulting  
14 Maila Lourdes G. de Castro - Independent – Unitel Productions, Inc.  
15 Cherry Aquino-Javier - Generation Sector – AES  
16 Cynthia R. Encarnacion - Generation Sector – NPC  
17 Liberty Z. Dumlao - Generation Sector – PSALM  
18 Ralph T. Crisologo - Generation Sector – SNAP  
19 Ciprinilo C. Meneses - Distribution Sector – MERALCO  
20 Jose P. Santos - Distribution Sector – INEC  
21 Conrado D. Pecjo - Supply Sector – Angeles Power, Inc.  
22

23 **MEMBERS NOT PRESENT:**

24 Augusto D. Sarmiento - Distribution Sector – DECORP  
25 Sulpicio C. Lagarde Jr. - Distribution Sector – CENECO  
26 Raul Joseph G. Seludo - System Operator – NGCP  
27 Robinson P. Descanzo - Market Operator – PEMC  
28

29 **ALTERNATE MEMBER PRESENT:**

30 Isidro E. Cacho - Market Operator – PEMC  
31

32 **OBSERVER PRESENT:**

33 Ferdinand B. Binondo - DOE  
34

35 **OTHERS PRESENT:**

36 Caryl Miriam Y. Lopez - PEMC-Legal  
37 Maria Lourdes S. San Andres - PEMC-Legal  
38 Ma. Loreto B. Moya - DOE  
39

40 **SECRETARIAT**

41 Geraldine A. Rodriguez - PEMC – MAG  
42 Shalom Grace A. Tomas-Llamzon - PEMC – MAG  
43

44  
45 After determining the presence of a quorum, the 69<sup>th</sup> RCC meeting was called to order by  
46 Chairperson Dr. Rowena Cristina L. Guevara at about 9:20 A.M.  
47

48 **1. Adoption of the Proposed Agenda**

49 The Proposed Agenda for the 69<sup>th</sup> RCC Meeting was approved, as presented.  
50  
51

52 **2. Review, Correction and Approval of the Minutes of the 68<sup>th</sup> RCC Meeting**

53 The Minutes of the 68<sup>th</sup> RCC Meeting was approved, as amended. Corrections made  
54 are as follows:  
55

*88*

- On line 37, page 3:

" Mr. **Francisco Castro** expressed the view that allowing power plants to withdraw offers is not necessarily the solution to the audit findings."

- On line 22, page 4:

"He responded by clarifying that he was not ~~privy to~~ involved with the submission made by his company on the proposal."

- On line 20, page 7:

- "Mr. Cacho explained that at present, generators are required to submit their ~~ramp rates with only one point~~ maximum ramp up and ramp down rates. The proposal seeks to require the submission of the minimum and maximum ramp rates with MW ranges, ~~which can later on provide the MO with the basis in determining whether a generator's ramping up or down is within its declared break points in real time, during actual dispatch.~~"

Additionally, Dr. Guevara requested Mr. Meneses to update MERALCO on the result of the RCC's discussion relative to its submitted comments on RCC proposals, as reflected in the Minutes of the RCC 68th Meeting.

### 3. Business Arising from the Previous Meeting

#### A. Review of Comments on the Proposed Further Amendments to the WESM Dispatch Protocol Manual regarding Re-Dispatch Procedures based on the WESM Merit Order Table

Dr. Guevara re-opened the RCC's discussion on the subject. It was recalled that the original proposal was submitted by the RCC representatives from the generation sector to ensure transparency in the dispatch of plants by the NGCP-SO. Dr. Guevara also recalled that the SO has previously expressed its reservation on the proposal in view of its concern that the same might limit the SO's flexibility in responding to system security threats and emergencies. Dr. Guevara then led the group in reviewing comments received from the Market Surveillance Committee (MSC) and the Technical Committee (TC) on the subject.

In the course of its review of the comments submitted by the MSC, the RCC took note of the difference between the definition and usage of the terminology "Merit Order Table" in the Philippine Grid Code (PGC) and the WESM Rules. Mr. Binondo clarified that the PGC was already amended to incorporate the definition of the MOT in the WESM.

Mr. Meneses maintained that in actual practice, the SO views the MOT as a tentative/nominal schedule, which it can revise at any time. He explained that this is clearly different from the RCC-proposed MOT which follows the market's view that the MOT should be strictly followed, without insertions.

Atty. Dumlao added that the said deviations are exactly what the WMOT wishes to address and how these affect/impact on pricing, such that when a generator deviates from the MOT, "it can either be penalized as a must-stop unit (MSU) or

1 compensated as a must-run unit (MRU)". She expressed agreement with Mr.  
2 Meneses in saying that in actual practice, it is the SO which determines the  
3 dispatch schedule with finality.

4  
5 Mr. Binondo suggested for the RCC to submit its comments to the ERC which  
6 currently undertakes an ongoing review of the PGC, since the "MOT" as defined in  
7 the PGC and the proposed "WMOT" to be used in the WESM Rules are one and  
8 the same. Dr. Guevara responded that if the RCC would go through the suggested  
9 process, the implementation of the proposal will necessarily take-on a much longer  
10 route. She then proposed that if the RCC would later-on decide to pursue the  
11 proposed amendment on the WMOT, the same can be made subject to the colatilla  
12 that the same definition is being proposed in the PGC.

13  
14 Reviewing the TC comments on the subject, Dr. Guevara inquired with Mr. Binondo  
15 on the status of the DOE's review of the proposed amendments to the Dispatch  
16 Protocol Manual Issue 6.0, which was previously submitted to DOE for final  
17 approval and upon which the subject proposal is based. Mr. Binondo clarified that  
18 the response to RCC was already drafted for signature of the Secretary of Energy.

19  
20 In summary, the RCC then agreed to respond to the MSC based on its discussions  
21 of the raised issues as follows:

- 22
- 23 • Re the new terminology "WESM Merit Order Table" ("WMOT") - the prefix  
24 "WESM" was deliberately placed by the RCC into the term "Merit Order  
25 Table (MOT)" to differentiate the "WMOT" from the "MOT" being cited in the  
26 Philippine Grid Code (PGC), since the latter is merely an indicative ranking  
27 of plants which the SO can override at anytime, if there are issues on  
28 system security and reliability. The "WMOT" on the other hand, addresses  
29 the said deviations from the MOT such that plants are either paid as MRUs  
30 or penalized as MSUs, depending on the deviation. Also, the MOT's  
31 emphasis is the technical requirements of the grid whereas the WMOT  
32 considers price as a criteria in the ranking of plants.
  - 33  
34 • Re transparency of the Merit Order Table - the RCC's intention is to  
35 distinguish the "WMOT" from the "MOT" in order reflect the differentiation as  
36 discussed above. The differentiation seeks to address the issue raised by  
37 generators as regards the manner by which the SO revises the MOT/calls  
38 plants in response to threats on system security and reliability.
  - 39  
40 • Re the new terminology "Must Stop", the same is not captured in the  
41 concept of MRU as argued by the MSC. The two concepts are set apart by  
42 their different mathematical formulations in regard to payment. Further,  
43 introduction of the MSU mechanism is aimed at creating a new system of  
44 discipline among the generators.
- 45

46 On comments received from TC, the RCC agreed to inform the TC that the SO was  
47 part of the process it has undertaken in the finalization of its proposal on the MSU.  
48 The RCC recalled that it met with the SO on the proposed MSU mechanism where  
49 the SO agreed with such concept. Further, the SO also concurred with the proposal  
50 that there is no need to include a statement to the effect that the SO can revise the  
51 MOT during system emergency, since the same is already implicit in its vested  
52 authorities.  
53

On comments received from MERALCO, the RCC instructed the Secretariat to set-up a meeting for Atty. Dumlaog and Atty. de Castro with MERALCO representatives/lawyers to discuss their comments on the proposal.

It was noted that the above discussion is contingent to the result of the DOE's final review of the proposed amendments to the Dispatch Protocol Manual Issue 6.0.

**B. Resolution on the Proposed Amendments to the Registration and Settlement Provisions of the WESM Rules**

Following the RCC's approval of the Proposed Amendments to the Registration and Settlement Provisions of the WESM Rules during its 68th Meeting held on 14 November 2012, the Secretariat presented the draft Resolution on the proposal. It was noted that a copy of the same was earlier emailed to the RCC for approval.

After its review of the draft, the RCC approved the Resolution, as presented. The RCC instructed the Secretariat to submit the Resolution to PEM Board for approval.

**C. Resolution on the Review of the Rules Change Manual in Response to the Governance Process Review Audit Observation**

Consistent with the RCC's approval of the Proposed Amendments to the Rules Change Manual during its 68th Meeting held on 14 November 2012, the Secretariat presented the draft Resolution on the proposal. It was also noted that a copy of the same was earlier emailed to the RCC for approval.

The RCC then approved the Resolution, as presented and thereafter instructed the Secretariat to submit the Resolution to PEM Board for approval.

**D. Proposed Changes to the WESM Rules on the Reduction of the Minimum Offer Block Size from 5MW to 1MW**

**• SO Recommendations**

The RCC went over the comments received by email from the NGCP-SO and discussed as follows:

- For items 1 and 2 on frequency regulation, the same must be addressed first, through the mandatory 4% regulating reserve requirement, and thus must be contracted through the NGCP's ancillary service, before the NGCP can utilize the plants scheduled in the merit order table;
- Concurred with discussion on item 3 that the generators are at liberty to offer more 1MW blocks but limited only to a maximum of 10 blocks;
- Concurred with discussion on item 4, that it is admittedly possible for large generators to not comply with SO instruction to reduce its generation by 1MW, considering that the dispatch tolerance limit set at +/-3% would allow the movement of large generating units by 1MW. It was also discussed that reducing the minimum bid block to 1MW can bring-in more non-compliance which can no longer be monitored

- Noted the comment on item 5 that it will take a longer time for the SO to compute the aggregate load of each plant in order to have a reference in checking the dispatch tolerance; and agreed that the same will be a non-issue if the system is already automated. Noted further that the current system is already set at the dispatch tolerance limit of +/-3%;
- Noted that the comment on item 6 takes into account the extreme case where there may be say 10 or more generating units in the merit order table with 1MW each, resulting to a longer MOT;
- Noted the opposition of the generation sector representatives on item 7. It was expressed that not all generators are informed of the status of power plants, as referred to by the SO in its discussion. Further, the bidding strategy of generators are constrained by factors such as their ramp rate limitations, and the submission of offers up to 10 blocks only. It was argued that the issue should not focus on whether or not the proposed reduction is actually a gain for the big generators but whether the same addresses the WESM's objective to stimulate/increase competition;
- On item 8 re the issue on frequent complaints from the generators scheduled at 1MW, since they will be bumped-off by generators not following their linear ramping and big generators taking advantage of the +/-3% tolerance, Mr. Binondo/DOE commented that the proposal should be limited in application only to smaller generating units, considering the original intent of the proposal to allow smaller generators to participate in the market as scheduled generating units. The RCC then discussed the possibility of revising its proposal. Dr. Patalinhug however commented that the small players at present may eventually become the big market players in the future. He clarified that the issue is not actually with the number but with the behavior of market participants.


The RCC then agreed to submit the original proposal on the reduction of the minimum offer block from 5MW to 1MW to the PEM Board for approval/consideration, after having considered that the proposed reduction will result to more gains for the WESM compared with the accompanying cost/technical difficulties cited by the SO; and that necessarily, as pointed-out by the SO, adjustments will have to be made on existing systems and processes.

#### **E. Proposal on the Cancellation of Offers**

Taking cognizance of the comments from the NGCP-System Operations (SO) on the subject after its posting in the WESM website, the RCC deliberated upon the same at length, noting the NGCP-SO's opposition to the proposed Cancellation of Offers.

The RCC, after reviewing the SO's comments, agreed to pursue the original proposed rules change from the generator sector representatives which would allow the cancellation of offers when the total generation offers is 10% above the demand for the trading hour.

The RCC then agreed to respond to the SO's comments by quoting the RCC's previous discussions on the subject, having noted that most observations raised were already covered by the RCC in its previous deliberations.



1 Additionally, the RCC agreed to further await the end of the 28 December 2012  
2 deadline for the submission of comments on the proposal, to give due course to  
3 interested parties with observations and clarifications arising from the proposed rules  
4 change.

5  
6 The Secretariat was requested to cull/colate pertinent discussions on the issues raised  
7 for the SO's information.

8  
9 In addition, the RCC agreed to request Mr. Seludo to explain to his Sector the  
10 discussions in the RCC about the matter.

#### 11 12 13 **4. Other Matters**

##### 14 15 **A. Review of the 2012 RCC Workplan**

16  
17 The RCC took note that majority of its targeted activities for 2012 were completed  
18 on time.

19  
20 The following were agreed upon relative to its review of the pending activities in its  
21 2012 Workplan:

- 22  
23 • On the consideration of shorter trading period, the RCC recalled that the  
24 RCC has already submitted its recommendation on the matter. However,  
25 the same did not push through following PEMC's comment that the  
26 shortening of the trading period is not yet feasible at this time.
- 27  
28 • On the proposal re Trading Amount and Line Rental Computation, the EC  
29 representatives agreed to tackle the matter and submit their proposal on the  
30 subject by the 1Q of 2013.
- 31  
32 • On the Minimum Bid Block, as earlier discussed, to re-submit to PEM Board  
33 the original RCC proposal on its reduction from 5MW to 1MW by January  
34 2013.
- 35  
36 • On the Net Settlement Surplus (NSS), noted that the proposal on the matter  
37 will be submitted by PEMC also by 2013. The Secretariat was instructed to  
38 clarify the timeline for its submission.
- 39  
40 • On the Value of Load Loss (VoLL) Pricing, noted that as agreed upon on 01  
41 August 2012, the same was moved to Q1 of 2013.
- 42  
43 • On the proposal re cancellation of offers, agreed to table the same for  
44 discussion by January 2013.
- 45  
46 • On the registration of ramp rates -  
47  
48 ➤ to propose changes in Appendix A1.1 (g) of the WESM Rules and  
49 Clause 5.4.4 Generation Registered Capacities of the Registration  
50 Manual, respectively, to read:

51 *rw*

**Appendix A1.1**

- (g) Shall include maximum up/down ramp rates, **consistent with the registered maximum ramp up and ramp down rate, minimum ramp up and ramp down rate and ramp rate capability curve** of each generation unit **or aggregated** generation units;

**5.4.4 Generation Registered Capacities**

A *Generation Company* shall include in its application the *maximum stable load (Pmax)*, the *minimum stable load (Pmin)*, the **maximum ramp up and ramp down rate, minimum ramp up and ramp down rate and ramp rate capability curve** of each *generation unit* or *aggregated generation units* that are included in its application **in accordance with Appendix B**. The information provided to the *Market Operator* must be consistent with the information contained in the *Certificate of Compliance* issued by the *ERC* as well as submissions made to the *ERC* in relation to the issuance of its *Certificate of Compliance*.

- To revise the Discussion Paper submitted by PEMC as follows: (a) to correct Table 1 by referring to "interval of break points" in its column 1 instead of only "break points", in order to make clear that the values indicated therein refer to MW ranges and (b) to change the statement "hence, the offer will be invalidated into "hence the offer will not be accepted".
- To request Mr. Cacho to further revise the PEMC Discussion Paper on the subject as follows: (a) edit the graphs in order to convert the same into a "pricewise linear function", (b) correct the use of dependent and independent variables in the table/figure, since the "x" axis should plot the independent variable (MW) and the "y" axis should plot the dependent variable (time), should they deem it appropriate, (c) include a Table of Contents, Background and Rationale in the final paper. The RCC agreed to use the said Discussion Paper as an annex to the proposal with proper attribution to PEMC as the author of the Discussion Paper.
- To request Ms. Javier to prepare the proposed **Appendix "B"** as referred to in the proposed amendments to Section 5.4.4 of the Registration Manual.
- To post the proposed amendments with the revised Discussion Paper in the WESM website to solicit comments from interested parties, once the revisions are finalized.

**B. Forward Planning for the 2013 RCC Workplan**

Dr. Guevara pointed-out that for 2013, the sectors should be able to put forward more proposed amendments. She requested sector representatives to consult with their respective sector on possible rules change proposals for consideration in the 2013 RCC Workplan.

The RCC then agreed as follows: 

- That the sectoral representatives should meet with their sectors on possible rules change proposal for 2013 and to bring the result of the same as inputs to the 2013 RCC Planning Session;
- That the RCC should facilitate their own Planning Session for the coming year; and
- That DOE, ERC, PEMC and NGCP should be invited to the RCC Planning.

#### C. Committee Christmas Party

The Secretariat reminded the RCC that the Governance Committee Christmas Party will be begin at 4:00 PM.

#### 5. Next Meeting


The RCC agreed on the following meeting schedules:

- January 16, 2013, 9:00 AM (70<sup>th</sup> RCC Meeting)
- January 9, 2013, 9:00 AM (RCC Planning Session)


#### 6. Adjournment

There being no other matter to be discussed, the meeting was adjourned at 1:25 P.M.

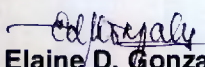
Prepared by:

  
**Shalom Grace A. Tomas-Llamzon**  
Market Governance Analyst

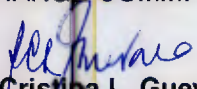
Reviewed by:

  
**Geraldine A. Rodriguez**  
Assistant Manager  
Market Governance and Administration

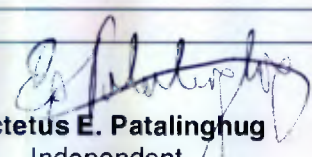
Noted by:

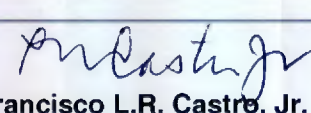
  
**Elaine D. Gonzales**  
Manager  
Market Data and Analysis

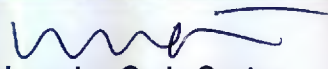
Approved by:  
RULES CHANGE COMMITTEE


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


Members:

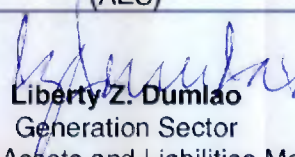
  
**Epictetus E. Patalinghug**  
Independent  
University of the Philippines  
(UP)


  
**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)

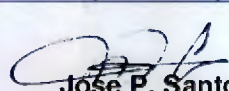
  
**Cynthia R. Encarnacion**  
Generation Sector  
National Power Corporation  
(NAPOCOR)


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

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

  
**Augusto D. Sarmiento** 1/16/13  
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)

Attachments: 1. NGCP-SO Comments re: Cancellation of Offers  
2. NGCP-SO Comments re: Minimum Bid Block

25

## NGCP-SO Comments

SUBJECT: Proposed Rules Change on: Cancellation of Offers

### **Background:**

In an effort to implement the Must Offer Rule as specified in section 3.5.5 and appendix A1.1 of the WESM rules, there are problems encountered by the generators with regard to compliance in the implementation of the said requirement such as:

- Power plants with high variable costs are not economically feasible to run all the time; and
- Forcing the plants to run as Pmin will incur additional cost since under the WESM rules, it will be settled as price takers. When cleared as price takers, the fuel costs for their Pmin are unrecoverable.

Thus, to address the problem on Must Offer Rule, the proponents submitted its proposals with the provision for cancellation of offers with the premise that the outcome would result in the following:

- High cost power plants will not be forced to run if they are not needed by the system
- Efficient use of resources

Moreover, one of the main reason of this proposed rules change is to address the audit findings of PA consulting, Ltd. in which it states that *"The Rules and Procedures around the mandatory dispatching of generators at their Pmin level causes the generators to be non-compliant to the must-offer rule (rule 3.5.5.1). Furthermore, it is consistent with the principles of economically efficient dispatch and promoting competition."* Thus, the cancellation of Generators' offers is allowed when the threshold exceeded the 10% of the hourly demand.

If threshold is reached, MO to issue advisory to Trading Participants on the following:

- a) There is an excess offer;
- b) Most expensive plant (based on MOT ) may opt to cancel offers only before 0400H of DAP;
- c) Cancellation of offers will be reflected in the next DAP run;
- d) If after cancellation, SO finds the need for the plants to be on-line, it will be run as MRU

=====

### **Comments/Inputs on the Cancellation of Offers:**

As explained in the above statement, the cancellation of offers in excess of 10% of the hourly demand, will be based on the Day Ahead Projection (DAP) schedule and the cut-off would be the DAP run at 0400H (D-0) from 1600H (D-1). The DAP run for 0400H (D-0) would provide dispatch schedules of all generators from 0401H to 2400H of the same day and will be updated every 4 hours.

1. If the proposed rules change shall only apply to DAP schedule, problems are expected to be encountered during the real-time implementation such as:
  - a. the offers in the DAP schedule is not yet binding and can be cancelled prior to the gate closure for RTD schedule;
  - b. If the schedule of a generator (expensive plant) based on the DAP schedule will be dispatched at Pmin only for a certain intervals, then the likelihood to cancel its offers would definitely be realized. The expensive generators would not allow their

units to be dispatched at Pmin only and be settled as price takers especially if the market clearing price is below the reasonable price of the expensive plants. If they will be cleared in the RTD but at Pmin only, they would rather not to start their unit/s and be dispatched at Pmin since they will be at the losing end. So, usually they end up with the cancellation of offers prior to the gate closure for RTD schedule using the DAP schedule as their reference. *The proposed rules change for cancellation of offers does not consider this kind of scenario. The cancellation of offers for expensive plants whether it is based on the proposed or the existing setup, does not limit them to cancel anytime even they are cleared in the required 10% limit.*

Example: What if MO already considered the 10% allocation margin based on the DAP run and afterwards there's a discrepancy in the RTD schedule due to underforecast (i.e. the DAP is lower than the RTD). Initially, the expensive plants as cleared in the DAP run would be dispatched at full capacity but when RTD was run, the dispatch schedule was only at Pmin. The excess capacity of the expensive plants would not be cleared in the offers dispatch of MOT but rather be placed in the MOT under the "with offers but not dispatched". When dispatched at Pmin it would surely be settled as price taker, so the succeeding intervals, these expensive plants so as not to be dispatched at Pmin would surely cancel its offers to prevent further financial losses.

- c. The price in the market would surely escalate during off-peak periods if the rules would allow the cancellation of offers in excess of 10% since there would be no more competition in the market. There would only be limited resources that would allow competition with one another just to accommodate the legalization of the cancellation of offers.
- d. If an excess offers is cancelled during the day ahead declaration and then the outcome of the dispatch schedule in real time resorted to lack of offers, how do we treat the Generators without offers when called upon by System operator? MRU due to lack of offers? No! The cause of supply capacity problem was due to lack of offers (commercial issues) and the MRU criteria which focus on security related – issues cannot be applied to this scenario.
- e. With regard to the premise that the proposed rules change would result in an *efficient use of resources* - this would not be realized because the basis of the cancellation of offers is based on the Merit-Order Table (MOT) that will go beyond the 10% of the allocation margin and not ranked based on the fuel cost.
- f. The very reason of the rules change, which is "*forcing the plants to run as Pmin*" under the existing must offer rule is not really happening. This is because the generators may still choose to cancel their offer in the HA or any time prior to the gate closure of a given interval. Therefore, the other argument, which is "*power plants with high variable costs are not economically feasible to run all the time*" is also not happening even in the existing must offer rule.

Conclusion:

With the above-mentioned facts, the proposed rules change (i.e. the cancellation of offers) would not really address the issues at hand but rather would allow the generators to legalize the cancellation of offers only so they will not be charged as non-compliant to Must Offer Rule. The cancellation of offers has nothing to do with the current problems being experienced by expensive plants because whether the rules allows it or not, they (the expensive plants) would still cancel their offers if they think they cannot be compensated properly as a result of the Pmin issue.

Recommendations:

To address the non-cancellation of offers by expensive plants, why not consider allowing them to be compensated based on their reasonable price during peak period (i.e. the expensive plant shall have its own price at Pmin) and should not be treated as price takers to avoid cancellation of offers. For the off-peak periods, there should be MOT for Pmin of all generators and this should be used by MO as reference for the cancellation of offers. With this scheme, all generators would be ensured to comply with the Must Offer Rule as required by the WESM rules.

**From:** "SELUDO, RAUL JOSEPH" <[rgseludo@ngcp.ph](mailto:rgseludo@ngcp.ph)>

**Date:** December 3, 2012, 5:54:14 PM GMT+08:00

**To:** "PASCUAL, MICHAEL" <[mlpascual@ngcp.ph](mailto:mlpascual@ngcp.ph)>, "ABADILLA, REYNALDO" <[rbabadilla@ngcp.ph](mailto:rbabadilla@ngcp.ph)>, "ROSALES, AMBROCIO" <[arrosales@ngcp.ph](mailto:arrosales@ngcp.ph)>, "BUGAOISAN JR., ERMELINDO" <[erbugaoisan@ngcp.ph](mailto:erbugaoisan@ngcp.ph)>, <[sgatomas@wesm.ph](mailto:sgatomas@wesm.ph)>

**Cc:** "WENG, WEIHUA" <[wengweihua@ngcp.ph](mailto:wengweihua@ngcp.ph)>, "DAGSAAN, FIDEL JR." <[fddagsaan@ngcp.ph](mailto:fddagsaan@ngcp.ph)>, "VITOR, ROMULO" <[revitor@ngcp.ph](mailto:revitor@ngcp.ph)>, "BARDOQUILLO, ABNER" <[agbardoquillo@ngcp.ph](mailto:agbardoquillo@ngcp.ph)>, "GALANO, RAUL VENERANDO" <[rmgalano@ngcp.ph](mailto:rmgalano@ngcp.ph)>

**Subject:** RE: Proposed change of Minimum Block from 5MW to 1MW

Good evening Shalom:

Additional comment on our Technical Services group on the issue of 5MW to 1MW:

1. First from the technical point of view, it seems that the proposal doesn't have so much impact for Visayas and Mindanao grids given that the frequency bias thereat is ranges from 3-7MW per point Hz.. This means that if ever, the system requires to reduce or increase generation, NOD will not be encountering difficulties ordering the plant to raise or lower generation considering that only maximum of 7 plants will be called. This assumes that those 7 power plants, which has 1 MW offer, are in the MOT not dispatch or in the MOT dispatch at marginal plant level or region.
2. However, for Luzon, since normally the frequency bias is ranges from 20-30MW, so NOD will order 20 to 30 power plants to increase or decrease its generation in order to maintain the system frequency which is very difficult to implement particularly during reduction of generation based on MOT for dispatch plant.
3. When it comes to the question on the possibility that it will happen, I think this is possible as long as the generator has the freedom to offer more 1MW blocks while maintaining the maximum of 10 blocks rule.
4. It is also very difficult to monitor if the power plants if it will comply to the instructions to reduce its generation by 1MW considering the dispatch tolerance of 3% especially for big generators.
5. Furthermore, the system operator will take longer time to compute the aggregate load of each power plants in order to have a reference in checking the dispatch tolerance.
6. Moreover, NOD will be looking definitely to along list of MOT which is additional burden to them.
7. For commercial point of view, definitely it will give more room for the generators to strategize the price in the market. While it is given that most of the generators in Luzon more or less had a knowledge on the status of all power plants in the grid (which is also given that is very difficult to prove).
8. Frequent complaints from generators, which has 1MW blocks schedule, will be expected. Why? because this will be frequently bump off by those generators that are not following the linear ramping and those big generators that are taking advantage of the 3% dispatch tolerance.

Thanks.

Raul

**From:** "SELUDO, RAUL JOSEPH" <[rgseludo@ngcp.ph](mailto:rgseludo@ngcp.ph)>

**Date:** December 3, 2012, 5:50:13 PM GMT+08:00

**To:** <[sgatomas@wesm.ph](mailto:sgatomas@wesm.ph)>

**Cc:** "ROSALES, AMBROCIO" <[arrosales@ngcp.ph](mailto:arrosales@ngcp.ph)>, "CRUZ, FIDEL C." <[fccruz@ngcp.ph](mailto:fccruz@ngcp.ph)>, "SOTOMIL, EMMANUEL" <[emsotomil@ngcp.ph](mailto:emsotomil@ngcp.ph)>, "DIMALIWAT IV, SANTIAGO" <[sadimaliwat@ngcp.ph](mailto:sadimaliwat@ngcp.ph)>, "BUGAOISAN JR., ERMELINDO" <[erbugaoisan@ngcp.ph](mailto:erbugaoisan@ngcp.ph)>, "PASCUAL, MICHAEL" <[mlpascual@ngcp.ph](mailto:mlpascual@ngcp.ph)>, "ABADILLA, REYNALDO" <[rbabadilla@ngcp.ph](mailto:rbabadilla@ngcp.ph)>, "DAGSAAN, FIDEL JR." <[fddagsaan@ngcp.ph](mailto:fddagsaan@ngcp.ph)>

**Subject:** FW: Limit on 5 MW to 1 MW

Good afternoon Shalom:

Please find comments of various NGCP group on the intention to lower the limit of bid from 5MW to 1MW.

**SCADA COMMENT:**

Technically there is no limitation on SCADA on reducing the limit of bid from 5MW to 1MW. However, it will boil down to how sensitive the meter is in measuring the 1 MW and sending it to the RTU and process it at the Meter Station.

**METERING COMMENT:**

Yes, there can be a metering sensitivity or resolution issue for very large generators with capacities in the hundreds of megawatts, but not for the small generators whose metering facilities are scaled for their small power outputs.

Our metering facilities are expected to be able to resolve increments in power level of +/-1.0% of their ranges between adjacent recording intervals. So for large generators, I would recommend that the starting and incremental bid blocks should not be brought down too much in order to avoid metering resolution or sensitivity issues.

*Raul Joseph G. Seludo*

Head

Luzon System Operations

National Grid Corporation of the Philippines