

MINUTES OF THE 51ST MEETING OF THE RULES CHANGE COMMITTEE

Date : 03 August 2011
Time : 9:00 A.M.
Venue : PEMC Board Room
18th Floor, Robinsons-Equitable Tower
Ortigas Center, Pasig City

MEMBERS PRESENT:

Epictetus E. Patalinghug	-	Acting Chairperson/Independent – UP
Cherry Aquino-Javier	-	Generation Sector – AES
Ralph T. Crisologo	-	Generation Sector – SNAP
Liberty Z. Dumlao	-	Generation Sector – PSALM
Augusto D. Sarmiento	-	Distribution Sector – DECORP
Jose P. Santos	-	Distribution Sector – INEC
Robinson P. Descanzo	-	Market Operator – PEMC
Raul Joseph G. Seludo	-	System Operator – NGCP
Conrado D. Pecjo	-	Supply Sector – Angeles Power, Inc.

ALTERNATE MEMBERS PRESENT:

Isidro E. Cacho	-	Market Operator – PEMC
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MEMBERS NOT PRESENT:

Cynthia R. Encarnacion	-	Generation Sector – NPC
Ciprinilo C. Meneses	-	Distribution Sector – MERALCO

OBSERVERS PRESENT:

Eduardo B. Fernandez	-	DOE (Alternate)
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OTHERS PRESENT:

Milo Lilang	-	DOE
Phillip C. Adviento	-	PEMC – Legal
Millan H. Libongco	-	PEMC – Billing and Settlement
Michael Pascual	-	NGCP – SO

SECRETARIAT

Chrysanthus S. Heruela	-	PEMC – MAG
Elaine D. Gonzales	-	PEMC – MAG
Rheinart O. Banogon	-	PEMC – MAG

After determining the presence of a quorum, the 51st RCC meeting was called to order by the Acting Chairperson Prof. Epictetus E. Patalinghug, at about 10:00 A.M.

1. Adoption of the Proposed Agenda

The Proposed Agenda for the 51st RCC Meeting was presented and approved, as amended. Prof. Patalinghug approved the inclusion of Discussion on Issues Arising from the WESM Participants' Meeting (held on 21 June 2011) as part of Other Matters in the Agenda.

The RCC likewise agreed to discuss the SO Presentation on MRU Data (originally part of New Business) ahead of the Proposed Amendments to the WESM Manual on Management of Must Run Units (part of Business Arising from the Previous Meeting), seeing that any issue/concern

that will arise from SO's presentation may impact RCC's deliberation on the proposed amendments.

2. Review, Correction and Approval of the Minutes of the 50th RCC Meeting

The Minutes of the 50th RCC Meeting was reviewed and approved, as presented.

3. Business Arising from the Previous Meeting

a. Proposed New Manual on the Segregation of Line Rental

Following the RCC's instruction during its last meeting, Ms. Rheinart Banogon presented, for approval, the proposed language summarizing Sections 1.6, 1.7 and 1.8 of the Manual which provides that the new Manual was formulated pursuant to the directive of the ERC, as follows:

"In a decision dated 10 March 2010, the Energy Regulatory Commission (ERC) found double charging in the transmission costs between a generator and a customer involved in a dispute filed before it and thus directed PEMC to provide the parties with "segregated line rental trading amounts" for their BCQ "including actual line losses embedded in said line rental trading amounts" to allow the parties to determine their appropriate line loss charge. PEMC then requested to be allowed to be given sufficient time to submit alternative methodologies that will be applied retroactively and prospectively with the possibility of segregating line rental congestion cost and line losses.

In an order dated 7 March 2011, the ERC allowed PEMC to submit an alternative methodology for the segregation of line rental into congestion cost and line losses for the ERC's additional input in coming up with an expedient means of implementing the segregation of line rental to determine the over and under-recoveries in the past billing months and to prevent double recovery on line losses from occurring henceforth."

Ms. Cherry Javier suggested deferring the approval of the proposed language, to which no objections were raised, pending the Secretariat's review of its consistency with the terms/phrases used in the Energy Regulatory Commission's (ERC) Order in ERC Case No. 2008-083 MC.

On the other hand, Mr. Millan Libongco conveyed regrets that due to the tight schedule, the PEMC Billing and Settlement will not be able to submit and present the results of the simulation on the congestion component of the line rental. He expressed commitment, however, to submit the results before the next RCC meeting.

Ms. Elaine Gonzales relayed PEMC-Legal's request for RCC's speedy resolution on the proposed new manual seeing as the same is due for submission to the ERC by September, as part of PEMC's compliance with the directives of the Commission.

Mr. Ralph Crisologo clarified that the RCC for the most part is amenable with the segregation methodology proposed by PEMC. The RCC simply wishes to verify whether the proposed computation for the congestion cost component is reflective of the actual cost of congestion.

Accordingly, the RCC approved in principle the proposed new Manual subject to the submission of the results of PEMC Billing and Settlements' simulation on the true congestion component of the line rental. Recognizing the urgency of the subject matter, the RCC likewise agreed to submit the proposed Manual to the PEM Board, for approval, during its 25 August 2011 meeting. For this purpose, the RCC requested that the results be transmitted through electronic mail prior to the Board meeting.

Similarly, subject to the submission of the simulation results, the RCC suggested that the Resolution approving the proposed new Manual be routed during the WESM Annual Participants' Meeting on 09 August 2011, for signature.

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

The RCC was furnished with a copy of the consolidated comments received from AES-MPPCL, SN Aboitiz Power (SNAP), NGCP-SO, Trans-Asia Power Generation Corporation (TAPGC) and Technical Committee (TC), for discussion and consideration of the body.

The discussion focused on SNAP's proposed revisions to Sections 5.2 and 5.4 of the MRU Manual, which read as follows:

*"5.2 The System Operator shall **dispatch designate and schedule** MRU/s based on the submitted **hour-ahead Day-Ahead** generation schedule by the Market Operator.*

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*5.4 The System Operator shall officially notify Market Operation **and the Trading Participant** the reason for re-dispatch instruction."*

Mr. Crisologo provided the rationale behind the proposed revisions to the above sections. He explained that it is the point of view of SNAP that there should be no designation of must run units during real time and that trading participants, specifically the involved generators, should be informed of the SO's re-dispatch instruction.

Mr. Raul Seludo argued however that the revisions introduced in Section 5.2 defeats the purpose/intent of the original provision, where SO is given authority to designate MRUs during real time if it finds security problems in the system. He reiterated SO's comments that MRU is its last recourse to ensure that the actual system real time dispatch would comply with the Single Outage Security Limit Criterion. He likewise reiterated SO's comments that there is no need to include "Trading Participant" in Section 5.4, as there are already existing protocols for the dissemination of information, where the SO notifies the MO and the MO in turn notifies the trading participants.

Recognizing Mr. Seludo's and SO's concerns, Atty. Liberty Dumlao suggested retaining the revisions proposed by SNAP to Section 5.2, while adding a colatilla that SO may designate MRU/s during extreme cases involving system security.

Following the above comments and recommendations, the RCC agreed to revise Section 5.2, to read as follows:

"The System Operator shall designate and schedule MRU/s based on the submitted Day-Ahead generation schedule by the Market Operator. For

security-related reasons, The System Operator shall dispatch MRU/s based on the submitted hour-ahead generation schedule by the Market Operator.

While the RCC agreed that there is no longer a need for SO to notify the involved trading participant, given the current MO-SO protocols, the RCC nevertheless reached consensus to further clarify Section 5.4, as follows:

"The System Operator shall officially notify Market Operation the reason for re-dispatch instruction in real time. The Market Operator shall notify all Trading Participants the same information through the system messages of Market Management System."

Upon the suggestion of Ms. Javier, the RCC agreed to defer for next meeting the discussion and deliberation on the proposed revisions to the criteria for MRU designation, pending the SO's submission of and presentation on non-exhaustive list of various scenarios that call for the nomination of MRUs.

Ms. Javier relayed to the RCC the AES- MPPCL's decision to submit another alternative, in addition to its proposed use of the best new Entrant Peaking Plant Price as the basis for the Generation Price Index (GPI) which was presented to and discussed by the RCC in the previous meeting. In view of this, the RCC agreed to defer the deliberation on the various proposed mechanisms for the determination of GPI as a replacement for the current mechanism employed by PEMC.

The RCC then instructed the Secretariat to publish in the WESM website the AES- MPPCL's proposed additional compensation mechanism for MRU, as well as the matrix containing the comments received from various interested parties.

4. New Business

Issues/ Topics Discussed	Remarks	Agreement/ Action Item
A. SO Presentation on MRU Data	<p>As agreed in the previous meeting, Mr. Michael Pascual, Head of the Grid Security Management of NGCP-System Operations (SO), presented, for information and discussion, SO's data and statistics for MRU designation in Luzon and Visayas during the previous months.</p> <p>MRU designation is categorized into two: (a) System Security-Related Reasons; and (b) Non-system Security-Related Reasons. System-security related reasons include System Voltage Requirements, Thermal Limits of Lines/Equipment, Lack of Reserves and Lack of Offers. Non-system security related reasons take account of Regulatory Requirements, Commercial Operation Requirements and System Tests.</p> <p>The following were the highlights of his presentation:</p>	<p>The RCC requested the SO to provide a non-exhaustive list of system-security related scenarios that necessitates the designation of MRUs. Likewise, SO was requested to specify and define instances/situations that compel the SO to deviate from the Merit Order Table (MOT).</p>

- For Luzon System Operations

The data shows that for system security-related reasons, the SO designated MRUs in 882 plant intervals in the first half of 2011, a significant decrease when compared to the 5937 plant intervals during the first half of 2010. On the other hand, for non-system security-related reasons, the SO designated MRUs in 859 plant intervals during the first half of 2010 and only 692 during the first half of 2011. Further breakdown of the data shows that there were significant MRU nominations due to Thermal Limits of Lines/Equipment (735 as against 38) and due to Lack of Reserves (5132 as against 260) in the first half of 2010 as compared to the first half of 2011. In contrast, most of the MRUs designated during the first half of 2011 were used to meet system voltage requirements (584 in 2011 compared to only 70 in 2010).

- As the commercial operations of WESM Visayas only commenced last 26 December 2010, data shown only covers the MRU designation for the first half of 2011, where 32% were due to commercial operation requirements, 30% due to thermal limits of lines and power equipment, 5% to satisfy regulatory requirements, 10% because of inadequate levels of reserve, 22% to meet system voltage requirements and 1% due to system test of NGCP Facilities.

The following were the comments/salient points raised by the body:

- Mr. Crisologo raised concerns on the inadequateness of the list of MRU designation criteria, citing various scenarios that are not covered such as system security threats from NPA and Abu Sayyaf or when the President goes out of the country. He pointed out that the criteria are not comprehensive enough to capture all possible scenarios/circumstances by which MRUs might be called upon. So as to remove the arbitrariness of the decisions of the SO, he suggested that SO come up with a detailed and non-exhaustive list of scenarios that necessitates the designation of MRUs.
- Basing on the data shown, Mr. Crisologo suggested clarifying the "lack of reserve" criterion as "lack of contracted reserve", as the former implies there really is no reserve. He stressed

that it is the mandate of the NGCP to contract these reserves. Mr. Seludo clarified, on one hand, that the SO encountered actual/true lack of reserves during the first half of 2010 due to unplanned outages of some power plants.

- On Ms. Javier's inquiry as to how SO responds when under-generation is experienced, Mr. Pascual explained that SO makes use of the ancillary reserve. On the contrary, Mr. Crisologo viewed that ancillary reserves serve other specific purposes to support the system and thus SO's decision to make use of them to compensate for under-generation should be made into another rule. He added that this is an issue of having to choose between subjecting customers to rotating brownouts for a short period of time due to power shortage and putting the whole system at risk due to deficiency of reserves.

Mr. Seludo called to mind that such was the point of discussion during the initial operations of WESM. He recalled that Mr. Mario Pangilinan's stand then was to maintain the reserve. SO's position however was that customers are being subjected to brownouts when in the first place there are reserves that could minimize their occurrences, to which Mr. Crisologo disagreed. He asserted that reserves should be maintained because under a technical point of view, the system still needs to be protected.

- Mr. Eduardo Fernandez opined that "lack of offers" may well imply capacity withholding and thus stressed the need for the RCC to focus on it. He believed that addressing the said issue will correspondingly address the concerns on MRU, to which Mr. Crisologo clarified that the issue is already being addressed by the Market Surveillance Committee (MSC).
- On instances where ancillary reserves are called to run as MRUs to deliver energy, Mr. Augusto Sarmiento wanted to be clarified on how to reconcile the payment already made by the Distribution Utilities (DUs) to the NGCP for the ancillary services and the payment made to the market for the amount of energy delivered by these plants which are only supposed to be delivering ancillary services.

Mr. Crisologo clarified that the ERC made the distinction that once the generators are called to

run to provide energy, they are no longer paid as ancillary services. He further stated that there will never be a case where generators are paid as ancillary and energy at the same time for the same capacity. In which case, only the unused quantity is paid for as ancillary by the NGCP.

Ms. Javier pointed out that situation/case cited already indicates double payment on the part of the customers, for they are already paying the NGCP for the ancillary services while at the same time paying the market for the MRU.

On Prof. Patalinghug's query on the practices of other jurisdictions for similar situation, Mr. Crisologo replied that there are no MRUs in other jurisdictions. He added that in other jurisdictions, everything is defined and paid once the generators supply the services. In the Philippines' case, however, a big portion of what should be paid is lumped up into an MRU payment scheme which he deemed does not really compensate for the services rendered by the generators.

- Mr. Descanzo expressed his agreement with Mr. Crisologo's comment that low voltage problems should not call for MRU solutions and hence should be addressed by other means.
- Atty. Dumlao inquired on the reason behind SO's designation of Malaya to run as MRU for weeks when it should have been on shutdown.

In response, Mr. Seludo explained that since Malaya requires 12 hours to start-up, it is impractical that it should run on an every-other-day basis. While SO is more than willing to run it as ancillary, he cited that Malaya has not applied thus far as ancillary provider, leaving SO no recourse but to run it as MRU in order to provide reactive power support. Mr. Crisologo remarked that SO should have contracted Malaya, or any other plants for that matter, a long time ago, for it should be compelled to run for a specified time for a specific purpose. In this manner, the supply and demand and the normal framework of the market are not distorted.

Mr. Pascual wanted to clarify that NGCP does have contracted reactive power support providers, most of which however could not really address the system voltage problem for they are located far outside Metro Manila. As a result, the

SO has no option but to call other plants, which are not reactive power support providers, to run as MRU to address the problem.

- Ms. Javier observed that there were instances when the SO deviates from the Merit Order Table (MOT) and designates certain plants to run even when they are not next in line, to which Mr. Seludo replied that perhaps these plants are being called to run in order to meet certain requirements of the system. As he could not provide accurate information on what actually transpires during such instances, he believed that the issue can best be explained by the SO dispatcher who has direct knowledge on the matter. He thus suggested for the SO dispatcher to present in the next meeting to shed light on the queries raised.
- Mr. Pascual informed the body that in 2005, the TRANSCO filed for Luzon Voltage Improvement Programs (Luzon Voltage Improvement Program Package One and Package Two) before the ERC to address the system voltage requirements. The program involves the installation of capacitor banks inside the vicinity of Metro Manila and its outskirt substations. He disclosed that the ERC unfortunately classified Package One as Connection Asset which means that TRANSCO cannot invest on that package as it (TRANSCO) will not be able to recover that asset eventually. He went on to say that after NGCP took over in 2009 and filed again before the ERC, the ERC finally approved the programs, which will be implemented in 2012.
- Noting the various questions raised, Ms. Javier emphasized the need for SO to properly disseminate information to all concerned, particularly on the process by which they arrive at certain decisions which ultimately affect the generators and customers alike.

Mr. Seludo recognized the lack of initiative on SO's part to be transparent in their decisions, which is why the NGCP's Corporate Affairs, together with the System Operations, is proposing to conduct a generators' meeting similar to that of WESM participants' meeting. He disclosed that the meeting will serve as the venue for generators to air out their concerns and issues and for SO to properly address them.

- On the issue of lack of reserves, Mr. Seludo

	<p>enlightened the body that NGCP is in its planning stages to contract certain plants in order to meet system reserve requirements in due course, although he acknowledged that this is not an easy undertaking. In the meantime, however, that the same is ongoing and as the situation stands now, he requested that the "lack of reserves" criterion be retained for the time being until the reserve requirements are met. He likewise suggested that the "system voltage requirement" be retained as well, at least until such time as there are enough sufficient capacitors.</p> <p>Following the discussion, the RCC requested the SO to provide, as far as they know and have experienced, a non-exhaustive list of system-security related scenarios that necessitates the designation of MRUs. Similarly, the RCC requested the SO to specify and define instances/situations that compel the SO to deviate from the Merit Order Table (MOT).</p>	
<p>B. VECO's Proposed Changes to the WESM Rules on Trading Amount Computation</p>	<p>The RCC discussed the Visayan Electric Company's (VECO) proposed changes to the WESM Rules which introduce a single market nodal pricing mechanism, 15-minute pricing interval, and changes to the line rental computation.</p> <p>Ms. Javier commented that VECO's proposal is related to the proposal of the AES-MPPCL to revise the customer settlement amount calculations, which was eventually withdrawn.</p> <p>Mr. Crisologo noted that VECO's proposed single market nodal pricing mechanism intends to eliminate the discrepancies between the dispatch schedule and the actual events. For the appreciation of the body, he explained that the market design of the Philippines is using the same model as that of New Zealand which raises complications as it involves one-hour dispatch period. He went on to explain that other jurisdictions, like Europe, employ a day-ahead market in which the trading participants submit their bids and offers ahead of time, and the system operations for their part uses balancing market for the real time. He added that one of the drawbacks of the Philippine market, which is a real-time market and adopts the nodal pricing methodology, is that it does not really allow for financial derivatives and financial contracting. That being said, he viewed that VECO's proposal should be tackled as framework change rather than a specific rules change, to which</p>	<p>The RCC agreed to request the comments of PEMC, particularly the Billing and Settlement and IT Group, as regards the feasibility and implications of the 15-minute trading interval, single settlement system and changes to the line rental computation.</p>

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the RCC agreed citing that there is a need to review the current market framework.

Mr. Chrysanthus Heruela enlightened the body that VECO's proposal is not too far off from the five-minute market design originally contemplated upon. The issue then, however, was the availability of data from SO and other market participants. It is for these certain limitations that the 60-minute trading interval was considered and eventually implemented, where schedules are determined at ex-ante while prices are determined at ex-post. He likewise shared that it was originally envisioned having a day-ahead market as well.

Contrary to the RCC's view, Mr. Heruela opined that VECO's proposal is still consistent with the existing framework and thus does not require a framework change. Ms. Javier pointed out, however, that the very idea of eliminating the ex-post process already necessitates for a framework change. In response, Mr. Heruela explained that the reason why there is an ex-post process is to correct and settle the possible deviations/variations from the dispatch schedule within the 60-minute trading interval, which will be greatly reduced (the variations) with a shortened trading interval, such as the 15-minute being proposed by VECO. As regards the need to review the current framework, he remarked that it is for this reason that the RCC was established. The RCC, membership of which is composed of market participants, is in the position to validate whether the existing market design is consistent with the requirements and needs of the market.

In turn, Mr. Crisologo wanted to know whether the existing Market Management System (MMS) can be modified to adapt to VECO's proposal.

Noting the concerns raised, Mr. Descanzo suggested requesting the PEMC Information and Systems and Technology (IST) Department to assess the capability of the MMS, whether it will be able to support whatever changes that will be introduced by the RCC. Mr. Crisologo recommended seeking the comments of PEMC Billing and Settlement Group as well citing that the proposal introduces changes to the settlement processes.

On Ms. Gonzales' suggestion to publish VECO's proposal in the WESM website to likewise solicit comments from interested parties, Mr. Crisologo suggested holding it off and await first the comments of PEMC. He explained that the RCC would like to

	<p>determine first the capability of the MMS to adapt to the changes introduced by VECO. He opined that there is no point in requesting the comments of other parties if there are already limitations at the outset. If upon PEMC's assessment there is a possibility that it can be implemented, then the RCC can thereafter publish VECO's proposal for comments.</p> <p>Taking into account that VECO's proposal may require modification of the framework and design of the market, the RCC agreed to request the comments of PEMC, particularly the Billing and Settlement and IST Group, as regards the technical and commercial feasibility and implications of the 15-minute trading interval, single settlement system and changes to the line rental computation.</p>	
C. RCC 2011 Semestral Report	<p>The Secretariat requested the RCC's approval on the draft RCC 2011 Semestral Report, which was prepared by MAG and sent earlier to the RCC thru email for comments. The said report is in compliance with the requirement set forth under Section 11.1 of the Manual of Procedures for Changes to the WESM Rules. Ms. Banogon informed the body that the draft Report has been revised to incorporate the following comments/recommendations received from Ms. Javier, Mr. Sarmiento and Mr. Meneses:</p> <ul style="list-style-type: none"> • Third sentence of Paragraph 2 under Section II.A entitled "Formulation and Status of the 2011 RCC Work Plan was revised to read as follows: <p><i><u>"It was explained that the proposal would complicate MERALCO's data and affect its net system input affect the consistency of MERALCO's data, particularly the data series on its Net System Input."</u></i></p> <ul style="list-style-type: none"> • Paragraph 3 of the same section was revised as follows: <p>Likewise withdrawn was the AES- Masinloc Power Partners Company Ltd.'s (MPPCL) proposed WESM Rules change on Customer Settlement Calculations. Results of the simulation conducted by the PEMC-Billing and Settlement show that the AES-MPPCL's proposal to either: a) make the Ex-Ante Quantity Scheduled Withdrawal (EAQSQ) equal to the Actual Quantity of Energy Withdrawn (AEQW); or b) to make the Ex-Post Price equal to the Ex-Ante Price, will cause a deficit in the settlements of WESM on the generators' side</p>	<p>The RCC approved the 2011 Semestral Report, for submission to the PEM Board.</p>

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	<p>and is thus not feasible. <u>The resulting deficit is defined as the sum of all total trading amount of customers is less than the sum of all total trading amount of generators.</u></p> <ul style="list-style-type: none"> Other changes are clerical in nature. <p>The RCC approved the revised RCC 2011 Semestral Report covering the RCC activities/accomplishments for the period January to June 2011, incorporating the comments/recommendations of the RCC, for submission to the PEM Board.</p> <p>For RCC internal monitoring purposes, Mr. Crisologo requested the Secretariat to conduct an assessment on the RCC's performance with respect to the 2011 RCC Work Plan, i.e., on whether the RCC has accomplished all items in the Work Plan as scheduled. Similarly, he suggested citing possible reasons for delays in the time taken to resolve certain issues, which could either be the proponents' failure to submit on time the assigned topics or RCC's inability to reach a speedy resolution.</p>	
D. Board Review Committee Updates	<p>The subject matter relates to the RCC's request for PEM Board's approval on the following RCC agreements:</p> <ul style="list-style-type: none"> To endorse the issues/ concerns raised by 1590 Energy Corporation (EC) to the PAC, for inclusion in the audit scope of the ongoing 2nd Independent Operational Audit of the Systems and Procedures on Market Operations. To request the MSC to propose the incorporation of the provisions of the ERC-PEMC Protocol in the WESM Rules and pertinent Manuals. <p>Prof. Patalinghug relayed that the abovementioned matters were not elevated to the PEM Board as the Board Review Committee (BRC) made the following recommendations to the RCC during its meeting on 22 July, which he attended together with Ms. Javier:</p> <ul style="list-style-type: none"> RCC to request clarification from the 1590 Energy Corporation (EC) as regards the intent of its letter, whether it was written with the end in view of endorsing it to the PEM Audit Committee (PAC) given the subject of the letter (Scope of Audit) or to the RCC given that towards the end of its letter, it was requesting for a revision of the 	<p>The RCC reached the following agreements:</p> <ul style="list-style-type: none"> The RCC agreed to carry out the incorporation of the provisions of ERC-PEMC protocol in the WESM Rules and Manuals using the Exhaustive List of Suggested Revisions to the WESM Rules and MSCEM Manual previously drafted by PEMC-Legal as reference. The RCC likewise agreed to request the comments/inputs of the MSC with regard to the said subject matter.

	<p>WESM Rules;</p> <ul style="list-style-type: none"> For RCC not to endorse to the Market Surveillance Committee (MSC) the proposed incorporation of the provisions of the ERC-PEMC Protocol in the WESM Rules and pertinent WESM Manuals. The RCC may, however, request the comments/inputs of the MSC. <p>For the information and appreciation of the body, Prof. Patalinghug explained that the BRC screens the topics for agenda in the PEM Board meetings.</p> <p>Basing on the tone of the discussion during the BRC meeting, Ms. Javier remarked that it appears that the approach by which the RCC tackled the two issues were questioned, when the instruction was for the RCC to act upon them.</p> <p>Mr. Crisologo commented that he finds nothing wrong with endorsing certain issues to other Committees, to which Atty. Dumlao seconded citing that the RCC does not claim to be an expert on everything. She added that it seems endorsing the matters to the PAC and MSC gave BRC the impression that the RCC is shirking from its responsibility.</p> <p>Mr. Fernandez, who was requested to voice his opinion on what transpired, expects each member to focus on their mandated responsibilities and roles, which he deemed crucial to the market bearing in mind that billions of pesos are being transacted. Mr. Crisologo responded that the RCC is cognizant of its role, which is precisely the reason why they are being careful and cautious. He likewise relayed his request for the BRC, if it deems that the RCC is not doing well and shirking from its responsibilities, to make a recommendation to change the composition of the RCC.</p> <p>Ms. Javier opined that the BRC however is not the proper venue to raise the aforesaid issues, and that issues/concerns relating to the decision-making of the RCC should be elevated to the PEM Board, for appropriate action. Atty. Dumlao remarked that the PEM Board can always overrule the decision of the RCC.</p> <p>Mr. Fernandez expressed his opinion on the matter. He recognized that when the WESM Rules was initially crafted, it was not perfect and definitely it would have to be revised eventually. He felt however that the RCC is making a mockery of the</p>	<ul style="list-style-type: none"> The RCC agreed that there is no longer a need to write a clarificatory letter to the 1590EC, bearing in mind the merchant generators' intention to submit two rules changes proposals in relation to the concerns of 1590EC.
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imperfections of the WESM and of the whole Energy family, making a reference to RCC's propensity to laugh at MO, SO and DOE as well as making comments that may offend them during meetings. He also recalled an instance when his request for the RCC to be professional and to establish a certain meeting protocol led to his ejection during one of the meetings. He maintained that while it is fun to have a kind of atmosphere where everybody feels at home with one another, there are certain situations however where the RCC must be professional.

Mr. Crisologo clarified that for his part, he doesn't poke fun at SO, MO and DOE or any other company, but rather just engages in lively banter with the person representing the agency whom he happens to know on a personal level. He added that he always treats people as people and does not expect them to be representatives of whatever government agency unless they are the DOE Secretary or the PEMC President, citing that there is a high authority that represents the organization or group. He stated as well that he cannot even say that he represents SNAP in absolute terms. While he respects the opinion of Mr. Fernandez, he expressed total disagreement stating that the RCC is not mocking the said agencies.

Mr. Fernandez mentioned, as a case in point, that during the last meeting, somebody from the RCC seemed to question the intention of the audit, which he believed is foul.

Atty. Dumlao opined that they are all entitled to ask questions and it would be irresponsible not to comment on something or not to process something or seek clarification.

Prof. Patalinghug similarly expressed his opinion. He remarked that the jokes and the discussion during PEM Board meetings are not different from those of the RCC meetings. He said that he has been at the DOE family and in the industry long enough, longer than Mr. Fernandez, and that if there is somebody who respects the DOE family, it is he. He believed that Mr. Fernandez, from a policy standpoint, has no policy expertise and does not understand the macro side.

On Mr. Fernandez's comment that questioning the audit was foul, he remarked that it was not an insult to question the internal audit and that it was just part of the whole RCC process. He wanted to clarify that the RCC has not been insulting the DOE and that his

concern is about how WESM works. He told Mr. Fernandez not to get too personal as they are both interested in making the industry work.

On Mr. Crisologo's request for clarification with regard to the creation of the BRC, Ms. Banogon cited an excerpt of Minutes from the 23 July 2009 meeting of the Board, where it was stated that the BRC is tasked to assess and screen items for agenda and ensure that appropriate and complete staff work is done prior to its presentation to the Board for policy determination and directions.

The RCC then proceeded to discuss its resolution/decision on the BRC recommendations.

Pursuant to the recommendations of the BRC, the RCC agreed to carry out the incorporation of the provisions of ERC-PEMC protocol in the WESM Rules and Manuals using the Exhaustive List of Suggested Revisions to the WESM Rules and MSCEM Manual previously drafted by PEMC-Legal as reference. Nevertheless, the RCC deemed that MSC's inputs, given its surveillance function, are crucial in the RCC's review of the ERC-PEMC protocol. Thus, the RCC agreed to request the comments/inputs of the MSC on the said subject.

As regards the BRC recommendation for RCC to write 1590EC, Ms. Javier relayed that the merchant generators, in which 1590EC is also part of, intends to submit to the RCC two rules changes proposals in relation to the 1590EC's concerns/issues. Thus, it is no longer necessary to write 1590EC a letter requesting for clarification.

Considering that the 1590EC letter was addressed to the PEM Board (and not to the RCC), Mr. Crisologo opined that the RCC has no personality or authority to write the 1590EC, to which Ms. Gonzales replied that the RCC could mention in its letter that they were directed by the PEM Board to look into the 1590EC's letter.

Mr. Sarmiento for his part found the language of the letter not ambiguous. He viewed that 1590EC was rather clear in its request that certain items relating to the conduct of market re-runs be reviewed first before proceeding with, if necessary, revising the rules. He added that even with the submission of the proposed rules changes by the merchant generators, the RCC nevertheless has to await the results of the audit.

	Following the comments expressed by Messrs. Crisologo and Sarmiento as well as the information relayed by Ms. Javier, the RCC resolved that there is no need to write a clarificatory letter to the 1590EC. The RCC likewise maintained its decision to await the audit findings and recommendations for rules changes by the External Auditor. Finally, the RCC agreed to await PAC's response to the RCC's memo, endorsing the concerns of the 1590EC for inclusion in the audit scope.	
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5. Other Matters

a. 5th WESM Annual Participants' Meeting

The RCC was reminded of the Annual WESM Participants' Meeting on 09 August 2011, to which the RCC noted.

b. Summary of Issues Arising from the Focused Group Discussion During the WESM Participants' Meeting held on 21 June 2011

It may be recalled that during its previous meeting, the RCC discussed the summary of issues which arose during the Focused Group Discussion in the WESM Participants' Meeting held on 21 June 2011, during which the RCC subsequently agreed to identify the WESM Manuals pertinent/relevant to the issues raised by the trading participants.

Mr. Descanzo viewed, however, that the RCC should take an active role in addressing the concerns/issues raised by the trading participants. He therefore suggested that RCC identify the issues which require action and rules changes proposals from the RCC. For this purpose and in the interest of time, the RCC instructed the Secretariat to send through electronic mail the tabulated summary of participant issues.

Mr. Descanzo likewise suggested that sectoral members of the RCC solicit rules changes proposal from their respective sector.

c. MO Alternate Member in the RCC

The RCC acknowledged the appointment of Mr. Isidro Cacho as alternate to Mr. Descanzo, representing the Market Operations Group in the RCC. He was appointed by the PEM Board during its meeting on 28 July 2011.

6. Next Meeting

The RCC agreed to hold its next meeting on 07 September 2011.

7. Adjournment

There being no other matter to be discussed, the meeting was adjourned at 4:19 P.M.

Prepared by:

Rob Banogon


Rheinhart O. Banogon

Reviewed and Noted by:


G. Rodriguez


Geraldine A. Rodriguez

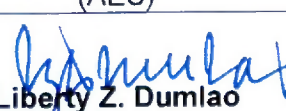
Approved by:
RULES CHANGE COMMITTEE


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

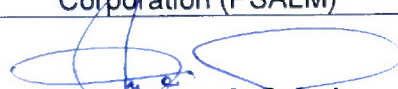
Members:

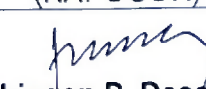

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Ralph T. Crisologo
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(SNAP)



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

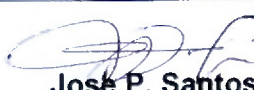
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Raul Joseph G. Seludo
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(NGCP)


Robinson P. Descanzo
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(PEMC)

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


Augusto D. Sarmiento
Distribution Sector (PDU)
Dagupan Electric Corporation
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Jose P. Santos
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(INEC)


Conrado D. Pecjo
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