

MINUTES OF THE 52ND MEETING OF THE RULES CHANGE COMMITTEE

Date : 07 September 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
Francisco L.R. Castro Jr.	-	Independent – The Herma Group
Maila Lourdes G. de Castro	-	Independent – Unitel Productions, Inc.
Rowena Cristina L. Guevara	-	Independent – UP
Cherry Aquino-Javier	-	Generation Sector – AES
Cynthia R. Encarnacion	-	Generation Sector – NPC
Liberty Z. Dumlao	-	Generation Sector – PSALM
Ralph T. Crisologo	-	Generation Sector – SNAP
Augusto D. Sarmiento	-	Distribution Sector – DECORP
Ciprinilo C. Meneses	-	Distribution Sector – MERALCO
Jose P. Santos	-	Distribution Sector – INEC
Conrado D. Pecjo	-	Supply Sector – Angeles Power, Inc.
Raul Joseph G. Seludo	-	System Operator – NGCP

ALTERNATE MEMBERS PRESENT:

Reynaldo B. Abadilla	-	System Operator – NGCP
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MEMBERS NOT PRESENT:

Sulpicio C. Lagarde Jr.	-	Distribution Sector – CENECO
Robinson P. Descanzo	-	Market Operator – PEMC

OTHERS PRESENT:

Ambrocio R. Rosales	-	NGCP – SO
Ermelindo R. Bugaoisan	-	NGCP – SO
Rienzi O. Zaño	-	SNAP
Maila C. Ubalde	-	PEMC – IST
Ma. Nerissa A. Cordoba	-	PEMC – IAD
Hazel M. Gubaton	-	PEMC – IAD
Angelica C. Segarra	-	PEMC – IAD

SECRETARIAT

Geraldine A. Rodriguez	-	PEMC – MAG
Rheinhardt O. Banogon	-	PEMC – MAG

After determining the presence of a quorum, the 52nd RCC meeting was called to order by the Acting Chairperson Prof. Epictetus E. Patalinghug, at about 9:20 A.M.

1. Adoption of the Proposed Agenda

The Proposed Agenda for the 52nd RCC Meeting was presented and approved, as amended. Upon the suggestion of Mr. Raul Seludo, the RCC agreed to discuss the Proposed Amendments to the WESM Dispatch Protocol on the Inclusion of Merit Order Table (part of

new Business) after NGCP-System Operator's (SO) presentation on Various Scenarios for MRU Nomination, noting the connection between the two items.

2. Review, Correction and Approval of the Minutes of the 51st RCC Meeting

The review, correction and approval of the Minutes of the 51st RCC Meeting was deferred, considering that the Secretariat was not able to prepare the same in time for the 52nd RCC Meeting. It was agreed that the Minutes be disseminated through electronic mail for comments and approval by the RCC.

3. Introduction of Newly-Appointed RCC Members

Prof. Patalinghug introduced the newly-appointed RCC independent members, namely:

- a. Francisco L.R. Castro Jr.
- b. Maila Lourdes G. de Castro
- c. Rowena Cristina L. Guevara

Accordingly, the RCC acknowledged and welcomed the newly-appointed RCC members.

4. Business Arising from the Previous Meeting

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

Ms. Cherry Javier presented the proposed revisions to the MRU Manual submitted, through electronic mail dated 05 September, by the Merchant Generators composed of 1590 Energy Corporation, Aboitiz Power Inc., AES Philippines/ Masinloc Power Partners Co. Ltd., SN Aboitiz Power and San Miguel Energy Corp.

In summary, the Merchant Generators propose the following:

- Redefine MRU as a generating unit identified and instructed by the SO outside of the Merit Order Table (MOT) to: (a) come on line; (b) provide additional energy in an interval; or (c) reduce the provision of the relevant energy specified in its RTD instruction on a particular trading interval to address system security requirements and other considerations.

Ms. Javier emphasized that item (c) of the proposed definition already encompasses the must-stop rule.

- Classify the criteria for the nomination of MRU into two major categories: SO-Initiated and Trading Participants-Initiated replacing System Security and Additional Considerations, respectively.
 - Under the SO-Initiated are the following already existing criteria:
 - ✓ System voltage requirements
 - ✓ Thermal limits of transmission line and power equipment
 - ✓ Systems tests of TransCo facilities/equipment
 - ✓ Local calamities and emergencies

- Removal of the following as criteria for the selection of MRUs:
 - ✓ Insufficient offers from generators
 - ✓ Inadequate reserve levels
- Addition of the following as criteria for the selection of MRUs and which are classified under SO-Initiated:
 - ✓ Fast Ramp-up requirement
 - ✓ Ramp-down Requirement
- Employ new pricing mechanisms (in lieu of the current GPI compensation mechanism) by which MRUs are compensated, which will already reflect the true cost of generation and will thus no longer necessitate the additional compensation scheme. The proposed pricing mechanisms differ between SO-Initiated and Trading Participants-Initiated MRUs.
 - For SO-Initiated, the MRU settlement price shall be based on capacity and variable price offers of the generating unit, which the generating unit shall nominate to MO.
 - For Trading Participants-Initiated, the MRU shall take the resulting ex-ante price for the interval/s for scheduled MRU and ex-post price for real-time MRU.

The following were the comments raised by the body:

- Referring to Ms. Javier's statement that the generators' offers for capacity and variable fee are standing, Mr. Ciprinilo Meneses wanted to know the frequency of updating the generators' offers, considering that the variable cost normally varies each month. Ms. Javier replied that while the frequency is not contemplated in the proposal, it could be deliberated upon for possible inclusion.

Mr. Meneses likewise perceived that with the introduction of the new pricing mechanisms, the MRU cost will vary among different types of generator, to which Ms. Javier concurred.

- Ms. Cynthia Encarnacion recommended including in the MRU Manual a certain compensation mechanism for generators which dispatch instructions are cancelled by SO. As a case in point, she cited an instance when SO cancelled its dispatch instruction to NPC's power barge in Visayas (which the SO originally scheduled to run) because it was not able to meet the target within the period. She remarked that the cancellation has monetary repercussions on the power barge considering that it was already running and thus consumed a certain amount of fuel when it received instruction from SO to cancel. NPC is thus proposing that for this type of situation, generators should be compensated by NGCP.

In response, Ms. Javier suggested for NPC to come up with and submit its proposal to the RCC, covering the above recommendations.

- With the end of view of ensuring consistency between the proposed revisions and the current SO protocols, Mr. Seludo relayed the SO's intention to submit its comments and own version of proposed revisions to the MRU Manual, for presentation in the next RCC meeting.
- Bearing in mind that it is the consumers who will ultimately bear the effect of the proposed changes, Dr. Rowena Guevara inquired on whether it is possible to quantify

the price effect of such changes, adding that while she saw the benefits of the changes for the generators, she likewise wanted to see their effects on the demand side.

Mr. Crisologo stated that quantification involves a lot of simulation and study. For better understanding, he explained that the Merchant Generators are introducing changes to the existing processes because they viewed that the process by which SO carries out its operations somehow interferes with the pricing mechanism of the WESM, citing that such interference results in a price much different than that calculated under normal market operations. It is the objective of the proposed changes that the resulting price brought about by the interference will be confined to the affected generators only and will not cascade through other generators.

Ms. Javier provided further explanation by citing that there were instances where SO designates generating units to run which does not necessarily follow the order of dispatch provided in the MOT or which are not included in the MOT. These generators are being paid using the GPI compensation mechanism, results of which are shown to be insufficient to compensate for the operating costs incurred by the generators.

- Following the suggestion of Ms. Geraldine Rodriguez and considering the extent of the proposed changes introduced by the Merchant Generators, the RCC approved the publication of the same in the WESM website for comments from market participants and other interested parties.

On the process of soliciting comments on any rules change proposal submitted to the RCC, Mr. Ralph Crisologo suggested for the Market Assessment Group (MAG) to come up and consider other means that will encourage more active participation from the market participants.

To facilitate RCC's deliberation on the criteria for MRU designation, Mr. Ambrocio Rosales, Head of the SO-Network Operations Division, presented the management of and the various specific scenarios that require the nomination of must run units.

The following were the highlights of his presentation and the discussion that ensued in the course of the presentation:

- Presented the various responsibilities/mandates of the System Operator laid out in the Philippine Grid Code, putting emphasis on Section 3.2.2.2 which states as follows:

"System Operator shall maintain the fundamental frequency within the limits of 59.4 and 60.6 Hz during normal conditions. However, the System Operator shall intervene when the Frequency limits of 59.7 and 60.3 Hz are breached."

- Showed an actual plot of the grid frequency for a particular interval, drawing attention to instances when the grid frequency violated the ± 0.5 % of 60 Hz.

At this juncture, Mr. Rosales reiterated SO's responsibility to maintain at all times the grid frequency within the allowable range. For this purpose, the SO is mandated to use the regulating reserve to control the grid frequency within the prescribed frequency limits. However, it is during these instances when the frequency breaches the ± 0.5 % of 60 Hz and when the regulating reserve is depleted that the SO has to refer to the MOT and subsequently directs certain generators with fast ramp down rate to reduce their output. He likewise stressed that while SO does not want to deviate from the real time dispatch schedule, there are instances that the SO has to, given the dynamic

nature of the system, citing scenarios such as unexpected tripping of the generators and rapid fluctuation of the frequency. He shared that SO statistics show that occurrence of blackout has been limited to once every 5 years, which could be credited to SO's commitment to its mandate to maintain and balance at all times the supply and demand and to maintain the grid frequency within its allowable range.

Mr. Rosales further explained that when the grid frequency on the other hand breaches the 59.7 Hz limit, SO's course of action is to increase the output of certain generators with fast ramp up rate, following the ranking/order of the not-dispatched offers indicated in the MOT. There are cases however where the rate by which the generators increase their generation output could not catch up with declining frequency, leaving SO with no choice but to use the contingency reserve momentarily and if necessary, the dispatchable reserve as well. The SO likewise makes use of generators which offers were not cleared in the market or with no offers at all, but are available within the trading interval to come on-line in order to provide additional energy. These generators are classified by the SO as real time MRUs.

Mr. Crisologo pointed out the arbitrariness of the decisions of SO, referring to the fact that the reserves are not being used for their intended and defined purpose.

Mr. Crisologo inquired on the level of regulating reserve upon which the SO based its decision to refer to the MOT in order to normalize the grid frequency and on whether there is a procedure which details such. Mr. Rosales responded that SO will use the generating units listed in the MOT only when the reserve capacity is depleted, details of which is described in one of the internal procedures of SO.

Mr. Meneses wanted to know whether the regulatory prescription for the regulating reserve which is 4% of the peak demand for the interval is insufficient or NGCP is simply not finding enough providers to meet the 4% requirement, to which Mr. Rosales replied that as it is now, NGCP is not able to acquire enough providers. He clarified, however, that there are certain intervals that the 4% requirement is met.

On Dr. Guevara's recommendation to make the MOT multi-dimensional where other parameters such as fast ramp up and down rates are considered, Mr. Crisologo commented that MO is in a better position to respond to that.

Mr. Augusto Sarmiento for his part remarked that he hoped for a meeting of the minds among SO, MO and the generators for any decision made will ultimately affect the Distribution Utilities (DUs). Further, he suggested that SO come up with a procedure which details and describes specific solutions for a particular system security related case/scenario.

- Presented the criteria for the selection of must run units as well as the data and statistics on MRU utilization and reasons for MRU designation during the previous months, which were already presented to the RCC during the previous meeting.
- Explained that for dispatch implementation, the MO provides RTD schedule to SO, which in turn issues dispatch instruction to participants.

Dr. Guevara inquired on whether it is possible to conduct a post audit of the decision of the dispatch where SO's historical data is analyzed so as to determine how SO arrives at or makes certain decisions. She surmised that SO must have been making the right decisions because they are able to maintain a certain level of security and reliability.

She went on to explain that in her field, there is such a thing called artificial intelligence where one's action is mimicked by looking at the past decisions.

Mr. Rosales clarified that there are existing procedures followed by SO, which perhaps need to be looked into to ascertain how they could be harmonized with WESM procedures.

- Showed a sample merit order table which contains list of generators dispatched and not dispatched.
- Presented the various specific scenarios that require the nomination of must run units.
 - Depleted reserve due to high intra-hour demand.

It was explained that notwithstanding the forecast conducted by MO, in reality, there are variations in the system demand which the MO could not detect but which the SO on the other hand has to keep an eye on during real time. There are instances during the intra-hour or within the trading interval when the demand is higher than the forecasted, in which case it is the regulating reserve that will respond to maintain the grid frequency. However, in cases where the reserves are depleted, the SO's course of action is to nominate MRUs.

For purposes of clarity, Mr. Meneses stated that it is not the 4% that is depleted, but rather the available regulating capacity which is obviously below 4%.

Mr. Crisologo inquired whether it is possible to segregate and identify external factors, other than the normal, that causes frequency change such as line tripping, derating of power plants and non-compliance with the RTD schedule in order to devise a compensation mechanism for generators that are being called to run as a result of these circumstances. He opined that generators should not bear the cost for the tripping of lines or for the non-compliance of other generators.

- MRU due to System Voltage Requirement

This occurs when a voltage problem is detected during the conduct of security analysis or voltage simulation study by SO, which necessitates certain generators to run to provide reactive power support.

Mr. Crisologo stated that it is clear that the Market Management System (MMS) does not really capture the real time scenario, particularly the voltage issue, of grid security, to which he is totally not amenable with as he viewed that the MMS should be able to capture the security-related issues so that it will generate a price that reflects the reality.

Mr. Rosales deemed that MO is in a better position to respond to the issue raised by Mr. Crisologo.

- MRU due to Thermal Limits of Lines/Equipment, where MRUs are designated in order to comply with the N-1 contingency criterion.
- MRU due to Insufficient Offers/Lack of Energy

In this case, MRUs are designated during cases where the available supply capacity is less than the day-ahead forecasted system demand.

Mr. Rosales relayed, however, that SO agrees with the removal of the insufficiency of offers as one of the criteria as it is not system security-related.

Mr. Sarmiento inquired on whether the SO makes use of voltage control to control the demand, where the transmission voltage is reduced in order to reduce the demand, to which Mr. Reynaldo Abadilla replied that carrying out voltage control has minimal impact on the system, based on the previous simulations conducted. He added that SO could perhaps revisit the said matter to gauge its implications on the system.

- MRU due to inadequate level of reserve

This occurs when the actual demand is high, in which case the ancillary service providers are compelled to run to meet the demand, after which MRUs are designated in order to restore the appropriate level of reserve.

- It was relayed that all data pertaining to the MRU (e.g. date, time, name of unit, capacity as well as the reasons/circumstances by which they are called to run) are provided by SO to MO.

Following the presentation, the RCC agreed to request the SO for its internal procedures on the management and dispatch of must run units with the end in view of harmonizing it later on with WESM's existing procedures. For this purpose, the Secretariat was instructed to draft a letter addressed to SO-Chief Technical Officer.

b. Proposed New Manual on the Segregation of Line Rental

Ms. Rheinart Banogon informed the RCC of the PEM Board's approval during its 25 August 2011 meeting of the proposed new WESM Manual on the Segregation of Line Rental which the RCC submitted to the Board, following an 8-3 vote in favor of the said Manual.

5. New Business

Issues/ Topics Discussed	Remarks	Agreement/ Action Item
A. Proposed Amendments to the WESM Dispatch Protocol on the Inclusion of Merit Order Table (MOT)	<p>Mr. Rienzi Zano of SN Aboitiz Power presented, in behalf of the Merchant Generators, the background and details of the proposed amendments to the Dispatch Protocol regarding the inclusion of MOT, as follows:</p> <ul style="list-style-type: none"> • As a backgrounder, it was explained that the MOT is used by SO as basis for its dispatch instructions to the trading participants; however, the MOT has never been defined in the WESM Rules or in WESM Manual. While the Dispatch Protocol Manual defines the concept of target dispatch of generating units, it makes no mention however of their order of stacking. 	<ul style="list-style-type: none"> • The RCC approved the publication of the proposed amendments in the WESM website for comments. • The RCC agreed to request the PEMC-TOD for a presentation in the next meeting

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	<ul style="list-style-type: none"> • The Merchant Generators have identified several issues as regards the current practice by which the MOT is implemented: <ul style="list-style-type: none"> – There is discrepancy between the ex-post results and actual dispatch of the generating units, in which a generator that should not have been scheduled basing on offers is scheduled in the ex-post or vice versa. This implies that there is a deviation from the MOT by the SO. – Price offers of generators are not consistent with their dispatch and WESM price results. • The Merchant Generators have come up with some solutions to address the identified issues/problems: <ul style="list-style-type: none"> – Include the MOT in the Dispatch Protocol Manual for proper implementation by the MO and SO. – The MOT shall identify the order of dispatch of generating units' energy blocks. It was further explained that what is currently being published in the WESM website is the list of generating units' energy blocks only but in no particular order. – Any deviation of SO dispatch instructions from the MOT should be recorded and reported to MO for proper settlement. • It is expected that the changes introduced will result in the following: <ul style="list-style-type: none"> – Consistency of generating <i>units</i>' dispatch with the ex-post results of MDOM. This means that if the SO follows the order of the MOT, the results will reflect the actual prices or actual dispatch based on the offers of the generators. – Proper WESM pricing mechanism. <p>The following were the concerns/salient points raised by the body:</p> <ul style="list-style-type: none"> • Ms. Javier clarified that the proposed changes do not mean to limit the functions of SO but rather to refine existing processes so that dispatched 	<p>on the procedures being followed in coming up with the Merit Order Table.</p>
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	<p>generators outside of MOT are properly compensated, referring to the fact that SO's dispatch instructions deviating from the MOT are not reflected in the ex-post run.</p> <ul style="list-style-type: none"> Mr. Rosales clarified that any deviation from MOT or any changes in the dispatch schedule for that matter is reported by the SO to the MO on an hourly basis. Aside from the hourly reporting, the SO likewise does end-of-the-shift reporting. In this regard, he suggested including a provision that will require MO to provide the trading participants with the said information. <p>There being no further comments, the RCC reached the following agreements:</p> <ul style="list-style-type: none"> RCC approved the publication of the proposed amendments in the WESM website for comments. Upon the suggestion of Mr. Rosales and to likewise facilitate the deliberation on the proposed amendments, the RCC agreed to request the PEMC-Trading Operations Department (TOD) for a presentation in the next meeting on the procedures being followed in coming up with the Merit Order Table. 	
<p>B. Proposed Amendments to Various WESM Manuals on RTD Pricing Error Notice Issuances</p>	<p>Mr. Zano presented the detail of the proposed amendments to various WESM Manuals on RTD Pricing Error Notice (PEN) Issuances, as follows:</p> <ul style="list-style-type: none"> As a background, it was explained that PENS due to contingency constraint violation on MERALCO interchange as a result of N-1 contingency on their corresponding transformers occur 42% of all intervals on the average each month this year, mostly occurring during peak hours. <p>In July 2011 billing period, 95% of peak intervals are PENS due to contingency constraint violation on MERALCO interchange as a result of N-1 contingency on their corresponding transformers.</p> <p>To avoid confusion, Mr. Meneses clarified that the transformers mentioned in the preceding paragraph pertains to the transformers owned by NGCP transformers (except for those transformers in Balintawak substation which Mr. Rosales clarified as MERALCO-owned).</p>	<ul style="list-style-type: none"> RCC approved the publication of the proposed amendments in the WESM website for comments.

	<ul style="list-style-type: none"> • The following are cited as causes of RTD PENs: <ul style="list-style-type: none"> – The SO imposes an N-1 contingency at the load end transformers for consideration in the MDOM. However, in actuality it is violated most if not all, of the times; and – The WESM Manuals do not differentiate between a system and localized contingency violation. <p>Ms. Javier reiterated the concern/issue of the Merchant Generators on the need to impose the N-1 contingency on the load end transformers. In response, Mr. Rosales explained that the requirements of the Grid Code and WESM Rules are clear as regards the imposition of N-1 contingency, purpose of which is for the MO to come up with security constrained dispatch schedule. He opined that reducing the PENs is not good enough justification to remove the imposition of N-1 contingency, considering the cascading effect of failure of any component of the system.</p> <p>Ms. Javier argued however that only load shedding/curtailment is the possible solution to contingency violation for load end transformers, or for that matter upgrading of the transformers as suggested by Mr. Crisologo.</p> <p>Mr. Crisologo for his part enlightened that the models used by SO and MO are not a match. While he does not disagree with the imposition of N-1, he viewed that the existing model used by MO could not accommodate or totally capture in toto all security constraints. The insistence of SO to reflect those constraints in the current MO model interferes now with how the pricing mechanism is supposed to work, resulting in improper compensation for the services of the generators.</p> <ul style="list-style-type: none"> • The following are the objectives of the proposed changes: <ul style="list-style-type: none"> – To lessen the PENs on ex-ante runs – To formulate visible and binding ex-ante prices and quantities • To meet the abovementioned objectives, the Merchant Generators proposed three options, as follows: 	
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	<ul style="list-style-type: none"> - The N-1 contingency for load end transformers should be excluded as a contingency input by the SO. - A load end contingency (N-1) event should be defined as a "Localized Non-Congestion Pricing Error event" and its effect on market pricing should be confined to its own node. This option considers the ex-post prices as substitute ex-ante prices for identified nodes with such pricing errors. - A load end contingency (N-1) event should be defined as a "Localized Non-Congestion Pricing Error event". Under such events, the Locational Marginal Price for the affected nodes will be determined by removing the CVC value and congestion value which is primarily driven by the N-1 contingency constraints of the load end transformers. <ul style="list-style-type: none"> • It is expected that the approval and subsequent implementation of any of the above proposals will result in lesser PEN during ex-ante runs and binding ex-ante results. <p>After the presentation, the following comments were raised:</p> <ul style="list-style-type: none"> • Mr. Rosales relayed SO's intention to submit its comments on the said proposals. • Basing on the discussion, Dr. Guevara surmised that the cause of the request for rules change is triggered by the limitation of the existing models, in which case the root cause of the problem is not really being addressed. In response, Ms. Javier remarked that changing the current Market Dispatch Optimization Model (MDOM) requires financial resources. <p>Mr. Crisologo for his part explained that what the RCC can do to address the issues previously identified is to fine tune the existing process for changing the current framework requires a longer and deeper analysis by another body.</p> <p>Accordingly, the RCC approved the publication of the proposed amendments in the WESM website for comments.</p>	
C. Preliminary	Ms. Hazel Gubaton of PEMC-Internal Audit	<ul style="list-style-type: none"> • IAD to forward to

<p>Observations on CA-2011-04 (Market Governance Administration Process Review)</p>	<p>Department (IAD) presented the preliminary results of the Rules Change Committee Process Review which covers among others the conduct of meetings, the execution of duties and responsibilities by the RCC, the internal procedures observed by the RCC, as well as RCC's compliance with the provisions laid out in the Manual of Procedures for Changes to the WESM Rules (Rules Change Manual).</p> <p>The audit results and recommendations were presented, as follows:</p> <ul style="list-style-type: none"> • The IAD noted as a key good governance practice the RCC's action to formalize its governance internal policies and procedures which covers the structure, responsibilities and accountabilities of the Chairperson and Members, conduct of meetings, ethics and professional conduct, administrative process, and information disclosure. • Similarly presented were IAD's observations and corresponding recommendations as regards RCC's level of compliance with the Rules Change Manual and its Internal Rules. <ol style="list-style-type: none"> 1. It was observed that deliberations and making recommendations of some proposals take about 3-5 regular meetings or a duration of 3-5 months which is not consistent with the requirement in the Rules Change Manual. <p>The IAD thereby recommends that RCC reassess the practicality of the number of periods or meetings, if still practicable, as well as to align and/or reconcile the provisions on the timeliness as provided in the Internal Rules with the mandatory provision of the Rules Change Manual.</p> <ol style="list-style-type: none"> 2. The provisions on publication need to be clarified on what needs to be published in the WESM website: RCC-approved amendments, PEM Board-approved amendments, or DOE-approved amendments; and who is in charge of the publication. <p>With regard to the Manual's requirement to publish advisories on amendments on a regular basis in a newspaper of general circulation, Atty. Liberty Dumlao viewed that it may not be within RCC's jurisdiction, citing that it will render any rules change proposal</p> 	<p>the RCC a more detailed audit report, after considering the preliminary comments of the RCC for further comments and appropriate action.</p>
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still under consideration binding to everybody who reads it.

Ms. Gubaton also mentioned that under the Rules Change Manual, the effectivity of the amendments depend on their publication. She thus inquired whether the existing practice of publishing the updated and amended manual will suffice to make it effective if the Rules Change Manual requires the publication of consolidated amendments.

3. It was observed that there were no formal written reports submitted by the RCC to the PEM Board, as required by the Rules Change Manual, which should contain the following:

- recommendation(s) whether or not to adopt the proposal and the reasons
- proposed amendment
- record of the votes and summary of objections if any
- summary of any objections to the proposal
- procedures implemented by the Committee (referral to the other committees)

Ms. Rodriguez disagreed however, mentioning that there is a written report being submitted which is in the form of RCC Resolution.

Prof. Patalinghug seconded, citing that while the current template of the RCC Resolution may have to be amended to include the procedures implemented by the Committee, it does include RCC recommendation whether or not to adopt the proposal, the proposed amendment and the record of the votes if there is division among the RCC.

4. The RCC members were reminded of their responsibility, as stipulated in the RCC Internal Rules, to submit a report annually to the Committee and Secretariat asserting that their respective management and sectors have been duly informed on matters/developments pertaining to rules changes and other activities of the Committee.

As a recommendation, Ms. Neri Cordoba remarked that the sectoral representatives may update their sector by giving a summary of RCC activities, copy furnish other RCC members and the Secretariat.

Mr. Crisologo expressed reservation however, saying that the report will accomplish nothing if not clearly stated to whom it will be submitted for evaluation and review. In response, Ms. Gubaton commented that it is perhaps merely the intention of the requirement that all members of each sector are informed of the activities of the RCC, bearing in mind the sectoral representation of the RCC.

5. It is recommended that the RCC strictly comply with the requirement of the RCC Internal Rules to make an official designation of other RCC members in the event the Chair is not available for the presentation to the PEM Board.

- The IAD also deemed it substantial to recommend some items for process improvement, as follows.

1. The Committee performance should be reviewed regularly against both measurable and qualitative indicators. The governance system should include a process for evaluating the Committee's work.

In response to Mr. Crisologo's inquiry, Ms. Gubaton said that the performance of the RCC observers could also be evaluated.

2. The Minutes of the RCC Meetings are published in the website which can be viewed by the public. It is recommended that access of the Minutes be restricted to the RCC members. The RCC may likewise identify authority who will determine the classification and level of confidentiality of the information that may be disclosed through an internet portal or similar medium of communication.

Atty. Dumlao commented that the above recommendation might be in conflict with the requirement for the RCC sectoral representatives to constantly update their management and sectoral members.

	<p>Mr. Crisologo suggested that the RCC could publish the highlights, although he viewed that the Minutes should be published for transparency purposes.</p> <p>3. The Committee may consider making a checklist of all requirements under the Manual and the Internal Rules and monitor the compliance so as to help the RCC in assessing its performance in accordance with the Manual and Internal Rules and in reviewing the provisions which, for practicality or other justifiable reasons, may require amendments.</p> <p>There being no further comments, the IAD expressed its commitment to forward to the RCC a more detailed audit report, after considering the preliminary comments of the RCC for further comments and appropriate action.</p>	
D. 2011 RCC Work Plan Update	<p>Ms. Banogon provided an update of the status of the items/topics in the 2011 RCC Work Plan. Among the nineteen (19) items originally identified by the RCC during its February 2011 Planning Session, five (5) have already been completed, two (2) have been deferred, one (1) currently being deliberated and 2 have been withdrawn. The RCC in the meantime is awaiting the submission of nine (9) proposals from the concerned and responsible parties. The RCC likewise took note of the additional six (6) items in the Work Plan, one of which has already been duly approved by the RCC.</p> <p>The review of the Work Plan saw that the RCC was not able to accomplish the items as scheduled. The RCC acknowledged that the failure to meet the target timeline could be attributed to two factors: either the proponents' inability to submit on time the assigned topics or RCC's failure to come up with speedy resolution which is in turn due to RCC's wish to address all issues that arose in the course of its deliberation.</p> <p>Ms. Javier for her part explained that AES-MPPCL's submission of its WESM Rules change proposal as regards the Retail Electricity Supplier (RES) will be dependent on the Energy Regulatory Commission's (ERC) resolution on the same.</p> <p>Dr. Guevara suggested giving the assigned parties/proponents deadline to submit their</p>	•

	respective proposals, otherwise the RCC may have to drop these items from the Work Plan.	
E. Summary of Issues Arising from the Focused Group Discussion During the WESM Participants' Meeting (21 June 2011)	The RCC went over each item/issue and identified several issues that require action and rules changes proposals from the RCC, as well as items that are related to or already covered in several rules changes proposals currently being deliberated. Various issues were also identified that the RCC deemed as not within its ambit.	
F. NGCP's Comments on the PEM Board-approved Proposed Urgent Amendments to the WESM Rules on Dispute Resolution Provisions	<p>Ms. Rodriguez informed the RCC of NGCP's submission of its comments, which the Secretariat received through email dated 05 September 2011, on the PEM Board-approved Proposed Urgent Amendments to the WESM Rules on Dispute Resolution Provisions, to which the RCC noted.</p> <p>In this regard, the RCC instructed the Secretariat to endorse the NGCP's comments to the Dispute Resolution Administrator (DRA), for consideration in the rules change proposal that will be resubmitted to the RCC as general amendments.</p>	<ul style="list-style-type: none"> Secretariat to endorse the NGCP's comments to the DRA, for consideration in the rules change proposal that will be resubmitted to the RCC as general amendments.

6. Other Matters

a. Information Security Management System (ISMS) Awareness

Ms. Maila Ubalde of PEMC-Information Systems and Technology (IST) Department conducted an ISMS briefing for the RCC, with focus on ISMS policies which directly affect the Committee, i.e. Office Area Security (which requires external parties and visitors to sign the visitors log and to secure a visitor's pass/ID from the guard before entry into any office area) and Physical Asset Security Off-site (which requires logging of properties brought in and out of the PEMC premises by the external parties and visitors).

Implementation of said ISMS policies is part of PEMC's endeavor to establish an Information Security Management System compliant with the ISO 27001 standards.

7. Next Meeting

The RCC agreed to hold its next meeting on 05 October 2011.

8. Adjournment

There being no other matter to be discussed, the meeting was adjourned at 4:00 P.M.

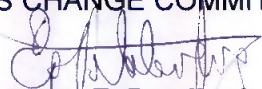
Prepared by:

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Rheinhart O. Banogon


Reviewed and Noted by:


GA Rodriguez
Geraldine A. Rodriguez

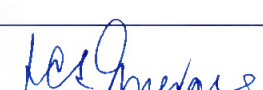
Approved by:
RULES CHANGE COMMITTEE



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

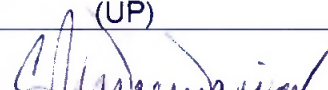
Members:



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



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

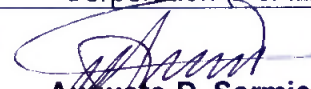

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Ralph Crisologo
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(SNAP)



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


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


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


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


Conrado D. Pecjo
Supply Sector
Angeles Power, Inc.


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

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