

MINUTES OF THE 39TH MEETING OF THE RULES CHANGE COMMITTEE

Date : 08 September 2010
Time : 9:00 A.M.
Venue : PEMC Training Rooms 2 & 3
9th Floor, Robinsons-Equitable Tower
Ortigas Center, Pasig City

MEMBERS PRESENT:

Epictetus E. Patalinghug	-	Acting Chairperson/Independent – UP
Gloria P. Gerilla-Teknomo	-	Independent – CPI Energy Phils., Inc.
Cherry Aquino-Javier	-	Generation Sector – AES
Ralph T. Crisologo	-	Generation Sector – SNAP
Liberty Z. Dumlao	-	Generation Sector – PSALM
Alfredo L. Licudine, Jr.	-	Generation Sector – NPC
Vicente C. Sioson	-	Distribution Sector – MERALCO
Augusto D. Sarmiento	-	Distribution Sector – DECORP
Jose P. Santos	-	Distribution Sector – INEC
Robinson P. Descanzo	-	Market Operator – PEMC
Conrado D. Pecjo	-	Supply Sector – Angeles Power, Inc.

MEMBER/S NOT PRESENT:

Raul Joseph G. Seludo	-	System Operator – NGCP
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ALTERNATE MEMBER/S PRESENT:

Santiago A. Dimaliwat IV	-	System Operator – NGCP
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OBSERVER/S PRESENT:

Debora Anastacia T. Layugan	-	ERC
Eduardo B. Fernandez	-	DOE (Alternate)

OTHERS PRESENT:

Patrick G. Fontanilla	-	ERC
Wilbert S. Balilia	-	ERC
Rachel P. Anosan	-	PEMC – MO
Isidro E. Cacho	-	PEMC – MO
Senen D. Fenomeno	-	PEMC – MO
Celina R. Encarnacion	-	PEMC – Legal
Gladys G. Nebab-Zamora	-	PEMC – Legal
Sheila P. Ingco	-	PEMC – ECO
Ma. Cristina T. Suralvo	-	PEMC – ECO
Hilary Romeli C. Florendo	-	PEMC – ECO
Bienvenido C. Mendoza	-	PEMC – MAG
Dennis de la Serna	-	Aboitiz Power Corporation
Pablo B. Anido	-	PSALM
Abner B. Tolentino	-	PSALM
Arnold C. Francisco	-	PSALM
Henry V. dela Cruz	-	NGCP

SECRETARIAT

Chrysanthus S. Heruela	-	PEMC – MAG
Elaine D. Gonzales	-	PEMC – MAG
Ma. Delia B. Arenos	-	PEMC – MAG

Karen D. Abregana - PEMC – MAG
Rheinhardt O. Banogon - PEMC – MAG

After determining the presence of a quorum, the 39th Rules Change Committee meeting was called to order by the Acting Chairperson Prof. Epictetus E. Patalinghug, at about 9:30 A.M. The following agenda items were discussed:

1. Adoption of the Proposed Agenda

The Proposed Agenda for the 39th RCC Meeting was presented and approved.

2. Reading and Approval of the Minutes

The Minutes of the 38th RCC Meeting was presented and approved, as amended.

- a. Atty. Liberty Dumlao in her email dated 07 September 2010 suggested revising Item D of the Matters Arising from the Minutes of the 37th RCC Meeting as follows (revisions are underlined and put in bold letters):

“The discussion arose out of the inconsistency in the wording of Section 8.6.4.2 as found in the DOE Circular No. 2010-03-0004 with that of Section 8.6.4.2 that was approved by the RCC in RCC Resolution No. 2008-06 dated 14th October 2008.”

Atty. Dumlao expressed her reservation on the new provision introduced in Clause 8.6.4.2 which reads as follows: *“All WESM Rules changes implemented prior to DOE’s approval shall be processed and submitted to the DOE for approval; otherwise the effectivity of such WESM Rules changes shall be no more than six (6) months.”* She viewed that the clause is prone to abuse, considering that the rules change shall only be implemented for a period of 6 months.

In response, Ms. Ruth Perez explained that is precisely the reason why the RCC must process and render and submit its decision within 6 months of the PEM Board’s approval of the WESM Rules change.

Atty. Dumlao manifested and requested to be put on record that the RCC (then and now) did not pass any resolution approving and adopting the provision that eventually became Section 8.6.4.2 as found in the DOE Circular No. 2010-03-0004.”

3. Matters Arising from the Minutes of the 37th RCC Meeting

- a. **Proposed Amendments to the WESM Manual on the Methodology for Determining Pricing Errors and Price Substitution due to Congestion for Energy Transaction in the WESM.**

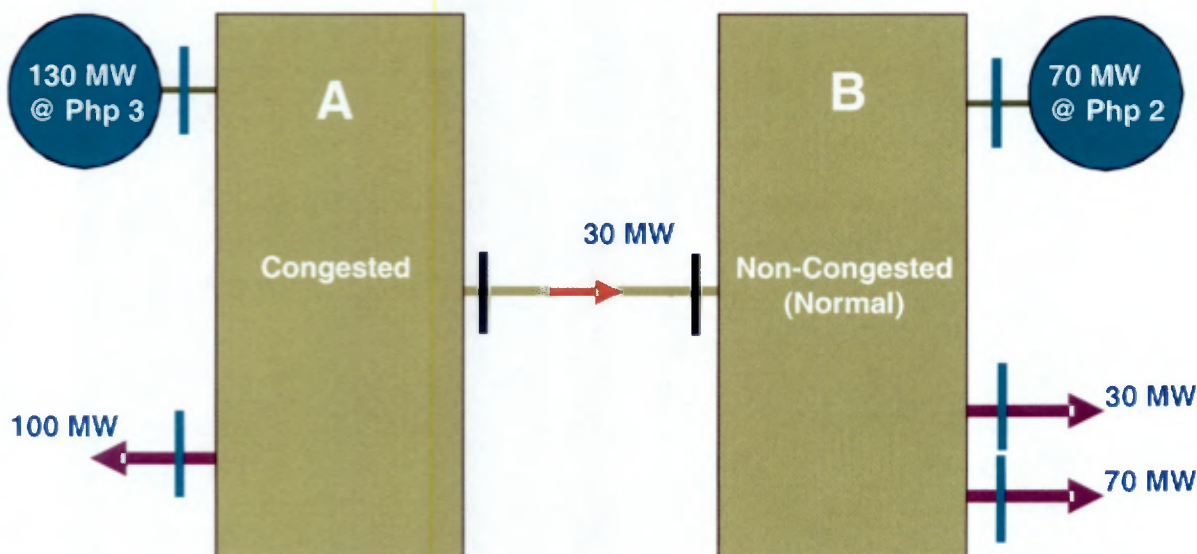
Mr. Isidro E. Cacho presented, for discussion and approval, the proposed new Section 8 in the PSM Manual which provides the settlement mechanism for the regional application of PSM upon integration of Visayas grid in the WESM.

The following were the concerns/issues raised by the RCC on the proposed new Section 8:

- On the proposed Section 8.2.1 (a) which states that *“The generator trading amount corresponding to exported quantity (“export trading amount”) shall be determined by multiplying the export metered quantities with the nodal price at the assigned market trading node”*, Mr. Robinson P. Descanzo suggested to clarify in which node, be it in

the congested region or the non-congested region, does the assigned market trading node refer to, to which Mr. Cacho clarified that it refers to the node in the importing or the non-congested region. It must be noted that Section 8.2.1 (a) provides the settlement mechanism during conditions where the congested region is exporting power to the non-congested region.

- For purposes of clarity, Mr. Descanzo translated the language proposed in Section 8.2.1 into a diagram with sample figures (please see below figure).



In the diagram shown above, generators at Region A, which are producing 130 MW of power, are exporting 30 MW of power to the non-congested region.

Thus:

For Region A,

Amount to be paid to the generators = $3 \times 130 = \text{Php } 390$

Amount to be collected from the load customers = $3 \times 100 = \text{Php } 300$

A deficit of Php 90 is noted, Php 60 of which will be collected from the customers in Region B

For Region B,

Amount to be paid to the generators = $2 \times 70 = \text{Php } 140$

Amount to be collected from the load customers = $2 \times 100 = \text{Php } 200$

Export trading amount (Pay HVDC) = $2 \times 30 = \text{Php } 60$

With the sample figures, Mr. Descanzo noted a mismatch of prices between the congested and normal regions. In view of this, a discussion arose from among the RCC as to whether to settle the prices in Region B using its normal price or using the PSM price of Region A.

- Ms. Cherry Javier noted the inconsistencies among the proposed clauses a, b, c under Section 8.2.1. She deduced that if the proposed Section 8.2.1 (b) is to be followed, then there is no need to propose Section 8.2.1 (c). Section 8.2.1 (b) states that "The export

trading amount from the importing region will then be deducted from the trading amount to be allocated amongst the customers in the congestion region.” Whereas, Section 8.2.1 (c) is proposed to read as “The export trading amount shall be allocated to and paid for by the load customers at the importing region in the proportion that their individual metered quantities bear to total metered quantities of load customers in the importing region.”

Using the sample figures provided by Mr. Descanzo, Ms. Javier explained that the export trading amount mentioned in Section 8.2.1 (b) pertains to Php 60 which will be deducted from the trading amount of Php 390, thus, resulting to Php 330 which will be accordingly allocated among the customers in Region A.

- Mr. Augusto Sarmiento remarked that the amount to be collected from the customers in the congested region is only Php 300, thus, there still remains an amount of Php 30 that needs to be settled. He deemed that the said amount must be charged to customers in Region B and should not be shouldered by the customers in Region A, as already provided for in the proposed Section 8.2.1 (c). So as not to avoid confusion, he proposed to add the term “differential” in the said section, to read as follows: “*The differential export trading amount shall be allocated to and paid for by the load customers at the importing region in the proportion that their individual metered quantities bear to total metered quantities of load customers in the importing region.*”
- Following the comments raised, the RCC agreed on the concept/principle that the differential export trading amount will be charged to the importing region.
- Subsequently, the RCC approved the proposed amendments, subject to the revisions in the language of the proposed new Section 8 taking into account the comments of the RCC. Nonetheless, the RCC requested that a simulation of the proposed mechanism be conducted by the PEMC Billing, Settlement and Metering Department (BSMD) so as to facilitate/guide the RCC in their deliberation.

b. Proposed Urgent Amendments to the WESM Rules and Dispute Resolution Market Manual.

Atty. Deborah Layugan raised some important concerns on the Dispute Resolution Group’s Proposed Amendments to the WESM Rules concerning dispute resolution provisions and DRMM which were approved by the PEM Board on 25 August 2010. First, she wanted to know whether the Dispute Resolution Administrator (DRA) or the DRG has resolved the issue of whether the Alternative Dispute Resolution (ADR) Act of 2004 has superseded or amended the EPIRA. Second, she inquired whether a discussion paper will be submitted by the DRG to the RCC on how to harmonize the proposed amendments with Section 43 (u) of the EPIRA which grants original and exclusive jurisdiction to the ERC to resolve disputes among stakeholders.

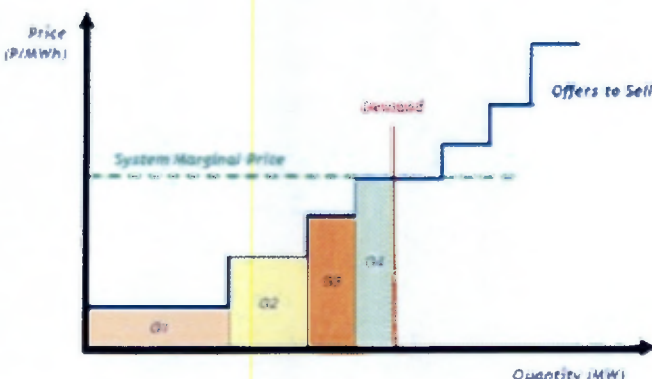
She likewise wanted to be clarified as to whether it was the RCC’s intention to seek comments from her in her capacity as the representative of the ERC to the RCC or to seek comments from the ERC as the regulator.

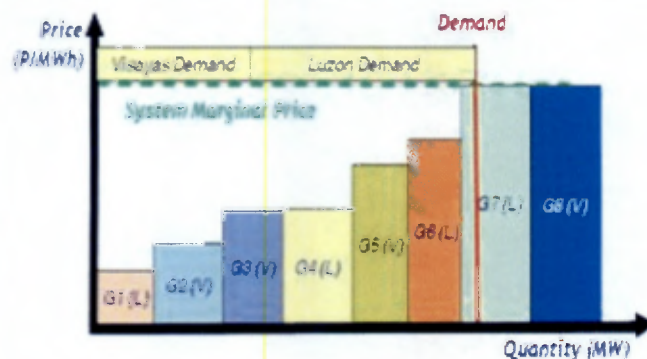
Mr. Vicente Sioson clarified that the intention of the RCC was to seek the comments of the ERC as the regulator.

In light of the PEM Board’s approval of the proposed urgent amendments, Atty. Layugan requested the PEMC to formally submit to the ERC the PEM Board-approved Amendments to the WESM Rules concerning dispute resolution provisions and Dispute Resolution

Market Manual (DRMM). This is in compliance with the ERC directive that the DOE and the PEMC shall formally submit to and inform the Commission of any and all amendments to the WESM Rules within five (5) days from the promulgation, which is provided in ERC Decision on Case No. 2006-07 RC dated 20 June 2006 (Price Determination Methodology).

4. Main Business

Issues/ Topics Discussed	Remarks	Agreement/ Action Item
<p>A. MO's Response to Issues/Concerns on the RCC-Approved Proposed Changes to the WESM Dispatch Protocol Manual</p>	<p>Mr. Senen Fenomeno was invited to clarify the issues/concerns raised by Mr. Pablo Anido of PSALM in his email dated 24 August 2010 and Mr. Ma Rouxin of NGCP in his letter dated 27 August 2010 (copy attached as Annex "A") on the RCC-approved Proposed Amendments to the WESM Dispatch Protocol Manual regarding the fixing of HVDC.</p> <p>As a background, Mr. Fenomeno provided a brief explanation on the concept of scheduling process. He explained that generator schedules are based on offers and are subject to constraints. Since demand bidding is not yet implemented in the market, as shown in the below diagram, there is only a straight line for the demand curve (represented by a red line) while the offer curve (represented by a blue line) is maintained in a ladderized manner. The intersection of the supply and demand sets the market clearing price.</p>  <p>With the Luzon-Visayas integrated market, the resources as well as the demand from both regions are combined, resulting in a combined merit order arranged according to offered prices, as shown in the figure below. It is noted that the HVDC schedule is dependent on the interaction between the supply and demand in both regions.</p>	<p>The RCC approved and signed the RCC Resolution 2010-11 approving the proposed amendments, for endorsement to the PEM Board.</p>



Mr. Fenomeno presented the current treatment of HVDC as follows:

- Luzon is in commercial operation while Visayas is not (the offers in Luzon are dynamic while the offers in Visayas are static)
- Visayas is allowed to export excess power from Leyte A and draw power from Luzon when there is deficit
- HVDC import/export is nominated by the SO using security limits based on:
 - Excess generation from Leyte A
 - Supply deficit in the Visayas
- HVDC security limits implementation
 - Ex: SO nomination of 30 MW from Visayas to Luzon will be implemented using a range of 0 to 30 MW from Visas to Luzon as the current software is not capable of setting the fixed value to 30.
- Market scheduling
 - HVDC may be scheduled from 0 to 30 MW
 - ✓ HVDC schedule = 30 MW, results are valid
 - ✓ HVDC schedule < 30 MW, pricing error is issued/market re-run is performed in the ex-post
- Dispatch implementation
 - Generators in Luzon are dispatched based on schedules
 - Generators are dispatched based on nomination (DOP)
 - HVDC dispatched based on schedule/nomination
 - ✓ HVDC flow adjusted based on real-time system condition
 - ✓ HVDC being used to provide secondary regulation in the Visayas

Mr. Fenomeno then reiterated the purpose of the proposed amendments, which was already presented to the RCC during its previous meeting:

- To support the software enhancement that will allow scheduling of HVDC to a fixed value using the security limits functionality of the MMS in order to:
 - Reduce the frequency of pricing errors related to HVDC
 - Provides flexibility to accommodate future policies on HVDC operation

The features of the enhanced security limits functionality were likewise explained:

- Input related - Mr. Fenomeno emphasized that if the enhanced security limits will not be exercised, it will not fix the HVDC schedule.
- Requires additional data syntax
- HVDC import/export is nominated by the SO using security limits
- No change in dispatch implementation
 - Generators in Luzon are dispatch-based schedules
 - Generators in Visayas are based on nomination (DOP)
 - HVDC dispatch based on schedule/nomination
 - ✓ HVDC flow adjusted based on real-time system condition
 - ✓ HVDC being used to provide secondary regulation in the Visayas

As a summary, the following are the features of a Free-Flowing HVDC:

- There is one market and one set of prices. Schedules and prices are determined based on the interaction of supply in both regions.
- Security limits data are not required unless SO will impose limits due to stability.
- Pricing error in one region may affect the other region.

To sum up, the following are the features of the fixed HVDC scheduling:

- There are two markets (Luzon and Visayas) where import and export is allowed, and two sets of prices. Schedules and prices are determined based on the interaction of supply and demand in each region.
- Nomination of hourly import/export is based on approved criteria and publication of the hourly HVDC nomination may be required.
- Pricing error is limited to the region in error or confined to the island where it exists.
- There is no corresponding change in existing SO protocols. Mr. Fenomeno stressed that SO's responsibility is to maintain the security and reliability of the grid and as such, it may modify the schedule of the generators.

Mr. Fenomeno added that the implementation of fixed HVDC scheduling still requires policy direction.

- Mr. Ma Rouxin's letter dated 27 August 2010 stated that the design of the HVDC link was that a frequency control function was in place to provide a secondary regulation for the Visayas during normal power from Visayas to Luzon. NGCP's concern was that fixing the power transfer could impact power quality in the Visayas Grid especially in terms of maintaining grid frequency.

Mr. Fenomeno clarified that the impact of the proposed amendments is only in terms of scheduling. Mr. Descanzo added that the proposed HVDC fixing will not impair the operations of the System Operator and in case of security breach, SO can still override schedule of the generators.

- The following were the issues concerns raised by Mr. Pablo Anido of PSALM in his email dated 24 August 2010 and MO's corresponding response:

1. With the proposed change, will this now allow market forces to work in terms of the dispatch coming from Unified Leyte (with the operation of WESM in the Visayas)?

Mr. Fenomeno replied that even without the proposed change, market forces are still at work. He further clarified that the question posed is not related to the proposed amendments because the premise is Luzon-Visayas integrated market and free-flowing HVDC.

2. Does the term “allowing a fixed power transfer from one region to the other” implemented on an hourly basis such that for a succeeding hour a power flow can reverse from Leyte to Luzon and vice versa?

Mr. Fenomeno responded that the question will matter if there already is a policy on fixed HVDC scheduling; as it is, the software is just being readied to accommodate fixed scheduling. If there is an existing policy, however, there will be an hourly-fixed value that can reverse flow, depending on the nomination.

3. Will this “fixed power transfer” be known by the participants in advance say a day ahead?

Mr. Cacho supplied that the information on security limits and outages are published in the secured WESM website and are thus available only to the participants.

4. What is the range of these “fixed power transfers”?

Mr. Fenomeno reiterated that the question will matter if there is already a policy. Nonetheless, the policy should establish criteria on how to set the fixed HVDC schedule.

5. Are these “fixed power transfers” determined through competitive offers?

Mr. Fenomeno clarified that the fixed power transfer is determined through competitive offers in the exporting island. On the contrary, it is an imposition on the receiving/importing island.

6. If the “fixed power transfers” are not determined based on competitive offers, how are these determined?

Mr. Fenomeno responded that it depends on whether it is importing or exporting.

7. Are these “fixed power transfers” not synonymous to being given priority dispatch that it displaces other generators in the market?

Mr. Fenomeno confirmed that, in the exporting island, the “fixed power transfer” is synonymous to being given priority dispatch.

Mr. Fenomeno stressed the need to come up/establish

	<p>a set of criteria should the policy on fixed HVDC scheduling (with integrated Luzon-Visayas market) be adopted. Mr. Descanzo clarified that the issue on whether to adopt the policy on fixed HVDC scheduling will be taken up and decided by the Tripartite Committee, which is composed of the DOE, PEMC, and ERC.</p> <p>Following the clarifications made by the MO, the RCC resolved to maintain their previous decision to approve the proposed amendments on the Dispatch Protocol Manual concerning the fixing of HVDC. Accordingly, the RCC approved and signed the RCC Resolution 2010-11 (copy attached as Annex "B") approving the proposed amendments, for endorsement to the PEM Board.</p> <p>Mr. Santiago Dimaliwat, on the other hand, expressed SO's reservation on the said rules change proposal.</p>	
<p>B. Proposed Changes to the WESM Manual of Start-up and Shutdown of a Generating Unit, Issue 1.0 and to the Dispatch Protocol Manual, Issue 5.0</p>	<p>Mr. Dennis de la Serna presented, for discussion, the proposed changes to the WESM Manual of Start-up and Shutdown of a Generating Unit and to the Dispatch Protocol Manual.</p> <p>As a background, Mr. de la Serna cited the following provisions in the WESM Rules relevant to the "Must-Offer" rule:</p> <ul style="list-style-type: none"> Section 3.5.5.1 – "Each Scheduled Generation Company including Generation Companies with bilateral contracts shall submit a standing generation offer for each of its scheduled generating units for each trading interval in each trading day of the week in accordance with the timetable." Section 3.5.5.2 - "Each generation offer shall include the information specified in Appendix A1.1." Appendix A1.1 (c) – "May include up to ten (10) energy offer blocks per (aggregate) unit. The maximum combined capacity of generation and reserve offers must not be less than the maximum available capacity of the generator." <p>Likewise, he cited the following provisions in the WESM Dispatch Protocol Manual, Issue 5.0 which he deemed as relevant to the "Must-Offer" rule:</p> <ul style="list-style-type: none"> Appendix A1. Section 4.3 – "Each trading participant classified as a scheduled generation company must submit bids/offers corresponding to its maximum available capacity for each trading interval. Each bid/offer can consist of a subset, or complete set, of 	<p>The RCC approved the publication of the proposed amendments in the RCC web forum to solicit comments from the market participants and other interested parties.</p>

the 24 intervals of data and each of the 24 intervals can have different bid/offer data. Each bid/offer submission or re-submission is validated against the validation rules set for that particular market window."

- Glossary of Terms and Abbreviations – "Maximum available capacity is equal to the registered maximum capacity (Pmax) of the (aggregate) unit less forced unit outages, scheduled unit outages, de-rated capacity due to technical constraints which include plant equipment-related failure and ambient temperature, hydro constraints which pertain to limitation on the water elevation/turbine discharge and MW output of the plant and geothermal constraints which pertain to capacity limitation due to steam quality (chemical composition, condensable and non-condensable gases), steam pressure and temperature variation, well blockage and limitation on steam and brine collection and disposal system."
- Appendix A.1 Section 4.5 – "Trading participants may opt to cancel their daily or converted standing bids/offers for a particular trading interval when the 1600H Day-Ahead Market Projections indicate that the demand for that trading interval is less than summation of the registered technical minimum generating capacity (aggregate Pmin) of all the generating units that are classified as scheduled generation units. Cancellation of bids/offers shall be made within the period provided in the WESM timetable. Cancelled bids/offers may, however, be revoked or revised likewise within the period provided in the WESM timetable for submission of bids/offers."

Further, the following provisions in the WESM Manual of Procedure on Start-up and Shutdown of a Generating Unit, Issue 1.0 were also referred to as being related to the "Must-Offer" Rule:

- Section 3.3 – "In general, the generating units scheduled to operate are always dispatched at their Pmin level regardless of the offered price. Above the Pmin (up to their Pmax), the incremental dispatch is based on the offered price."
- Section 3.7.3 – "The generating unit scheduled for start-up shall have valid energy offers for the next trading intervals consistent with the WESM timetable."
- Section 3.7.4 – "Once synchronized to the grid, the generating unit shall ramp-up linearly to its Pmin in

the next trading interval.”

- Section 3.7.5 – “From its synchronization to the start of the next trading interval, the generating unit shall be a “price taker”.”

Mr. de la Serna explained that the proposed rules changes aimed to address the following generators’ issues with the “Must-Offer” rules:

- Generator capacity are forced to offer and paid at zero or below short-run marginal costs and thus are not compensated properly because:
 - They are running at Pmin;
 - SO orders to load down due to excess generation capacity during off-peak hours.
- Maximum Available Capacity should consider additional technical constraints such as coal supply and coal quality and preventive maintenance. Mr. de la Serna mentioned that a number of coal-fired power plants encountered coal supply problem during the 4th quarter of 2009 and 1st quarter of 2010.
- Severe impact on Fast start diesel, simple cycle turbines and hydro generation as these generators are forced to offer capacities when there are enough base-load or off-peak power.
- Provides wrong investment signals as the current rules do not provide the proper compensation and investors are made to incur significant risks.

The following were the issues raised by the body:

- Mr. Descanzo noted that the proposal to pay the generating unit based on its short run marginal cost is similar to the Pmin Decommitment Functionality previously proposed by the MO. He clarified that while the software patch of the said functionality was already done, the corresponding rules were not approved.
- Mr. Crisologo proposed for RCC to revisit the Pmin Decommitment Functionality and requested the MO to present the details of said functionality in the next RCC meeting.
- Ms. Elaine Gonzales recalled that the proposal to include coal constraints as one of the technical constraints had already been exhaustively deliberated in the past; however, it was not

	<p>approved due to commercial constraints. She reasoned that fuel supply requirements can be forecasted. In response, Mr. Dennis de la Serna cited what happened during the 1st quarter of 2010 wherein nobody expected and planned that there was going to be a 15-17% increase in the demand and was, thus, not considered in the forecast. He explained that getting coal is not easily done for it usually takes 30-45 days for coal supply to arrive. Hence, if there are major deviations from the projection, there is a corresponding differentiation in the capacity.</p> <ul style="list-style-type: none">▪ Mr. Sioson remarked that a day-ahead market will address and solve the issues on stability of the system and planning of the generators.▪ Mr. Chrysanthus Heruela expressed that the contract market should also be looked into, which he deemed better than the day-ahead market. Contract market involves generation to generation contract to hedge generator outages. He added that if the day-ahead market is not well-refined, the same problems will also be encountered as those of the real-time market.▪ Atty. Layugan shared that another underlying reason for the must-offer rule is that the reduction in the offered quantities will not amount to anti-competitive behavior. She expressed her concern that with the proposed rules changes where everything is already written in the rules, the burden of proving that the reduction is valid is already cancelled.▪ Subsequently, the RCC approved the publication of the proposed amendments in the RCC web forum to solicit comments from the market participants and other interested parties.	
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5. Other Matters

- a. The RCC Acting Chairperson provided the RCC with an update of the following RCC-approved amendments that were presented to the PEM Board during its meeting on 25 August 2010, for approval:
 - i. **Proposed Amendments to the Market Operator Information Disclosure and Confidentiality Manual.** The PEM Board approved the proposed amendments subject to revision to include clarification on the "WESM Member" being referred to in the proposed Section 5.3.2 of the Manual.

- ii. **Proposed Amendments to Sections 7 (Use of Meter Reading in Validation, Estimation and Editing) and 9 (Allocation of Transformer Losses in SSLA) of the Metering Manual.** The PEM Board approved the proposed amendments in the Metering Manual and directed the RCC to discuss further the following formula to come up with better alternative/equation in cases where metering point is at zero:

$$\text{Core}_{\text{Loss-Meter}} = \text{TCore}_{\text{Loss}} * \text{HLS}_{\text{M1}}$$

Accordingly, the RCC agreed to invite Mr. Emmanuel Sotomil and Mr. Renato Afurong, former members of the now defunct RCC Metering Subcommittee, in the next RCC meeting to further discuss and refine the application of the following formula:

$$\text{Core}_{\text{Loss-Meter}} = \text{TCore}_{\text{Loss}} * \text{kW}_{\text{M1}} \div \Sigma \text{kW}_{\text{Meters}}$$

- iii. **Proposed Metering Service Provider (MSP) Performance Measurement.** The PEM Board approved the proposed MSP Performance Measurement.
- iv. **Proposed Amendments to the WESM Rules concerning dispute resolution provisions and Dispute Resolution Market Manual (DRMM).** The PEM Board approved the proposed revisions with the exception of the proposed schedule of arbitration and mediation fees, which will be subject to industry consultation and further study on the standard for the determination of dispute resolution fees.
- b. The RCC Acting Chairperson informed the RCC of the resignation of Dr. Gloria Gerilla-Teknomo as independent member from the RCC.

6. Next Meeting

The RCC agreed to hold its next meeting on 13 October 2010.

7. Adjournment

There being no matter to be discussed, the meeting was adjourned at 3:20 P.M.


Prepared by:


Rheinart O. Banogon


Noted by:


Elaine D. Gonzales


Approved by:
RULES CHANGE COMMITTEE


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

Members:



Cherry Aquino-Javier
Generation Sector
AES Philippines
(AES)


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

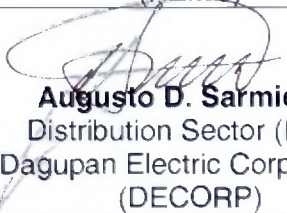

Liberty Z. Dumlao
Generation Sector
Power Sector Assets and Liabilities Management
Corporation (PSALM)

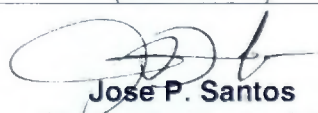
Alfredo L. Licudine, Jr.
Generation Sector
National Power Corporation
(NAPOCOR)


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


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

Vicente C. Sioson
Distribution Sector (PDU)
Manila Electric Company
(MERALCO)


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


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


Conrado D. Pecjo
Supply Sector
Angeles Power, Inc.

Gloria P. Gerilla-Teknomo
Independent
CPI-Energy Phils., Inc.

Annex "A"



NATIONAL GRID CORPORATION
OF THE PHILIPPINES

August 27, 2010

MR. EPICTETUS E. PATALINGHUG

Chairman, Rules Change Committee
Philippine Electricity Market Corp.
9/F Robinsons Equitable Tower
ADB Ave., Ortigas Center Pasig City

noted 08/27/2010

Subject : Proposed Amendments to the WESM Dispatch Protocol Manual

Dear Chairman Patalinghug:

It has come to our attention that the Rules Change Committee has approved some amendments to the WESM Dispatch Protocol Manual which will be for the PEM Board approval. However, we have a concern on the proposal specifically on the "fixed power transfer from one region to another" which we would like to be enlightened. As a background, the design of the HVDC link was that a frequency control function was in place to provide secondary regulation for the Visayas during the normal power from of Visayas to Luzon. Our concern is that fixing the power transfer could impact power quality in the Visayas Grid specially in terms of maintaining grid frequency.

Thank you very much for taking time to respond to our query and rest assured NGCP-SO will always be supportive in any Rules Change for successful market operations while ensuring system security and reliability of the grid.

Very truly yours,

MA RUOXIN
Assistant Chief Technical Officer
System Operations

Annex "B"



**Philippine Electricity
Market Corporation**

**WHOLESALE ELECTRICITY SPOT MARKET
RULES CHANGE COMMITTEE**

RESOLUTION NO. 2010-11

**Proposed Amendments to the WESM Manual on
Dispatch Protocol, Issue 5.0**

WHEREAS, the WESM Manual on Dispatch Protocol (the "Manual") provides the scheduling and dispatch procedures that shall be followed during WESM operation, emergency situations, market suspension and restoration;

WHEREAS, there is a need to amend the Manual to improve the provision of real-time market results by minimizing pricing errors and market re-runs as well as to provide flexibility for future policies on HVDC operation;

WHEREAS, on 12 August 2010, the Philippine Electricity Market Corporation (PEMC) submitted its proposed amendments on the Manual to the Rules Change Committee (RCC), for consideration and approval;

WHEREAS, during the 38th RCC Meeting on 18 August 2010, the proposed amendments were presented to the RCC, for review and approval;

WHEREAS, during the said 38th meeting, the RCC agreed to adopt the proposed amendments, incorporating the RCC comments/suggestions;

NOW THEREFORE, we, the undersigned and in behalf of the sector we represent, hereby resolve as follows:

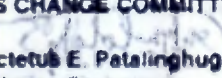
RESOLVED, that the proposed amendments to the WESM Manual on Dispatch Protocol (attached as Annex "A"), as revised by the RCC, are adopted and approved in full;

RESOLVED FINALLY, that the proposed amendments to the WESM Manual on Dispatch Protocol be endorsed to the PEM Board for approval.

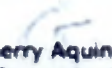
Done this 18 August 2010, Pasig City.


Rules Change Committee
Resolution No. 2010-11
Proposed Amendments to the WESM Manual on Dispatch Protocol

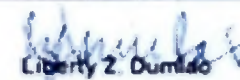
Approved by:
RULES CHANGE COMMITTEE



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


Members:



Cherry Aquino-Javier
Generation Sector
AES Philippines
(AES)

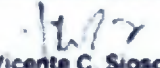

Ralph T. Grisologo
Generation Sector
SN Abote Power
(SNAP)



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



Alfredo L. Licudine, Jr.
Generation Sector
National Power Corporation
(NAPOCOR)



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



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


Vicente C. Sison
Distribution Sector (PDU)
Manila Electric Company
(MERALCO)



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


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


Conrado D. Pecjo
Supply Sector
Angeles Power, Inc.


Gloria P. Gentile-Teknomo
Independent
CPI Energy Phils., Inc.

Certified True and Correct.


Elaine D. Gonzales
RCC Secretary
PEMCO