



MEETING MINUTES

Subject/Purpose : 1st Rules Change Sub-Committee Meeting
 Date & Time : 06 April 2021, 09:00
 Venue : Online via Microsoft Teams
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ATTENDEES

	Name	Designation/Position	Department/Company
1	Francisco Leodegario R. Castro, Jr.	Member, Independent	RCC
2	Cherry A. Javier	Member, Generation Sector	RCC
3	Ryan S. Morales	Member, Distribution Sector	RCC
4	Lorreto H. Rivera	Member, Supply Sector	RCC
5	Ambrocio R. Rosales	Member, System Operator	RCC
6	Isidro E. Cacho, Jr.	Member, Market Operator	RCC
7	Karen A. Varquez	RCC Secretariat	PEMC
8	Divine Gayle C. Cruz	RCC Secretariat	PEMC
9	Dianne L. De Guzman	RCC Secretariat	PEMC
10	Kathleen R. Estigoy	RCC Secretariat	PEMC
11	Atty. Monica M. Martin	Assistant Manager, Legal	PEMC
12	Atty. Sheryll M. Dy	Proponent	IEMOP
13	Jonathan B. dela Viña	Proponent	IEMOP
14	Valfia U. Gregorio	Proponent	IEMOP
15	Raymond Joseph A. Marqueses	Proponent	IEMOP
16	Melanie C. Papa	DOE Observer	DOE
17	Mari Josephine C. Enriquez	DOE Observer	DOE
18	Kevin Lloyd C. delos Santos	DOE Observer	DOE
19	Ryan Jaspher M. Villadiego	DOE Observer	DOE



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Agenda	Agreements / Action Taken / Action Required
I. Call to Order / Determination of Quorum	<ul style="list-style-type: none"> The meeting was conducted via Microsoft Teams and was called to order at 9:00 AM. The meeting was chaired by Mr. Francisco L.R. Castro (Independent). All 6 RCC principal members assigned to the sub-committee were in attendance.
II. Presentation and Approval of the Proposed Agenda	The provisional agenda of the meeting was approved by the body, as proposed.
III. Matters Arising from Previous Meeting	
Discussion on the Proposed Amendments regarding Clarifications on Indirect WESM Membership	<p><u>Presenter:</u> Jonathan B. dela Viña (IEMOP - Proponent)</p> <p><u>Action Requested:</u> For deliberation of identified issues for endorsement to the RCC</p> <p><u>Meeting Material:</u> Annex A (presentation material)</p> <p><u>Proceedings:</u></p> <ul style="list-style-type: none"> The Secretariat presented the following objectives of the meeting based on the most recent deliberation on the matter by the RCC on 19 March 2021: <ol style="list-style-type: none"> To clarify the delineation of responsibilities between the Direct and Indirect Members; To discuss possible remedies for WESM exposures of the Direct Members on behalf of the Indirect WESM Member for extreme scenarios; To consider possible impact of the proposed amendments to distribution utilities; and Other considerations deemed appropriate by the Sub-Committee. In addition to the objectives, Mr. Castro raised questions that he wanted to be addressed during the discussions. He noted that these may be raised by the PEM Board when the RCC will endorse the proposal. His questions are as follows: <ul style="list-style-type: none"> How will the proposed changes address the identified issues? Please cite specifically for each proposed change.



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	<ul style="list-style-type: none"> ○ Will these changes be doable? What needs to be done or additional resources that need to be in place for the proposal to be executable? ○ What might be the changes to the business of the Direct Member if its Indirect Member will be a Direct Member? ○ Have we been able to set meetings with the (10) unregistered loads regarding their WESM registration? Were correspondences made only in writing? What were their responses? <p><u>Registration of Unregistered Loads:</u></p> <ul style="list-style-type: none"> • Mr. dela Viña (IEMOP) proceeded to present again the proposal and emphasized the following: <ol style="list-style-type: none"> (1) The proposal has two objectives: (i) to address the non-registration of the 10 unregistered loads, and (ii) to clarify in the WESM Rules and Manuals the application of WESM Rules Clause 2.4: “...an Indirect WESM member may only transact through a Direct WESM Member.” (2) The proposal to make the Direct WESM Member be the one responsible for registering its load customer in the WESM, as opposed to the current rules prescribing that the load itself must do so, will address the current problem of the non-registration of certain loads. The proposal will have no effect operationally to the Direct WESM Members and the current unregistered loads since the latter already acts as if they are an Indirect WESM Member such that they transact in the market only through their Direct WESM Member counter-party. (3) Since the Direct WESM Member transacts for the Indirect WESM Member to the extent that the market exposure of the latter is attributed to the former, that Direct WESM Member essentially assumes the WESM obligations of the Indirect WESM Member. Thus it is proposed to expressly specify this in the Manual. (4) Most of the proposed amendments related to how Indirect WESM Members participate in the market intends to merely clarify and reflect in the WESM Rules and Manuals what has been done in practice or how WESM Rules Clause 2.4 has



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	<p>long been implemented. There will be no difference operationally whether the proposed amendments are adopted or not (e.g., market exposure of the Indirect WESM Member remains to be attributed to the Direct WESM Member).</p> <ul style="list-style-type: none"> Ms. Katrina A. Garcia-Amuyot from IEMOP Registration relayed that they have coordinated with the unregistered loads previously but the loads eventually did not complete their registration. IEMOP also met with the Direct WESM Member counter-parties last year requesting their assistance so they could coordinate with the proper individuals of said loads considering that IEMOP does not have the contact details of these counter-parties. <p>Mr. Castro stated that it is important for IEMOP to communicate with the unregistered loads directly, not only through the Direct WESM Members, to know what their reasons or difficulties are that prevents them from completing their WESM registration. He added that in the current set-up where they are not registered, these loads may either be having some advantage, already comfortable not registering in the WESM, or are not aware of the gravity or impact of not registering. Mr. Castro stated that the PEM Board may inquire about this information.</p> <ul style="list-style-type: none"> Ms. Varquez (PEMC) commented that there may already be a need to impose an ultimatum on the 10 unregistered loads for them to accomplish their registration. The PEM Board could perhaps step-in at this point if necessary. <p>Ms. Rivera (TeaM Energy) asked if IEMOP has given a deadline to the loads to complete their registration. Ms. Amuyot relayed that in their coordination with the supplier Direct WESM Members, they informed the latter about the need to register the loads as soon as possible and before the forthcoming commercial operation of the Central Registration and Settlement System (CRSS) to properly account those loads' transactions going forward. However, Mr. Castro commented that the Direct WESM Members may not have relayed to their loads the importance of completing their registration soon, thus he reiterated the need to directly communicate with the unregistered loads.</p> <p>Ms. Rivera (TeaM Energy) commented that it seems there is no documentation providing a hard deadline or timeline when the loads should have completed their registration. As of now, it is only</p>



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	<p>assumed that the Direct WESM Members sufficiently informed the loads that they should be able to register before the CRSS starts to operate.</p> <ul style="list-style-type: none"> Ms. Javier (Aboitiz Power) pointed out that the objective of the proposal to remedy the non-registration of loads is acceptable (i.e., Direct WESM Member will be responsible for registering their loads), however some of the other proposed changes will also affect all existing Indirect WESM Members who were able to comply. Mr. Castro agreed stating that the proposed amendments may adversely affect other compliant WESM Members. Ms. Javier suggested to make either the Direct WESM Member or the load itself be responsible for registering in the WESM instead of the Direct WESM Member only. Mr. dela Viña responded that the suggestion may fail to address the current problem of non-registration of loads since both entities may just pass the responsibility of registering to each other resulting in the end to non-registration. He added that registration may be easier to accomplish if the Direct WESM Member does it since it coordinates with the Market Operator more regularly than the loads. Mr. Castro commented that the proposal essentially puts more responsibility on the Direct WESM Members to take control of their Indirect WESM Members. If Direct WESM Members are amenable to this arrangement and its implications, then there is nothing to debate about. <p>He added that if the proposal is approved and the 10 identified loads remain unregistered, then the responsibility and obligations would just be transferred to the Direct WESM Member counter-parties.</p> <p>To this Mr. dela Viña explained that the primary objective is not to transfer the responsibility to register on the Direct WESM Members but to make it easier for the loads to register through their Direct WESM Member counter-parties who already transacts for them. He added that if existing procedures were to be followed, the loads should already be subject to the process of suspension and disconnection, which IEMOP deems are extreme measures. He added that the proposal only formalizes the current arrangement between the Direct and Indirect WESM Members.</p>



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	<ul style="list-style-type: none"> Mr. Rosales (NGCP-SO) pointed out that there are maybe only about 10% of loads that have not yet registered while the rest are already registered as Indirect WESM Members. It could be assumed that the 90% of loads who are Indirect WESM Members are satisfied with the current set-up where they are willing to shoulder their obligations in the WESM. Mr. Rosales opined that the proposal seems to accommodate too much the few unregistered loads, which is unfair to the Direct WESM Members since a large majority of existing Indirect WESM Members agrees to assume their WESM obligations. Even if the Direct WESM Member registers its load in the WESM, the load should be aware of its roles and obligations as an Indirect WESM Member. Any violation on the part of the Indirect WESM Member should not be passed on to the Direct WESM Member. <p>Mr. Rosales also relayed that if a Customer Indirect WESM Member fails to pay its Generator Direct WESM Member, the generator will issue a disconnection notice against said customer through the Market Operator for implementation. However, if the contract between the Direct WESM Member and Indirect WESM Member expires or is terminated, the former can no longer issue a disconnection notice to the Indirect WESM Member since they no longer have a relationship. In this situation, the Market Operator should be able to know that the Indirect WESM Member is already exposed in the market and needs to be disconnected, and so should request the NGCP to disconnect it. However, some loads, PELCO III for instance, cannot be disconnected outright since they are compliant with their Transmission Service and Metering Service Agreements although not registered in the WESM.</p> <ul style="list-style-type: none"> Mr. dela Viña informed that there are currently a total of 85 Indirect WESM Members as of February 2021 and this will increase when the 10 unregistered loads successfully register in the WESM. Ms. Javier inquired if the Contestable Customers in the Retail Market are already included among the 85, to which Mr. dela Viña answered that they are not. This then could make the total number of Indirect WESM Members increase by about 1,000. Ms. Amuyot clarified however that as of now, registration of Contestable Customers in the WESM is only voluntary while registration is mandated for Customers in the wholesale market.

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	<p>Mr. Castro inquired how many megawatts in total are these loads withdrawing from the grid and what percent of their consumption do they source from the WESM, if any. Mr. Rosales agreed that this is a material information to gauge their impact to the grid or the market, especially since among the unregistered loads are electric cooperatives. IEMOP answered that the 10 loads' peak requirement as of 2019 amounts to 96.57 MW, wherein PELCO III has the highest requirement which is 44.5 MW followed by Real Steel Corporation with 31.8 MW.</p> <p>Ms. Javier updated that for Therma Luzon Inc.'s unregistered load (i.e. Forest Product Research and Development), its consumption only amounts to 250kW and is only awaiting IEMOP's guidance on replacing a documentary requirement that the load cannot provide since said customer is a government agency. Other than that, the load could already complete its registration in the WESM.</p> <p><u>Existing Rules/Policies to Limit Market Exposure:</u></p> <ul style="list-style-type: none"> In reference to the concern raised in the previous RCC meeting stating that the exposure of a Direct WESM Member to the transactions of its Indirect WESM Member should cease upon the expiration or termination of their bilateral contract, Mr. dela Viña also presented existing WESM Rules provisions and DOE policy which shall apply and may limit the exposure of Direct WESM Members during said scenario, as follows: <ul style="list-style-type: none"> a) WESM Registration Manual Section 2.8: <p>The WESM Registration Manual does not require that an applicant registering as an Indirect WESM Member must designate a Direct WESM Member counter-party with whom it has an existing supply contract.</p> b) WESM Registration Manual Section 3.4.2: <p>There are procedures in place in case an Indirect WESM Member wishes to change its level of participation to being a Direct WESM Member. It must file a new application following the requirements for prospective Direct WESM Members.</p> c) WESM Registration Manual Section 3.4.3:



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	<p>There are also procedures and requirements to be submitted to the Market Operator should an Indirect WESM Member elects to change its Direct WESM Member counter-party. It may do so when the supply contract with its current Direct WESM Member expires.</p> <p>d) WESM Registration Manual Section 3.4.3.3:</p> <p>A Direct WESM Member may also notify the Market Operator if its Indirect WESM Member counter-party has been or will be disconnected so it will no longer be assigned to that Indirect WESM Member. The Market Operator shall then follow the procedures to officially remove said designation of the Direct WESM Member and de-register the Indirect WESM Member.</p> <p>e) Section 4 (Disconnection Process) in DOE Department Circular No. 2010-08-0010</p> <p>The subject circular provides that a Generation Company may issue a notice of disconnection to its Customer Indirect WESM Member upon termination or expiration of the supply contract, unless that Customer is able to secure a new supply contract with another Generation Company, renew its existing contract with the Generation Company, or register itself as a Direct WESM Member.</p> <p>Mr. dela Viña summarized the possible scenario when the supply contract between a Direct and Indirect WESM Member expires or is terminated, as follows:</p> <ul style="list-style-type: none"> a) the Indirect WESM Member transfers to a new Direct WESM Member as its designated counter-party; b) the Indirect WESM Member changes to Direct WESM Member; or c) the Direct WESM Member issues a notice of disconnection if the Indirect WESM Member does not initiate either (a) or (b). <p>The Circular also provides the procedures for physical disconnection to be implemented by the NGCP.</p>



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	<ul style="list-style-type: none"> Ms. Javier asked if the enumerated provisions assume that the Indirect WESM Member signed the MPA, which bounds it to the WESM Rules, and therefore, is obliged to carry out the responsibilities in the cited provisions. Mr. dela Viña answered that the provisions should still apply whether an Indirect WESM Member signs an MPA or not since it is assumed that it agreed with its Direct WESM Member counter-party to have the arrangements specified in the WESM Rules. A proof of agreement between the Indirect and Direct WESM Member is one of the requirements in registering for Indirect WESM Membership. <p><u><i>Responsibility of Direct WESM Members:</i></u></p> <ul style="list-style-type: none"> Atty. Martin (PEMC) inquired if the implementation of the proposal would result to additional costs to Direct WESM Members, for instance, in terms of monitoring the obligations of Indirect WESM Members. Mr. dela Viña responded that they do not see additional costs since there would be no difference operationally if the proposal is approved (i.e., status quo). He added that Direct WESM Members are already doing most of the responsibilities being proposed in terms of transacting for their Indirect WESM Member (e.g., receiving billing statement, charging its Indirect WESM Member, coordination with the Market Operator). <p>Atty. Martin additionally asked if, in the current set-up, Direct WESM Members monitor the compliance of their Indirect WESM Member counter-party. Mr. dela Viña confirmed this and stated that currently, Direct WESM Members monitor the payment of their Indirect WESM Members for their withdrawals from the grid since they are the ones who are charged by the WESM for those transactions, not the Indirect WESM Member. He added that current Indirect WESM Members, who are all customers, do not really have significant obligations in the WESM aside from settlement if they were Direct WESM Members. For instance, Indirect WESM Members are not required to put up prudential requirements, or to comply with dispatch instructions, and demand-side bidding is not yet implemented. Mr. dela Viña clarified that the proposal does not change this set-up between the Direct and Indirect WESM Members. He further stated that the Market Operator does not monitor the payment of Indirect WESM Members, only those of the Direct WESM Members.</p>

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	<p>Atty. Martin inquired what could be the difference in the obligations of the Direct WESM Members with the proposal. Mr. dela Viña responded that Direct WESM Members' additional responsibilities would mostly be related to registration, specifically the obligation to register their loads as Indirect WESM Member, instead of the latter doing it. He reiterated that most of the other proposed amendments related to the participation of Indirect WESM Members in the market are just clarifications to align with the current practice.</p> <ul style="list-style-type: none"> Atty. Dy (IEMOP) stated that the purpose of having the Direct WESM Member solely sign the MPA on behalf of the Indirect WESM Member is to ensure that the Direct WESM Member will assume the entirety of the obligations of the Indirect WESM Member. If Ms. Javier's previous suggestion is followed, to have either the Direct WESM Member or prospective Indirect WESM Member register and sign the MPA, there could still be gaps on which of the two parties will assume the WESM obligations of the Indirect WESM Members. <p><u>Options Prior to or Upon Termination of Contract:</u></p> <ul style="list-style-type: none"> Although not part of the proposal, Mr. dela Viña also presented possible measures to motivate Indirect WESM Members to initiate change in their registration in the WESM when its contract with a Direct WESM Member expires: <ul style="list-style-type: none"> physical disconnection from the grid imposition of financial penalty reporting to DOE, ERC or PEMC for non-compliance <p>On the matter of assigning the Indirect WESM Member's exposure prior to change and end of contract, IEMOP offered the following options:</p> <ul style="list-style-type: none"> follow existing procedures where the Direct WESM Member issues a notice of disconnection to the Indirect WESM Member; automatically convert the Indirect WESM Member to Direct WESM Member; and designate another Direct WESM Member to take over the exposure



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	<p>All of the measures and options mentioned have their own advantages and disadvantages. Mr. dela Viña stated that physical disconnection of the Indirect WESM Member is the best way to remove the exposure of the Direct WESM Member from the former's consumption. However, this measure is challenging to implement and invites political intervention.</p> <p>Mr. dela Viña stated that IEMOP's recommendation, which is the current proposal to make the Direct WESM Members fully responsible for registering their customer or load as Indirect WESM Member, is the most appropriate way to address the issue on non-registration since the Direct WESM Member is the one who already transacts with the market on behalf of the Indirect WESM Member and it entered into that arrangement voluntarily.</p> <p><u>Comments on the Interpretation of the Proposal:</u></p> <ul style="list-style-type: none"> Mr. Rosales opined that the delineation of the responsibilities of Direct WESM Members and Indirect WESM Members, which is one of the objectives of this meeting, was not clarified during the deliberation. The proposal just calls for Direct WESM Members to assume all obligations of the Indirect WESM Member so there was really no delineation. It might be more acceptable if only the responsibility to register is transferred to the Direct WESM Members but all other responsibilities remain with the Indirect WESM Members. In the first place, all current Indirect WESM Members agreed to have obligations and responsibilities. <p>He also remarked that if the 10 unregistered loads are now in the process of completing their registration, then the proposal would be moot since there is really no problem to solve.</p> <p>Mr. Cacho (IEMOP) clarified that the proposal actually has two parts, one is regarding registration and the rest is on the clarification on existing processes. He emphasized that the second part of the proposal mostly pertains to the processes that has been implemented by the MO.</p> <p>Mr. Cacho added that the value of the proposal is it clarifies how the rules are operationalized since some of the procedures are only currently carried out as MO's internal business processes.</p>



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	<p>Mr. Morales (MERALCO) agreed that the proposal can be interpreted as two proposals, in which one seeks to resolve the non-registration problem (historical problem), and the other seeks to prevent future problems regarding the transactions of Indirect WESM Members. He opined that the second portion of the proposal is more significant since it begs the question of whether or not the concerned entities want to continue with their existing arrangements.</p> <p><u><i>RCC Sub-Committee Agreement:</i></u></p> <ul style="list-style-type: none"> • The RCC Sub-committee agreed to remand the proposal to the IEMOP to provide further information on the following issues to be presented in the next RCC meeting: <ul style="list-style-type: none"> (a) MW impact of the unregistered loads, (b) status of registration, (c) recommendations or plans if the proposal is disapproved, (d) what registration requirements could be waived to assist in the registration of some entities as some requirements may not be applicable to them, (e) delineation of responsibilities between the Direct and Indirect WESM Members if the proposal is approved, (f) possible remedies to address possible market exposure for Direct WESM Members. <p>As for item (f) Ms. Rivera explained that although Direct WESM Members fully acknowledge the risks upon entering an agreement with an Indirect WESM Member, there should still be a limit on what a Direct WESM Member is responsible for when their contract or agreement ceases, especially since it was mentioned during the discussions that physical disconnection is practically hard to implement.</p> <p><u><i>Way Forward:</i></u></p> <p>The RCC Sub-committee shall submit a report to the RCC providing that the proposal was remanded and additional information were requested from IEMOP for presentation in the next regular RCC meeting.</p>

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IV. Adjournment	The meeting was adjourned at 10:54 AM.

Prepared by:



DIVINE GAYLE C. CRUZ
 Specialist, Rules Review Division
 Market Assessment Group

Reviewed by:



KAREN A. VARQUEZ
 Manager, Rules Review Division
 Market Assessment Group

Noted by:



JOHN MARK S. CATRIZ
 Head, Market Assessment Group

Approved by:



FRANCISCO LEODEGARIO R. CASTRO, JR.
 Member, Independent



CHERRY A. JAVIER
 Member, Generation Sector
 Aboitiz Power Corp. (APC)



RYAN S. MORALES
 Member, Distribution Sector
 Manila Electric Company (MERALCO)



LORRETO H. RIVERA
 Member, Supply Sector
 Team (Philippines) Energy Corporation (TPEC)



AMBROCIO R. ROSALES
 Member, System Operator
 National Grid Corporation of the Philippines
 (NGCP)



ISIDRO E. CACHO, JR.
 Member, Market Operator
 Independent Electricity Market Operator of the
 Philippines (IEMOP)



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CLARIFICATIONS ON INDIRECT WESM MEMBERSHIP

Presentation to the RCC Sub-Committee

06 APRIL 2021



IEMOP PROPOSAL

WESM REQUIREMENT

- WESM Rules require all grid loads to register in the WESM

ISSUE

- There are ten (10) unregistered metered loads
- IEMOP has been constrained to assign their consumption to generation companies with whom they currently have bilateral contracts but may be an issue when those contracts expire

CLARIFICATIONS ON INDIRECT WESM MEMBERSHIP 02

UNREGISTERED LOAD	GENCO ASSIGNED TO
Pantabangan Municipal Electric Services (Local Government Unit)	First Gen Hydro Power Corporation
National Irrigation Administration [UPRIIS]	
Forest Products Research and Development Institute	Therma Luzon, Inc.
Altima Empire Steel Corporation	San Miguel Energy Corporation
Centerra Ice Plant & Cold Storage, Inc.	
Kabayan Ice Plant	
Pampanga III Electric Cooperative, Inc.	
Grand Planters International, Inc.	
RJS Commodities	
Real Steel Corporation	



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ITEMOP PROPOSAL

WESM Rules Clause 2.4: "...an Indirect WESM member may only transact through a direct WESM member."

REGISTRATION

CURRENT	PROPOSED
Indirect Member applies for registration	Direct Member will apply for registration of an Indirect Member
Indirect Member signs and assumes WESM obligations	Direct Member assumes WESM obligations of Indirect Member

- 1st item will affect unregistered loads and new Indirect WESM Members
- 2nd item will affect new and existing Indirect WESM Members



MARKET PARTICIPATION

– will affect existing Indirect WESM Members

CURRENT	PROPOSED
Market Participant Interface (MPI) access is not allowed for Retail Indirect Member	MPI access is optional for Retail Indirect Member
Metering Services Agreement (MSA) is signed by Direct Member	MSA is signed by Direct Member or Indirect Member
Contract declarations are confirmed by Indirect Member	Contract declarations are confirmed by Direct Member
Not clear if Indirect will receive own bills	Indirect transactions will be part of Direct Member data
Not clear where to charge adjustments after transfer of Indirect Member	Charge adjustment to Direct Member during period subject to adjustment

RCC CONCERN

THE EXPOSURE OF A DIRECT MEMBER TO THE TRANSACTIONS OF ITS INDIRECT MEMBERS SHOULD BE LIMITED UPON THE TERMINATION / EXPIRATION OF THEIR CONTRACT

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CLARIFICATIONS ON INDIRECT WESM MEMBERSHIP 05

RELEVANT WESM REGISTRATION MANUAL PROVISIONS

2.8. REGISTRATION OF INDIRECT WESM MEMBERS

2.8.1. A person or entity that wishes to be registered as an *Indirect WESM Member* must –

2.8.1.1. comply with the membership criteria set forth in this Manual for *Trading Participants*, except only for the requirement to satisfy prudential requirements; and

2.8.1.2. identify the *Direct WESM Member* that shall stand as its counterparty for its transactions in the WESM and shall, for this purpose, submit proof of agreement by the said *Direct WESM Member* to stand as counterparty and to transact on behalf of the *Applicant*.

→ Registration as an Indirect WESM Member is not contingent on an existing supply contract

CLARIFICATIONS ON INDIRECT WESM MEMBERSHIP 06

RELEVANT WESM REGISTRATION MANUAL PROVISIONS

3.4. CHANGE IN LEVEL OF PARTICIPATION AND CHANGE OF COUNTERPARTY OF INDIRECT WESM MEMBERS

3.4.2. An *Indirect WESM member* that wishes to become a *Direct WESM member* shall file a new application and be approved by the *Market Operator* as such in accordance with the requirements and procedures for *Direct WESM members* set forth in this Manual.

→ Change from Indirect to Direct

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CLARIFICATIONS ON INDIRECT WESM MEMBERSHIP 07

RELEVANT WESM REGISTRATION MANUAL PROVISIONS

3.4.3. The change of the *Direct Member* counterparty of an *Indirect Member* may effected by any of the following means -

3.4.3.1. By joint notice to the *Market Operator* stating the effective date of the change by the following -

→ Transfer to a new
Direct Member

- a) *Indirect WESM member*
- b) New *Direct WESM member/Trading Participant* counterparty signifying its agreement to transact for and in behalf of the *Indirect WESM member*, and
- c) Previous counterparty that it will no longer trade on behalf of the *Indirect Member*.

The change shall be effective on the date stated by the parties in the notice to the *Market Operator* or, if not stated, on the start of the immediately succeeding WESM billing month following receipt of the notice by the *Market Operator*.

→ Any time within
the billing period

CLARIFICATIONS ON INDIRECT WESM MEMBERSHIP 08

RELEVANT WESM REGISTRATION MANUAL PROVISIONS

3.4.3.3. By notice from the *Direct WESM member* counterparty if the *Indirect Member* has been or will be disconnected. The notice shall be accompanied by a confirmation from the relevant *Network Service Provider* that the *Indirect WESM member* is already disconnected from the transmission or distribution system or that it has received a request for such disconnection. In this case, the change shall take effect upon disconnection of the *Indirect WESM member*. Mere notice to the *Market Operator* will not relieve the *Direct WESM member* of its obligations to the WESM as counterparty.

→ If Indirect Member has been disconnected, it can be removed as it will also be de-registered – would not cover temporary disconnection

MEETING MINUTES (ANNEX)

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CLARIFICATIONS ON INDIRECT WESM MEMBERSHIP 09

RELEVANT DOE ISSUANCES

DOE DC2010-08-0010

Section 4. Disconnection Process.

4.1. Grounds and Conditions for Disconnection.

The EPS, EPSP or the MO may issue a Notice of Disconnection to an EPC under any of the following circumstances:

C. Generation Companies, IPPA and WA.

1. As provided under their existing contracts, failure of the EPC to comply with the required financial and technical obligations to the Generation Company, IPPA or the WA; and
2. Termination/Expiration of the existing contract of an EPC that is an Indirect WESM Member EPC unless such EPC has secured a new supply contract with other Generation Company or has renewed its existing supply contract with the Generation Company or has successfully registered in the WESM as Direct Member.

→ GenCo to issue notice of disconnection to Indirect WESM Member

*EPC – Electric Power Customer

CLARIFICATIONS ON INDIRECT WESM MEMBERSHIP 10

RELEVANT DOE ISSUANCES

DRAFT DC ON PRESCRIBING REVISED GUIDELINES FOR DISCONNECTION OF 10 ELECTRIC POWER INDUSTRY PARTICIPANTS (2020)

Section 4. Disconnection Process. The following shall govern the process of Disconnection:

4.1 Grounds and Conditions for Disconnection

The SO shall issue a Notice of Disconnection to an Electric Power Industry Participant upon request for disconnection by the requesting party/ies and on the basis of the grounds indicated below:

4.1.1 MO

The MO shall recommend the disconnection of Electric Power Industry Participants under any of the following circumstances:

- e. Failure of a DU or DCC which is an Indirect WESM Member to register as Direct WESM Member upon termination/expiration of its PSA with a Generation Company;

→ MO to recommend disconnection of Indirect WESM Member

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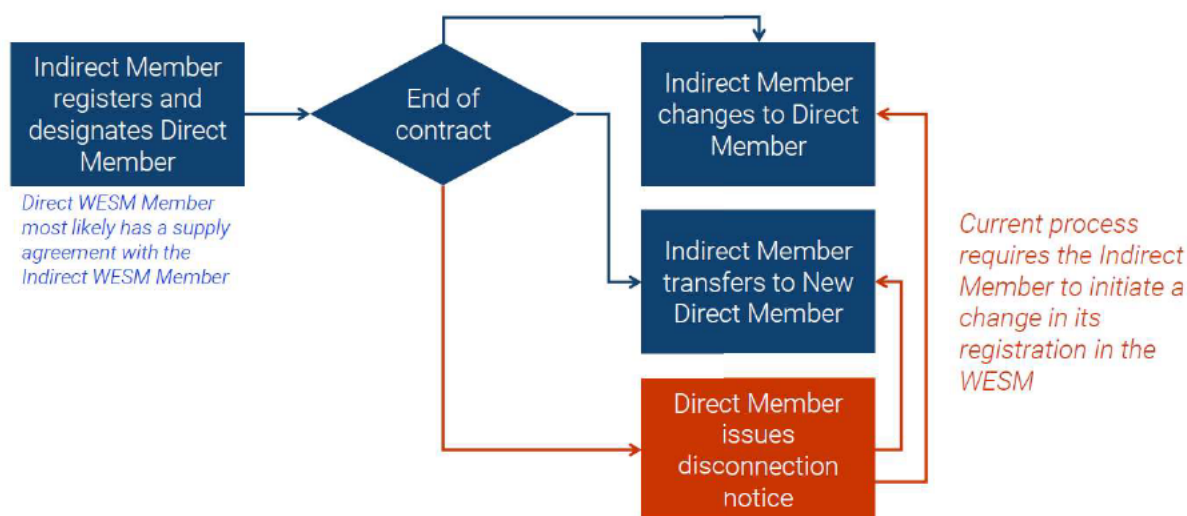


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CLARIFICATIONS ON INDIRECT WESM MEMBERSHIP

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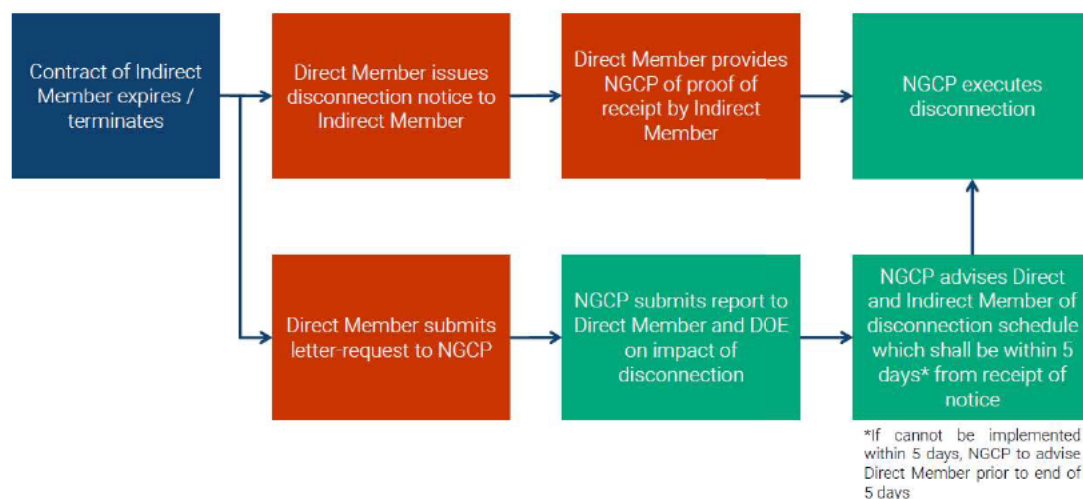
PROCESS SUMMARY



CLARIFICATIONS ON INDIRECT WESM MEMBERSHIP

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DISCONNECTION PROCEDURES (DC2010-08-0010)





MEETING MINUTES (ANNEX)

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NUMBER OF INDIRECT WESM MEMBERS

CATEGORY	NUMBER (AS OF 18 FEB 2021)
DIRECTLY CONNECTED CUSTOMERS	66
ELECTRIC COOPERATIVES ¹	14
PRIVATE DISTRIBUTION UTILITIES ²	5

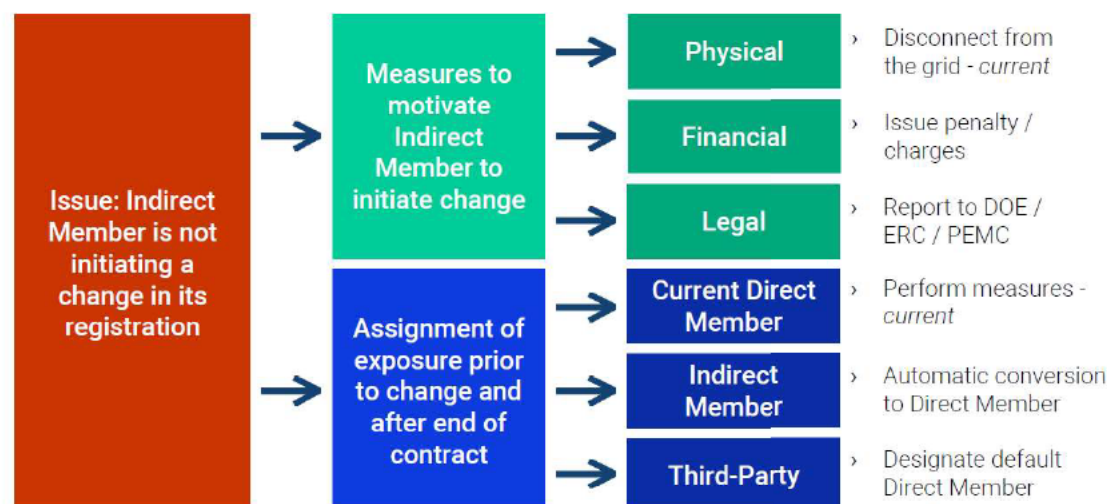
1\ Central Pangasinan Electric Cooperative Inc., Pangasinan I Electric Cooperative Inc., Benguet Electric Cooperative Inc., Camarines Sur III Electric Cooperative Inc., Zambales I Electric Cooperative Inc., Aurora Electric Cooperative Inc., Pampanga Rural Electric Service Cooperative Inc., Pampanga I Electric Cooperative Inc., San Jose City Electric Cooperative Inc., Ifugao Electric Cooperative Inc., Quirino Electric Cooperative Inc., Zambales II Electric Cooperative Inc., Nueva Ecija I Electric Cooperative Inc., Nueva Viscaya Electric Cooperative Inc.

2\ La Union Electric Company Inc., San Fernando Electric Light & Power Company Inc., Ibaan Electric and Engineering Corporation, First Industrial Township Utilities Inc., First Bay Power Corporation

85

*Total number of
registered Indirect WESM
Members*

OPTIONS



MEETING MINUTES (ANNEX)

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OPTIONS - ASSESSMENT

OPTION	PROS	CONS	ASSESSMENT
MEASURE			
PHYSICAL	Removes exposure for all parties	Challenging implementation due to political intervention	May lead to prolonged exposure
FINANCIAL	Action will be required to minimize cost	Reduced impact if payment is a concern	Higher cost for non-compliance
LEGAL	DOE/ERC intervention may help	—	Will still require physical / financial measures
EXPOSURE ASSIGNMENT			
DIRECT MEMBER	Commercial arrangements are in place	Unlimited exposure	Has option not to enter into Indirect Member arrangements
INDIRECT MEMBER	Limited exposure to Direct Member	Will require pre-submission of Direct Member requirements (PR, MPA)	Registration as Indirect Member will not be streamlined
THIRD-PARTY	Limited exposure to Direct Member	Challenging to identify party	Limited candidates

CLARIFICATIONS ON INDIRECT WESM MEMBERSHIP 16

RECOMMENDATION

