REF NO.: RCC-MIN-21-07

MEETING MINUTES

Subject/Purpose : 178th Rules Change Committee (Special) Meeting
Date & Time : 21 April 2021, 05:30PM
Venue : Online via Microsoft Teams
Page : 1 of 32

ATTENDEES

	Name	Designation/Position	Department/Company
1	Allan C. Nerves	Member, Independent	RCC
2	Dixie Anthony R. Banzon	Member, Generation Sector	RCC
3	Cherry A. Javier	Member, Generation Sector	RCC
4	Carlito C. Claudio	Member, Generation Sector	RCC
5	Jessie B. Victorio	Member (Alternate), Generation Sector	RCC
6	Mark D. Habana	Member, Generation Sector	RCC
7	Michelle Tuazon	Member (Alternate), Generation Sector	RCC
8	Ryan S. Morales	Member, Distribution Sector	RCC
9	Virgilio C. Fortich, Jr.	Member, Distribution Sector	RCC
10	Ricardo G. Gumalal	Member, Distribution Sector	RCC
11	Nelson M. Dela Cruz	Member, Distribution Sector	RCC
12	Lorreto H. Rivera	Member, Supply Sector	RCC
13	Ambrocio R. Rosales	Member, System Operator	RCC
14	Isidro E. Cacho, Jr.	Member, Market Operator	RCC
15	Karen A. Varquez	RCC Secretariat	PEMC
16	Divine Gayle C. Cruz	RCC Secretariat	PEMC
17	Dianne L. De Guzman	RCC Secretariat	PEMC
18	Kathleen R. Estigoy	RCC Secretariat	PEMC
19	John Mark S. Catriz	Head, Market Assessment Group	PEMC
20	Bienvenido C. Mendoza	Manager, MAG-Market Performance Division	PEMC
21	Sheryll M. Dy	Proponent, IEMOP	IEMOP
22	Jonathan B. dde la Viña	Proponent, IEMOP	IEMOP

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Date & Time : 21 April 2021, 05:30PM
Venue : Online via Microsoft Teams

Agenda	Agreements / Action Taken / Action Required
I. Call to Order / Determination of Quorum	• The meeting was conducted via Microsoft Teams and was called to order at 05:33PM. • The meeting was chaired by Dr. Allan Nerves (Independent). • There were 12 RCC principal members and 2 alternate members in attendance.
II. Presentation and Approval of the Proposed Agenda	The provisional agenda of the meeting was approved by the body, as submitted.
III. Background and objective of the meeting	Presenter: Ms. Divine Gayle C. Cruz (Secretariat) Action Requested: For information Presentation Material/s: Annex A – power point presentation of the background and meeting objective Proceedings: Ms. Cruz (Secretariat) presented the background and objective of the meeting: 1. Certify if the proposal is classified as urgent amendment; and 2. Approval of the proposal for endorsement to PEM Board Ms. Cruz informed the body on the timeline of events for the proposal, as listed, and discussed the criteria for urgent amendment as specified in WESM Rules 8.4.1.1 and Rules Change Manual Section 3.1. ○ On 16 April 2021, the Secretariat received the proposal. ○ On 19 April 2021, the Secretariat forwarded the same to the RCC tagged as urgent, together with its preliminary assessment. The RCC then requested the proponent to present first the proposal prior the RCC's deliberation if the proposal meets any criteria for urgent amendment.
IV. New Business	
• Proposed Urgent Amendments to the Billing and Settlement Manual Issue 6.1 (version for enhanced market design) for Harmonization	Presenter: Mr. Jonathan de la Viña (IEMOP) Action Requested: For approval for endorsement to PEM Board as urgent amendment Presentation Material/s: Annex B – power point presentation of the proposal Annex C – matrix with RCC decision

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Agenda	Agreements / Action Taken / Action Required
with the ERC's Decision on Case No. 2017-042RC (approval of the Price Determination Methodology)	Proceedings: Mr. de la Viña presented the proposal to the RCC. As a background, the approval by the ERC of the Price Determination Methodology includes revisions to the Dispatch Protocol Manual, which were included in the previous urgent amendment, and Billing and Settlement Manual (BSM). The proposal is intended to: • To harmonize ERC directives on additional compensation process; and • To provide details to the implementation of the ERC directives. In accordance with the said ERC directives, changes to the BSM on the additional compensation process include the following: • Conditions for allowing the claim; • Eligible Trading Participants (TP) to claim and the necessary documents needed; • Evaluation and timeline of approval; • Verification of claim; and • Recovery of additional compensation amounts. For the summary of the proposal, Mr. de la Viña detailed the following: • Conditions for additional compensation ○ In the current manual, TPs can claim additional compensation when designated as Must-Run Unit (MRU) or re-dispatched based on Merit-Order table (MOT) or paid at Administered Price (AP) during Market Suspension/Intervention (MS/MI). ○ Under the ERC decision, additional conditions were made: ▪ Constrained-On Units when Price Substitution Methodology (PSM) is applied – The ERC removed the pay-as-bid mechanism for Constrained-On Units and said units will be paid at the uniform unconstrained price and are eligible for additional compensation. ▪ General provision allowing additional compensation when price mitigation measure is implemented, currently referred to as secondary price cap (SEC). • Claiming and Approving of Additional Compensation ○ In the current manual, TPs that will claim for additional compensation when there is an MS/MI will have to file within 14 working days after the resumption while MRU/MOT plants will have 1 year to file for claim. Under the ERC decision, PSM and

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	SEC will also follow the same timeline as MS/MI (i.e., 14 working days). ○ Under the current manual, filing of claims does not provide a timeline for the submission of complete supporting documents. Under the ERC Decision, TPs have only 60 calendar days to submit the supporting documents after the submission of claim. ○ Under the ERC decision, deadline for approval of claims are as follows: ▪ AP, MRU, MOT, PSM: 14 working days after receipt of complete documents. ▪ SEC: 30 calendar days after receipt of complete documents ○ Under the current manual, if the MO does not act on the claim, it will be deemed as approved. However, in the ERC decision, it will be deemed as disapproved, and the TP may file for dispute for MO's inaction of the claim. • Supporting Documents for Claiming Additional Compensation ○ For MRU, MOT and AP: certified correct fuel consumption and inventory report. ○ For SEC and PSM: actual fuel consumption and inventory report, duly certified by the Vice President of Finance of the TP. ○ The rest of the requirements are the same with the current manual. • Determination of eligible quantity for Additional Compensation ○ For additional compensation quantity: ERC provided formula for SEC, AP, PSM and MOT, for inclusion in the BSM, while formula for MRU is included in the PDM. ○ Additional compensation quantity will be dependent to the compliance of the TP to its scheduled generation. As approved by the ERC, if the actual generation is greater than the scheduled generation and allowable deviation, then additional compensation will be up to its scheduled generation less contracted quantity and ancillary services incidental energy. Otherwise, if the TP complied with its schedule, it will be eligible for its actual generation consumption less contracted quantity and ancillary services incidental energy. ○ For actual generation, it is same as how it is currently settled in the market. ○ For scheduled generation, the following will apply:

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	▪ SEC, PSM: equivalent energy of linear compliance to RTD or SO instruction ▪ AP: equivalent energy of linear compliance to most recent RTD or SO instruction ▪ MOT: equivalent energy of linear compliance to SO instruction ▪ Information needed from the SO are the dispatch intervals that TPs were tagged and the target MW with respect to SO instruction. ▪ These information from the SO will be covered by the Dispatch Instruction Report. ○ Eligibility of TPs for claim are still the same with the current implementation. • Cost Recovery of Additional Compensation ○ Under the ERC decision, if the rate impact is below P0.005/kWh, it will be charged in the next billing period. If greater, it will be charged in the next four (4) billing periods. ○ For the Indirect Member (IM), MO shall charge it to their corresponding Direct Member (DM). In case the IM transferred to a new DM, MO will charge to the new DM. After the presentation, Dr. Allan C. Nerves (Independent/Presiding Officer) opened the table for questions/clarifications, as summarized below: • Mr. Virgilio C. Fortich, Jr. (Distribution) clarified if bid abstract is considered as one of the supporting documents for claiming additional compensation. Mr. de la Viña responded that the current implementation only considers the actual purchase. • Ms. Cherry A. Javier (Generation) asked what will happen if the proposal will not be approved and the WESM Rules is not aligned with the ERC decision. Mr. de la Viña said that the MO will immediately implement the ERC decision. However, some items on additional compensation were not clear in the ERC Decision, which the MO supplied in the proposal based on their interpretation. • Mr. Ambrosio R. Rosales (System Operator) clarified if the TP tagged as MOT-Constrained-on is eligible to claim for additional compensation.

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	Mr. de la Viña explained that MOT-Constrained-on is already included in the BSM version for the enhanced WESM design and operations (EWDO). The ERC also added the consideration for constrained-on generators during PSM. Before, if TP is constrained-on during PSM, pay-as-bid offer will be applied. The ERC directed, on the other hand, for said TP to be paid at the unconstrained price, but the TP will be eligible to file for additional compensation to cover higher actual costs. Mr. de la Viña further added that IEMOP, as consulted with the DOE, can already implement the ERC's Decision. For items that are not clear in the Decision, the MO added the details in the BSM. Whether the proposal will be approved for endorsement or not, the MO will still be constrained in implementing the ERC Decision, with details as proposed, once the EWDO is launched. • Mr. Rosales asked if the proposal will also need approval from ERC since it involves rates. Atty. Sheryll M. Dy (IEMOP) explained that the trigger of the proposal is the ERC-approved PDM, thus, there is no need for ERC's approval on the proposed amendments. Also, the proposal clarifies the process on how the additional compensation will be implemented, for TP's reference. • Mr. Carlito C. Claudio (Generation) asked if there will be possible changes with the Central Registration and Settlement System (CRSS) and other MO's system because of the proposed amendments. Considering that the proposed amendment will be implemented within the period of 6 months, it is possible that the modification will not be completed within the timeframe. Also, there is a need to audit the system with its enhancements. Atty. Dy (IEMOP) explained that prior to the issuance of the ERC Decision, the ERC has already coordinated with PEMC and IEMOP the modifications needed to the new Market Management System (NMMS) and CRSS. The modifications to the NMMS have already passed the audit, with the audit report for finalization. While the audit for the CRSS is on-going, the MO foresees that it will be completed prior to the target Go-live date. Dr. Nerves reminded the RCC that the body needs to decide if the proposal is considered urgent. Ms. Cruz presented the preliminary assessment of the

Agenda	Agreements / Action Taken / Action Required
	proposal, which provides that it satisfies the following criteria for urgent amendments: • Avoid, reduce the risk of or mitigate the adverse effects of certain conditions on the ability of the power system to function normally; and • Facilitate the implementation of any regulation, circular, order or issuance of the DOE or ERC pursuant to the EPIRA. Ms. Cruz also stated that, based on the Rules Change Manual, the urgent amendment shall be implementable on the affected WESM/Retail operations and/or transactions within a period of 6 months, subject to the confirmation of the MO. The body then decided that the proposed amendment was considered as urgent, with eleven (11) votes[1]. With the unanimous decision that the proposal was urgent, Mr. de la Viña proceeded with the line-by-line presentation of the proposed amendments, summarized as follows: • On Section 10.1.1, Mr. de la Viña informed that the PSM and SEC were added in the list of conditions eligible for additional compensation. In addition, the proponent opted for a generic wording for SEC to cover any other price mitigation measures that may be implemented in the WESM. Dr. Nerves asked if the additional items will not be contradictory to ERC decision. Mr. de la Viña explained that the additional items are consistent with the ERC decision and issuances. Also, SEC is not found in any WESM Rules/Manuals but only in ERC issuances. Dr. Nerves noticed that the proposed wording for said additional item (i.e. on PSM and SEC) are inconsistent with the wording of ERC. Mr. de la Viña agreed to revise these items, as shown in Annex C. Dr. Nerves inquired on the use of "generating unit" and "generating plant", specifically, whether these words are interchangeable. Mr. Rosales clarified that during MRU, the SO refers to a "generating unit" but during SEC it refers to "generation plant". Dr. Nerves noted this clarification.

[1] Carlito C. Claudio, Dixie Anthony R. Banzon, Cherry A Javier, Mark D. Habana, Ryan S. Morales, Virgilio C. Fortich, Jr., Ricardo G. Gumalal, Nelson M. Dela Cruz, Lorreto H. Rivera, Isidro E. Cacho, Jr., and Ambrocio R. Rosales

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	Mr. de la Viña added that during the filing of claims for additional compensation, there will be validation performed and the settlement will be based on how TPs are modelled in the market. Dr. Nerves also noted this explanation. Ms. Cruz suggested to revise the wording on Section 10.2.1 (b) to adopt the original wording from ERC. The RCC has no objection, thus approving the Secretariat's suggestion. • Dr. Nerves clarified if the data verification process should be explicitly included in the BSM. Mr. de la Viña said that it was already part of the urgent amendment on Dispatch Protocol Manual. • On Section 10.1.2, the proponent proposes a hierarchy if two (2) or more conditions occur in the same dispatch interval. The proposed hierarchy is consistent with the determination of the final energy dispatch price in Section 4.12 of the PDM. o Claim category in Section 10.1.1(a) – AP o Claim category in Section 10.1.1(d) – SEC o Claim category in Section 10.1.1(c) – PSM o Claim category in Section 10.1.1(b) – MOT/MRU Mr. de la Viña clarified that when AP and SEC occur in the same dispatch interval, the lower price will be applied. • On Section 10.2.1, which provides the processing of additional compensation for MS/MI, the ERC Decision Section 4.4.2.3.1 uses the word "days". For consistency with the similar timelines for PSM and SEC, it is also proposed that the timeline be set to 14 "working days". Mr. de la Viña clarified that "working days" refer to Monday to Friday except holidays, and "business days" include Saturday and Sunday. • On Section 10.2.2, Ms. Javier asked why the proposal is "business days". Mr. de la Viña clarified that the ERC decision only stated "days" and the proponent proposed "business days" reflecting the current implementation of the process. On same Section, Ms. Michelle Tuazon (Generation) inquired why the ERC-approved rate is considered as a supporting document for claims related to MI/MS and MRU but not for PSM and SEC. Mr. de la Viña

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	responded that the ERC latest decision did not include the ERC-approved rate as a requirement for PSM and SEC. • On Section 10.2.4, Ms. Cruz asked if a TP could file a dispute if the MO is able to act upon its claim in the prescribed period but was disapproved. Mr. de la Viña said that it is possible to file dispute. Mr. Mark Habana (Generation) expressed his opinion on the ERC decision, that a claim for additional compensation is disapproved when the MO did not take any action on the claim, seems unfair. Dr. Nerves noted that the RCC has no choice on the matter since the proposal only follows the ERC decision. It was noted, however, that subsequent amendments may be submitted, for approval of the DOE and ERC. Mr. Ryan S. Morales (Distribution) asked if the computation is on an hourly-basis, should the receipts be also in an hourly-basis. Mr. de la Viña answered that the receipts will be used as reference to compute the rate per kWh, which will be multiplied to the eligible quantity per dispatch interval. Ms. Cruz also raised if it will be possible to add a general statement addressing that the MO can be disputed based on its decision. Atty. Dy suggested to stick with what was written in the ERC decision since the proposal is to harmonize with it. • With the vote of majority, the proposed urgent amendments were approved subject to further revision by the proponent. Resolution: The RCC provisionally approved the proposed urgent amendments to the Billing and Settlement Manual, for endorsement to the PEM Board. The proponent will submit the revised proposal for final approval of the RCC before the PEM Board's presentation.
• Ways Forward	Presenter: Ms. Dianne L. De Guzman (Secretariat) Action Requested: For information Presentation Material/s: Annex D – power point presentation of Ways Forward

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	Proceedings: Ms. De Guzman presented the draft RCC resolution for the proposed amendment and informed RCC to finalize the resolution for their confirmation to affix e-signature, prior submission to PEM Board. Ms. De Guzman also discussed the Ways Forward, highlighted as follows: • On 26 April 2021, submission of the final RCC resolution together with the matrix of discussion. • On 28 April, presentation of the proposal to EM Board and submission of the same to DOE for information • On 29 April, urgent amendment shall take effect. Revised rules/manual will be published and market participants will be informed of the publication. • Lastly, in July 2021, three (3) months after the approval or urgent amendment, the proponent to re-submit the proposal as general amendment.
VII. Adjournment	The meeting was adjourned at 07:50PM

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Prepared by:

[redacted]
DIANNE L. DE GUZMAN
Specialist, Rules Review Division
Market Assessment Group

Reviewed by:

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

Noted by:

[redacted]
JOHN MARK S. CATRIZ
Head, Market Assessment Group

Approved by:

[redacted]
MAILA G. DE CASTRO
Chairman, Independent

[redacted]
FRANCISCO LEODEGARIO R. CASTRO, JR.
Member, Independent

[redacted]
ALLAN C. NERVES
Member, Independent

[redacted]
CONCEPCION I. TANGLAO
Member, Independent

[redacted]
DIXIE ANTHONY R. BANZON
Member, Generation Sector
Masinloc Power Partners Co. Ltd. (MPPCL)

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

[redacted]
CARLITO C. CLAUDIO
Member, Generation Sector
Millennium Energy, Inc. / Panasia Energy, Inc. (MEI/PEI)

MARK D. HABANA
Member, Generation Sector
Vivant Corporation – Philippines (Vivant)

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[redacted]

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

[redacted]

VIRGILIO C. FORTICH, JR.
Member, Distribution Sector
Cebu III Electric Cooperative, Inc. (CEBECO III)

[redacted]

RICARDO G. GUMALAL
Member, Distribution Sector
Iligan Light and Power, Inc. (ILPI)

[redacted]

NELSON M. DELA CRUZ
Member, Distribution Sector
Nueva Ecija II Area 1 Electric Cooperative, Inc. (NEECO II – Area I)

[redacted]

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

[redacted]

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

[redacted]

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

178th RCC (SPECIAL) MEETING

21 April 2021

MS Teams

ACTIONS REQUESTED

1) Certify if proposal is classified as urgent based on criteria specified in the WESM Rules and Rules Change Manual

2) Approval of proposal for endorsement to the PEM Board

BACKGROUND

TIMELINES	ACTIVITIES
April 16	Received from IEMOP the Proposed Urgent Amendments to the WESM Manual on Billing and Settlement Issue 6.1 (version for enhanced market design)
April 19	Forwarded to RCC: • proposal, tagged as Urgent • Preliminary Assessment

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CRITERIA FOR URGENT AMENDMENTS

WESM Rules Clause 8.4.1.1 and Rules Change Manual Section 3.1

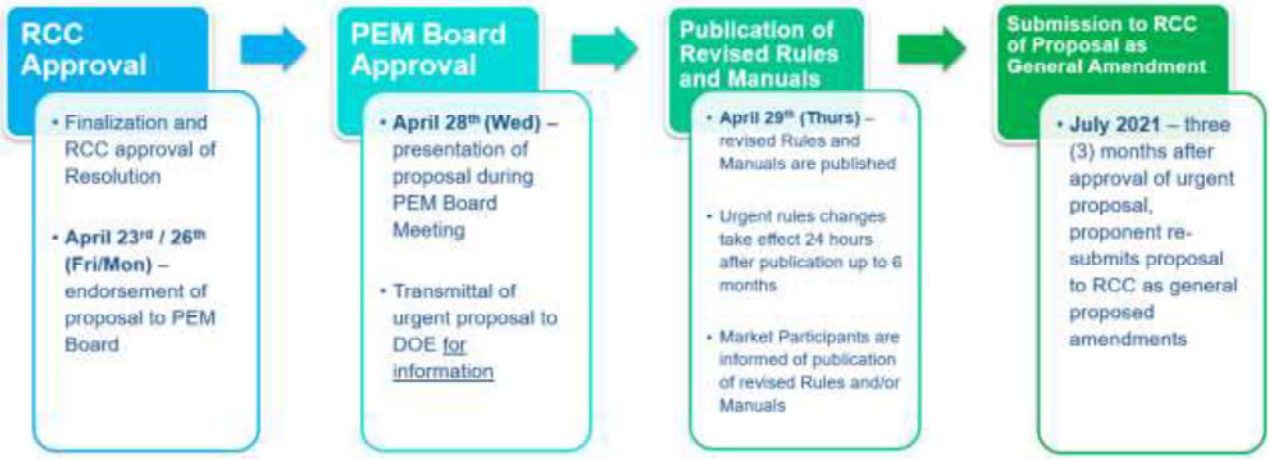
Urgent Amendments are those which are needed:

a) To avoid, reduce the risk of or mitigate the adverse effects of certain conditions on the ability of the power system to function normally;
b) To avoid, reduce the risk of or mitigate the effects of the abuse of market power or anti-competitive behavior;
c) To avoid, reduce the risk of or mitigate the unintended adverse effect of the WESM Rules, Retail Rules and Market Manuals (or any of its amendments); and
d) To facilitate the implementation of any regulation, circular, order or issuance of the DOE or ERC pursuant to the EPIRA.

Provided further that the urgent amendments shall be implementable on the affected WESM/Retail operations and/or transactions within the period of six (6) months subject to the confirmation of the Market Operator.

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WAYS FORWARD



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ACTIONS REQUESTED

1) Certify if proposal is classified as urgent based on criteria specified in the WESM Rules and Rules Change Manual

2) Approval of proposal for endorsement to the PEM Board

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PROPOSED URGENT AMENDMENTS TO THE WESM MANUAL ON BILLING AND SETTLEMENT FOR HARMONIZATION WITH ERC DECISION ON CASE NO. 2017-042RC

21 APRIL 2021

ONLINE

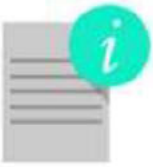
THE PROPONENT

- The proponent is the Independent Electricity Market Operator of the Philippines, Inc. (IEMOP)
- IEMOP is the market operator of the WESM.

OUTLINE



ACTION REQUESTED



RATIONALE OF THE PROPOSAL



SUMMARY OF THE PROPOSAL



OTHER RELEVANT MATTERS

ACTION REQUESTED

- For approval to endorse to PEM Board as Urgent Amendments

RATIONALE OF THE PROPOSAL

› Harmonize with ERC directives on additional compensation process

› Provide details to the implementation of the ERC directives

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SUMMARY OF THE PROPOSAL

BACKGROUND

ERC Decision on the approval of the Price Determination Methodology (PDM) for the enhanced WESM design require revisions to the following WESM manuals:

1) Dispatch Protocol – *included in previous urgent amendment*
2) Billing and Settlement



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SUMMARY OF THE PROPOSAL

CHANGES TO THE BILLING AND SETTLEMENT MANUAL WOULD AFFECT THE ADDITIONAL COMPENSATION PROCESS:

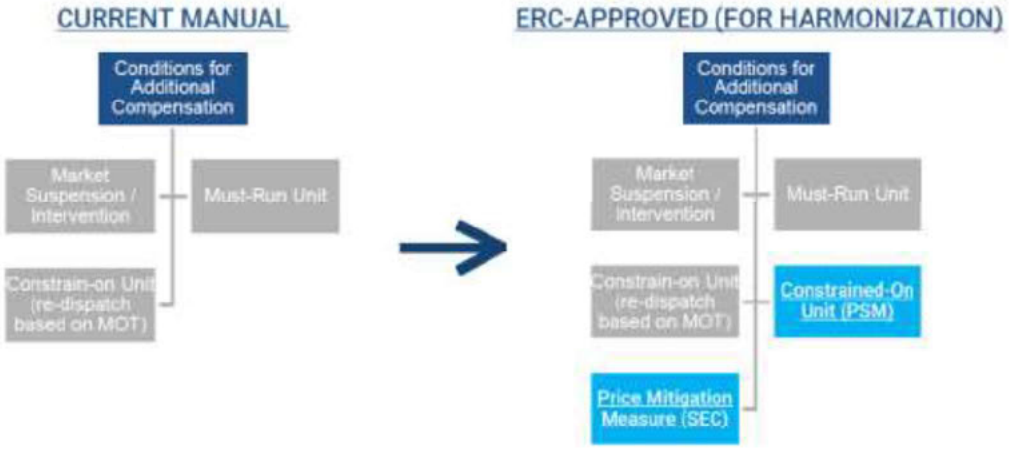


All additional compensation processes are affected by the procedures added by the Energy Regulatory Commission (ERC) in its decision approving the Price Determination Methodology for the enhanced WESM design and operations

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SUMMARY OF THE PROPOSAL

A) Conditions for Additional Compensation



MOT – Merit Order Table
PSM – Price Substitution Methodology
SEC – Secondary Price Cap

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SUMMARY OF THE PROPOSAL

B) Claiming and Approving Additional Compensation

	CURRENT MANUAL	ERC-APPROVED (FOR HARMONIZATION)
DEADLINE FOR FILING OF CLAIM	AP: 14 working days (WD) after resumption MRU, MOT: 1 year after designation	AP, PSM, SEC: 14 WD after resumption/designation MRU, MOT: 1 year after designation
DEADLINE FOR SUBMITTING SUPPORTING DOCUMENTS	None →	60 calendar days (CD) after claim
DEADLINE FOR APPROVAL	AP, MRU, MOT: 14 WD after receipt of complete documents	AP, MRU, MOT, PSM: 14 WD after receipt of complete documents SEC: 30 CD after claim
EFFECT OF INACTION	Deemed approved	Deemed disapproved – GenCo may raise dispute

AP – Administered Price
MRU – Must-Run Unit
MOT – Merit Order Table
PSM – Price Substitution Methodology
SEC – Secondary Price Cap

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SUMMARY OF THE PROPOSAL

C) Supporting Documents for Claiming Additional Compensation

CURRENT MANUAL

1) Certified correct Fuel Consumption and Inventory Report;
2) Purchase Invoices, Official Receipts and other supporting documents; and
3) ERC approved rate or List of Variable Operation and Maintenance Costs supported by photocopies of invoices/receipts.

→

ERC-APPROVED (FOR HARMONIZATION)

1) Certified correct Fuel Consumption and Inventory Report (MRU, AP, MOT); or actual fuel consumption and inventory report, duly certified by the Vice President of Finance of the power plant applying for additional compensation (SEC, PSM)
2) Purchase Invoices, Official Receipts and other supporting documents; and
3) ERC approved rate or List of Variable Operation and Maintenance Costs supported by photocopies of invoices/receipts.

AP – Administered Price
MRU – Must-Run Unit
MOT – Merit Order Table
PSM – Price Substitution Methodology
SEC – Secondary Price Cap

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SUMMARY OF THE PROPOSAL

D) Quantity Eligible for Additional Compensation

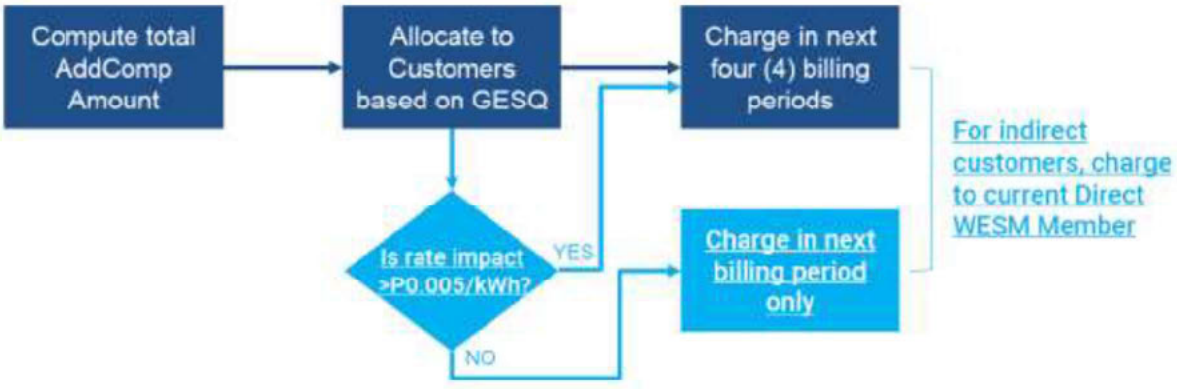
FEATURE	SEC	AP	PSM	MOT
ADDITIONAL COMPENSATION QUANTITY	If [GESQ] > [SG + Deviation], **SG** – BCQ – ASIE otherwise, **GESQ** – BCQ – ASIE			
ACTUAL GENERATION	GESQ			
SCHEDULED GENERATION (SG)	Equivalent energy of linear compliance to RTD or SO instruction	Equivalent energy of linear compliance to most recent RTD or SO instruction	Equivalent energy of linear compliance to RTD or SO instruction	Equivalent energy of linear compliance to SO instruction
SO INFORMATION	Dispatch Interval, Target MW			
DEVIATION REFERENCE	Dispatch Instruction Report			
ELIGIBLE TRADING PARTICIPANTS	Oil-based plants	All	Constrained-on plants	All

SEC – Secondary Price Cap
AP – Administered Price
PSM – Price Substitution Methodology
MOT – Merit Order Table
GESQ – Gross Energy Settlement Quantity
SG – Scheduled Generation
BCQ – Bilateral Contract Quantity
ASIE – ancillary services incidental energy
RTD – Real-Time Dispatch schedule
SO – System Operator

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SUMMARY OF THE PROPOSAL

E) Cost Recovery of Additional Compensation



GESQ – Gross Energy Settlement Quantity

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OTHER RELEVANT MATTERS

- None

ACTION REQUESTED

- For approval to endorse to PEM Board as Urgent Amendments

A. WESM Manual on Billing and Settlement Issue 6.1

Title	Section	Provision	Proposed Amendment	Rationale	RCC Decision
CRITERIA FOR ADDITIONAL COMPENSATION	10.1	In accordance with Section 8.3.3 of the Price Determination Methodology Manual, Trading Participants may be entitled to additional compensation when the cost incurred in complying with the dispatch instruction are not sufficiently covered by the trading amounts, related to *settlement intervals* with *dispatch intervals* under any of the following conditions: a) Market suspension or Market intervention; or b) When the trading participant is designated as must run unit or constrain on generating unit.	**10.1.1** In accordance with Section 8.3.~~3~~ of the Price Determination Methodology Manual, *Trading Participants* may be entitled to additional compensation when the cost incurred in complying with the *dispatch instruction* are not sufficiently covered by the trading amounts, related to *settlement intervals* with *dispatch intervals* under any of the following conditions: a) *Market suspension* or *Market Intervention*; or b) When the *Trading Participant* **has a *generating unit* that** is designated as *must run unit* or *constrain-on generating unit* **as shown in the Dispatch Instruction Report submitted by the *System Operator* to the *Market Operator* in accordance with the *WESM Rules* or relevant *market manual*; or** **c) When the *Trading Participant* has a *generating unit* that was scheduled and dispatched as a *constrained-on generator* in *dispatch intervals* when price substitution methodology due to congestion was applied; or** **d) A *Trading Participant* has a *generating unit* that was scheduled and dispatched in *dispatch intervals* when price mitigation measure imposed by the *ERC* or other competent government agency was applied may also be entitled to additional compensation in accordance with and subject to the conditions set out in the issuance of the *ERC* or the competent government agency that imposed the price mitigation measure. In case of conflict between the provisions of this *Market Manual* and said issuances in respect to payment of compensation to affected *Trading Participants*, the latter issuances shall prevail.**	Include all conditions allowing for additional compensation provided under Section 4.4 of ERC Decision on Case No. 2017-042RC ("ERC Decision")	Approved, as revised
CRITERIA FOR ADDITIONAL COMPENSATION			**10.1.2 In the event that two (2) or more of the conditions occur in the same *dispatch interval* and a *Trading Participant* is entitled to additional compensation due to more than one condition, the *Trading Participant* and the *Market Operator* shall adhere with the procedures and timelines of the**	Include a hierarchy in cases when two or more conditions are present. The proposed hierarchy is consistent with the order applied when determining the final energy	Approved

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			condition with the highest priority based on the following hierarchy: **a) Claim category in Section 10.1.1(a)** **b) Claim category in Section 10.1.1(d)** **c) Claim category in Section 10.1.1(c)** **d) Claim category in Section 10.1.1(b)**	dispatch price for a dispatch interval provided under Section 4.12 of the Price Determination Methodology Manual	
FILING OF CLAIMS	10.2.1	*Trading Participants* shall submit the written claim for additional compensation within the allowable timeframe, as follows: a) *Market suspension* or *market intervention* – fourteen (14) days after the resumption of the market; and b) *Must-run unit* or *constrain-on generating* unit – within one (1) year after the *trading participant* was designated as *MRU* or *constrain-on generating unit*. Any claims not filed within such period shall be deemed waived.	*Trading Participants* shall submit the written claim for additional compensation within the allowable timeframe, as follows: a) *Market suspension* or *market intervention* – **not later than** fourteen (14) ***working*** *days* after the resumption of the market~~; and~~ **b)** *Must-run unit* or *constrain-on generating* unit – within one (1) year after the *trading participant* was designated as *MRU* or *constrain-on generating unit*; **c) *Constrained-on generators* in *dispatch intervals* when the price substitution methodology due to congestion was applied – not later than fourteen (14) *working days* after the *trading day* when the *generating unit* was constrained-on;** **d) Qualified *Trading Participants* in *dispatch intervals* when price mitigation measure was applied – not later than fourteen (14) *working days* after the imposition of the price mitigation measure has been lifted, unless a different period is set out in the relevant issuance of the *ERC* or competent agency imposing the price mitigation measure.** Any claims not filed within such period shall be deemed waived.	Harmonize with the timelines for filing of claims provided under the following sections of the ERC Decision: • PSM: 4.4.2.4.1 • Price Mitigation Measure: 4.4.2.2.1 For market suspension or market intervention, ERC Decision Section 4.4.2.3.1 uses the word "days" only. For consistency with the PSM and Price Mitigation Measure timelines, it is also proposed that the timeline be set to 14 "working days". The timeline for MRU and MOT are retained to one (1) year as provided under ERC Decision Sections 4.4.2.1.1 and 4.4.2.5.1.	Approved as revised for item (b), adopt Secretariat's suggestion
FILING OF CLAIMS	10.2.2	*Trading Participants* shall submit sufficient proof regarding the costs incurred, which are limited to fuel cost and variable operating and maintenance	**Within a maximum period of sixty (60) *business days* from the *Market Operator*'s receipt of the written claim,** *Trading Participants* shall submit **the complete documentation that provides** sufficient proof regarding the costs incurred, which are	Harmonize with the timeline for submitting supporting documents under ERC Decision Sections 4.4.2.1.2,	Approved

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		costs, which may include start-up and shut down cost. Below is the non-exhaustive list of requirement documents in filing claims for additional compensation: a) Certified correct Fuel Consumption and Inventory Report; b) Purchase Invoices, Official Receipts and other supporting documents; and c) ERC-approved rate or List of Variable Operation and Maintenance Costs supported by photocopies of invoices/receipts.	limited to fuel cost and variable operating and maintenance costs, which may include start-up and shut down cost. Below is the non-exhaustive list of requirement documents in filing claims for additional compensation: a) ***Market suspension, market intervention, must-run unit or constrain-on generating unit –*** **i.** Certified correct Fuel Consumption and Inventory Report; **ii.** Purchase Invoices, Official Receipts and other supporting documents; and **iii.** *ERC*-approved rate or List of Variable Operation and Maintenance Costs supported by photocopies of invoices/receipts. **b) *Constrained-on generators* in *dispatch intervals* when the price substitution methodology due to congestion was applied or qualified *Trading Participants* in *dispatch intervals* when price mitigation measure was applied, unless a different set of requirements is set out in the relevant issuance of the *ERC* or competent agency imposing the price mitigation measure. –** **i. Actual fuel consumption and inventory report, duly certified by the Vice President of Finance of the power plant applying for additional compensation;** **ii. Purchase Invoices, Official Receipts and other supporting documents; and** **iii. List of Variable Operation and Maintenance Costs supported by photocopies of invoices/receipts.** **The *Trading Participant* shall also ensure that any data or document required from the *System Operator* or other WESM**	4.4.2.2.2, 4.4.2.3.2, 4.4.2.4.2, and 4.4.2.5.2. Harmonize with the list of supporting documents under ERC Decision Sections 4.4.3.1, 4.4.3.2, .4.4.3.3, 4.4.3.4, and 4.4.3.5. Also propose to identify the responsibilities of parties on the provision of data and clarify impact of submission of supporting documents beyond the sixty-day timeline.	

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Title	Section	Provision	Proposed Amendment	Rationale	RCC Decision
			***Service Providers*, as may be applicable, shall be submitted to the *Market Operator* within the same sixty-*business day* period.** **Any data or document submitted after the prescribed period shall not be used by the *Market Operator* as basis for additional compensation.**		
FILING OF CLAIMS	10.2.3	The Market Operator shall determine validity of the costs incurred based on the aforementioned supporting documents.	The *Market Operator* shall determine validity of the **claim and the** costs incurred based on the aforementioned supporting documents.	Clarify that the MO will only validate if additional compensation is warranted based on the costs indicated in the supporting documents submitted by the generator but will not validate the cost items submitted	Approved
FILING OF CLAIMS	10.2.4	The Market Operator shall inform the requesting Trading Participant of the approval or disapproval of the claim within fourteen (14) working days from receipt of the complete documents from the Trading Participant. Any claim not decided within fourteen (14) working days shall be deemed approved and shall be allocated and billed immediately in the succeeding billing period.	The *Market Operator* shall inform the requesting *Trading Participant* of the approval or disapproval of the claim within **the following periods reckoned** ~~fourteen (14) *working days*~~ from receipt of the complete documents from the *Trading Participant*: **a) For claims under the claim category in Section 10.1.1 (a), (b), and (c) - within fourteen (14) *working days*;** **b) For claims under the claim category in Section 10.1.1 (d) - within thirty (30) *business days*, unless a different period is set out in the relevant issuance of the *ERC* or competent agency imposing the price mitigation measure.** Any claim not decided **upon by the *Market Operator*** within **the specified timelines** ~~fourteen (14) *working days*~~ shall be deemed **dis**approved ~~and shall be allocated and billed immediately in the succeeding *billing period*~~. **The *Trading Participant* whose claim was not acted upon within the specified timelines may submit a complaint against the *Market Operator* under the dispute resolution process in accordance with the *WESM Rules* or relevant *market manual*.**	Harmonize the timelines for the Market Operator's approval or disapproval of the claim with ERC Decision Sections 4.4.4.1.1, 4.4.4.2, 4.4.4.3.1, 4.4.4.4.1, and 4.4.4.5.1. Harmonize the procedures if the claim was not acted upon by the Market Operator with ERC Decision Sections 4.4.4.1.2, 4.4.4.3.2, 4.4.4.4.2, and 4.4.4.5.2. The same procedure is proposed to be applied for claims due to the imposition of price mitigation measure for consistency.	

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Title	Section	Provision	Proposed Amendment	Rationale	RCC Decision
			10.3 QUANTITY ELIGIBLE FOR ADDITIONAL COMPENSATION	Proposed new section to describe the procedures in determining the quantities eligible for additional compensation	
			10.3.1 For claims due to designation as *must run units*, the *Market Operator* shall determine the *must-run unit* quantity or volume that shall be eligible for additional compensation in accordance with the relevant provision under Section 8.3 of the Price Determination Methodology Manual.	Provide reference to the PDM for the calculation of additional compensation quantity of must run units	
			10.3.2 For claims due to market suspension, market intervention, designation as constrain-on units, implementation of price substitution methodology, or imposition of price mitigation measures unless a different formula is set out in the relevant issuance of the *ERC* or competent agency imposing the price mitigation measure, the *Market Operator* shall determine the volume that shall be eligible for additional compensation in accordance with the following formula: **a) If the actual generation of the *generating unit*, $GESQ_{g,i}$, is less than or equal to its scheduled generation plus the allowable deviation, $SG_{g,i} + Max[1,(1.5\% \times SG_{g,i})]$,** $$ACQ_{g,i} = GESQ_{g,i} - \sum_{b \in B} BCQ_{g,b,i} - ASIE_{g,i}$$ **b) If the actual generation of the *generating unit* is more than its scheduled generation plus the allowable deviation,** $$ACQ_{g,i} = SG_{g,i} - \sum_{b \in B} BCQ_{g,b,i} - ASIE_{g,i}$$	It is proposed that the calculation of additional compensation quantity for the rest of the conditions be harmonized with ERC Decision Section 4.4.1.2 for consistency.	Approved

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Title	Section	Provision	Proposed Amendment	Rationale	RCC Decision
			Where: $ACQ_{g,i}$ refers to the additional compensation quantity of *generating unit* g for *dispatch interval* i $GESQ_{g,i}$ refers to the *gross energy settlement quantity* of *generating unit* g for *dispatch interval* i $BCQ_{g,b,i}$ refers to the *bilateral contract quantity* of *generating unit* g to buying *trading participant* b for *dispatch interval* i B set of all buying *trading participants* that *generating unit* g has a contract with $ASIE_{g,i}$ refers to the *ancillary services* incidental energy of *generating unit* g for *dispatch interval* i $SG_{g,i}$ refers to the scheduled generation of *generating unit* g for *dispatch interval* i calculated in accordance with Section 10.3.3		
			10.3.3 The scheduled generation of a *generating unit* that filed a claim for additional compensation shall be calculated using the following formulas: a) If due to declaration of *market suspension* or *market intervention*, $$SG_{g,i} = \frac{(DT_{g,i-1} + DT_{g,i})}{2} \times \frac{1}{12}$$ b) If due to designation as *constrain-on unit*, $$SG_{g,i} = \frac{(IL_{g,i} + DI_{g,i})}{2} \times \frac{1}{12}$$ c) If due to scheduling and dispatch as a *constrained-on unit* during price substitution methodology,	Include the proposed formula for determining the scheduled generation of a generating unit for each additional compensation condition. In general, the formulas calculate the equivalent energy resulting from the linear compliance of the generating unit to its dispatch target.	Approved

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Title	Section	Provision	Proposed Amendment	Rationale	RCC Decision
			$$SG_{g,i} = \frac{(IL_{g,i} + DT_{g,i})}{2} \times \frac{1}{12}$$ **d) If due to imposition of a price mitigation measure, unless a different formula is set out in the relevant issuance of the *ERC* or competent agency imposing the price mitigation measure,** $$SG_{g,i} = \frac{(IL_{g,i} + DT_{g,i})}{2} \times \frac{1}{12}$$ **Where:** $SG_{g,i}$ refers to the scheduled generation of *generating unit* g for *dispatch interval* i $DT_{g,i}$ refers to the most recent dispatch target either based on the *dispatch schedule* from the *Market Operator* or a *dispatch instruction* from the *System Operator* received by *generating unit* g for *dispatch interval* i $IL_{g,i}$ refers to the initial loading of *generating unit* g as determined by the *Market Management System* for *dispatch interval* i $DI_{g,i}$ refers to the most recent *dispatch instruction* from the *System Operator* received by *generating unit* g for *dispatch interval* i		
			10.3.4 In the event that the *scheduling point* of the *generating unit* is not at the same location as its *market trading node*, the *Market Operator* shall adjust the scheduled generation calculated under Section 10.3.3 such that the volume shall correspond to the scheduled output of the *generation unit* at its *market trading node*. The *Market Operator* shall adjust the scheduled generation in accordance with the following formula:	Propose to include procedure for adjusting scheduled generation to the market trading node if the scheduling point is at a different location. This is to have a proper comparison between the actual generation and scheduled generation in the determination of the	Approved

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Title	Section	Provision	Proposed Amendment	Rationale	RCC Decision
			$$\underline{SG_{n,g,i} = SG_{sp,g,i} \times \frac{\sum_{n \in N_g} SQ_{n,i}}{\sum_{sp \in SP_g} SQ_{sp,i}}}$$ **Where:** $SG_{n,g,i}$ refers to the scheduled generation of *generating unit* g at its *market trading node* n for *dispatch interval* i $SG_{sp,g,i}$ refers to the scheduled generation of *generating unit* g at its *scheduling point* sp for *dispatch interval* i $SQ_{n,g,i}$ refers to the *snapshot quantity* at *market trading node* n for *dispatch interval* i $SQ_{n,g,i}$ refers to the *snapshot quantity* at *scheduling point* sp for *dispatch interval* i N_g refers to the set of *market trading nodes* of the *generating units* within the *generating system* of which *generating unit* g is a member SP_g refers to the set of *scheduling points* of the *generating units* within the *generating system* of which *generating unit* g is a member	additional compensation quantity of the claimants.	
			10.4 BILLING AND SETTLEMENT OF ADDITIONAL COMPENSATION	Proposed new section to include billing and settlement procedures under the ERC Decision	
			10.4.1 The *Market Operator* shall determine the share in the additional compensation amount of each *Trading Participant* in accordance with the provisions under Section 8.3 of the Price Determination Methodology Manual.	Provide reference to the allocation of the additional compensation amount from the PDM	
			10.4.2 The *Market Operator* shall calculate the possible rate impact to each *WESM Customer* of each approved claim in accordance with the following formula:	Include formula for calculating the rate impact to WESM customers which will be used as the criteria for determining whether the WESM customer will have one-time or	

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Title	Section	Provision	Proposed Amendment	Rationale	RCC Decision
			$RI_{c,ac} = \frac{ACA_{c,ac}}{GESQ_{c,m}}$ **Where:** $RI_{c,ac}$ refers to the rate impact to customer c of additional compensation claim ac $ACA_{c,ac}$ refers to the share in the additional compensation amount of customer c for additional compensation claim ac $GESQ_{c,m}$ refers to the total *gross energy settlement quantity* of customer c for the *billing period* m when the additional compensation amount ac will first be recovered The customer rate impact shall be calculated for each claiming *Trading Participant* and shall cover its claim for each *billing period* and for each claim category.	staggered payment consistent with ERC Decision Section 4.4.5.2	
			10.4.3 The approved claim of each *Trading Participant* covering each *billing period* and for each claim category shall be billed on the *billing period* immediately following the approval of the claim and payments shall be collected as follows: a) If the calculated customer rate impact is less than or equal to PhP0.005/kWh – in one (1) payment on the scheduled due date of the *billing period* immediately following the approval of the claim; or b) If the calculated customer rate impact is more than PhP0.005/kWh – in four (4) equal installments over four (4) successive *billing periods* starting on the scheduled date of the *billing period* immediately following the approval of the claim.	Include the procedure for charging in one-time or staggered payment as provided under ERC Decision Section 4.4.5.2	

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Title	Section	Provision	Proposed Amendment	Rationale	RCC Decision
			10.4.4 The *Market Operator* shall collect payments for the approved claim within the following timeframe – **a) For claims with rate impact equal or less than PhP0.005/kWh – on the due date of the *billing period* immediately following the approval of the claim; and** **b) For claims with rate impact of higher than PhP0.005/kWh – installment payment shall be collected starting from the due date of the *billing period* immediately following the approval of the claim.** **It is provided, however, that if a *Trading Participant* has more than one (1) approved claim for each claim category (i.e., covering more than one (1) billing period), only one claim shall be billed in a *billing period*, starting with the earliest *billing period*.**	Clarify the procedure for collecting in one-time or staggered payment consistent with ERC Decision Section 4.4.5.3	
			10.4.5 The collected amounts from staggered payments shall be pro-rated to the *Trading Participants* which the payment is due.	Include the procedure for paying claimants when staggered collection is applied as provided under ERC Decision Section 4.4.5.4	Approved
			10.4.6 The payment for additional compensation of customers that have switched to a different *Direct WESM Member* shall be billed to the current *Direct WESM Member* provided that the bill shall reflect the period of consumption and the corresponding *Direct WESM Member* during the period of the additional compensation event under claim.	Harmonize the collection from Indirect WESM Members with ERC Decision Section 4.4.5.5	Approved