

**WHOLESALE ELECTRICITY SPOT MARKET
RULES CHANGE COMMITTEE**

RESOLUTION NO. 2019-09

**Implementation by the Market Operator of the Revised Calculation for Initial
Prudential Requirements**

WHEREAS, the DOE directed the Independent Electricity Market Operator of the Philippines (IEMOP) to “initiate and spearhead urgent amendments to the WESM Rules and relevant Market Manuals to introduce an appropriate formula for the computation of the initial prudential requirement...in line with the June 2019 target for the commercial operation of the WESM in Mindanao”¹ and the new Market Management System;

WHEREAS, in compliance to the DOE’s directive, the IEMOP submitted to the Rules Change Committee (RCC) on 12 February 2019 an urgent proposal recommending amendments for calculating initial prudential requirements;

WHEREAS, following the rules change process for urgent proposals, the RCC and subsequently the PEM Board approved on 22 February and 23 April 2019, respectively, the Proposed Urgent Amendments to the WESM Rules and WESM Manual on Billing and Settlement for Enhancements to the Determination of Initial Prudential Requirements;

WHEREAS, with the immediate implementation of the approved new calculation in registering not only WESM Mindanao but also Luzon and Visayas Market Participants, the Market Operator noted that said new calculation cannot be currently applied since the concepts and variables used were in the context of the enhanced market design for which data are yet to be available²;

¹ DOE letter to IEMOP dated 17 January 2019, “*Computation of Initial Prudential Requirements*”

² $PSA = \sum_{i \in I} (PGESQ_i \times PFEDP_i) - \sum_{i \in I} \sum_{c \in C} (PBCQ_{c,i} \times PFEDP_{c,i})$

Where:

- PSA projected *settlement amount* in PhP
- PGESQ_i projected *gross energy settlement quantity*, in MWh, for *dispatch interval i*
- PFEDP_i projected *final energy dispatch price*, in PhP/MWh, for *dispatch interval i*
- PBCQ_{c,i} projected *bilateral contract quantity*, in MWh, from counterparty *c* for *dispatch interval i*
- PFEDP_{c,i} projected *final energy dispatch price*, in PhP/MWh, associated with the *bilateral contract* with counterparty *c* for *dispatch interval i*
- I set of *dispatch intervals* within the billing period
- C set of counterparties

WHEREAS, the IEMOP, on 17 May 2019 during the RCC's 152nd meeting, thus presented to the body the equivalent concepts and variables under the current market design to immediately facilitate the implementation of the revised calculation for initial prudential requirements, as follows:

IPR Calculation Feature	Approved Amendment	Equivalence
Projection resolution	Per dispatch interval (5-minutes)	Per trading interval (1-hour)
Withdrawn energy quantity	Gross energy settlement quantity (loss-adjusted metered quantity)	Gross <u>ex-post</u> energy settlement quantity (loss-adjusted metered quantity)
Withdrawn energy price	Final Energy Dispatch Price	Ex-Post Energy Settlement Price
Bilateral contract quantity price	Reference node during enrollment	Market trading node of trading participant responsible for line rental trading amounts

WHEREAS, the IEMOP likewise informed the RCC that application of said equivalences will also be required during the first year of operation of the enhanced market design since projected price, being one of the variables for calculating initial prudential requirement, is based on the price of the same dispatch interval of the previous year which at this period will still be unavailable;

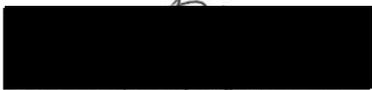
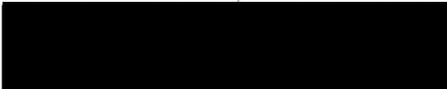
WHEREAS, in the same meeting, the RCC noted the implementation issues and requested the IEMOP to present the same to the PEM Board since it was the latter, not the RCC, who approved the revised calculation of initial prudential requirements;

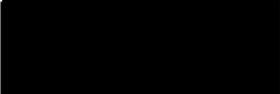
WHEREAS, the RCC also noted the IEMOP's commitment to include in the general amendments it will soon be submitting regarding the matter the equivalences to be used to implement the new calculation in the current market design and during the 1-year transition period;

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

RESOLVED, that the IEMOP present to the PEM Board the method it would apply to implement the amended calculation of initial prudential requirement both in the current market design as well as for the first year of operations of the enhanced market design for all Luzon, Visayas and WESM Mindanao Market Participants.

Done this 17 May 2019, Pasig City.

Approved by: THE RULES CHANGE COMMITTEE	
Independent Members:	
 Maila Lourdes G. de Castro Chairperson	 Francisco L.R. Castro, Jr.
 Allan C. Nerves	 Concepción I. Tanglao
Generation Sector Members:	
 Dixie Anthony R. Banzon Masinloc Power Partners Co. Ltd. (MPPCL)	 Abner B. Tolentino Power Sector Assets and Liabilities Management Corporation (PSALM)
Jose Ildebrando B. Ambrosio NorthWind Power Development Corp. (NorthWind)	Cherry A. Javier Aboitiz Power Corp. (APC)
Distribution Sector Members:	
 Virgilio C. Fortich, Jr. Cebu III Electric Cooperative, Inc. (CEBECO3)	Ryan S. Morales Manila Electric Company (MERALCO)
 Ricardo G. Gumalal Iligan Light and Power, Inc. (ILPI)	 Jose P. Santos Ilocos Norte Electric Cooperative, Inc. (INEC)
Supply Sector Member:	
 Lorretto H. Rivera TeaM (Philippines) Energy Corporation (TPEC)	

Market Operator Member:	
 Isidro E. Cacho, Jr. Independent Electricity Market Operator of the Philippines (IEMOP)	
System Operator Member:	
 Ambrocio R. Rosales National Grid Corporation of the Philippines (NGCP)	

