

MINUTES OF THE 83rd MEETING OF THE RULES CHANGE COMMITTEE

Meeting Date & Time:	05 February 2014 – 09:00 AM to 3:45 PM
Meeting Venue:	PEMC Board Room, 18 th Floor, Robinsons Equitable Tower, Ortigas Center, Pasig City
Attendance List	
In-Attendance	Not In-Attendance
Rules Change Committee Members Rowena Cristina L. Guevara --Chairperson/ Independent --UP Francisco L. R. Castro, Jr. --Independent--Tensaiken Consulting Maila Lourdes G. De Castro --Independent Concepcion I. Tanglao --Independent Joselyn D. Carabuena --Generation -- PSALM Theo Cruz Sunico -- Generation -- 1590 EC Jose P. Santos --Distribution --INEC Sulpicio C. Lagarde, Jr. --Distribution --CENECO Isidro E. Cacho, Jr. -- Market Operator --PEMC Ambrocio R. Rosales --System Operator --NGCP Lorreto H. Rivera --Supply --TPEC	Gilbert A. Pagobo -- Distribution --MECO Ciprinilo C. Meneses -- Distribution MERALCO Jose Ferlino P. Raymundo -- Generation -- SMC Global
Rules Change Committee Alternate Members Ermelindo R. Bugaoisan	
PEMC – Market Assessment Group (MAG) Geraldine A. Rodriguez Romellen C. Salazar PEMC – Legal Maria Lourdes San Andres Sabundayo	
ERC Observer(s)	
DOE Observer(s) Ferdinand B. Binondo	
Others Present	

There being a quorum, Chairperson Dr. Rowena Cristina L. Guevara called the meeting to order at around 9:00 AM.

1. Adoption of the Proposed Agenda

The Proposed Agenda for the 83rd RCC Meeting was approved, as amended.

The RCC requested the PEMC-MAG to make a presentation on the basis of the P62,000/MWh offer cap. The Secretariat explained that said offer cap was agreed upon by the Tripartite Committee composed of the ERC, the DOE, and PEMC, and is not found anywhere in the WESM Rules, thus, it may be more appropriate to direct the RCC request to the Tripartite Committee. The Secretariat likewise clarified from the RCC on the directions of the RCC after such presentation has been made, whether the same would lead to amendments to the WESM Rules. Dr. Guevara responded that the RCC may only make proposals on the amendment to WESM Rules if they find necessary, based on the result of presentation being requested. Noting the statement of the Chairperson, upon consultation with Mr. Chrysanthus Heruela, the Secretariat informed the RCC that Mr. Heruela agreed to make the presentation as requested by the RCC.

2. Review, Correction, and Approval of the Minutes of the 82nd RCC Meeting

The Minutes of the 82nd RCC Meeting was approved, as amended. Correction made is as follows:

- Page 14, line 3
...to "a person or entity" rather than "a person" only

3. Business Arising from the Previous Meeting

o MRU Proposed Amendments

Dispatch Protocol Manual

The RCC noted that in the previous meeting, the Secretariat was requested to reflect the RCC discussions on the proposed amendments to the Appendices of the Dispatch Protocol Manual in the latest Issue, version 8 of the Manual. As instructed, the RCC Secretariat again went over the Proposed changes to the Relevant Appendices of the Dispatch Protocol Manual and reflected the RCC discussions as applicable for the RCC's review. Following are the discussions which ensued and the agreements made by the RCC relative to the Proposed amendments to the Manual.

Original Provision	Proposed Amendment	RCC Discussion/Remarks
APPENDIX A.3 OUTAGE SCHEDULING		
3. RESPONSIBILITIES	3. RESPONSIBILITIES	<ul style="list-style-type: none"> Adopt the RCC Discussion, as revised, to change the term "Generators" to "Trading Participants" Mr. Cacho explained that if the term Generator will be used in this section,
3.1. Trading Participant	3.1. Trading Participant	
The Trading Participant shall comply with	<u>The Generators Trading Participant</u>	

Original Provision	Proposed Amendment	RCC Discussion/Remarks
<p>the timely submission of outage schedule requests to the System Operator in accordance with the WESM Timetable.</p> <p>The Trading Participant shall submit to the System Operator a three year/long-term outage plan and annual maintenance outage plan of their Generating Units as required in the Grid Operation and Maintenance Program of the Grid Code.</p>	<p><u>shall submit to the System Operator a three year/long-term outage plan and annual maintenance outage plan of their Generating Units as required in the Grid Operation and Maintenance Program of the Grid Code.</u></p> <p>The Trading Participant shall comply with the timely submission of outage schedule requests to the System Operator in accordance with the WESM <u>Timetable</u> and PGC 6.4.1.3. <u>The outage schedule must be forwarded to System Operator at least seven (7) days prior to the actual Shutdown or maintenance.</u></p> <p>The Trading Participant shall submit to the System Operator a three year/long-term outage plan and annual maintenance outage plan of their Generating Units as required in the Grid Operation and Maintenance Program of the Grid Code.</p> <p>Xxx</p>	<p>then MERALCO for its 115KV will not be covered by such provision since MERALCO is not a Generator. Thus, it will be more appropriate to use the term Trading Participant for this purpose.</p> <ul style="list-style-type: none"> Mr. Binondo further explained that neither the term WESM member should be used since it would cover even those that do not trade in the WESM, including NSPs and MSPs.
<p>3.3. System Operator</p> <p>The System Operator shall be responsible in the approval and implementation of the outage schedule.</p> <p>The System Operator shall submit to the Market Operator impending outage requests and approved outage schedules of the facilities of Trading Participants in accordance with the WESM Timetable.</p>	<p>3.3. System Operator</p> <p>Xxx</p> <p><u>The System Operator shall submit to the Market Operator impending outage requests and approved outage schedules of the facilities of Trading Participants in accordance with the WESM Timetable.</u></p>	<ul style="list-style-type: none"> Adopt the RCC discussion.
<p>3.4. Market Operator</p> <p>The Market Operator shall include the impending outage requests and approved outage schedules submitted by the System Operator in the Pre- Dispatch Market Projections and Real Time Dispatch Schedules.</p>	<p>3.4 Market Operator</p> <p>The Market Operator shall include the <u>impending outage requests and</u> approved outage schedules submitted by the System Operator in the Pre- Dispatch Market Projections and Real Time Dispatch Schedules.</p>	<ul style="list-style-type: none"> Adopt the RCC discussion.
<p>4. PROCEDURE</p> <p>4.1. Outage Schedule Criteria</p> <p>The outage schedules that shall be submitted by the System Operator to the Market Operator shall include the following:</p> <ul style="list-style-type: none"> Generating Units Transmission Lines 	<p>4. PROCEDURE</p> <p>4.1. Outage Schedule Criteria</p> <p>Xxx</p>	<ul style="list-style-type: none"> Adopt the RCC discussion.

Original Provision	Proposed Amendment	RCC Discussion/Remarks
<ul style="list-style-type: none"> Substation Equipment <p>The System Operator shall submit to the Market Operator impending outage requests in order for the said outages to be included in the Pre-Dispatch Market Projections and come up with a price assessment of the outage.</p> <p>Only the approved outage schedules by the System Operator shall be utilized for Day-Ahead Market Projection (DAP) and (Hour-Ahead Real) Time Dispatch Schedule (RTD).</p>	<p>The System Operator shall submit to the Market Operator <u>the Maintenance Schedule to impending outage requests in order for the said outages to be included in the Pre-Dispatch Market Projections and</u> come up with a price assessment of the outage.</p> <p>Only the approved outage schedules by the System Operator shall be utilized for Day-Ahead Market Projection (DAP) and (Hour-Ahead Real) Time Dispatch Schedule (RTD).</p>	
4.3. Schedule of Submission <p>The outage schedule shall be submitted by the System Operator to the Market Operator prior to the execution of the aforementioned processes which are as follows:</p> <p>Xxx</p>	4.3. Schedule of Submission <p>The System Operator shall submit the <u>impending outage requests and</u> approved outage schedules to the Market Operator in a format specified in Attachment A.4.</p> <p>Xxx</p>	<ul style="list-style-type: none"> Adopt the RCC discussion.
APPENDIX A.5 PRE-DISPATCH MARKET PROJECTION		
4.2.8. Security Limits <p>Security Limits are often used to reflect system stability limits and they vary under different system conditions. Security Limits as described in this document covers generator operating limits and transmission branch group limits:</p> <ul style="list-style-type: none"> Generator operating limits (Pmin, Pmax) may vary based on different plant and system conditions. Some generators are required to produce no less than certain amount of output for system reliability reasons. Some generators are required to restrain their output due to stability considerations. Generating units nominated by the System Operator as a "Must Run Unit" falls in this category. Refer to WESM Criteria for Must Run Units for more details. <p>Xxxx</p>	4.2.8. Security Limits <p>Security Limits are often used to reflect system stability limits and they vary under different system conditions. Security Limits as described in this document covers generator operating limits and transmission branch group limits:</p> <p>Generator operating limits (Pmin, Pmax) may vary based on different plant and system conditions. Some generators are required to produce no less than certain amount of output for <u>Ssystem Security and Rreliability</u> reasons. Some generators are required to restrain their output due to stability considerations. Generating units nominated by the System Operator as a "Must Run Unit" falls in this category. Refer to the <u>WESM Manual on the Management of Must-Run Units</u> for more details.</p>	
APPENDIX A.6 REAL TIME DISPATCH SCHEDULE		
4. PROCEDURE <p>4.1. Market Dispatch Optimization Model(MDOM)</p> <p>The MDOM determines the optimal dispatch schedule for each of the trading interval based on market bids/ offers</p>	<p>Xxx</p>	<ul style="list-style-type: none"> Mr. Cacho expressed that the MDOM provides only the target MW and does not automatically provide an output in MWhr, but the same can be computed. Mr. Rosales expressed that the proposal intends to monitor true compliance of generators to dispatch

Original Provision	Proposed Amendment	RCC Discussion/Remarks
<p>received by the Market Operator subject to the different constraints imposed in line with the physical limitations of the assets of the Network Service Providers and generation assets.</p> <p>The Real Time Dispatch utilizes the MDOM to calculate the following:</p> <p>The dispatch schedules and nodal prices (Ex-ante) of all facilities connected to the Grid in the next trading interval (RTD)</p> <p>The resulting nodal prices (Ex-post) based on the actual dispatch of facilities for a particular trading interval (RTX)</p> <p>For the RTD, the dispatch schedule is the target loading level in MW for each scheduled generating unit or scheduled load and for each reserve facility for the end of a trading interval.</p> <p>Refer to WESM Price Determination Methodology (PDM) for the other details of the MDOM.</p>	<p>For the RTD, the dispatch schedule is the target loading level in MW <u>and in MWhr</u> for each scheduled generating unit or scheduled load and for each reserve facility <u>from the start until the for the end of a trading interval. The Generators shall ramp-up or ramp-down to their target loading level in accordance with their declared ramping capability. Deviations from these target loading levels will be measured in terms of MWhr subject to the compliance with due consideration of complying with the dispatch tolerance standards.</u></p> <p>XXX</p>	<p>schedule from the start to end of trading interval.</p> <ul style="list-style-type: none"> • Mr. Rosales likewise clarified that the monitoring of the 3% deviation to dispatch schedule is done at the end of the trading interval. • Dr. Guevara, noting the concern of the MO on the computation of MWh by MDOM, stated that computation may instead be done using an excel sheet. She also noted that corresponding changes to the Billing and Settlement Manual should be proposed relative to deviations in terms of MWhr. • Ms. Rivera stated that appropriate formula and computation for the deviations should be established and provided to participants in order to ensure proper documentation and transparency in the process. • Mr. Sunico expressed that the 3% dispatch tolerance level is too rigid. He shared that the generators intend to submit a proposal, which will be supported by a study, to revise the 3% tolerance level. • Dr. Guevara inquired from the generators whether they do their own monitoring of their meters or simply rely on what is provided by the MSP. Ms. Rivera responded that both Gencos and Suppliers have meter to counter check using the input and output data, but, under the Rules, their basis is whatever the NGCP or the MSP charges the suppliers. She emphasized that Gencos and Suppliers may opt to install check meters to validate the meter reading providing by the either the NGCP or MSP. However, for Suppliers, the cost of installation is for the account of the Suppliers. Lastly, she stated that check meters cannot be used as basis for actual billing. • Mr. Pagobo for his part, raised the possibility of having a huge discrepancy between the MO's forecast and the DU's BCQ, which he said will be disadvantageous to the DUs. Mr. Cacho, in response, stated that in order to avoid this, the DUs can actually make their own forecast using the MPI, which is actually part of the revisions recently made to the Load Forecasting Manual. Such facility provides that the Customer forecast will overwrite the MO forecast if submission of forecast is done by the Customer.
4..2.4 Outage Schedules	4.2.4. Outage Schedules	<ul style="list-style-type: none"> • Dr. Guevara suggested the use of the word "and" instead of a slash (/) to be-

Original Provision	Proposed Amendment	RCC Discussion/Remarks
The outage schedule is used for decommissioning (or commissioning) of network elements like generators and transmission lines. A more detailed discussion of outage schedules is contained in the Outage Scheduling Procedure.	The outage schedule is used for decommissioning (or commissioning) <u>scheduled planned outage</u> of network elements like such as generators, and transmission lines/ and equipment . A more detailed discussion of outage schedules is contained in the Outage Scheduling Procedure.	more proper.
4.2.5 System Reserve Requirements System reserve requirements are system demands for regulation reserve, contingency reserve and other relevant types of reserves. They are determined based on system loading, maximum generator tripping and other considerations.	4.2.5. System Reserve Requirements System reserve requirements are <u>the level of reserve requirements in accordance with the Ancillary Services Procurement Plan and the Philippine Grid Code, necessary system demands</u> for regulation reserve, contingency reserve and other relevant types of reserves. They are determined <u>based on allowable percentage amount of the hourly demand forecast for frequency regulation, system loading, maximum generator tripping</u> and other considerations <u>for other types of Ancillary service reserves.</u>	<ul style="list-style-type: none"> The RCC agreed to refer to the ASPP and the PGC, and to likewise delete the details since these details may be changed in the future.
4.4 Over-Riding Constraints The MMS provides a functionality that allows the Market Operator to make adjustments in the Operating Constraints of the MDOM for a particular Trading Interval. Such adjustments or overriding constraints in the MDOM is imposed by the Market Operator upon the recommendation of the System Operator through a System Advisory. Imposition of Overriding Constraints in the MDOM include among others the following: <ul style="list-style-type: none"> Nomination of Must-Run Units (MRU) Emergency de-rating/outage of specific transmission lines Additional reserve requirements Generating unit limitations Other types as may be recommended by the System Operator	4.4 Over-Riding Constraints Limits The MMS provides a functionality that allows the Market Operator to make adjustments in the Operating Constraints of the MDOM for a particular Trading Interval. Such adjustments or overriding constraints in the MDOM is imposed by the Market Operator upon the recommendation of the System Operator through a <u>database interchange program between the Market Operator and System Operator System Operator and Market Operator Database Interchange Program (SOMODIP) a System Advisory.</u> Imposition of Overriding Constraints <u>Limits</u> in the MDOM include among others the following: <ul style="list-style-type: none"> <u>Security Limits; and such as Generator operating limits and nomination of Must-Run Units (MRU)</u> <u>Regulatory and Commercial Testing</u> Emergency de-rating/ outage of specific transmission lines Additional reserve requirements Generating unit limitations Other types as may be recommended by the System Operator	<ul style="list-style-type: none"> Mr. Rosales noted that the term "security limits" is being used even for non-security related constraints, such as generator testing, regulatory requirements, or below Pmin, which the SO terms as over-riding constraint limit. Dr. Guevara commented that the original proposal of SO limits the definition of Security limits to Generator operating limits and nomination of Must-run Units, which is not necessarily the case based on the definition under 4.2.8 of the Manual. She inquired from the SO whether over-riding constraints include all security limits. Mr. Rosales responded that it includes all security and non-security related limits. Noting the response of Mr. Rosales and that non-security limit is not yet defined, Dr. Guevara suggested rewording the provision to cover the imposition of Overriding Constraints for Security Limits, and for Regulatory and Commercial Testing. The RCC noted that during suspension, the imposition of Pmin or security limit is not applicable.
APPENDIX A.7 DISPATCH		

Original Provision	Proposed Amendment	RCC Discussion/Remarks
IMPLEMENTATION		
1. PURPOSE This document discusses the procedure in the implementation of a Dispatch Schedule and the Merit Order Table (MOT) during Real Time by the System Operator.	1. PURPOSE This document discusses the procedure in- for the implementation of the a- Real Time Dispatch Schedule and the Merit Order Table (MOT) during Real Time by the System Operator.	<ul style="list-style-type: none"> Adopt the RCC discussion as reflected in the Issue 8 of the Manual.
2. SCOPE This procedure shall cover all activities to be undertaken by the System Operator in implementing the real time dispatch (RTD) schedule to trading participants during real time for Grids covered by the WESM.	2. SCOPE This procedure shall cover all activities to be undertaken by the System Operator in implementing the rReal tTime dDispatch (RTD) schedule to trading participants during real time for Grids covered by the WESM.	<ul style="list-style-type: none"> Adopt the RCC discussion as reflected in the Issue 8 of the Manual.
3. RESPONSIBILITIES 3.1 System Operator The System Operator shall be responsible in the preparation, execution, and monitoring compliance of dispatch instructions issued to Trading Participants during real time in accordance with the WESM Timetable. The System Operator shall be responsible in assuring the security and reliability of the grid at all times in compliance with the provisions of the System Security and Reliability Guidelines.	3. RESPONSIBILITIES 3.1 System Operator The System Operator shall be responsible in the preparation, execution-real-time implementation and monitoring of the compliance to the dispatch instructions issued to the Trading-Participants <u>Generators during real-time</u> in accordance with the WESM timetable. <u>Any deviation from the Dispatch Schedule at the end of the trading interval shall be properly logged and recorded by the System Operator.</u> The System Operator shall be responsible in assuring-ensuring the security and reliability of the grid at all times in compliance with the provisions of the System Security and Reliability Guidelines	<ul style="list-style-type: none"> Adopt the RCC discussion as reflected in the Issue 8 of the Manual.
3.2 Market Operator The Market Operator shall submit to the System Operator the Real Time Dispatch Schedule (RTD) and MOT for the next trading interval in accordance with the WESM Timetable.	3.2. Market Operator The Market Operator shall submit to the System Operator the Real Time Dispatch Schedule (RTD) <u>including the WESM Merit-Order Table on an hourly basis for the next trading interval</u> in accordance with the WESM Timetable. xxx	<ul style="list-style-type: none"> Adopt the RCC discussion as reflected in the Issue 6 of the Manual.
4. PROCEDURE 4.1. Dispatch Schedule and MOT	4. PROCEDURE 4.1. Dispatch Schedule	<ul style="list-style-type: none"> Adopt the proposal of Mr. Rosales as proposed on Issue 6 of the Manual The MOT was removed in the title, noting that it is not the MOT that is

Original Provision	Proposed Amendment	RCC Discussion/Remarks
<p>This Section is composed of the following steps for the preparation of Dispatch Schedule and MOT: 1. Determination of Dispatch Schedule; 2. Determination of MOT; 3. Submission to SO; 4. Review by SO; and 5: Re-Dispatch Schedule.</p>	<p>The Market Operator calculates the Hour-Ahead Real Time Dispatch Schedule (RTD) using the MDOM and calculates the MOT with the WESM Merit Order Table (MOT) considered and <u>using the MDOM and calculates the WESM MOT from the results of the MDOM, most recent information provided by the System Operator (refer to Real Time Dispatch Procedure).</u> The Dispatch Schedule contains the Target MW Loading of all Trading Participants at the end of the Trading Interval. The Dispatch Schedule shall be submitted to the System Operator for its implementation in the next Trading Interval.</p> <p><u>This Section is composed of the following steps for the preparation of Dispatch Schedule and MOT: 1. Determination of Dispatch Schedule; 2. Determination of MOT; 3. Submission to SO; 4. Review by SO; and 5: Re-Dispatch Schedule.</u></p>	<p>being dispatched as it is just a guide in the implementation of the Dispatch Schedule.</p> <ul style="list-style-type: none"> Mr. Cacho commented that the MOT is an output of the MDOM and as such, it is not technically correct to say "using the MDOM with the Merit Order Table." Mr. Cacho explained that the MDOM calculates the schedules and prices based on the generator offers. Mr. Rosales explained that the rationale for his proposal is to capture that there is a Merit Order Table that is being provided by the MO. He stated that his concern is related to how the RTD is calculated and how the MOT is produced.
<p>4.1.1. Determination of Dispatch Schedule</p> <p>The Market Operator determines the RTD Schedule using the MDOM and using the most recent information provided by the System Operator (refer to Real Time Dispatch Procedure). The Dispatch Schedule contains the Target MW Loading of all Trading Participants at the end of the Trading Interval.</p>	<p>4.1.1. Dispatch Targets Target Loading Level</p> <p>The definition of Dispatch Target Loading Level is clarified in WESM Rules 3.8.1 (Responsibilities of the Market Operator) as the target loading level in MW with due consideration to the MWhr delivered over the Hour-Ahead Trading Interval for each scheduled generating unit or scheduled load for each reserve facility for the end of that trading interval. The Dispatch Schedule shall contain the target loading levels to be achieved in MW <u>& MWhr considered</u> at the end of that trading interval.</p> <p>Trading Participants Generators who are dispatched shall use reasonable endeavors comply to achieve with a linear ramp rate over the Trading Interval. <u>This is to ensure to reach that the target loading for each Trading Participant shall be within the dispatch tolerance standards from the start level by until the end of that Trading Interval.</u></p> <p><u>The Market Operator determines the RTD Schedule using the MDOM and using the most recent information provided by the System Operator (refer to Real Time Dispatch Procedure). The Dispatch Schedule contains the Target MW Loading of all Trading Participants at the end of the Trading Interval.</u></p>	<ul style="list-style-type: none"> Ms. Rodriguez explained that a previous revision emanating from the Generators which was effected in issue 7 of the Manual, was made by the RCC, removing the term "dispatch target" as this is not properly defined in the WESM Rules. Mr. Cacho stated that the WESM Rules uses Dispatch Schedule instead of Dispatch Targets. Mr. Binondo suggested revising the "Target Loading" under the WESM Rules. He stated that relative to the Manual, the topic should be Target Loading Level instead of Dispatch Schedule. Noting that the terms target loading and the dispatch target mean the same thing, the RCC agreed to use Target Loading Level without having to define it as it is already defined in the WESM Rules. The RCC also noted the need to change the WESM Rules accordingly in consideration of the inclusion of MWh in the Manual.
4.1.2 Determination of MOT	4.1.2 Determination of WMOT	<ul style="list-style-type: none"> Adopt the RCC discussion as reflected in the Issue 8 of the Manual, with minor

Original Provision	Proposed Amendment	RCC Discussion/Remarks
In accordance with Attachment D.1.	In accordance with Attachment D.1.	<ul style="list-style-type: none"> revision to revise MOT to WMOT. Dr. Guevara stated that the reason for proposing to use WMOT is to differentiate it from the MOT of the Philippine Grid Code.
4.1.3 Submission of Dispatch Schedule and MOT The Dispatch Schedule and MOT shall be submitted to the System Operator for its implementation in the next Trading Interval. The MMS format of the Dispatch Schedule is shown in Attachment A.1. The Market Operator shall further convert the Dispatch Schedule and MOT into a format understandable to the System Operator. The process however, shall not provide delay in the Dispatch Schedule submission and shall comply with the time requirements as provided in the WESM Timetable.	4.1.3. Submission of Dispatch Schedule and <u>WMOT</u> The Dispatch Schedule and <u>WMOT</u> shall be submitted to the System Operator for its implementation in the next Trading Interval. The MMS format of the Dispatch Schedule is shown in Attachment A.1. The Market Operator shall further convert the Dispatch Schedule and <u>WMOT</u> into a format understandable to the System Operator. The process however, shall not provide delay in the Dispatch Schedule submission and shall comply with the time requirements as provided in the WESM Timetable.	<ul style="list-style-type: none"> Adopt the RCC discussion as reflected in the Issue 8 of the Manual, with minor revision to revise MOT to WMOT.
4.1.4 Review of Dispatch Schedule The System Operator shall review the Dispatch Schedule submitted by the Market Operator in the allotted period provided in the WESM Timetable.	4.1.4 Review of Dispatch Schedule The System Operator shall review the Dispatch Schedule submitted by the Market Operator in the allotted period provided in the WESM Timetable. <u>The System Operator shall subject the Dispatch Schedule to its final screening prior to its dispatch implementation. If upon review and the dispatch schedule would not address the security and reliability of the grid, the System Operator may intervene and shall take the necessary actions to prevent an impending threat in the system.</u>	<ul style="list-style-type: none"> Adopt the proposal of Mr. Rosales as reflected in the Issue 6 of the Manual. Mr. Rosales explained that the portion in the provision defining the responsibilities of SO should not be deleted. Mr. Rosales explained that the review of Dispatch Schedule is the responsibility of the SO.
4.1.5 Re-Dispatch Process The following Re-dispatch process shall be followed by the SO and Market Operator: 1. In cases of system emergencies, a threat to system security, or an event of <i>force majeure</i> , the SO shall issue a Market Intervention as stated in WESM Rules Chapter 6 and take control of the Re-dispatch of generating units. SO shall notify MO of the actions. 2. In cases of CVC market results, the MO shall still provide SO with the RTD schedule and MOT. SO shall use all reasonable endeavors to dispatch generating units according to RTD and MOT. However, SO shall make necessary re-dispatch	4.1.5 Re-Dispatch Process The following Re-dispatch process shall be followed by the SO and Market Operator: 1. In cases of system emergencies, a threat to system security, or an event of <i>force majeure</i> , the SO shall issue a Market Intervention as stated in WESM Rules Chapter 6 and take control of the Re-dispatch of generating units. SO shall notify MO of the actions. 2. In cases of CVC market results, the MO shall still provide SO with the RTD schedule and MOT. SO shall use all reasonable endeavors to dispatch generating units according to RTD and MOT. However, SO	<ul style="list-style-type: none"> Adopt the RCC discussion as reflected in Issue 8 of the Manual, as revised, with inclusion of item 3 from the version RCC discussion as reflected in Issue 6.

Original Provision	Proposed Amendment	RCC Discussion/Remarks
<p>instructions to address the relevant CVCs.</p> <p>3. In cases of normal market conditions and there is an increase or decrease in system demand or there are forecast errors within the trading interval, SO shall follow Section 4.2 of Appendix A.7 of this Manual.</p>	<p>shall make necessary re-dispatch instructions to address the relevant CVCs.</p> <p>3. In cases such situation <u>where the Market Operator shall issue Market Intervention for the next interval in the absence of RTD Schedule due to no RTD schedule</u>, the System Operator shall have authority to come-up with a re-dispatch schedule for the next trading interval. The System Operator <u>may opt to use the previous RTD or the latest Day Ahead Projection schedule (DAP), or may come up with their own dispatch schedule</u> shall revise the load forecasts and to be able to determine the dispatch targets of power facilities—each Trading Participants for that trading interval. SO shall notify MO of the Market Intervention initiated by MO actions it will undertake thru System Advisories. submit Intervention report to the Market Operator indicating the actual dispatch of each Trading Participants for every Trading Intervals.</p> <p>4. In cases of normal market conditions and there is an increase or decrease in system demand or there are forecast errors within the trading interval, SO shall follow Section 4.2 of Appendix A.7 of this Manual.</p>	
<p>4.2 Dispatch Instructions</p> <p>The Trading Participants upon receipt of RTD shall communicate and seek clearance from System Operator the target loading levels for each trading interval. The System Operator shall issue dispatch instruction as required.</p> <p>All dispatch instructions issued by the System Operator to Trading Participants shall be recorded thru Operator Logs and will be forwarded to MO for purposes of surveillance, audit, and settlement.</p> <p>The MOT shall be maintained up to date by the MO and be made accessible in the website to all market participants.</p>	<p>4.2 Dispatch Instructions</p> <p>The System Operator shall communicate the target loading levels to Trading Participants for each trading interval prior to the commencement of that Trading Interval in accordance with the timetable and consistent with the Grid Code (WESM Rules 3.8.3).</p> <p>If a Trading Participant does not receive a dispatch instruction from the System Operator at the start of a trading interval, this means that it shall maintain the same target loading for the trading interval.</p> <p>All dispatch instructions issued by the System Operator to Trading Participants shall be recorded thru Operator Logs and will be forwarded to MO for purposes of surveillance, audit, and settlement.</p> <p>The Trading Participants upon receipt</p>	<ul style="list-style-type: none"> • Adopt the RCC discussion as reflected in Issue 8 of the Manual.

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	<p>of RTD shall communicate and seek clearance from System Operator the target loading levels for each trading interval. The System Operator shall issue dispatch instruction as required.</p> <p>All dispatch instructions issued by the System Operator to Trading Participants shall be recorded thru Operator Logs and will be forwarded to MO for purposes of surveillance, audit, and settlement.</p> <p>The MOT shall be maintained up to date by the MO and be made accessible in the website to all market participants.</p>	
<p>4.2.1.2. MVAR Requirements</p> <p>The System Operator shall have discretion in the issuance of Dispatch Instructions involving the dispatch of reactive power of Ancillary Services Providers (Voltage Control) and other voltage correction equipment.</p>	<p>4.2.1.2.MVAR Requirements</p> <p>The System Operator shall have discretion in the issuance of Dispatch Instructions involving the dispatch of reactive power of Ancillary Services Providers (Voltage Control), from online Generating Units and other voltage correction equipment.</p> <p>Xxx</p>	<ul style="list-style-type: none"> • Adopt the RCC discussion as reflected in Issue 8 of the Manual.
<p>4.2.2 Communicating Dispatch Instructions</p> <p>The System Operator shall put-up necessary facilities to communicate Dispatch Instructions to Trading Participants re: Telephone, Fax, E-mail, Web Page, etc.</p> <p>All exchanges of information between the System Operator, Market Operator, and Trading Participants shall be recorded for purposes of audit and surveillance.</p>	<p>4.2.2 Communicating Dispatch Instructions</p> <p>The System Operator <u>and/or Trading Participants</u> shall put-up necessary facilities to communicate Dispatch Instructions to Trading Participants re: Telephone, Fax, E-mail, Web Page, etc.</p> <p>Xxx</p>	<ul style="list-style-type: none"> • Adopt the RCC discussion.
<p>4.3 Compliance With Dispatch Instructions</p> <p>Xxx</p> <ul style="list-style-type: none"> • Trading Participants shall see to it that their facilities operate within the Dispatch Tolerance limits and standards prescribed by the System Operator. • xxx • If failure by a registered facility, to comply with a dispatch instruction and endangers electricity system reliability, the System Operator shall declare the registered facility to be non-conforming and shall take any actions allowed by the Philippine Grid 	<p>4.3 Compliance With Dispatch Instructions</p> <p>Xxx</p> <ul style="list-style-type: none"> • Trading Participants shall see to it that their facilities operate within the Dispatch Tolerance limits <u>from the start until the end of the Trading Interval</u> and standards prescribed by the System Operator. • xxx • If failure by a registered facility, to comply with a dispatch instruction <u>from the System Operator and threatens endangers</u> the security <u>electricity system and</u> reliability <u>of the grid</u>, the System Operator shall 	<ul style="list-style-type: none"> • Adopt the RCC discussion as reflected in Issue 8 of the Manual.

Original Provision	Proposed Amendment	RCC Discussion/Remarks
<p>and Distribution Codes and the WESM Rules.</p> <ul style="list-style-type: none"> xxx 	<p>declare the registered facility to be non-conforming and may take the necessary actions <u>such as isolation of that facility from the grid as</u> allowed by the Philippine Grid and Distribution Codes and the WESM Rules. <u>Moreover, if the Trading Participants Generators failed to comply with the dispatch instruction from the System Operator, that Trading Participants Generator shall be tagged as Must Stop unit (MSU) and shall be reported immediately by the System Operator to the Market Operator and the Market Surveillance Committee (MSC) for possible violations of the WESM rules.</u></p> <ul style="list-style-type: none"> xxx 	
APPENDIX A.9 POST DISPATCH REPORT		
<p>4.3. Other Significant Events in the Previous Trading Hour</p> <p>4.3.1. Post-Dispatch Requirements of Market Operator from the System Operator (WESM Rules 3.8.2.2)</p> <ul style="list-style-type: none"> a) Situations in which it became necessary for dispatch instructions to deviate from the RTD Schedule and MOT determined by the Market Operator during the trading interval; b) Load shedding or other directions issued by the System Operator during the trading interval; c) Significant incidents in which contingency reserve was called upon during the trading interval; d) Network constraints which affected dispatch during the trading interval; e) Binding security constraints which affected dispatch during the trading interval; f) Operational irregularities arising during the trading interval including but not limited to any circumstances in which there was prima facie evidence of a failure to follow dispatch instructions. 	<p>xxx</p> <p>(c) Significant Incidents in which <u>contingency</u> reserve was called upon during the trading interval;</p> <p>xxx</p> <p>(e) Binding security constraints <u>such as Real-time MRU or scheduled MRU</u> which affected <u>the</u> dispatch <u>schedule</u> during the trading interval.</p> <p>(f) Operational irregularities arising during the trading interval including but not limited to any circumstances in which there was prima facie evidence of a failure to follow dispatch instructions. <u>This includes the affected generators caused by MSU plants as tagged by the System Operator.</u></p>	<ul style="list-style-type: none"> Adopt the RCC Discussion, as revised.

Original Provision	Proposed Amendment	RCC Discussion/Remarks
4.3.2. Security Constraints Violation The System Operator shall notify the Market Operator on the details of security limits violations which will have significant impact on the market prices. The security limits violations shall be based on a defined contingency planning criteria submitted by TRANSCO to the ERC.	<u>4.3.2. Security Constraints Violation</u> The System Operator shall notify the Market Operator on the details of security limits violations which will have significant impact on the market prices. The security limits violations shall be based on a defined contingency planning criteria submitted by TRANSCO to the ERC.	<ul style="list-style-type: none"> The RCC inquired why the Section 4.3.2 was deleted. The Secretariat was instructed to revise the Minutes of meeting pertaining to the discussion on the matter, to include and reflect in full the details of the RCC discussion. Mr. Rosales recalled that the original proposal was for SO to notify the MO regarding the details of security limits that would impact in the market price. He pointed out however that SO has no capability to provide such information that involves market prices, since it is only the MO who has that information. Moreover, he explained that SO does not submit a contingency planning criteria to the ERC, though this may have been the practice during the time of TRANSCO as reflected in the original provision. Mr. Rosales added that instead of SO notifying the MO, he proposed that MO should be the one to notify the SO. HE cannot recall however, why the proposed provision was deleted entirely.
4.3.3. Dispatch Violations and Non-Compliance In addition to constraints violation, the System Operator shall also provide/notify the Market Operators regarding participants not complying with dispatch instructions or deviating from their dispatch schedule for the Trading Interval.	<u>4.3.3.2. Dispatch Violations and Non-Compliance</u> xxx	<ul style="list-style-type: none"> Adopt the RCC Discussion,
4.3.4. Contingency and Emergency Actions Actions taken by the System Operator in response to contingencies or emergencies that occur in the system within the Trading Interval shall also be reported to the Market Operator. The System Operator shall furnish the Market Operator with the Disturbance Report which details the cause and reasons for such actions.	<u>4.3.4.3. Contingency and Emergency Actions</u> Actions taken by the System Operator in response to contingencies or emergencies that occur in the system within the Trading Interval shall also be reported to the Market Operator. The System Operator shall furnish the Market Operator with the <u>Significant Incident Report Disturbance Report within one (1) hour upon occurrence of a significant event which details provides preliminary information on the nature and cause of the events.cause and reasons for such actions.</u>	<ul style="list-style-type: none"> Adopt the RCC Discussion,
4.3.5. Market Suspension and Intervention In the event of market suspension or	<u>4.3.5.4. Market Suspension and Intervention</u> xxxx	<ul style="list-style-type: none"> Adopt the RCC Discussion,

Original Provision	Proposed Amendment	RCC Discussion/Remarks
intervention, Market Operator provides a detailed account of events which led to the suspension or intervention, including the actions taken towards the resumption of trading. The report shall also state if the price cap was administered by ERC for purposes of settlements		

Relative to the over-lapping provisions in the relevant appendices of the Dispatch Protocol Manual, as proposed by Mr. Rosales and Mr. Raymundo, the RCC agreed to adopt the proposed provisions based on RCC discussions on the matter, specifically, under A.6 and A.7.

MRU and System Security and Reliability Manual

The RCC noted that there were no further comments received relative to the MRU Manual and the System Security and Reliability Manual, after the same was discussed based on the inputs provided by Mr. Rosales. Thus, the RCC adopted the last version of the proposal, as discussed.

Manual on the Management of Excess Generation

- Relative to Section 6.1.2 of the proposed amendments to the subject Manual, Mr. Cacho inquired on what would happen if the MO and the SO did not agree on a generating unit which will be retained in case of excess generation.
- Mr. Rosales expressed that since this involves the day-ahead projection over which the MO has discretion and control, it may be appropriate to instead notify the SO of the generating unit which the MO believes should be retained and which should not.
- Mr. Rosales stated that based on the definition, generators are still being considered to be called as MRU even if there is excess generation, which would result in paying the generators at the MRU price during settlement, while the rest of the generators will be paid at the market clearing price which could sometimes be zero. He expressed that by establishing a criteria in retaining certain generators during off-peak, a generator which may be needed during peak hours will no longer have to be asked to shutdown during off-peak and can be called as MRU during peak-hours. If the generator will not be called as MRU, it is possible to instead put the generator under overriding constraints limit in order to avoid paying that generator at the MRU price. As such, the MO or the SO will have the discretion to retain certain generators which might be needed and called as MRU during peak period, without having to pay at the MRU price during off-peak. He exemplified that for the case of Malaya, the consumers pay more since currently, Malaya is paid at the MRU price in all periods, whether peak or off-peak. With the proposal, such can be addressed since Malaya will only be paid at the Pmin price during off-peak. He likewise commented that ensuring the availability of Malaya also ensures a reliable supply capacity, and without Malaya, brownout could be experienced.

- 1 • Dr. Guevara expressed that the RCC already spent some time discussing the matter
2 and finally agreed to remove MRU as criteria for excess generation. The RCC, thus,
3 agreed the to adopt the proposal as previously discussed.
4
- 5 • Mr. Cacho noted that under Section 6.1.2, Mr. Rosales used the term "overriding
6 constraints" but the term essentially meant Must-Run or hard limit. Dr. Guevara
7 stated that the term overriding constraint as used in the particular section meant that
8 the MO and the SO should agree on the generator to be retained. However, for MRU,
9 the two need not agree since MRU is called by the SO without having to agree with
10 the MO.
11
- 12 • Mr. Lagarde commented that the DOE should have a policy imposing upon
13 generators a minimum number of hours within which they should respond when
14 called, in order to avoid paying the generator at the MRU price, meaning, if a
15 generator cannot respond at the minimum hour set by the policy, then it will be
16 removed from the network. This, he said, is in order to encourage generators to
17 rehabilitate and modernize their plants.
18
- 19 • In relation to the discussions above and the points raised by Mr. Rosales, Dr.
20 Guevara stated that the phrase "the MO in coordination with SO shall agree" was
21 included and the MRU was deleted in the subject section 6.1.2 in the Manual on the
22 Management of Excess Generation to ensure checks and balance .
23
24

Administered Price Determination Methodology Manual

25
26
27 Relative to the previous discussion on the proposal on the Administered Price
28 Determination Methodology Manual, the RCC recalled that "extreme state condition"
29 was already previously changed with "emergency condition". The RCC, thus,
30 requested the Secretariat to revise the proposal accordingly.
31
32

33 After having discussed the Manuals affected by the MRU proposal, the RCC
34 approved the posting of the proposal in the WESM website, after reviewing and
35 finalizing the matrices, to solicit comments of the participants.
36
37

o Proposed Amendments to the WESM Rules and the PEN-MRR Manual

38
39
40 The RCC noted that the discussion of the SNAP comments on the PEN proposal was
41 overlooked in the last RCC meeting. Proceeding with the discussion, Mr. Cacho
42 stated that the comment of SNAP is more on typographical errors only. He noted that
43 the step-up transformers was already removed previously as agreed upon by the
44 RCC.
45

46 With regard to Section 5.1.2 "...Non-congestion pricing errors may also include
47 localized non-congestion affecting load-end substations," SNAP recommended
48 revising as follows: "...Non-congestion pricing errors may also include localized
49 non-congestion affecting load-end substations."
50

51 Mr. Rosales stated that the way he understood the comment of SNAP, localized
52 congestion is experienced such as the N-1 contingency in Zapote. The comment, he

1 said, means that the localized congestion may be considered as non-congestion, and
2 that it is not possible to consider localized non-congestion under non-congestion.

3
4 Noting the explanation, the RCC agreed to adopt the proposal of SNAP under
5 Section 5.1.2.

6
7 With regard to the comment to include step-up transformers, Mr. Rosales
8 commented that localized load-end cannot be considered as non-congestion.

9
10 Mr. Lagarde expressed that there is probably a better term than the word
11 "congestion." He stated that NGCP assures in all forum that the supply capacity can
12 be accommodated by the NGCP's transmission line, meaning there should be "no
13 congestion."

14
15 The RCC noted that there is a definition of congestion in the Philippine Grid Code,
16 but none in the WESM Rules. Mr. Rosales stated that there should be a definition of
17 the term in the market. On this note, Dr. Guevara suggested making a formal
18 proposal which can be submitted to the RCC for its consideration. Mr. Cacho
19 commented that the concern on capacity limitation, if any, may be addressed
20 Transmission Development Plan.

21
22 Relative to SNAP comments under Section 8.1.2, the RCC Dr. Guevara directed the
23 concern to Mr. Rosales since it involves Zapote transformers being proposed to be
24 excluded in the contingency list. Mr. Rosales responded that the same cannot simply
25 be excluded since it is part of the Grid. He stated that the limitation is that it has no
26 model of the MERALCO network and not necessarily due to the way the contingency
27 list is inputted.

28
29 Mr. Cacho stated that indeed, the thrust is to model MERALCO in the Market
30 Network Model. However, such would require real-time information about the
31 MERALCO network, which is currently not available to the Market Operator.

32
33 Mr. Rosales recalled that previously, the MO was requested to conduct a simulation
34 that would show the impact in pricing of having MERALCO model in the MNM, which
35 should be the basis of whether or not MERALCO should be compelled to provide its
36 network to the MO for modeling in the MNM. Mr. Rosales stated that unless the
37 MERALCO network is considered in the MNM, the MO will always see N-1 violation,
38 while the SO will not.

39
40 At this point, Dr. Guevara requested PEMC to present to the RCC the result of said
41 simulation, noting the information from Mr. Cacho that said is already available.

42
43 Following the discussions, the RCC approved the Proposed Amendment to the PEN-
44 MRR Manual, as revised. The RCC noted that the proposed amendment to the
45 WESM Rules was already approved in the previous RCC meeting. The RCC then
46 passed a Resolution approving the proposed amendments and endorsing the same
47 to the PEM Board.

48
49
50 **o Approval of the Revised 2014 RCC Work Plan**

51
52 The Secretariat informed that revisions were made on the PEMC timelines, which the
53 RCC acknowledged.

Ms. Rivera likewise requested the following changes in the RCC Work Plan:

- Removal of item 12 on "Disconnection, Load Shedding, and Customer Switching" since this item can already be addressed by item 5 on the "Disconnection proposal" by the Generation Sector; and
- Removal of item 13 on "Billing and Settlement, Issuance of Notice, Margin Call since this can already be addressed by Item 27 relative to the on-going RCC proposal on Prudential Requirement.

In relation to the first item being requested by Ms Rivera, Dr. Guevara requested that the Generation and Supply sectors make the necessary coordination to come up with the proposal relative to the item in the Work Plan.

In relation to the second item, Ms. Rivera mentioned that their issue with the Issuance of Margin Call Notice is more on how the PEMC implements the provisions in the Rules. She shared that suppliers' issue on this matter emanates from the several instances where they were put as totally in default for non-payment, with their names reflected in the website, without calling their Prudential Requirement first which actually sufficiently covers their exposure. She expressed that based on what they know of the provisions in the Rules, if there is an issue with payment, the initial step is to call on their prudential security before they are put as totally in default for non-payment. But from their experience, she stated that the Rules do not seem to be correctly implemented.

On this note, Dr. Guevara instructed the Secretariat to request a presentation from the PEMC-Finance to provide clarification on the issues raised by Ms. Rivera, in order to figure out if indeed there is a need for a Rules change. The instruction was noted by the Secretariat.

Dr. Guevara likewise suggested that if found that the Rules are not being properly implemented, the Suppliers can report such to the Market Surveillance Committee.

Following the discussion, the RCC approved the revised 2014 RCC Work Plan and agreed to transmit the same to the PEM Board.

4. New Business

o Presentation on the Reserve Market

Mr. Cacho made a presentation on the Reserve Market with particular focus on the ERC Directives the Pricing, Cost, and Recovery Mechanism (PCRM) for reserves in the WESM. The presentation covered the following:

1. Background on Reserve Market Development
2. Compliances to ERC Directives on PCRM for Reserves
3. Proposed Mechanisms
 - Accounting Contracted Reserve
 - Reserve Requirement
 - Cost Recovery Mechanism

Following are the highlights of the presentation:

➤ **Under the Regulating Reserve- upward and downward treatment of Regulating Reserve**

He explained that there is what is termed as Regulation Headroom which provides for a downward regulating reserve for this type of reserve. For the Contingency and Dispatchable types, only the upward reserves are allowed. For interruptible load, the concept is to reduce energy schedule.

- The difference between the energy and reserve markets lies in the pricing methodology, where the reserve market only applies the ex-ante settlement.
- Reserve Market Applies Zonal Pricing for each Reserve region (Luzon and Visayas)
- Similar to Energy Market, Reserve Market also applies a concept similar to administered price during suspension and market intervention.
- In relation to the APDM, the ERC directed filing a new and different computation for cost recovery specific to reserve market, and to detail the categories of the reserve.
- In terms of PCRM, the ERC approved the Gross Pool Concept, Ex-Ante Price Settlement, Zonal Reserve Pricing, Co-optimization of Energy and Reserves, and Administered Reserve Pricing Mechanism. Relative to its approval of the PCRM, the ERC gave various directives to include the implementation of Reserve Effectiveness Factor (REF), Realignment specifications of Reserve Services to create Fast Contingency Reserve, Setting up of new Lower Reserve Service, Introduction of Interruptible Load Dropping (ILD) as a fully functioning Reserve Service, Setting up of interim arrangement for ILD, setting up proposed changes to the PGC, and setting up plans on Automatic Market Power Mitigating Measures.
- Relative to the interim Set-up for ILD, PEMC's proposal has been to develop the procedure for REF together with the NGCP. The criteria for REF includes Accuracy, Response Time, and Adequacy, which are associated with procedures.
- Setting up the reserve market requires changes to the PGC and modifications in the MMS. For ILD, however, the facility is already available in the current MMS, but none of the participants are utilizing said facility.
- In relation to the ERC's directive to propose changes to the PGC, PEMC already submitted the same to the Grid Management Committee. The only complication is that GMC had slight changes to the proposal needing reconciliation. In the ERC Order, the concept of Regulating, Dispatchable, and Contingency Reserves are used, while the GMC used the term primary, secondary, and tertiary.
- The implementation of the Reserve Market is two-staged. The first stage will use the current design and procedures for determining the REF. The second stage is the full implementation.
- The issue with the implementation of stage 1 is with regard to the ASPA and the scheduling process that is based on gross pool, as it is not clearly

provided in the Rules how contracted reserves will be treated under the reserve market. Relative to this, PEMC proposes to net out the contracted reserve similar to the treatment of BCQ in the energy market.

- The stage 1 of the reserve market will be implemented by 26 March 2014 in compliance with the DOE's issuance of a Department Circular for its implementation.
- As for Stage 2, Mr. Cacho explained that the required enhancements in the MMS for its implementation will be incorporated in the new MMS which is projected to be available by 2016.
- With regard to the automatic market mitigating measures directed by the ERC, an offer cap ceiling will be set up at the DOE-ERC level. It is assumed though that the offer cap energy and reserve will be equal given the concepts of gross pool and co-optimization.

Mr. Rosales inquired based on the proposal, if there is a schedule for reserve during market suspension. He noted that in such case where there is no RTD for energy, then there should be no schedule for reserve as well, and for which the SO should take responsibility in the scheduling of reserve. He likewise stated that it is not possible to dispatch a generator as reserve provider without an ASPA. Mr. Ermelindo Bugaoisan added that the generators will most likely not agree to provide reserve during market suspension without an identified price.

Mr. Cacho responded that he is only citing instances where a generator will be dispatched as a reserve provider without an ASPA. During market intervention, the price that could apply may be based on ASPA historical prices.

In relation to ILD, Mr. Lagarde commented that probably the reason why participants do not participate in the ILD is because of the small compensation for ILD, which they find as a disincentive or as unattractive. He cited that in their case, their limitation for participating is that they get compensated only for their fuel and not for their O&M. Mr. Cacho expressed that given the available facility, it would be up to the participant to evaluate whether or not it is worthy for them to participate in either the demand side bidding or the ILD depending on their financial viability.

Mr. Pagobo cited the case in the Visayas, Cebu to be specific. He stated that some of them have actually participated in the ILD including huge establishments as SM. However, they are only able to recover their cost for fuel and not their O&M and capital. Moreover, there are some of them who have not been paid until now since 2007, for their participation in the ILD.

Mr. Binondo clarified that demand side bidding and ILD are two different things. He stated that the concept of ILD was promulgated and approved by the ERC. On the other hand, the demand side bidding is introduced by the market. He explained that with demand side bidding, customers can already submit their bid, unlike in the current practice that generators or the only ones making an offer at their desired price. Mr. Binondo noted, however, that DUs do not seem to want to participate due to the risk that when the customer's bid did not clear, it will experience load shedding, especially if that customer has no embedded generators to support its demand requirement.

1 In relation to the current design for the implementation of Stage 1, Mr. Rosales
2 commented that the implementation of "**single unit per single type of reserve**"
3 should be adopted. He explained that given that a plant can be certified as provider
4 for the 3 different reserve types, it can be scheduled for the three types of reserves.
5 Mr. Cacho added that in the current MMS, the generator can nominate and be
6 scheduled for all types of reserves, although it will only be called to run and provide a
7 single type of reserve at any one time because the generator is subject to Pmax.
8

9 Mr. Bugaoisan commented that the issue on allowing the generator to nominate and
10 be scheduled for all types of reserves is the aspect of monitoring when a certain
11 generator provided a particular type of reserve. Mr. Rosales added that another issue
12 would be on the effectiveness of the type of reserve that a certain generator will
13 provide. The generator can be scheduled as a reserve provider, for which the
14 consumer will have to pay, but in actuality, the service was not provided by the
15 generator.
16

17 Mr. Rosales made an additional presentation on the NGCP-SO's comments and
18 proposed provisions in the Dispatch Protocol Manual in relation to the SO's
19 responsibilities in the implementation of the Reserve Market. Following are the
20 highlights of his presentation:
21

- 22 ➤ "7.3.3 Upon receipt from the Market Operator of the Real Time Reserve
23 Dispatch scheduling, the System Operator shall be responsible for the real
24 time reserve dispatch implementation. Also, the System Operator shall
25 monitor the compliance of each Generator providing ancillary reserve
26 services. This compliance monitoring report shall be submitted to the Market
27 Operator for settlement purpose." This is to clearly specify the responsibility of
28 the SO with regard to the implementation of the reserve Dispatch Schedule.
29
- 30 ➤ "7.4.2 The level of reserve requirement for Regulating Reserve service shall
31 be based on a certain percentage of the hourly forecasted demand as
32 specified in the ASPP and shall be used as reference by the Market Operator
33 to come up with a Day Ahead or Hour Ahead Reserve dispatch schedule." This
34 is to clearly specify the delineation of the SO and MO with regard to the
35 determination of the level of reserve requirement and the scheduling and
36 implementation of the reserve dispatch schedule.
37
- 38 ➤ "7.4.3 For Contingency reserve service, the System Operator shall
39 determine the level of reserve requirement in accordance with the Ancillary
40 Service Procurement Plan (ASPP) and/or as specified in the Grid Code." This
41 is to utilize immediately as required by the SO the type of reserve being
42 scheduled by the MO.
43
- 44 ➤ "7.4.5 The Submission of Ancillary Service Capacity nominations shall be
45 based on per single unit per single type of reserve service." This is to optimize
46 the use of other types of reserves based on system security requirement. This
47 AS reserve shall only be considered based on the specified period where
48 such services are mostly needed.
49

50 Mr. Rosales stated that NGCP proposed the single type of reserve per unit because
51 NGCP is not capable of monitoring a mixed type of reserve services provided by a
52 single unit. This is similar to the ASPA of NGCP. He emphasized that while the
53 responsibility of scheduling the reserve requirement lies with the MO, the

determination of the level of reserve requirement remains with the SO. Particularly for the regulating reserve, it should be based on a certain percentage equivalent to 4% hourly. Once the MO receives this requirement from the SO, the MO shall calculate its MW amount based on its forecasted demand. The basis of the forecast would be the 1200H DAP run. Mr. Rosales stated that their basis for their 4% is the PGC. But the PGC does not provide that the SO should determine the level of reserve requirement in MWh as he said, it is the responsibility of the MO based on the MO's forecast. Mr. Rosales, however, recommended to use "certain percentage" instead of specifying the "4%" in the provisions in anticipation that this level might be changed by the GMC in the future. The SO will still submit its 4% requirement, which level of requirement may change anytime depending on the requirements of the ASPP. He stated though that the SO's submission of such requirement can be one time in one year depending on the changes in the ASPP.

Mr. Cacho stated that when the proposed provisions were crafted, there was already a consultation and agreement with the NGC's Planning Group with regard to the protocol. Mr. Rosales responded that he is only trying to correct the provisions based on what the protocol should be.

For the benefit of the generators, Mr. Rosales also emphasized that all bids under the reserve market will now be submitted to the MO instead of the SO. Whatever the bid that cleared in the market is, should be the level of service that a certain generator should supply. He further emphasized that a generator should ensure that the level of reserve based on its contract with the NGCP should be dispatched, meaning it should offer its service at the right price, otherwise it will not be paid and the generator can possibly be penalized.

Relative to the upward and downward regulating reserve, Mr. Rosales expressed that the MO can use 2% for upward and 2% for downward for as long as the number will total to 4%, which Mr. Cacho noted.

Noting the material changes proposed by Mr. Rosales on what has been agreed upon in the MO-SO coordination meetings, Mr. Cacho stated that he will confirm the proposal during the coordination meeting. Mr. Rosales likewise stated that he will just provide an explanation for said changes during the MO-SO meeting.

At this point, Mr. Castro requested Mr. Cacho to formalize his response to the comments submitted by Mr. Rosales relative to the proposed changes to the Dispatched Protocol Manual.

o **Presentation on Demand-Side Bidding**

Mr. Cacho made a presentation on the matter on Demand-Side Bidding as previously requested by the RCC for better appreciation of the DU sector.

Following are the highlights of the presentation.

- Demand side bidding aims to address the lack of demand-side participation.
- The idea is for the Customer to identify a certain level of capacity or load which it can curtail if the market does not meet its bid price, which

generators find a disadvantage. If a Customer has a bilateral contract, it can get the bilateral portion at the price that it is willing to pay. On the other hand, if the price for the capacity that was bid by the Customer did not clear, that capacity will not be scheduled, thus, will be dropped. Nonetheless, if the Customer did not drop that capacity, it will be an imbalance on his part, which could constitute a non-compliance that can be subject to investigation and penalties. As for the price, the ex-ante price in the market shall apply.

- The consequences of lack of effective Demand-Side Participation are as follows: 1) Generator's market; 2) Market generating high and volatile spot prices; 3) sub-optimal ability to respond to contingencies during supply-side disruptions; and 4) reform stalled, policy over-reaction.

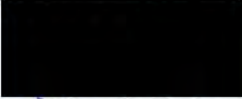

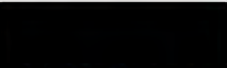
The presentation was noted with appreciation.

5. Next Meeting

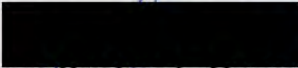
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6. Adjournment

There being no other matter to be discussed, the meeting was adjourned at around 3:45 PM.

Prepared By:	Reviewed By:	Noted By:
 Romellen C. Salazar <i>Analyst – Market Governance Administration Unit</i> Market Assessment Group	 Geraldine A. Rodriguez <i>Assistant Manager – Market Governance Administration Unit</i> Market Assessment Group	 Elaine D. Gonzales <i>Manager – Market Data and Analysis Division</i> Market Assessment Group

Approved by:
RULES CHANGE COMMITTEE


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Chairperson
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University of the Philippines
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Concepcion I. Tanglao ✓ Independent	<div style="background-color: black; width: 150px; height: 20px; margin-bottom: 5px;"></div> Francisco L.R. Castro, Jr. Independent Tensaiken Consulting
<div style="background-color: black; width: 150px; height: 20px; margin-bottom: 5px;"></div> Maila Lourdes G. de Castro Independent	<div style="background-color: black; width: 350px; height: 20px; margin-bottom: 5px;"></div> Lorretto H. Rivera Supply Sector Team (Philippines) Energy Corporation
<div style="background-color: black; width: 150px; height: 20px; margin-bottom: 5px;"></div> Jose P. Santos Distribution Sector (EC) Ilocos Norte Electric Cooperative, Inc. (INEC)	Ciprinilo C. Meneses Distribution Sector (PDU) Manila Electric Company (MERALCO)
<div style="background-color: black; width: 150px; height: 20px; margin-bottom: 5px;"></div> Sulpicio C. Lagarde Jr. ✓ Distribution Sector (EC) Central Negros Electric Cooperative, Inc. (CENECO)	Gilbert A. Pagobo Distribution Sector Mactan Electric Company (MECO)
Jose Ferlino P. Raymundo Generation Sector SMC Global	<div style="background-color: black; width: 150px; height: 20px; margin-bottom: 5px;"></div> Joselyn D. Carabuena Generation Sector Power Sector Assets and Liabilities Management Corporation (PSALM)
<div style="background-color: black; width: 150px; height: 20px; margin-bottom: 5px;"></div> Ambrocio R. Rosales ✓ Transmission Sector National Grid Corporation of the Philippines (NGCP)	<div style="background-color: black; width: 150px; height: 20px; margin-bottom: 5px;"></div> Theo C. Sunico Generation Sector 1590 Energy Corporation
<div style="background-color: black; width: 100px; height: 20px; margin-bottom: 5px;"></div> Isidro E. Cacho, Jr. ✓ Market Operator Philippine Electricity Market Corporation (PEMC)	