



MINUTES OF THE 85th MEETING OF THE RULES CHANGE COMMITTEE

Meeting Date & Time:	12 March 2014 – 09:00 AM to 2:00 PM	
Meeting Venue:	PEMC, 9 th Floor Training Rooms 2 and 3, Robinsons Equitable Tower, Ortigas Center, Pasig City	
Attendance List		
In-Attendance		Not In-Attendance
Rules Change Committee Members		
Francisco L. R. Castro, Jr. --Independent--Tensaiken Consulting		Rowena Cristina L. Guevara --
Maila Lourdes G. De Castro --Independent		Chairperson/ Independent --UP
Joselyn D. Carabuena --Generation -- PSALM		Sulpicio C. Lagarde, Jr. --
Jose Ferlino P. Raymundo --Generation -- SMC Global		Distribution --CENECO
Jose P. Santos --Distribution --INEC		Concepcion I. Tanglao --
Isidro E. Cacho, Jr. -- Market Operator --PEMC		Independent
Lorreto H. Rivera --Supply --TPEC		Ambrocio R. Rosales --System
Theo Cruz Sunico -- Generation -- 1590 EC		Operator --NGCP
		Gilbert A. Pagobo -- Distribution
		--MECO
		Ciprinilo C. Meneses --
		Distribution, MERALCO
Rules Change Committee Alternate Members		
-		
PEMC – Market Assessment Group (MAG)		
Chrysanthus S. Heruela		
Geraldine A. Rodriguez		
Romellen C. Salazar		
Divine Gayle C. Cruz		
PEMC – Legal		
-		
PEMC – Finance		
Ms. Marissa Gandia		
Mr. Ariston Martinez		
ERC Observer(s)		
Atty. Debora Anastacia T. Layugan		
DOE Observer(s)		
Ferdinand B. Binondo		

Others Present

-

In the absence of Chairperson Dr. Rowena Cristina L. Guevara, the members present unanimously voted Mr. Francisco L.G. Castro, Jr. to be the Acting Chairperson for the meeting.

There being a quorum, Mr. Francisco Castro called the meeting to order at around 9:00 AM.

1. Adoption of the Proposed Agenda

The Proposed Agenda for the 85th RCC Meeting was approved as amended.

The Secretariat informed the RCC that the Reading of the Minutes of the 81st meeting was included in the Agenda as the same has been revised upon the RCC's instruction in the previous meeting to include certain discussions in said meeting as pointed out by Dr. Guevara. The Minutes, although previously approved, shall thus be presented again as revised for the Committee's approval.

In relation to the proposal on the Disconnection procedure, Mr. Theo Sunico stated that what he will present is the revised presentation based on the exchanges made with the Market Operator and the System Operator. He likewise expressed that the generation sector is still awaiting the comments of MERALCO, which they deem important in the crafting of the proposal, in order to get the views of all the sectors which will be affected by such proposal on disconnection.

On the item on the presentation on the basis of the P62,000/MWh offer cap, Ms. Geraldine A. Rodriguez noted that it was Mr. Sulpicio Lagarde who brought up the matter and made the request for an explanation on the basis of the P62,000/MWh and its subsequent reduction to P32,000/MWh. However, given his absence, Ms. Rodriguez consulted with the RCC whether the presentation should be deferred for the next meeting when Mr. Lagarde is expected to be present. The RCC decided to proceed with the presentation and instead agreed to provide all the members of the RCC with a copy of the presentation materials.

2. PEMC's Presentation on the Basis of the P62,000/MWh and P32,000/MWh Offer Caps

Mr. Chrysanthus Heruela made a brief presentation on the basis of the offer cap, as previously requested by the RCC. Below are the highlights of his presentation -

- The P62,000/MWh offer cap was arrived at per agreement of the members of the Tripartite Committee composed of the ERC, DOE, and PEMC, using the results of the sensitivity analysis performed by PEMC.
- Part of the functions of the Tripartite Committee is to adopt pre-emptive mitigation measures at the commencement of the market.

- Pre-emptive mitigating measures are actions taken prior to the actual transfer of funds (i.e payments to Generators from Customers). These mitigating mechanisms, as in other markets, include bid or offer price ceiling and clearing price ceiling (price cap).
- All generation offers shall not exceed the Offer Price Ceiling (OPC). Otherwise, the generation offer shall be rejected and concerned market participant shall be notified.
- The Locational Marginal Price (LMP) to be used for settlement calculation shall not exceed the clearing price ceiling (CPC). Otherwise, the CPC shall be substituted for the LMP for settlement purposes.
- One disadvantage of the offer cap was demonstrated during the early years of the market when the San Jose congestion was experienced by the market. Said congestion caused exorbitant prices in the market which necessitated the use of the Price Substitution Methodology (PSM).
- Upon the assessment of the advantages and disadvantages of both the offer or bid cap and the price cap, PEMC opted for the former as its proposed mitigation measure.
- The determinants of the level of cap include: a) production cost of the most expensive generating unit (gas turbine or diesel); b) Production or Marginal cost = Variable + (Fixed cost/ Energy Output); and c) Benchmarked on a newly installed 50MW unit at different levels of utilization (energy output level).
- Gas turbine can be mobilized as fast as 1-3 months.
- The sensitivity analysis considered the following parameters -

Plant: Gas turbine	Nominal Plant Factor: 30%
Capacity: 50MW	Fuel Costs: P9.92/kWh
Capital cost: US\$88,360,000	Fixed O&M: P48,400,000/yr
Recovery Period: 15 years	Variable O&M: P0.29/kWh
Interest Rate: 12%	Exchange Rate: P53.00/US\$

- The sensitivity analysis considered the following: 15 years, 10 years, and 5 years recovery period. It was proposed, however, to use the 5 year recovery period taking into account that a 50MW gas turbine can be mobilized if investors will be allowed to meet their requirements for recovering their costs.
- Considering all the parameters, when the plant factor was plotted against the 5 year recovery period, the price derived was P62,000/MWh.
- On the basis of the P32,000/MWh offer cap, Mr. Heruela pointed to the joint Resolution of the Tripartite Committee issued in December 2013 relative to the implementation of IMEM, effectively amending the P62,000/MWh offer cap. Mr. Heruela expressed that his understanding of the lower offer cap in Mindanao is that the market was designed to tap already existing facilities. He further explained that the P32,000/MWh offer cap was arrived at in the same

manner that the P62,000/MWh was derived, but using different parameters, such as the foreign exchange rate, recovery period, etc.

Mr. Jose Santos noted that if a gas turbine offers and clears in the market, it will dictate the market price based on its offer price, for example, at the P62,000/MWh level. He commented that when such plant clears in the market at such price, it should be the only plant to be paid at P62,000/MWh. Mr. Heruela responded that the market structure was designed such that the off takers of electricity should have contracts to properly hedge them against price spikes. He stated that spot prices are just signals that indicate the investment requirements that will make the market economically sustainable. On a final note, Mr. Heruela encouraged both the DUs and the generators to get contracts to hedge both sectors against extreme fluctuations in prices.

The RCC noted with appreciation the presentation made by Mr. Heruela.

3. Reading of the Minutes of Meeting

o Revised Minutes of the 81st RCC Meeting

Mr. Castro noted that the Minutes of the 81st Meeting, which was already approved previously by the RCC, was revised as instructed, with the inclusion of the discussions pointed out by Dr. Guevara relative to the MRU proposal.

It was recalled that during the 83rd RCC meeting when the RCC was discussing Appendix A.7 of the Dispatch Protocol Manual, Dr. Guevara inquired on the reason for the deletion of the entire Section 4.3.2¹, as the discussion regarding its deletion was not reflected in the Minutes. The Secretariat was then instructed to revise the Minutes accordingly. In response to the concern of Dr. Guevara, the Secretariat informed the Committee that per the transcript, that particular section in the Manual was deleted as the System Operator expressed that it does not have the capability to see real time data that has impact on market prices. It was likewise pointed out by Mr. Rosales that submission of a contingency planning criteria to the ERC is not part of the SO process. Detailed discussion on the proposed amendments to the Manual on the Management of Excess Generation was also included in the revised Minutes, as instructed by the RCC. The Secretariat inquired whether the RCC should await the comments of Mr. Rosales on the revised Minutes noting that the discussions inserted in the Minutes pertained mostly to his statements. Mr. Castro responded that the RCC can already approve the Minutes, as revised. Mr. Rosales can, however, still give his comment on the Minutes.

Following the above discussion, the RCC approved the amended Minutes of the 81st RCC meeting.

o Minutes of the 83rd RCC Meeting

¹
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.

The Minutes of the 83rd RCC meeting was approved, as revised. Below are the amendments made on the subject Minutes:

- Page 1: inclusion of the name of Mr. Raymundo and exclusion of the name of Mr. Sunico under the members present.
- Inclusion of the comments of Ms. Rivera which she sent through email, regarding the discussion on the monitoring of meters.
- Page 19, line 27: "During market intervention, the price that would apply **would may be** based on ASPA historical prices."

Ms. Rodriguez informed the body that the Minutes of the Special RCC meeting held on 21 February 2014 on its deliberation on the Urgent Proposal on the Dispatch Protocol and CVC Manuals will be provided in the next RCC meeting, for the RCC's approval of the same. She explained further that while the meeting is considered a Special meeting, it will be included in the numbering code for the Minutes of the RCC meetings. The information was duly noted by the RCC.

o **Proposed Amendment on the Disconnection Procedure**

The RCC gave the floor to Mr. Theo Sunico for the presentation of the revised proposal on the Disconnection Procedure submitted by the Generation Sector. He explained that the proposal emanated from the concerns of Generators relating to WESM members with arrears or unpaid amounts to Generators and Suppliers. He noted that even in cases where certain members have not paid their bills and Generators have stopped supplying them, they remain connected and thus continue to draw power from the grid. Per Mr. Sunico, this becomes a disincentive as it seems that the disconnection of suppliers of electricity has no impact at all. Customers continue to draw power and consequently their arrearages continue to grow. In the meantime, unpaid bills get to be shared amongst Generators regardless if they did not supply these Customers with unpaid bills in the first place.

Mr. Sunico stated that the PIPPA proposal is to effect the physical disconnection of WESM members in line with the DOE's policy on disconnection. He explained that the PIPPA submitted its proposal in December 2013, but this was returned by the RCC noting certain revisions that need to be made in the proposal relative to the timelines of implementing that proposal and to align these timelines with that of the MO and SO. Dr. Guevara thus requested the MO, SO, and DU (i.e. MERALCO) to provide their inputs to the Generators for the crafting of the revised proposal. Mr. Sunico stated that the sub-committee has met once and has received comments from PEMC and NGCP, but is still awaiting comments from MERALCO. He explained that the proposal has already been revised after said discussion of the RCC, based on the comments of MO and SO, and emphasized that the comments relate mostly to the timetable in effecting physical disconnection.

Below are the discussions which followed relative to the proposal on the Disconnection procedure.

Title	Section	Provision	Proposed Amendment	RCC Discussion / Agreements
1.3 Market Operator and System	1.3.3 Responsi- bilities of the System	Under these Rules, the <i>System Operator</i> shall have the following functions and responsibilities: (a) Be responsible for and	Under these Rules, the <i>System Operator</i> shall have the following functions and responsibilities: (a) Be responsible for and	-Amendments were made so as to harmonize the provisions of the Rules with the DOE Circular 2010-08-0010 and DOE Circular 2010-05-0006. -Relative to the disconnection of a WESM member on the ground of its failure to comply

Title	Section	Provision	Proposed Amendment	RCC Discussion / Agreements
Operator	Operator	<p>operate the <i>power system</i> in accordance with the <i>WESM Rules</i>, the <i>Grid Code</i> and any instruction issued by the <i>Market Operator</i> or the <i>ERC</i>.</p> <p>(b) Provide <i>central dispatch</i> to all generation facilities and loads connected, directly or indirectly, to the transmission system in accordance with the <i>dispatch schedule</i> submitted by the <i>Market Operator</i>.</p> <p>(c) Contribute towards the development of procedures, processes or systems, or to assist with any aspect of the operation of the <i>spot market</i>, in coordination with the <i>Market Operator</i>.</p> <p>(d) Implement the transitory provisions specified in Chapter 10; and</p> <p>(e) Perform those actions that are required to be taken prior to the <i>spot market commencement date</i> as specified in the <i>WESM Rules</i> and clause 10</p>	<p>operate the <i>power system</i> in accordance with the <i>WESM Rules</i>, the <i>Grid Code</i> and any instruction issued by the <i>Market Operator</i> or the <i>ERC</i>.</p> <p>(b) Provide <i>central dispatch</i> to all generation facilities and loads connected, directly or indirectly, to the transmission system in accordance with the <i>dispatch schedule</i> submitted by the <i>Market Operator</i>.</p> <p>(c) Ensure that the Notice of Power Interruption is served prior to <u><i>Disconnection of a WESM members that fail to comply with their financial and technical obligations under the OATS Rules, the Grid Code, the Distribution Code, the WESM Rules, their existing contracts with other WESM members (including bilateral power supply contracts, transmission service agreement, connection agreement, among others), and DOE Circulars 2010-05-0006 and 2010-08-0010, as specified in clause 2.9;</i></u></p> <p>(d) Contribute towards the development of procedures, processes or systems, or to assist with any aspect of the operation of the <i>spot market</i>, in coordination with the <i>Market Operator</i>.</p> <p>(e) Implement the transitory provisions specified in Chapter 10; and</p> <p>(f) Perform those actions that are required to be taken prior to the <i>spot market commencement date</i> as specified in the <i>WESM Rules</i> and clause 10.</p>	<p>with its technical obligations under the OATS Rules, etc., Atty. Debora Layugan clarified as regards the timelines indicated in the proposal as she pointed out that ERC, as the Regulator, has its own Rules which it enforces as the Regulator. has its own Rules which it enforces. ERC for its part, has to ensure due process in cases where parties seek relief from the ERC. She also asked if the request for disconnection from a party other than the ERC is based on actual finding of violation by the ERC or the requesting party's own determination of such violation.</p> <p>-Mr. Cacho stated that on the part of PEMC and per policy set by the DOE, a WESM member is given 5 days to settle its obligations. Beyond that period, PEMC already notifies the NGCP, and the NGCP implements the disconnection following its own protocol. Atty. Layugan commented that such procedure is applicable only if it relates to the financial aspects of the violation. She reiterated that her concern is on the technical violations.</p> <p>-Mr. Sunico stated that the intention of the proposed provisions is to actually cover the financial obligations of the WESM members which is a major concern by most Generators. He expressed that to his knowledge, PIPPA's inclusion of the technical obligations in the proposal is to harmonize the provisions in the WESM Rules with the DOE Circular, which effectively covered the technical aspects.</p> <p>-Atty. Layugan expressed that the DOE can probably consider the existing process of the ERC from the regulation side, rather than simply allowing the parties to make their own determination of the technical violations.</p> <p>-Mr. Sunico stated that the concerns are noted and that the proposal will be revised accordingly to reflect the processes of the ERC, in case the technical aspect will be maintained in the provision. He emphasized though that the intention really of the proposal as far as the Generators are concerned is to address merely the financial financial issues due to non-payment of certain WESM members.</p> <p>-Mr. Cacho opined that the reason probably for the inclusion of the technical aspect in the policy is that such is also covered by the NGCP. Thus, if there are violations in relation to the technical aspects, the NGCP has the right to implement disconnection. He added that if the violation is in relation to the WESM Rules (e.g. margin call), it is the PEMC that notifies the NGCP. But, with respect to the Grid Code, OATS, or Distribution Code, PEMC is no longer involved in the notification to the NGCP.</p>

Title	Section	Provision	Proposed Amendment	RCC Discussion / Agreements
2.3 Categories of WESM Member	2.3.3.9	If at any time a <i>Trading Participant</i> ceases to be eligible to be registered as a <i>Trading Participant</i> accordance with clause 2.3.3.4, that <i>Trading Participant</i> shall inform the <i>Market Operator</i> accordingly and, as soon as practicable after the <i>Market Operator</i> becomes aware that a <i>Trading Participant</i> is no longer eligible to be registered, the <i>Market Operator</i> shall issue a suspension notice in respect of that <i>Trading Participant</i> in accordance with clause 3.15.7.	If at any time a <i>Trading Participant</i> ceases to be eligible to be registered as a <i>Trading Participant</i> in accordance with clause 2.3.3.4, that <i>Trading Participant</i> shall inform the <i>Market Operator</i> accordingly and, as soon as practicable after the <i>Market Operator</i> becomes aware that a <i>Trading Participant</i> is no longer eligible to be registered, the <i>Market Operator</i> shall: (a) issue a suspension notice in respect of that <i>Trading Participant</i> in accordance with clause 3.15.7; <u>and</u> (b) <u>initiate disconnection of the WESM member in accordance with clause 2.9</u>	-To ensure that the suspension of a WESM Member on the ground of non-compliance with the membership criteria or requirement includes disconnection as part of the sanction. -Additional bullet (b) is for the purpose of harmonizing the existing Rules on Disconnection.
2.7 Suspension	2.7.2 Effect of a suspension notice	If a <i>Trading Participant</i> who is either a <i>Direct WESM member</i> or an <i>Indirect WESM member</i> receives a suspension notice from the <i>Market Operator</i> in accordance with any provision of the <i>WESM Rules</i> , that <i>Trading Participant</i> is suspended from participation in the <i>spot market</i> unless and until the <i>Market Operator</i> declares the suspension notice to be revoked in accordance with clause 3.15.7.	<u>2.7.2.1</u> If a <i>Trading Participant</i> who is either a <i>Direct WESM member</i> or an <i>Indirect WESM member</i> receives a suspension notice from the <i>Market Operator</i> in accordance with any provision of the <i>WESM Rules</i> , that <i>Trading Participant</i> is suspended from participation in the <i>spot market</i> unless and until the <i>Market Operator</i> declares the suspension notice to be revoked in accordance with clause 3.15.7, <u>and shall be disconnected by NGCP the System Operator in accordance with clause 2.9. For avoidance of doubt, the effectivity of suspension is upon disconnection of the WESM member.</u> <u>2.7.2.1</u> If the suspended <i>WESM member</i> is a <i>Wholesale Aggregator</i> or a <i>Retail Electricity Supplier</i> , the <i>Indirect WESM member</i> for whom it transacts in the <i>WESM</i> shall likewise be suspended from trading in the <i>WESM</i> and shall be disconnected from the <i>grid</i> , unless the latter complies with the conditions set forth in clause 2.3.	-To clarify that the suspension of a WESM member always includes disconnection as part of the sanction and for consistency with the responsibilities and functions of the System Operator under clause 1.3.3. -Mr. Sunico mentioned that one of the main points raised by the NGCP is the timing for the implementation of physical disconnection. He expressed that generators would want to disconnect right away a Customer who has stopped paying. However, NGCP clarified in its comments that it takes time to effect the disconnection since NGCP has certain protocols that it needs to follow. -Mr. Ariston Martinez of PEMC Finance noted that the proposal states that the effectivity of suspension is upon disconnection of a WESM member. He then inquired on when the suspension should be published. He explained that in the current process, if the WESM member fails to comply with its obligations once the margin call is issued, a suspension notice shall follow and which suspension shall be published in the newspaper with information on the name of the erring participant and the amount due from that participant. During the suspension period, the WESM member is given 5 more days to comply with its financial obligations before the disconnection notice is served to the WESM member and request for disconnection is sent to the NGCP. -Mr. Sunico opined that it would probably be an effective procedure since the WESM member is still given time to pay its obligations prior to

Title	Section	Provision	Proposed Amendment	RCC Discussion / Agreements
				<p>actual physical disconnection. He expressed that what the Generators would like to address is up to what point the WESM member can draw from the grid after it has been suspended.</p> <p>-In relation to Section 2.7.2.1, Ms. Jocelyn Carabuena inquired why the Indirect member should be affected by the suspension of the WESM member who is the one in default. She further inquired on the recourse of the Indirect member. In response, Atty. Layugan opined that, in the case of a Contestable Customer, it can look for another Retail Supplier but not in the case of solar because it is expensive. Mr. Sunico cited that under the RCOA, the contract of the Contestable Customer with the RES should include a provision that it can seek another RES once the Retail Supplier with which it has an existing contract has been suspended. Atty. Layugan stated that such is the case if a provision for such is indicated in the contract or otherwise, better stated in the Rules.</p> <p>-For the part of the Retail Suppliers, Ms. Rivera expressed that they are reserving their comments until MERALCO has submitted its inputs to the proposal. She shared that one angle that the RES is looking at is the technical viability of disconnection for RES and Wholesale Aggregators. She likewise raised the Suppliers' issues on one Customer with multiple Suppliers. She stated that since only one RES is allowed to register in the WESM, when the registered RES is disconnected, the transactions of the other RES are affected. She therefore raised whether it is possible to address this problem in the proposal by allowing individual disconnection of the RES supplying one Customer. Mr. Castro and Mr. Sunico recalled that when this was raised previously, NGCP replied that individual disconnection of RES is not physically and technically possible, but this can be further clarified once further comments are gathered from the DU and NGCP.</p> <p>-Mr. Ferdinand Binondo opined that since the contestable customer is connected to the DU, then the DU's responsibilities relative to disconnection must likewise be considered in the proposal since it will be the DU who will disconnect the Contestable Customer and not the NGCP.</p>
2.7 Suspension	2.7.3 Obligation and responsibilities following suspension	New	<u>Notwithstanding that a person or an entity is suspended from participation in the spot market and disconnected from the grid, that person's or entity's obligations and liabilities which arose under the WESM Rules prior to the date on which that person or entity was suspended</u>	-To highlight the obligatory force of the WESM Rules on all electric industry participants and to ensure that erring WESM members are accountable for their obligations and liabilities despite suspension and/or disconnection.

Title	Section	Provision	Proposed Amendment	RCC Discussion / Agreements
			<u>and disconnected remain unaffected.</u>	
2.9 Disconnection	2.9.2 Procedures for and Execution of Disconnection	New (The existing Section 2.9, <i>et seq.</i> to be numbered accordingly)	<p><u>2.9.2.1 The Market Operator, Generation Company, Independent Power Producer or Wholesale Aggregator, as the requesting party, shall:</u></p> <p>(a) <u>issue a Notice of Disconnection to the WESM member specifying the time and date of disconnection using the form Appendix [*]; and</u></p> <p>(b) <u>submit a letter request to the System Operator NGCP through RRAD at least seven (7) working days in advance for the realization execution of the said disconnection using the form Appendix [*], with proof of receipt of the WESM member of the Notice of Disconnection.</u></p> <p><u>2.9.2.2 The NGCP through RRAD shall acknowledge the request for disconnection while the System Operator shall confirm in writing the Notice of Disconnection, specifying the date and time, at least two (2) working days in advance, prior to the actual implementation of the disconnection. The NGCP through the concerned District shall seek clearance to the System Operator prior to the actual implementation of the Disconnection.</u></p> <p><u>The System Operator thru the Area Control Center (ACC) shall issue Advisory after the actual implementation of the disconnection.</u></p> <p><u>The Market Operator shall then broadcast the advisory of the System Operator to all the Market Participants.</u></p> <p><u>2.9.2.2 Within five (5) days after the receipt of the Notice of Disconnection and the letter request for the execution of the</u></p>	<p>-Pursuant to DOE Circular 2010-08-0010, the disconnection shall be in accordance with these procedures.</p> <p>-The proposed amendments under clauses 2.9.2.2(c), 2.9.2.6, 2.9.2.7 are intended to harmonize the proposed disconnection process with existing provisions relating to the operation of the spot market under Chapter III.</p> <p>-Mr. Sunico clarified that the difference between the notice of disconnection and letter of request is that the former pertains to the notice sent directly to the WESM member, while the latter refers to the notice sent to the NGCP requesting for the disconnection.</p> <p>-Mr. Sunico stated that one of the things that needs to be clarified by the NGCP with regard to the timeline of the implementation of disconnection is how long the disconnection notice will be transmitted to the Revenue Regulatory Affairs Department (RRAD). Atty. Maila De Castro commented that the timelines specified in the disconnection notice issued by the Market Operator to the WESM member and the NGCP timelines should be harmonized. The RCC agreed that the timelines of the DOE PEMC, NGCP, and the DUs should all be harmonized.</p> <p>-In relation to Section 2.9.2.2, Atty. Layugan stated that if all the entities specified in the provision are given the authority to issue disconnection notices, each of these entities should provide supporting documents for issuing such which shall aid in the validation of the basis of the request. She expressed her concern on the social implication of allowing all these entities to issue disconnection notices at their own whims as it would impact on the end users of electricity. Noting that under the Circular, the NGCP is the one that has the right to issue the notice of disconnection, then the provisions under the Rules should likewise give the sole authority to the NGCP. She noted however that the other entities may still request, but the formal issuance of the notice of the disconnection should be the sole responsibility of the NGCP.</p> <p>-Ms. Rivera raised that WESM should no longer be involved in the case of Generation Companies and RES covered by bilateral contracts. In which case, the recourse available to them would be for the WESM member to go directly to the NGCP if the Customer is directly connected. Atty. Layugan opined that it may not be appropriate for WESM to enforce a provision of the contract which is an obligation of the contracting parties. Mr. Sunico felt that the Generation Companies and RES have no other recourse but the WESM especially when their</p>

Title	Section	Provision	Proposed Amendment	RCC Discussion / Agreements
			<p>disconnection, the System Operator shall:</p> <p>(a) execute the disconnection of the WESM member;</p> <p>(b) advise the Market Operator and the affected WESM member of the schedule of the disconnection; and</p> <p>(c) prepare a report, taking into consideration the impact of the disconnection of the WESM member in the power system and on its standing network data, subject to clause 3.5.3.</p> <p><u>2.9.2.3 In case the 5th day falls on a Friday, weekends or a holiday, the disconnection shall be executed on the next working day.</u></p> <p><u>2.9.2.4 If the Notice of Disconnection was issued by the Market Operator due to the suspension and deregistration of a WESM member under the WESM Rules and the suspension of the WESM Member was lifted by the Market Operator within the five (5) day period prior to the scheduled disconnection date, the Market Operator shall immediately inform the System Operator NGCP through RRAD of the lifting of suspension, and the System Operator shall then be advised by the RRAD for the deferment of the execution of the disconnection.</u></p> <p><u>2.9.2.5 In case the disconnection cannot be implemented by the System Operator within the five (5) day period due to technical reasons, the System Operator shall advise the Market Operator prior to the end of the five (5) day period, the date on when it can affect the actual disconnection including</u></p>	<p>Customer is directly connected to the grid. He also expressed that if there is a financial concern from among the WESM members, even if they are covered by contracts, the market should recognize that the non-paying customer must be cut off physically from the grid. Atty. Layugan raised that PEMC cannot, in all certainty, confirm that there is a breach of bilateral contracts. Besides, these are settled outside the market. She also stated that the PEMC has no authority over bilateral contracts entered into by the WESM members.</p> <p>-Ms. Rivera stated that what they are hoping to address is to not expose the PEMC on the BCQ of the WESM members. It is for this reason that they want to flag which customer is not paying based on the bilateral contract. Otherwise, it will be a problem that all WESM members will have to face.</p> <p>-Ms. Carabuena cited that, for instance, if a Generator has a contract with an Indirect member, and the counterparty defaults, the Generator would want its counterparty in the contract to be cut off to discontinue its drawings from the grid. Since the Generator suffers for being charged with the DWS, then it should be allowed to issue the disconnection notice.</p> <p>-In relation to the case of several suppliers supplying one trading node, Ms. Rivera stated that their request specifically is the pro-rating in the billing issued by PEMC.</p> <p>-Mr. Sunico explained that the main concern that the proposal tries to address is to implement physical disconnection of Customers in cases that they are unable to pay their obligations.</p> <p>-Mr. Binondo stated that in case the Generator notifies the MO of the defaulting Customer, which default arises from bilateral contracts, there must be some form of validation of the Generator's request for disconnection. Since it involves contracts, it is probably more appropriate to have the ERC undertake such validation.</p>



Title	Section	Provision	Proposed Amendment	RCC Discussion / Agreements
			<p><u>the specific technical reason/s.</u></p> <p><u>2.9.2.6 The Market Operator shall act on the System Operator's advisory and reports under clauses 2.9.2.2 and 2.9.2.5 and make the necessary adjustments, if any, in the spot market operation, which includes the following:</u></p> <p>(a) <u>market network model, subject to clause 3.2.1.4;</u></p> <p>(b) <u>register of market trading nodes, subject to clause 3.2.2.4;</u></p> <p>(c) <u>net load forecast, subject to clause 3.5.4;</u></p> <p>(d) <u>market projections, subject to clauses 3.7.3.1(a), 3.7.3.2, and 3.7.3.7;</u></p> <p>(e) <u>market dispatch optimization model, subject to clauses 3.6.1.1, 3.6.1.4(c), 3.6.1.4(f), and 3.6.1.5; and</u></p> <p>(f) <u>target loading levels, subject to clause 3.8.1(e).</u></p> <p><u>2.9.2.7 In implementing its responsibilities under clause 2.9.2.6, the Market Operator shall endeavor to reflect the effect of disconnection of a Customer in setting the dispatch targets, reserve allocation, associated energy prices, and the schedule of flows under clause 3.6.1.5.</u></p> <p><u>2.9.2.8 For deregistered WESM Member, the same procedure from clauses 2.9.2.1 to 2.9.2.7 shall apply.</u></p>	
2.9 Disconnection	2.9.4 Remedial Actions to Stay or Defer the Disconnection	New	<p><u>2.9.4.1 The implementation of the disconnection may be deferred if any of the following conditions are present:</u></p> <p>(a) <u>Settlement/payment of the outstanding amount due and demanded, consistent with the</u></p>	<p>Pursuant to the remedial actions to stay or defer the disconnection under DOE Circular 2010-08-0010.</p> <p>The proposed clause 2.9.4.2 ensures that the financial and technical obligations of the disconnected Customer subsist notwithstanding the disconnection.</p>



Title	Section	Provision	Proposed Amendment	RCC Discussion / Agreements
			<p><u>existing agreements or valid contracts with the requesting party, the System Operator or the Market Operator within five (5) days prior to the scheduled disconnection date. The requesting party shall immediately inform System Operator NGCP of the settlement/payment of the outstanding amount due and demanded by the Customer using the pro-forma Request for Disconnection Recall in Appendix [*] prior to the scheduled disconnection date in order for the System Operator to defer the execution of such disconnection.</u></p> <p>(b) <u>Recalled Notice of Disconnection by the requesting person or entity as a result of a Special Payment Agreement or Restructuring Agreement entered into by the contracting parties five (5) days prior to the scheduled disconnection date. The requesting party shall immediately inform System Operator NGCP of the recall using the pro-forma Request for Disconnection Recall in Appendix [*] prior to the scheduled disconnection date in order for the System Operator NGCP to defer the execution of such disconnection;</u></p> <p>(c) <u>If there is proof of non-receipt of the Notice of Disconnection, the execution of the Notice of Disconnection may be deferred for up to five (5) days from the actual receipt of the Notice of Disconnection; and</u></p>	

Title	Section	Provision	Proposed Amendment	RCC Discussion / Agreements
			<p>(d) <u>In the case of the Market Operator as the requesting party, the disconnected Customer has remedied the default event, or satisfied the margin call or has complied with the membership criteria or requirement that gave rise to its suspension. The Market Operator, as the requesting party shall immediately inform System Operator NGCP of the registration of such person or entity to the WESM using the pro-forma Request for Disconnection Recall in Appendix [*] prior to the scheduled disconnection date in order for the System Operator NGCP to defer the execution of such disconnection.</u></p> <p><u>2.9.4.1 The disconnected Customer shall continue to be liable for any and all of its outstanding obligations and liabilities of the disconnected Customer under the WESM Rules and existing contracts.</u></p>	
2.9 Disconnection	2.9.5 Reconnection Process	New	<p><u>2.9.5.1 The party requesting for a reconnection of person or entity shall submit its Notice of Reconnection and a letter-request to the System Operator NGCP for the execution of the Request for Reconnection in Appendix [*].</u></p> <p><u>2.9.5.2 Within two (2) days after the receipt of the Notice of Reconnection, the System Operator NGCP shall execute Reconnection and issue Advisory thru ACC for the reconnection.</u></p> <p><u>2.9.5.3 The System Operator shall prepare a report, taking into consideration the impact of such reconnection in the power system.</u></p>	DOE Circular 2010-08-0010, the reconnection of a disconnected person or entity shall be in accordance with these procedures.



Title	Section	Provision	Proposed Amendment	RCC Discussion / Agreements
			<p><u>2.9.5.5 In the case of the disconnected entity which disconnection was issued by multiple requesting parties. The reconnection will only be executed when all the requesting parties have issued a letter-request and Notice of Reconnection.</u></p> <p><u>2.9.5.6 In all instances, a reconnection fee shall be paid by the disconnected Customer to the NGCP prior to reconnection.</u></p>	
3.14 Settlement Process	3.14.11 Payment Default Procedure	<p>3.14.11.2 Where a default event has occurred in relation to a <i>WESM member</i>, the <i>Market Operator</i> may:</p> <p>(a) Issue a default notice which specifies:</p> <p>(1)The nature of the alleged default; and</p> <p>(2)If the <i>Market Operator</i> considers that the default is capable of remedy, that the <i>WESM member</i> shall remedy the default within 24 hours of the issue of the default notice; and/or</p> <p>(b) Immediately issue a suspension notice in accordance with clause 3.15.7 if the <i>Market Operator</i> considers that the default is not capable of remedy and that failure to issue a suspension notice would be likely to expose other <i>WESM members</i> to greater risk; and/or</p> <p>(c) If it has not already done so, make a claim upon any credit support held in respect of the <i>WESM member</i> for such amount as the <i>Market Operator</i> determines represents the amount of any money actually or contingently owing by the <i>WESM member</i> to the <i>Market Operator</i> pursuant to the <i>WESM Rules</i>.</p>	<p>3.14.11.2 Where a default event has occurred in relation to a <i>WESM member</i>, the <i>Market Operator</i> may:</p> <p>(a) Issue a default notice which specifies:</p> <p>(1)The nature of the alleged default; and</p> <p>(2)If the <i>Market Operator</i> considers that the default is capable of remedy, that the <i>WESM member</i> shall remedy the default within 24 hours of the issue of the default notice; and/or</p> <p>(b) Immediately issue a suspension notice in accordance with clause 3.15.7, if the <i>Market Operator</i> considers that the default is not capable of remedy and that failure to issue a suspension notice would be likely to expose other <i>WESM members</i> to greater risk, <u>and initiate disconnection of the <i>WESM member</i> in accordance with clause 2.9;</u> and/or</p> <p>(c) If it has not already done so, make a claim upon any credit support held in respect of the <i>WESM member</i> for such amount as the <i>Market Operator</i> determines represents the amount of any money actually or contingently owing by the <i>WESM</i></p>	<p>In accordance with DOE Circular 2010-08-0010, and for consistency with the new Section 2.9 on Disconnection.</p> <p>This ensures that suspension of a <i>WESM Member</i> on the ground of payment default includes disconnection as part of the sanctions.</p>

Title	Section	Provision	Proposed Amendment	RCC Discussion / Agreements
		<p>3.14.11.3 If:</p> <p>(a) The <i>Market Operator</i> considers that a default event is not capable of remedy; or</p> <p>(b) A default event is not remedied within 24 hours of the issue of the default notice or any later deadline agreed to in writing by the <i>Market Operator</i>, or</p> <p>(c) The <i>Market Operator</i> receives notice from the defaulting <i>WESM member</i> that it is not likely to remedy the default specified in the default notice, then the <i>Market Operator</i> may issue a suspension notice in accordance with clause 3.15.7 under which the <i>Market Operator</i> notifies the defaulting <i>WESM member</i> that it is prohibited from participating in the <i>spot market</i>.</p>	<p><i>member</i> to the <i>Market Operator</i> pursuant to the <i>WESM Rules</i>.</p> <p>3.14.11.3 If:</p> <p>(a) The <i>Market Operator</i> considers that a default event is not capable of remedy; or</p> <p>(b) A default event is not remedied within 24 hours of the issue of the default notice or any later deadline agreed to in writing by the <i>Market Operator</i>, or</p> <p>(c) The <i>Market Operator</i> receives notice from the defaulting <i>WESM member</i> that it is not likely to remedy the default specified in the default notice, then the <i>Market Operator</i> may issue a suspension notice in accordance with clause 3.15.7 under which the <i>Market Operator</i> notifies the defaulting <i>WESM member</i> that it is prohibited from participating in the <i>spot market</i> <u>and initiate disconnection of the WESM member in accordance with clause 2.9.</u></p>	
3.14 Settlement Process	3.14.11 Payment Default Procedure	New	<p><u>3.14.11.4 If the default event results in the failure of a Customer to comply with its required financial obligations to the Generation Company, Independent Power Producers or Wholesale Aggregators, as provided under their existing bilateral contracts, the concerned Generation Company, Independent Power Producers or Wholesale Aggregators may initiate disconnection of the Customer in accordance with clause 2.9. This remedy shall be available to the affected Generation Company, Independent Power Producers or Wholesale Aggregators notwithstanding the inaction of the Market</u></p>	To harmonize the authority of the Market Operator to initiate disconnection of a WESM Member on the ground of payment default with the remedy available to concerned Generation Company, Independent Power Producers or Wholesale Aggregators to initiate disconnection as per DOE Circular DC 2010-08-0010.

Title	Section	Provision	Proposed Amendment	RCC Discussion / Agreements
			<u>Operator to initiate disconnection under clause 3.14.11.2(b) and 3.14.11.3(c).</u>	
3.15 Prudential Requirement	3.15.5 Replace ment Security	<p>3.15.5.2 If:</p> <p>(a) A <i>WESM member</i> fails to comply with clause 3.15.5.1; and</p> <p>(b) That <i>WESM member</i> does not remedy that failure within 24 hours after being notified by the <i>Market Operator</i> of the failure, then the <i>Market Operator</i> shall give the <i>WESM member</i> a suspension notice in accordance with clause 3.15.7.</p>	<p>3.15.5.2 If:</p> <p>(a) A <i>WESM member</i> fails to comply with clause 3.15.5.1; and</p> <p>(b) That <i>WESM member</i> does not remedy that failure within 24 hours after being notified by the <i>Market Operator</i> of the failure, then the <i>Market Operator</i> shall give the <i>WESM member</i> a suspension notice in accordance with clause 3.15.7 <u>and initiate disconnection of the WESM member in accordance with clause 2.9.</u></p>	<p>In accordance with DOE Circular 2010-08-0010, and for consistency with the new Section 2.9 on Disconnection.</p> <p>This ensures that suspension of a <i>WESM Member</i> on the ground of its violation or the failure relating to prudential requirements includes disconnection as part of the sanction.</p>
3.15 Prudential Requirement	3.15.6 Drawdown of Security	<p>3.15.6.1 If the <i>Market Operator</i> exercises its rights in accordance with this clause 3.15 under a security provided by a <i>WESM member</i> under this clause 3.15, then the <i>Market Operator</i> shall notify the <i>WESM member</i>.</p> <p>3.15.6.2 If, as a result of the <i>Market Operator</i> exercising its rights under a security provided by a <i>WESM member</i> under this clause 3.15, the maximum amount which the <i>Market Operator</i> is entitled to be paid under the security or securities provided by the <i>WESM member</i> under this clause 3.15 is less than the <i>WESM member's</i> maximum exposure, then, within 24 hours of receiving a notice under clause 3.15.6.1, the <i>WESM member</i> shall provide an additional security to ensure that at all times, it complies with the requirements of this clause 3.15.</p> <p>3.15.6.3 If a <i>WESM member</i> fails to comply with clause 3.15.6.2 within the time period referred to in that clause, then the <i>Market Operator</i> shall give the <i>WESM member</i> a suspension</p>	<p>3.15.6.1 If the <i>Market Operator</i> exercises its rights in accordance with this clause 3.15 under a security provided by a <i>WESM member</i> under this clause 3.15, then the <i>Market Operator</i> shall notify the <i>WESM member</i>.</p> <p>3.15.6.2 If, as a result of the <i>Market Operator</i> exercising its rights under a security provided by a <i>WESM member</i> under this clause 3.15, the maximum amount which the <i>Market Operator</i> is entitled to be paid under the security or securities provided by the <i>WESM member</i> under this clause 3.15 is less than the <i>WESM member's</i> maximum exposure, then, within 24 hours of receiving a notice under clause 3.15.6.1, the <i>WESM member</i> shall provide an additional security to ensure that at all times, it complies with the requirements of this clause 3.15.</p> <p>3.15.6.3 If a <i>WESM member</i> fails to comply with clause 3.15.6.2 within the time period referred to in that clause, then the <i>Market Operator</i> shall give the <i>WESM member</i> a suspension</p>	<p>In accordance with DOE Circular 2010-08-0010, and for consistency with the new Section 2.9 on Disconnection.</p> <p>This ensures that suspension of a <i>WESM Member</i> on the ground of violation of the failure prudential requirements includes disconnection as part of the sanction.</p>

Title	Section	Provision	Proposed Amendment	RCC Discussion / Agreements
		notice in accordance with clause 3.15.7.	notice in accordance with clause 3.15.7 <u>and initiate disconnection of the WESM member in accordance with clause 2.9.</u>	
3.15 Prudential Requirement	3.15.10 Margin Calls	3.15.10.5 If a WESM member fails to satisfy a margin call by providing an additional security or making a prepayment under clause 3.15.10.2 within the time referred to in that clause, then the Market Operator shall give the WESM member a suspension notice.	3.15.10.5 If a WESM member fails to satisfy a margin call by providing an additional security or making a prepayment under clause 3.15.10.2 within the time referred to in that clause, then the Market Operator shall give the WESM member a suspension notice <u>in accordance with clause 3.15.7 and initiate disconnection of the WESM member in accordance with clause 2.9.</u>	In accordance with DOE Circular 2010-08-0010, and for consistency with the new Section 2.9 on Disconnection. This ensures that suspension of a WESM Member on the ground of violation of the failure prudential requirements includes disconnection as part of the sanction.
3.15 Prudential Requirement	3.15.7 Suspension of a WESM member	3.15.7.1 As soon as practicable after a suspension notice is issued by the Market Operator under the WESM Rules, the Market Operator shall: (a) Publish the suspension notice; and (As amended by DOE DC No.2005-11-010 dated 11 November 2005) (b) Place a notice in a newspaper of general circulation that the WESM member has been suspended.	3.15.7.1 As soon as practicable after a suspension notice is issued by the Market Operator under the WESM Rules, the Market Operator shall: (a) Publish the suspension notice; <u>and</u> (As amended by DOE DC No.2005-11-010 dated 11 November 2005) (b) Place a notice in a newspaper of general circulation that the WESM member has been suspended; <u>and</u> (c) <u>Start the disconnection process as prescribed in clause 2.9.</u>	In accordance with DOE Circular 2010-08-0010, and for consistency with the new Section 2.9 on Disconnection
2.9 Disconnection	2.9.1 Grounds and Conditions for Disconnection	New	<u>2.9.1.1 The Market Operator may issue a Notice of Disconnection to a Customer, in case of suspension and deregistration of a WESM member under the WESM Rules.</u> <u>2.9.1.3 A Generation Company, Independent Power Producer or Wholesale Aggregator may issue a Notice of Disconnection to a Customer in any of the following circumstances:</u> (a) <u>Failure of the Customer to comply with the required financial and</u>	Pursuant to DOE Circular 2010-08-0010, these shall be grounds and conditions for disconnection.

Title	Section	Provision	Proposed Amendment	RCC Discussion / Agreements
			<p><u>technical obligations to the Generation Company, Independent Power Producers or Wholesale Aggregators, as provided under their existing contracts; and</u></p> <p>(b) <u>Termination/Expiration of the existing contract of a Customer that is an Indirect WESM Member unless such Customer has secured a new supply contract with another Generation Company or has renewed its existing supply contract with the Generation Company or has successfully registered in the WESM as a Direct WESM Member.</u></p>	

Noting the discussions on the matter, Mr. Sunico stated that the proposal will be revised accordingly to consider all the comments raised by the RCC, the DOE and the ERC. Once again, he requested holding off the submission of the proposal until the comments of the respective parties, including that of MERALCO, have been incorporated in the proposal. Mr. Sunico thanked the body for their inputs on the proposal on the Disconnection procedure by PIPPA.

4. Presentation on the PEMC's procedure for the Issuance of Default Notice and Margin Call

Mr. Ariston Martinez made a short presentation on the matter following a previous request from the RCC. Below are the highlights of his presentation-

- Under the WESM Rules, participants are allowed to post Prudential Security in the following forms: Cash, stand-by letter of credit (SBLC), and security bonds. The non-cash security provided by Participants shall be immediately callable upon due date.
- Final statements are issued not later than 18 business days after the end of each billing period, to each WESM member who has market transactions. The Final statement indicates the amount payable by WESM member to the Market Operator (for negative settlement amounts) or by the Market Operator to the WESM member (for positive settlement amounts).
- Payment of obligations by trading participants shall be made not later than 3:00 PM on the 25th of the calendar month following the billing period. If the 25th falls on a non-working day, payment due date shall be moved to the next working day. All payments shall be made to the Market Operator in cleared

funds, whether or not the WESM member disputes or continues to dispute the amount payable.

- Payment to the Trading Participant by the Market Operator shall be made on the following day of the 25th of the month. Payment to the WESM members shall likewise be made in cleared funds.
- Payment default procedure stated under the WESM Rules Clause 3.14.11 shall be implemented when a) the WESM member does not pay any money due for payment by it under the WESM Rules on due date; and b) the MO does not receive payment in full of any amount claimed by the MO under any credit support in respect of a WESM member, within ninety minutes after the due time for payment of the claim.
- The MO shall publish in the WESM website the name of the defaulting participant including the amount due for payment, as provided under the WESM Rules Clause 5.3.2 on the Exception on Confidentiality.
- One of the issues relative to payment is the late clearing of checks. When the PR cannot be called by the MO, the WESM member is put on default and becomes subject to default interest.
- The summary of procedure and timelines of PEMC is as follows-

DATE	ACTIVITIES
13TH OF THE MONTH	ISSUANCE OF FINAL STATEMENT BY BSMD
14TH -16TH OF THE MONTH	CALCULATION AND ISSUANCE OF MARGIN CALL
20TH OF THE MONTH	DUE DATE OF MARGIN CALL
20TH -25TH OF THE MONTH	MONITORING OF COLLECTIONS FROM WESM TRADING PARTICIPANTS
25TH 8:00PM ONWARDS	COLLECTIONS AND PAYMENTS ALLOCATION DRAW DOWN OF PRUDENTIAL REQUIREMENT - CASH
26TH OF THE MONTH	REMITTANCE TO WESM TRADING PARTICIPANTS SENDING OF DEFAULT NOTICE SENDING OF DRAWDOWN NOTICE PUBLICATION OF DEFAULTING PARTICIPANTS TO WESM WEBSITE PHONE CALL TO DEFAULTING PARTICIPANTS - REGARDING THE DEFAULT AND POSSIBLE DRAWDOWN OF NON-CASH PRUDENTIAL SECURITY REPORTING TO THE MANAGEMENT

- Mr. Martinez likewise presented a sample computation of margin call amount at the end of his presentation.

Mr. Martinez stated that in certain instances, such as in the case of TPEC, a WESM member is placed in default because its non-cash security is not immediately callable on due date. Per procedure of some banks relative to the withdrawal of prudential security, it takes 3 to 5 days before the security can be called. Mr. Martinez clarified that the prudential security put up by a WESM member is not intended to be used as payment for energy for its current transactions, but as a form of security just in case it fails to comply with its financial obligations.

Ms. Rivera stated that putting TPEC in default as in the previously cited case could have been avoided if PEMC tried to call their prudential security or by informing them prior to the issuance of a default notice as TPEC could have arranged something with their bank. Although the amount subject of the default being cited is a small amount, the incident affected TPEC on the marketing side. She expressed that the case could have been a bigger issue had the default amount been a huge amount.

Ms. Marissa Gandia cited that in 2006, the MO issued a template relative to terms of the SBLC, which indicated that it should be callable in demand. Based on PEMC's experience, however, the verification process before calling the security takes about 3 to 5 days, and only after such period can the bank release the funds. On the question of TPEC on why it was put on default when in the first place, its amount due was totally covered by its prudential security, Ms. Gandia emphasized that all payments shall be made in cleared funds on due date as provided under the Rules. Ms. Gandia expressed that the issue and other similar issues can be addressed by the amendments made on the provisions in relation to Prudential Requirement, which the RCC noted was already approved by the PEM Board and is now with the DOE for its approval and promulgation.

The RCC thanked the PEMC Finance for making the presentation and for clarifying the issues on the matter.

5. Other Matters

o PEM Board Updates

Mr. Castro informed the members of the RCC of the PEM Board's approval of the following proposals:

Approved Proposals during the 05 February 2014 PEM Board Meeting

- ✓ Proposed Amendments to the WESM Rules and the Billing and Settlement Manual relative to Prudential Requirement
- ✓ Proposed Amendment to the WESM Rules and the Manual on the Management of Procedure for Load Shedding
- ✓ Proposed Amendment to the Manual on Load Forecasting
- ✓ Proposed Amendment to the Manual on MNM Criteria and Procedures
- ✓ Proposed Amendment to the Manual on the Methodology for Determining Pricing Errors and Price Substitution Due to Congestion for Energy Transactions in the WESM

Approved Proposals during the 21 February 2014 PEM Board Meeting

- ✓ Urgent Proposal on the Amendment of the Manuals on the Dispatch Protocol and Constraint Violation Coefficient
- ✓ Proposed Amendment to the WESM Rules and the Manual on the Criteria and Guidelines for the Issuance of Pricing Error Notices and Conduct of Market Re-Run

In relation to the PEM Board's approval of the amendments to the PEN-MRR Manual, the Secretariat shared with the RCC of the clerical error made on the submission to the PEM Board, which it subsequently approved, relative to the term "localized non-congestion" under Section 5.1.2 of the Manual.

It was recalled that the original proposal approved by the RCC for comments of the Participants used the term "localized non-congestion." The RCC subsequently considered the comment of SNAP to delete "non" and instead refer to it as "localized congestion" since it is already covered under the provision for Non-congestion. Thus,



the Secretariat expressed that this clerical error is noted and will be included for correction in the succeeding revision to the Manual.

The information was noted by the RCC.

o **Proposed Amendments relative to the MRU**

Ms. Geraldine Rodriguez noted that the RCC previously approved the posting in the website, for comments of Participants, the MRU proposal, which covers the amendments to the WESM Rules and various Market Manuals - MRU, Dispatch Protocol, Management of Excess Generation, System Security and Reliability Guidelines, and the Administered Price Determination Methodology.

Ms. Rodriguez, however, stated that upon reviewing the proposed amendments to all the subject Manuals, the Secretariat noted inadvertent deletions and inconsistencies between the Manuals, as proposed.

Atty. De Castro, Chairman of the MRU sub-committee, requested that members of the sub-committee be provided with copy of the proposal thru email, together with the Secretariat's comments. The members of the MRU sub-committee were likewise requested to send their comments for consolidation. After which, the sub-committee may decide to meet to discuss the matter as they find necessary.

In addition, Mr. Cacho suggested to reflect the proposed revisions of the RCC in the existing Manuals for better view and appreciation of the amendments.

The instructions were duly noted by the Secretariat.

o **ERC Order on the Adjustment of WESM Prices for the Months of November and December 2013**

The Generator sector raised the matter on the price adjustments for the periods November and December 2013 as ordered by the ERC.

It was pointed out that the market failure is not defined anywhere in the WESM Rules. In addition, it is difficult to explain to their shareholders the reason for retracting expected earnings which have already been previously declared and reported to them.

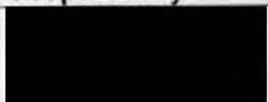
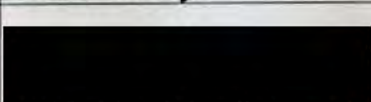
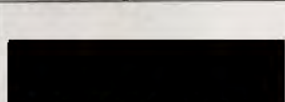
Mr. Cacho stated that although the declaration of the market failure is not in the WESM Rules, the EPIRA provides for the overarching authority of the ERC to act accordingly, inclusive of the declaration of market failure. He also expressed that as far as the PEMC is concerned, its only recourse is to comply with the order as issued by the ERC being its Regulator.

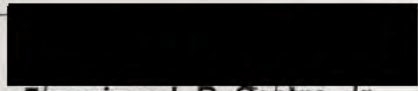
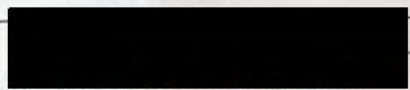
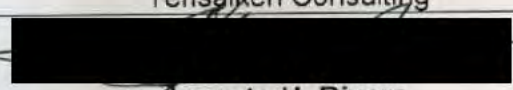
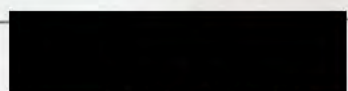
6. Next Meeting


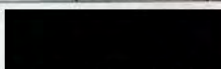
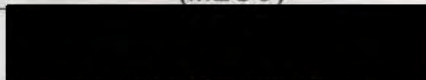
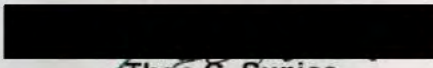
The RCC agreed to hold its next meeting on 02 April 2014.

7. 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	 Géraldine A. Rodriguez	 Elaine D. Gonzales
Analyst – Market Governance Administration Unit Market Assessment Group	Assistant Manager – Market Governance Administration Unit Market Assessment Group	Manager – Market Data and Analysis Division Market Assessment Group

<p>Approved by:</p> <p>RULES CHANGE COMMITTEE</p> <p>Rowena Cristina L. Guevara Chairperson Independent University of the Philippines (UP)</p>	
Members:	
<p>Concepcion I. Tanglao Independent</p>	<p> Francisco L.R. Castro, Jr. Independent Tensaiken Consulting</p>
<p> Maila Lourdes G. de Castro Independent</p>	<p> Lorreto H. Rivera Supply Sector TeaM (Philippines) Energy Corporation</p>
<p> Jose P. Santos Distribution Sector (EC) Ilocos Norte Electric Cooperative, Inc.</p>	<p>Ciprinilo C. Meneses Distribution Sector (PDU) Manila Electric Company</p>

(INEC)	(MERALCO)
 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	 Joselyn D. Carabuena Generation Sector Power Sector Assets and Liabilities Management Corporation (PSALM)
Ambrocio R. Rosales Transmission Sector National Grid Corporation of the Philippines (NGCP)	 Theo C. Sunico Generation Sector 1590 Energy Corporation
Isidro E. Cacho, Jr. Market Operator Philippine Electricity Market Corporation (PEMC)	