

**MINUTES OF THE 94th MEETING OF THE RULES CHANGE COMMITTEE**  
**Regular Meeting No. 2014-13**

Meeting Date& Time:	05 November 2014	
Meeting Venue:	9th Floor PEMC Training Rooms 2&3	
Attendance List		
In-Attendance		Not In-Attendance
<b>Committee Members:</b> Francisco L. R. Castro, Jr. -- Acting Chairperson/ Independent Maila Lourdes G. De Castro --Independent Concepcion I. Tanglao --Independent Joselyn D. Carabuena --Generation -- PSALM Jose Ferlino P. Raymundo --Generation -- SMC Global Theo Cruz Sunico -- Generation -- 1590 EC Ciprinilo C. Meneses --Distribution, MERALCO Jose P. Santos --Distribution --INEC Ambrocio R. Rosales --System Operator --NGCP Isidro E. Cacho, Jr. -- Market Operator --PEMC  <b>Alternate Members:</b> Ernesto N. Padilla, Jr. --Supply --TPEC		Rowena Cristina L. Guevara -- Chairperson/ Independent Sulpicio C. Lagarde, Jr. --Distribution -- CENECO Gilbert A. Pagobo -- Distribution -- MECO Lorreto H. Rivera --Supply --TPEC
<b>PEMC – Market Assessment Group (MAG):</b> Chrysanthus S. Heruela Romellen C. Salazar Divine Gayle C. Cruz Dece Marwil M. Bongcawel		
<b>Others: (MO/ SO/ DOE/ ERC Representatives):</b> Ferdinand B. Binondo - DOE Caryl Miriam Y. Lopez - PEMC-Legal Cyril Recto S. Calub - PEMC-BSMD Marcial J. Jimenez - PEMC-TOD Rhe-an Abrasia - PEMC-TOD Marvin G. Gonzalves - MERALCO Manuel Zagala - MERALCO Paul Sorino - MERALCO Rolando N. Arevalo - MERALCO Joebet Del Rosario - MERALCO Manny Sotomil - NGCP Alfie Miras - SNAP		

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



I. AGENDA:

The Proposed Agenda for the 94th RCC Meeting was approved as presented.

II. REVIEW, CORRECTION AND APPROVAL OF THE MINUTES OF THE 93rd RCC MEETING

The RCC reviewed the Minutes of the 93rd RCC Meeting and approved the same, as amended.

III. BUSINESS ARISING FROM THE PREVIOUS MEETING

1. Proposed Amendments to the WESM Rules on the Adoption of a Disconnection Policy

The RCC tackled the WESM Disconnection Proposal, the discussion of which was deferred during the last meeting in the absence of the NGCP-SO representative, whose inputs the RCC deemed crucial and relevant in the Proposal. Mr. Francisco Castro requested Mr. Isidro Cacho and Mr. Ciprinilo Meneses to discuss the comments of PEMC and MERALCO, respectively, as well as the notes from the Secretariat provided by Ms. Geraldine Rodriguez. It was noted by the RCC that the comments received from MERALCO are general comments on the proposal.

Following are the discussions on the matter relative to the comments of the parties:

- Clause 1.3.3 - Responsibilities of the System Operator

On Clause 1.3.3 (a), PEMC commented that replacing the term "instruction" with "notification" seemed inappropriate in reference to the ERC. Mr. Cacho expressed that any order given by the ERC should be considered an instruction and not a mere notification. PEMC further commented that DOE should be included as giver of instruction.

The RCC revised the proposal, based on PEMC's comments, as follows, :

Clause 1.3.3:

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(a) Be responsible for and operate the *power system* in accordance with the *WESM Rules*, the *Grid Code* **and any instruction** issued by the *Market Operator*, **the DOE or the ERC in accordance with the WESM Rules and Manuals, EPIRA, and other relevant laws and issuances.**

XXX

Further on the clause, PEMC commented on item (c) that the OATS Rules, PGC, and PDC are not within the ambit of the WESM Rules. Mr. Cacho suggested deleting the provision, which states that the disconnection of WESM members who failed to comply with their financial obligations under the OATS, PGC, and PDC should be coursed through the Market Operator (MO), since the MO may not have a legal personality to disconnect for violations under the OATS, PGC and PDC. He stated





further that under DOE Circular No. DC. 2010-08-0010, the DOE made clear distinctions between the responsibilities of the MO, the NGCP, and the NSPs.

Mr. Rosales commented that, perhaps the reason for inserting the provision is that, the subject of the non-compliance in terms of payment is the WESM member, and WESM members are covered under the Rules. This suggests that the MO is the proper agent to notify the party to be disconnected.

Mr. Castro recognized that the MO may not be the proper agent to initiate disconnection based on the explanations given by Mr. Cacho, since the MO is concerned only with transactions within the WESM, and there are certain grounds for disconnection as described under the proposed clause that pertain only to those transactions made outside of WESM.

Mr. Sunico explained that the rationale for the proposal is to provide a way and basis to physically disconnect a WESM member that did not pay its obligations to the generator for the power it drew from the grid. He stated that currently, even if a WESM member is in violation, it continues to draw power from the grid. He expressed that if not through the MO, there will be no other way to implement disconnection for violations under OATS, etc.

The Secretariat clarified that the heading of the clause being discussed pertains to the "Responsibilities of the System Operator," which may be the reason for the mention of the OATS, PGC, and PDC. Based on the notes provided by Ms. Rodriguez, the previous discussions on the matter clarified that it is not the System Operator who has the responsibility regarding connections to the grid, but the Network Service Provider (NSP). Further under Clause 2.9.2.3, it is provided that "(a) The Network Service Provider shall be responsible for the execution of the disconnection of service of a WESM member."

Ms. Concepcion Tanglao opined that item (a) under Clause 1.3.3 should be transferred to Clause 2.9.2.3 as part of the responsibilities of the Network Services Provider. The RCC agreed with Ms. Tanglao and, thus, revised the Proposal as follows:

Clause 1.3.3

XXX

~~(c) — Ensure that the Notice of Power Interruption is served upon notification from or through the Market Operator in writing prior to Disconnection of WESM members that fail to comply with their financial obligations under the OATS Rules, the Grid Code, the Distribution Code, notification from or through the Market Operator in writing prior to Disconnection of WESM members that fail to comply with their financial 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;~~

XXX

Clause 2.9.2.3

XXX

(a) The Network Service Provider shall:



i. Ensure that the Notice of Power Interruption is served upon notification from or through the Market Operator in writing prior to *Disconnection of WESM members* that fail to comply with their financial 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;

ii. be responsible for the execution of the disconnection of the service of a WESM member;

(b) XXX

Mr. Cacho proceeded with the discussion on the other comments of PEMC. On Clause 2.7.2.1, Mr. Cacho pointed out that in the DOE Department Circular DC No. DC20110-05-006 on the Disconnection Policy, there is a clear statement on the authority given to the NGCP "to disconnect from the grid, persons or entities who fail to comply with their obligations under the OATS Rules, the Grid Code, the WESM Rules..." Thus, the Proposal of changing the NGCP to Network Service Provider in the Clause is inconsistent with the DOE Circular. Further, Mr. Cacho commented that there is no provision in the pertinent DOE Circular on the responsibility of the Distribution Utility (DU) in the execution of disconnection relative to RCOA.

In response to the concerns raised by Mr. Cacho on the DUs' responsibilities with regard to disconnection on the retail side, Mr. Ferdinand Binondo stated that RCOA was not yet promulgated at the time the DOE Circular was issued. He expressed that necessary changes will be effected in the said DOE Circular on disconnection policy to be issued by the DOE, depending on the proposals that will be endorsed by the stakeholders. On the other concern of Mr. Cacho relative to the lack of provision that defines the DU responsibility in disconnection, Mr. Sunico expressed that with the Proposal to change the NGCP to NSP, the DU responsibility will now be covered in the implementation of disconnection.

Relatedly, Mr. Binondo expressed that the biggest challenge on the matter of disconnection is in implementing the disconnection of a DU, considering that there are contestable customers (CC) within their network.

In relation to the question of Mr. Rosales on who should implement the disconnection of MERALCO, Mr. Binondo responded that it should be the responsibility of the NGCP/NSP to disconnect MERALCO, through the feeders in the NGCP's sub-stations. However, Mr. Rosales expressed that if the NGCP will implement the suggestion of Mr. Binondo, the effect would be blackout, which may pose risks in the security of the grid.

Following the discussion and noting the difficulties in implementing disconnection of the DU, the RCC agreed to revise the proposal, as follows, inserting the phrase "as far as practicably implementable" in the provision:

**2.7.2.1 If a Trading Participant who is either a Direct WESM member or an Indirect WESM member receives a suspension notice from the Market Operator in accordance with any provision of the WESM Rules, that Trading Participant is suspended from participation in the spot market unless and until the Market Operator declares the suspension notice to be revoked in accordance with clause 3.15.87, and shall be disconnected by the Network Service Provider, as far as**



**practicably implementable, in accordance with clause 2.9. For avoidance of doubt, the effectivity of suspension is upon disconnection of the WESM member.**

On the same provision, Clause 2.7.2.1, Mr. Cacho asked for confirmation from the RCC, if the intent of the proposed provision is to implement disconnection and suspension simultaneously. Mr. Sunico expressed that currently, even if a WESM member is suspended, it continues to draw power from the grid. Thus, the provision can be better appreciated if the WESM member will be suspended at the same time that it is disconnected. Mr. Castro concurred that the start date of suspension is also the start date of disconnection. The RCC thus, agreed to retain the proposal regarding the implementation of disconnection and effectivity of suspension to be simultaneous.

On Clause 2.9.9.1, the RCC noted the comments of Ms. Rodriguez that the proposed provision is inconsistent with Clause 2.3.3.9, where the operative word used is "shall." Based on the comment, the RCC agreed to revise the provision, as follows:

**2.9.1.1 The Market Operator shallmay issue a Notice of Disconnection to a Customer, in case of suspension of a WESM member under the WESM Rules.**

Further on the comment of Mr. Cacho that the provision is inconsistent with the DOE Circular, Mr. Binondo expressed that if the agreement of the RCC to course through the MO the disconnection of all WESM members is more appropriate, said changes will also have to be reflected in the new Department Circular to be issued by the DOE relative to the matter on disconnection. It was noted by the RCC that the MO's concern relative to the its legal personality in initiating disconnection is already addressed by the following provision under Clause 2.9.2.1:

"Xxx

a) xxx

b) xxx

**The Market Operator may also initiate the above disconnection procedure."**

Mr. Binondo inquired if the MO is required to validate a request for disconnection coming from a WESM member. Mr. Meneses responded that the burden of proof that such request is valid and the liability for incorrect orders should be with the requesting party. Mr. Raymundo further commented that the reason for the request for disconnection should be stated clearly by the requesting party. Mr. Sunico pointed out that in the pertinent appendix on the request for disconnection to be submitted by the Generator, the rationale shall be stated. Mr. Raymundo further stated that the non-paying member shall receive three notices—notice from the Generator, the MO, and the NSP.

As regards the timelines for disconnection, Mr. Sunico expressed that the 7 days given to SO—as suggested by Mr. Rosales based on the NGCP's actual timeline for disconnection—prior to actual disconnection provides for a room for the WESM member to still settle its obligations. On the part of the MO, Mr. Cacho confirmed that the doable timeline for issuing the notice of disconnection based on actual experience is 3 to 5 days. The RCC thus agreed on the following provision:





**2.9.2.1 (b) upon receipt of the Notice of Disconnection from the requesting party, the Market Operator shall notify the Network Service Provider in writing within 5 days;**

xxx

Mr. Rosales summarized the disconnection procedure, based on discussions, as follows:

1. The Generator notifies the erring WESM member.
2. The Generator requests from MO to disconnect the WESM member.
3. Within 5 working days, the MO serves the notice of disconnection to the WESM member and validates if the same is received by the WESM member; and forwards the request to the NSP.
4. Within 7 working days, the NSP issues the Notice of Scheduled Power Interruption (NSPI) to the WESM member; and implements actual disconnection by opening the breaker.

Following the discussions, the RCC agreed to insert an Appendix in the Proposal on the flow chart on the disconnection procedure. Mr. Rosales was requested to prepare said flow chart.

As regards the procedure for re-connection, the RCC agreed that the procedure would be the same as with disconnection, where all requests shall be coursed through the Market Operator. Following is a summary of the re-connection procedure as identified by Mr. Rosales.

1. The Generator informs MO of the payment made by the Customer/WESM member.
2. The MO issues a notice of reconnection to the NSP.
3. The NSP reconnects WESM member to the grid.

Mr. Cacho reiterated the MO's position to retain the current procedure (e.g. as defined under the DOE Circular in disconnection). He opined that the current procedure, where all requesting parties can go directly to NGCP/NSP to disconnect a WESM member, is more efficient than what is being proposed by the RCC. He noted, however, the RCC's agreement to revise the procedure based on discussions, to course through MO all the requests for disconnection.

At this point, the RCC requested Mr. Meneses to likewise discuss the comments of MERALCO on the proposal. The main points of the MERALCO's comments, as discussed by Mr. Meneses, are as follows:

1. The rules on disconnection and reconnection pertaining to the submission of notices, timelines, liabilities, etc., are similar for Wholesale and Retail.
2. The Rules for Retail relative to disconnection are all defined in the Distribution Services Open Access Rules (DSOAR). In view that there is already an approved document specifying the parameters for disconnection, the MERALCO suggested copying the provisions in the DSOAR in the WESM Rules for disconnection.
3. The MERALCO likewise suggested changing the terminology System Operator / NGCP to Network Services Provider for the pertinent provisions pertaining to disconnection.

The RCC agreed on item 3, on MERALCO's suggestion to change SO/NGCP to NSP for the relevant provisions in the WESM Rules on disconnection.

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Relative to items 1 and 2, the RCC noted that the comments submitted by MERALCO are general comments on the Proposal. The RCC, thus, requested MERALCO through Mr. Meneses to submit the appropriate wordings for the relevant provisions in the Rules in relation to MERALCO's comments. The MERALCO's proposed wordings will be discussed in the RCC's deliberations on the matter in the next RCC meeting. Mr. Meneses noted the RCC's request with MERALCO and expressed that it will comply with the instructions.

The RCC agreed to continue with the discussion on the matter in the next RCC meeting.

## **2. Presentation on the Result of Simulation regarding the Proposed Amendments to the WESM Manual on Administered Price Determination Methodology**

The PEMC simulation results were presented by Mr. Rhe-an Abrasia of PEMC-TOD, based on the RCC's request to show the resulting Administered Price (AP) using the proposed formula by SNAP and by PIPPA, in comparison with the existing AP formula.

The simulation assumed the Nominated Price of Generators to be as follows:

NP	
Coal	<b>4,919.50</b>
Geothermal	<b>4,855.40</b>
Hydro	<b>4,181.40</b>
Diesel	<b>13,490.00</b>
Natural Gas	<b>4,919.50</b>

The figures above are based on the numbers disclosed by the Generators as the average ERC-approved rate for each technology type, per the Minutes of the 57<sup>th</sup> RCC Meeting. For diesel, the number was updated based on the last (simulated) approved Power Supply Agreement (PSA) by the ERC for the Peak Power Socsargen Inc. For natural gas, this is assumed to be the same as coal in the absence of data.

Additional assumptions were used, as follows:

- Highest Market Clearing Price is considered the Market Clearing Price (MCP) if there are more than one MCP;
- Over-declaration of BCQ is considered fully contracted;
- The four latest similar days, similar interval with offers are considered in the calculation of AOP;
- If the Generator has no offer, its Current Offer Price (COP) is considered zero (0).

The simulations computed for the resulting AP used the trading days May 6 and 16, 2014, when actual imposition of administered price occurred. The simulation likewise computed the resulting prices for both peak and off-peak hours for the two trading days chosen. During peak period, the simulation assumed the NP to be Php32,000/KWh.



The following observations were noted:

- Based on the simulation, the proposed calculation of AP by PIPPA and SNAP may be higher or lower than the current Administered Price Determination Methodology depending on varying market conditions.
- In general, the proposed new methodology by PIPPA and SNAP are mainly affected by the Nominated Price(NP) submitted by each Trading Participant, the Historical Marginal Clearing Plant, and the Offers submitted by the Generator.
- If the NP is higher than the AMCP, or AOP, or COP, then, the administered price would default to the maximum AMP, AOP, or COP.
- Actual Nominated Price should be used to further validate the impact.

Mr. Sunico emphasized that the NP supplied by PIPPA is the average price per technology type based on the PSA of the generators, which are approved by the ERC. He expressed that the suggestion of PIPPA initially is to use the latest ERC-approved NP for the plants that have existing contracts and for those that do not have contracts, they have yet to submit their NP to the ERC, for approval. He commented that since the PSAs undergo the ERC's review and approval, then the values used for NP in the simulation as supplied by PIPPA should already suffice. He expressed further that since the price already passed the ERC's approval, then it can already be considered as the fair price that can be passed on to the consumers. He stated that the current AP is not reflective of the true cost of generators. He added that while the generators are allowed to file for additional compensation, it takes a long process before the generator gets paid for said additional compensation.

Mr. Cacho emphasized that the simulation results are based only on assumptions and averages. He suggested that the actual NP of generators, to be approved by the ERC, should be used to further validate the resulting AP using the formula being proposed by the generators.

Mr. Castro opined that the RCC cannot decide yet on the proposal as the NP of the generators have yet to be approved by the ERC.

Mr. Meneses suggested that further simulations should be conducted showing the results or impact in Php/KWh, as the simulation results shown to the RCC were only in terms of percentage difference. He expressed that the simulation results can be better appreciated if it can show the impact on the Customers in P/KWh. It was further suggested by Mr. Raymundo to show the result incorporating the additional compensation in the proposed formula.

The RCC agreed to write to PEMC, requesting the additional simulations as suggested above, for presentation in the next meeting scheduled for December.

### **3. Presentation on the Issues and Concerns on the Previous Criteria on MRU: Other Considerations (Commissioning and Testing of Plants)**

The RCC recalled that the Commissioning and Testing of Plants was removed as Criteria for MRU in the amendments made in the Manual, since the MRU criteria now involves only security concerns. Noting the deletion of commissioning and testing in





the Manual, the RCC agreed that this criteria should be placed somewhere else in the Market Manuals.

Mr. Cacho commented that in terms of scheduling, the plants on commissioning and testing will be scheduled based on over-riding constraints limit provisions in the Dispatch Protocol Manual. Thus, Mr. Cacho expressed that the RCC should focus on two things:

1. How to compensate the generator on testing and commissioning; and
2. What should be the allowable period for commissioning and testing.

Relative to item 1 on compensation, the RCC was in agreement that the plants on commissioning and testing should be price takers. However, Mr. Cacho expressed that this is not written anywhere in the Market Manuals. The RCC, thus agreed that the payment for the plants on commissioning and testing should be incorporated in the Billing and Settlements Manual.

Following the above discussions, the RCC requested the MO through Mr. Cacho to draft the necessary amendments in the Billing and Settlement Manual, for consideration of the RCC. It was agreed that the Proposal will be submitted to the PEM Board as an RCC proposal, noting that it emanated from the RCC's proposal on MRU. Mr. Cacho duly noted the RCC's instructions.

#### **IV. NEW BUSINESS**

##### **1. PEM Board Updates**

- PEM Board Directives to the RCC relative to the Proposed Amendments to the WESM Rules and WESM Manual on Metering Standards and Procedures

Ms. Concepcion Tanglao informed the RCC that the PEM Board remanded the Proposal to the RCC as a result of the following issues raised when the matter was presented:

1. Application/relevance of the proposed amendment to the wholesale market and the RCOA. The PEM Board suggested that pertinent provisions relating to RCOA such as "distribution revenue meter" (e.g. Section 2.4.2) be deleted if the Proposal intends to be applicable only to the WESM;
2. Whether or not it is mandatory to have a back up meter for all WESM participants; and
3. The cost impact of the metering equipment required by the Proposal (who shall bear the cost, etc.)

PEMC clarified that currently, the installation of backup meters is optional, although the current set-up in most installations is to have backup meters for WESM. It was added that the Proposal of PEMC, as approved by the RCC, is to require back up meters under wholesale.

Related to the PEM Board Directives, representatives from the metering groups of MERALCO, NGCP, and PEMC were invited to participate in the discussions on the matter. MERALCO made a presentation, with emphasis on the following points:



1. WESM standards for retail meters should be deleted in the WESM Metering Manual and should, instead, be contained in the Retail Metering Manual;
2. The Retail Metering Requirements should be harmonized with the provisions of the Philippine Distribution Code (PDC);
3. Metering standards should be reasonable and set with the objectives of obtaining cost-efficiency and meeting requirements for accuracy and reliability; and
4. Standards for retail metering, *such as the proposed requirement for backup meters*, will necessarily affect a greater scope of customers and will entail a greater scope of resources.

Mr. Emmanuel Sotomil of NGCP gave his reaction, stressing the main points as follows:

1. The intention for the inclusion of Distribution Revenue Meter in Chapter 2 of the WESM Metering Manual is in consideration of the fact that there are *Generating units* that are indirectly connected to the Grid through the *Distribution Utilities'* lines or industrial *generation facilities* that are synchronized with the Grid and whose metering or connection points within the said distribution facility should also be monitored. Thus, the distribution revenue meter section in the WESM Rules should be retained. Mr. Sotomil likewise opined that the Section on Applicability can already address the concern of the PEM Board regarding distribution revenue meter, since the provisions in the WESM Manual is applicable only to WESM, since there is a separate Metering Manual on the retail side.
2. The NGCP emphasized the value of requiring backup meters, particularly for WESM, since it would be very difficult to do the billing in case the main meter fails and there is no backup meter. The 15-minute meter data interval and the huge volume in Peso amount involved in the WESM transactions should likewise be considered by the body. He expressed that based on NGCP's experience on failure or corruption of data from the main meter, the same day, same time approach in deriving the interval's unmetered energy is one of the most contentious algorithms that the NGCP has seen, and thus, they only use such approach in the absence of everything else. As for the retail meters, he opined that requiring back up meter should be based on the agreement of the RCC/parties involved.
3. The typical cost of the metering equipment for WESM is Php45T, but it can be noted that there is a downward trend in the amount of this meter type, while the amount is even less for RCOA meters.

Following are the RCC's comments on the position expressed by both the MERALCO and NGCP on the matter on metering:

- Mr. Raymundo commented that even if a back up meter is required, if the meters share a common equipment, which is the CT and PT, the backup meter may become impractical once the CT and PT fail. However, requiring a separate CT and PT for the backup meter would incur additional costs on whoever should shoulder the cost for the equipment. The question now is whether or not to require a separate CT and PT for back up meters.
- Mr. Meneses commented that the term "distribution revenue meter" is misleading as it seems to cover both the Contestable and Captive Customers. If the term is removed in the WESM Metering Manual, the Manual will be exclusive only for the WESM participants only, which the Contestable Customers are already are. In terms of distribution, this covers only the





captive customers which should be treated separately and incorporated appropriately under the Retail Metering Manual.

- In response to the comment of Mr. Meneses, Ms. Tanglao opined that the Section on Applicability in the Manual may already address the issue on distribution revenue meter. She stated that the Section specifies that the Manual is applicable only to WESM and not retail. Thus, the suggested deletion of "distribution revenue meter" in the WESM Manual may no longer be necessary. She stated, however, that what the RCC should re-think is the proposed insertion of the requirement for back up meter for distribution revenue meter.
- Mr. Cacho opined that the section "distribution revenue meter" should not be deleted in the Manual, per se, as it pertains to the specifications of the main and back up meter. The RCC on the other hand, may transpose the said provision on specifications of retail meters in the Retail Metering Manual. As regards the backup meters in the retail side, if the RCC agreement is not to require the same and to retain the distribution revenue meter section in the WESM Manual, then the RCC may simply delete the portion on the requirement for back up meters. Mr. Cacho further opined that what needs to be clarified is to which the WESM and Retail Manuals should apply.
- Mr. Binondo expressed his opinion that if Section 2.4.2 on "distribution revenue meter" pertains simply to the specification of main and back up meters on the retail side, then the Section may be revised and simply refer to the Retail Metering Manual where the table on specifications is already incorporated.
- Ms. Carabuena expressed her reservations on the suggested deletion of the "distribution revenue meter" in the WESM Metering Manual. She inquired from MERALCO if it is necessary that in the MERALCO franchise area, all Customers should be connected to the MERALCO lines or if the Customers are allowed to connect directly to the grid. She stated that in the case of electric cooperatives, there are Customers of the ECs that are directly connected to the grid. She expressed that the pertinent provision on distribution revenue meter may be pertaining to said Customers. If indeed, the section should not be deleted in the WESM Manual. Mr. Meneses responded that theoretically, Customers can connect directly to the grid that is within the MERALCO franchise area. However, MERALCO has the franchise rights to serve the Customers within its franchise area and to require these Customers to connect directly to the MERALCO's facilities. To the opinion of Mr. Meneses, if distribution refers only to Contestable Customers, then retaining the provision in the WESM Manual is a non-issue. But since distribution covers even the captive market, which is not covered by WESM, then the provision should be deleted in the WESM Manual.
- Mr. Cacho suggested deleting Section 2.4.2 and inserting an additional statement on the same section 2.4.1 that for the distribution revenue meter, it can be referred to the Retail Metering Manual.
- Ms. Carabeuna suggested that instead of deleting Section 2.4.2, the provision could instead be transposed in Section 2.4.1, and qualify distribution revenue meter as the Contestable Customers or those under WESM.
- Mr. Sotomil suggested replacing the term "grid revenue meter" with "WESM revenue meter" in Section 2.4.1, to recognize the fact that there are WESM meters inside distribution utility networks. On the other hand, Mr. Cacho opined that if the RCOA meters will also be referred to as WESM revenue meters, then there will be conflict relative to the suggestion of Mr. Sotomil.



Thus, he stated that the RCC may have to validate if RCOA meters are also called WESM meters.

- Mr. Raymundo opined that the distribution revenue meter is intended for retail customers rather than distribution customer. Thus, distribution revenue meter should not be in the WESM metering manual.
- Ms. Tanglao reminded that the PEM Board is concerned not on the section "distribution revenue meter" per se, but on the insertion of the requirement for back up meter in the distribution revenue meter, which meter appears to refer to the retail side.
- Mr. Cacho stated that based on discussions, it appears that the RCC concurs that back up meters should be a requirement for wholesale meters, but not for distribution revenue meters. Mr. Rosales, however, commented that there is no clear definition yet on distribution revenue meter, which may or may not include generators within the distribution utility networks. Thus, it cannot be concluded yet that back up meters for distribution revenue meters should not be required.
- Ms. Tanglao additionally raised the issue on ownership of back up meters, expressing that whoever pays for it should own it. Mr. Raymundo agreed that after a certain period that the Customer is paying for the backup meter, the property should be owned by the Customer.

In the absence of a consensus on the matter on distribution revenue meter, and noting that there is still an on-going proposal on the retail side, Mr. Cacho suggested harmonizing the two Manuals. The RCC concurred on the suggested harmonization of the Wholesale and Retail Metering Manuals for a more holistic review of the Manuals, rather than trying to resolve the issues at the RCC. Mr. Castro further gave the following specific instructions:

- To define the wholesale and retail revenue meters in the glossary;
- To strengthen the Section Applicability to clarify which are included and which are excluded in the Manuals.
- For the parties to submit further comments on the proposal for consideration in the next deliberations on the matter (including MERALCO, NGCP, PEMC, TC).
- For MERALCO to provide its own data on the cost of metering facilities, including main and back up meters, as well as CT and PT.

In relation to the above, the Secretariat informed the RCC that it will be providing a copy of the review of other best practices regarding backup meters, as prepared by the Metering review external auditor from IES, for reference of the parties on the practice in other jurisdictions relative to back up meters.

The RCC finally agreed that it may decide to re-post the proposal depending the result of discussions in the next meeting.

At this point, the RCC thanked the resource persons from MERALCO, NGCP, and PEMC-BSMD.

- PEM Board Comments and Additional Instructions relative to the Proposed Amendments regarding Must-Run Units



The RCC discussed the additional instructions given by the PEM Board relative to the amendments to the WESM Rules and WESM Manual regarding the MRU.

In response, the RCC agreed to write to the PEM Board, stating in the letter that:

1. In relation to the directive of the PEM Board on the provision allowing for an automatic compensation and / or adjustment in cases where in the implementation, there were rules not followed or certain inaccuracy in the SO report / failure to implement the MOT, the RCC reiterates that there are already procedures and mechanisms to address such concern. It was agreed that there are reports both by the MO and the SO that can be used as basis in identifying possible omissions by the SO in relation to the use of the WMOT, or if one generator violated the dispatch instructions by the SO which caused the constrain-on- and constrain-off of some plants. Likewise, provision for investigation and compensation are already in place to address related violations of the market rules, such as on the implementation of dispatch instructions;
2. In relation to the suggestion for the inclusion of a 2-week prescriptive period (from issuance of report) for the generators to controvert or raise issues on the SO dispatch deviation report (otherwise, the report shall be considered final), the additional amendment shall be considered in the PEMC's ongoing review of the Dispatch Protocol Manual.

It was clarified that the Amendments relating to the MRU were already approved at the PEM Board level. Once the DOE issues the Circular then the amendments can already be implemented.

Further on the matter, concerns were raised relative to the implementation of the approved amendments considering that a new formula is introduced in the MRU Manual for the compensation of displaced generators, to be paid by the MSU. In the RCC's appreciation, such new formula, or any other formula relating to Price shall be filed with the ERC, for the ERC's approval. As a review of the process, the DOE grants authority to PEMC to do the filing before the ERC. When the request for approval is submitted to the ERC, the ERC shall be provided with copy of the entire amendments to the MRU Manual, as approved by the PEM Board, to put into context the approval being sought. The Secretariat expressed that it will check on the procedure for the filing with the ERC, and the treatment and effectivity of amendments that are not related to price/settlement.

## **2. Posting of the Proposed Amendments to the WESM Rules and WESM Manual on the Procedures for Changes to the WESM Rules**

Ms. Dece Bongcawel of PEMC-MAG presented the PEMC's Proposed Amendments to the WESM Rules and WESM Manual on the Procedures for Changes to the WESM Rules, to seek the RCC's approval of the publication of the proposal for comments of Participants.

Below are the highlights of the proposed changes as presented by Ms. Bongcawel.



Topic	Highlights of the Proposed Amendments
	Revised the Manual Structure in accordance with the procedure framework drafted by the PEMC Harmonization TWG
Responsibilities	Added new section regarding general responsibilities of RCC, PEM Board, DOE and WESM Members in proposing Rules Changes.
Classification of Rules Changes	Deleted and moved to WESM Rules 8.2.9.1
Timeliness	Updated and inserted specific and feasible timelines to reflect the current practice of RCC, PEM Board and DOE.
Prescribed Forms	Included templates for the submission of rules change and submission of comments
Procedure Framework	Included an annex –procedure framework to provide the standards for market manual documentation.

Following the presentation, the RCC approved the posting of the Proposed Amendments to the WESM Rules and the Manual of Procedure for Changes to the WESM Rules, to solicit comments of Participants and interested parties.

### 3. ERC Resolution No. 16 s. 2014 on the Adoption of Certificate of Compliance for Generation Companies, Qualified

The RCC noted the receipt of the copy of the ERC's Resolution on the new guidelines for the issuance of Certificates of Compliance (COCs). It was recalled that there were two Proposals endorsed by the RCC to the PEM Board related to said COC guidelines:

1. Proposed Amendments to WESM Rules and WESM Manual on the Registration of Ramp Rates; and
2. Proposed Amendments to the Registration Manual on the Provisional Approval of Request for Change in Generator's Pmax within a Prescribed Timeline.

The above Proposals were approved by the RCC and endorsed to the PEM Board in the early part of 2013. When the matter was presented at the Board Review Committee (BRC), it was recommended by the BRC to take up the matter at the WESM Tripartite, composed of the ERC, the DOE and PEMC.

Upon follow-up on the status of said proposals, the DOE through its letter dated 22 April 2014 informed the RCC that technical information such as Generator Pmin, Pmax, Ramp Rates are incorporated in the COC. The DOE expressed in its letter that the RCC may pursue its proposal once the new COC guidelines is promulgated by the ERC.

Noting the above, the RCC agreed to revisit the proposals as previously discussed and approved by the RCC. It was agreed to decide in the next RCC meeting on the

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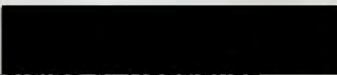
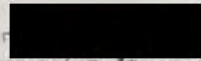
way forward relative to the Proposals. It was deemed that some of the amendments previously approved by the RCC may already be obsolete based on recent developments on the matter. In view of the agreements, the Secretariat was requested to send copy of the Proposal to the RCC through email.

#### V. NEXT MEETING

The RCC agreed to meet on 03 December 2014. The Secretariat informed the RCC that the WESM Governance Committee Christmas Party normally coincides with the RCC meeting scheduled in December. Information regarding the Christmas Party shall be disseminated once the Program is finalized by PEMC-MAG.

#### VI. ADJOURNMENT

There being no other matters at hand, the meeting was adjourned around 3:50 PM.

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



Approved by:  
RULES CHANGE COMMITTEE

**Rowena Cristina L. Guevara**  
Chairperson  
Independent  
University of the Philippines  
(UP)

Members:

<b>Concepcion I. Tanglao</b> Independent	<b>Francisco L.R. Castro, Jr.</b> Independent Tensaiken Consulting
<b>Maila Lourdes G. de Castro</b> Independent	<b>Lorreto H. Rivera</b> Supply Sector TeaM (Philippines) Energy Corporation
<b>Jose P. Santos</b> Distribution Sector (EC) Ilocos Norte Electric Cooperative, Inc. (INEC)	<b>Ciprinilo C. Meneses</b> Distribution Sector (PDU) Manila Electric Company (MERALCO)
<b>Sulpicio C. Lagarde Jr.</b> Distribution Sector (EC) Central Negros Electric Cooperative, Inc. (GENECO)	<b>Gilbert A. Pagobo</b> Distribution Sector Mactan Electric Company (MECO)
<b>Jose Ferlino P. Raymundo</b> Generation Sector SMC Global	<b>Joselyn D. Carabuena</b> Generation Sector Power Sector Assets and Liabilities Management Corporation (PSALM)
<b>Ambrocio R. Rosales</b> Transmission Sector National Grid Corporation of the Philippines (NGCP)	<b>Theo C. Sunico</b> Generation Sector 1590 Energy Corporation
<b>Isidro E. Cacho, Jr.</b> Market Operator Philippine Electricity Market Corporation (PEMC)	

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