

MINUTES OF THE 98th MEETING OF THE RULES CHANGE COMMITTEE
Regular Meeting No. 2015-03

Meeting Date& Time: 04 March 2015

Meeting Venue: 9th Floor PEMC Training Rooms 2&3

Attendance List

In-Attendance	Not In-Attendance
<p>Committee Members:</p> <p>Rowena Cristina L. Guevara --Chairperson/ Independent</p> <p>Francisco L. R. Castro, Jr. -- Independent</p> <p>Maila Lourdes G. De Castro --Independent</p> <p>Concepcion I. Tanglao --Independent</p> <p>Joselyn D. Carabuena --Generation -- PSALM</p> <p>Jose Ferlino P. Raymundo --Generation -- SMC Global</p> <p>Theo Cruz Sunico -- Generation -- 1590 EC</p> <p>Jose P. Santos --Distribution --INEC</p> <p>Lorreto H. Rivera --Supply --TPEC</p> <p>Ambrocio R. Rosales --System Operator --NGCP</p> <p>Isidro E. Cacho, Jr. -- Market Operator --PEMC</p> <p>Alternate Members:</p>	<p>Sulpicio C. Lagarde, Jr -- Distribution -- CENECO</p> <p>Ciprinilo C. Meneses --Distribution, MERALCO</p> <p>Gilbert A. Pagobo -- Distribution -- MECO</p>

PEMC

Chrysanthus S. Heruela - MAG

Geraldine A. Rodriguez - MAG

Ma. Delia Arenos - MAG

Romellen C. Salazar - MAG

Kathleen Estigoy - MAG

Caryl Miriam Y. Lopez - Legal

Geepe Aceron Gonzales - Legal

Marcial J. Jimenez - TOD

Edward I. Olmedo -TOD

Ariston Martinez - Finance

Yhardlee Centeno - Billing

Richard Araullo -- Metering

Others: (DOE/ ERC Observers/Other Resource Persons):

Anastacia Debora T. Layugan - ERC

Alfie Miras - SNAP

Senen Fenomeno - SNAP

Leo Robel, Jr. - SNAP

Dominic Dave Pacaba - SNAP

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

1 **I. AGENDA:**

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3 The Proposed Agenda for the 98th RCC Meeting was approved, as amended.
4
5

6 **II. REVIEW, CORRECTION AND APPROVAL OF THE MINUTES OF THE 97th RCC**
7 **MEETING**

8
9 The RCC reviewed the Minutes of the 97th RCC Meeting. The Minutes of the 97th RCC Meeting
10 was approved, with the amendments specified below:
11

- 12 • Page 6, line 247: Dr. Guevara commented that the RCC should also consider that
13 sometimes, **in situations involving non-paying DUs**, the Rules are not enforced due
14 to intervention of interested parties. Mr. Francisco Castro similarly opined that the RCC
15 may be trying to formulate technical solutions to what can be considered as **political**
16 **non-technical** problems.
- 17 • Page 9, line 383: Mr. Cacho responded that in relation to the limitation of the MMS
18 regarding the expiration of standing offers, the same was initially coordinated with the
19 MMS provider, **and they quoted several millions for a simple patch to address**
20 **such limitation.**

21
22 **III. BUSINESS ARISING FROM THE PREVIOUS MEETING**

23
24 **1. Updates from the Sub-committees in relation to the Proposed Amendments to**
25 **the DOE Circulars on Disconnection (for DUs, Retail, and WESM)**
26

27 The RCC Secretariat informed the body of the Philippine Independent Power Producers
28 Association's (PIPPA) comment, through an email from Mr. Sunico, on the RCC's decision of
29 proposing amendments to the DOE Circulars on Disconnection, instead of the original
30 proposal to amend the WESM Rules incorporating the policy on Disconnection.
31

32 Mr. Jose Ferlino Raymundo explained that contrary to the RCC's decision arising from the
33 DOE's recommendation, there was a strong sentiment from among members of the PIPPA
34 Board to really have the disconnection policy reflected in the WESM Rules (and appropriate
35 market Manuals) in order to lessen any third party intervention when implementing
36 disconnection. Thus, the position of the PIPPA remains that amendments to the WESM Rules,
37 rather than merely the DOE Circular, should be proposed.
38

39 Similarly, Ms. Lorreto Rivera informed the RCC that when the RCC decision was relayed to
40 the officers of the Retail Electricity Suppliers Association (RESA), the body had the same
41 sentiment with that of PIPPA, that the procedures for disconnection should be clearly reflected
42 in the Rules as originally proposed. Thus, it was decided by RESA to proceed with their
43 proposal of amending the Rules rather than the DOE Circulars.
44

45 Ms. Rodriguez recalled that the decision to amend the DOE Circulars emanated from the
46 DOE's recommendation, when the DOE noted that the originally proposed amendments to the
47 WESM Rules by the Generators were not consistent with the DOE Circulars on Disconnection.
48

Noting the above, Dr. Guevara inquired from the lawyers present during the meeting of any complication that may arise if the RCC decides to proceed with the amendments to the WESM Rules, which amendments are inconsistent with the DOE Circulars. Ms. Rivera added that in the case of Retail, there is no policy yet on disconnection that has been written anywhere in the DOE Circulars. Further, Ms. Rodriguez asked, in relation to Dr. Guevara's inquiry, if it is possible that an old DOE Circular be superseded by a new one.

Atty. Layugan responded that in the case of Retail, there has to be a policy emanating from the DOE for retail disconnection. On the issue on inconsistency, Atty. Layugan opined that should the RCC decide to proceed with the proposal to amend the Rules, approval of which will be followed by the issuance of a DOE Circular, there should be a recognition that the new circular is inconsistent with the old circular, and therefore, the new circular should expressly state that it supersedes the old one so as not to subject the provisions or policies reflected in the Circulars to interpretation.

Relatedly, Ms. Joselyn Carabuena expressed that the DOE Circulars, to some extent, pertain to the Power Sector Assets and Liabilities Management (PSALM) Corporation and the National Power Corporation (NPC) to address its delinquent customers. She was concerned that if a new DOE Circular will supersede the old one, and likewise, if a new Manual will be created on the procedures for disconnection, the details pertaining to PSALM's treatment for its delinquent Customers will be removed, noting that the Manuals contain general statements only relative to policies. In this regard, she inquired if it is possible to retain the provisions in the DOE Circulars specific to the case of PSALM.

Atty. Layugan again responded that, as long as the provisions between the old and new circulars are consistent and the Manual is crafted such that it does not amount to an amendment to the DOE Circular, then the provisions in the old Circular should be upheld. Atty. Layugan clarified, however, that a new Manual or a set of provisions in a manual cannot be crafted if there are no Circulars or Rules as source for such amendments in the Manual.

Ms. Rodriguez explained that in the proposed amendments on the Rules Change process, the approval of the Manuals, if there are corresponding changes to the WESM Rules, would depend on the approval of the Rules provisions.

Dr. Guevara reiterated that the RCC agreement to propose amendments to the DOE Circulars instead of the WESM Rules emanated from the DOE's recommendation. At this point, Dr. Guevara requested for the opinion of the independent members of the RCC in resolving the matter.

In response, Ms. Concepcion Tanglao opined that it may be better to reflect the disconnection policy and procedures in the WESM Rules and appropriate market manuals. However, she acknowledged that even if the Rules are there, there is no guarantee that there will no longer be any third part interventions when implementing disconnection.

Dr. Guevara expressed that the representation being made by certain sectors in the RCC, is such that the original proposal was for a rules change. However, it was only upon the suggestion of the DOE that the RCC decided to go for the amendments to the DOE circular. But it would seem that there is strong representation from the Generators noting the PIPPA's comment. Dr. Guevara, thus, opined that the sentiment of the Generators is worth the consideration of the RCC. In this regard, Dr. Guevara inquired from the body if there are any objections to going back to that path of the Generators to amend the Rules instead of the COE

100 Circular. Having no objections from the body, it was decided that the Generators and RESA
101 shall proceed with their original proposal for the amendments to the Rules.
102

103 Upon his arrival, Mr. Sunico explained that the previous agreement of the RCC is for each of
104 the three Sub-committees—WESM, Retail, and DU—to craft their corresponding proposed
105 amendments, which will be integrated into one document. However, there was a concern,
106 arising from PIPPA's comments, on whether the proposal should be for the amendments to
107 the DOE Circular or the Rules. Further, he noted that the DUs have not given their inputs in
108 the crafting of the proposal for the WESM. On this note, Dr. Guevara explained that the RCC
109 already agreed to proceed with the amendments to the Rules instead of the DOE Circular.
110

111 Mr. Sunico shared that the NGCP already provided inputs for the proposal on the DU side
112 based on the flowchart that was submitted by Mr. Rosales. Ms. Rivera stated further that
113 MERALCO already provided comments in the original proposal. Thus, if there are no further
114 comments on their part, RESA may already proceed with revising their proposal for the Retail
115 side in consideration of the comments from NGCP and MERALCO.
116

117 On this note, Dr. Guevara expressed that non-participation of the DUs in the crafting of the
118 amendments would not mean that they cannot be disconnected. Since there are no inputs
119 from their end, the proposal will be crafted by the Generators and upon publication of which,
120 the DUs may still submit their comments. Dr. Guevara, thus, requested the Sub-committees
121 to finalize the proposal and if possible, route the same thru email, for concurrence on its
122 publication.
123

124 Ms. Carabuena requested for clarification if the Rules amendments that will be proposed will
125 take off from the DOE Circulars. Dr. Guevara responded that as earlier agreed upon and based
126 on the opinion provided by Atty. Layugan, the Proposal on the Rules and Manual amendments
127 should take off from the DOE Circulars carrying the policies on Disconnection.
128

129 Further to the discussions and agreements made by the RCC, Atty. Layugan suggested to the
130 RCC to take into consideration the Disconnection policy being adopted by the Energy
131 Regulatory Commission for the Contestable Customers as contained in the DSOAR, as well
132 as the policies for Residential Customers reflected under the Magna Carta. This was duly
133 noted by the body.
134

135 In relation to the RCC agreement, Mr. Cacho requested to be clarified if the Proposal for
136 Amendments to the WESM Rules should be consistent with the DOE Circulars, as explained
137 by Atty. Layugan. Relatedly, Atty. Maila de Castro recalled that the reason that the DOE
138 previously recommended amending the Circular instead of the Rules is that the original
139 proposal of the Generators of amendments to the WESM Rules are not consistent with the
140 existing Circulars on Disconnection. Noting the information from Atty. De Castro, Dr. Guevara
141 responded that the Proposal of the RCC and DOE Circular may not necessarily be consistent
142 with one another.
143

144 Mr. Chrysanthus Heruela opined, that in case there will be inconsistencies between the
145 Proposal and the Circulars, the RCC may still go for the Rules amendments and at the same
146 time, craft its proposed amendments to the DOE Circulars to ensure that later on, the
147 documents will be consistent. He added that there is a need to upgrade on the retail side for
148 it to be consistent with the market requirements.
149

150 At this point, Dr. Guevara summarized the options for the RCC, as follows:

- i. Propose amendments to the Rules and manual(s) as this will later on translate to a change in the DOE Circular;
- ii. Propose amendments to the Rules, Manuals, and DOE Circular.

Dr. Guevara opined that since it is the obligation of the Rules Change Committee to act on Proposals submitted by participants, the RCC may proceed with the revisions to the WESM Rules as proposed by PIPPA and RESA, and let the DOE react on said Proposals once these are endorsed to the PEM Board. At this point, the RCC agreed to take option (i) above.

Mr. Sunico opined that the issue is not much on the inconsistency, but more on having separate rules for the wholesale and retail disconnection. He noted, however, that there is already a policy on the retail side. Thus, what is needed is to enhance the rules to reflect the policy on the retail side.

2. Proposed Amendments to the WESM Rules and the Manual on the Registration of Ramp Rates

The RCC deliberated on the Proposed Amendments to the WESM Rules and the Manual on the Registration of Ramp Rates. Below are the RCC discussions and agreements relative to the Proposal, in consideration of comments submitted by the SN Aboitiz Power (SNAP) as well as of the DOE.

- SNAP commented that the system change required by the Proposal is not yet supported by the current MMS. Mr. Cacho admitted that the current MMS has no facility to validate the minimum and maximum ramp up and ramp down rates and thus, the proposed amendments are not readily implementable. However, he expressed that instead of spending for enhancements of the current MMS, PEMC will incorporate the facility in the new MMS, which is expected to be on commercial operation by 2017, including the facility for validation of data to support the Proposal.
- Mr. Cacho commented that the Proposal requires information and validation of such information on the ramp rate curve, which shall serve as reference in gauging the ramping capability of a generating unit. He noted, however, that the "ramp limit" or the ramp rate band of the Generators could result in under-generation.

In response to Mr. Cacho, Dr. Guevara opined that there is no need to validate the data submitted by the Generators, as it is in their best interest to submit the correct data, otherwise, it will be rejected by the MMS.

- Mr. Raymundo raised that similar to the exemptions in relation to the submission of offers based on maximum available capacity, exemptions should also be given in relation to ramp rates, particularly on ramp down. He stated that exemptions for reasons that are technical in nature should be given consideration, and thus, the MMS should be capable of accepting such as valid reasons.

- Mr. Rosales similarly opined that the registered ramp rates should be the technical ramp rate of Generators which, Atty. Layugan stated, is a result of testing. Mr. Rosales further commented that as a strategy to maximize generation, the ramp rate can be changed in their nomination with different settings and not based on technical capability. For example, when the unit is projected to increase its output, the ramp rate that will be nominated would have fast ramp up rate and when it is projected to decrease its output, the nomination would have very slow ramp down rate say 0.1 per second.
- In relation to the comments of Mr. Rosales, Atty. Layugan stated that the reason for the inclusion of ramp up and ramp down in the new COC guidelines issued by the ERC is to avoid a "gain" in the market by using the technical parameters of the plant, or for economic considerations, change the plant's technical parameters. She stated further that the ramping capability of a plant is a result of testing and thus, if there are any adjustments, these should be made on the bill and not on the technical parameters. She opined that the exception suggested by the Generators should be given consideration.
- In relation to the provisions of the COC, Mr. Raymundo commented that the documents included only the rate, and not the maximum/minimum ramp up/down. In response, Atty. Layugan expressed that the face of the COC may not indicate technical parameters such as the maximum and minimum ramp up and down. The ERC may, however, revise the COC guidelines accordingly for the inclusion of such information in the attachment of the COC, to ensure that there is consistency between the ERC guidelines and the market Rules and Manuals. The information was duly noted by the body. Dr. Guevara stated that the RCC's proposal on the registration of ramp rates should perhaps trigger the necessary amendments in the COC as relayed by Atty. Layugan.

In addition to the comments of SNAP, the RCC noted the comments submitted by the DOE through email, which comments, in general, are an expression of its agreement on the Proposal.

Following the discussions, the RCC approved the Proposed Amendments to the WESM Rules and the Manual on Registration. The RCC likewise agreed on its endorsement to the PEM Board, for approval.

3. Proposed Amendments to the Billing and Settlement Manual

The RCC acknowledged receipt of comments from PIPPA, First Gen, and the DOE. The RCC also noted MERALCO's submission of comments, although past the deadline of submission for comments. The RCC, nonetheless, agreed to take a look at MERALCO's comments.

Comments of PIPPA and First Gen

- The RCC rejected PIPPA's comments on *Default Interest* noting that the matter was already resolved in the most recent approved amendment to the Billing and Settlement Manual. For the same reason, the RCC rejected PIPPA's comment to maintain "no longer than 18 days" relative to the *Issuance of Final Statements*.
- Relative to PIPPA's comment on the *Payment to Trading Participant*, Mr. Ariston Martinez of PEMC-Finance responded that in all previous instances, PEMC has religiously been able to remit payment to Generators on the day that payment is scheduled. He likewise expressed that PEMC's constraint in relation to strict compliance with the suggested 3:00 PM cut-off is related to bank limitations, stating there are times that banks encounter system problems resulting in the inability to remit payment at 3:00 PM. However, PEMC ensures that payment is made after 3:00 PM on the same day as this is part of the Market Operator Performance Standards.
- On First Gen's comment on Section 4.1.1 to clearly define the amounts as stated in the Proposal, Mr. Cacho opined that said comments perhaps pertain to the line items in the bill. Correspondingly, the RCC agreed that such details are no longer necessary to be indicated in the Manual. In relation to the matter, Mr. Martinez expressed that PEMC is considering coming up with a primer relative to PEMC's Proposed Amendments to the Billing and Settlement Manual for better appreciation of participants.
- On First Gen's comment in Section 5.2.2(b), Dr. Guevara responded that there are instances that prudential securities will not be sufficient when the PR is exceeded due to non-payment of the WESM member.
- On First Gen's comments in Section 5.2.2(c), Mr. Martinez stated that the only sources of funds in relation to the Proposal are payment from the WESM member and drawdown from the WESM member's prudential security. On First Gen's comment in Section 5.2.4 that the proposal justifies "PEMC's inability to collect prudential securities," Mr. Ariston responded that some Electric Cooperatives reason out that they are not covered under the Prudential Requirements because of their size. PEMC's response to this concern is call the attention of the National Electrification Administration being the agency mandated to support ECs. He noted that some ECs in fact are able to access loans from NEA, which amount is used to put up as prudential security.
- In response to the comment on the consistency in the use of "Working Day" and "Business Day," the RCC noted, upon checking the entire Billing and Settlement Manual, that there are still provisions that use "business day". Atty. Lopez-Mateo expressed that under the WESM Rules, a business day is defined as *any day that the market is open*. She noted the use of *business day* in the entire WESM Rules and commented that the term "business" is superfluous. She expressed, however, that *business day* from PEMC's perspective is actually just a *working day*. Dr. Guevara

opined that the operation of the WESM is 24/7 and thus, everyday is considered a business day. A working day pertains to the period from Monday to Friday, while a holiday is a non-working day. Noting that the term *business day* is in the WESM Rules, Dr. Guevara expressed that it is unavoidable to use both terms in the Billing and Settlement Manual, as necessary.

- In relation to First Gen's comment on off-setting, Mr. Ariston Martinez clarified that off-setting is performed, for instance, when an Indirect WESM member trades in the market through a Direct WESM member. Under the provisions of the Registration Manual, the Direct Counterparty assumes all the obligations of the Indirect Counterparty. In such case, when a bill is issued to the Direct Counterparty, PEMC offsets the obligations of the Indirect Counterparty from said Direct Counterparty. Mr. Martinez added that the reason Indirect Customers are not required to put up Prudential Security is that their obligations in the WESM are shouldered by the Generator who serves as its Direct Counterparty. The information was noted by the RCC.
- On the comments pertaining to disconnection, the RCC agreed that the matter will be addressed in the on-going Proposal for Amendments to the WESM Rules on Disconnection.
- In response to First Gen's comment on Section 7.4.5(a), the RCC requested PEMC to indicate the specific Section pertained to under the Proposal.
- The RCC accepted the comments on Section 9.1.1 and 9.1.2 on the deletion of the Proposals regarding Amendment and Publication and Effectivity, since the Proposal seems inconsistent with the provisions of the WESM Rules. The RCC noted that the current practice is that Manual amendments are approved by the PEM Board, while WESM Rules amendments are promulgated by the DOE.
- The RCC accepted the comment of PIPPA on Appendix A, Row 1 on the Issuance of Preliminary Statement, as follows: "Within **7th business** days after the end of each billing period. XXX"
- The RCC accepted the comments of PIPPA on Appendix A, Row 4 on the Issuance of Final Statement, as follows: "Within **18th business**-days after the end of each billing period. XXX"
- In relation to the comments of First Gen on the table reflecting the Audit Findings relative to the Billing and Settlement Manual, Mr. Cacho expressed that these pertained only to the numbering of provisions. As explained by Ms. Rodriguez, there was an oversight in updating the discussion paper to correctly reflect that all the audit findings therein were already addressed in the Proposal. The RCC noted the information from the Secretariat. Ms. Rodriguez added that PEMC's Proposal reflected

an overhaul of the Manual which left the entire document open for comment of Participants.

Comments of DOE

- On Section 6.4, the RCC noted the DOE's comment that the term WESM Members should be used instead of Trading Participants. However, the RCC deemed that *Trading Participants* may be the more appropriate for this particular provision, since only *Trading Participants* and not all *WESM members* remit the overdue amount relative to the proposal.
- On Section 7.4(i), the RCC accepted the DOE's suggestion, as follows: "There is a disagreement between the Market Operator and the WESM Member on the Final Statement during the months covered in the computation of the Maximum Exposure; ~~upon the request of a WESM member; or XXX~~"
- On Section 7.4.4, the RCC accepted the DOE's suggestion, as follows: "XXX (i) A WESM member fails to comply with Section **7.4.4** a) of this Manual; and, XXX"
- On Section 7.4.5 (b), the RCC accepted the DOE's suggestion, as follows: "(d) If a WESM member fails to comply with Section **7.4.5** c) of this Manual, within the time period referred to in that clause, then the Market Operator shall give the WESM member a suspension notice in accordance with Section 8.1.1a) of this Manual."
- On Section 9.1.1, the RCC accepted the DOE's suggestion, as follows: "Any amendment to, **this Manual shall be approved by the PEM Board.**"
- On Section 9.1.2, the RCC accepted the DOE's suggestion, as follows: "**Upon approval of the PEM Board, this Market Manual shall take effect immediately or at such later date as the PEM Board determines, subject to publication in the WESM website, in accordance with the provisions in the Manual of Procedures for Changes to the WESM Rules.**" Such agreement effectively supersedes the previous agreement to accept PIPPA's suggestion.

Comments of MERALCO

The RCC discussed MERALCO's comment on Section 7.4.3(i) in relation to the assessment of Prudential Security. MERALCO stated that the amount of security should be reflective of the Trading Participant's actual WESM exposure, as well as its payment history and credit rating.

Atty. De Castro recalled that in the RCC's previous discussion on the matter, it was established that PEMC maintained the 10% level of security deposit vis-à-vis the actual spot demand as prescribed under the EPIRA, although it was recognized that the 5-year prescriptive period for said computation has already lapsed.

Dr. Guevara stated that reading from MERALCO's comment, its Actual Average Maximum Exposure for the period March to September 2014 stood at 3.7% only, translating to around 1/3 of the 10% required level of PR.

Mr. Raymundo opined that if reducing the required PR level would result in the lowering of the bills of end-users, then MERALCO's comment should merit consideration.

Mr. Martinez stated that aside from MERALCO, there are other Customers requesting for the lowering of their PR level, the reason being that they have bilateral contracts more than enough to cover their demand. On the contrary, based on PEMC's observation, Customers are still exposed in the market especially in instances where the plants with which they have bilateral contracts bog down. Dr. Guevara expressed that when Customers source energy from the market, their average exposure goes up. Thus, the 3% computation of MERALCO may not always be the applicable level. Mr. Martinez admitted that in the case of MERALCO, as far as he can recall, it has not exceeded the 3% level. The problem, however, is often encountered with ECs. Mr. Martinez explained that the PR level varies for each Customer as this is recalculated on a yearly basis using data for the period March to September, and therefore, the PR level based on actual exposure on certain periods may go up or down.

Dr. Guevara commented that although MERALCO claims that its actual demand is only around 3%, there is a need to protect the market from the other DUs that have exposure in the market, thus, she recommended retaining the Proposal. At this point, Dr. Guevara inquired from the body if there are any objections in retaining the 10% level. Having no objections, it was understood that the 10% level is maintained.

Following the discussions, the RCC approved the Proposed Amendments to the Billing and Settlement Manual, as revised based on discussions, and agreed on its endorsement to the PEM Board for approval.

4. Proposed Amendments to the Manual on the Guidelines on Significant Variations In and Between Trading Intervals

The RCC discussed the comments received from PIPPA and MERALCO in relation to the Proposed Amendments to the Manual on the Guidelines on Significant Variations In and Between Trading Intervals. Below are the discussions arising from the comments from the parties.

- **Comments of PIPPA**

The RCC noted that the correct title is "XXX Significant Variations In and ~~In~~-Between Trading Intervals."

On Section 4.3 regarding the *List of Significant Variations*, PIPPA recommended adding under the category "System Operator" the following reports: (1) MRU Dispatched; (2) Ancillary Services; (3) Actually Dispatched; (4) Congestion Reports; and (5) Re-dispatched Generators in accordance to WMOT due to instances when frequency deviates beyond 59.7 Hz and 60.3 Hz.

In relation to item (5), Mr. Sunico explained that the reason Generators are requesting for its inclusion in the list is so as to provide them a document where they can check against or validate the reasons given by the SO as instructions to the Merit Order Table. He cited that there are instances when the SO notifies the Generators of high frequency on particular trading intervals, even when there is low supply, and vice versa. In response, Mr. Rosales stated that such information is already captured in the SO's Dispatch Deviation Report. Specifically, he explained that breach in the system frequency is captured under deviations caused by intra-hour demand. Further, Mr. Rosales expressed that the SO has no capability of recording every 2 seconds the scanning rate for actual frequency. Mr. Raymundo stated that perhaps, the plant's frequency recorder can be used to validate the SO's notice on frequency deviation.

In summary, the RCC's response to PIPPA's comment is that MRU dispatched, Actually Dispatched, and Congestion reports are already part of another report submitted by the SO to the MO. On the other hand, the Ancillary Services is not available to the MO, while the Instances of Frequency Deviation is impossible to record.

- Comments of MERALCO

Relative to MERALCO's comment on Section 1.4.4 that the Proposal should already mention the URL of the WESM market information website, the RCC responded that this may not be necessary as there is a possibility that such URL may change in the future.

As regard to MERALCO's comment on Section 3.3 in relation to the period-specific facility information that may be requested by the MO, the RCC requested for clarification from PEMC on what this period-specific information the proposal pertains to.

Mr. Olmedo responded that the period-specific facility information pertains to outages and derating of a plant on a particular period. In this regard, Dr. Guevara requested PEMC to reword Section 3.3 to indicate the period-specific facility information being requested by the MO. When the Generators were consulted whether such information can be provided, Mr. Raymundo responded that the significant events reports that are being submitted to the ERC also contain information on plant status.

In relation to Mr. Raymundo's inquiry on how such information will be reported, Mr. Olmedo responded that since this is not a regular submission and is only upon the MO's request, then an email may perhaps work as the mode of its submission. He expressed that the MO will lay down the details in terms of the mode of submission. He expressed further that the MO is also looking into the possibility of establishing a protocol later on that will have such information automatically provided to the MO day-after without a request to the Generator.

- Comments of DOE

The RCC accepted the DOE's comment on Section 3.1.7, as follows: **"Develop and for revise continuously review this document to ensure consistency with the objectives and provisions of the WESM Rules. XXX"**

The RCC likewise accepted the DOE's recommendation to revise Section 3.15, as follows:
"XXX. (c) **PEM Board XXX.**"

Finally, the RCC accepted the DOE's suggestion to revise Section 5.1, as follows: "**Any amendment to, or revision to this these Manual shall be approved by the PEM Board.**"

Following the discussions, the RCC approved the Proposed Amendments to the Manual on the Guidelines on Significant Variations In and Between Trading Intervals. Subject to the revisions instructed by the RCC under Section 3.3, the RCC likewise agreed on the endorsement of the Proposal to the PEM Board, for approval of the body.

5. Proposed Amendments to the Dispatch Protocol Manual

The RCC discussed the Proposal, including the comments received from PIPPA, WESM Technical Committee, MERALCO, SNAP and the DOE relative to the Proposal. Before proceeding, the RCC noted that the subject Proposed Amendments to the Dispatch Protocol Manual submitted by PEMC reflects an overhaul of the Manual. The RCC discussions and agreements are found in ANNEX A of this Minutes of Meeting.

Following the discussions, the RCC agreed to await the additional revisions to the Dispatch Protocol Manual based on instructions to the MO and the SO.

6. Presentation on the Computation of EAQ of Generators vis-à-vis their Station Use in Relation to the Proposed Amendments on MRU

Mr. Marcial made a presentation before the RCC, following the RCC's request in the previous meeting for PEMC to find a logical and fair way to scientifically compute the EAQ of Generators and to determine the house load of Generators located at the gross meter. The presentation of Mr. Jimenez particularly showed the general payment mechanism of MSUs and Displaced Generators, in consideration of their house load and the difference between Generator RTU and meter location.

In consideration of the difference between the RTU and Meter location, the proposed solution as presented by Mr. Jimenez is as follows:

$$DG_{TA_i} = [(EAQ_i - b_i * MQ_i) - 0.03 * (EAQ_i)] * EPP_i$$

Where

b_i is the factor multiplied to the metered quantity of the Generator i to account the difference between location of its RTU and Meter.

and

$$MSU_{Q_j} = b_j * MQ_j - EAQ_j$$

Where

b_j is the factor multiplied to the metered quantity of the Generator j to account the difference between location of its RTU and Meter.

In essence, the proposed solution is such that the factor "b" is introduced to gross up the MQ. Mr. Jimenez stated that "b" is not always greater than 1, but could be greater than 1. He stated, though, that "b" is always positive.

Further, based on the presentation, the proposed methodology for the comparison of MQ vs. Average Snap shot is as follows:

$$b_{j,h} = \frac{\text{Average Snapshot}_{j,h}}{MQ_{j,h}}$$

The question that followed based on PEMC's proposed solution is how to determine the factor "b". Below are the PEMC's recommendations based on the presentation made by Mr. Jimenez.

i. Who will determine the factor "b"?	Trading Participant
ii. Who will validate/approve?	PEMC, approved if within the historical difference of MQ and Average Snapshot
iii. How will it be determined?	Depends on the Trading Participant
iv. Will the value of "b" be static or dynamic?	Static, for ease of implementation
v. When is the review of the value "b"?	Every 6 months or any period deemed necessary by the RCC

Relative to graphs presented on MQ vs. Average Snapshot, Dr. Guevara observed the constant difference between the RTU and Meter, which difference can be stated as "RTU minus Meter." She commented that perhaps, instead of introducing a multiplicative factor "b" in the solution, it may be more appropriate perhaps to use an additive factor to easily and more clearly establish the difference between the RTU and Meter. She suggested developing a look-up table listing the historical MQ and EAQ of the generator showing the location of its RTU and meter, and depending on which location, there is a corresponding factor "b". She expressed that the MO should be able to establish a protocol in determining the factor "b".

Based on comments of Dr. Guevara, and confirmation by PEMC that the required data is available with the MO, the RCC agreed to certain changes as indicated below :

	PEMC Recommendation	RCC Discussion
i. Who will determine the factor "b"?	Trading Participant	PEMC
ii. Who will validate/approve?	PEMC, approved if within the historical difference of MQ and Average Snapshot	
iii. How will it be determined?	Depends on the Trading Participant	Drop all the withdrawals and average the remaining for one year
iv. Will the value of "b" be static or dynamic?	Static, for ease of implementation	
v. When is the review of the value "b"?	Every 6 months or any period deemed necessary by the RCC	

Relative to the agreements above, PEMC was requested to conduct a simulation using the data for March 2014 to February 2015 and present the results in the next RCC meeting scheduled on 08 April 2015.

7. PEM Board Directives to review and propose changes to relevant provisions in the WESM Rules and affected market manuals in relation to the prescriptive period for the validation of MRU/MSU data.

The Secretariat explained that the RCC previously agreed, in relation to the PEM Board Directive on the prescriptive period for the validation of MRU-MSU data, that proposed amendments to the relevant market manuals will be submitted to insert "except for MRU and MSU, which is governed by the Manual" for the provisions prescribing the 12-month period. The issue arising is in which Market Manuals/s and Rules should the underlined proposed revision above be inserted?

Dr. Guevara opined that such exception should be inserted in all relevant provisions prescribing the 12-month period.

Mr. Cacho stated that the 12-month prescriptive period is specified under the WESM Rules. Ms. Rodriguez likewise stated that the 12-month prescriptive period is also specified in the Billing and Settlement Manual. Thus, Dr Guevara expressed the need to propose changes to the relevant Sections of the WESM Rules. Atty. Lopez-Mateo expressed that she will likewise check if the Dispute Resolution Manual needs to be revised for consistency.

In this regard, the MO, through Mr. Cacho, was requested to craft the Proposal for the RCC on the necessary revisions to the WESM Rules, Billing and Settlement Manual, and the Dispute Resolution Manual, if necessary.

Ms. Rodriguez requested for clarification if the RCC intends to publish the Proposal for comments, noting that the same is in response to a PEM Board directive. Dr. Guevara responded that the Proposal will no longer be posted for comments, but will instead be

submitted straight to the PEM Board as it is in compliance to the PEM Board directive. She expressed that the RCC, through the Proposal, is only ensuring consistency of provisions in all the relevant WESM documents following the approved revisions on MRU-MSU.

On this note, the RCC concluded its discussion on the matter.

8. Clarification on RCC's Proposal in Relation to the Submission of Standing Bids and Offers

Ms. Rodriguez stated that the matter is being raised for clarification since the RCC agreement, emanating from the suggestion of Mr. Rosales that **"in the absence of standing offers, the available capacity of the generators shall be deemed as it standing offers"** did not determine the corresponding price for an offer.

Mr. Rosales responded that such offers reflect day-ahead projections and thus, price need not be specified.

On the contrary, Mr. Cacho posed the question on how the scheduling will proceed without the offer price. He explained that the procedure for scheduling considers both the price and MW quantity. He stated that Generators that have no offers are not considered in the scheduling.

Dr. Guevara inquired if the MO reports to the MSC the Generators that fail to submit offers. Mr. Cacho responded that the MO perceives that in the future, they may also look into the monitoring of the WAP and DAP, aside from the participants' compliance with the RTD. Mr. Cacho expressed that as much as possible, PEMC would want to have more realistic information from the Participants. This is the reason that PEMC sent out an advisory to Participants in January 2015 requesting participants to update their standing offers. Mr. Cacho explained that standing offers for each trading interval are submitted for a period of one year, including price. However, participants are allowed to change and update their submitted standing offers and corresponding prices. The submission becomes the default offer and price if the participant fails to submit offers on real time.

Based on the information shared by Mr. Cacho, Mr. Rosales opined that since generators provide both the MW quantity and price when they submit their offers, the same data can be applied for the following year, same period if Generators fail to update their standing offers. Dr. Guevara concurred with the suggestion of Mr. Rosales. Mr. Castro compared the standing offers with a time deposit, stating that when an account holder fails to renew his time deposit, the bank automatically rolls over the same.

As a way forward, Mr. Cacho expressed that PEMC proposes that in the new MMS, standing offers will have no expiration. Dr. Guevara noted the information. She then suggested to PEMC that since this Proposal is not yet in the Rules, as a way forward, PEMC should submit a Rules Change proposal to incorporate that standing offers will have no expiration. She expressed that the new MMS cannot be implemented if the Rules have not been amended accordingly.

Meanwhile, given the current limitations of the MMS, Dr. Guevara recommended, following the suggestion of Mr. Rosales, that in the absence of standing offers or if Generators fail to update their standing offers, the standing offers and price for the previous year shall be applied for the same hour, same day period in the current year. Having no objections nor other

suggestions from the body, it was taken that said suggestion is adopted. The Generators were then requested by Dr. Guevara to inform their sector of the RCC decision in relation to standing offers.

Mr. Raymundo stated that not all Generators are members of PIPPA. Mr. Sunico added that they only rely on the WESM contact information provided by the Helpdesk in informing the other Generators, particularly those that are not members of PIPPA. However, he raised that there were instances that the email they sent to some addresses bounced. He also shared their observation that some of their employees who are no longer part of their organization are still listed in the WESM contact database. On this note, Dr. Guevara called the attention of the MO to update the WESM contact database. The Secretariat informed the body that said WESM contact database is updated by PEMC on a regular basis. Nonetheless, the Secretariat noted the information and committed to provide the Generators with the most recently updated WESM contact information so they can inform the other Generators of the RCC decision.

IV. NEW BUSINESS

1. PEMC's Proposed Amendments to the Administered Price Determination Methodology Manual

The RCC approved the publication in the WESM market information website of the PEMC's Proposed Amendments to the APDM Manual (ORCP-WM-15-05 and -06) to solicit comments on the same.

2. Proposed Amendments to the Dispatch Protocol Manual on Dispatch Tolerance Limits by SNAP

Mr. Alfie Miras presented the SNAP's Proposed Amendments to the Dispatch Protocol Manual on Dispatch Tolerance Limits. Following are the highlights of the presentation:

- WESM Rules Clause 3.8.7.2 provides that "The Market Operator shall maintain and publish dispatch tolerance standards developed by the SO for each type of plant, and location, in accordance with the Grid Code and the Distribution Code."
- Dispatch Tolerance under the Dispatch Protocol Manual is defined as "limits on the extent to which Trading Participants may deviate from dispatch targets determined by the System Operator in accordance with Clause 3.8.7 of the WESM Rules."
- PEM Board Resolution No. 2005-15 sets the dispatch tolerance limit to the WESM at +/-3%.

- Operationally, the +/-3% dispatch tolerance limit is very hard to comply at low generator loading considering the imperfect accuracy of meters, system frequency variation, and fluctuation of fuel supply.
- There are factors affecting small deviations: (1) Even if not on a free-governor mode, the generator slightly reacts to change in system frequency; (2) Plant operators rely on RTU to set the Generator load. However, at low load, accuracy of meters is not good; and (3) There is load discrepancy between the 59th Minute and end of the hour.
- The Proposal of SNAP is as follows:

Dispatch Tolerance Limit	The dispatch tolerance limit for renewable resources shall be the maximum of the +/-3% of the Real Time Dispatch Schedule; and the smallest value between 10% of the capacity of interconnection facilities and 0.1% of the peak demand of the Grid. To illustrate: Dispatch Tolerance Limit = max(+/-3% of RTD, min(+/-10% of the interconnection facilities, +/-0.1% of the peak demand))
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- One tenth of one percent (<0.1%) of the peak load in a particular reserve region, or less than ten percent (<10%) of the size of the interconnection facilities is the maximum load allowed for non-scheduled generator.
- For reference, Luzon Grid peak demand in 2014 is 8,717 MW (0.1% of 8,717 MW is 8.7 MW)

Following the presentation, Dr. Guevara inquired on what the interconnection facilities are as referred to in the presentation, and whether they are the same as the interconnected facilities referred to in the SNAP's submitted proposal. In response, Mr. Miras stated that the Proposal refers to interconnection facilities rather than interconnected facilities.

Mr. Rosales commented that reading from SNAP's proposal, it would seem that requiring multiple dispatch tolerances would now be very difficult to monitor and record. Mr. Rosales suggested that instead of the SNAP's proposal, it may be easier to adopt the SO's practice of monitoring deviation from dispatch schedule. He mentioned that the indicators used by SO to monitor deviation is still set with greater than or equal to dispatch tolerance of +/- 3% of the RTD and MW difference equal to or greater than 10MW. Thus, those generators with deviations below 10MW discrepancy is not included in the deviation reporting. He explained that on the part of the SO, it is difficult to monitor deviations which they consider negligible, as the SO has no capability of undertaking such monitoring. He noted however that such practice is not written in the Rules, thus, they are being asked by the MSC to explain the reasons to the satisfaction of the MSC.

Dr. Guevara concurred that the SO's practice is to no longer monitor deviations below 10MW, and effectively, no longer impose the dispatch tolerance limits, is easier to implement. Her only concern, however, is that the SO practice does not indicate the hard limit below which the $\pm 3\%$ shall no longer apply. She opined that perhaps, the MW value should be set rather than just applying the $\pm 3\%$.

In summary, the sentiment of the RCC is that the proposal of SNAP is difficult to implement. Dr. Guevara emphasized that Proposals that pass the RCC should be feasible and implementable. Mr. Cacho further observed that the SNAP's proposal applies only to renewable energy, without consideration to the other plant types.

Following the discussions, the RCC approved the publication of the Proposed Amendments to the Dispatch Protocol Manual by SNAP. Dr. Guevara, however, requested the Generators and the SO to study carefully the proposal since they will be the ones that will be affected by the proposed amendments in case these get approved.

Dr. Guevara noted that since this is another amendment to the Dispatch Protocol Manual in addition to the PEMC's proposal, it was agreed to await the comments on SNAP's proposals and integrate the two Proposals by PEMC and SNAP before submission to the PEM Board. The Secretariat was then instructed to immediately post the SNAP's proposed amendments so that comments on the same will be received before the next RCC meeting.

V. OTHER MATTERS

1. Result of BRC Presentation of the RCC-Approved Proposed Amendments on the Rules Change Process

Dr. Guevara informed the RCC of the email exchange she had with DOE Dir. Mylene Capongcol in relation to the result of the BRC discussions on the Proposed Amendments on the Rules Change Process. In particular, the matter at hand is the provision on the membership of the RCC. In the email exchange, Dir. Capongcol requested for clarification from the RCC whether *membership* in the pertinent provision in the RCC proposal pertains to the company or the person. Dr. Guevara admitted that the way the provision was worded did not specify clearly to which *membership* pertains.

Ms. Rodriguez explained that when the matter was raised during the BRC meeting, the Secretariat's appreciation of the understanding of the body was that *membership* should not be the same person and should not come from the same company. Thus, the Secretariat revised the wording of WESM Rules Clause 8.2.3 to clearly specify that the members of the RCC should not be the same company and person as that of the members of the PEM Board. Acknowledging, however, that such proposal would introduce a complication in the current membership of MERALCO in both the RCC and the PEM Board, the Secretariat flagged the situation to the RCC for consideration in making the final decision on the matter. It was also recognized that MERALCO is currently the largest DU which merits the RCC consideration.

The RCC then discussed the situation and the DOE's expression of agreement on the RCC-endorsed Proposal, as follows:

8.2.3 Membership requirements - PEM Board Rules Change Committee

Each member of the *Rules Change Committee* shall:

- (a) be appointed by the PEM Board in consultation with industry participants; and
 - (b) ~~For the sectoral member or other groups~~, not be a member of the PEM Board.
- ~~(As amended by DOE DC No. 2006-11-0013 dated 09 November 2006)~~

Dr. Guevara clarified that "member" as referred to in the Proposal above pertains to a person and not a company.

To clarify further, DOE suggested an additional amendment to Section 8.2.2.1 below, as amended based on the suggestion of Ms. Concepcion Tanglao.

The Rule Change Committee shall be comprised in a manner that is consistent with the composition of the PEM Board, provided that ~~except that the persons representing each of the sectors and other members of groups on the Rule Change Committee~~ shall not be the same persons as those who are Directors of the PEM Board.

The RCC concurred with the above recommendations, noting that the representatives to the RCC are duly nominated by their Sectors and appointed by the authorities. The Secretariat was instructed to incorporate the additional amendments suggested by the DOE in the RCC proposal.

In relation to the concern of Mr. Rosales on the SO's membership in both the RCC and the PEM Board, Ms. Rodriguez clarified that SO, based on WESM Rules definition, is not part of the sectors.

At this point, the RCC concluded its discussion on the matter.

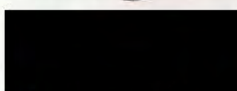
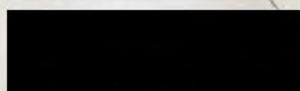
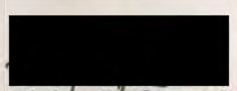
VI. NEXT MEETING

The RCC was reminded of the previous agreement to meet on the following dates in the succeeding months of 2015:

- 99th RCC Meeting – Apr 8
- 100th RCC Meeting – May 6
- 101st RCC Meeting – June 3

VII. ADJOURNMENT


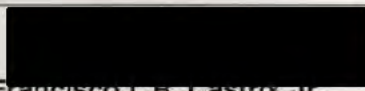
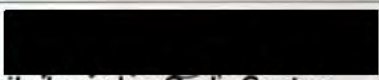
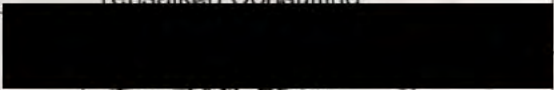
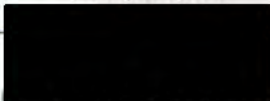
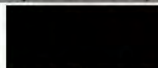
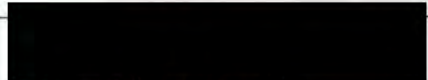
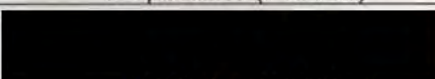
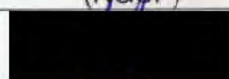
There being no other matters at hand, the meeting was adjourned around 3:15 PM.

Prepared By:	Reviewed By:	Noted By:
		
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Approved by:
RULES CHANGE COMMITTEE

Rowena Cristina L. Guevara
Chairperson
Independent
University of the Philippines

Members:

 Concepcion I. Tanglao Independent	 Francisco L.R. Castro, Jr. Independent Tensaiken Consulting
 Maia Lourdes G. de Castro Independent	 Lorrelito H. Rivera Supply Sector TeaM (Philippines) Energy Corporation
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