

MINUTES OF THE 100th MEETING OF THE RULES CHANGE COMMITTEE Regular Meeting No. 2015-05	
Meeting Date& Time:	06 May2015
Meeting Venue:	9th Floor PEMC Training Rooms 2&3
Attendance List	
In Attendance	Not In Attendance
Committee Members: Maila Lourdes G. de Castro --Chairperson, Independent Francisco L. R. Castro, Jr. -- 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 Lorreto H. Rivera --Supply--TPEC Ambrocio R. Rosales --System Operator --NGCP Isidro E. Cacho, Jr. -- Market Operator--PEMC Alternate Member:	Gilbert A. Pagobo – Distribution--MECO
PEMC Chrysanthus S. Heruela -- MAG Geraldine A. Rodriguez -- MAG Romellen C. Salazar -- MAG Caryl Miriam Y. Lopez -- Legal Marcial J. Jimenez -- TOD	
Others: (DOE/ ERC Observers/Other Resource Persons): Ferdinand B. Binondo -- DOE Atty. Debora Anastacia T. Layugan -- ERC	

There being a quorum, Chairperson Atty. Maila Lourdes de Castro called the meeting to order at around 9:00 AM.

I. AGENDA:

The Proposed Agenda for the 100thRCC Meeting was approved, as presented.

II. REVIEW, CORRECTION AND APPROVAL OF THE MINUTES OF THE 99thRCC MEETING

The RCC reviewed the Minutes of the 99th RCC Meeting. The Minutes of the 99th RCC Meeting was approved, with amendments as follows:

- Page 11: However, in recognition of the concerns pointed out by SNAP in its proposal, the RCC agreed to request the SO in coordination with the MO, to review the dispatch tolerance limit for each plant type and location. This is in recognition of the WESM Rules provision that the SO shall develop the dispatch tolerance limits for each type of plant and location. In addition, SNAP agreed that it will submit a recommended, parallel computation of its threshold level, in absolute MW, as regards its dispatch tolerance limits. The SNAP's own computation shall serve as input to the joint SO-MO study on dispatch tolerance limits.

As suggested by Mr. Ambrocio Rosales and concurred by the RCC, the MO and SO shall use the historical data on dispatch deviations of plants for its study and present the initial results to the RCC in the next meeting to determine if there is a need to create a TWG or pursue the RCC's request for the Technical Committee to conduct said study.

- Page 15: XXX She explained that this is on the basis of WESM Rules provision that the RCC membership shall mirror the PEM Board membership, wherein Independent members of the PEM Board shall be independent from the power sector and the government. The RCC expressed its thanks to Dr. Guevara for her invaluable contribution to the RCC during her stay as the RCC Chairperson.

III. BUSINESS ARISING FROM THE PREVIOUS MEETING

1. Updates from the Sub-Committees in relation to the Proposed Amendments to the WESM Rules on Disconnection

The RCC acknowledged receipt of comments of PEMC on the Proposed Amendments to the WESM Rules on Wholesale Disconnection. Mr. Isidro E. Cacho discussed said comments in behalf of PEMC. Following the discussions, the RCC made revisions to the additional amendments by PEMC, as follows:

2.7.1 Grounds for Suspension	
(d) Failure to replenish security or comply with a margin call under clauses 3.15.6.3 and 3.15.11.3.; and	(d) Failure to replenish security <u>deposit</u> or comply with a margin call under clauses 3.15.6.3 and 3.15.11.3.; and
2.7.2.2 Except as may be provided under the <i>Retail Rules</i> , upon issuance of a <i>Suspension Notice</i> , the <i>Market Operator</i> shall send request for disconnection of the suspended <i>Trading Participant</i> to the <i>Network Service Provider</i> in accordance with clause 2.9.2.1 .	2.7.2.2 Except as may be provided under the <i>Retail Rules</i> , upon issuance of a <i>Suspension Notice</i> , the <i>Market Operator</i> shall send <u>a</u> request for disconnection of the suspended <i>Trading Participant</i> to the <i>Network Service Provider</i> in accordance with clause 2.9.2.1 .
2.9.1 Grounds For Disconnection	2.9.1 Grounds <u>F</u>or Disconnection

<p>2.9.1.2 <i>Direct WESM member</i> transacting on behalf of an <i>Indirect WESM member</i> may request the disconnection of such <i>Indirect WESM member</i> due to:</p> <ul style="list-style-type: none"> (a) failure of the <i>Indirect WESM member</i> to comply with the required financial and technical obligations in accordance with existing contracts; or (b) termination or expiration of existing <i>bilateral contracts</i> with the <i>Indirect WESM member</i>, <p>Provided, that the <i>Direct WESM member</i> shall continue to be liable for payment obligations of such <i>Indirect WESM member</i> incurred prior to the disconnection.</p>	<p>2.9.1.2 A<i>Direct WESM member</i> transacting on behalf of an <i>Indirect WESM member</i> may request the disconnection of such <i>Indirect WESM member</i> due to</p> <p>(a.) failure of the <i>Indirect WESM member</i> to comply with the required financial and technical obligations in accordance with existing contracts; or</p> <p>(b.) termination or expiration of existing <i>bilateral contracts</i> with the <i>Indirect WESM member</i>,</p> <p>Provided, that the <i>Direct WESM member</i> shall continue to be liable for payment obligations of such <i>Indirect WESM member</i> incurred prior to the disconnection.</p>
<p>2.9.1.3 <i>Direct WESM Members</i> with <i>bilateral contracts</i> with customers who are <i>Direct WESM members</i> may request for the disconnection of such customer due to the latter's failure to comply with the required financial and technical obligations in accordance with existing <i>bilateral contracts</i>.</p>	<p>2.9.1.3 <i>Direct WESM Members</i> with <i>bilateral contracts</i> with customers who are <i>Direct WESM members</i> may request for the disconnection of such customer due to latter's failure to comply with the required financial and technical obligations in accordance with <u>termination of existing <i>bilateral contracts</i>.</u></p>
	<p><u>2.9.1.4 If the grounds for disconnection are available to several parties, each party may request for disconnection in accordance with the procedure set forth in clause 2.9.2.</u></p>
<p>2.9.2.1 If any of the grounds for disconnection occur under clause 2.9.1, the <i>Market Operator</i> or <i>WESM member</i> as the case may be, shall send a notice of disconnection to the <i>WESM member</i> sought to be disconnected, and a written request for disconnection to the <i>Network Service Provider</i>. A copy of the request shall be furnished to the <i>DOE</i>.</p>	<p>2.9.2.1 If any of the grounds for disconnection occur under clause 2.9.1, the <i>Market Operator</i> or <i>WESM member</i> as the case may be, shall send a <u>written</u> notice of disconnection to the <i>WESM member</i> sought to be disconnected, and a written request for disconnection to the <i>Network Service Provider</i>. A copy of the request shall be furnished to the <i>DOE</i>. <u>If the party requesting for disconnection is other than the <i>Market Operator</i>, a copy of the request for disconnection shall also be furnished to the <i>Market Operator</i>.</u></p>
<p>2.9.2.3 The <i>Network Service Provider</i> shall not execute request for the disconnection if it is notified by the <i>Market Operator</i> or the <i>WESM member</i> requesting for disconnection, as the case may be, of the following:</p> <ul style="list-style-type: none"> (a) registration in the <i>WESM</i> for cases falling under clause 2.7.3.1(a); (b) revocation of the <i>Suspension Notice</i> in accordance with clause 3.15.8.2; (c) remedy of non-compliance in case of failure to meet technical obligations and/or settlement of outstanding 	<p>2.9.2.3 The <i>Network Service Provider</i> shall not execute a request for the disconnection if it <u>is notified receives written notice by from</u> the <i>Market Operator</i> or the <i>WESM member</i> requesting for disconnection, as the case may be, of the following:</p> <ul style="list-style-type: none"> (a) registration in the <i>WESM</i> for cases falling under clause 2.9.1.1(a); (b) revocation of the <i>Suspension Notice</i> in accordance with clause 3.15.8.2 <u>for cases falling under 2.9.1.1(b);</u>

<p>financial obligations or the execution of special payment agreements for cases falling under clauses 2.9.1.2(a) and 2.9.1.3; or</p> <p>(d) execution of a new <i>bilateral contract</i> of the <i>Indirect WESM member</i> with another <i>Direct WESM member</i> or renewal of an existing <i>bilateral contract</i> for cases falling under clause 2.9.1.2(b).</p>	<p>(c) remedy of non-compliance in case of failure to meet technical obligations and/or settlement of outstanding financial obligations or the execution of special payment agreements <u>revocation of the request for disconnection or execution of a new <i>bilateral contract</i> of the <i>Indirect WESM member</i> with another <i>Direct WESM member</i> for cases falling under clauses 2.9.1.2; or</u></p> <p>(d) execution of a new <i>bilateral contract</i> of the <i>Indirect WESM member</i> with another <i>Direct WESM member</i> or renewal of an existing <i>bilateral contract</i> <u>revocation of the request for disconnection for cases falling under clause 2.9.1.3.</u></p>
<p>2.9.2.4 In case the disconnection was requested by multiple parties, the disconnection shall not proceed when all parties notify in writing the Network Service Provider of their consent to stay the disconnection.</p>	<p>2.9.2.4 In case the disconnection was requested by multiple parties, the disconnection shall not proceed <u>be implemented</u> when all <u>notify in writing the Network Service Provider</u> of their consent to <u>stay the disconnection</u> such parties provide the Network Service Provider their written consent to cancel the disconnection.</p>
<p>2.9.3.1 If the Network Service Provider is notified by the Market Operator or the WESM member who requested for disconnection as the case may be, of any of the grounds which would have otherwise stayed the disconnection under clause 2.9.2.3, the Network Service Provider shall reconnect the disconnected WESM member.</p>	<p>2.9.3.1 If the Network Service Provider is notified <u>in writing</u> by the Market Operator or the WESM member who requested for disconnection as the case may be, of any of the grounds which would have otherwise stayed the disconnection under clause 2.9.2.3, the Network Service Provider shall reconnect the disconnected WESM member.</p>
<p>2.9.3.2 In case the disconnection was requested by multiple parties, the WESM member shall only be reconnected when all parties notify the Network Service Provider of their consent to the reconnection.</p>	<p>2.9.3.2 In case the disconnection was requested by multiple parties, the WESM member shall only be reconnected when all parties notify in writing the Network Service Provider of their consent to the reconnection.</p>
<p>2.9.4 Procedure Development</p> <p>The Rules Change Committee shall develop the detailed procedures for disconnection and reconnection.</p>	<p>2.9.4 Procedure Development</p> <p>The Rules Change Committee <u>SO and the MO, in consultation with the WESM members,</u> shall develop the detailed procedures for disconnection and reconnection, <u>consistent with the prevailing laws, rules, issuances and guidelines of the DOE and the ERC.</u></p>
<p>GLOSSARY</p> <p>To insert "(as defined in the Retail Rules)" at the end of each term being proposed to be added in the WESM Rules Glossary, as follows:</p>	<p>GLOSSARY</p> <p>To insert "(as defined in the Retail Rules)" at the end of each term being proposed to be added in the WESM Rules Glossary, as follows:</p>

<p>Retail Rules. The rules promulgated by the DOE governing the integration of retail competition in the operations and governance processes of the WESM and the management of the transactions of <i>Suppliers</i> and <i>Contestable Customers</i> in the WESM, and the operations of the <i>Central Registration Body</i> (As defined under the <i>Retail Rules</i>).</p> <p>Contestable Customers. An electricity end user that is certified by the ERC as having met the demand threshold for contestability as set out in the Act. Collectively, these end users make up the contestable market. (As defined under the <i>Retail Rules</i>)</p> <p>Central Registration Body. The entity designated by the DOE to undertake the management of the required systems and processes and information technology system that is capable of handling <i>Customer switching</i> and information exchange as well as their transactions in the WESM. (As defined under the <i>Retail Rules</i>)</p> <p>Customer switching. Commercial transfer of a Contestable Customer to another, other than a transfer to a <i>Supplier of Last Resort</i>. (As defined under the <i>Retail Rules</i>)</p> <p>Supplier of Last Resort. An entity designated to serve Contestable Customers following a <i>Last resort supply event</i> in accordance with the <i>Retail Rules</i>. (As defined under the <i>Retail Rules</i>)</p>	<p>Retail Rules. The rules promulgated by the DOE governing the integration of retail competition in the operations and governance processes of the WESM and the management of the transactions of <i>Suppliers</i> and <i>Contestable Customers</i> in the WESM, and the operations of the <i>Central Registration Body</i> (As defined under the <i>Retail Rules</i>).</p> <p>Contestable Customers. An electricity end user that is certified by the ERC as having met the demand threshold for contestability as set out in the Act. Collectively, these end users make up the contestable market. (As defined under the <i>Retail Rules</i>)</p> <p>Central Registration Body. The entity designated by the DOE to undertake the management of the required systems and processes and information technology system that is capable of handling <i>Customer switching</i> and information exchange as well as their transactions in the WESM. (As defined under the <i>Retail Rules</i>)</p> <p>Customer switching. Commercial transfer of a Contestable Customer to another, other than a transfer to a <i>Supplier of Last Resort</i>. (As defined under the <i>Retail Rules</i>)</p> <p>Supplier of Last Resort. An entity designated to serve Contestable Customers following a <i>Last resort supply event</i> in accordance with the <i>Retail Rules</i>. (As defined under the <i>Retail Rules</i>)</p>
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The RCC instructed the Secretariat to furnish the Sub-Committee on Wholesale Disconnection a revised copy of the Proposal, for their further review in preparation for the continuation of the discussions on the matter in the next RCC meeting scheduled for June 2015. The instruction was duly noted by the Secretariat.

In relation to the discussions and agreements, Mr. Theo C. Sunico inquired if PEMC's comment already covered the procedures for disconnection. He recalled that in previous discussions on the matter, it was agreed that all requests for disconnection shall be coursed through the Market Operator. However, at more recent discussions of the Sub-Committee, this was superseded by the agreement that all requests for disconnection shall now be coursed through the Network Service Provider (NSP). Thus, Mr. Sunico inquired if PEMC likewise has comments on the recent agreement in terms of procedures.

Mr. Cacho responded that PEMC did not make any comment specific to the concern raised by Mr. Sunico. He expressed, however, that the agreements should already form part of the said procedures. Atty. Caryl Lopez-Mateo added that the extent of PEMC's comments relative to the procedures is the implementation of the five (5) working days in terms of the sending

of written notices. She emphasized that PEMC's comments are focused more on the grounds for disconnection, the obligations of each party (who requests disconnection to whom), and whose obligation it is to disconnect. She expressed that the detailed procedures would depend on what the RCC thinks is appropriate.

On the part of Atty. de Castro, she stated that the WESM Rules provisions for disconnection shall be in general wordings while the detailed and specific procedures shall be contained in the appropriate manual.

The discussions were duly noted by Mr. Sunico. The RCC agreed to continue discussions on the matter in the next RCC meeting.

For additional clarification, Mr. Jose Ferlino P. Raymundo inquired if it follows that when a customer is disconnected, it should also be suspended. In response, Atty. Mateo responded that indeed it should follow that when a generator initiates the disconnection of a certain customer, then that customer must also be suspended from trading in the market. On this note, Mr. Raymundo inquired if suspension for this case is necessary when in most instances a Customer is reconnected after a few days. Atty. Mateo responded that for payment default, WESM Rules Clause 3.15 requires the MO to issue a suspension notice and at the same time, publish such suspension. She recalled that the RCC previously disapproved PEMC's request to no longer publish suspension and the revocation of such suspension and instead, publish a notice in the market information website on the same. Mr. Sunico for his part stated that the objective of the Proposal on disconnection is to prevent those who have been found in violation from drawing electricity from the grid. Thus, he expressed that the procedures on the issuance of suspension notice and its publication as mentioned by Atty. Mateo may cause delay in the procedure for actual physical disconnection. Atty. Mateo responded that the effectivity of suspension should not necessarily be a pre-requisite for asking for disconnection from the NSP. She shared that PEMC's experience with the NGCP is that what the NGCP requires from PEMC is a proof of receipt of the disconnection notice issued to the party to be disconnected. She thus suggested putting this as part of the detailed procedure [in the Manual]. Mr. Sunico agreed to the suggestion of Atty. Mateo.

At this point, the RCC agreed to continue with the discussions on the matter in the next meeting and proceeded with the next item in the Agenda.

2. Updates from the Sub-Committees in relation to the Proposed Amendments to the Retail Rules on Retail Disconnection

Ms. Lorreto Rivera reported to the RCC that the Sub-Committee was able to meet to discuss the Proposed Amendments to the Retail Rules on Retail Disconnection. She expressed that based on RESA's evaluation of MERALCO's comments, some of it are actually in the nature of a Proposal requiring more specific wordings, rather than just mere comments.

Ms. Rivera shared that during the Sub-Committee meeting, there were certain matters which the body could not agree on. Thus, for convenience and to save on time, the body agreed to first combine MERALCO's comments, worded as appropriate for the Rules, with the original proposal submitted by RESA. She stated that the revised Proposal, which she crafted, considered the inclusion of the transmission service provider. She explained that under the first draft of RESA's proposal, customers that are directly connected with Transmission Supply Agreements (TSA) with the NGCP, have been included in the proposal. The Sub-Committee

also focused on the deletion of provisions that are more appropriate for inclusion in the manuals instead of the Rules since these provisions were already too detailed for the Rules. Thus, all provisions that were procedural in nature were excised from the proposal to be used as reference for the formulation of a manual on the subject matter in the future. Additionally, the revision of certain terms were made. Ms. Rivera stated that all these things are contained in the revised proposal that was provided to the Secretariat and disseminated to the RCC.

Atty. de Castro thanked Ms. Rivera for the updates she provided. At this point, the RCC proceeded with a detailed review of the Proposal submitted by Ms. Rivera. Below are the revisions incorporated by the RCC during discussions on the matter.

Original Provision	Proposed Provision (with RCC revisions in green)	RCC Discussions and Agreements
CHAPTER 2: REGISTRATION	Chapter 2: REGISTRATION, DE- REGISTRATION AND SUSPENSION	
New Section	<p><u>2.7 DISCONNECTION</u></p> <p><u>2.7.1. General Provisions</u></p> <p><u>2.7.1.1. Grounds for Disconnection shall include, but is not limited to, the following:</u></p> <p><u>(a) Failure of the Contestable Customer and/or Supplier to comply with the financial and technical obligations under the OATS Rule, Grid Code, Distribution Code, WESM and Retail Rules, Wheeling and Connection Agreements and Retail Supply Contracts (RSC):</u></p> <p><u>(b) Failure of the Supplier to pay the TransmissionNetwork Service Provider and/or the Distribution Utility; and</u></p> <p><u>(c.) Failure of the Contestable Customer to pay the TransmissionNetwork Service Provider and/or the Distribution Utility; and</u></p> <p><u>(d.) Failure of the CC to comply with the registration requirements of the CRB.</u></p>	<ul style="list-style-type: none"> On Section 2.7.1.1 (d): The RCC agreed to undertake a global change on the use of Network Service Provider (NSP) to replace all the terms pertaining to Transmission Service Provider (TSP) in relevant provisions relating to the proposal. This is to align the Proposed Amendments for the retail side with the agreements on the wholesale side. Atty. de Castro expressed that her understanding of the proposed clause 2.7.1.3 is that there is an instance of ineligibility, which the Contestable Customer is required to report to the CRB and the MO. She raised her concern in terms of checks and balances that would ensure involuntary ineligibility of CCs are reported to the concerned parties. She was also concerned of what would prompt the CC to report to the responsible parties its own instance of ineligibility as Contestable Customer. On a related concern, Ms. Carabuena inquired as to who would determine the CC's ineligibility. In response, Ms. Rivera stated that in the case of self-generating Customers, they may request from the ERC--the ERC being the responsible agency for issuing licenses--on the CC's personal capacity, to cease being an eligible CC. That is the case for the voluntary ineligibility for which the RES has no control, as the CC may inform directly the CRB of said intention to be ineligible. In relation to Section 2.7.1.2, PEMC-Legal, through Atty. Mateo, was requested to review the Retail Registration Manual for relevant provisions on the cessation of membership of a Contestable Customer. Said request emanated from the concerns raised in relation to the proposed provision requiring the Contestable Customers to report their instance of ineligibility to the concerned parties (CRB and MO).
New Section	<p><u>2.7.1.2. The TransmissionNetwork Service Provider and/or the Distribution Utility where the Contestable Customer is connected to, has the responsibility to disconnect WESM members that fail to comply with their financial and technical obligations under the OATS Rules, the</u></p>	

	<p><u>Grid Code, the Distribution Code, the WESM and Retail Rules and their existing contracts with other WESM members (including RSC, Transmission Service Agreement (TSA), Distribution Wheeling Services Agreement (DWSA) and Connection Agreement (CA), among others).</u></p>	<ul style="list-style-type: none"> Mr. Sunico stated that proposed clause 2.7.1 talks about the general provision regarding disconnection in the context of failure on physical obligations. In this regard, he suggested aligning this provision with clause 2.7.3. In response to the suggestion of Mr. Sunico, Mr. Cacho suggested an additional item (d) under clause 2.7.1 on the <i>failure of the CC to comply with the registration requirements of the CRB.</i>
New Section	<p><u>2.7.1.3. If at any time a Contestable Customer ceases to be eligible to be registered as a Trading Participant in accordance with the Retail Rules, that Contestable Customer or the Supplier shall inform the Market Operator and the CRB accordingly. As soon as practicable, after the Market Operator becomes aware that a Contestable Customer is no longer eligible to be registered, the Market Operator shall:</u></p> <p>(a) <u>issue a suspension notice in respect of that Trading Participant; and</u></p> <p>(b) <u>initiate disconnection of the Contestable Customer in accordance with clause 2.9 of the WESM Rules</u></p>	<ul style="list-style-type: none"> Relative to the earlier concern of Atty. de Castro on why a CC would say it is non-compliant with the requirements of the CRB, she expressed her opinion that it might be better if someone else would initiate informing the CRB of the instance of ineligibility of the CC. Majority of the RCC agreed that it should be the CRB who should know the CC's ineligibility but the question remains on whose responsibility it is informing the CRB. On the part of the ERC, Atty. Layugan explained that the certificate of contestability issued by the ERC will be cancelled by the ERC, following the ERC's procedure, only in instances where the demand threshold of the CC equivalent to 1MW falls below this threshold level. In terms of eligibility, Atty. Layugan expressed that on the part of the ERC, there are no grounds for the cessation of ineligibility. Mr. Cacho expressed that the MO may be able to monitor the CC in terms of its compliance with the requirements of the CRB, such as the prudential security, only if the CC is a direct WESM member. In relation to the earlier concerns of Atty. de Castro, Mr. Chrysanthus S. Heruela expressed that the responsibility of informing concerned parties of the instance of ineligibility of the CC rests on the CC itself. However, other participants and the MO also have the responsibility of reporting to the CRB the ineligibility of the CC upon detection. In the same manner, the CRB has the responsibility to validate certain information submitted by other parties relative to the ineligibility of the CC. He stated that since there may be instances that incorrect information is provided to the CRB, he suggested crafting an additional provision that would protect the CRB and the market against these fraudulent information. Atty. de Castro expressed that her understanding of Mr. Heruela's explanation is that the primary responsibility of informing the concerned parties rests on the CC, but in cases where it does not, then it should be the MO and the CRB who should check any relevant information about the CC's ineligibility. She inquired from PEMC, for clarity, if there are instances that a CC will

		<p>be ineligible to become a trading participant and therefore needs to be suspended and disconnected.</p> <ul style="list-style-type: none"> • In response to Atty. de Castro, Mr. Cacho reiterated his earlier statement that if a CC has no Prudential Security as required under registration, or if the CC is an indirect member that has no counterparty, then it will be ineligible to become a trading participant. • At this point, Atty. Layugan remarked that the ERC has the jurisdiction and guidelines for physical disconnection of CC's and end-users, as embodied under RA 7832. She thereafter requested further discussions on the matter to be deferred in order for the ERC to harmonize the ERC's due process on physical disconnection of CC's and end-users with the RESA's proposal. Atty. Layugan expressed that the ERC shall draft and submit a position paper on the matter to the RCC.
New Section	<p><u>2.7.1.4. Where a default event has occurred in relation to a Contestable Customer, the Market Operator shall follow the procedures set forth in the WESM Rules Clause 3.14.11.</u></p> <p><u>If the Contestable Customer is not directly connected to the Grid, then instead of the Transmission Network Service Provider, the Market Operator shall realize Clause 2.9 of the WESM Rules with the Distribution Utility.</u></p>	Discussion of the succeeding sections were deferred following the ERC's request.
New Section	<p><u>2.7.1.5. Notwithstanding that a person or an entity is suspended from participation in the spot market and disconnected from the grid or Distribution Utility, that person's or entity's obligations and liabilities which arose under the WESM Rules prior to the date on which that person or entity was suspended and disconnected remain unaffected.</u></p>	
New Section	<p><u>2.7.1.6. A Supplier (RES or Local RES) may issue a forty-eight (48) hour written Notice of Disconnection to a Contestable Customer in the event that such Contestable Customer fails to comply with the required financial and technical obligations to the Supplier, as provided under their existing contracts.</u></p> <p><u>Simultaneous to the issuance of the Notice of Disconnection to the relevant Contestable Customer, the issuing party shall copy furnish the Central Registration Body (CRB) and the</u></p>	

	<u>TransmissionNetwork Service Provider and/or the Distribution Utility, where the concerned Contestable Customer is connected</u>
New Section	<u>2.7.1.7. A Contestable Customer that is an Indirect WESM Member and whose retail supply contract with a Supplier has terminated or expired, shall be disconnected unless it is able to enter into a new contract with a Supplier or switch to the SOLR.</u>
New Section	<u>2.7.2. Remedial Actions to Stay or Defer the Disconnection</u>
New Section	<p><u>2.7.2.1. The implementation of the disconnection may be deferred if any of the following conditions are present:</u></p> <p>(a) <u>Settlement/payment of the outstanding amount due and demanded was settled prior to the scheduled disconnection date. The requesting WESM Member that filed for disconnection shall immediately inform the CRB of the settlement/payment of the outstanding amount using the pro-forma Request for Disconnection Recall in Appendix [*] prior to the scheduled disconnection date in order for the Distribution Utility to defer the execution of such disconnection;</u></p> <p>(b) <u>Recalled Notice of Disconnection by the requesting WESM Member as a result of a Special Payment Agreement or Restructuring Agreement entered into by the contracting parties prior to the scheduled disconnection date. The requesting WESM Member shall immediately inform the CRB of the recall using the pro-forma Request for Disconnection Recall in Appendix [*] prior to the scheduled disconnection date in order for the TransmissionNetwork Service Provider and/or Distribution Utility to defer the execution of such disconnection;</u></p> <p>(c) <u>If there is proof of non-receipt of the Notice of Disconnection, the execution of the Notice of Disconnection may be deferred for up to forty-eight (48) hours from</u></p>

	<p><u>the actual receipt of the Notice of Disconnection; and</u></p> <p>(d) <u>In the case of the <i>Market Operator</i> as the requesting party, the disconnected Contestable Customer has remedied the default event, or satisfied the margin call or has complied with the membership criteria or requirement that gave rise to its suspension. The <i>Market Operator</i>, as the requesting party shall immediately inform the CRB, the TransmissionNetwork Service Provider and/or Distribution Utility of the registration of such person or entity to the WESM using the pro-forma Request for Disconnection Recall in Appendix [*] prior to the scheduled disconnection date in order for the TransmissionNetwork Service Provider and/or Distribution Utility to defer the execution of such disconnection.</u></p> <p>(e) <u>Recalled Notice of Disconnection by the requesting person or entity for any valid reason not stated above.</u></p>	
New Section	<p><u>2.7.2.2. The disconnected Contestable Customer shall continue to be liable for any and all of its outstanding obligations and liabilities of the disconnected Customer under the <i>WESM Rules, Retail Rules</i> and all other existing contracts.</u></p>	
New Section	<p><u>2.7.3. Reconnection</u></p>	
New Section	<p><u>2.7.3.1. The WESM Member requesting for a reconnection of person or entity shall submit its Notice of Reconnection and a letter-request to the CRB for the execution of the Request for Reconnection as provided for under Appendix [*]. The CRB shall then notify the TransmissionNetwork Service Provider and/or the Distribution Utility in writing for such reconnection.</u></p>	
New Section	<p><u>2.7.3.2. Within seven (7) days after the receipt of the Notice of Reconnection from the CRB, the TransmissionNetwork Service Provider and/or Distribution Utility shall execute the Reconnection of service. The Market Operator, in</u></p>	

	coordination with the <u>TransmissionNetwork Service Provider and/or Distribution Utility</u> , shall issue the Market advisory for such reconnection.	
New Section	<u>2.7.3.3. In the case of the disconnected entity wherein its disconnection was requested by multiple parties, the reconnection will only be executed when all the requesting parties have issued both the Notice of Reconnection and letter-request to the CRB.</u>	
New Section	<p><u>2.7.3.4. Across instances, a reconnection fee shall be paid by the disconnected person or entity to either the Supplier (for Indirect WESM Members), or the</u></p> <p><u>2.7.3.5.</u></p> <p><u>2.7.3.6. Network Service Provider and/or Distribution Utility (for Direct WESM Members) prior to reconnection.</u></p>	

At the point where the RCC was discussing Section 2.7.1.3 above, Atty. Layugan remarked that the ERC has the jurisdiction and guidelines for physical disconnection of CC's and end-users, as embodied under RA 7832. She thereafter requested further discussions on the matter to be deferred in order for the ERC to harmonize the ERC's due process on physical disconnection of CC's and end-users with the RESA's proposal. Atty. Layugan expressed that the ERC shall draft and submit a position paper on the matter to the RCC.

Following Atty. Layugan's request, the RCC agreed to suspend further discussions on the matter. Atty. de Castro inquired on the timeline on which the ERC intends to submit its position paper to the RCC. Atty. Layugan requested to be given two weeks as the matter needs to be consulted with the concerned department within the ERC. This was duly noted by the RCC.

The RCC agreed to await the position paper to be provided by the ERC and once available, forward a copy of the same to the Supply side to harmonize it with the Proposed Amendments initiated by RESA. On the part of Ms. Rivera, she expressed that the matter will also be reported to and consulted with RESA.

3. Updates on the Proposed Amendments to the Administered Price Determination Methodology Manual Relative to: a) Nominated Price and b) Removal of Line Rental During Administered Price Situations

Mr. Raymundo requested the deferment of discussions on the Proposed Amendments to the Administered Price Determination Methodology Manual.

He relayed that for the Proposed Amendments related to Nominated Price, the PIPPA-TWG has yet to come up and finalize the proposal for submission to the RCC due to the numerous number of comments they have been receiving on the matter.

Relative to the proposal on the removal of line rental in the Customer's bill during administered price situations, Mr. Raymundo expressed that he has yet to confirm with Mr. Roel Calano of GN Power if the Proposal will be endorsed to the RCC by GN Power or by PIPPA jointly with DUs.

It was agreed that the Proposed Amendments to the Administered Price Determination Methodology Manual be formally submitted to the RCC, in time for the next meeting.

The information provided by Mr. Raymundo was duly noted by the RCC.

4. Updates from PEMC on RCC's Proposed Amendments in Relation to the Submission of Standing Bids and Offers

Mr. Cacho presented the draft matrix of Proposed Amendments to the WESM Rules on the Submission of Standing Bids and Offers, as well as the discussion paper relative to the Proposal. The Proposal was drafted by PEMC in behalf of the RCC, based on previous discussions and instructions for PEMC to identify the necessary changes in the WESM Rules that would ensure that standing generation offers and their corresponding prices shall not expire in case generators fail to re-submit the same after the one year effectivity date. Mr. Cacho explained that in the event a generator has not updated its standing offer (i.e MW and price), its standing offer in the same period (hour, day, month) from the previous year shall apply in the current year until the generator renews its standing offer. This, he said, guarantees that there will always be a default standing offer in the WESM.

For clarity, Mr. Cacho explained that in the current Market Management System (MMS), generators are required to set an end-date for their standing offers. With the proposed amendment, said end date is removed such that all standing offers submitted by the generator will be its standing offer until it is superseded by a new standing offer. However, generators are still allowed to update their offers in real-time prior to gate closure, which supersedes their standing offer for a particular trading interval. Failure of the generator to update its standing offer prior to gate closure converts that standing offer for that trading interval as a regular offer.

Mr. Cacho further stated that the proposal includes the provision that standing schedules submitted by non-scheduled generating units and standing reserve offers submitted by scheduled generating units registered as Ancillary Services Provider shall apply until said generators have revised or updated the same.

Mr. Raymundo commented that it is the generator's responsibility to submit its standing offers. Thus, the proposal of the RCC may only be absolving the generators of such responsibility. He expressed that most, if not all, generators submit standing offers. The problem, however, is the software limitation where an end-date for said standing offers is imposed. Further, Mr. Raymundo stated that generators admittedly fail to update their standing offer perhaps due to the lack of tracking or reminder that their standing offers have expired.

Atty. de Castro inquired on what could be the possible negative impact in market prices of removing expiry of standing offers. Mr. Cacho responded that the intent of the proposal is to

199 ensure that all generators have a default offer. The only possible negative impact that can be
200 foreseen, as mentioned by Mr. Cacho, is that when generators set a high price for their
201 standing offers which is then adopted in real-time. In certain instances, Mr. Cacho stated,
202 prices for standing offers may not be reflective of the actual prices in real-time. On the inquiry
203 if there is a mechanism to correct this problem, Mr. Cacho responded that currently, there is
204 no mechanism other than setting an offer cap and floor price.

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206 Further on the discussions, Mr. Rosales commented that non-submission of standing offers
207 would also affect the week-ahead and day-ahead projection used by the System Operator to
208 determine if there will be under-generation for energy and insufficient capacity for reserve.

209
210 Following the discussions, the RCC accepted the draft Proposed Amendments to the WESM
211 Rules on the submission of standing bids and offers and agreed to carry the same as an RCC
212 proposal, as previously agreed. The RCC likewise approved the posting of the proposal in the
213 market information website, to solicit comments of participants and interested parties. At this
214 point, Mr. Cacho requested the members of the RCC to likewise comment on the discussion
215 as this reflects the RCC's rationale for the proposal. It was agreed that the Committee be given
216 three days in order to provide further comments on the discussion paper, after which, the same
217 shall be published together with the matrix of proposed amendments.

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220 **5. Updates from PEMC on RCC's Proposed Amendments to the WESM Rules and**
221 **Applicable Market Manuals on the Verification of MRU Data Relative to PEM**
222 **Board's Directives**

223
224 Mr. Cacho presented the draft matrix of Proposed Amendments to the WESM Rules and
225 applicable market manuals on the verification of MRU data, as well as the discussion paper
226 relative to the Proposal. The Proposal was drafted by PEMC in behalf of the RCC, based on
227 previous discussions and instructions for PEMC to identify the necessary changes to the
228 WESM Rules and applicable market manuals to reflect the directives of the PEM Board
229 rendering as final the System Operator Report for MRU after the two-week period given to
230 Generators to validate said report. However, the aforementioned directive was found to be in
231 conflict with Clause 3.14.8.2 of the WESM Rules, to wit:

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233 *"Disputes in respect of final statements or supporting data provided with them in accordance*
234 *with WESM Rules Clause 3.14.5 shall be raised within twelve months of the relevant billing*
235 *period."*

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237 It was therefore proposed that disputes in relation to the SO MRU Report be raised by the
238 generation company within two weeks upon its publication by the Market Operator, instead of
239 within the prescribed twelve-month period. Otherwise, the report will be deemed final.

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241 Further, the proposed amendment to clause 3.14.8.2 necessitated proposing changes to the
242 relevant provisions under the Billing and Settlement and the Dispute Resolution Manuals.

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244 Following the presentation, the RCC accepted the draft Proposal as crafted by PEMC, and
245 likewise approved its publication in the market information website, for comments of
246 participants and interested parties. At this point, Mr. Cacho requested the RCC to also provide
247 comments on the discussion paper. It was agreed that the Committee will be given three days
248 in order to provide further comments on the discussion paper. After which, the same shall be
249 published together with the matrix of proposed amendments.

6. Updates from PEMC on the RCC Proposed Amendments to the MRU-MSU Manual Issue 5.0 on the Payment of Displaced Generators and MSUs

Mr. Marcial Jimenez presented the revised Proposed Amendments to the MRU-MSU Manual Issue 5.0 reflecting the RCC's comments from previous discussions on the matter. As a background, Mr. Jimenez explained that the proposal emanated from the RCC's instruction for PEMC to draft a proposal in the RCC's behalf, with the following objectives:

- Clarify the formula that would be implemented in the calculation of the settlement of amounts due to displaced generators; and
- Introduction of factor "b" in said formula in order to reflect the difference of location between RTU and metering point and therefore, account for the station use of generators.

It was recalled that the RCC's instruction to PEMC came about during PEMC's presentation of the draft attachment to the Proposal to be filed before the ERC on the detailed formulation on the concept of payment to MSUs and displaced generators (DG). Mr. Jimenez explained that when the RCC approved the MRU-MSU Manual Issue 5.0, a detailed formulation on the payment concept for the MSUs and DGs was not included. For purposes of filing with the ERC, PEMC thus, drafted the detailed formulation on the settlement amounts for MSUs and DG, which was then presented to the RCC for confirmation.

Following a series of discussions on the matter, Mr. Marcial Jimenez stated that the agreement of the RCC is to treat factor "b" as a static value after it has been determined using historical data (i.e. average ratio between RTU readings and metered quantities of generators for one year). In the case of new generators without historical data, their factor "b" in the interim would be equal to 1.0.

Relative to the removal of the 3% dispatch tolerance for the MSU, Mr. Rosales remarked that this may have a significant impact particularly for large generators. Mr. Jimenez explained that it was the RCC's decision not to apply the 3% dispatch tolerance to the MSU in the previous discussions on the matter.

Following the presentation and discussions, the RCC agreed to route to the Committee, through email, the revised proposal for further comments. The RCC members were given three (3) days to give further comments on the Proposal, after which the revised proposal will be published in the market information website for comments of participants and interested parties.

IV. OTHER MATTERS

1. PEM Board Updates on Action of the PEM Board on the RCC-Endorsed Proposed Amendments

Atty. de Castro apprised the RCC of the results of the presentations made before the PEM Board held on 28 April 2015, relative to five RCC-endorsed proposals for amendment and the RCC's report on the disapproval of one proposal, summarized as follows:

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	Proposed Amendment	RCC-Action	PEM Board Action
1	Proposed Amendment to the Billing and Settlement Manual	Approved and endorsed to PEM Board, for approval	Approved as presented.
2	Proposed Amendment to the Manual on the Guidelines for Significant Variations	Approved and endorsed to PEM Board, for approval	Approved as presented
3	Proposed Amendments to the MRU-MSU Manual Issue 5.0	Approved and endorsed to PEM Board, for approval	Approved subject to the extent that is consistent with the ERC order as mentioned in the proposal
4	Proposed Amendment to the Administered Price Determination Methodology Manual	Approved and endorsed to PEM Board, for approval	Approved with modification on the terminology referring to "Line Rental" as "Pricing Mechanism Differential" rather than the "Amounts Associated with Bilateral Contracts"
5	Proposed Amendments to the WESM Rules and Manual on the Registration of Ramp Rates	Approved and endorsed to PEM Board, for approval	Deferred by the PEM Board pending the DOE and ERC determination of the appropriate minimum and maximum level of bandwidth for ramp up and ramp down rates. PEM Board agreed that the matter be elevated to and discussed with the DOE and ERC (through the GMC) for the formulation of possible bandwidth protocol in determining the ramp up and ramp down rates.
6	Proposed Amendments to the Dispatch Protocol Manual	Disapproved and submitted a report to the PEM Board, for information	Noted by the PEM Board

The PEM Board updates were duly noted by the members of the RCC.

2. PEM Board Updates on the Appointment and Re-Appointment of RCC members

The Secretariat informed the RCC of the re-appointment of Atty. Maila de Castro as Independent member of the RCC, and her appointment as the new RCC Chairperson replacing Dr. Rowena Cristina Guevara. The Secretariat likewise informed the body of the re-appointment of Mr. Francisco Castro in his post as Independent member, as well as the appointment of the new alternate members, as follows:

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- Mr. Aris Policarpio (Generation- Vivant / official alternate of Mr. Theo Sunico)

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- Mr. Juanito Tolentino Jr (Distribution – MECO / official alternate of Mr. Gilbert Pagobo)

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The RCC congratulated Atty. de Castro and Mr. Castro for their re-appointment to the RCC.

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V. NEXT MEETING

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

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- 101st RCC Meeting – June 3

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- 102nd RCC Meeting – July 1

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- 103rd RCC Meeting – 05 August

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- 104th RCC Meeting – 02 September

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- 105th RCC Meeting – 07 October

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- 106th RCC Meeting – 04 November

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- 107th RCC Meeting – 02 December

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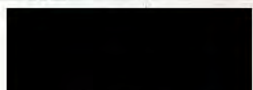
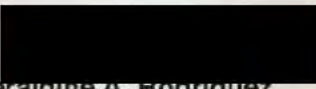
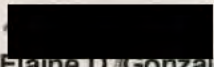
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VI. ADJOURNMENT

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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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Analyst – Market Governance Administration Unit	Assistant Manager – Market Governance Administration Unit	Manager – Market Data and Analysis Division
Market Assessment Group	Market Assessment Group	Market Assessment Group

Approved by:
RULES CHANGE COMMITTEE

Malla Lourdes G. de Castro
Chairperson, Independent

Members:

Concepcion I. Tanglao
Independent

Francisco L.R. Castro, Jr.
Independent

Isidro E. Cacho, Jr.
Market Operator
Philippine Electricity Market Corporation
(PEMC)

Ambrocio R. Rosales
Transmission Sector
National Grid Corporation of the Philippines
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Theo C. Sunico
Generation Sector
1590 Energy Corporation

Lorredo H. Rivera
Supply Sector
Team (Philippines) Energy Corporation

Jose Ferlino P. Raymundo
Generation Sector
SMC Global Power

Joselyn D. Carabuena
Generation Sector
Power Sector Assets and Liabilities Management
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Jose P. Santos
Distribution Sector (EC)
Ilocos Norte Electric Cooperative, Inc.
(INEC)

Ciprinilo C. Meneses
Distribution Sector (PDU)
Manila Electric Company
(MERALCO)

Gilbert A. Pagobo
Distribution Sector
Mactan Electric Company
(MECO)

Certified True and Correct:

Elaine D. Gonzales
RCC Secretary
PEMC