Philippine Electricity Market Corporation

MINUTES OF THE 101st MEETING OF THE RULES CHANGE COMMITTEE Regular Meeting No. 2015-06	
Meeting Date& Time:	03 June 2015
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 Leodegario R. Castro, Jr., Member-- Independent Concepcion I. Tanglao, Member -- Independent Joselyn D. Carabuena, Member -- Generation (PSALM) Jose Ferlino P. Raymundo, Member --Generation (SMC) Global Theo Cruz Sunico, Member -- Generation (1590 EC) Ciprinilo C. Meneses, Member -- Distribution (MERALCO) Jose P. Santos, Member – Distribution (INEC Lorreto H. Rivera, Member -- Supply (TPEC) Ambrocio R. Rosales, Member -- System Operator (NGCP) Isidro E. Cacho, Jr., Member -- Market Operator (PEMC) **Alternate Member:** Juanito O. Tolentino, Jr., Official Alternate -- Distribution (MECO)	Gilbert A. Pagobo – Distribution--MECO
PEMC Geraldine A. Rodriguez -- MAG Romellen C. Salazar -- MAG Hiyasminh Aleia D. Dagum -- MAG Caryl Miriam Y. Lopez -- Legal Edward I. Olmedo – TOD Phillip C. Adviento – CPC Clares Loren O. Jalocon – CPC Marissa P. Gandia – Finance Victoria S. Carino – Finance	
Others: (DOE/ ERC Observers/Other Resource Persons): Ferdinand B. Binondo -- DOE Lorelei B. Moya – DOE Lew Carlo C. Lopez – APC	

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 101st RCC Meeting was approved, as presented.

II. REVIEW, CORRECTION AND APPROVAL OF THE MINUTES OF THE 100th RCC MEETING

The RCC reviewed the Minutes of the 100th RCC Meeting held on 06 May 2015. The RCC agreed to continue its discussions on the matter, noting the updates from Atty. Layugan, that the ERC will instead submit comments once the Proposal is published.

Following the above, the RCC approved the Minutes of the 100th RCC Meeting, with the following minor revisions on the matrix of RESA's Proposed Amendments to the Retail Rules on Retail Disconnection:

- General/Global change of "Transmission Service Provider and DUs" to "Network Service Provider"

III. BUSINESS ARISING FROM THE PREVIOUS MEETING

1. Proposed Amendments to the WESM Rules on Wholesale Disconnection: Updates from the Sub-Committee on Wholesale Disconnection

Mr. Theo Sunico informed the RCC that the matter is still subject for discussion of the Sub-Committee on Wholesale disconnection, and thereby requested to defer the matter for the next RCC Meeting.

Based on the above request, the RCC agreed to defer discussion of the said matter.

2. Proposed Amendments to the Retail Rules on Retail Disconnection: Updates from the ERC and RESA

In relation to the previous decision to defer the discussions on the Proposal, Ms. Rivera informed the RCC that on the part of RESA, the revised Proposal already considered the Distribution Services and Open Access Rules (DSOAR), as consulted with the DUs through MERALCO. However, RESA respects the RCC decision in view of the ERC's request.

On this note, the Secretariat informed the body that based on the last email from Atty. Layugan, the comments of the ERC will instead be given upon publication of the Proposed Amendments to solicit comments. Thus, noting the ERC's email, the RCC agreed to continue discussing RESA's proposal, starting from Section 2.7.1.4. The RCC noted that the last provision discussed in the previous meeting was Section 2.7.1.3.

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	**2.7 DISCONNECTION** **2.7.1. General Provisions**	• The RCC agreed to perform a global change as follows: **"Transmission Service**

	2.7.1.1. Grounds for Disconnection shall include, but is not limited to, the following: (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); (b) Failure of the Supplier to pay the ~~Transmission~~Network Service Provider and/or the Distribution Utility; ~~and~~ (c.) Failure of the Contestable Customer to pay the ~~Transmission~~Network Service Provider and/or the Distribution Utility; and (d.) Failure of the CC to comply with the registration requirements of the CRB.	Provider and/or Distribution Utility" to "Network Service Provider." Thus, 2.7 DISCONNECTION 2.7.1. General Provisions 2.7.1.1. Grounds for Disconnection shall include, but is not limited to, the following: (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); (b) Failure of the Supplier to pay the ~~Transmission~~Network Service Provider ~~and/or the Distribution Utility~~; and (c.) Failure of the Contestable Customer to pay the ~~Transmission~~Network Service Provider ~~and/or the Distribution Utility~~; and (d.) Failure of the Contestable Customer to comply with the registration requirements of the CRB.
New Section	2.7.1.2. The ~~Transmission~~Network 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 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).	2.7.1.2. The ~~Transmission~~Network 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 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).
New Section	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: (c) issue a suspension notice in respect of that Trading Participant; and	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: (a) issue a suspension notice in respect of that Trading Participant; and

[redacted]

	(d) initiate disconnection of the Contestable Customer in accordance with clause 2.9 of the WESM Rules	(b) initiate disconnection of the Contestable Customer in accordance with clause 2.9 of the WESM Rules
The succeeding sections were not covered by the RCC during its 100th meeting and the RCC thus continued with the discussion of the same in the RCC's 101st meeting.		
New Section	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. 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.	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. If the Contestable Customer is not directly connected to the Grid, then instead of the ~~Transmission~~Network Service Provider, the Market Operator shall realize follow Clause 2.9 of the WESM Rules with the Distribution Utility.
New Section	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.	No comments
New Section	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. 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 ~~Transmission~~Network Service Provider and/or the Distribution Utility, where the concerned Contestable Customer is connected	•Atty. Maila de Castro commented that the provision, as worded, is not clear as to whether the 48 hours refers to the issuance of Notice of Disconnection or actual Disconnection. •In response to Atty. De Castro's comment, Ms. Rivera stated that the provision, based on her understanding of the DSOAR/ MERALCO's inputs, means that the issuance of Notice of Disconnection can happen within 48 hours, after which, actual physical disconnection shall follow. She expressed that they intend to provide the detailed procedures submitted by MERALCO in the manual changes. • •Mr. Sunico stated that, his understanding of the provision as worded, is that once the notice of disconnection is served, the remedy can still happen within 48 hours, after which, if the Customer fails to correct the default event, the NSP can already proceed with actual disconnection. Ms. Rivera confirmed that his understanding is indeed correct. He, thus, suggested revising the proposal to align it with the Magna Carta.

		•Following the discussions, the RCC agreed on the revised proposal, as follows: **2.7.1.6. In the event that a Contestable *Customer* fails to comply with the required financial and technical obligations to the *Supplier*, as provided under their existing contracts, a *Supplier* (RES or Local RES) ~~may~~ shall issue a written Notice of Disconnection to the Contestable Customer forty-eight (48) hours before such disconnection.** **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 Network Service Provider, where the concerned Contestable Customer is connected.**
New Section	**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.**	No comments
New Section	**2.7.2. Remedial Actions to Stay or Defer the Disconnection**	No comments
New Section	**2.7.2.1. The implementation of the disconnection may be deferred if any of the following conditions are present:** **(a) 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;** **(b) 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**	• Relative to Section 2.7.2.1 c), Ms. Rivera stated that it is difficult for them, as the proponent, to determine what could be an acceptable proof of non-receipt by the Contestable Customers. But for her part, it could be any acceptable means to be determined or provided by the Contestable Customer. She explained that the intent of item c) in the proposed provision is to look for ways on how to extend or defer disconnection, assuming that a Contestable Customer could provide a proof of non-receipt. • In response to the RCC's concern on what could be an acceptable means or proof of non-receipt, Atty. Caryl Mateo stated that this could be something that is agreed upon by the parties, that could be made as a general rule or as part of the contract between the parties. On this note, the RCC acknowledged that the concern could be addressed by the Retail Supply Agreements. • Moving forward, Mr. Ambrocio Rosales inquired if the NSP can defer disconnection upon receipt from the party to be disconnected of a proof of non-receipt of the

	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 ~~Transmission~~Network Service Provider and/or *Distribution Utility* to defer the execution of such disconnection; (c) 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 the actual receipt of the Notice of Disconnection; and (d) In the case of the *Market Operator* 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 *Market Operator*, as the requesting party shall immediately inform the CRB, the ~~Transmission~~Network 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 ~~Transmission~~Network Service Provider and/or Distribution Utility to defer the execution of such disconnection. (e) Recalled Notice of Disconnection by the requesting person or entity for any valid reason not stated above.	Notice of Disconnection within the 48-hour prescribed period, following receipt of copy of Disconnection Notice from the Supplier. • Ms. Rivera in response to Mr. Rosales, stated that the Supplier shall ensure that the request for disconnection and reconnection are properly coordinated with the NSP. Thus, it was proposed by RESA to indicate as one of the conditions for deferment of disconnection, the recall notice by the requesting WESM member (item b), which could be the Supplier. • Ms. Rivera stated that the detailed procedures, with inputs from MERALCO were no longer reflected in the Proposed Rules changes, but will be included in the manual changes to be submitted later on. This was duly noted by the RCC. Atty. De Castro agreed to put the timeframe and operational details in the Manual instead of the Rules. • Mr. Rosales suggested the deletion of item c) and to consider in the Proposal that the Supplier, when sending the request for disconnection, should provide proof of receipt of Notice of Disconnection by the party to be disconnected. • The RCC agreed to revise the proposed provisions, as follows: 2.7.2.1. The implementation of the disconnection may be deferred if any of the following conditions are present: (a) 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*~~ Network Service Provider to defer the execution of such disconnection; (b) 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 ~~Transmission~~Network Service Provider ~~and/or Distribution Utility~~ to defer the execution of such disconnection; (c) 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 the actual receipt of the Notice of Disconnection; and (d) In the case of the *Market Operator* as the requesting party, the ~~disconnected~~ Contestable *Customer* for disconnection has remedied the default event, or satisfied the margin call or has complied with the membership criteria or requirement that gave rise to its suspension. The *Market Operator*, as the requesting party shall immediately inform the CRB, the ~~Transmission~~Network 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 ~~Transmission~~Network Service Provider and/or Distribution Utility to defer the execution of such disconnection. (e) Recalled Notice of Disconnection by the requesting person or entity for any valid reason not stated above.
New Section	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 *WESM Rules*, *Retail Rules* and all other existing contracts.	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 *WESM Rules*, *Retail Rules* and all other existing contracts.
New Section	2.7.3. Reconnection	No comments
New Section	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	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~~Transmission~~Network

	then notify the~~Transmission~~Network Service Provider and/or the Distribution Utility in writing for such reconnection.	Service Provider ~~and/or the Distribution Utility~~ in writing for such reconnection.
New Section	2.7.3.2. Within seven (7) days after the receipt of the Notice of Reconnection from the CRB, the ~~Transmission~~Network Service Provider and/or Distribution Utility shall execute the Reconnection of service. The Market Operator, in coordination with the ~~Transmission~~Network Service Provider and/or *~~Distribution Utility~~*, shall issue the Market advisory for such reconnection.	• Ms. Rivera clarified that the 7-day timeframe is based on the flowchart provided by Mr. Rosales. For MERALCO, based on the DSOAR, the timeframe for reconnection is 48 hours. • Ms. Rivera stated that the WESM Member/Supplier as the party who requested for disconnection should also request to the Central Registration Body the reconnection of its Customer following payment of obligations or restructuring agreement between the parties. 2.7.3.2. Within seven (7) days after the receipt of the Notice of Reconnection from the CRB, the ~~Transmission~~Network Service Provider ~~and/or Distribution Utility~~ shall execute the Reconnection of service. The Market Operator, in coordination with the ~~Transmission~~Network Service Provider ~~and/or *Distribution Utility*~~, shall issue the Market advisory for such reconnection.
New Section	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.	No comment
New Section	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 Network Service Provider and/or Distribution Utility (for Direct WESM Members) prior to reconnection.	2.7.3.4. ~~Across~~ In all instances, a reconnection fee shall be paid by the disconnected person or entity to either the Supplier (for Indirect WESM Members), or the Network Service Provider ~~and/or Distribution Utility~~ (for Direct WESM Members) prior to reconnection.

Following the above discussions and revisions made on the Proposed Amendments to the Retail Rules on Retail Disconnection, the RCC approved the publication of said Proposal in the WESM market information website, to solicit comments of Participants and interested parties.

The Secretariat was requested to clean-up the revised matrix of the Proposal and route it to the RCC members through email, for further review. It was agreed to give the RCC members three days to comment on the proposal prior to its publication. The instructions were duly noted.

[redacted]

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. Jose Ferlino Raymundo provided updates on the status of the Proposed Amendments to the Administered Price Determination Methodology Manual due for submission by the Generators.

Nominated Price

Relative to the Proposal of equating Administered Price with Nominated Price (based on the ERC-approved Power Supply Agreement), PIPPA determined that this seemed contradictory with the concept of market-based price. Thus, Mr. Raymundo conveyed that PIPPA will come up with a letter to the RCC on PIPPA's position regarding the matter. Further, he expressed that PIPPA has not come up yet with a revised Proposal and discussion paper, but this will be transmitted to the RCC once it is already available.

Removal of Line Rental in the Customer's Bill during Administered Price Situations

Mr. Raymundo stated that from his last communication with Mr. Roel Calano of GN Power, he was informed that the Proposal will be submitted, as a Proposal from GN Power and not of PIPPA, once Mr. Calano comes back from his re-assignment. He informed the RCC that Mr. Calano has been assigned in the plant based in the province. The target date of submission is sometime in June 2015.

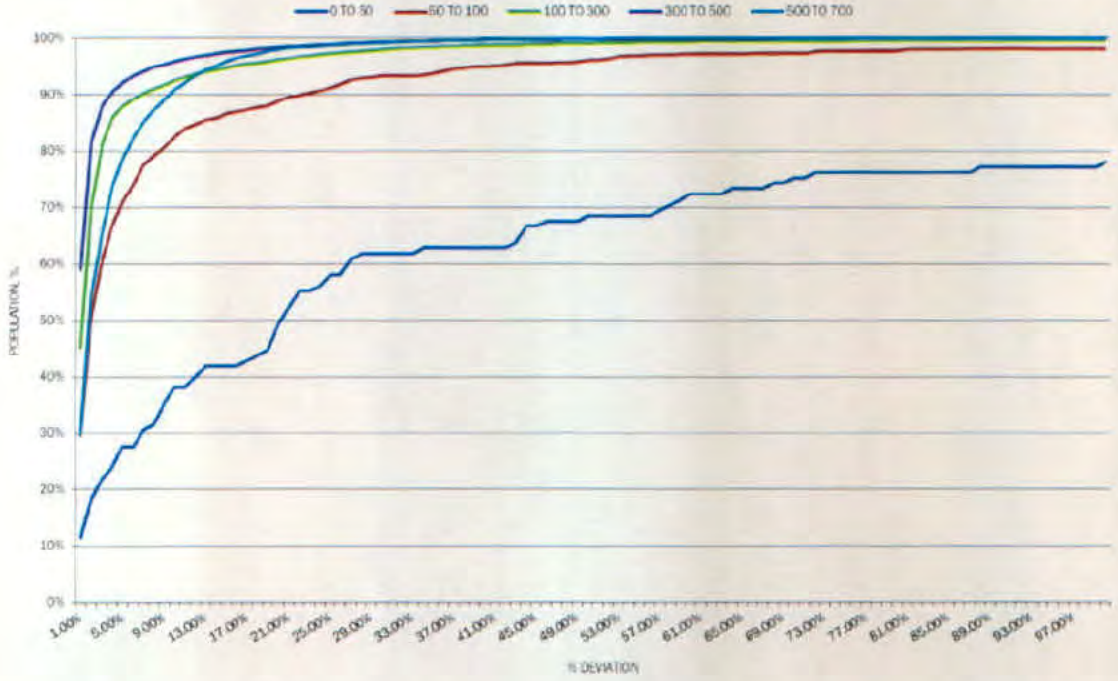
The updates provided by Mr. Raymundo were duly noted by the RCC.

4. Updates on MO-SO Study on Dispatch Tolerance

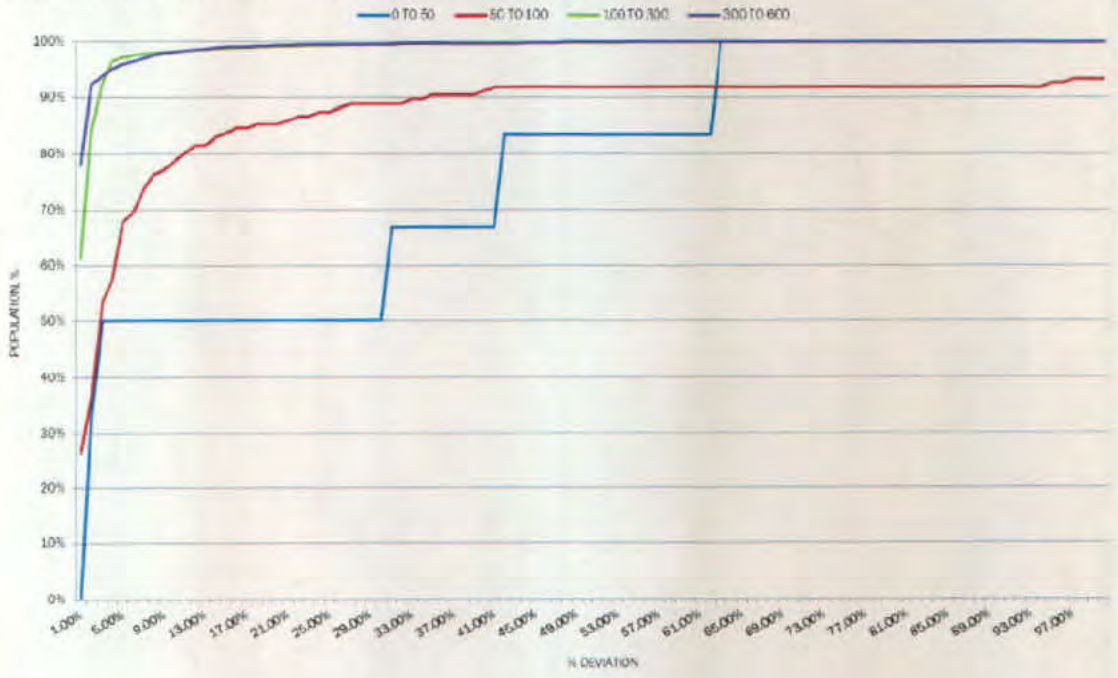
Mr. Edward Olmedo of PEMC-TOD presented the initial results of the study which the RCC Instructed the MO and SO to conduct relative to the Historical Dispatch Deviation, per generator type, using 2014 data on RTD. Below are the results of the study of MO.

[redacted]

110 Dispatch Deviations of Coal-Fired Generating Units, %

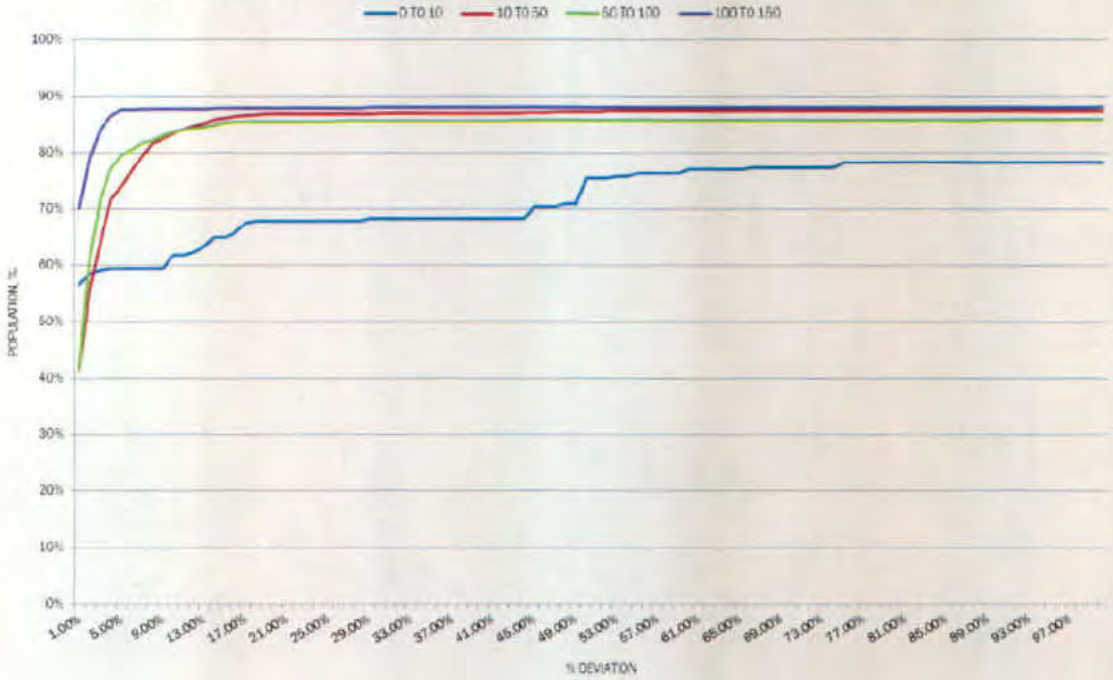


111
112
113
114 Dispatch Deviations of Natural Gas Generating Units, %

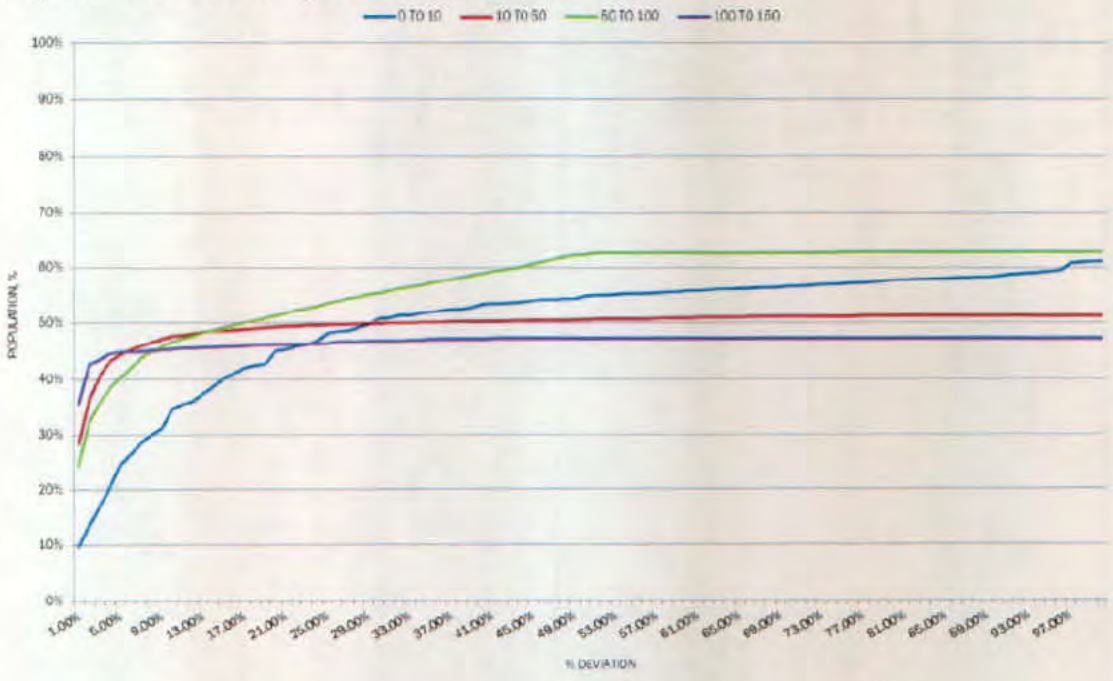


115
116
117
118
119

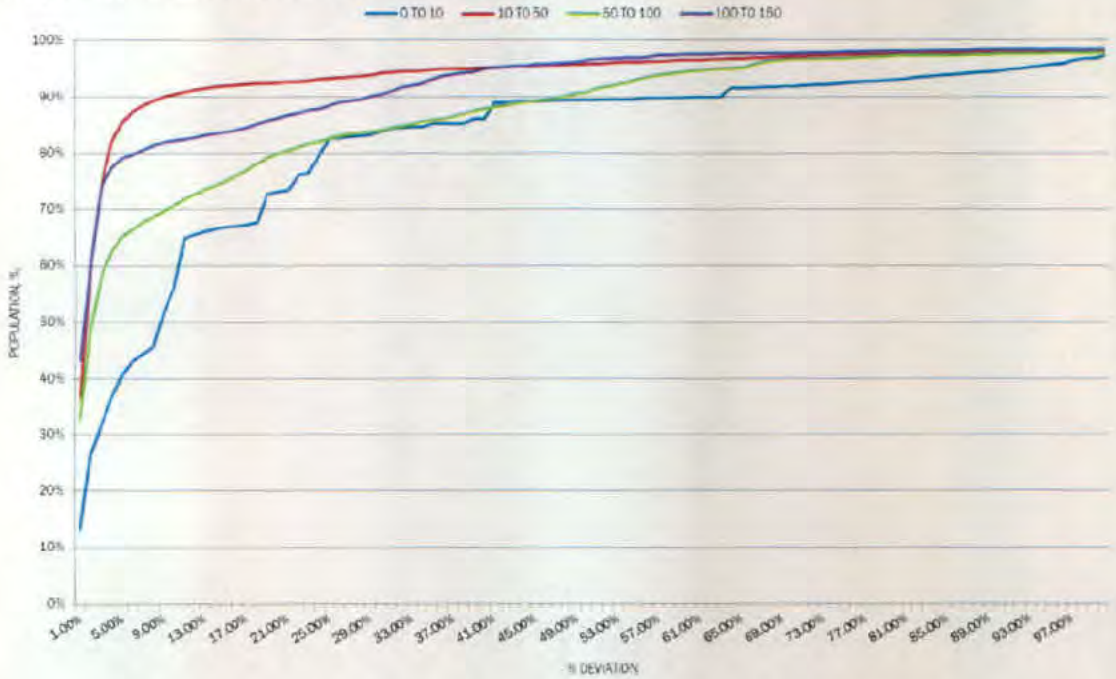
Dispatch Deviations of Geothermal Generating Units, %



Dispatch Deviations of Hydro Generating Units, %



Dispatch Deviations of Oil-based Generating Units, %



Mr. Olmedo clarified that the amount of energy for start-up is not accounted for in the RTD. Thus, for instance, for natural gas generating units, the RTD is considered at the point from 100MW above.

Based on the results presented, the study recommends setting a numerical number (absolute and not %) for the dispatch tolerance of Generators scheduled at low levels (e.g. less than 10MW or 50%). However, for higher dispatches (e.g. beyond 50MW), the 3% dispatch tolerance should be maintained across all plants dispatched at a certain MW level.

Mr. Olmedo expressed that the MO intends to look into the data for two more years—2012, 2013, and better including 2015 data—to support the observation that the 3% dispatch tolerance may not be feasible for dispatch of certain MW levels, in particular, for low levels of dispatch. Moreover, the MO intends to conduct further simulations showing the impact in spot prices of the 3% dispatch tolerance if it was relaxed.

Below are the comments of the RCC relative to the RCC.

- Mr. Ciprinilo Meneses commented that it would be very difficult for a non-technical person to understand what the graphs shown are trying to convey. Thus, Mr. Meneses suggested re-graphing the data, such that the number of deviations are plotted against the percentage of dispatch (RTD vs. actual).

- Mr. Olmedo noted the suggestion of Mr. Meneses. He expressed, however, that the intent of the study is finding the right value for the tolerance. Thus, the simulations did not stick with the 3% deviation only.

- Mr. Rosales, for his part, suggested getting the number of times each generating unit per type of plant deviated from its dispatch schedule at different levels within the range of 1% to 3% or more. He stated that most of the time, the plants or generating units that were dispatched at the top of the merit order table are the ones frequently called to constrain-off. However, he opined that if all plants will comply to +3% dispatch tolerance universally, the impact may cause over-frequency. Thus, his suggestion is to determine where the problem really lies. Further, Mr. Rosales also suggested applying the same approach in forecast errors. He commented that because forecasts are done point to point from the top of the hour until the end of trading interval, it is possible that during intra-hour, plants go beyond the dispatch tolerance limits, which causes some operational impact. Subsequently, after showing the data on dispatch deviation per plant type, then the suggestion of Mr. Meneses can follow.

- Mr. Olmedo expressed that the suggestion of Mr. Rosales to show the historical dispatch deviation per plant, instead of per plant type, is feasible. However, for the suggestion on forecast errors, Mr. Olmedo replied that for forecast error at the top of hour, the same is already addressed by eliminating the MRUs and non-compliances. In terms of addressing the intra-hour forecast issues, Mr. Olmedo expressed this will be considered in the further simulations to be conducted by MO on the performance of each plant for each hour, in order to determine at what hour a particular plant would find it difficult in complying with the dispatch tolerance limits.

- Mr. Cacho supported the position of Mr. Olmedo of not sticking with the 3% deviation in the simulations, stating that the 3% may or may not be applicable for some small plants. Mr. Cacho added that the 3% may pose a significant impact in the operations of small plants, but, may be a negligible number for the larger plants. Thus, the objective of the study, as shown in the presentation made by Mr. Olmedo, is determine the different dispatch tolerances applicable for each type of plant.

- Further on the discussions, Mr. Rosales commented that one of the reasons that the real-time dispatch issued by the MO is not met is because of deviations of certain plants. But, due to plants' capability to increase their ramp rate, they can already comply with the 3% dispatch tolerance limit, which is one of the difficulties encountered by the SO during intra-hour due to its impact in the quality of the grid. He commented that because currently, the regulating reserve is set at zero, there is no room for downward regulation. He stated that this problem can be addressed once the reserve market is implemented, as it allows for the 2% downward regulation.

- In relation to the concern of Mr. Rosales, Mr. Cacho inquired from the DOE representative on the status of the central scheduling of energy and reserve market,

which implementation was deferred by the DOE for the period after summer. It was recalled by the body that the DOE already issued a Department Circular directing PEMC to implement the central scheduling of energy and reserve, the effectivity of which was later on deferred following further directives from the DOE.

- In response, Mr. Ferdinand Binondo informed the RCC that the deferment of the implementation of central scheduling was based on a request from the Generators to defer the same after summer. Nonetheless, he expressed that the DOE will look into the matter and assess if the implementation of central scheduling can already commence, and, upon its determination, issue directives to PEMC. The information from the DOE was duly noted by the RCC.

Following the discussions, the RCC agreed to await the results of the further simulations to be conducted by the MO as earlier agreed, as part of the MO-SO study on dispatch tolerance, and have the same presented in the next RCC meeting.

The RCC thanked Mr. Olmedo for his presentation.

5. APC's Proposed Amendments

The RCC welcomed Mr. Lew Lopez of APC and Ms. Marissa Gandia, together with Ms. Victoria Carino of PEMC-Finance, who were invited as resource persons during discussions.

The Secretariat informed the RCC that in response to the call for comments on the Proposals submitted by APC, written submissions were received from PEMC and the WESM Market Surveillance Committee.

To start off the discussions, and to put into context the comments that were submitted, Atty. De Castro requested Mr. Lopez to discuss briefly the Proposals of APC for Amendments to the WESM Rules and the Market Manuals on the Billing and Settlement, as well as on the MRU-MSU and APDM.

Below are the discussions relative to the two Proposal submitted by APC.

Proposed Amendments to the WESM Rules and MRU-MSU and APDM Manuals

WESM Rules		
Section	RCC Discussion / Agreement	Agreement/ Revised Provision
3.5.13.1	• Mr. Raymundo remarked that the ongoing revisions to the APDM on Nominated Price may impact on or change the basis for the computation of compensation which is currently based on GPI. Thus, he opined that the GPI in the Proposal should no longer be mentioned, and replace it with a generic/term or statement so there will be no need to change this based on whatever will be agreed later on as basis for the computation of compensation. • The MO, SO and DOE, on the other hand, suggested deleting the following paragraph in the Proposal:	3.5.13.1 Subject to clause 3.5.13.3, the *System Operator* may require the *Market Operator* to impose constraints on the power flow, energy generation of a specific facility in the Grid to address system security threat, to mitigate the effects of a system emergency, or to address the need to dispatch generating units to comply with systems, regulatory and commercial tests

	"In the event that a unit is required to run pursuant to this provision, the said unit shall be entitled to compensation based on the prevailing Generation Price Index and Additional Compensation, if applicable." Mr. Cacho stated that this paragraph is no longer necessary, stating that the proposed paragraph that follows it already suffices. Mr. Cacho added that this paragraph is deemed by MO as out of context, as these details are already contained in the MRU-MSU Manual. Following the discussions, the RCC concurred with the suggestion to delete the paragraph.	requirements. The *System Operator* may also relax existing constraints or system requirements on power flows, energy generation and reserves if the *Market Operator* is unable to produce a feasible dispatch schedule. XXX ~~**In the event that a unit is required to run pursuant to this provision, the said unit shall be entitled to compensation based on the prevailing Generation Price Index and Additional Compensation, if applicable.**~~ **The procedure and process for claiming Additional Compensation, contesting the claims, and timeline for approval/disapproval of claims, including the consequences thereof, among others, are determined in the relevant market manuals.**
MRU-MSU and APDM Manuals		
MRU-MSU Manual		
Section	RCC Discussion / Agreement	Agreement/ Revised Provision
9.3.2	• Ms. Carabuena expressed disagreement on the Proposal, particularly in the following paragraph: **The claim for additional compensation shall be filed within two (2) billing periods from the time the affected Trading Participant complied with dispatch instructions as MRU. Any claims not filed within such period shall be deemed waived.** Ms. Carabuena likewise disagreed on PEMC's suggested revisions incorporating the requirement to submit the complete supporting documents within the period specified in the above-proposal. Ms. Carabuena stated that PSALM, being a government entity and having several IPPs, finds it difficult to comply with the above prescription. Perhaps, a doable timeline for government generators such as PSALM would be 6 months. She expressed further that PSALM, assuming that the Proposal that **"Any claims not filed within such period shall be deemed waived"** is approved will put PSALM into question by the Commission on Audit. For PEMC, it has no issue on the timeline for as long as the required supporting documents are provided by the concerned generator. Mr. Cacho emphasized that the process will not start unless these documents are provided to the MO. He added another point that the pro-longed period is not just a concern of the Generators but also of the Customers, who are the ones receiving the charges.	• Following the discussions and noting PSALM's strong disagreement on the APC's Proposal, Atty. De Castro requested PSALM/ Ms. Carabuena to submit a counter Proposal, relative to Section 9.3.2 of the MRU-MSU Manual that would address PSALM's concern that likewise considers the requirements of the market. Atty. De Castro expressed that the timeline needs to be specified in the Proposal to guide the Generators as to when they should file for their claims. • Mr. Lopez opined that perhaps, upon expiry of the prescribed two billing periods, and the MO determines that the claims are not valid for lack of basis, the Generator still has the option to go to the ERC and let the ERC decide on the validity of the claim.

	Atty. Mateo commented that it may not be transparent for the market if charges are billed to Customers so far away from when it actually happened. However, the market should also recognize the peculiarity of PEMC. For everyone else, she opined that it would be better complying with the shorter period. Mr. Binondo suggested rewording the Proposal, as follows: **"XXX Any claims not filed within such period or within two months shall not be accepted."** Following the discussions and noting PSALM's strong disagreement on the APC's Proposal, Atty. De Castro requested PSALM/Ms. Carabuena to submit a counter Proposal, relative to Section 9.3.2 of the MRU-MSU Manual that would address PSALM's concern that likewise considers the requirements of the market. Atty. De Castro expressed that the timeline needs to be specified in the Proposal to guide the Generators as to when they should file for their claims. • As an additional comment, PEMC inquired on what happens if upon validation, the MO disapproves the claim, and whether the Generator can still insist it has additional compensation despite the MO's determination, on the basis of its review of the submitted documents, that the claims are not valid. Mr. Lopez responded that perhaps, the MO can come up with a complete list of documents it will need for the validation. Moreover, Ms. Tanglao suggested determining a clear basis for saying whether claims are valid or not. Mr. Lopez opined that perhaps, upon expiry of the prescribed two billing periods, and the MO determines that the claims are not valid for lack of basis, the Generator still has the option to go to the ERC and let the ERC decide on the validity of the claim. In relation to the discussions, Mr. Sunico inquired if there had been instances that PEMC disapproved a Generator's claims for additional compensation. Mr. Cacho responded that the PEMC's decision is more of reducing the amount of claims rather than deleting it entirely, based on the MO's review and validation of the supporting documents provided by the Generator filing for claims. The information was noted by the RCC.	
	• On the next paragraph PEMC suggested the following revisions, **"The Market Operator shall have fourteen (14) calendar days from receipt of the complete supporting documentsafter filing of the claim for Additional Compensation to decide on the validity thereof, provided that if the 14th day falls on a Saturday, Sunday or any legal non-working holiday, the said deadline is moved to the next applicable calendar day. Any claim not decided within fourteen (14) calendar days shall be deemed approved and shall be allocated and billed by the Market Operator to the Customers in the immediately succeeding**	Following the discussions, Mr. Lopez stated that APC will reword the Proposal to consider the comments, including the suggestion of Mr. Raymundo and the concern raised by PEMC relative to the timeframe for the allocation of claims.

	~~billing period.~~ **Claims approved shall be allocated and billed by the Market Operator to the Customers in the immediately succeeding billing period provided that the approval of the claim is made before the issuance of the Final Statement. Otherwise, the claim shall be billed to the Customers in the next succeeding billing period."** Mr. Cacho explained that there may be instances beyond PEMC's control that would make the proposed timeline not unimplementable. Mr. Lopez expressed agreement to the comment of PEMC that the proposed timeline is too near the succeeding billing period. Thus, if a claim is valid, then it should be allocated instead on the next applicable period. Mr. Raymundo suggested improving the wording of the Proposal to consider completing the billing period and awaiting the final statement, in order to calculate the additional claim and make the filing easier, as the Generator would now be required to file additional compensation only once for the entire billing period. Following the discussions, Mr. Lew Lopez stated that APC will reword the Proposal to consider the comments, including the suggestion of Mr. Raymundo and the concern raised by PEMC relative to the timeframe for the allocation of claims.	
	• Further on the Proposed Clause, Mr. Cacho discussed the PEMC's comment to revise the Proposal, as follows (deletion of the APC's Proposed paragraphs): **Further, the Market Operator shall firmly comply with its responsibility in implementing the procedures on the settlement of Additional Compensation including the manner and procedure of collecting the pro-rated share of the Customers. In furtherance of this, the Market Operator may exercise all the necessary rights and powers provided by the WESM Rules and the WESM Market Manuals, including drawdown from the security deposit of the WESM Member, Financial Penalty, and Suspension, among others.** **Neglect of the Market Operator to fulfil its duties will make it liable for the applicable penalties and sanctions provided by the WES Manual and WESM Market Manuals.** Mr. Cacho expressed that these paragraphs are no longer necessary since these are already indicated in the applicable Rules and Manual. Atty. De Castro agreed that PEMC's comments are valid. The RCC, thus, agreed to delete these two paragraphs.	Atty. De Castro agreed that PEMC's comments are valid, and that the APC's Proposal are no longer necessary since it is already covered in the applicable Rules and Manual. The RCC, thus, agreed on the following revisions: ~~**Further, the Market Operator shall firmly comply with its responsibility in implementing the procedures on the settlement of Additional Compensation including the manner and procedure of collecting the pro-rated share of the Customers. In furtherance of this, the Market Operator may exercise all the necessary rights and powers provided by the WESM Rules and the WESM Market Manuals, including drawdown from the security deposit of the WESM Member, Financial Penalty, and Suspension, among others.**~~ ~~**Neglect of the Market Operator to fulfill its duties will make it liable for the applicable penalties and sanctions provided by the WESMManual and WESM Market Manuals.**~~
APDM Manual		

4.2.3.4	• PEMC commented that it has no basis for providing an estimate of the amount of additional compensation as proposed below by APC: "If the Market Operator determines that additional compensation is warranted, it will allocate the same among the Customers in proportion to the volume of their transactions based on metered quantities for the relevant trading interval. The additional compensation will be collected and paid following the usual billing and settlements procedure. **For dispatch instructions complied with for the month of December, the Market Operator shall provide the Customers a notice with the estimated amount of additional compensation claimed by the affected Trading Participant as of every year end.**" • Atty. De Castro inquired from APC on the rationale behind its Proposal. Mr. Lopez responded that intent of APC is to have an estimated amount that it can reflect in the closing of its books. Mr. Lopez likewise pointed out the possibility that the Generators may not be able to claim from the BIR once it becomes a valid cause for the Generator the following year. He cited that under the current BIR rules, costs that are incurred this year cannot be claimed as deductions the following year. On the contrary, Ms. Carabuena opined that the closing of books is not necessarily on the 31st of the month since the company still needs to gather all its documents before the closing, which takes a while. Moreover, to her knowledge, Ms. Carabuena stated that the BIR does not accept claims for deductions on the basis of estimates only. Ms. Gandia added that the consideration for the filing to the BIR should be the date of invoice or receipt. Thus, in her opinion, the Proposal for an estimate for claims from the MO may not be valid perhaps even from the BIR's perspective. Mr. Meneses further commented that Customers cannot be billed based on mere estimates. If the intent of the APC is for Generators to have a figure that it can use for the closing of its books, Mr. Meneses suggested that instead of putting it in the Rules or Manual, the Generators, may instead, request this individually from PEMC. Mr. Binondo likewise opined that it is not advisable to provide in advance billing to the customers that are based on estimates only. Following the discussions, the RCC agreed to delete the Proposal of APC under Section 4.2.3.4. On a final note, Mr. Cacho stated that Customers receive a bill for additional compensation. Moreover, the information on MRU that are published in the website can already be a triggering point that could be used by the Generators for whatever purpose it may serve them.	Following the discussions, the RCC agreed to delete the Proposal of APC under Section 4.2.3.4, as follows: ~~**For dispatch instructions complied with for the month of December, the Market Operator shall provide the Customers a notice with the estimated amount of additional compensation claimed by the affected Trading Participant as of every year end.**~~

4.2.3.3 and 4.2.2.4	• Mr. Cacho raised that the two week period as proposed by APC may not be a feasible timeline since the basis of the APDM is the Metered Quantity, which is made available at the end of the billing period and not within two weeks. Mr. Cacho further expressed that there are exceptions to the current rules, since there are instances of the issuance of meter trouble reports (MTR). Mr. Cacho expressed that PEMC will review the Proposal further and submit a more feasible timeline to replace the APC's Proposed two-week period.	PEMC will review the Proposal further and submit a more feasible timeline to replace the APC's Proposed two-week period to address the concern on MTRs.

241

242 Proposed Amendments to the WESM Rules and the Billing and Settlement Manual

243

WESM Rules		
Section	RCC Discussion / Agreement	Agreement/ Revised Provision
3.14.4.2	• PEMC commented that the APC's Proposal is acceptable for the final statement but not for the preliminary statement. • Ms. Carabuena expressed support on the APC's Proposal. However, she requested for clarification on how VAT is applied when the Trading Amount is negative. Moreover, she inquired if the term "purchases" in the APC proposal pertains to actual purchases that cover even the negative trading amount that is subject to VAT. She explained that negative TAs are derived from offsetting in the settlement or when a Generator sold at a negative Price. Ms. Carabuena further inquired if for instance, a Generator has a negative TA, the amount purchased at negative and the amount sold at negative can be separated. She said that the concern is being raised to resolve VAT issues of PSALM, which currently has negative TA. Mr. Lopez responded that perhaps, the VAT issues can be addressed better by the BIR. But to help PSALM address its concern, Mr. Lopez requested for a sample invoice that will serve as APC's basis for rewording its Proposal. • In relation to the discussions, Ms. Gandia recognized the rationale for the APC's Proposal. Thus, she expressed that PEMC already took an initiative to revise the invoice, which will be used by PEMC once the PEMC's settlement system has been put into place. Following the discussions, the RCC agreed to delete the Proposal in the Rules, and instead, reflect it in the Manual. Moreover, the RCC agreed to revise the wordings of the Proposal that will be reflected in the Manual, deleting the Proposal under preliminary statements, but retaining it under the Final statements. For the rest of the provisions relating to invoicing, it was agreed to defer the decisions of the RCC pending the BIR's resolution on the matter.	Following the discussions, the RCC agreed to delete the Proposal in the Rules, and instead, reflect it in the Manual. Moreover, the RCC agreed to revise the wordings of the Proposal that will be reflected in the Manual, deleting the Proposal under preliminary statements, but retaining it under the Final statements. For the rest of the provisions relating to invoicing, it was agreed to defer the decisions of the RCC pending the BIR's resolution on the matter.
Billing and Settlement Manual (refer to discussions on the Proposed WESM Rules Amendments above)		

244

[redacted]

Following the discussions, the RCC agreed to revise the APC's Proposal as discussed. The Secretariat was instructed to reflect the revisions incorporated by the RCC and send the same to the RCC, for confirmation on the correctness and completeness, before the same is sent to APC for further revisions also based on agreements during the discussions.

The RCC thanked the APC and PEMC representatives at this point.

IV. NEW BUSINESS

1. Issues on the Implementation of the Single WMOT

Mr. Olmedo made a presentation on the issues in the MO's preparation of the single WESM Merit Order Table vis-à-vis the regional implementation by the Luzon and Visayas SO. Mr. Olmedo conveyed that the MO intends to submit a proposal to the RCC amending the MRU-MSU Manual to address such issues.

As a background, the approved MRU-MSU Manual Issue 5.0, incorporated the system-wide Merit Order Table / WESM Merit Order Table (WMOT), and based on definition, all Generators dispatched out of merit based on the WMOT shall fall under the criteria real-power balancing.

However, Mr. Olmedo shared that it arose from the MO-SO meetings, based on concerns conveyed by the SO, that the MOT should not be treated as system-wide given the technical assumption that only Luzon plants can address the system problem in Luzon, and the same with Visayas. Such situation, on the other hand, has certain impact on the commercial side.

Further on the background, Mr. Olmedo stated that the issue on compensation is being raised following the complaints received from several generating units, particularly in the Visayas, who were dispatched based on MOT, but based on their claim, are being paid at a much lower price compared to their fuel cost most of the time. Moreover, the question of the Generators is, what is the payment for Generators dispatched based on MOT? Since there is no specific provision for this, it is assumed that the payment is captured by the ex-post price based on his dispatch.

Thus, to address the issue, PEMC will submit a Proposal for Amendments to the MRU-MSU Manual. Essentially, the proposal is that the SO will still implement the regional MOT, while the MO will validate, using the dispatch deviation report from the SO, whether or not the constrain-on or constrain-off Generator is based on instructions from the SO. Once it is validated that the SO called a certain plant to constrain-on or constrain-off, then MO will declare if the same falls under the MRU.

Below are the highlights of his presentation.

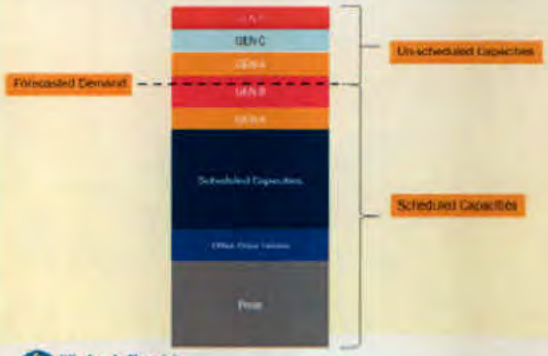
Background on MOT

- The Market Operator provides the System Operator with hourly Merit Order Tables (MOTs) for each trading interval in each grid (Luzon and Visayas)
- The MOT is used by the System Operator as basis for dispatching plants at real-time with the objective of:
  a. Dispatch the least expensive un-scheduled capacity for upward dispatch
  b. Constrain-off the most expensive scheduled capacity for downward dispatch
- Generators that were dispatched based on MOT, particularly the constrained-on plants, will be paid based on ex-post price (imbalance)

Wholesale Electricity Spot Market

288
289

Why pay based on the ex-post price?



Wholesale Electricity Spot Market

290
291

Why pay based on the ex-post price?

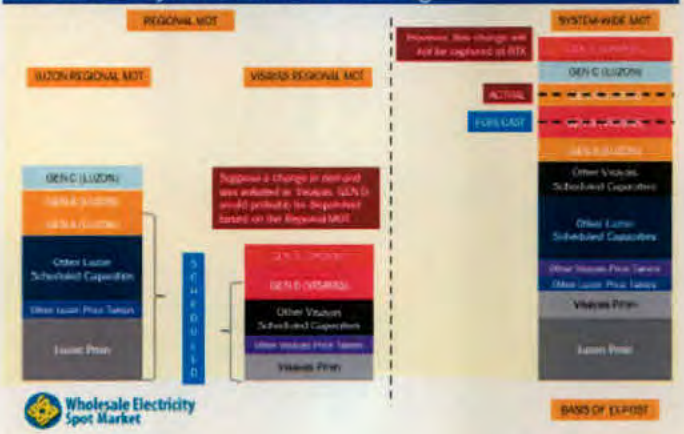


Wholesale Electricity Spot Market

292
293

[redacted]

Previous issues on Regional MOT with WESM's System-Wide Clearing



294
295

How about those dispatched out of merit?

- Generating units that were dispatched "out-of-merit" are normally captured as must-run units based on the following criteria (effective 11 February 2015)
  a. Thermal Limits of T/L and Power Equipment
  b. System Voltage Requirements
  c. Real Power Balance and Frequency Control
- As originally intended in the proposal leading to the MRU/MSU Manual Issue 5.0, generating units that were dispatched "out-of-merit" based on the WESM system-wide MOT shall fall under the criteria of "Real Power Balance and Frequency Control"

Wholesale Electricity Spot Market

296
297

Issues on Implementation of MRU/MSU

- During the MO-SO meetings, the System Operator says that MOTs should not be system-wide, rather should be per grid as originally practiced
- They noted that the system wide MOT shall be of no use to them and may provide confusion on its use
- During the RCC meetings, SO reiterated their concerns that there should be no such system-wide MOT since they are operating the grids on a regional basis (separate operations for Luzon and Visayas), in which the RCC agreed upon
- Hence, the same pricing issues will continue to be experienced in the WESM

Wholesale Electricity Spot Market

298
299

[redacted]

On the part of the MO, the possible resolution that would address the concerns of the generators is for the MO to *"identify those generators that were dispatched by the SO 'out of merit' based on the system-wide MOT."* To elaborate, the SO will still base its dispatch on the regional MOTs for, Luzon and Visayas. Then, the MO will just ask for validation of the SO if there had been dispatch out-of-merit. Further, the MO will confirm, based on the WMOT, if there are indeed generators dispatched out of merit and likewise declare if said Generators fall under the category must-run unit. If the generators are okay with the Proposal, the MO will proceed with the drafting of wordings for the Proposal for amendments to the MRU-MSU manual and subsequently submit it to the RCC.

Mr. Rosales commented that the SO need not validate if a Generator was called out-of-merit since this information can already be determined from the SO report on Dispatch Deviation. Mr. Olmedo responded that the mechanism can be automated such that the MO will just check against the Dispatch Deviation Report of the SO, which indicated the non-compliances and deviations from dispatch, as well as the Generators called as MRU, if the Generator was indeed called as MRU by the SO or mere non-compliance to the SO's dispatch instructions.

Mr. Olmedo clarified that the term "validation" does not necessarily mean that the MO will have to call the SO to ask for validation nor the SO will be required to produce another report, for as long as the information required is already captured in the SO Dispatch Deviation Report. Using the SO report, the MO can already determine and filter out the Generators that were actually called as MRU. He added that based on the current criteria/definition in the Manual, the Generators dispatched out-of-merit in the system-wide MOT shall fall under the criteria real-power balancing. This would cover generators that are out-of merit using the system-wide MOT and in-merit using the regional MOT. Mr. Olmedo reiterated that the validation that will be asked by the MO from the SO does not pertain to the issue of whether or not whether or not the Generator was called out-of-merit, but rather, if the deviation is based on the SO's instruction, in recognition that the Generator, on its own can increase its output without instructions from the SO.

In terms of the implementation of the regional MOT, Mr. Olmedo expressed that the MO recognizes the SO's rationale that the Luzon plants can address system problem in Luzon, and so with Visayas. Thus, there is no sense calling a Generator in the Visayas for Dispatch to address system problem in Luzon, and vice versa.

Following the presentation and the discussions, the RCC thanked Mr. Olmedo. Mr. Castro expressed that the RCC shall await PEMC's formal submission of the Proposal as the specific wordings for the Proposal will provide clarity on the items that may have not been clarified yet during discussions.

Mr. Olmedo stated that once the Proposal is cleared, the MO will proceed with its submission to the RCC.

2. PEMC's Proposed Amendments to the Preferential Dispatch and Fit-All Collection Implementation

The RCC welcomed Mr. Clares Jalocon and Atty. Phillip Adviento of the PEMC-Corporate Planning and Communications Department, who were tasked to present the PEMC's Proposed Amendments to the WESM Rules on Preferential Dispatch and Fit-All Collection Implementation. The presentation of Mr. Jalocon covered the background of Proposal, as well

as the highlights of the Proposed Rules changes. Mr. Jalocon stated that PEMC's submission of Proposed Amendments to the WESM Rules is the first stage of its compliance with the DOE's directives. Once the amendments to the Rules are approved, PEMC's next step is to file for amendments to the relevant market manuals, as follows:

- Registration Manual
- Dispatch Protocol Manual
- Information Disclosure and Confidentiality Manual

At this point, it was decided by the RCC to go through the Proposal line by line after the presentation of Mr. Jalocon, to give the RCC better appreciation of what is being proposed by PEMC as amendments to the WESM Rules.

As a background, the Proposal is in compliance with the DOE's directive to PEMC to amend the WESM Rules and applicable market Manuals in support of the DOE's policy on Preferential Dispatch Implementation, as embodied in the DOE Department Circular DC2015-03-0001. The Proposal is likewise aligned with the ERC's Fit-All Guidelines. The amendments being proposed by PEMC covers the following areas:

- Registration
- Submission of Data
- Scheduling and Pricing
- Dispatch Implementation
- Information Disclosure

Mainly, the Proposal introduces two new categories of Generators: a) Must-Dispatch Generating Units, and b) Priority Dispatch Generating Units. The term "preferential dispatch" is used as a collective term for these two new categories, consistent with the DOE circular.

Below are the comments and discussions that followed.

- Ms. Carabuena remarked that there are hydro plants that would fall under the new categories for preferential dispatch. Thus, she inquired if said categories would be applicable only for new generation facilities or even for the existing ones.

  Mr. Clares Jalocon responded that for PEMC's part, for as long as the plant can provide a certification from the DOE, then the same shall be covered under the new categories. Moreover, Atty. Adviento stated that prior to the passage of the Renewable Energy Act, Generators had the option to convert to RE service contract. Thus, if they opted to undertake that conversion, they can avail of such incentive. However, those plants that did not opt to convert cannot have the privilege specified under the Act.

  Further on the matter, Mr. Sunico raised the reality for one of the plants in their portfolio. He explained that said plant is a run-of-river, but is currently not allowed by the MO to be qualified as unscheduled due to the plant's huge size. Thus, given this peculiarity, he inquired from the MO if their plant will be covered under the new Rules, as he deemed that the way the Proposal is written, it is really for the new plants.

  Again, Atty. Adviento explained that such concern will be covered in the operationalization of the new Rules. He stated that later on, once the Rules amendment are approved, PEMC will likewise amend the Registration Manual and

registration forms, where the must-dispatch and priority dispatch will be incorporated as new categories for Generators. He reiterated that to enable the generator to switch categories, it has to present a certification from the DOE as specified under Section 26 of the RE Act. Said DOE certification specifies that the Generator is entitled to all privileges and incentives under the RE Act. Once the MO obtains the certification from the generator, as part of the registration process, the MO will start the transition of that Generator to the new category, the effectivity date of which is as specified under the DOE's certification.

Ms. Carabuena raised a similar concern relative to the discussions on the effectivity of the switch. She stated that in the case of one of the RE developers in the off-grid area, it took two years from the time it applied ~~from~~ with the DOE before it was issued the required certificate for the switch.

In response, Atty. Adviento stated that PEMC's Proposal is on-grid. Moreover, the date specified under the certificate of registration should be considered as the reckoning date for the Generator requesting for switch, or more clearly, from the change of category. Atty. Adviento emphasized that the application for the change should be prospective and not retrospective.

- Mr. Rosales raised his concerns relative to the hierarchy (see table on Priority Group below) of re-dispatch in the PEMC's proposal. Per his understanding of the PEMC's proposal, when the SO encounters problems in the grid and needs to re-dispatch Generators, it will first call Generators from priority group 5, or the "market offers of scheduled generating units beyond Pmin," to constrain-on or constrain-off up to their Pmin level. Thus, for Mr. Rosales, reading from the prioritization below, the next Generator that will be called to constrain-on or –off would be priority group 1 or the "Pmin f scheduled generating units." Mr. Rosales opined that the next priority for the re-dispatch should be the non-scheduled generating units, instead of the Pmin of scheduled generators, and so on.

Priority Group	
1	Pmin of scheduled generating units
2	Must dispatch generating units
3	Priority dispatch generating units
4	Non-scheduled generating units
5	Market offers of scheduled generating units beyond Pmin

On the contrary, Mr. Jalocon explained that the hierarchy for the re-dispatch would just be the opposite of the prioritization indicated for re-dispatch. Atty. Adviento stated that PEMC merely lifted the prioritization as specified under the DOE Circular.

Atty. Mateo expressed it is possible that Mr. Rosales and PEMC are on the same page, but perhaps, the wording of the Proposal should be more clearly stated to avoid any confusion in the SO's understanding of the Proposal.

- In relation to the proposed WESM Rules Clause 2.3.1.5A, Atty. de Castro inquired how the option indicated in the provision can be exercised in terms of being classified as a scheduled generating unit. Mr. Jalocon responded that as earlier explained, once the DOE issues a certification to the Generator, the latter shall be eligible as must dispatch, provided that in its registration with PEMC, it took that option of being a must-dispatch.

For clarity, Mr. Cacho cited the difference between scheduled and preferential dispatch is that, as a scheduled generating unit, you are able to dictate the price, while must-dispatch and priority dispatch generators are not able to do so. Moreover, preferential dispatch generators are the regarded as the priority in the dispatch.

Atty. De Castro further inquired if such option can be exercised only once, or, the generator is still allowed to change its category. Atty. Adviento responded that the intent of the Proposal is to allow Generators to reclassify upon expiry of its registration after one year. Atty. Adviento expressed that these operational details shall be reflected in the Manual later on.

- Relative to the proposed WESM Rules Clause 3.5.3.7 (also, see diagram below) on the Submission of Bids Offers, and Data—System Operator Data, Mr. Rosales stated that per his understanding of the Proposal, the SO will be required to submit to the MO an aggregated VRE generation at the same time that the SO provides a per facility forecast to the generator. The Generator, at its option, may or may not revise its projected output up to gate closure, while the MO shall use the most recent submission of the Generator of its projected output. In this regard, Mr. Rosales inquired for what purpose the MO is requiring the SO to submit an aggregated variable Renewable Energy (VRE) generation if the same is not being used by the MO for its scheduling.

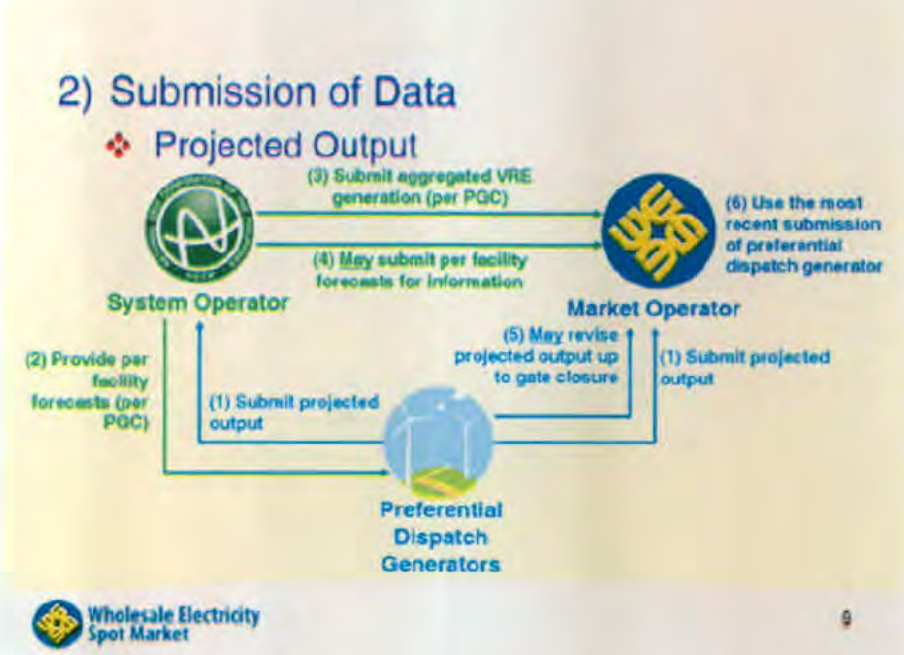
  Mr. Jalocon responded that the PEMC proposal was made to be consistent with the requirements of the Grid Code. He explained that since the System Operator returns the projection to the preferential dispatch generators, possibly with the SO's revisions/validation, these inputs may be considered by the generator in the projected output it will submit to the MO.

  Mr. Rosales stated the Proposal should not simply state that it is for consistency with the Grid Code. He opined that the PGC required the SO's submission of an aggregated VRE generation for a reason, that is, to ensure the security of the Grid. Thus, he expressed that the SO's submission should prevail over what is submitted by the Generators.

  Atty. Mateo commented the SO should perhaps consider coming up with maximum penetration standards that could help solve this issue. Further, Atty. Mateo explained that the matter can also be related to the SO's planning for its Ancillary Services. She stated that the framework of the Proposal is such that it will encourage the production of intermittent resources, which will eventually have an impact of the SO's planning for ancillary. The SO should plan around the maximum capacity it was able to forecast, and should not constrain based on the aggregated forecast. This, she said, explains why the SO intervenes in the schedule of the Generators to reconcile certain differences in the forecast. Atty. Mateo expressed that moving forward, when the SO is able to come up with a state-of-the-art forecasting system that will be reflected in the Grid Code, the market can perhaps develop something else in terms of scheduling. Meanwhile, given certain limitations, the MO's way to work with the requirements of Grid Code is as specified in its Proposal.

  Atty. Adviento, for his part, stated that he believed several consultations were held with all concerned relative to the framework for the implementation of preferential dispatch, including the Grid Management Committee, where the SO sits as a member. Nonetheless, he recognized the concerns raised by Mr. Rosales. Thus, he expressed

that the SO's concerns can be addressed perhaps in the procedures that will be determined later on and reflected in the appropriate market manuals.



- On the proposed WESM Rules Clause 3.5.5.8 on forecast accuracy, Mr. Meneses inquired if a Generator will be penalized if its forecast falls outside the prescribed range of accuracy standards.

  In response to Mr. Meneses, Mr. Jalocon clarified that the penalty is not imposed on a per interval basis. Rather, the determination whether or not the generator exceeds the 18% provision of the Grid Code will be done on an annual basis, and in such case, the Generator may be sanctioned.

- Relative to the discussions, Mr. Cacho clarified that the VRE provision in the Grid Code provides only for solar and wind. In this regard, Atty. Adviento expressed that PEMC will request from the ERC, through GMC, to also set the standards for the ROR.

- Mr. Cacho raised another concern on the possible changes in the optimization due to the occurrence of congestion. He cited for instance, the possibility of having congestion, and at the other side of congestion, there is a must-dispatch and scheduled generator, or, there are two must-dispatch generators. The question now is which one will be prioritized in the market scheduling? Will the schedule be pro-rated vis-à-vis the capacity of the Generators involved? Mr. Cacho expressed that due to this concern, there might be changes in the market optimization that would require amendments to the Price Determination Methodology.

- Under WESM Rules Clause 3.8.3.6, Mr. Rosales suggested, as concurred by the RCC, revising the Proposal, as follows: "The System Operator **may shall** instruct XXX." Mr

Rosales stated that when the grid is not in a normal state, the System Operator shall be allowed to restrict the output or constrain the ramp rate of the preferential dispatch generator.

- On WESM Rules Clause 3.10.6, relative to the Determination of Ex-Post Nodal Energy Price, Mr. Cacho explained that the current determination is based on the nomination, while in the Proposal, this would now depend on actual injection. Thus, the determination in the relevant manual would also be changed.

On this note, the RCC thanked Mr. Jalocon and Atty. Adviento for the presentation of the PEMC's Proposal and the clarifications provided to the RCC

Following the discussions, the RCC approved the publication of the PEMC's Proposed Amendments to the WESM Rules on Preferential Dispatch and Fit-All Collection Implementation, to solicit comments of Participants and interested parties.

3. RCC Semestral Report January to June 2015

The Secretariat discussed briefly the content of the draft Semestral Report of the RCC, as prepared by the RCC Secretariat, covering the period January to June 2015. Said report is due for submission to the PEM Board by end of June 2015. The Secretariat conveyed that the draft semestral report shall be updated to incorporate the discussions of the RCC during the meeting.

Relatedly, the body reviewed and updated the 2015 RCC Work Plan, which is made part of the semestral report. The sector representatives in the RCC provided their inputs in updating the work plan, based on adjustments in the schedule of their submissions of Proposals committed during the RCC planning.

Following the discussions, the RCC approved the RCC Work Plan, subject to the updates that will be incorporated by the Secretariat. Atty. de Castro requested the Secretariat to do the necessary revisions in the RCC Semestral Report for January to June 2015, and route the same to the RCC for final review and comments, before the same is transmitted to the PEM Board. RCC members were requested to give their comments, if any, within 3 days upon the RCC's sending of the revised semestral report and after which, transmit the same to the PEM Board as scheduled. The instructions were duly noted by the parties.

V. OTHER MATTERS

1. Welcoming of Newly-Appointed RCC Independent Member

The RCC welcomed Mr. Juanito Tolentino, the newly appointed Alternate Member representing the DU Sector. Mr. Tolentino serves as the official alternate of Mr. Gilbert Pagobo of Mactan Electric Company (MECO).

VI. NEXT MEETING

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

- 102nd RCC Meeting – 01 July
- 103rd RCC Meeting – 05 August
- 104th RCC Meeting – 02 September
- 105th RCC Meeting – 07 October
- 106th RCC Meeting – 04 November
- 107th RCC Meeting – 02 December

VII. ADJOURNMENT

There being no other matters at hand, the meeting was adjourned around 4:35 PM.

Prepared By:	Reviewed By:	Noted By:
[redacted]	[redacted]	[redacted]
Romellen C. Salazar	**Geraldine A. Rodriguez**	**Elaine D. Gonzales**
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***

Philippine Electricity Market Corporation

Approved by: RULES CHANGE COMMITTEE [redacted] **Maila Lourdes G. de Castro** Chairperson, Independent	
Members:	
[redacted] **Concepcion T. Tanglao** Independent	[redacted] **Francisco L.R. Castro, Jr.** Independent
[redacted] **Isidro E. Cacho, Jr.** Market Operator Philippine Electricity Market Corporation (PEMC)	[redacted] **Ambrocio R. Rosales** Transmission Sector National Grid Corporation of the Philippines (NGCP)
Theo C. Sunico Generation Sector 1590 Energy Corporation	[redacted] **Lorreto H. Rivera** Supply Sector TeaM (Philippines) Energy Corporation
[redacted] **Jose Ferlino P. Raymundo** Generation Sector SMC Global Power	[redacted] **Joselyn D. Carabuena** Generation Sector Power Sector Assets and Liabilities Management Corporation (PSALM)
[redacted] **Jose P. Santos** Distribution Sector (EC) Ilocos Norte Electric Cooperative, Inc. (INEC)	[redacted] **Ciprinilo C. Meneses** Distribution Sector (PDU) Manila Electric Company (MERALCO)
Gilbert A. Pagobo Distribution Sector Mactan Electric Company (MECO)	
	Certified True and Correct: [redacted] **Elaine D. Gonzales** RCC Secretary PEMC