Philippine Electricity Market Corporation

| MINUTES OF THE 102nd MEETING OF THE RULES CHANGE COMMITTEE<br>Regular Meeting No. 2015-07 | |
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| **Meeting Date& Time:** | 01 July 2015 |
| **Meeting Venue:** | 9th Floor PEMC Training Rooms 2&3 |
| **Attendance List** | |
| **In Attendance** | **Not In Attendance** |
| **Committee Members:**<br>Maila Lourdes G. de Castro, Chairperson-- Independent<br>Francisco Leodegario R. Castro, Jr., Member-- Independent<br>Concepcion I. Tanglao, Member -- Independent<br>Joselyn D. Carabuena, Member -- Generation (PSALM)<br>Jose Ferlino P. Raymundo, Member --Generation (SMC) Global<br>Theo Cruz Sunico, Member -- Generation (1590 EC)<br>Ciprinilo C. Meneses, Member -- Distribution (MERALCO)<br>Jose P. Santos, Member – Distribution (INEC<br>Lorreto H. Rivera, Member -- Supply (TPEC)<br>Ambrocio R. Rosales, Member -- System Operator (NGCP)<br>Isidro E. Cacho, Jr., Member -- Market Operator (PEMC)<br><br>**Alternate Member:** | Gilbert A. Pagobo – Distribution--MECO |
| **PEMC**<br>Geraldine A. Rodriguez – MAG<br>Divine Gayle Cruz – MAG<br>Kathleen Estigoy – MAG<br>Caryl Miriam Y. Lopez -- Legal<br>Edward I. Olmedo – TOD<br>Marcial J. Jimenez –TOD | |
| **Others: (DOE/ ERC Observers/Other Resource Persons):**<br>Ferdinand B. Binondo -- DOE<br>Alfie Miras – SNAP<br>Leo Robel, Jr. – SNAP<br>Dominic Pacaba – SNAP | |

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 102nd RCC Meeting was approved, as presented, with changes in the order of discussion/presentation.

## II. REVIEW, CORRECTION AND APPROVAL OF THE MINUTES OF THE 101st RCC MEETING

The RCC reviewed the Minutes of the 101st RCC Meeting held on 03 June 2015 and approved the same with the following revisions.

- **Page 13, line 22: 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.

- **Page 25, line 405: XXX Ms.** Carabuena raised a similar concern relative to the discussions on the effectivity of the switch. She stated that in ~~their case~~ the case of one of the RE developers in the off-grid area, ~~their difficulty lies from the fact that it takes~~ took 2 years from the time it applied ~~from~~ with the DOE before ~~they~~ it ~~are~~ was issued the required certificate for the switch.

- Page 27, line 505: 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.

## 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 presented the revised Proposed Amendments to the WESM Rules on Wholesale Disconnection as a result of the discussions held between members of the Sub-Committee on Wholesale Disconnection and PEMC. As explained by Mr. Sunico, some of the details reflected in the original PIPPA proposal were cut down as these will instead be reflected in the appropriate market manuals later on through another proposal, once the amendments to the Rules are approved. The revised proposal ensures that the terms of physical disconnection for wholesale is implementable, and, as far as possible, the flow between how disconnection is implemented for the wholesale and retail sectors are also harmonized. Finally, the revised proposal clarifies some of the terms used in relation to disconnection.

Below are the discussions arising from the presentation made by Mr. Sunico.

- Atty. Maila de Castro inquired if the term default, specifically in the proposed WESM Rules Clause 2.9.1.2, pertains to financial default only or to other kinds of default as well, such as technical default (grid-related). Mr. Sunico and Mr. Jose Ferlino Raymundo replied that the term default, as used in the proposal, is primarily in consideration of the financial aspect or non-payment.

- Under WESM Rules Clause 2.9.1.4, Atty. de Castro inquired if in the case of multiple parties having grounds for disconnection, any or all of them can request for disconnection. Mr. Sunico responded that any one of the parties may request for

disconnection. Further on provision 2.9.1.4, Atty. Maila suggested revising the wordings, as follows: "If the grounds for disconnection are available to several parties, ~~each~~ **any** party may request for disconnection in accordance with the procedure set forth in *WESM Rules* Clause 2.9.2."

- Relative to the proposed WESM Rules Clauses 2.9.3.2 and 2.9.2.4 where multiple parties are involved, Atty. de Castro inquired on what would be the recourse of a disconnected WESM member or a WESM member for disconnection in instances where the parties already agree, except for one, on the reconnection or on the revocation of disconnection, which disagreement is due to deterioration of the relationship between the parties involved.

  Mr. Sunico responded that such detail is not included as the proposal was merely aligned with the DOE Department Circular on disconnection, which did not also specify such details. He expressed his concern that reflecting the details mentioned by Atty. de Castro may have some implementation issues, such as with regard to informing the NSP what all parties agreed upon, as well as on making it compliant with the contract between parties. He stated that a Generator or Supplier may not be privy of the contract provisions of its Customer with other Generators or Suppliers.

  Atty. de Castro suggested revising the relevant provisions above so as to make the consent for revocation and/or reconnection not necessarily mandatory but ministerial, only in the sense that once a disconnected WESM member or a WESM member for disconnection has complied with the provisions of the rules, then all it has to do is provide its supplier with a document or any supporting data for the consent to be given.

  As a comment to the above suggestion, Mr. Sunico expressed his concern that in cases where there is one other party to verify the need to do the disconnection, this situation gives rise to the question as to who will confirm whether the documentation for disconnection or reconnection is correct.

  To address the above concerns, Atty. Caryl Lopez-Mateo suggested the following wordings (in red font) to be included in WESM Rules Clauses 2.9.2.4 and 2.9.3.2.

  **2.9.2.4 In case the disconnection was requested by multiple parties, the disconnection shall not be implemented when all such parties provide the *Network Service Provider* their written consent to cancel the disconnection, which consent shall not be unreasonably withheld.**

  **2.9.3.2 In case the disconnection was requested by multiple parties, the *WESM Member* shall only be reconnected when all such parties provide the *Network Service Provider* with their written consent to the reconnection, which consent shall not be unreasonably withheld.**

  Atty. Lopez-Mateo expressed that the additional wordings are more descriptive but less binding. Atty. de Castro concurred with the suggested wording provided by Atty. Lopez-Mateo.

- Ms. Concepcion Tanglao inquired on the mechanism that will be used to implement the proposed Clause 2.9.1.2, when a Customer's contract with its existing supplier is about to expire, and said Customer is already in the process of contracting with another party. She was concerned if the proposal provides for a mechanism for transition from the current supplier to the new one.

  In response to Ms. Tanglao's concern, Atty. de Castro stated that such details can be integrated into the appropriate market manual instead of the WESM Rules.

  Mr. Sunico shared that the point of Ms. Tanglao was also one of the points raised during the discussions of the Sub-Committee on disconnection. Ms. Lorreto Rivera expressed that physical disconnection is necessary to facilitate the transfer of obligations or exposure in the following billing month. Otherwise, the supplier will continue to be liable for the exposure especially for the Indirect WESM member with whom it has bilateral contract. Atty. Lopez-Mateo added that the provision provides for a last resort or remedy if the current supplier does not want to continue being charged or exposed in behalf of the Customer, especially when the contract between the two parties is expiring. Thus, to avoid such a situation, what the Customer can do knowing that its contract is expiring, is to get a new supplier ahead of time or register as a Direct WESM member. Mr. Sunico also stated that the proposal also provides for procedures for staying the disconnection that provides a remedy that may address the concern of Ms. Tanglao.

  Ms. Tanglao acknowledged the explanations provided above. Again, she emphasized that the proposal should probably consider the transition period while the Customer is getting a new supplier, to avoid interruption in service that results in a huge impact in the operations, for example, of a manufacturing plant. She thus, requested that such details be considered in the drafting of the proposal in the market manual.

Following the discussions, the RCC approved the posting of the proposal, as revised proposal based on the suggestions discussed, in the WESM market information website to solicit comments of Participants and interested parties. The Secretariat was requested to finalize the matrix of proposed amendments for final confirmation of the RCC on the version that will be published.

The instructions were duly noted by the Secretariat. Atty. de Castro thanked Mr. Sunico for the presentation that he made in behalf of the Sub-Committee in wholesale disconnection.

## 2. Updates from MO-SO on the Study on Dispatch Tolerance

Mr. Edward Olmedo made a follow-up presentation on the result of the further study of MO-SO on dispatch tolerance, per plant, as previously instructed by the RCC. Below are the highlights of his presentation:

1. There is indeed a correlation between the performance of a generating unit with respect to the MW level of its dispatch;

2. Some generators, particularly the large ones, are actually capable of performing way better than the current 3% tolerance. In fact, there may be a need to lower the 3% for large ones;

3. Small generating units are having a hard time complying with the 3% tolerance; and

4. It is suggested that a 1 MW tolerance be used for small generators.

Mr. Olmedo expressed that further study is intended to be undertaken by the MO and SO regarding the impact on pricing and system operations if the +/-3% tolerance limit is relaxed. It is hoped that the study will be presented in the next RCC meetings, upon seeking the necessary clearance from PEMC.

In the course of discussions, the observer from SN Aboitiz Power (SNAP) initially requested for the excel data used by Mr. Olmedo, for their further reference and evaluation. Following this request, the other entities and members of the RCC also inquired if they can be provided with the data and presentation shown by Mr. Olmedo.

Mr. Cacho responded, in relation to the above requests, that the MO may have to check on the provisions on information disclosure and confidentiality before the data is provided to the Generators/RCC. Mr. Olmedo expressed that the request would have to be cleared with PEMC Legal. The RCC concurred and requested the Secretariat to seek legal opinion from PEMC. The instruction was duly noted.

### 3. Proposed Amendments to the MRU-MSU Manual regarding Payment of MSUs to Displaced Generators

Ms. Geraldine Rodriguez stated that relative to the RCC-Proposed Amendments to the MRU-MSU Manual, comments were received from PIPPA, APC, SNAP, and DOE.

As for the DOE's comments, Mr. Ferdinand Binondo expressed that the main point the DOE would like to convey is that the value of the +/-3% dispatch tolerance as referred to in the formula for payment to displaced generators need not be specified under the WESM Rules so as not to give the impression that such value is constant for all Generators. He explained that Generators may actually get different dispatch tolerance levels pursuant to existing provisions of the Rules.

Moving forward, the RCC went through each of the comments submitted by the parties. Below are the RCC's comments and discussions that followed.

- Mr. Raymundo recognized that Section 10.2 pertains to the difference between the MSU and Displaced Generator quantities. He therefore inquired about who will be liable to compensate the Displaced Generator if, for example, the Displaced Generator amount or quantity is larger than that of the MSU.

  Mr. Marcial Jimenez responded that based on the current formula, the concept of pro-rating will be applied to pay the Displaced Generator. Thus, in the case mentioned by Mr. Raymundo when the MSU amount or quantity is less than the MSU, effectively, the deficient amount will still be shouldered by the MSU. As a follow-up, Mr.

Raymundo commented that the MSU should not pay the deficient quantity or amount if such deficiency was not caused by the MSU. Further, Mr. Raymundo raised the case of a Displaced Generator amount or quantity being less than that of the MSU. Mr Jimenez said in response, that the price is still factored in the formula (EAQ-MQ), thus, if the Displaced Generator price is zero, effectively, there is no lost opportunity on its part and it does not need to be compensated by the MSU.

Further on the above, Mr. Raymundo inquired on how the Displaced Generator will be compensated if the cause of its being displaced is the System Operator.

From the MO's perspective, Mr. Cacho stated that the compensation mechanism specified under Section 10.2 is a way of giving incentive to or disciplining Generators for them to comply with their RTD schedules. He opined, therefore, that in the spirit of fairness, regardless if the Displaced Generator amount or quantity is larger than the MSU, the MSU should pay the exactly that amount or quantity.

Mr. Rosales, for his part, stated that there are several factors which cause the displacement of generators. He expressed that the Generators should also consider that there are instances when there will be an MSU but no Displaced Generator, and in such case, everything is absorbed by the reserve, which is a result of the Generator/s not complying with the RTD instructions of the System Operator. Mr. Rosales, thus, expressed his opinion that it should be the MSU who should bear all the costs for non-compliance with the RTD, and not the SO nor the Displaced Generator. Mr. Raymundo acknowledged that based on the explanation of the MO and SO, the current compensation mechanism is actually a form of penalty to the MSU for its non-compliance to the RTD instructions of the SO. On a related note, Mr. Rosales opined that deviations to the 3% dispatch tolerance should not be allowed as this affects in the total injections in the grid.

- Further on Section 10.2, Mr. Meneses raised another issue in relation to the injection of power by renewable energy such as solar and wind. He stated that in the case of one of the Generators whom MERALCO has existing bilaterial contract with, it is frequently being asked to decrease its output due to the increasing output of Renewable Energy (RE) being injected in the grid. Since the REs are enjoying the benefits of being must-dispatch and priority-dispatch, they cannot be penalized to compensate those who were asked to stop or reduce their output. He expressed that the RCC should consider revising the compensation formula under Section 10.2, taking into account the increase in number of REs, which causes some Generators to reduce their output and the clearing price to go down.

In addition to the concern raised by Mr. Meneses, Mr. Cacho likewise stated the possibility for an increase in the reserve requirements due to the additional variability brought about by the REs. He emphasized that such increase in reserve requirements would translate to additional costs that the Customers would have to bear.

- On a related concern, Mr. Raymundo inquired if the Generator that was asked to stop or reduce its output, due to an additional injection of the RE, but did not stop, should be considered as MSU. He opined that the same should not be called a must-stop since it is merely complying with its RTD.

  In response to the above, Mr. Rosales stated that the increasing output of REs and not necessarily the MSU may cause many Displaced Generators. He explained that for priority dispatch generation units, there is a clear protocol that during emergency and when the frequency is already beyond normal, the SO can already instruct a generation unit from the MOT to stop or reduce its output. Must-dispatch generation units, however, are more complicated because their injection to the grid is more unpredictable. For instance, even when a renewable energy source has zero schedule in the market, it can still come in, for instance, with a 100MW injection. Thus, in the absence of downward regulation, the frequency will go up, which would eventually lead the System Operator, as necessary, to require one or more Generators in the MOT to be constrained-off. This explains the instance where there are Displaced Generators but no MSUs. Further, this may also answer the previous concern on why or how the System Operator causes the Displaced Generator. Mr. Rosales expressed that perhaps this problem will be resolved eventually by shortening the dispatch interval to 5 minutes or 15 minutes.

  Mr. Cacho expressed that the on-going proposal for amendments in relation to preferential dispatch, which will be deliberated upon by the RCC in August, specifically address the concerns being raised by the parties. Noting this information, Atty. de Castro requested that the MO already consider the discussions and comments of the body when the matter on preferential dispatch is discussed by the RCC in the next meeting.

- Under Section 10.3, Mr. Raymundo suggested revising the term RTU reading, for consistency, since its unit is in MW, while metered quantity is in MWh. As agreed, the provisions was revised, as follows:

  **To account for the difference of the location of RTU and Meter, the factor "b" is multiplied to the Metered Quantity of the generator. This shall be calculated as the average ratio between the interpolated RTU readings and metered quantities of the generator for one year when it is generating power or with positive values for both RTU and Meter. For new generators without one year historical data, its factor "b" in the interim shall be equal to 1.00 ~~or otherwise provided by generators based on applicable tests.~~**

  The RCC likewise agreed on the inclusion of the definition of "interpolated RTU reading" in the formula.

- At this point Mr. Meneses again raised his concern on Section 1.2 and requested the RCC to defer its decision/approval on this Section only, stating that the settlement formula specified under the Section needs major revisions to consider Variable

Renewable Energy (VRE). He opined that the best solution to address the concern on VREs is to tie it up with the net settlement surplus (NSS), such that all payments by MSUs and compensations for the Displaced Generators wil have to go through the NSS. This is also in recognition that there will always be an imbalance in the amount or quantity between these two.

Mr. Meneses further clarified that his proposal is not necessarily to change the formula, rather, to course through all payments and compensation through the NSS, and not from the MSU directly to the Displaced Generator. He emphasized that all costs will be recovered from the Generators and nothing from the consumer.

Mr. Rosales, for his part, stated that the main objective of this settlement mechanism for the MSU and Displaced is to penalize the non-complying generator—the MSU—that results in Displaced Generators, and sometimes, absorbs the reserve. He opined that these MSUs should in fact be required to pay for the ancillary instead of recovering its costs from the Customers. Mr. Rosales, thus, opined that the one is to one formula should be retained.

In response, Mr. Jimenez stated that there will be instances that the Displaced Generator amount will not be equivalent to that of the MSU, and vice versa, in consideration of the RTD (i.e. EAQ) vis-à-vis the MQ. Further, there are other factors affecting the EAQ, such as the difference in the location of the RTU and meter. As for the suggestion of Mr. Meneses to course the NSS the settlement of the MSU and Displaced Generators, he commented that this may not be feasible since the NSS is currently shared by both the Generators and the Customers.

The RCC noted the above discussions.

In consideration of the request of Mr. Meneses, the RCC agreed to defer its submission of the Proposal to the PEM Board. The RCC requested Mr. Meneses to present his proposal, through a formula, to consider the VREs. Mr. Meneses noted the RCC requested and stated that he will make the presentation in the next RCC meeting.

The rest of the Proposed Amendments to the MRU-MSU Manual, as revised, were approved by the Committee.

**4. RCC-Proposed Amendments to WESM Rules on Standing Bids and Offers: Comments of PIPPA, PEMC, and DOE**

Ms. Rodriguez stated the comments relative to the Proposal were received from PIPPA and PEMC. Additional comments were also received from the DOE.

Below are the result of RCC deliberations relative to the proposal and comments received.

- Mr. Cacho, based on PEMC's comments, suggested the review of other related provisions of the Rules and market manuals (e.g. Dispatch Protocol Manual) in relation to the submission of offers, to ensure consistency. Particularly, the provisions on the cancellation of standing bids/offers specified under the Dispatch Protocol Manual should be revised/deleted if the intent of the RCC-proposal is to ensure that there is always standing offers. He stated that currently, the Dispatch Protocol Manual

provisions specify certain conditions, such as over-generation, wherein Generators may be allowed to cancel their offers.

- Mr. Francisco Castro inquired on how Generators are informed when there is over-generation based on week-ahead and day-ahead projections. Mr. Cacho responded that part of the MO obligations as specified in the manual is to publish/advise participants if the day-ahead (using the 16:00 DAP run) projections indicate over-generation.

- Under Section 3.5.11.6, PEMC suggested additional revisions, as explained by Mr. Cacho, requiring the Trading Participants to submit a written report to the Market Operator with supporting data immediately within the following trading day after the occurrence of a significant event, the objective of which is to facilitate the smooth conduct of investigations by having the data available to the Enforcement and Compliance Office (ECO) given the pro-active submission of such data by the Generators.

  Mr. Raymundo, in reference to the week-ahead horizon, commented that it will be very difficult for the Generator to report any probability of material adverse change in the state of their facilities. Mr. Cacho clarified that the provision stated by Mr. Raymundo is the current provision in the Manual and emphasized that what PEMC is proposing as an additional change is the submission of a post-report.

  Noting that the problem seems to be the week-ahead horizon, Mr. Meneses suggested limiting the coverage of the provision to planned activities only. He agreed that unplanned or unscheduled activities will be very difficult to project.

  Further, Mr. Castro, as concurred to by Mr. Meneses, suggested defining what is significant in the context of the subject provision. Mr. Meneses opined that as worded, the term "significant" may be subject to different interpretations.

  Relative to the discussions, Mr. Rosales stated that if the intent of the proposal is, as stated by Mr. Cacho, that the required report be used for ECO investigations, the provision may be vague and the justification weak since it talks about the week-ahead horizon, within which period many events could take place. Mr. Rosales opined that what the Generators should be required to submit, for purposes of investigation, is not a study but a post-event report specifying, for example, the reasons for the plant outage which led to the adverse effects in the supply capacity.

  Mr. Cacho opined there is no harm providing such advice to the MO and SO as specified in the current provisions of the Manual. He stated that perhaps, the intent of the original rules is that when the plant foresees that it will encounter any problem, then it should inform the MO and SO immediately.

  Following the discussions and to address the concerns of the MO and the Generators, Mr. Meneses suggested rewording the provision for clarity on what report will be submitted and when it should be submitted (see table below for the revised wordings). Further, Mr. Raymundo suggested reviewing the Dispatch Protocol Manual to check for consistency and the justification for the proposal.

- Relative to Section 3.5.5, Mr. Raymundo stated that the requirement of submitting standing offers during scheduled shutdown should be removed, explaining that since it is already known that the Generator will be on shutdown on a certain date within the week ahead horizon, submitting forecasts to the Market Operator for purposes of compliance with the requirement to submit standing offers will only distort the MO's projections. Thus, in these instances, the Generator shall be allowed to cancel its standing offers for the weak-ahead. He stated that the current practice of Generators is to cancel the day-ahead only since Generators are not allowed to cancel week-ahead projections. Further, Generators are allowed to cancel only in instances when there is over-generation, thus, complicating the requirements of the manual even more.

  Mr. Binondo, inquired how the RCC can ensure, given its proposal, that generators will submit their standing offers. For his part, Mr. Binondo opined that if the rationale of the proposal is that standing offers expire due to the limitations of the current MMS, then it will suffice to propose that trading Participants *shall ensure* submission of their standing offers.

  Mr. Raymundo reiterated that the Generators' concern is the accuracy of the week-ahead projection when the submission of offers is required even for Generators that are on scheduled shutdown.

  Mr. Cacho stated that when a plant is on scheduled outage, it is no longer considered in the schedule produced by the Market Operator. Mr. Rosales stated that the Generators should not be concerned about their standing offers during planned outage because the capacity nominated in their standing offers will not be picked up by the MMS when on outage, based on the current hierarchy. Mr. Cacho stated that as long as the MO and SO are informed of the outage schedule of the plant, then its standing offers will no longer be picked up in the scheduling.

Following the discussions, the RCC approved the revised proposal specified below and agreed to endorse the same to the PEM Board, for the latter's approval. The RCC likewise agreed to look into the Dispatch Protocol Manual later on to review the relevant provisions needing revisions for consistency with this Proposal.

| Title | Section | Original Provision | RCC- Approved Amendments |
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| **3.5.5 Generation Offers and Data** | 3.5.5.1 | Each *Scheduled Generation Company* including *Generation Companies* with *bilateral contracts* shall submit a standing *generation offer* for each of its *scheduled generating units* for each *trading interval* in each *trading day* of the week in accordance with the *timetable*. | Each *Scheduled Generation Company* including *Generation Companies* with *bilateral contracts* shall submit a standing *generation offer* for each of its *scheduled generating units* for each *trading interval* in each *trading day* of the week in accordance with the *timetable*. **The standing *generation offer* shall apply until revised or updated by the *Scheduled Generation Company*.** |
| | 3.5.5.4 | Each Non-Scheduled Generation Company shall submit a standing schedule of loading levels for each of its non-scheduled generating | Each Non-Scheduled Generation Company shall submit a standing schedule of loading levels for each of its non-scheduled generating |

| Title | Section | Original Provision | RCC- Approved Amendments |
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| | | units for each trading interval in each trading day of the week in accordance with the timetable. | units for each trading interval in each trading day of the week in accordance with the timetable. **The standing *schedule* shall apply until revised or updated by the Non-*Scheduled Generation Company***|
| **3.5.7 Generation Company Reserve Offers** | 3.5.7.2 | When applicable, subject to clause 3.3.4.2, each *Scheduled Generator* registered as an *Ancillary Services Provider* in respect of a *reserve facility* in a particular *reserve region* shall submit a standing *reserve offer* for each of its relevant *reserve facilities* in respect of that *reserve region* for each *trading interval* for each day of the week in accordance with the *timetable*. | When applicable, subject to clause 3.3.4.2, each *Scheduled Generator* registered as an *Ancillary Services Provider* in respect of a *reserve facility* in a particular *reserve region* shall submit a standing *reserve offer* for each of its relevant *reserve facilities* in respect of that *reserve region* for each *trading interval* for each day of the week in accordance with the *timetable*. **The standing *reserve offer* shall apply until revised or updated by the *Scheduled Generator* registered as an *Ancillary Services Provider*.** |
| 3.5.11 Revision of Market Offers/Bids | 3.5.11.6 | | *Trading Participants* shall immediately advise the *System ~~o~~Operator* and *Market Operator* of any circumstances which threaten a significant probability of material adverse change in the state of their facilities in any *trading interval* of any trading day in the current *week-ahead market horizon*.<br><br>**After the occurrence of the significant event referred to above, the *Trading Participant* shall submit a written report to the *Market Operator* with supporting data immediately within the following trading day.** |
| **APPENDICES Appendix A** | | | |
| **Appendices to Chapter 3** | | | |
| | Appendix A1. | Information to be Supplied with Offers to Supply and to Buy Electricity | xx |
| | **A1.1** | Generation Offer<br><br>Generation offers:<br>(a) Shall include the location of the *connection point* and relevant *market network node*;<br>(b) Shall include the *pricing zone* of the *connection point*,<br>(c) May include up to ten (10) *energy offer* blocks per | Generation Offer<br><br>Generation offers:<br>(a) Shall include the location of the *connection point* and relevant *market network node*;<br>(b) Shall include the *pricing zone* of the *connection point*,<br>(c) May include up to ten (10) *energy offer* blocks per |

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| | | (aggregate) unit. The maximum combined capacity of *generation* and *reserve offers* must not be less than the maximum available capacity of the generator.<br>(d) Shall be for a minimum block size of one (1) MW;<br>(e) Shall have monotonically increasing prices, starting from *zero generation;*<br>(f) May include negative prices;<br>(g) Shall include maximum up/down *ramp rates;*<br>(h) Shall include a validity period of offers (e.g. valid for specified period or valid until offer is revised.); and<br>(i) Shall include an operating range (upper and lower limit). | (aggregate) unit. The maximum combined capacity of *generation* and *reserve offers* must not be less than the maximum available capacity of the generator.<br>(d) Shall be for a minimum block size of one (1) MW;<br>(e) Shall have monotonically increasing prices, starting from *zero generation;*<br>(f) May include negative prices;<br>(g) Shall include maximum up/down *ramp rates;* **and**<br>~~(h) Shall include a validity period of offers (e.g. valid for specified period or valid until offer is revised.); and~~<br>**(h)** ~~(i)~~ Shall include an operating range (upper and lower limit). |
| | A1.2 | **Reserve Offers**<br>Regulation reserve offers from Generators shall consist of:<br>(a) A maximum response level for the relevant reserve category (MW);<br>(b) A minimum and maximum *energy dispatch* level (MW) at which any AGC reserve response will be available;<br>(c) Up to 3 reserve offer blocks per aggregate unit (MW/block);<br>(d) A minimum block size of one (1) MW;<br>(e) Monotonically increasing prices starting from zero for the first offer block, which shall correspond to the mandatory *reserve* capability required from that *Generation Company* under its connection agreement; and<br>(f) Shall include validity period of *reserve offers*;<br><br>Contingency *reserve offers* from *Generation Companies* shall consist of:<br><br>(a) A maximum response level for the relevant *reserve category* (MW);<br>(b) A minimum *energy dispatch* level (MW) at which that maximum *reserve* response will be available; | **Reserve Offers**<br>Regulation reserve offers from Generators shall consist of:<br>(a) A maximum response level for the relevant reserve category (MW);<br>(b) A minimum and maximum *energy dispatch* level (MW) at which any AGC reserve response will be available;<br>(c) Up to 3 reserve offer blocks per aggregate unit (MW/block);<br>(d) A minimum block size of one (1) MW; **and**<br>(e) Monotonically increasing prices starting from zero for the first offer block, which shall correspond to the mandatory *reserve* capability required from that *Generation Company* under its connection agreement . ~~; and~~<br>~~(f) Shall include validity period of *reserve offers*; and~~<br><br>Contingency *reserve offers* from *Generation Companies* shall consist of:<br><br>(a) A maximum response level for the relevant *reserve category* (MW);<br>(b) A minimum *energy dispatch* level (MW) at which that maximum *reserve* response will be available;<br>(c) Up to 3 *reserve* offer blocks per aggregate unit (MW/block); |

| Title | Section | Original Provision | RCC- Approved Amendments |
|---|---|---|---|
| | | (c) Up to 3 *reserve* offer blocks per aggregate unit (MW/block);<br>(d) A minimum block size of one (1) MW;<br>(e) Monotonically increasing prices starting from zero to the first offer block, which shall correspond to the mandatory *reserve* capability required from that *Generation Company* under its connection agreement.<br>(f) Shall include validity period of *reserve offers* and<br>(g) Operating range (upper and lower limit)<br><br>Contingency *reserve offers* from Customers shall consist of:<br>(h) A maximum response level for the relevant *reserve category* (MW);<br>(i) A maximum proportion of the forecast/*scheduled load*, which maybe interrupted<br>(j) Up to 3 *reserve offer* blocks (MW/block)<br>(k) A minimum block size of one (1) MW;<br>(l) Monotonically increasing prices; and<br>(m) Shall include validity period of reserve offers. | (d) A minimum block size of one (1) MW;<br>(e) Monotonically increasing prices starting from zero to the first offer block, which shall correspond to the mandatory *reserve* capability required from that *Generation Company* under its connection agreement ~~.~~ **;** **and**<br>(f) ~~Shall include validity period of reserve offers and~~<br>~~(g)~~ Operating range (upper and lower limit)**.**<br><br>Contingency *reserve offers* from Customers shall consist of:<br>(h) A maximum response level for the relevant *reserve category* (MW);<br>(i) A maximum proportion of the forecast/*scheduled load*, which maybe interrupted<br>(j) Up to 3 *reserve offer* blocks (MW/block)<br>(k) A minimum block size of one (1) MW; **and**<br>(l) Monotonically increasing prices**.** ~~; and~~<br>~~(m) Shall include validity period of reserve offers.~~ |

Briefly, the RCC reviewed the relevant provisions in the Dispatch Protocol Manual. Mr. Raymundo raised that in the current MMS allows for a cancellation facility / cancel feature. Mr. Cacho agreed with Mr. Raymundo that that the MMS indeed has a cancellation facility/ cancel feature. Nonetheless, Mr. Cacho expressed that the Market Operator will review the manual and the MMS and submit the necessary proposal to the RCC later on to tie up the proposed amendments to the rules with the MMS and the relevant manuals. Mr. Raymundo further stated that the current MMS does not allow submission of zero (0) capacity, thus, when the Generator submits its offer, it will be scheduled at its Pmin. Mr. Rosales stated that the limitations stated by Mr. Raymundo can perhaps be addressed in the new MMS.

**5. RCC-Proposed Amendments to the WESM Rules and Market Manuals on Billing and Settlement and Dispute Resolution Management on Verification of MRU Data (with Comments)**

As a background, Ms. Rodriguez stated that the Proposal emanated from the PEM Board directives to the RCC to review the relevant provisions of the Rules and Manuals on the validity of the System Operator's Dispatch Deviation Report within which Participants are supposed to verify and bring up any discrepancy after the MO's publication of the same. Relative to the proposal, comments were received from DOE, PIPPA, APC, and PEMC.

Below are the results of RCC deliberations and subsequent agreements relative to the discussions on the Proposal.

- The RCC adopted PEMC's suggestion to add a provision under WESM Rules Clause 3.5.13.1 on Over-riding Constraints, stating that it is the SO's obligation to submit a report on the actions it has taken related to the dispatch of MRUs and MSUs so as to aid in the proper settlement of said Generators. The proposal likewise requires the affected Generators to validate the same SO report within the prescribed timeline, otherwise, the report shall be deemed final and shall be used for settlement purposes.

- The RCC further agreed to delete certain provisions under the same WESM Clause 3.5.13.1 pertaining to the SO being allowed to relax existing constraints. Mr. Rosales explained that the relaxation of existing constraints is never performed by the SO. He said that if this is done, the SO will effectively push the grid to its limits that may result in blackouts.

- The RCC adopted the PEMC's suggestion to retain the original provision in the Billing and Settlement Manual Section 2, noting that the Trading Participant's responsibility to validate the SO report is already provided for under the WESM Rules. Thus, the RCC's original proposal for amendments to this Section was deleted.

- The RCC adopted the PEMC suggestion to revise Section 7.2.1 of the Dispute Resolution Manual, agreeing that the final SO report shall not be subject for dispute.

- The RCC adopted the PEMC's suggestion to include in the Proposal, the revisions to Section 9.2 of the MRU-MSU Manual, to specify that failure by the Generator to flag the Market Operator of any discrepancy from the SO report within the prescribed time frame deems the same final, which is the subject of the previous PEM Board directives to the RCC .

Following the discussions, the RCC approved the revised proposal for Amendment to the WESM Rules, and Market Manuals on MRU-MSU and Dispute Resolution as specified below, and agreed to endorse the same to the PEM Board, for the latter's approval.

**WESM Rules**

| Title | Section | Original Provision | Proposed Amendments |
|---|---|---|---|
| Chapter 3<br>The Market | | | |
| 3.14<br>SETTLEMENT PROCESS | | | |
| | 3.5.13.1 | 3.5.13.1 Over-riding Constraints<br><br>Subject to clause 3.5.13.3, the *System Operator* may require the *Market Operator* to impose constraints on the power flow, | 3.5.13.1 Over-riding Constraints<br><br>Subject to clause 3.5.13.3, the *System Operator* may require the *Market Operator* to impose |

| | | | |
|---|---|---|---|
| | | 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 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.<br><br>The *System operator*, in consultation with the *Market Operator* and the *Trading Participants*, shall develop the criteria and procedures for dispatch of generating units that are required to run as a result of the imposition or relaxation of constraints stated in the preceding paragraph, and the manner for compensating said units. | 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 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.~~<br><br>The *System* ~~o~~**O***perator*, in consultation with the *Market Operator* and the *Trading Participants*, shall develop the criteria and procedures for dispatch of generating units that are required to run as a result of the imposition or relaxation of constraints stated in the preceding paragraph, and the manner for compensating said units.<br><br>**The *System Operator* shall advise the *Market Operator* of the actions it has taken in relation to the foregoing, including but not limited to information necessary for the proper settlement of affected generating units, and the Market Operator shall publish the said information no later than one (1) week from the relevant trading day. For proper settlement of Must-Run Units and Must-Stop Units, Trading Participants shall review the information and notify the Market Operator of any discrepancies no later than two (2) weeks from the date of the publication, otherwise the information contained in the report shall be deemed final for use in the settlement of Must-Run Units and Must-Stop Units.** |
| | 3.14.8.2 | Disputes in respect of final statements or the supporting data provided with them in accordance with clause 3.14.5 shall be raised | Disputes in respect of *final statements* or the supporting data provided with them in accordance with clause 3.14.5 |

| | | | |
|---|---|---|---|
| | | within twelve months of the relevant billing period. | shall be raised within twelve months of the relevant billing period, **provided, however, that data contained in reports submitted by the *System Operator* pursuant to Clause 3.5.13.1 that have already become final shall not be subject of dispute.** |

## MRU-MSU Manual

| Title/Section | | Original Provision | PEMC Comments / Additional Proposal |
|---|---|---|---|
| **Settlement of Must Run Units** | **9.2** | 9.2 **Verification of MRU Data**<br><br>9.2.1 The System Operator shall submit all reports of MRU events to the Market Operator for purposes of MRU settlement.<br><br>9.2.2 The Generators shall endeavour to validate all System Operator reports of MRU events within two weeks after the Market Operator publishes these reports.<br><br>9.2.3 Discrepancies shall be reported by the Generator to the Market Operator for settlement before the end of the next billing period. | 9.2 **Verification of MRU Data**<br><br>9.2.1 The System Operator shall submit all reports of MRU events to the Market Operator for purposes of MRU settlement.<br><br>9.2.2 ~~The~~ Each Generators ~~shall endeavour to~~ validate **all the data related to MRU contained in the Dispatch Deviation Report and** System Operator Report of MRU events, **as published by the Market Operator in the Market Information Website. and report a**Any discrepancy in these reports shall be reported by the Generator to the Market Operator within two weeks after the Market Operator's ~~publishes~~ **publication of** these reports. **Failure by the Generator to report to the Market Operator any discrepancy within the period defined herein shall render the MRU data relative to the Generator final.**<br><br>~~9.2.3 Discrepancies shall be reported by the Generator to the Market Operator for settlement before the end of the next billing period.~~ |

## Dispute Resolution Manual

| Title/Section | Section | Original Provision | Proposed Amendments |
|---|---|---|---|
| **7.2 Disputes with the MO on Settlement and Payments** | 7.2.1 | 7.2.1 Disputes between a WESM Member and the MO related to a final settlement statement or its supporting data must be referred to the DRA within twelve (12) months from receipt of such final settlement statement and/or its supporting data. The WESM Member shall notify the MO of its dispute of the final statement or part of the supporting data. | 7.2.1 Disputes between a WESM Member and the MO related to a final settlement statement or its supporting data must be referred to the DRA within twelve (12) months from receipt of such final settlement statement and/or its supporting data. The WESM Member shall notify the MO of its dispute of the final statement or part of the supporting data, **provided, however, that data contained in reports submitted by the System Operator pursuant to Clause 3.5.13.1 that have already become final shall not be subject of dispute.** The WESM Member shall notify the MO of its dispute of the final statement or part of the supporting data. |

## IV. OTHER MATTERS

### 1. Schedule of Next BRC and PEM Board Meeting

Ms. Rodriguez informed the RCC of the schedule of the BRC and PEM Board meetings on July 20 and July 23, respectively.

## V. NEXT MEETING

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

- 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

## VI. ADJOURNMENT

521 There being no other matters at hand, the meeting was adjourned around 2:30 PM.

| Prepared By: | Reviewed By: | Noted By: |
|---|---|---|
| [redacted] | [redacted] | [redacted] |
| **Romellen C. Salazar** | **Geraldine A. Rodriguez** | **Elaine D. Gonzales** |
| ***Analyst*** *– Market Governance Administration Unit* ***Market Assessment Group*** | ***Assistant Manager*** *– Market Governance Administration Unit* ***Market Assessment Group*** | ***Manager*** *– Market Data and Analysis Division* ***Market Assessment Group*** |

[redacted]

Philippine Electricity Market Corporation

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



[redacted]