

**Minutes of the 107<sup>th</sup> Meeting of the Rules Change Committee  
Regular Meeting No. 2015-12**

<b>Meeting Date &amp; Time:</b>	02 December 2015 - 9:00 AM to 12:15 PM
<b>Meeting Venue:</b>	Training Room 2 & 3, 9/F Robinsons Equitable Tower, Ortigas Center, Pasig City
<b>Attendance List</b>	
<b>In-Attendance</b>	<b>Not In-Attendance</b>
<b>Rules Change Committee</b>	
<b>Principal Members:</b>	
Maila Lourdes G. de Castro, Chairperson -- Independent	Gilbert A. Pagobo – Distribution—MECO
Francisco Leodegario R. Castro, Jr., Member — Independent	Jose Ferlino P. Raymundo, Member -- Generation (SMC)
Concepcion I. Tanglao, Member – Independent	
Allan C. Nerves – Independent	
Joselyn D. Carabuena, Member -- Generation (PSALM)	
Theo Cruz Sunico, Member -- Generation (1590 EC)	
Jose P. Santos, Member – Distribution (INEC)	
Ludovico D. Lim, Member – DU, ANTECO	
Lorreto H. Rivera, Member -- Supply (TPEC)	
Ambrocio R. Rosales, Member --System Operator (NGCP)	
Isidro E. Cacho, Jr., Member -- Market Operator (PEMC)	
Ciprinilo C. Meneses, Member—Distribution (MERALCO)	
<b>Alternate Members:</b>	
Erwil Bugaoisan, NGCP	
Juanito Tolentino, INEC	
<b>PEMC – Market Assessment Group (MAG)</b>	
Romellen C. Salazar	
Divine Gayle C. Cruz	
Aldjon Kenneth M. Yap	
<b>PEMC – Legal</b>	
Atty. Caryl Miriam L. Mateo	
Atty. Sheryll M. Dy	
<b>PEMC – TOD</b>	
Edward I. Olmedo	



**DOE Observer(s)**Ferdinand B. Binondo  
Lorelei Moya

There being a quorum, Dr. Allan C. Nerves, who was requested to chair the RCC meeting pending the arrival of Chairperson Atty. Maila de Castro, called the meeting to order at around 9:00 AM.

The RCC approved the Agenda for the 107<sup>th</sup> RCC Meeting, as amended.

The Secretariat requested the body to prioritize the discussion of the Proposed Amendment to the WESM Rules on the WESM Design right after the review of the minutes. The Committee agreed with the suggestion.

**1. Reading, Review and Approval of the Minutes of the 106<sup>th</sup> RCC Meeting**

The RCC reviewed the minutes of the 106<sup>th</sup> RCC Meeting held on 04 November 2015 and approved the same, as presented.

Regarding the deliberations on NGCP's comments to the Proposed Dispatch Protocol Manual Issue 12 as recorded in the minutes, the Secretariat reminded the body that it still had to re-discuss portions of the SO's comments and counter-proposals where it has yet to make clear agreements or decisions. The Committee noted the Secretariat's comment.

**2. Matters Arising from the Previous Meetings****2.1 TC's Proposed Amendment to the WESM Rules and Technical Committee Manual Issue 1****• Comments from MERALCO**

Mr. Isidro E. Cacho, Jr. was requested to lead the line by line review and discussion of the Technical Committee's Proposed Amendment to the WESM Rules and Technical Committee Manual Issue 1. The RCC gave their comments which also took into account the comments received from MERALCO as presented by Mr. Ciprinilo C. Meneses.



TC Proposed Amendment	MERALCO Comment	RCC Discussion/Agreements	RCC Proposed Amendment
<p>Section 1 Purpose 1.1 (b) Establish the scope <u>of the assistance to be provided by the Technical Committee to the PEM Board pursuant to 1.1 (c) and the procedures to be observed for the provision of the same.</u> in assisting the PEM Board by providing expertise in relation to:</p> <p>i. <del>Metering Technology and Metering Data;</del> ii. <del>Information Technology and</del> iii. <del>Any other matter of a technical nature relating to the spot market;</del></p>	None		<p>Section 1 Purpose 1.1 xxx (b) Establish the scope <u>of the assistance to be provided by the Technical Committee to the PEM Board pursuant to <b>Section</b> 1.1 (c) and the procedures to be observed for the provision of the same.</u> in assisting the PEM Board by providing expertise in relation to:</p> <p>i. <del>Metering Technology and Metering Data;</del> ii. <del>Information Technology and</del> iii. <del>Any other matter of a technical nature relating to the spot market;</del></p>
<p>Section 3.1 Responsibilities  3.1.2 x x x</p>	<p>3.1.2 x x x (b) Provide a report to the PEM Board on any matter of a</p>	<p>• Mr. Theo C. Sunico stated that the WESM members involved in the subject of a</p>	<p>3.1.2 x x x (b) Provide a report to the PEM Board on any matter of a technical</p>



TC Proposed Amendment	MERALCO Comment	RCC Discussion/Agreements	RCC Proposed Amendment
<p>(b) Provide a report to the PEM Board on any matter of a technical nature relating to any WESM member which in the reasonable opinion of the Technical Committee, causes:</p> <p>i. That WESM Member Participant to be unable to comply with the WESM Rules; or</p> <p>ii. Unintended or distortionary effects to the operation of the WESM;</p>	<p>technical nature relating to any WESM member which in the reasonable opinion of the Technical Committee, causes:</p> <p>i. That WESM Member Participant to be unable to comply with the WESM Rules; or</p> <p>ii. Unintended or distortionary effects to the operation of the WESM;</p> <p><b><u>Provided further that, the concerned WESM Member shall be immediately notified in writing with regard to the result/s of said report and be given the opportunity to dispute the same, if necessary, following the procedures in the Dispute Resolution Manual.</u></b></p>	<p>study should also be provided a copy of such study. He recalled an instance where a study was used as basis by PEMC to justify the classification of one of his company's generators. They formally requested a copy of said study but were not provided of it. Mr. Meneses explained that MERALCO's proposed additional sentence at the end of Section 3.1.2 is supposed to address such concerns.</p> <p>• Atty. Caryl L. Mateo opined that the WESM Dispute Resolution is perhaps not the proper avenue through which to dispute the contents of a TC study. As for the example cited by</p>	<p>nature relating to any WESM member which in the reasonable opinion of the Technical Committee, causes:</p> <p>i. That WESM Member Participant to be unable to comply with the WESM Rules; or</p> <p>ii. Unintended or distortionary effects to the operation of the WESM;</p> <p><b><u>Provided further that, the concerned WESM Member shall be immediately notified in writing with regard to the result/s of said report, and be given the opportunity to dispute the same, if necessary, following the procedures in the Dispute Resolution Manual.</u></b></p>



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		<p>Mr. Sunico, it would be the Market Operator that should perhaps be disputed since it handles the registration of WESM Members. Providing concerned WESM Members a copy of a TC study should already suffice. Mr. Chrysanthus S. Heruela additionally stated that allowing WESM Members to dispute the Technical Committee, or all PEM Committees for that matter, defeats their purpose as they are supposed to be independent.</p> <ul style="list-style-type: none"> <li>Atty. Maila G. de Castro remarked that there is no intention to dispute the Committees' purpose and relevance in the Market, but it</li> </ul>	

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		<p>should also be acknowledged that there should be an avenue for WESM Members to be able to question some reports. She also agreed with Atty. Mateo's view that questioning a study is not something that should be referred to the Dispute Resolution Process right away. After all, such studies are more of an opinion from an independent group.</p>	
<p>3.1.3 Upon request, provide the PEM Board with recommendations on matters the technical adequacy of reports, procedures and strategic proposals referrals to the committee;</p> <p>(a) Assist the PEM Board committees <u>PEM Committees</u> or PEMC <u>with</u> in</p>	None		<p>Upon request, provide the PEM Board with recommendations on matters the technical adequacy of reports, procedures and strategic proposals referrals to the committee;</p> <p>(a) Assist the <b>PEM Board:</b> committees <b>PEM Committees</b> or <b>and</b> PEMC <b>with</b> in any</p>



TC Proposed Amendment	MERALCO Comment	RCC Discussion/Agreements	RCC Proposed Amendment
any request for technical reviews <u>or</u> and studies deemed to be under the expertise of the TC <b>Technical Committee;</b>			request for technical reviews <u>or</u> and studies deemed to be under the expertise of the TC <b>Technical Committee;</b>
<p>Section 3.4 Publication</p> <p>3.4.1 The TC <b>Technical Committee</b> shall publish its <b>annual</b> report and other activities work plan in the WESM information website.</p> <p><b><u>At its option, the TC may publish its technical reports in the WESM information website.</u></b></p> <p>The version of reports for publication should take into account the provisions under Section 6 of this Manual.</p>	<p>3.4.1 The Technical Committee shall publish its annual report in the WESM information website <b><u>within the month of January of the following year.</u></b></p> <p>At its option, the Technical Committee may publish its technical reports in the WESM information website. <b><u>The WESM Helpdesk shall inform WESM Members once the technical report is published in said website.</u></b></p> <p>The version of reports for publication should take into account the provision under Section 6 of this Manual.</p>	<ul style="list-style-type: none"> <li>The RCC took into account the Technical Committee's internal procedure which sets the publication of Governance Committees' annual reports no later than the first quarter of the following year. Mr. Meneses, on behalf of MERALCO, was amenable to the change.</li> <li>The Secretariat informed the Committee that certain requests for the conduct of TC studies may emanate from generators or from the Market Surveillance Committee in aid</li> </ul>	<p>Section 3.4 Publication</p> <p>3.4.1 The TC <b>Technical Committee</b> shall publish its <b>annual</b> report and other activities work plan in the WESM information website <b><u>within the month of January the first quarter of the following year.</u></b></p> <p><b><u>Subject to the provisions under Section 6 of this Manual, -At its option, the Technical Committee may publish its technical reports in the WESM information website. The WESM Helpdesk shall inform WESM Members once the technical report is published in said website.</u></b></p>



TC Proposed Amendment	MERALCO Comment	RCC Discussion/Agreements	RCC Proposed Amendment
		of its investigation of non-compliances. The data used in these studies are understandably confidential, which is why the TC is proposing to leave the publication of the studies at its discretion.	<del>The version of reports for publication should take into account the provisions under Section 6 of this Manual.</del>
<p>Section 4.3 Procedures</p> <p>4.3.7 The completed technical review or study of the TC shall be submitted <u>transmitted to the requesting party</u> within a week after its completion for its information and necessary actions. <u>A copy of the technical review or study may be transmitted to the PEM Board for its information.</u></p>	None	<ul style="list-style-type: none"> <li>Although it is recognized that the proposal emanated from confidentiality concerns, Atty. de Castro stated that the TC's proposal to grant itself the discretion whether to transmit a study to the PEM Board or not seems in contradiction with its mandate to assist the PEM Board. Ms. Lorreto H. Rivera also commented that all Governance Committees are answerable to and therefore should be</li> </ul>	<p>Section 4.3.7</p> <p>The completed technical review or study of the TC shall be submitted <u>transmitted to the requesting party</u> within a week after its completion <u>within two weeks after its completion</u> for its information and necessary actions. <u>A copy of the technical review or study shall be transmitted to the Corporate Secretary for its information and proper action.</u></p>



TC Proposed Amendment	MERALCO Comment	RCC Discussion/ Agreements	RCC Proposed Amendment
		<p>transparent to the PEM Board.</p> <ul style="list-style-type: none"> <li>Mr. Francisco L.R. Castro, Jr. recalled a previous discussion wherein it was established that all reports should be provided to the Corporate Secretary, not necessarily to the individual directors because there might be confidential information.</li> <li>The RCC agreed to re-word the subject provision to reflect that TC studies shall be submitted to the Corporate Secretary of PEMC, who shall then determine to whom the study should be disseminated. It was also agreed that a two-week timeframe be included within which the</li> </ul>	



TC Proposed Amendment	MERALCO Comment	RCC Discussion/Agreements	RCC Proposed Amendment
		completed study should be transmitted to the requesting party.	

In view of the discussions and comments of the body, the RCC approved the Proposed Amendment to the WESM Rules and TC Manual, subject to their revisions.

The Secretariat was instructed to incorporate the revisions of the RCC on the TC proposal and send the revised matrix of proposed amendments through email, for confirmation of the RCC.

#### Action/Agreements:

- a. The RCC approved the TC proposal subject to the revisions made in the same.
- b. For the Secretariat to incorporate the RCC's revisions to the proposal.
- c. For the Secretariat to send the revised matrix of the proposal to the RCC through e-mail for its final confirmation.

## 2.2 PEMC's Proposed Amendment to the Dispatch Protocol Manual

### • Comments from NGCP, MERALCO, Vivant, TC, NLREC and DOE

The Secretariat informed the RCC that additional comments from the DOE were just received earlier in the day, which will then be further consolidated with the comments of the SO and other participants.

However, Mr. Ambrocio R. Rosales requested to defer the discussions regarding the Proposed Amendments to the Dispatch Protocol Manual Issue 11 (Proposed Dispatch Protocol Manual Issue 12), in view of the ongoing proposals from NGCP, which are published for comments of participants. Said proposal from NGCP are intertwined with the Proposed Amendment to the Dispatch Protocol Manual Issue 11 as both cover the intervention and suspension processes and procedures.

In order to harmonize PEMC's and NGCP's proposals, the RCC agreed to defer the discussions on the Proposed Amendment to the Dispatch Protocol Manual Issue 11, as recommended by Mr. Rosales, and include the matter in the RCC's agenda for January.



**Action/Agreements:**

- a. The RCC agreed to defer the discussion on the Proposed Amendment to the Dispatch Protocol Manual in order to harmonize PEMC's and NGCP's proposals with participants' comments to the latter.

**2.3 Updates on MO-SO Meeting with PIPPA**

- **Presentation of Results of Study on Dispatch Tolerance Limits**
- **Direction on the Proposed Re-Dispatch Manual (replacing the MRU-MSU Manual)**
  - The Secretariat informed the RCC that a meeting was held among the SO, MO and PIPPA on 17 November 2015. The objective is for the MO, together with the SO, to present the results of the study on Dispatch Tolerance Limits and the Dispatch Conformance Standards and gather the Generators' inputs for the subsequent drafting of the necessary proposal on dispatch tolerance limits. In the said meeting, various concerns were raised by the PIPPA members. In view of this and given the difficulty of resolving all these concerns in that venue, Mr. Johnny Roxas of PIPPA expressed that PIPPA will officially submit its position on the matter after the PIPPA Board has discussed the matter in its meeting on the 25<sup>th</sup> of November.
  - Mr. Sunico was asked by the RCC for updates regarding the result of the PIPPA board meeting. Mr. Sunico informed the RCC that PIPPA is still on a deciding stage regarding their comments on the Dispatch Tolerance Limits. On the sub-committee discussion that happened, he relayed that one of the decisions made was to consult different operators of different types of technologies to gather comments regarding the proposal which was originally proposed by the MO.
  - Mr. Sunico also expressed that PIPPA intends to work hand in hand with the MO and the Secretariat with regard to the proposed Re-Dispatch Manual. The proposal is in lieu of the MO's Proposed Amendment to the MRU-MSU manual intended to address the issue on payment of re-Dispatched Generators in the Visayas.
  - Mr. Edward I. Olmedo presented to the RCC the outline of the Proposed Re-Dispatch Manual which will be sent to the generators as inputs in the drafting of their proposal as agreed upon in the previous RCC meeting. Mr. Olmedo



informed the RCC that for the drafting, they termed the manual ***“Constrained Dispatch”***. The RCC requested Mr. Olmedo to provide the draft proposal to the Generators through the Secretariat.

### 3. New Business

#### 3.1. RCC Semestral Report for July to December 2015

The Secretariat provided the RCC the draft Semestral Report of 2015 for their review and approval, which is due for submission to the PEM Board by the end of December 2015. The said report contained the accomplishments, on-going tasks and way forward of the RCC.

The RCC reviewed the report and gave their comments. Moreover, the RCC updated the status of proposed amendments in the RCC's 2015 Work Plan, which is appended in the Semestral Report.

Following the RCC's review and discussions, the RCC's Semestral Report for July to December 2015 was approved, subject to the revisions incorporated by the body.

The Secretariat was requested to finalize the report and send its revised version to the RCC through email, for final comments and confirmation. The RCC likewise agreed to give the members three (3) days to comment on the revised report, after which, the same shall be transmitted to the PEM Board.

#### **Action/Agreements:**

- a. For the Secretariat to finalize the report and send the revised version to the Committee for further comments.
- b. For the RCC to submit their comments within three days after the receiving the revised draft Semestral Report.
- c. For the Secretariat to transmit the RCC-approved Semestral Report to the PEM Board.



152 **3.2. Proposed Amendment to the WESM Rules for the Implementation of**  
153 **Enhancements to Market Design and Operations**  
154

155 Mr. Cacho presented PEMC's Proposed Amendments to the WESM Rules for the  
156 Enhancement of the Market Design and Operations. On behalf of the Market  
157 Operator, he requested the Committee to approve the publication of the proposed  
158 changes to the WESM Rules in the Market website to solicit comments from Market  
159 Participants. The RCC was also requested to approve the posting of the proposed  
160 amendment to the associated Market Manuals that will be affected by the WESM  
161 Rules proposal, which are to be submitted by PEMC within the month, by way of e-  
162 mail instead of deferring the approval in the next meeting. Said Market Manuals are  
163 as follows:  
164

- 165 • Price Determination Methodology
- 166 • Dispatch Protocol
- 167 • Constraint Violation Coefficients
- 168 • Criteria and Guidelines for the Issuance of Pricing Error Notices and Conduct  
169 of Market Re-run  
170

171 Mr. Cacho proceeded to expound on the proposed changes to the WESM Rules. As  
172 a background, he informed the body that an independent consultant was  
173 commissioned to undertake a WESM Design Study ("WDS") and address the issues  
174 identified in the market operation audits. A series of public consultations with industry  
175 participants and interested groups were subsequently held to discuss the issues and  
176 recommendations. The resulting WDS report was submitted to the Department of  
177 Energy in 2014, for consideration. The Proposed Amendments for the  
178 Implementation of Enhancements to Market Design and Operations is pursuant to the  
179 DOE Circular 2015-010-0015, issued on November 2015, which essentially provides  
180 the guiding principles, policies and directives for the Market design enhancements  
181 based from the WDS.  
182

183 Further on his presentation, Mr. Cacho identified the areas of the WESM design  
184 wherein major changes were made:  
185

- 186 • Trading and Dispatch interval;
- 187 • Pricing;
- 188 • Settlement;
- 189 • Pricing Errors and Market Re-runs;
- 190 • Market Projections;
- 191 • Load Forecasting Compliance Monitoring;
- 192 • Co-optimization of energy and reserves;



- Information Disclosure; and
- Terminologies

The specific enhancements to the Market design and the resulting discussions that arose were as follows:

Market Feature	Current Design	Proposed Changes	RCC Discussion/ Comments
a. Pmin constraint	None	Removal of Pmin constraint in the MDOM	<ul style="list-style-type: none"> <li>• Mr. Cacho: Pmin is equivalent to the minimum stable load of the generating units. With the removal of the Pmin constraint, the MDOM will now effectively treat all generating units as having "0 Pmin". This implies that the responsibility of being scheduled will now be given to the participants.</li> </ul>
b. Trading and Dispatch Interval	1-hour	Shorter trading and dispatch interval of 5-minutes	<ul style="list-style-type: none"> <li>• Mr. Rosales commented that if the MDOM sees generating units as having 0 Pmin, how could units actually implement being dispatched below their Pmin level, in the event such occurs, in conjunction with the proposed 5-minute dispatch interval? There is no 0 Pmin in reality, but generating units have technical Pmins at which they are unable to go below of. In case a generator is scheduled below its Pmin because of the proposed "0 Pmin", it cannot do so in actuality. This would then ruin the schedules of the other generators.</li> <li>• Mr. Cacho answered that the start-up and shutdown</li> </ul>



Market Feature	Current Design	Proposed Changes	RCC Discussion/ Comments
			<p>procedures will still be the same. The generators have to ensure that they would be scheduled at their Pmin levels via their offers. Should they be scheduled below their Pmin, they have to revise their offers for the next 5-minute interval. That is why there will be a shorter gate closure period. Additionally, Dispatch Conformance Standards are currently under development that would give generators leeway for instances that they could not technically comply with dispatch instructions. Ramping constraints will also still apply.</p> <ul style="list-style-type: none"> <li>Atty. de Castro inquired from Mr. Cacho the rationale for removing the Pmin constraint. Mr. Cacho responded that this part of the proposal aims to discourage generators from choosing not to offer their capacities at Pmin level at all given that being dispatched at such level means being merely a price-taker. There is greater risk that a generator would not be able to recover its operating costs to generate at its Pmin level, especially if it is dispatched during off-peak hours when clearing prices are generally low. Mr. Ferdinand Binondo further explained that</li> </ul>



Market Feature	Current Design	Proposed Changes	RCC Discussion/ Comments
			the main objective is to ensure that there is security of supply. Treating Pmins at 0 would mean that generators will be able to offer their Pmins <i>with</i> pricing, thus encouraging generators to offer their capacities at Pmin level than not offering at all.
c. Pricing	Ex-ante and ex-post	Ex-ante pricing only for every 5-minute trading and dispatch interval	<ul style="list-style-type: none"> <li>• Mr. Ludovico D. Lim asked how ex-ante pricing alone could address instances when there would be tripping inside a DU's sub-transmission network given that there will no longer be ex-post pricing, as proposed. Mr. Cacho responded that the current process would still apply since any dynamic change inside a DUs network will be reflected in whichever market trading node that DU is connected.</li> <li>• Mr. Lim then asked which between the metered quantity or the forecast quantity will be used as the determinant in the pricing. Mr. Cacho answered that it will be the forecast quantity. It is expected that with a 5-minute interval, errors will be minimal.</li> <li>• Mr. Meneses stated that with an exclusive ex-ante pricing, the Total Trading Amount equation should be revised as well. Mr. Cacho agreed and</li> </ul>



Market Feature	Current Design	Proposed Changes	RCC Discussion/ Comments
			explained that the Price Determination Methodology Manual, along with the affected formula, will be submitted for amendment. Atty. Mateo also clarified that for purposes of determining the settlement amount, metered quantity will be used. Mr. Cacho stated that for determination of the price, it would be the forecast quantity.
d. Settlement	Hourly, based on ex-ante and ex-post prices.	Hourly, (for settlement purposes) based on weighted average of the 5-minute ex-ante prices	Mr. Cacho: It is proposed that 1-hour will be referred to as the <i>settlement interval</i> , while 5-minutes will be called as the <i>dispatch interval</i> . Dispatch and schedules will be calculated within the 5-minute dispatch interval, while settlement will be calculated within the 1-hour settlement interval based on the weighted average of the 5-minute ex-ante prices.
e. Pricing Errors and Market Re-runs	Constraint violations results to pricing errors; manual market re-runs	Automatic management of constraint violations through automatic pricing re-runs; no PENs for CVCs	Mr. Cacho: The MDOM will automatically conduct a market re-run to provide the appropriate price whenever a pricing error occurs. There will also be a relaxation of the soft constraints in the MDOM.
f. Market Network Model		Mandatory integration of Distribution Utilities' sub-transmission network, which materially affect dispatch	<ul style="list-style-type: none"> <li>Mr. Cacho: This involves modeling sub-transmission lines of Distribution Utilities (DU), especially large ones, which are identified to affect dispatch and scheduling.</li> <li>Mr. Santos commented that</li> </ul>



Market Feature	Current Design	Proposed Changes	RCC Discussion/ Comments
		schedules and prices in the WESM, into the MNM	<p>there should be a definition of what is considered to be a "material effect" in quantity since there are many DUs having sub-transmission lines.</p> <ul style="list-style-type: none"> <li>• Mr. Cacho responded that there is already a study that more or less sets the criteria to determine which DUs have lines that affect generator scheduling and pricing. It means the flow of electricity within these DUs' sub-transmission lines could result to scheduling and price changes. Another qualification is whether a DU has a meshed network wherein any changes within the network could affect the flow within the interchange substation, which in turn could impact the scheduling and pricing at the transmission level.</li> <li>• Atty. de Castro inquired if large DUs were already consulted as regards the proposal, to which Mr. Cacho responded that on-going discussions with them are being conducted.</li> <li>• Mr. Meneses remarked that modeling DUs' sub-transmission lines will not be necessary any more if the proposed market design enhancement of automated</li> </ul>



Market Feature	Current Design	Proposed Changes	RCC Discussion/ Comments
			<p>pricing correction is implemented. If there is an N-1 violation, for instance, then there will be an automatic market re-run that will get the proper prices.</p> <ul style="list-style-type: none"> <li>Dr. Nerves asked whether wheeling charges or line rental will be paid to the DU if it is integrated in the MNM. Mr. Cacho responded that this would depend on wherever the trading node will be set in the modeling.</li> </ul>
g. Constraint Violation Coefficients (CVCs)		Change the values and priorities of some of the CVCs, including the corresponding values thereof taking into consideration the imminent implementation of the WESM Reserve Market	<ul style="list-style-type: none"> <li>Mr. Cacho clarified that the prioritization of CVCs and their corresponding values is proposed to be revised again.</li> <li>Upon Atty. de Castro's query, Mr. Cacho stated that hopefully, the Reserve Market will be implemented by 2016, starting with the MO beginning the central scheduling of both energy and reserve on 15 December 2015.</li> </ul>
h. Mitigating Measures		Imposition of market price and offer price cap and floor as determined through joint study by the DOE, ERC and PEMC	Mr. Cacho: The Market Management System presently allows a minimum offer of -Php 99,999/MW. The offer price cap meanwhile is currently at Php 32,000/MW. It is proposed that these figures be revised based from the study.



Market Feature	Current Design	Proposed Changes	RCC Discussion/ Comments
i. Market Projections	DAP is run every 4 hours up to 24-hours ahead	DAP is run every hour up to 24-hours ahead with sensitivities	<ul style="list-style-type: none"> <li>Mr. Cacho: The proposed hourly DAP will also forecast prices and schedules that takes into account possible changes in demand.</li> </ul> <p>The proposed HAP will be ran every 5 minutes and cover the next twelve 5-minute intervals that constitute a 1-hour period.</p> <p>The generators are supposed to and are expected to provide more responsive offers based from the proposed projection schemes.</p>
	New	Hour-ahead projections (HAP) to extend the RTD process into the future for a 1 hour period, with the same resolution as the RTD process (5-minutes or 10-minutes).	
j. Load Forecasting	Top to bottom approach, curve-fitting technique	Implementation of nodal-based demand; bottom to top approach	Mr. Cacho: This proposal intends to enhance forecasting. This will now factor-in changes in demand at the nodal level.
k. Compliance Monitoring	Monitoring of dispatch tolerance (compliance to dispatch instructions) and offering of maximum available capacity	Dispatch Conformance Standards	Mr. Cacho: This involves an automated compliance monitoring for energy and reserve.
l. Co-optimization of energy and reserves	Rules provide detailed provisions on SO procurement of A/S and reserve categories	Rules to focus on A/S that are traded in the WESM	Noted by the Committee.
	Reserve	REF to be	



Market Feature	Current Design	Proposed Changes	RCC Discussion/ Comments
	effectiveness factor (REF)	replaced by close monitoring of reserves through the Dispatch Conformance Standards	
m. Information Disclosure		Additional information that will be made available in the Market Participant Interface (MPI) and WESM website	Noted by the Committee.

- Atty. De Castro inquired if there is already a study on the technical enhancements that the generators will be required to invest in to be able to comply with the WESM design changes. Mr. Cacho responded that the report on the 2<sup>nd</sup> Phase of the WESM Design Study, which is published in the Market website, provides such information.
- Mr. Rosales reiterated his concern on the readiness of the generators and the System Operator to actually implement a 5-minute dispatch interval. He inquired the kind of adjustments the generators should make to be able to comply. Mr. Cacho replied that ideally, the generators should be on Automatic Generation Control (AGC). He noted Mr. Rosales' concerns, but stated that these issues will be more fleshed out and addressed when the revisions to the Dispatch Protocol Manual is eventually discussed.
- Atty. de Castro followed-up whether there would be a kind of audit to determine which generators can readily comply. Mr. Cacho admits that, at present, the generators are not adequately prepared for the design enhancements. However, he stated that when the New MMS is rolled-out, trainings, information campaigns, and trial and parallel operations will be conducted so all Market Participants could make adjustments in their processes accordingly.
- Ms. Concepcion I. Tanglao inquired the timeline of the implementation of the enhanced WESM design and if there will be a transition period. Mr. Cacho stated that consultations, trainings and information campaigns are scheduled in 2016. Parallel operations of the current and the enhanced WESM design will be hopefully conducted by January 2017, since the New MMS is targeted to go live on June or July 2017.



- As mentioned, the proposal also calls for the amendment of various Market Manuals, which will be submitted to the RCC within the third week of December 2015 to seek the body's approval of their posting. Mr. Cacho summarized the revisions to the Manuals as follows:

Market Manuals			
Price Determination Methodology	Dispatch Protocol	Constraint Violation Coefficient	PEN-MRR
<ul style="list-style-type: none"> <li>➤ To cover pricing of both Energy and Reserve</li> <li>➤ To include all price-related market features <ul style="list-style-type: none"> <li>• Market Dispatch Optimization Model</li> <li>• Price Substitution Methodology</li> <li>• Administered Price Determination Methodology</li> <li>• Net Settlement Surplus</li> <li>• Must Run Unit</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>➤ To establish the <i>timetable</i></li> <li>➤ To cover the following WESM Manuals: <ul style="list-style-type: none"> <li>• Emergency Procedures</li> <li>• Management Procedure on Excess Generation</li> <li>• Procedure on Start-up and Shutdown of a Generating Unit</li> <li>• Management Procedure for Load Shedding</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>➤ Renaming to a new Manual that will cover the following: <ul style="list-style-type: none"> <li>• Constraint violation coefficients and variables (including relaxation factor)</li> <li>• Automatic pricing re-run mechanisms</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>➤ Market pricing re-run to address pricing errors after automatic pricing re-run</li> </ul>

Proposed Timeline			
Dec 2015 / Q1 2016	Q2 2016	Q3 2016	Q4 2016
<ol style="list-style-type: none"> <li>1. PDM</li> <li>2. Dispatch Protocol</li> <li>3. CVC Manual</li> <li>4. PEN-MRR Manual</li> <li>5. PSM Manual</li> <li>6. APDM</li> <li>7. Segregation of Line Rental</li> <li>8. Net Settlement Surplus</li> <li>9. Ancillary Services</li> </ol>		<ol style="list-style-type: none"> <li>1. Procedures for Re-dispatch (MRU Manual)</li> <li>2. New: Dispatch Conformance Standards</li> </ol> <p>* PDM filing</p>	<ol style="list-style-type: none"> <li>1. Market Network Model - Criteria and Procedures</li> <li>2. Load Forecasting</li> <li>3. Information Disclosure</li> </ol>



Manual		
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Following the presentation, the RCC approved the posting of the Proposed Amendment to the WESM Rules in the Market website to solicit comments to the same. The RCC likewise approved the MO's request to approve the posting of the Proposed Amendment to the relevant Market Manuals, through electronic mail, once these are received by the RCC.

Furthermore, the Secretariat informed the RCC that given the volume of priority proposals for 2016, including those related to the WESM design, the RCC can anticipate several meetings that might be held in a month within the 1<sup>st</sup> and 2<sup>nd</sup> Quarters of 2016. This is in order to comply with the timelines set for the approval of these proposals in time for the commercial operations of the new Market Management System.

**Action/Agreements:**


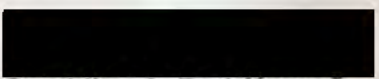
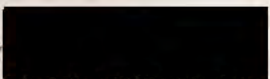
- a. The RCC approved the posting of the Proposed Amendment to the WESM Rules for the Implementation of Enhancements to Market Design and Operations in the Market website to solicit comments from interested parties.
- b. The RCC agreed to the MO's request to approve for posting the Proposed Amendments to the relevant Market Manuals, which will be submitted at a later date, through e-mail once the Committee has received and reviewed the same.

**4. Next Meeting**

The RCC set the schedule of the next RCC meeting (108<sup>th</sup> Regular Meeting) on **13 January 2016 at 9:00 AM**.

**5. Adjournment**

There being no other matter to be discussed, the meeting was adjourned at 12:10 PM

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



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<p>Approved by: RULES CHANGE COMMITTEE</p> <p><b>Maia Lourdes G. de Castro</b> Chairperson Independent</p>	
<p>Members:</p>	
<p><b>Concepcion I. Tanglao</b> Independent</p>	<p><b>Francisco L.R. Castro, Jr.</b> Independent</p>
<p><b>Allan C. Nerves</b> Independent</p>	<p><b>Isidro E. Cacho, Jr.</b> Market Operator Philippine Electricity Market Corporation (PEMC)</p>
<p><b>Ambrosio R. Rosales</b> Transmission Sector National Grid Corporation of the Philippines (NGCP)</p>	<p><b>Joselyn D. Carabuena</b> Generation Sector Power Sector Assets and Liabilities Management Corporation (PSALM)</p>
<p><b>Jose Ferlino P. Raymundo</b> Generation Sector SMC Global</p>	<p><b>Theo C. Sunico</b> Generation Sector Vivant Corporation</p>
<p><b>Ciprinilo C. Meneses</b> Distribution Sector (PDU) Manila Electric Company (MERALCO)</p>	<p><b>Jose P. Santos</b> Distribution Sector (EC) Ilocos Norte Electric Cooperative, Inc. (INEC)</p>
<p><b>Gilbert A. Pagobo</b> Distribution Sector Mactan Electric Company (MECO)</p>	<p><b>Ludovico D. Lim</b> Distribution Sector Antique Electric Cooperative, Inc. (ANTECO)</p>
<p><b>Erreto H. Rivera</b> Supply Sector TeaM (Philippines) Energy Corporation (TPEC)</p>	<p>Certified True and Correct: <b>Elaine D. Gonzales</b> RCC Secretary PEMC</p>

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