



**WHOLESALE ELECTRICITY SPOT MARKET
RULES CHANGE COMMITTEE**

RESOLUTION NO. 2014-15

**Proposed Amendments to the WESM Manual on the
Administered Price Determination Methodology (APDM)**

WHEREAS, the Rules Change Committee (RCC) in the course of its review of the WESM Manual on the Management of Must Run Units (MRU), as directed by the Department of Energy, saw that amendments to the said Manual also entails necessary changes to the WESM Rules and the Manual on Dispatch Protocol and, thus, proposed corresponding amendments to the WESM Rules and the Manual on Dispatch Protocol aligned with its proposed amendments relative to MRUs;

WHEREAS, the RCC noted that such proposed amendments to the WESM Rules and the WESM Manuals on the Management of Must Run Units and Dispatch Protocol entails necessary revisions to the other WESM Manuals to be affected by the Proposal relative to MRUs;

WHEREAS, one of the manuals mapped and identified to be affected by said proposed revisions is the WESM Manual on Administered Price Determination Methodology;

WHEREAS, the RCC, cognizant of the need to harmonize the provisions of the Manual on Administered Price Determination Methodology with what have been proposed in the WESM Rules and the Manuals on the Management of Must Run Units and Dispatch Protocol, proposed corresponding amendments to the WESM Manual on the Administered Price Determination Methodology (Annex A), as follows:

- revisions to section 3 on the conditions for market intervention; and
- new sub-section 4.2.7 on the application of market intervention during grid islanding;

WHEREAS, the proposed amendments were deliberated upon by the RCC in various meeting beginning the last quarter of 2013:

WHEREAS, during the 87th RCC meeting held on 7 May 2014, the RCC approved the publication of the Proposal in the WESM Website to solicit comments from Participants and interested parties;

WHEREAS, the Proposal was published in the WESM Website on 13 June 2014, with notification email sent on 16 June 2014;

WHEREAS, the RCC received comments on the Proposal from SN Aboitiz Power;

WHEREAS, during the 92nd RCC meeting held on 10 September 2014, the RCC deliberated upon the proposal once again, giving due course to the comments received from SN Aboitiz Power;

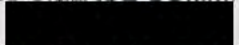
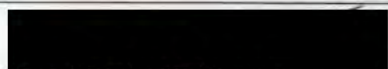
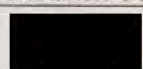
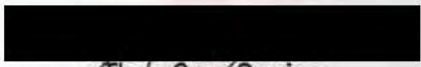
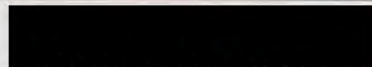
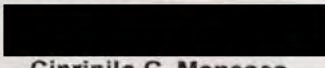
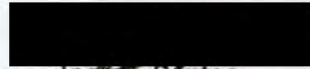
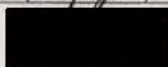
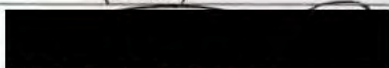

WHEREAS, during the same meeting, the RCC approved the Proposal for Amendments to the WESM Manual on Administered Price Determination Methodology, as revised based on discussions and with due consideration to the merits of the comments received;

NOW THEREFORE, we, the undersigned and in behalf of the sector we represent, hereby resolve as follows:

RESOLVED, that the Proposal for Amendments to the WESM Manual on Administered Price Determination Methodology (Annex B) is hereby approved;

RESOLVED FURTHER, that the attached Proposal for Amendments to the WESM Manual on Administered Price Determination Methodology is hereby endorsed to the PEM Board for its approval.

Done this 10 September 2014, Pasig City.

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

RCC- Proposed Changes to the Administered Price Determination Methodology Manual Annex A

Original Provision	RCC Proposal	Rationale
<p>3. BACKGROUND</p> <p>Under the WESM Rules, the administered price shall be used for settlement in cases where there is intervention in the market by the System Operator or where the market is suspended by the ERC (WESM Rule 6.2.3 and 6.8.3.1). The administered price applies when the Market Operator is not able to generate or determine the price for energy for any given trading interval that intervention or suspension is in effect.</p>	<p>3. BACKGROUND</p> <p>Under the WESM Rules, the administered price shall be used for settlement in cases where there is intervention in the market by the System Operator or where the market is suspended by the ERC (WESM Rule 6.2.3 and 6.8.3.1). The administered price applies when the Market Operator is not able to generate or determine the price for energy for <u>a grid or portion of the grid for</u> any given trading interval that intervention or suspension is in effect.</p>	<p>To harmonize with the proposed Rules Changes</p>
<p>3.1 Conditions for Market Intervention</p> <p>Market intervention by the System Operator is permitted in clause 6.2.1.2 of the WESM Rules when the grid is in extreme state condition arising from (a) an emergency (b) a threat to system security or (c) an event of force majeure.</p>	<p>3.1 Conditions for Market Intervention</p> <p>Market intervention by the System Operator is permitted in clause 6.2.1.2 of the WESM Rules when <u>the a grid or portion of the grid</u> is in extreme state condition arising from (a) an emergency (b) a threat to system security or (c) an event of force majeure.</p>	
<p>3.1 Conditions for Market Intervention xxx</p> <p>Force majeure event is defined in Section 6.7.1 of the WESM Rules as the occurrence in a trading interval of an event or events not within the reasonable control,</p>	<p>3.1 Conditions for Market Intervention xxx</p> <p>Force majeure event is defined in Section 6.7.1 of the WESM Rules as the occurrence in a trading interval of an event or events not within the reasonable control, directly or indirectly, of</p>	

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<p>directly or indirectly, of the Market Operator and the WESM member, to the extent that such event, despite the exercise of the reasonable diligence, cannot be or be caused to be prevented, or removed and has resulted in a reduction in the normal capacity of part or all of the power transmission system during the trading interval and such reduction is likely to materially affect the operation of the spot market or materially threaten system security. Included in the list of force majeure events enumerated in clause 6.7.2 of the WESM Rules are: a) major network trouble that caused partial or system-wide blackout, b) market system hardware or software failure that makes it impossible to receive or process market offer/bid information or dispatch the system in accordance with the WESM Rules and c) any other event, circumstance or occurrence in nature of, or similar in effect to any of the foregoing.</p>	<p>the Market Operator and the WESM member, to the extent that such event, despite the exercise of the reasonable diligence, cannot be or be caused to be prevented, or removed and has resulted in a reduction in the normal capacity of part or all of the power transmission system during the trading interval and such reduction is likely to materially affect the operation of the spot market or materially threaten system security. Included in the list of force majeure events enumerated in clause 6.7.2 of the WESM Rules are: a) major network trouble that caused partial or system-wide blackout, b) market system hardware or software failure that makes it impossible to receive or process market offer/bid information or <u>produce market schedules due to erroneous real-time status input data or</u> dispatch the system in accordance with the WESM Rules and c) any other event, circumstance or occurrence in nature of, or similar in effect to any of the foregoing.</p>	
<p>new</p>	<p><u>4.2.7 Application of Market Intervention during grid islanding</u></p>	
<p>new</p>	<p><u>4.2.7.1 Where market intervention is declared in a portion of a grid ("grid islanding), the administered prices determined according to this Manual shall be applied only to the generators in the islanded portion of</u></p>	

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	<u>the grid where the intervention was declared. The resulting generator trading amounts will be allocated amongst the customers in that islanded portion of the grid.</u>	
new	<u>4.2.7.2 Where market intervention is declared in a portion of a grid, and the generator in that portion of the grid has a bilateral contract quantity with the customer in the part of the grid or region without market intervention, the administered prices determined according to this Manual shall be applied only to the suppliers Ex-Ante price while the Location Marginal Price (LMP) will be the basis for the Ex-Ante price of the customer.</u>	
new	<u>4.2.7.3 Where market intervention is declared in a portion of a grid, and the customer in that portion of the grid has a bilateral contract quantity with the supplier in the part of the grid or region without market intervention, no line rental amount is computed since the allocated settlement amount is inclusive of line rental.</u>	

RCC- Proposed Changes to the Administered Price Determination Methodology Manual Annex B

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3. BACKGROUND Under the WESM Rules, the administered price shall be used for settlement in cases where there is intervention in the market by the System Operator or where the market is suspended by the ERC (WESM Rule 6.2.3 and 6.8.3.1). The administered price applies when the Market Operator is not able to generate or determine the price for energy for any given trading interval that intervention or suspension is in effect.	3. BACKGROUND Under the WESM Rules, the administered price shall be used for settlement in cases where there is intervention in the market by the System Operator or where the market is suspended by the ERC (WESM Rule 6.2.3 and 6.8.3.1). The administered price applies when the Market Operator is not able to generate or determine the price for energy for <u>a grid or island grid</u> for any given trading interval that intervention or suspension is in effect.	To harmonize with the proposed Rules Changes
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<p>directly or indirectly, of the Market Operator and the WESM member, to the extent that such event, despite the exercise of the reasonable diligence, cannot be or be caused to be prevented, or removed and has resulted in a reduction in the normal capacity of part or all of the power transmission system during the trading interval and such reduction is likely to materially affect the operation of the spot market or materially threaten system security. Included in the list of force majeure events enumerated in clause 6.7.2 of the WESM Rules are: a) major network trouble that caused partial or system-wide blackout, b) market system hardware or software failure that makes it impossible to receive or process market offer/bid information or dispatch the system in accordance with the WESM Rules and c) any other event, circumstance or occurrence in nature of, or similar in effect to any of the foregoing.</p>	<p>the Market Operator and the WESM member, to the extent that such event, despite the exercise of the reasonable diligence, cannot be or be caused to be prevented, or removed and has resulted in a reduction in the normal capacity of part or all of the power transmission system during the trading interval and such reduction is likely to materially affect the operation of the spot market or materially threaten system security. Included in the list of force majeure events enumerated in clause 6.7.2 of the WESM Rules are: a) major network trouble that caused partial or system-wide blackout, b) market system hardware or software failure that makes it impossible to receive or process market offer/bid information or <u>produce market schedules due to erroneous real-time status input data or</u> dispatch the system in accordance with the WESM Rules and c) any other event, circumstance or occurrence in nature of, or similar in effect to any of the foregoing.</p>	
<p>new</p>	<p><u>4.2.7 Application of Market Intervention During Grid Islanding</u></p>	
<p>new</p>	<p><u>4.2.7.1 Where market intervention is declared in an island grid ("grid islanding), the administered prices determined according to this Manual shall be applied only to the generators in the island grid where</u></p>	

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	<p><u>the intervention was declared. The resulting generator trading amounts will be allocated amongst the customers in that island grid.</u></p>	
new	<p><u>4.2.7.2 Where market intervention is declared in an island grid, and the generator in that island grid has a bilateral contract quantity with the customer in the part of the grid or region without market intervention, the administered prices determined according to this Manual shall be applied only to the suppliers Ex-Ante price while the Location Marginal Price (LMP) will be the basis for the Ex-Ante price of the customer.</u></p>	
new	<p><u>4.2.7.3 Where market intervention is declared in an island grid, and the customer in that island grid has a bilateral contract quantity with the supplier in the part of the grid or region without market intervention, no line rental amount is computed since the allocated settlement amount is inclusive of line rental.</u></p>	