



**WHOLESALE ELECTRICITY SPOT MARKET
- RULES CHANGE COMMITTEE**

RESOLUTION NO. 2012-08

**Proposed Changes to Appendix A of the WESM Rules
on Minimum Offer Block Size**

WHEREAS, the Philippine Electricity Market Corporation (PEMC) submitted its proposed changes to Appendix A of the WESM Rules on Minimum Offer Block Size to the Rules Change Committee (RCC), for consideration and approval;

WHEREAS, the proposed amendment seeks to reduce the minimum energy offer block size and contingency reserve offer block size from five (5) MW to one (1) MW.

WHEREAS, PEMC submitted the proposal with the justification that the same will enable the small generating units to have the option to register as scheduled generating units and to also actively compete in the WESM;

WHEREAS, during the 65th RCC Meeting held on 01 August 2012, the proposed amendments were presented to the RCC, for discussion;

WHEREAS, the PEMC-TOD was requested to conduct a test/simulation in order to validate whether the MMS will accept in its system the further reduction of the minimum bid block to 0.5 or 0.1 MW and whether fractional increments in the bid blocks would also be acceptable;

WHEREAS, the RCC in the said 65th meeting, agreed to publish the proposed amendments in the WESM website to solicit comments from the market participants and other interested parties;

WHEREAS, during the 66th RCC Meeting held on 05 September 2012, the RCC reviewed and deliberated on the proposed amendments, taking cognizance of the following:

- a) the result of the test/simulation conducted by the PEMC-TOD which verified that the MMS can accept bid blocks for as low as 0.1 MW but up to 1 decimal place only; and
- b) the comment submitted by the Market Surveillance Committee (MSC), with recommendation to change the justification provided in the proposal since the option for generating units with 5MW and below to register as scheduled generating units is already provided for in the Rules and to instead emphasize that Appendix A of the Rules, which defines the minimum block size at 5MW, restricts the said option.

WHEREAS, the representative from System Operations raised the issue on whether very small blocks are practical for re-dispatch, considering the capacity of existing plants;

WHEREAS, the representatives of the generation sector clarified that for their part, the intention for the proposed rules change is to appropriate the most suitable value for its services; and the most efficient way of valuing one's service is if the same can be valued up to the last fraction possible; and also for precision, as some plants, such as some hydroelectric plants, are capable of operating between zero (0) MW and 5 MW with some even able operate up to a single decimal point, i.e. 3.2 MW or .5 MW.

WHEREAS, on the same meeting, after its deliberation on the matter, the RCC agreed as follows:

- a) to further reduce the minimum bid block size from 1MW, as originally proposed, to 0.1MW considering the favorable result of the test/simulation conducted by the PEMC-TOD and to take into consideration this type of plant operations which can operate below 5 MW down to 0.1 MW; and
- b) to change the justification for the proposed rules change, as correctly pointed out by the MSC and to reflect that the justification for the proposal is to allow the generator-trading participants to submit their bids with precision since some plants, such as hydro generating plants, are capable of operating between zero (0) MW and 5 MW and at times can even operate up to a single decimal point, i.e. 3.2 MW or .5 MW, and for its corresponding payment value;

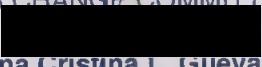
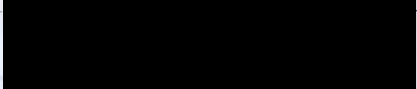
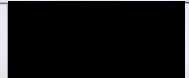
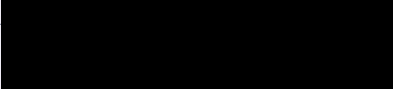
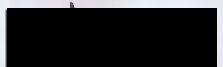
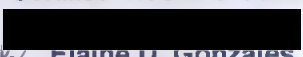
NOW THEREFORE, we, the undersigned and in behalf of the sector we represent, hereby resolve as follows:

RESOLVED, that the proposed amendments to Appendix A of the WESM Rules on Minimum Offer Block Size (attached as Annex'A'), as amended by the RCC are adopted and approved;

RESOLVED FURTHER, that the RCC adopts the above-stated justification for the proposed amendments on the reduction of the minimum offer block size to 0.1MW.

RESOLVED FINALLY, that the proposed amendments to the provisions in Annex A of the WESM Rules on Minimum Offer Block Size be endorsed to the PEM Board for approval.

Done this 05 September 2012, Pasig City. 

Approved by: RULES CHANGE COMMITTEE  Rowena Cristina L. Guevara Chairperson University of the Philippines (UP)	
Members:	
 Epictetus E. Patalingnug Independent University of the Philippines (UP)	 Francisco L.R. Castro, Jr. Independent Tensaiken Consulting
 Maila Lourdes G. de Castro Independent Unitel Productions, Inc.	 Cherry Aquino-Javier Generation Sector AES Philippines (AES)
 Cynthia R. Encarnacion Generation Sector National Power Corporation (NAPOCOR)	 Liberty Z. Dumlao Generation Sector Power Sector Assets and Liabilities Management Corporation (PSALM)
 Ralph T. Crisologo Generation Sector SN Aboitiz Power (SNAP)	Augusto D. Sarmiento Distribution Sector (PDU) Dagupan Electric Corporation (DECORP)
 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)	 Conrado D. Pecjo Supply Sector Angeles Power, Inc.
 Raul Joseph G. Seludo Transmission Sector National Grid Corporation of the Philippines (NGCP)	 <i>with reservation since no simulation wrt market and operational impact was conducted</i> Robinson P. Descanzo Market Operator Philippine Electricity Market Corporation (PEMC)
	Certified True and Correct:  Elaine D. Gonzales RCC Secretary PEMC

Annex 'A'
**Proposed Amendments on the Reduction of the Minimum Energy Offer Block Size
and Contingency Reserve Offer Block Size**

Title	Section	Provision	Proposed Amendment	Rationale	RCC Proposed Amendment	RCC Remarks
Appendix A	A1. Information to be Supplied with Offers to Supply and to Buy Electricity			This is to allow generating units that are below 5 MW (Pmax) to have the option to be registered as a <i>scheduled generating unit</i> and be able to submit energy offers (price & quantity) into the WESM. This will therefore enable small units to have price setting capability into the WESM.		The proposed amendment is supported by the result of the test/simulation conducted by the PEMC-TOD which showed that the MMS can accept minimum bid block as low as 0.1MW up to 1 decimal place only.
	A1.1 Generation Offer	(d) Shall be for a minimum block size of <u>five (5) MW</u> ;	(d) Shall be for a minimum block size of <u>one (1) MW</u> ;	Allowing smaller units to be registered as a <i>scheduled generating unit</i> will enhance competition into the WESM and further encourage the development of smaller units by allowing them to have the option to be registered as either a scheduled generating unit or as a non-scheduled generating unit.	d) Shall be for a minimum block size of <u>one tenth of one (0.1) MW</u> ;	The RCC concurs with the submitted comment of the Market Surveillance Committee that the justification on the option for generating units with 5MW and below to register as scheduled generating units is already provided for in the Rules. What needs to be emphasized is that Appendix A of the Rules, which defines the minimum block size at 5MW, restricts the said option. Rather, the justification for the proposal is to allow the generator-trading participants to submit their bids with precision and for its payment value, since some

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						plants, such as hydro generating plants, are capable of operating between zero (0) MW and 5 MW; and at times can even operate up to a single decimal point, i.e. 3.2 MW or .5 MW. To accurately take into consideration this type of plant operations, the minimum bid block should be lowered from 5 MW to 0.1 MW. For hydro plants, the zero (0) MW value is achieved when the plant operates in a spinning mode with no intake of water.
Appendix A	A1.2 Reserve Offers Contingency reserve offers from <i>Generation Companies</i> shall consist of:	(d) A minimum block size of <u>five (5) MW</u> ;	(d) A minimum block size of <u>one (1) MW</u> ;	This is to allow generating units below 5 MWs to be able to submit contingency reserve offers (price & quantity) into the WESM also.	d) Shall be for a minimum block size of <u>one tenth of one (0.1) MW</u> ;	Approved, as amended.
Appendix A	A1.2 Reserve Offers	Contingency reserve offers from	Contingency reserve offers from <u>Customers</u>	Typographical Correction of the	Contingency reserve offers from	Approved, as proposed.

Title	Section	Provision	Proposed Amendment	Rationale	RCC Proposed Amendment	RCC Remarks
		<i>Generation Companies</i> shall consist of: (h) A maximum response level for the relevant <i>reserve category</i> (MW); (i) A maximum proportion of the forecast/<i>scheduled load</i>, which maybe interrupted (j) Up to 3 <i>reserve offer</i> blocks (MW/block) (k) A minimum block size of one (1) MW; (l) Monotonically increasing prices; and (m) Shall include validity period of reserve offers.	shall consist of: (h) A maximum response level for the relevant <i>reserve category</i> (MW); (i) A maximum proportion of the forecast/<i>scheduled load</i>, which maybe interrupted (j) Up to 3 <i>reserve offer</i> blocks (MW/block) (k) A minimum block size of one (1) MW; (l) Monotonically increasing prices; and (m) Shall include validity period of reserve offers.	WESM Rules (As Amended) version The unamended version indicate “<i>Customers</i>”	<i>Customers</i> shall consist of: (h) A maximum response level for the relevant <i>reserve category</i> (MW); (i) A maximum proportion of the forecast/<i>scheduled load</i>, which maybe interrupted (j) Up to 3 <i>reserve offer</i> blocks (MW/block) (k) A minimum block size of one (1) MW; (l) Monotonically increasing prices; and (m) Shall include validity period of reserve offers.	