

**WHOLESALE ELECTRICITY SPOT MARKET
RULES CHANGE COMMITTEE**

RESOLUTION NO. 2013-04

**Proposed Amendments to the WESM Rules and the WESM Manual on Market
Operator Information Disclosure and Confidentiality Issue 2.0**

WHEREAS, on 20 March 2013, Aboitiz Power Corporation (APC) submitted to the Rules Change Committee (RCC) for consideration and approval, its proposed amendments to the WESM Rules and the WESM Manual on Market Operator Information Disclosure and Confidentiality Issue 2.0;

WHEREAS, WESM Rule 3.15.11 (Confidentiality) provides that "all information provided by a WESM member in relation to its financial circumstances shall be treated by the Market Operator as confidential information in accordance with WESM Rule 5.2, while on the other hand, there are also Permitted Disclosures/Exceptions to confidentiality as provided for under WESM Rule 5.3;

WHEREAS, the proposal aims to extend the exception on confidential information so that affected WESM net sellers will obtain the necessary information regarding their uncollected spot sales from WESM. The said proposed amendments will allow disclosure to the WESM net sellers information on (a) settlements amount not paid; (b) the failure of any WESM member to meet prudential requirement obligations; (c) significant activity on prudential security, including drawings, monthly bills in excess of the security, and failure to top-up after drawings; and (d) any prudential security exceptions or waivers granted;

WHEREAS, during the 73rd RCC Meeting held on 03 April 2013, the proposed amendments were presented by APC to the RCC, for discussion;

WHEREAS, in the same meeting, the RCC agreed to publish the proposal in the WESM public information website to solicit comments from market participants and other interested parties;

WHEREAS, the proposal was posted in the public information website on 03 April 2013 and the notification-email requesting comments from interested parties was issued on the same day;

WHEREAS, the RCC gave due course to the comments submitted by PEMC on the proposal during its 74th Meeting held on 15 May 2013;

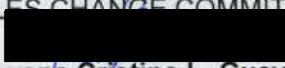

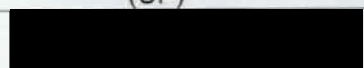

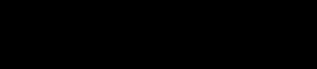
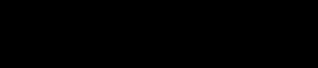


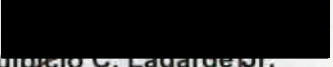

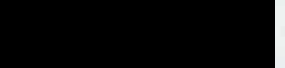

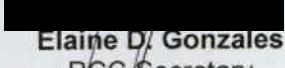
WHEREAS, in the same meeting, the RCC, after its deliberation on the matter, agreed to adopt the proposed amendments, with revisions;

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

RESOLVED, that the proposed amendments to the WESM Rules and the WESM Manual on Market Operator Information Disclosure and Confidentiality Issue 2.0 (attached as Annex "A"), are hereby adopted and approved;

RESOLVED FURTHER, that the above proposed amendment to the WESM Rules be endorsed to the PEM Board for approval.

Done this 15 May 2013, Pasig City.

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|--|---|
| <p>Approved by: RULES CHANGE COMMITTEE  Rowena Cristina L. Guevara Chairperson University of the Philippines (UP)</p> | |
| Members: | |
| <p>Epictetus E. Patalinghug Independent University of the Philippines (UP)</p> | <p> Francisco L.R. Castro, Jr. Independent Tensaiken Consulting</p> |
| <p> Maria Lourdes G. de Castro Independent</p> | <p> Cherry Aquino-Javier Generation Sector AES Philippines (AES)</p> |
| <p>Cynthia R. Encarnacion Generation Sector National Power Corporation (NAPOCOR)</p> | <p> Liberty Z. Dumiao Generation Sector Power Sector Assets and Liabilities Management Corporation (PSALM)</p> |
| <p> Augusto D. Sarmiento Distribution Sector (PDU) Dagupan Electric Corporation (DECORP)</p> | <p> Ciprinilo C. Meneses Distribution Sector (PDU) Manila Electric Company (MERALCO)</p> |
| <p> Jose P. Santos Distribution Sector (EC) Ilocos Norte Electric Cooperative, Inc. (INEC)</p> | <p> Stiprilo C. Lagarde Jr. Distribution Sector (EC) Central Negros Electric Cooperative, Inc. (CENECO)</p> |
| <p> Conrado D. Pecjo Supply Sector Angeles Power, Inc</p> | <p></p> |
| <p>Raul Joseph G. Seludo Transmission Sector National Grid Corporation of the Philippines (NGCP)</p> | <p> Robinson P. Descanzo Market Operator Philippine Electricity Market Corporation (PEMC)</p> |
| | <p>Certified True and Correct:  Elaine D. Gonzales RCC Secretary PEMC</p> |

Annex "A"

**Proposed Amendments to the WESM Rules and
Information Disclosure and Confidentiality Manual**

1. WESM Rules

| Current Provision | Proposed Amendment (APC) | Proposed Amendment (RCC) | Rationale |
|--|---|--|--|
| 5.3.2 Exceptions Subject to clause 5.3.3.1, this clause 5.3 does not prevent: (a) x xx (i) The disclosure of information to the <i>ERC</i> and <i>DOE</i> and any other government authority having jurisdiction over a <i>WESM member</i> pursuant to the <i>WESM Rules</i> or otherwise. | 5.3.2 Exceptions Subject to clause 5.3.3.1, this clause 5.3 does not prevent: (a) x xx (i) The disclosure of information to the <i>ERC</i> and <i>DOE</i> and any other government authority having jurisdiction over a <i>WESM member</i> , pursuant to the <i>WESM Rules</i> or otherwise. (j) <u>The disclosure of: (i) settlement amounts unpaid by due date; (ii) the specific <i>WESM member</i> which failed to pay the settlement amounts, and (iii) other related information (confidential or otherwise), to each of the affected <i>WESM members</i> within fifteen (15) business days after the release of the Final Statement.</u> | 5.3.2 Exceptions Subject to clause 5.3.3.1, this clause 5.3 does not prevent: (a) x xx (i) The disclosure of information to the <i>ERC</i> and <i>DOE</i> and any other government authority having jurisdiction over a <i>WESM member</i> pursuant to the <i>WESM Rules</i> or otherwise. (j) <u>The disclosure of: (i) settlement amounts unpaid by the end of each month, and (ii) the specific <i>WESM member</i> that failed to pay the settlement amounts.</u> | The proposal is to disclose unpaid settlement amounts of net buyers as well as their identities to the net sellers at the indicated cut-off date from which such unpaid settlement amounts shall be reckoned. In this regard, we propose that the cut-off be set as the end of each month, to be defined and provided in the Manual. This is consistent with the financial closing of the books of the net sellers. Further, the MO shall provide the requested information to each net seller in accordance with its share in the unpaid amount within fifteen (15) business days after the end of each month. |
| 5.3.2 Exceptions Subject to clause 5.3.3.1, this clause 5.3 does not prevent: | 5.3.2 Exceptions Subject to clause 5.3.3.1, this clause 5.3 does not prevent: | 5.3.2 Exceptions Subject to clause 5.3.3.1, this clause 5.3 does not prevent: | The proposal simplifies the original submission to simply refer to those <i>WESM members</i> that fail to maintain the proper level of prudential security, |

Annex "A"

**Proposed Amendments to the WESM Rules and
Information Disclosure and Confidentiality Manual**

| Current Provision | Proposed Amendment (APC) | Proposed Amendment (RCC) | Rationale |
|--|--|---|--|
| <p>(a) x xx</p> <p>(i) The disclosure of information to the <i>ERC</i> and <i>DOE</i> and any other government authority having jurisdiction over a <i>WESM member</i> pursuant to the <i>WESM Rules</i> or otherwise.</p> | <p>(a) x xx</p> <p>(i) The disclosure of information to the <i>ERC</i> and <i>DOE</i> and any other government authority having jurisdiction over a <i>WESM member</i> pursuant to the <i>WESM Rules</i> or otherwise.</p> <p>(k) <u>the disclosure of information (confidential or otherwise) in relation to: (i) any failure of a <i>WESM member</i> to meet prudential requirement obligations to the <i>Market Operator</i> including <i>WESM members</i> with no prudential security or who did not renew their security; (ii) any prudential security exemptions or waivers given by the <i>Market Operator</i> to the <i>WESM member</i>; (iii) any drawings on the prudential security of a specific <i>WESM member</i>; (iv) any month-end billing exceeding the value of the prudential security, and (v) any failure to top-up a prudential security after it is drawn.</u></p> | <p>(a) x xx</p> <p>(i) The disclosure of information to the <i>ERC</i> and <i>DOE</i> and any other government authority having jurisdiction over a <i>WESM member</i> pursuant to the <i>WESM Rules</i> or otherwise.</p> <p>(k) <u>The disclosure information (confidential or otherwise) in relation to: (i) any failure of a <i>WESM member</i> to meet prudential requirement obligations to the <i>Market Operator</i>, which resulted in margin calls, and (ii) any prudential security exemptions or waivers given by the <i>Market Operator</i> to a <i>WESM member</i>.</u></p> | <p>and which resulted in margin calls.</p> <p>As regards (ii) on some information relating to prudential security, exemptions or waivers, we propose that an initial list be provided to the <i>WESM members</i>, and only updates, if any, shall be provided on a regular basis.</p> <p>For the APC's proposed (iii), (iv), and (v), the RCC resolved for its deletion from the final proposal on the following grounds:</p> <p>As regards (iii), disclosure of drawings on prudential security of any <i>WESM member</i> is not necessary as proposed by APC. As stated in the <i>WESM Rules</i>, if the amount paid by a net buyer is insufficient to cover its settlement amount obligation for a particular billing period, the <i>MO</i> shall draw from that net buyer's prudential security an amount sufficient to cover the shortfall. Thus, upon payment to the <i>WESM net seller</i> of an amount sufficient to cover the total payables to that net seller, regardless of whether funds had to be drawn from the net buyer's prudential security, the creditor-debtor relationship would not arise. In this case, the replenishment of prudential security shall be coordinated.</p> |

Annex "A"

**Proposed Amendments to the WESM Rules and
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| Current Provision | Proposed Amendment (APC) | Proposed Amendment (RCC) | Rationale |
|-------------------|--------------------------|--------------------------|--|
| | | | <p>between the WESM member obliged to maintain such security and the MO, with no involvement from the net sellers.</p> <p>As regards (iv), disclosure of information on month-end billing is not necessary. The fact alone that any month-end billing to a particular WESM load customer exceeds the value of its prudential security would not automatically adversely affect the WESM members supplying to such load customer, since the latter can make payments covering the entire amount of its settlement obligation. In such case, there would be no need to draw from the load customer's prudential security.</p> <p>As regards (v), this information is already contained in the Suspension Notice to be issued by the MO to a WESM member that fails to pre-pay or top-up its prudential security, after a margin call is made. The Suspension Notice is published in both the newspaper and the Market Information Website.</p> |

Annex "A"

**Proposed Amendments to the WESM Rules and
Information Disclosure and Confidentiality Manual**

2. WESM Information Disclosure and Confidentiality Manual

| Current Provision | Proposed Amendment (APC) | Proposed Amendment (RCC) | Rationale |
|--|--|--|-----------------------|
| <p>5.3 Permitted disclosures/ exceptions to confidentiality</p> <p>5.3.1. x xx</p> <p>5.3.3. The confidential information disclosed pursuant to the foregoing Sections shall, however, retain its confidentiality status and the recipient is obliged to maintain confidentiality as provided for in this Manual.</p> | <p>5.3 Permitted disclosures/ exceptions to confidentiality</p> <p>5.3.1. x xx</p> <p>5.3.3. <u>Information (confidential or otherwise) on: (i) settlement amounts unpaid by due date; (ii) the specific WESM member which failed to pay the settlement amounts; (iii) and other related information, shall be disclosed to each of the affected WESM members within fifteen (15) business days after the release of the Final Statement.</u></p> <p>5.3.4. <u>Information (confidential or otherwise) in relation to: (i) any failure of a WESM member to meet prudential requirement obligations to the Market Operator including WESM members with no prudential security or who did not renew their security; (ii) any prudential security exemptions or waivers given by the Market Operator to the WESM member; (iii) any drawings on the prudential security of a specific WESM member (iv) any month-end billing exceeding the value of the</u></p> | <p>5.3 Permitted disclosures/ exceptions to confidentiality</p> <p>5.3.1. x xx</p> <p>5.3.3. <u>Information on (i) settlement amounts unpaid by the end of each month, and (ii) the specific WESM member that failed to pay the settlement amounts shall be disclosed by the Market Operator.</u></p> <p>5.3.4. <u>Information in relation to: (i) any failure of a WESM member to meet prudential requirement obligations to the Market Operator, which resulted in margin calls, and (ii) any prudential security exemptions or waivers given by the Market Operator to a WESM member.</u></p> <p>5.3.5. The confidential information disclosed pursuant to the foregoing Sections shall, however, retain its confidentiality status and the recipient is obliged to maintain confidentiality as provided for in this Manual.</p> | <p>Same as above.</p> |

Annex "A"

Proposed Amendments to the WESM Rules and
Information Disclosure and Confidentiality Manual

| Current Provision | Proposed Amendment (APC) | Proposed Amendment (RCC) | Rationale |
|-------------------|--|--------------------------|-----------|
| | <p><u>prudential security; and (v) any failure to top-up a prudential security after it is drawn, shall be disclosed by the Market Operator to each of the affected Market Trading Participants within fifteen (15) business days after the release of the Final Statement.</u></p> <p>5.3.5. The confidential information disclosed pursuant to the foregoing Sections shall, however, retain its confidentiality status and the recipient is obliged to maintain confidentiality as provided for in this Manual.</p> | | |

Market Information Catalogue

| Market Information | | | Information Access | | | |
|--|--|--------------------------|---------------------|--|--------------------------|--|
| Category | Specific Information | Information/ Data Source | Classification | Recipient | Means of Provision | Publication Timeline |
| Registration and Market Participation Data | Prudential security information (i.e. trading limits, net exposure, prudential security deposit form and amount) | Market Operator | Confidential | Data owner and exceptions under WESM Rules 5.3.2 | Electronic copies | N/A |
| | <u>WESM member that receives a margin call from the Market Operator</u> | <u>Market Operator</u> | <u>Confidential</u> | <u>Data owner and exceptions under WESM Rules 5.3.2(k)</u> | <u>Electronic copies</u> | <u>On the 15th business day of the month at the end of each quarter of the calendar year*</u> |

Annex "A"

**Proposed Amendments to the WESM Rules and
Information Disclosure and Confidentiality Manual**

| Market Information | | | Information Access | | | |
|--------------------|--|--------------------------|---------------------|--|--------------------------|---|
| Category | Specific Information | Information/ Data Source | Classification | Recipient | Means of Provision | Publication Timeline |
| | <u>Prudential security exemptions or waivers</u> | <u>Market Operator</u> | <u>Confidential</u> | <u>Data owner and exceptions under WESM Rules 5.3.2(k)</u> | <u>Electronic copies</u> | <u>Within five (5) business days from the occurrence of the exemption or waiver</u> |
| X X X | X X X | X X X | X X X | X X X | X X X | X X X |
| Settlements | Settlement amounts, including energy, reserve amounts identifiable to a specific trading participant or WESM member | Market Operator | Confidential | Data owner and exceptions under WESM Rules 5.3.2 | Electronic copies | N/A |
| | <u>Unpaid settlement amounts as of month-end, specific WESM member that failed to pay settlement amounts as of month-end</u> | <u>Market Operator</u> | <u>Confidential</u> | <u>Data owner and exceptions under WESM Rules 5.3.2(j)</u> | <u>Electronic copies</u> | <u>Within fifteen (15) business days after the end of each month</u> |
| | X X X | X X X | X X X | X X X | X X X | X X X |

*This timeline is consistent with PEM Board Resolution No. 2013-14 dated 31 March 2013 approving the reduction of the level of Prudential Requirement to thirty-five (35) days to cover the 30-day settlement amount (SA) that will be due, plus five (5) days contingency. Said resolution also approved the new basis for the monthly assessment of Actual Exposure (AE), which shall be the Preliminary Statement or available settlement data.