MINUTES OF RULES CHANGE COMMITTEE Regular Meeting No. 2016-06	
Meeting Date & Time:	27 April 2016, 9:00 AM to 1:00 PM
Meeting Venue:	19/F Conference Room, Robinsons Equitable Tower, Ortigas Center, Pasig City

Attendance List

In-Attendance	Not In-Attendance
Rules Change Committee **Principal Members:** Francisco Leodegario R. Castro, Jr., Member—Independent Concepcion I. Tanglao, Member–Independent Allan C. Nerves, Member –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) **Alternate Members:** Juanito Tolentino – Distribution (MECO)	Maila Lourdes G. de Castro, Chairperson—Independent Jose Ferlino P. Raymundo – Generation (SMC Global) Gilbert A. Pagobo – Distribution (MECO) Ciprinilo C. Meneses – Distribution (MERALCO)
PEMC – Market Assessment Group (MAG) Geraldine A. Rodriguez Divine Gayle C. Cruz Aldjon Kenneth M. Yap Kathleen R. Estigoy **PEMC – Legal** Atty. Sheryll M. Dy **PEMC – CPC** Jonathan dela Vina	

DOE Observer(s)

Ferdinand B. Binondo
Lorelie Baguio-Moya

There being a quorum, Mr. Francisco Castro Jr., who was assigned to chair the RCC due to the unavailability of Atty. Maila De Castro, commenced with the meeting at approximately 10:00 AM.

The RCC reviewed the proposed agenda for the 113th RCC meeting. Mr. Castro proposed to go through the pending proposals first so that the RCC can decide on the disposition of the said pending proposals. Mr. Ambrosio Rosales agreed to this recommendation and suggested finishing all other agenda matters before proceeding to the discussion of the Dispatch Protocol (DP) Manual. Ms. Geraldine Rodriguez added that there are still pending proposals to the Dispatch Protocol Manual with respect to co-generation facilities and dispatch tolerance which the RCC requested to be posted for the comments of WESM Participants. The Secretariat also added that part of the agenda is the proposal from PEMC on the DP Manual in line with the preferential dispatch, which commenting period had already lapsed.

Mr. Ludovico Lim suggested to also tackle the proposed amendments regarding Site Specific Loss Adjustment (SSLA) in the RCC's current meeting since the proposed change is only for a single provision. Ms. Divine Gayle Cruz, however, informed the RCC that Mr. Renato Afurong of PEMC would not be available for the day and thus, requested for the rescheduling of the discussion of the SSLA proposed amendments in the next RCC meeting so he can discuss their position on the matter. Considering the said request, the RCC agreed to have the matter discussed in the next RCC meeting.

Noting all the agreements with respect to the agenda, the RCC subsequently approved the proposed agenda as revised.

1. Reading, Review and Approval of the Minutes of the 112thRCC Meeting

The RCC reviewed and approved the minutes of the 112th RCC Meeting held on 30 March 2016, as amended.

[redacted]

2. Matters Arising from the Previous Meetings

2.1. Proposed Amendments to the Dispatch Protocol Manual from PEMC (Proposed Issue 12) and Technical Committee (Amendments to Issue 11 on Market Intervention) – comments from PEMC, NGCP, MERALCO, Vivant, Technical Committee and North Luzon Renewables

Ms. Cruz informed the RCC that the commenting period for PEMC's proposal on the DP Manual relating to preferential dispatch has already lapsed last 26 April 2016. She likewise stated that in line with the holistic discussion of the proposed amendments to the said DP Manual, the Secretariat will incorporate the comments gathered from the participants and merge it with the current proposals that are subject for discussion. Ms. Cruz also added that the counter-proposal of the RCC regarding the co-generation facilities and dispatch tolerance is also on queue for deliberation of the RCC upon its commenting period's termination. Furthermore, Ms. Cruz suggested that since the proposal on the DP Manual relative to co-generation facilities and dispatch tolerance will not affect the presently discussed amendments, it may then be considered after the approval by the RCC of Issue 12 of the DP Manual. The RCC agreed to the proposal and approved to have the discussion deferred for the next RCC meeting.

Agreement/ Action Plans:
Deferred for the next scheduled RCC meeting

2.2. Deliberation on the Proposed Amendments to the WESM Manual on Metering Standards and Procedures regarding Site-Specific Loss Adjustment – comments from DOE, PEMC, MERALCO, APC, SNAP and PHILRECA

Agreement/ Action Plans:
Deferred for the next scheduled RCC meeting as requested by PEMC and with concurrence by the RCC

2.3. Deliberation on the Proposed Amendments to the WESM Rules regarding BCQ Declaration and Line Rental Calculation – comments from DOE, MERALCO, APC, FirstGen, SNAP and RESA

Mr. Jonathan dela Viña presented PEMC's response to the comments received from DOE, MERALCO, APC, FirstGen, SNAP and RESA. Based from the comments, it appeared that

the conditions allowing ex-post re-declaration will need to be clarified in the proposal. Mr. Ferdinand Binondo raised his concerns about this, stating that the amendments that were previously applied to the WESM Rules have already removed the provisions on re-declarations. Mr. Isidro Cacho Jr. explained that the previously removed provision was about re-declaration after interval D+1, while the current amendment would provide provisions for re-declaration on interval H-1 to avoid possible market gaming.

Mr. Binondo further added that DOE's proposal is to convert the declarations to percentages of the requirements of the customer, this way no conditions are needed to allow re-declarations because the customer will be nominating to the generator and afterwards the generator shall merely check if its contract can cover the nomination, otherwise decline the nomination. Mr. Castro then inquired about the conditions on the possibilities for re-declaration. Mr. dela Viña stated that conditions have yet to be specified and are intended to be included in the Billing and Settlements Manual, not in the WESM Rules. He added that further inputs from stakeholders are needed to come up with the list of conditions. Mr. Binondo suggested that if this shall be the case, it would be systematic if the proposals are discussed in a holistic manner for a better appreciation of the proposal. In this regard and in agreement with the comment of Mr. Binondo, the RCC requested PEMC to provide a general list of conditions when re-declaration may be allowed. PEMC agreed to provide an initial or general list of conditions in the next meeting as further inputs to the deliberations.

Please see the attached Annex A for PEMC's response to the comments of the market participants

Agreement/ Action Plans:
PEMC to revise the proposal and enumerate the conditions on when the re-declaration shall be allowed.

3. Other Matters

3.1. Pending Proposals

a) Proposed Amendment to the WESM Rules and WESM Manual on Metering – PEMC and TC Proposals and the Proposed Amendment to the Retail Rules on Metering

Mr. Aldjon Kenneth M. Yap presented the background on the proposed amendments to the WESM Rules and Market Manuals, namely, the Proposed Amendment to the WESM Rules and WESM Manual on Metering – PEMC and TC Proposals and the Proposed Amendment to the Retail Rules on Metering – MERALCO, which were parked by the RCC

[redacted]

while awaiting relevant inputs and recommendations that may be adopted from the 2nd Metering Audit, which at the time of the discussion of the proposal related to the Metering Manuals for the wholesale and retail markets, was about to be wrapped up.

Mr. Yap briefly recounted for the RCC's information that the approved RCC proposal on the WESM Rules and the WESM Metering Manual were remanded by the PEM Board to the RCC for the following reasons:

- Questions were raised as to the application/relevance of a specific proposed amendment, Section 2.4.2 to the WESM Metering Manual, to the wholesale market and the retail market. The PEM Board suggested that pertinent provisions relating to the retail market such as "distribution revenue meter" be deleted if the Proposal intends to be applicable only to the WESM.

- Clarifications on whether or not it is mandatory to have a backup meter for all WESM participants; and

- The cost impact of the metering equipment required by the Proposal (who shall bear the cost, etc.)

Mr. Yap reminded the body that during the RCC's 94th and 95th Meetings (October and November 2014, respectively), the RCC already agreed to revise the proposal so as to be applicable solely to the wholesale level, including the mandatory installation of back-up meters. However, the RCC at that time was unable to arrive at a consensus on who should shoulder the cost of the back-up meter.

Mr. Castro clarified on who shall be the proponent for these amendments. Ms. Rodriguez answered that this will already be an RCC proposal with the RCC addressing the concerns raised by the PEM Board on the said proposal. Mr. Cacho stated that the concern of the board is to clarify the applicability of a back-up meter, whether at the wholesale level only or at the retail level also.

Based on the issue paper released by the auditor (Fig. 1), a requirement for back-up metering was found to be common at 1MW above and that no distinction is applied whether the requirement is for the wholesale or retail level. The External Auditor, on the other hand, noted that for the Philippine Spot Market, although there is no current requirement for back up meters, 90 percent of the participants of the Philippine Spot Market have already installed back up meters.

Noting the findings in the issue paper, a recommendation was made to require a back-up meter for participants with capacity of $\geq$ 1MW, below which the same will not be required. Mr. Cacho, clarified, however, that these cases are only applicable to those who are directly connected to the grid and this provision is still not stated in the WESM Rules.

[redacted]

Ms. Jocelyn Carabuena likewise clarified on the applicability of this proposal since there are cases that consumers are directly connected to the grid but are being billed by a distribution utility. Ms. Carabuena further suggested putting a distinction for such cases.

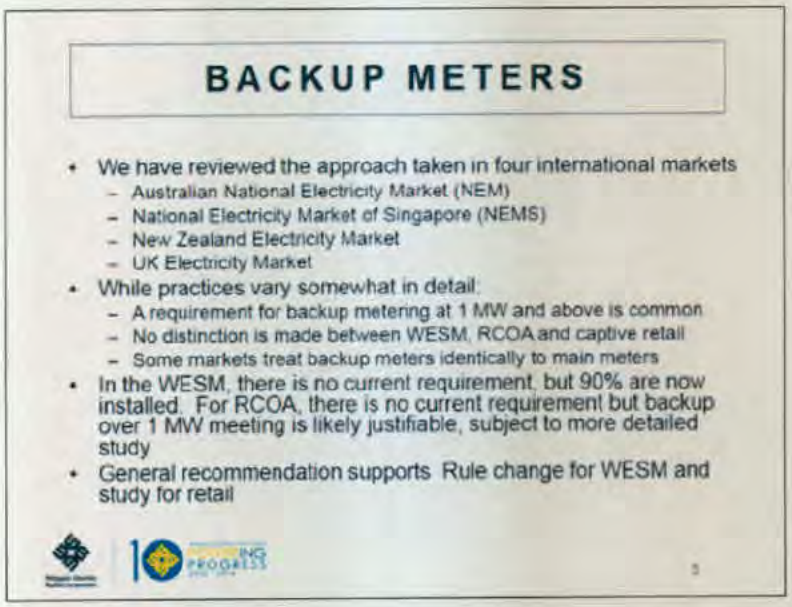

Fig. 1 Content of the Issue Paper of the 2nd Metering Audit

In line with this suggestion, Mr. Castro expressed his reservations about the RCC recommending these changes. According to him, it might be appropriate for the RCC to seek the assistance of the Technical Committee. Ms. Concepcion Tanglao agreed with Mr. Castro's opinion as to the matter of mandating a back-up meter for participants that would fall under the category and recalled that in the PEM Board meeting during which she presented the said proposal, one of major items raised was on who shall bear the cost to be incurred in the procurement of the back-up meter.

Mr. Lim stated that on the part of the Distribution Utilities, it will shoulder the costs of the procurement of back-up meter and afterwards, the same shall be included in the pass-on charges to the consumers because it is a huge investment. Mr. Castro added that the same has been the position of Manila Electric Company (MERALCO) during the discussion with the RCC.

Since the 2nd Metering Audit has already been concluded and found to have no relevant impact to the on-going amendments of the mentioned manuals, the RCC thus agreed to have the proposals as discussed and previously agreed upon by RCC posted to seek further comments from the interested parties, especially the PEMC, TC and MERALCO who were primarily involved in the proposals. Mr. Castro instructed the RCC Secretariat

to include in the posting the reasons of the PEM Board for remanding the proposal specifically on the issue on who shall bear the costs of the procurement of the back-up meters.

b) Proposed Amendment to the WESM Rules and Billing and Settlement Manual – APC and Proposed Amendment to the WESM Rules and MRU and APDM Manual – APC

Continuing with the presentation, Mr. Yap then provided the RCC a background on the proposed amendments to the WESM Rules and several Market Manuals submitted by the APC. He informed the RCC that these proposals were also parked pending the submission of relevant inputs from PSALM. In addition, Mr. Yap informed the RCC that inputs from PSALM have just been submitted to the RCC Secretariat prior to the commencement of the current RCC meeting.

Mr. Rosales inquired about the validity of the amendments to the MRU manual since the said manual has already been approved by the PEM Board and has already been in effect since February 2016. Mr. Cacho Jr. then asked the Secretariat to present to the RCC the minutes of meeting in which the matter has been discussed. Upon recollection of the discussions, Mr. Rosales asked for the difference between the effective MRU manual and the mentioned proposals. Ms. Rodriguez explained that the APC proposals are different from previously approved MRU proposal as the proposal submitted by the RCC relates to compensation.

The RCC then instructed the Secretariat to incorporate PSALM's inputs to the matrix of the proposals and agreed to include the matter in the agenda for the 115th RCC meeting for further deliberations.

Agreement/ Action Plans:
a) The Secretariat to prepare the consolidated agreements of the RCC to the proposals to the WESM Rules, Metering Manual and Retail Rules on Metering.
b) The proposed amendments to the WESM Rules and Metering Manual to be reviewed by the RCC members and subjected to posting for comments from interested participants.
c) The Secretariat to prepare the RCC agreements on the proposed amendments from APC incorporating comments from PSALM for discussion in the 115th RCC meeting.

[redacted]

3.2 MERALCO's request for extension of comments submission

Ms. Cruz informed the RCC that MERALCO is requesting for an extension for them to submit comments for the proposed amendments to the WEMS Manual on Management of Net Settlement Surplus. Mr. Castro agreed with the proposal but instructed the RCC Secretariat to remind the said participant about the timeline given for the commenting period.

Agreement/ Action Plans:
The RCC agreed to allow MERALCO to submit their comments until 03 May 2016

4. Next Meeting

The RCC set its Special Meeting on **28 April 2016, Thursday at 9 AM** to continue the deliberations to the Dispatch Protocol Manual and other deferred topics.

5. Adjournment

There being no other matter to be discussed, the meeting was adjourned at 1:00 PM.

Prepared By:	Reviewed By:	Noted By:
[redacted]	[redacted]	[redacted]
Aldjon Kenneth M. Yap	**Geraldine A. Rodriguez**	**Elaine D. Gonzales**
Analyst *– Market Governance Administration Unit*	***Assistant Manager*** *– Market Governance Administration Unit*	***Manager*** *– Market Data and Analysis Division*
Market Assessment Group	***Market Assessment Group***	***Market Assessment Group***

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

Philippine Electricity Market Corporation

ANNEX A

RCC-MIN-16-06
27 April 2016

DRAFT RESPONSES TO COMMENTS ON PROPOSED AMENDMENTS TO BCQ TIMELINE AND LINE RENTAL CALCULATION

Title	Clause	Provision	Proposed Amendment	Comment	PEMC Response
		General Comments		APC: We note that that the rationale of the proposed change in submission of BCQs is the potential gaming of affiliated Gencos and DUs. If this is the concern, then it should be subject to investigation of anti-competitive behavior under the anti-competitive rules, and not a justification for a WESM Rules change. Note that some of the PSAs are subject to full BCQ declaration of customer MQs, which will require day after BCQ declaration (because of availability of MQ data). Moreover, it should be noted that there is no profit maximization in current BCQ declaration mechanism as the price to be paid by DU is contract price. Moreover, if the DU is a direct WESM participant, the process of nomination is included in its PSAs, so there is no need for WESM to amend the Rules. If the DU is an indirect WESM member of the generator, then all of its MQs are accountable to the generator as a direct WESM Member. So all the more that ex ante BCQ declaration is not needed.	The proposed change is based on the recommendation of the auditor to consider gaming incentives in the bilateral contract declaration process of the WESM. Profit maximization may be performed by reducing BCQ declarations when WESM prices are high or increasing BCQ declarations when WESM prices are low, both relative to the contract price. Nomination processes are not standard across all PSAs. The bilateral contract declaration timeline in the WESM is standard.
				The proposed ex-ante BCQ declaration will be difficult for the RES entities. Currently, the generators declare for the contestable customers of the RES entities. Depending on the contract, some RES entities distribute the actual MQs to the generators with which they have contracted capacities to avoid imbalances in the WESM accounts. If the BCQ declaration is before the hour, the account imbalances for the customers will increase, which will need more time to reconcile with each of the generators.	The proposed WESM Rules Clause 3.13.1.3 allows for ex-post adjustments under certain conditions. The cited scenario may be included as a condition for ex-post adjustments.
				For the amendments on Line Rentals – the party responsible for its payment is already included in PSAs and RSCs. Removing it and replacing it with the gross amounts for Gen and Customer will only create more confusion and require more reconciliation.	As recommended by the auditor, line rental amounts will still be calculated by the Market Operator. However, it will be provided for informational purposes only.
				SNAP: Direct declaration / attribution of BCQ Generators-Based on the argument presented by the consultant, we should also allow the declaration / attribution of BCQ directly to Generators. As it currently stands, if a GenCo (Buyer) buys replacement power from another GenCo (seller), the the Seller GenCo would have to know which of the (Buyer) GenCo's	The change proposed is to address the issue raised by the auditor. Direct declaration from generator to generator, generator to RES, and RES to customers may be considered but is not part of the current proposal.

Title	Clause	Provision	Proposed Amendment	Comment	PEMC Response
				customers the replacement power will be declared for. This set - up unnecessarily exposes the list of the (Buyer) GenCo's customer. The same case should also apply to RESes which supply to their customers. Since a reference node can already be attributed to each BCQ declaration transaction, then a GenCo and a RES only needs to agree on that reference node, so that BCQ can be allocated / assigned to a RES. Thereafter, the RES can then declare such allocated / assigned BCQ to its customers. RESA: 1. The proposed change in deducting the BCQ volumes from the ex-ante volume in computing for the ex-ante trading amount is in fact going back to the previous formula on settlements. This previous formula was revised/improved to show precisely the line rental amounts for transparency. The reason for proposing the change should be further clarified as these will affect supply agreements that contain provisions for handling line rentals.	As recommended by the auditor, line rental amounts will still be calculated by the Market Operator. However, it will be provided for informational purposes only. The proposed change reflects the actual cost of transactions in the bills.
Submission of Bilateral Contract Data	3.13.1.1	*Trading Participants* who sell electricity pursuant to *bilateral contracts* and wish those *bilateral contracts* to be accounted for in settlements shall, after each *trading day*, in accordance with the billing and settlements timetable: (a) Submit a schedule to the *Market Operator* specifying the MWH *bilateral sell quantities* at each relevant *market trading node*, in each *trading interval* of that *trading day*; (b) Identify the counterparty to the bilateral contract and the party that will pay the line rental trading amount associated with the bilateral contract quantity submitted; provided, however, that in case only one of the bilateral counter parties is registered as a *Direct WESM Member*, that *WESM Member* shall be the party that will pay the line rental to the *Market Operator*; and	*Trading Participants* who sell electricity pursuant to *bilateral contracts* and wish those *bilateral contracts* to be accounted for in settlements shall, **up to one (1) hour before** each *trading* ***interval***, in accordance with the billing and settlements timetable: (a) Submit to the *Market Operator* the MWH *bilateral sell quantities* **for** each ***trading participant who buys electricity pursuant to that bilateral contract for that*** *trading interval*; (b) Identify **the *market trading node*** associated with the ***bilateral contract quantity*** submitted; provided, however, that in case **the *market trading node* is not identified prior to the submission of the *bilateral contract quantity*, the *market trading node* associated with the *bilateral contract quantity* shall be set to the *market trading node* of the selling *Trading Participant***; and	APC: Retain original. DOE: We agree that the submission/declaration of bilateral contract should be done prior to trading interval to address the possible gaming opportunities. However, this should be properly carried out to avoid the possible exposure of the WESM Customers in the volatility of the market prices and negative implications of forecast error. Hence, we suggest that the Generation Company/Trading Participant should declare the percentage of its actual energy demand (e.g. 90% of energy demand is covered by bilateral contracts or 100% covered), which will be covered by bilateral contracts instead of the MWH bilateral quantities. Further, the identification of the associated market trading node the bilateral contract should be mandatory under item (a), hence item (b) is unnecessary. FGEN: Source of Unnecessary Costs The shift to Hour-Ahead BCQ Declaration will make it impossible for customers and generators to reflect the Actual Metered Quantity Generated and/or Consumed in the Bilateral Contract Quantity Declarations. Note that many PSA's rely on Actual Meter Data to comply to the following: 1. Contract Energy that are based on consumption - many	See above response For consideration of the RCC The proposed WESM Rules Clause 3.13.1.3 allows for ex-post adjustments under certain conditions. Adjustment to reflect metered quantities may be included in the conditions. The adjustment would mean that very high accuracy in forecasting is not necessary and estimation errors would not result to additional costs to customers.

Title	Clause	Provision	Proposed Amendment	Comment	PEMC Response
		(c) Provide evidence that the counterparty to the *bilateral contract* agrees with the submission made under this clause 3.13.1.1. Such evidence shall be attached to the submission of schedule in 3.13.1.1(a).	(c) Provide evidence that the counterparty to the *bilateral contract* agrees with the submission made under this ***WESM Rules*** Clause 3.13.1.1. ~~**Such evidence shall be attached to the submission of schedule in 3.13.1.1(a).**~~	PSA's today determine supply of energy based on what was actually consumed at the Metering Point of the Customer. 2. Force Majeure events and Unplanned Outages from both Generator and Customer requires that supply will be limited based Actual Metered Quantity readings - Though many PSA's are now demand based, there are provisions in the contract that still requires Actual MQ to be reflected in the BCQ declarations. Implementation of Hour-Ahead BCQ Declaration will require Generators and Customers to estimate Meter Quantity readings of NGCP. These MQ estimates are likely to be subjected to inaccuracy. Over- and under-projections of MQ will cause unnecessary WESM exposure (sales/purchases). Estimation error is even more pronounced during natural disasters/calamities, unplanned grid disturbances, and unplanned DU system or plant outages. More so, over-estimation of BCQ may cause Customers and Generators to unnecessarily pay additional VAT. We would like to emphasize that under the current WESM structure, errors of market participant always entail a cost Implementing Hour-Ahead BCQ declaration will add unnecessary burden to consumers. As such, we urge PEMC to find alternative measures that would not unduly burden market participants. Day-after node assignment will not necessarily lead to higher power rates. Before any PSA starts, it is already customary that seller and buyer agree on: (1) determining level of BCQ; (2) timeline of BCQ declaration and validation; and (3) nodal assignment of BCQ. These protocols were agreed with the understanding that both parties have considered the impact on Line Rental Costs. As such, both parties, prior to any BCQ declaration, has already set the fair and optimal level of Line Rental with a protocol that provides check and balance. Moreover, the line rental amount is just one component of power costs. There may be instances where a genco and a distribution utility or electric cooperative (DU/EC) agreed at a lower contract rate in exchange for the flexibility to optimize node assignment of BCQ. We suggest revising the provision to: (b) Identify the ***relevant market trading node of the counterparties*** associated with the ***bilateral contract***	

Title	Clause	Provision	Proposed Amendment	Comment	PEMC Response
				quantity submitted; provided, however, that in case ***the market trading node is not identified during the submission of the bilateral contract quantity, the market trading node associated with the bilateral contract quantity shall be set to the market trading node of the selling Trading Participant***; and MERALCO: May we request clarification if this provision requires hourly submission or submissions may be done at any time not later than one hour before each trading interval day? To avoid ambiguity. 3.13.1.1 Trading Participants who sell electricity pursuant to bilateral contracts and wish those bilateral contracts to be accounted for in settlements shall **conduct the following at any time not later than** up to **one hour before** after each trading **interval** day, in accordance with the billing and settlements timetable: x x x SNAP/RESA: With these changes, kindly clarify whether the following bilateral contracts can now be declared in the WESM: (a) generator (sell) - generator (buy) (b) generator (sell) - RES (buy) (c) RES (sell) - Contestable Customer (buy) The above arrangements preserve the confidentiality of WESM information. Furthermore, Declaring BCQ one hour before is not possible for most of the bilateral contracts because the basis of the declaration is metered quantity that comes the day after. It is very difficult to approximate the customers' actual consumption. Although there is a provision for re-declaration the day after, there are no details how it will affect the settlement. Currently, generators need the actual energy consumption in declaring BCQ. This change will affect the BCQ declaration protocol in all existing contracts.	The proposed WESM Rules Clause 3.13.1.3 allows for ex-post adjustments under certain conditions. Adjustment to the reference node may be included in the conditions. The proposal allows for submissions any time not later than one hour before each trading interval. The change proposed is to address the issue raised by the auditor. Direct declaration from generator to generator, generator to RES, and RES to customers may be considered but is not part of the current proposal.
Submission of Bilateral Contract Data	3.13.1.2	*Bilateral sell quantities* submitted in accordance with clause 3.13.1.1 (a) are to be deemed to be *bilateral buy quantities* for the party identified in	*Bilateral sell quantities* submitted in accordance with ***WESM Rules*** Clause 3.13.1.1 (a) **or revised in accordance with *WESM Rules* Clause 3.13.1.3** are	APC: Retain original. DOE: Revision of bilateral contract quantities after the trading interval is contradicting with the objective to eliminate possible	See above response The proposed WESM Rules Clause 3.13.1.3 allows for ex-post adjustments under certain conditions.

Title	Clause	Provision	Proposed Amendment	Comment	PEMC Response
		clause 3.13.1.1 (b), at the same *market trading node*.	to be deemed to be **the negative of the** *bilateral buy quantities* for the **buying *trading participant*** identified in ***WESM Rules*** Clause 3.13.1.1 **(a)**, at the *market trading node* **identified in *WESM Rules* Clause 3.13.1.1(b)**.	gaming. Hence, suggest to revise as follows:	conditions are envisioned to be bilateral agreements.
Submission of Bilateral Contract Data	3.13.1.3	(New)	***Trading Participants* may, after each *trading interval*, submit revisions on *bilateral sell quantities* submitted for that *trading interval* under *WESM Rules* Clause 3.13.1.1(a) in accordance with the relevant *Market Manual*.**	DOE: Suggest not to consider this new provision. Allowing the Trading Participants to revise bilateral contract quantities after the trading interval is contradicting with the objective to eliminate possible gaming. In addition, the rationale is vague and what is the criteria? MERALCO: We recommend that the general principles and criteria (e.g. occurrence of forced outage) for revisions be provided under this subsection. This will provide basis for the more detailed protocols that will be stated in the Market Manual. To provide basis for the more detailed protocols that will be stated in the Market Manual. 3.13.1.3 Trading Participants may after each trading interval, submit revisions on bilateral sell quantities submitted for that trafing interval under WESM Rules Clause 3.13.1.1(a) in accordance with the relevant Market Manual. **Revisions of bilateral sell quantities may be done under the following conditions:** **a.** xxx **b.** xxx SNAP/RESA: The criteria and procedures for allowing changes in the bilateral contract quantities should be discussed together with this proposal	The proposed WESM Rules Clause 3.13.1.3 allows for ex-post adjustments under certain conditions. The conditions are envisioned to be bilateral agreements. Initially, the intention was to solicit the inputs from the trading participants after the approval of the WESM Rules. For RCC discussion. For RCC discussion.
Data for Bilateral Contracts and Transmission Rights	3.13.3	The *Market Operator* shall: (a) Inform the *Trading Participants* which submitted data under clause3.13, if any of the data provided is invalid or incomplete; and (b) If the data provided under clause 3.13 is valid or complete, employ that data for settlements purposes in accordance with	The *Market Operator* shall: (a) Inform the *Trading Participants* which submitted data under ***WESM Rules*** Clause 3.13, if any of the data provided is invalid or incomplete; and (b) If the data provided under ***WESM Rules*** Clause 3.13 is valid or complete, employ that data for settlements purposes in accordance		

Title	Clause	Provision	Proposed Amendment	Comment	PEMC Response
		clauses3.13.7 and 3.13.13.	with ***WESM Rules*** Clause~~s 3.13.7 and~~ 3.13.13.		
Defining the Gross Ex-Ante Energy Settlement Quantity for Market Trading Nodes	3.13.5.1	For each *trading interval*, the gross *ex-ante energy settlement quantity* before being adjusted for bilateral contracts for each *market trading node* shall be determined by the *Market Operator* as follows: XXX	For each *trading interval*, the gross *ex-ante energy settlement quantity* **~~before being adjusted for bilateral contracts~~** for each *market trading node* shall be determined by the *Market Operator* as follows: XXX	APC: Retain original MERALCO: We propose to retain the original provision. The adjustment for bilateral contract quantities is a prerequisite for the determination of line rental trading amounts. The determination of line rental should be retained since this accounts for generation costs attributable to line losses and congestion in the transmission system associated with the delivery of contracted energy. Without this information, the costs of line losses and congestion cannot be distinguished from the spot trading amount. Line rental provides the necessary price signal if transmission capacity is no longer sufficient. To maintain price signals For each *trading interval*, the gross *ex-ante energy settlement quantity* before being adjusted for bilateral contracts for each *market trading node* shall be determined by the *Market Operator* as follows:	See above response As recommended by the auditor, line rental amounts will still be calculated by the Market Operator. However, it will be provided for informational purposes only. The proposed change reflects the actual cost of transactions in the bills.
Defining the Gross Ex-Post Energy Settlement Quantity for Market Trading Nodes	3.13.6	For each *trading interval*, the gross *ex-post energy settlement quantity* before being adjusted for bilateral contracts for each *market trading node* shall be determined by the *Market Operator* as follows: XXX	For each *trading interval*, the gross *ex-post energy settlement quantity* **~~before being adjusted for bilateral contracts~~** for each *market trading node* shall be determined by the *Market Operator* as follows: XXX	MERALCO: Please see our comment on section 3.13.5.1 and 3.13.17.2 To maintain price signals For each *trading intlerval*, the gross *ex-post energy settlement quantity* before being adjusted for bilateral contracts for each *market trading node* shall be determined by the *Market Operator* as follows:	As recommended by the auditor, line rental amounts will still be calculated by the Market Operator. However, it will be provided for informational purposes only. The proposed change reflects the actual cost of transactions in the bills.
Energy Settlement Quantity Adjustments for Bilateral	3.13.7	For settlement purposes, the ex-ante energy settlement quantity for any *market trading node* in any *trading interval* shall be determined by the *Market Operator* by adjusting the gross -ex-ante energy settlement quantity for that *market trading node* and any *trading interval*, as measured in accordance with clause 3.13.5 for bilateral contract quantities notified to	**~~(Deleted) For settlement purposes, the ex-ante energy settlement quantity for any *market trading node* in any *trading interval* shall be determined by the *Market Operator* by adjusting the gross -ex-ante energy settlement quantity for that *market trading node* and any *trading interval*, as measured in accordance with clause 3.13.5 for bilateral~~**	APC: Retain provision MERALCO: Please see our comment on section 3.13.5.1 and 3.13.17.2 To maintain price signals For settlement purposes, the ex-ante energy settlement quantity for any *market trading node* in any *trading interval* shall be determined by the *Market Operator* by adjusting	See response above As recommended by the auditor, line rental amounts will still be calculated by the Market Operator. However, it will be provided for informational purposes only. The proposed change reflects the actual cost of transactions in the bills.

Title	Clause	Provision	Proposed Amendment	Comment	PEMC Response
		the *Market Operator* under clause 3.13.1.1, or inferred by the *Market Operator* under clause 3.13.1.1 and accepted as valid under clause 3.13.1.2 by: (a) Subtracting all *bilateral sell quantities* notified for that node in that *trading interval* from the measured or estimated gross *energy settlement quantity* for that node in that *trading interval*; and (b) Adding all *bilateral buy quantities* inferred for that node in that *trading interval* to the measured or estimated gross *energy settlement quantity* for that node in that *trading interval*.	~~contract quantities notified to the *Market Operator* under clause 3.13.1.1, or inferred by the *Market Operator* under clause 3.13.1.1 and accepted as valid under clause 3.13.1.2 by:~~ ~~(a) Subtracting all *bilateral sell quantities* notified for that node in that *trading interval* from the measured or estimated gross *energy settlement quantity* for that node in that *trading interval*; and~~ ~~(b) Adding all *bilateral buy quantities* inferred for that node in that *trading interval* to the measured or estimated gross *energy settlement quantity* for that node in that *trading interval*.~~	the gross -ex-ante energy settlement quantity for that *market trading node* and any *trading interval*, as measured in accordance with clause 3.13.5 for bilateral contract quantities notified to the *Market Operator* under clause 3.13.1.1, or inferred by the *Market Operator* under clause 3.13.1.1 and accepted as valid under clause 3.13.1.2 by: (c) Subtracting all *bilateral sell quantities* notified for that node in that *trading interval* from the measured or estimated gross *energy settlement quantity* for that node in that *trading interval*, and (d) Adding all *bilateral buy quantities* inferred for that node in that *trading interval* to the measured or estimated gross *energy settlement quantity* for that node in that *trading interval*.	
Determining the Ex Ante Energy Trading Amount	3.13.8	For *settlement* purposes, the *ex-ante energy trading amount* for each *market trading node* and *trading interval* will be determined as the *ex-ante energy settlement price* for that *node* in that *trading interval* multiplied by the *ex-ante energy settlement quantity* (in MWh) for that *node* in that *trading interval*.	For *settlement* purposes, the *ex-ante energy trading amount* for each *market trading node* and *trading interval* will be determined as the gross *ex-ante energy settlement price* for that *node* in that *trading interval* multiplied by the **gross** *ex-ante energy settlement quantity* (in MWh) for that *node* in that *trading interval*.	APC: Retain original provision. MERALCO: Please see our comment on section 3.13.5.1 and 3.13.17.2 To maintain price signals For *settlement* purposes, the *ex-ante energy trading amount* for each *market trading node* and *trading interval* will be determined as the *ex-ante energy settlement price* for that *node* in that *trading interval* multiplied by the gross *ex-ante energy settlement quantity* (in MWh) for that *node* in that *trading interval*.	See above response As recommended by the auditor, line rental amounts will still be calculated by the Market Operator. However, it will be provided for informational purposes only. The proposed change reflects the actual cost of transactions in the bills.
Calculation of Line Rental Trading Amounts	3.13.12 (Heading)	Calculation of Line Rental Trading Amounts	**Ex-Ante Energy Trading Amount Adjustments for Bilateral Contracts**	MERALCO: Please see our comment on section 3.13.5.1 and 3.13.17.2 To maintain price signals Calculation of Line Rental Trading Amounts	As recommended by the auditor, line rental amounts will still be calculated by the Market Operator. However, it will be provided for informational purposes only.
Calculation of Line Rental Trading Amounts	3.13.12	The *Market Operator* shall calculate the line rental trading amounts for each bilateral contract associated with the delivery of the bilateral contract quantities (BCQ) through the *transmission line* in the *market*	**For settlement purposes, the aggregate ex-ante energy trading amount for each *trading participant* with *bilateral contracts* and *trading interval* will be determined as:** **(a) the sum of the ex-ante**	APC: Retain original provision. DOE: Clarification: • If a Customer Trading Participant nominated a 100% percent bilateral contract, what bilateral quantity will be	See above response For RCC discussion since this is DOE's proposal

Title	Clause	Provision	Proposed Amendment	Comment	PEMC Response
		network model as: (a) The expected flow of energy out of the *receiving node of the market network line* as determined by the *market dispatch optimization model* multiplied by the *ex-ante nodal energy settlement price* at that node; less (b) The expected flow of energy into the sending node multiplied by the *ex-ante nodal energy settlement price* at that node of the *market network* line as determined by the *market dispatch optimization model*.	**energy trading amounts for each *market trading node* for which the *trading participant* is responsible calculated in accordance with *WESM Rules* Clause 3.13.8; less** **(b) the sum of *bilateral contract trading amounts* of the *trading participant* for each *bilateral contract* associated with the delivery of the *bilateral contract quantities* calculated as the *bilateral buy quantity*, if the *trading participant* is the buyer in the *bilateral contract*, or *bilateral sell quantity*, if the *trading participant* is the seller in the *bilateral contract*, multiplied by the *ex-ante nodal energy settlement price* at the *node* specified in *WESM Rules* Clause 3.13.1.1(b).**	declared by the Generator Trading Participant (metered quantity of generator or customer)? • Is the said fully contracted customer required to pay the possible congestion cost? We suggest that a fully contract customer should be shielded in the volatility of market prices such as congestion cost. FGEN: The proposed formula will reduce market transparency on power costs. We agree that the term "line rental" is misleading. Also, we agree that the current and proposed settlement formula will result in the same settlement amount. However, we wish to raise our concern that the revision will take away both: (a) WESM's transparency on true cost of power and (2) effectiveness of WESM's price signaling. Note that using the suggested formula revision, participants will be unable to compare the cost of line losses and congestion relative to the cost of energy. The proposal, in effect, also hides the inefficiencies and problems in the Transmission Network. Considering that the intention of the proposal is to avoid misconceptions regarding the "Line Rental Charge", we suggest replacing "Line Rental" term with line items such as "Cost of Line Losses" and "Cost of Congestion" in the WESM bill as these are the costs meant to be captured by the line rental amount. MERALCO: Please see our comment on section 3.13.5.1 and 3.13.17.2 To maintain price signals The *Market Operator* shall calculate the line rental trading amounts for each bilateral contract associated with the delivery of the bilateral contract quantities (BCQ) through the *transmission line* in the *market network model* as: (a) The expected flow of energy out of the *receiving node of the market network line* as determined by the *market dispatch optimization model* multiplied by the *ex-ante nodal energy settlement price* at that node; less The expected flow of energy into the sending node multiplied by the *ex-ante nodal energy settlement price* at that node of the *market network* line as determined by the *market dispatch optimization model*.	As recommended by the auditor, line rental amounts will still be calculated by the Market Operator. However, it will be provided for informational purposes only. The proposed change reflects the actual cost of transactions in the bills. As recommended by the auditor, line rental amounts will still be calculated by the Market Operator. However, it will be provided for informational purposes only. The proposed change reflects the actual cost of transactions in the bills.

Title	Clause	Provision	Proposed Amendment	Comment	PEMC Response
Settlement Amounts for Trading Participants with Bilateral Contracts	3.13.17.2	The aggregate trading amount for a Trading Participant for a trading interval equals the sum of: (a) The ex-ante energy trading amounts for each market trading node for which the Trading Participants is responsible calculated in accordance with clauses 3.13.7and 3.13.8 (which will typically be positive for a Generation Company and negative for a Customer); plus (b) The ex-post energy trading amounts for each market trading node for which the Trading Participant is responsible calculated in accordance with clauses 3.13.7 and 3.13.9 (which will typically be positive or negative for any Trading Participant); plus (c) The line rental trading amount corresponding to the quantity of bilateral contract of that Trading Participant calculated in accordance with clause 3.13.12; plus XXX	The aggregate trading amount for a ***Trading Participant*** for a ***trading interval*** equals the sum of: (a) The **aggregate *ex-ante energy trading amount* adjusted for bilateral contracts** calculated in accordance with ***WESM Rules*** Clauses ~~**3.13.7 and**~~ 3.13.12 (which will typically be positive for a ***Generation Company*** and negative for a ***Customer***); plus (b) The ***ex-post energy trading amounts*** for each ***market trading node*** for which the ***Trading Participant*** is responsible calculated in accordance ***WESM Rules*** Clauses ~~**3.13.7 and**~~ 3.13.9 (which will typically be positive or negative for any ***Trading Participant***); plus ~~**(c) The line rental trading amount corresponding to the quantity of bilateral contract of that Trading Participant calculated in accordance with clause 3.13.12; plus**~~ **(Deleted)** XXX	APC: Retain original provision. MERALCO: Although the proposed amendment just further simplifies the existing formula (and therefore will provide the same result), the removal of the line rental amount by treating it as an adjustment to the ex-ante energy trading amount reduces transparency in pricing and removes the necessary price signals, particularly on the cost of network congestion. The Line Rental Trading Amount is not only represented by the difference of ex-ante prices between the receiving and sending node, but also the sum of losses and congestion. In the ERC's decision dated 10 March 2010 on Case No. 2008-083 MC, PEMC was directed to separately account for line losses and congestion in the line rental trading amount to increase transparency in pricing. If the line rental trading amount will just be treated as an adjustment to the ex-ante energy trading amount then the reference to EAPL is effectively removed, thereby hindering the segregation of the losses and congestion component in the line rental trading amount. To maintain price signals Retain the original provision	See above response As recommended by the auditor, line rental amounts will still be calculated by the Market Operator. However, it will be provided for informational purposes only. The proposed change reflects the actual cost of transactions in the bills.
Amount of Security	3.15.4.1	XXX If there is a change in the *bilateral contract* of a *WESM member*, the *Maximum Exposure* shall be computed based on the settlement amounts estimated by the *Market Operator* using the average actual market price based on the billing period of 26th March to 25th September. In no case shall the *Maximum Exposure* be less than ten percent (10%) of the total demand.	XXX If there is a change in the *bilateral contract* of a *WESM member*, the *Maximum Exposure* shall be computed based on the settlement amounts estimated by the *Market Operator* using the average actual market price based on the billing period of 26th March to 25th September. In no case shall the *Maximum Exposure* be less than ten percent (10%) of the total demand. Average actual market price shall refer	APC: Retain original provision. MERALCO: Consistent with our comments on section 3.13.5.1 and 3.13.17.2 To maintain price signals 3.15.4.1 x x x If there is a change in the *bilateral contract* of a *WESM member*, the *Maximum Exposure* shall be computed based on the settlement amounts estimated by the *Market Operator* using the average actual market price based on the billing period of 26th March to 25th September. In no case shall the	See above response As recommended by the auditor, line rental amounts will still be calculated by the Market Operator. However, it will be provided for informational purposes only. The proposed change reflects the actual cost of transactions in the bills.

Title	Clause	Provision	Proposed Amendment	Comment	PEMC Response
		Average actual market price shall refer to the ratio of the total *spot market* payment of a *WESM member*, which may include *Spot Market* energy and reserve transactions and *Line Rental* amount for contracted quantities, to the total metered quantities net of *bilateral contract* quantities for each billing month. XXX	to the ratio of the total *spot market* payment of a *WESM member*, which may include *Spot Market* energy and reserve transactions **and ~~*Line Rental* amount for contracted quantities~~**, to the total metered quantities net of *bilateral contract* quantities for each billing month. XXX	*Maximum Exposure* be less than ten percent (10%) of the total demand. Average actual market price shall refer to the ratio of the total *spot market* payment of a *WESM member*, which may include *Spot Market* energy and reserve transactions and *Line Rental* amount for contracted quantities, to the total metered quantities net of *bilateral contract* quantities for each billing month. x x x	
Glossary	Bilateral buy quantity	(New)	**The quantity of electricity purchased by a *trading participant* pursuant to a *bilateral contract* determined in accordance with *WESM Rules* Clause 3.13.1.2.**	APC: Retain original provisions.	See above responses
Glossary	Bilateral Contract Quantity	(New)	**A *bilateral sell quantity* or *bilateral buy quantity*.**	APC: Retain original provisions.	See above responses
Glossary	Bilateral Contract Trading Amount	(New)	**The equivalent *settlement amount* of a *bilateral contract quantity* calculated in accordance with *WESM Rules* Clause 3.13.12.**	APC: Retain original provisions.	See above responses
Glossary	Bilateral sell quantity	(New)	**The quantity of electricity sold by a *trading participant* pursuant to a *bilateral contract* submitted to the *Market Operator* under *WESM Rules* Clause 3.13.1.1(a) or revised in accordance with *WESM Rules* Clause 3.13.1.3.**	APC: Retain original provisions.	See above responses
Glossary	Ex-Ante Energy Settlement Quantity	The gross amount determined by the *Market Operator* in accordance with clause 3.13.5, and adjusted for *bilateral contracts* in accordance with clause 3.13.7.	**~~The gross amount determined by the *Market Operator* in accordance with clause 3.13.5, and adjusted for *bilateral contracts* in accordance with clause 3.13.7~~.**	APC: Retain original provisions. MERALCO: Retain the previous definition, consistent with our earlier comments.	See above responses
Glossary	Gross Ex-Ante/Ex-Post Energy Settlement Quantity.	The *ex-ante/ex-post energy settlement quantity* determined in accordance with clauses 3.13.5/3.13.6 for a *market trading node*, in a *trading interval* before any adjustment for bilateral contracts.	The *ex-ante/ex-post energy settlement quantity* determined in accordance with ***WESM Rules*** Clauses 3.13.5/3.13.6 for a *market trading node*, in a *trading interval* **~~before any adjustment for bilateral contracts~~**.	APC: Retain original provisions. MERALCO: Retain the previous definition, consistent with our earlier comments.	See above responses

Title	Clause	Provision	Proposed Amendment	Comment	PEMC Response
Glossary	Line Rental	The economic rental arising from the use of a *transmission line*, calculated as the difference in value between flows out of the *receiving node* of that line and flows into the *sending node*, in accordance with clause 3.13.12.	~~**The economic rental arising from the use of a *transmission line*, calculated as the difference in value between flows out of the *receiving node* of that line and flows into the *sending node*, in accordance with clause 3.13.12.**~~	APC: Retain original provisions. MERALCO: Retain the previous definition, consistent with our earlier comments.	See above responses
Glossary	Net Settlement Surplus	The *settlement surplus* remaining after all market transactions have been accounted for, including the assignment of *transmission line rentals* to *Network Service Providers*. This remainder is assumed to be attributable to economic rentals arising from other binding *constraints*, and accounted for in accordance with clause 3.13.16.	The *settlement surplus* remaining after all market transactions have been accounted for~~**, including the assignment of *transmission line rentals* to *Network Service Providers***~~. This remainder is assumed to be attributable to economic rentals arising from other binding *constraints*, and accounted for in accordance with ***WESM Rules*** Clause 3.13.16.	APC: Retain original provisions. MERALCO: Retain the previous definition, consistent with our earlier comments.	See above responses
Glossary	Receiving node	For a transmission line, the *node* from which there is a *net flow* of electricity out of that line in a particular *trading interval* to be accounted for in determining the *line rental*, in accordance with clause 3.13.12. For a *transmission right*, the node to which the issuer of the *transmission right* is deemed to guarantee transfer of electricity, to be advised to the *Market Operator* in accordance with clause 3.13.2 and accounted for in accordance with clause 3.13.15.	~~**For a transmission line, the *node* from which there is a *net flow* of electricity out of that line in a particular *trading interval* to be accounted for in determining the *line rental*, in accordance with clause 3.13.12.**~~ For a *transmission right*, the node to which the issuer of the *transmission right* is deemed to guarantee transfer of electricity, to be advised to the *Market Operator* in accordance with ***WESM Rules*** Clause 3.13.2 and accounted for in accordance with ***WESM Rules*** Clause 3.13.15.	APC: Retain original provisions. MERALCO: Retain the previous definition, consistent with our earlier comments.	See above responses
Glossary	Sending node	For a *transmission line*, the node into which there is a net flow of electricity out of that line in a particular *trading interval* to be accounted for in determining the line rental, in accordance with clause 3.13.12. For a *transmission right*, the node from which the issuer of the *transmission right* is deemed to guarantee transfer of electricity, to be advised to the *Market Operator* in accordance with clause 3.13.2 and accounted for in	~~**For a *transmission line*, the node into which there is a net flow of electricity out of that line in a particular *trading interval* to be accounted for in determining the line rental, in accordance with clause 3.13.12.**~~ For a *transmission right*, the node from which the issuer of the *transmission right* is deemed to guarantee transfer of electricity, to be advised to the *Market Operator* in accordance with ***WESM Rules*** Clause 3.13.2 and accounted for	APC: Retain original provisions. MERALCO: Retain the previous definition, consistent with our earlier comments.	See above responses

Title	Clause	Provision	Proposed Amendment	Comment	PEMC Response
		accordance with clause 3.13.15.	in accordance with ***WESM Rules*** Clause 3.13.15.		
Glossary	Trading Amount	The amount to be paid by, or paid to a *Trading Participant*, *or Network Service Provider* in respect of *energy*, *reserve*, line rentals, or *transmission rights* calculated in accordance with clauses 3.13.7, 3.13.8, 3.13.9, 3.13.10, or 3.13.14 respectively.	The amount to be paid by, or paid to a *Trading Participant*, *or Network Service Provider* in respect of *energy*, *reserve*, ~~**line rentals**~~, or *transmission rights* calculated in accordance with ***WESM Rules*** Clauses **3.13.14 or 3.13.17**.	APC: Retain original provisions. MERALCO: Retain the previous definition, consistent with our earlier comments.	See above responses