MINUTES OF RULES CHANGE COMMITTEE 121st Regular Meeting (No. 2016-14)	
Meeting Date & Time:	09 November 2016, 9:00 AM to 3:50 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. – Independent Allan C. Nerves – Independent Ambrocio R. Rosales – System Operator (NGCP) Isidro E. Cacho – Market Operator (PEMC) Abner B. Tolentino – Generation (PSALM) Jose Ildebrando B. Ambrosio – Generation (Northwind) Lorreto H. Rivera – Supply (TPEC) Jose P. Santos – Distribution (INEC) Ludovico D. Lim – Distribution (ANTECO)	Maila Lourdes G. de Castro, Chairperson – Independent Concepcion I. Tanglao – Independent Theo Cruz Sunico – Generation (1590 EC) Ciprinilo C. Meneses – Distribution (MERALCO) Juanito O. Tolentino, Jr. – Distribution (MECO)
PEMC – Market Assessment Group (MAG) Chrysanthus S. Heruela Elaine D. Gonzales Geraldine A. Rodriguez Ma. Delia B. Arenos Karen A. Varquez Divine Gayle C. Cruz Aldjon Kenneth M. Yap	
PEMC – Legal Atty. Sheryll M. Dy Atty. Caryl Miriam Y. Lopez-Mateo **PEMC – CPC** Jonathan B. de la Viña	

DOE Observers
Ferdinand B. Binondo
Lorelie Baguio-Moya

There being a quorum, Mr. Francisco L.R. Castro (Independent), acting as Chairperson in the absence of Maila Lourdes G. de Castro, commenced with the meeting at approximately 9:30 AM.

Mr. Castro noted the changes to the meeting agenda as relayed by the Secretariat. There being no objection to the changes made on the agenda, the body approved the same, as revised.

1. Review of the Minutes of the Previous Meeting

The RCC reviewed the minutes of the 119th Regular Meeting held last 05 October 2016 and approved the same as presented.

2. Matters Arising from the Previous Meeting

2.1. Comments from the Board Review Committee (BRC) on the Proposed Amendments to the WESM Manual on Management Procedures for Load Shedding

The Secretariat informed the RCC that the proposed amendments to the WESM Manual on Management Procedures for Load Shedding was remanded by the BRC due to the following:

- ✓ Current programs (e.g. SO Load Shedding Program, Interruptible Load Programs, etc.) and procedures may need to be documented in the Manual; and
- ✓ The proposed amendments in the Manual may need to be harmonized with the pertinent clauses in the WESM Rules

Upon its review of the WESM Rules, the Secretariat informed the RCC that there were no noted references in the WESM Rules of the term "Load Shedding Program", which was the subject of the proposed amendment in the WESM Manual. The WESM Rules only refers to *load shedding procedures* which are documented in the Manual as flowcharts depicting the work flow between the SO, MO and Trading Participants, as applicable, during Manual Load Dropping (MLD), System Restoration after MLD and Procedures after Automatic Load Dropping. Further, the Secretariat also noted that all clauses related to load shedding procedures were harmonized with the WESM Rules.

Mr. Isidro Cacho (PEMC-MO), on the other hand, recalled that the issue raised during the BRC was about the appendix of the market manual, which refers to the load shedding

allocation program. In this regard, the RCC then went over the said Section 6 – Appendix of the market manual to see what the same provides.

In response to the comments of the BRC, Mr. Ambrocio R. Rosales (NGCP-SO) reiterated that there are various load shedding programs, with the SO and the Distribution Utilities (DU) each having their own such load shedding programs. In Luzon for instance, a 70-30 load shedding allocation arrangement, as agreed between the SO and MERALCO, is being implemented, in which MERALCO conducts load shedding, if necessary, for 70% of the total loads that need to be dropped since it services the bulk of the demand, while the SO implements load shedding for the rest (i.e., non-MERALCO loads). In the case of the SO, residential loads are usually the ones dropped first, followed by commercial, then industrial loads. However, Mr. Rosales stated that the SO is not privy to how MERALCO, or all other DUs for that matter as confirmed by Mr. Ludovico Lim (ANTECO), implements load shedding. The SO only allocates among the DUs the amount of load that needs to be dropped. Also, the DUs' order of priority on which loads to be dropped is likely not the same as that of the SO's. Therefore, if the SO's load shedding program is to be documented in the Manual as the BRC suggested, then the programs of all the other DUs, should be documented as well.

Noting the comments, Mr. Castro stated that documenting the individual load shedding programs in the Manual may be impractical since each program is subject to adjustments from time to time depending on circumstances. He emphasized that anything written in the WESM Rules and Manuals will be considered market policy, deviations to which could very well result to investigations.

Mr. Lim commented that the implementation of load shedding really depends on the discretion of individual DUs. As for documenting the Interruptible Load Program (ILP) in the Manual, Mr. Lim also stated that ILP may not be applicable to all DUs since not all have customers registered with the said program.

Mr. Cacho then suggested to amend Section 6 – Appendix (Load Shedding Allocation Program) to simply reflect the general principles or protocol governing the implementation of Load Shedding applicable to the SO and all DUs, to which the body agreed.

The revisions made by the RCC to Section 6 reflected the general principle for implementing Manual Load Dropping, which is based on an agreed upon allocation between the SO and the DUs. This would already cover the 70-30 scheme applied in Luzon and the pro-rated arrangement (i.e., based on bilateral contracts) applied in Visayas and Mindanao. As for the order of priority of loads, the same was revised to include ILP, to be applicable across the grids, and to reflect that the SO and the DUs may deviate from the order depending on how they respectively implement MLD based from their individual load shedding programs.

Following the discussions above, the RCC re-deliberated on the amendments and agreed with the following additional changes:

<table>
<tr><th>Current</th><th>RCC-approved Proposed Additional Amendments (09 Nov 2016)</th></tr>
<tr><td>Appendix A. Load Shedding Allocation Program

A. Luzon Grid

The Manual Load Shedding, if needed, shall be implemented on the following customers with the given order of priority below:

<table><tr><th>8:00AM – 5:00PM</th><th>5:01PM – 7:59AM the following day</th></tr><tr><td>Residential</td><td>VLC (voluntary load curtailment)</td></tr><tr><td>Commercial</td><td>Residential</td></tr><tr><td>Industrial</td><td>Commercial</td></tr><tr><td></td><td>Industrial</td></tr></table>
The Load Shedding requirement (kWh) shall be distributed among Distribution Utilities in direct proportion to their respective actual demand on an hourly basis.</td><td>Appendix B. Load Shedding Allocation Program

A. Luzon, <u>Visayas and Mindanao</u> Grids

Manual Load ~~Shedding~~ <u>Dropping (MLD)</u>, if needed, shall be implemented ~~on the following customers with the given order of priority below~~ <u>based on the MLD allocation as agreed upon between the System Operator and the DUs</u>.

<table><tr><th>~~8:00AM – 5:00PM~~</th><th>~~5:01PM – 7:59AM the following day~~</th></tr><tr><td>~~Residential~~</td><td>~~VLC (voluntary load curtailment)~~</td></tr><tr><td>~~Commercial~~</td><td>~~Residential~~</td></tr><tr><td>~~Industrial~~</td><td>~~Commercial~~</td></tr><tr><td></td><td>~~Industrial~~</td></tr></table>
The Load Shedding requirement (kWh) shall be distributed ~~among Distribution Utilities in direct proportion to their respective actual demand on an hourly basis~~ <u>following the preferred order of priority below:</u>

<u>1) Interruptible Load Program (if applicable)</u>
<u>2) Voluntary load curtailment (VLC)</u>
<u>3) Residential</u>
<u>4) Commercial</u>
<u>5) Industrial</u></td></tr>
<tr><td>B. Visayas and Mindanao Grids

The Manual Load Shedding, if needed, shall be implemented on the following customers with the given order of priority below:

1. Residential
2. Commercial
3. Industrial

The Load Shedding requirement (kWh) shall be distributed among Distribution Utilities in direct</td><td>~~B. Visayas and Mindanao Grids~~

~~The Manual Load Shedding, if needed, shall be implemented on the following customers with the given order of priority below:~~

~~1. Residential~~
~~2. Commercial~~
~~3. Industrial~~

~~The Load Shedding requirement (kWh) shall be distributed among Distribution Utilities in direct~~</td></tr>
</table>

Current	RCC-approved Proposed Additional Amendments (09 Nov 2016)
proportion to their respective actual demand on an hourly basis.	~~proportion to their respective actual demand on an hourly basis.~~

The Secretariat also pointed out the need to amend the definition of Load Shedding in the WESM Rules in order to align the same with the clearer definition provided in the Manual:

Original Provision	Proposed Amendment
Load Shedding. Reducing or disconnecting load from the power system.	**Load shedding. Refers to the** reduction~~ing~~ or disconnection~~ing~~ **of** load from the ~~power~~ **system as exercised by the *System Operator* in response to the following:** **a) An overall shortage of energy at a node or in a region specified in the market network model** **b) A severe under-voltage or voltage instability at one or more nodes** **c) Other network conditions, as determined by the System Operator in accordance with the procedures established under the Grid Code and the Distribution Code.**

The RCC approved the endorsement to the PEM Board of the additional proposed amendments to the WESM Rules and the WESM Manual on the Management Procedures for Load Shedding.

Agreements/Action Plans:
For the Secretariat to finalize the subject proposed amendments based on the RCC's latest discussions on the matter.

2.2. Proposed Amendments to the WESM Rules and Market Manual on Metering Standards and Procedures

Agreements/Action Plans:
Deferred discussions for the next meeting.

2.3.

(a) Proposed Amendments to the WESM Rules on Bilateral Contract Declaration and Line Rental Calculation

For the benefit of the RCC, Ms. Geraldine Rodriguez (PEMC-MAG) recalled that the proposed amendments to the WESM Rules on Bilateral Contract Declaration and Line Rental Calculation were already deliberated on during the April and July 2016 RCC meetings, which already considered the comments received from various WESM stakeholders and PEMC's (proponent) responses to the same. To better appreciate how the proposal would be operationalized, the RCC requested for PEMC's submission of associated amendments to the relevant WESM manuals related to the subject proposal to amend the WESM Rules.

- *On the declaration of bilateral contract quantities*

Mr. Cacho led the discussion and explained that the intention of the proposal was to address audit findings in relation to the declaration of bilateral contract quantities (BCQ) in the WESM. He recalled that the initial proposal was to change the timeline for the declaration of bilateral contracts from D+1 (ex-post) to H-1 (ex-ante), but would also allow re-declaration of BCQ at D+1 under certain criteria and upon confirmation by a generator's counter-party. Mr. Cacho explained that, upon thorough review of the proposal in terms of its implementation, PEMC recommended retaining the original timeline of BCQ declaration in view of the Market Operator's on-going development of an automated system that would facilitate the confirmation process by the counter-parties of the BCQ declared by the generators. The procedures for the confirmation process were the subject of the associated proposed amendments to the Billing and Settlement Manual and the Registration Manual. Mr. Jonathan dela Viña added that an automated confirmation process would enable stricter implementation of Clause 3.13.1.1 (c) which provides that a counter-party needs to submit evidence that it agrees with the BCQ submission made by the selling Trading Participant. In so far as the timeline of BCQ declaration is concerned, PEMC is, in effect, revising its initial proposed amendments to the WESM Rules to simply specify in a clearer language the current timeline when BCQs are submitted in the WESM.

Ms. Lorreto H. Rivera (TPEC) sought clarification from Mr. Cacho whether or not the consumer at the retail level will be required to do the confirmation with the eventual automated process. In this case, Mr. Cacho answered that the retail supplier, the one directly registered in the WESM, will be the entity to confirm. At the wholesale level, the DUs will be the one to confirm.

136 Following the discussions and clarifications, the RCC adopted the revised proposed
137 amendments to the WESM Rules in relation to BCQ declaration, as follows:
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Original Provision	Proposed Amendments as initially submitted (12 Jan 2016)	Revised Proposed Amendments (03 Nov 2016)	RCC-approved Proposed Amendments (09 Nov 2016)
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 (c) Provide evidence that the counterparty	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, **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**	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, **up to the *trading day* after the *trading day* of** 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**	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, **up to the end of the following *trading day*** 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 each** *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***

[redacted]

Original Provision	Proposed Amendments as initially submitted (12 Jan 2016)	Revised Proposed Amendments (03 Nov 2016)	RCC-approved Proposed Amendments (09 Nov 2016)
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).	***Trading Participant***; and (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).**~~	***Trading Participant***; and (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).**	***node*** **of the selling** ***Trading Participant***; and (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).**
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 clause 3.13.1.1 (b), at the same *market trading node*.	Submission of Bilateral Contract Data 3.13.1.2 *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 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)**.	Submission of Bilateral Contract Data 3.13.1.2 *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 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)**.	Submission of Bilateral Contract Data 3.13.1.2 *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 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)**.
(New)	**3.13.1.3** ***Trading Participants*** **may, after each *trading interval*, submit revisions on *bilateral sell quantities* submitted**	~~***Trading Participants*** **may, after each *trading interval*, submit revisions on *bilateral sell quantities* submitted for that *trading interval* under *WESM***~~	~~**3.13.1.3**~~ ~~***Trading Participants*** **may, after each *trading interval*, submit revisions on *bilateral sell quantities* submitted~~

Original Provision	Proposed Amendments as initially submitted (12 Jan 2016)	Revised Proposed Amendments (03 Nov 2016)	RCC-approved Proposed Amendments (09 Nov 2016)
	for that *trading interval* under *WESM Rules* Clause 3.13.1.1(a) in accordance with the relevant *Market Manual.*	~~*Rules* Clause 3.13.1.1(a) in accordance with the relevant *Market Manual.*~~	~~for that *trading interval* under *WESM Rules* Clause 3.13.1.1(a) in accordance with the relevant *Market Manual.*~~

- *On line rental calculation*

Mr. dela Viña clarified that the proposed amendments to the WESM Rules in relation to line rental calculation were not revised from the initial submission. Said proposal called for amending how ex-ante trading amounts are determined by netting out bilateral contract trading amounts instead of netting out quantities and calculating for line rental trading amounts (i.e., line rental trading amounts are already embedded in the proposed computation). This means separately calculating for line rental trading amounts will be unnecessary for determining the ex-ante trading amounts adjusted to account for bilateral contracts, hence the proposal to remove references to the term 'line rental' in the WESM Rules. The alternative approach will still yield the same settlement price as the current calculation.

In connection with the associated proposed amendments to the Billing and Settlement Manual (see discussion below), which sought to add new provisions related to the procedures in calculating line rental trading amounts but only for information purposes, Mr. Ferdinand B. Binondo (DOE) opined that the term should no longer be utilized in any of the market manuals or simply be called by another name if references to the same will be deleted in the WESM Rules, as being proposed. However, Ms. Rivera stated that 'line rental' is actually a defined term in existing contracts. For instance, suppliers may have contracts where they pass-on line rental amounts to their customers. No longer defining the term 'line rental' in the WESM Rules and Manuals and also deleting it as a line item in the billing statement could remove the suppliers' basis for including line rental amounts in their invoices. Although the terms of the contracts could be changed, there are some contracts that go through the approval of the ERC, in which case revisions are not advisable.

Mr. Castro concurred that the WESM Rules and the Manuals should be consistent, such that the Manuals should not introduce concepts, in this case 'line rental', not referenced in the WESM Rules. In this case, Mr. Binondo stated that the term could just be retained in the WESM Rules and its definition be revised to align with the proposed new method to calculate for ex-ante trading amounts. Atty. Caryl Miriam Y. Lopez-Mateo suggested to also indicate in the WESM Rules the same proposed provision in the Billing and Settlement Manual specifying

that the MO shall still calculate and provide for line rental trading amounts for informational purposes. The RCC agreed with both suggestions.

The RCC adopted the proposed changes to the WESM Rules related to line rental calculation, with revisions as follows:

Original Provision	Proposed Amendments as initially submitted (12 Jan 2016)	RCC-approved Proposed Amendments (09 Nov 2016)
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 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*.	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 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*.~~ **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 energy trading amounts for each *market trading node* for which the *trading participant* is responsible calculated in**	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 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*.~~ **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 energy trading amounts for each *market trading node* for which the *trading participant* is responsible calculated in**

Original Provision	Proposed Amendments as initially submitted (12 Jan 2016)	RCC-approved Proposed Amendments (09 Nov 2016)
	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).	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). For informational purposes, the *Market Operator* shall calculate *line rental trading amounts* for each *bilateral contract* quantity declaration.
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.	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.~~	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~~ **of *bilateral contract* quantities from a *market trading*** node of ~~that line and flows into the sending node, in accordance with clause 3.13.11.~~**the selling *trading participant* to a *market trading node* of the buying *trading participant*.**

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179 On the concern regarding whether or not it is still necessary to re-publish in the market website
180 the revised proposed changes to the WESM Rules to solicit stakeholders' comments, Atty.

Mateo recommended no longer having the proposal posted considering that the changes were essentially non-substantive. The current timeline of BCQ declaration will be retained, line rental trading amounts remain to be a component in the computation of ex-ante trading amounts, and the Market Operator will still be responsible for calculating for and providing line rental trading amounts but only as supporting information. Mr. Cacho also informed that the agreements made by the RCC with the amendments to the WESM Rules on BCQ declaration and line rental calculation will be carried-over to the proposed further amendments to the WESM Rules relative to the WESM design enhancements (discussed below), which are expected to soon be endorsed to the PEM Board.

The RCC agreed with no longer re-publishing the proposal and thus approved the Proposed Amendments to the WESM Rules, as revised, for endorsement to the PEM Board.

Agreements/Action Plans:
(a) For the Secretariat to finalize the subject proposed amendments to the WESM Rules based on the RCC's latest discussions on the matter.
(b) For the Secretariat to draft the corresponding RCC Resolution approving the proposal for submission to the PEM Board.

(b) Proposed Amendments to the WESM Market Manuals on Bilateral Contract Declaration and Line Rental Calculation

Mr. dela Viña presented the proposed amendments to the affected WESM manuals related to the amendments to the WESM Rules on Bilateral Contract Declaration and Line Rental Calculation.

- WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures Issue 2.0

  - ✓ Provides option to the Trading Participants whether or not a daily confirmation would be required for the bilateral contract
  - ✓ Provides option to the Trading Participant to declare if the supply contract is metered quantity-based

So as not to significantly change the processes of counter-parties, Mr. dela Viña stated that the Market Operator will provide counter-parties the option upon registration to either: [i] confirm the selling Trading Participants' BCQ declaration by default, but may still nullify the same within that trading day if it needs to do so, or to [ii] confirm the declared BCQ daily within the prescribed timeline.

Ms. Rivera inquired how the MO will handle the confirmation of multiple suppliers (i.e., primary and secondary supplier). Mr. dela Viña stated that only the supplier registered in the WESM will be the one to confirm the declared BCQ since it would be the named Trading Participant 'seen' in the market. Mr. Cacho stated that those cases should be already addressed upon registration.

- WESM Manual on Billing and Settlement Manual Issue 4.0

  - ✓ Provides the detailed procedures, conditions and requirements for the declaration and confirmation of bilateral contract data and adjustments by WESM Participants
  - ✓ Provides the procedure for calculating the line rental trading amount of sellers, buyers and buyers with multiple nodes
  - ✓ Requires the Market Operator to calculate line rental trading amounts for information purposes considering its removal from the WESM Rules
  - ✓ Global adoption from the WESM Rules of the timeline for the declaration of BCQ

In terms of BCQ declaration, Mr. Cacho explained that counter-parties will have an equivalent of the Market Participants' Interface where they would be able to verify the selling Trading Participants' submission. Mr. dela Viña also clarified that if the buying Trading Participant opted to perform daily confirmation (as enrolled during registration), then the MO will not account the declared BCQ during settlement if no confirmation is received from that Trading Participant. In this case, the price of the entire volume of electricity bought is the spot market price. On the other hand, if the buying Trading Participant opted to confirm declared BCQs by default (as enrolled during registration), then the MO will account the declared BCQ during settlement even without the confirmation of that Trading Participant unless the same nullified the submitted BCQ. If the declared BCQ is nullified by a counter-party, the selling Trading Participant will be allowed to re-declare within the prescribed timeline.

On the part of suppliers, Ms. Rivera asked if it is possible for a supplier, a direct customer, who fully contracted the entire capacity of a certain generator to declare the BCQ in the WESM by themselves, such that confirmation will no longer be necessary. Mr. dela Viña responded that from the point of view of the Market Operator, it should be aware of the buyer and seller.

Seeing no further clarifications on the proposal from the body, the RCC approved the publication of the proposed amendments to the WESM market manuals related to Bilateral Contract Declaration and Line Rental Calculation in the Market Information Website to solicit comments from WESM stakeholders.

[redacted]

Agreements/Action Plans:
For the Secretariat to publish in the Market Information Website the subject proposed amendments to the WESM Manuals, as approved by the RCC.

2.4. Proposed Amendments to the WESM Rules on Price Determination Methodology

Ms. Rodriguez informed the RCC that there were subsequent necessary changes to the WESM Rules emanating from the RCC's adoption of SNAP's comment on settlement calculation during the previous meeting on 26 October 2016. Said new changes to the WESM Rules will further amend the DOE-approved WESM Rules on WESM design enhancements as promulgated through Department Circular DC 2016-010-0014 dated 14 October 2016[1]. Mr. Binondo commented that the new amendments to the WESM Rules will also further amend the prior policy of the DOE promulgated the previous year through Department Circular No. DC2015-010-0015[2], which provides for the framework and guiding principles for the WESM design enhancements. PEMC noted the information and shall include the same in the RCC Resolution endorsing the proposal to the PEM Board.

Ms. Karen A. Varquez (PEMC) facilitated the line by line discussion of the proposed amendments to the WESM Rules, the bulk of which is due to the revisions on settlement calculation to more accurately reflect settlement amounts. Said proposed changes are summarized as follows:

(a) Proposed amendments related to Price Determination Methodology

- ✓ Revision on energy settlement calculation using aggregate trading amounts based on the prices and quantities for all dispatch intervals within a settlement interval, instead of using hourly schedule-weighted dispatch prices and metered quantities. Reflection of similar changes in the determination of Reserve Trading and Settlement Amounts
- ✓ Revision in the definitions of the terms "Energy Trading Amount" and "Reserve Trading Amount" for consistency with the revised settlement calculation
- ✓ Deletion of Clauses 3.4.2.2, 3.4.2.3 and 3.10.6 as the same are inapplicable with the revised settlement calculation
- ✓ Deletion of the terms "Energy Settlement Price" and "Reserve Settlement Price" since energy and reserve prices will no longer be determined per settlement interval

[1] DOE Department Circular No. DC2016-010-0014 - Adopting Further Amendments to the WESM Rules (Enhancements to WESM Design and Operations)
[2] DOE Department Circular No. DC2015-010-0015 dated 23 October 2015 - Providing policies for further enhancement of the wholesale electricity spot market (WESM) design and operations

- ✓ Re-numbering of clauses and references
- ✓ Deletion of provisions which are no longer relevant

(b) Proposed amendments related to Constraint Violation Coefficient

- ✓ Clarification that market dispatches refer to the market projection and dispatch scheduling processes
- ✓ Clarification on the general criteria for performing manual market pricing re-runs
- ✓ Re-numbering for consistency

(c) Proposed amendments related to Line Rental Calculation

- ✓ Address the audit finding on the handling of bilateral contracts in the WESM by specifying that bilateral contract quantities are not netted out of the ex-ante quantities.
- ✓ Inclusion of MO's calculation of line rental trading amounts for BCQ on the determination of energy trading amounts, for informational purposes
- ✓ Definition of terms "bilateral buy quantity" and "bilateral sell quantity"
- ✓ Deletion of phrases which are not relevant with the procedures
- ✓ Re-numbering of clauses and references
- ✓ Deletion of Clauses 3.13.7, 3.13.11, 3.13.15 and 3.13.15.2 due to inapplicability

Noting that the revised settlement calculation will be based on the aggregate trading amounts determined every 5-minute dispatch interval, Mr. Binondo inquired if there will be an alternative calculation in case Market Participants cannot comply with the 5-minute dispatch interval. Atty. Mateo responded that PEMC ensured the changes to the settlement calculation and the PDM in general are flexible enough so that the formulae will still be applicable regardless of the duration of the dispatch and settlement intervals. Based from the comments of the DU sector during previous RCC discussions, Ms. Elaine D. Gonzales (PEMC) stated that some DUs could make a temporary work-around in the event they would not be ready to comply by the target commercial operations of the New MMS in June 2017. Ms. Gonzales added that PEMC recognizes that not all Market Participants may be able to readily meet the demands of a shorter dispatch interval, but internal arrangements or work-arounds could be made which could be documented in the WESM Metering Manual once the proposed amendments to the same are eventually submitted by PEMC to the RCC.

As a general comment, Mr. Binondo suggested that the rationale for the proposal should be re-stated so that it would not be interpreted that the WESM Rules is being aligned with the market manuals (i.e., PDM); it should be the other way around. Ms. Varquez noted the comment and replied that the final matrix of the proposed amendments shall provide the revised rationale.

[redacted]

There being no further comments from the RCC, the body approved the proposed amendments to the WESM Rules as presented for endorsement to the PEM Board. The body also approved the corresponding RCC Resolution submitted by the Secretariat, with the latest discussions already reflected in the same.

Agreements/Action Plans:
For the Secretariat to finalize and submit the corresponding RCC Resolution, as approved by the RCC, to the PEM Board.

3. New Business

3.1. Proposed Amendments to the Manual on Criteria and Guidelines for the Issuance of Pricing Error Notices and conduct of Market Re-run and Manual on Methodology for Determining Pricing Errors and Price Substitution Due to Congestion for Energy Transactions in the WESM

Mr. Rhe-An Abrasia and Mr. Marcial Jimenez presented PEMC's proposed amendments to the WESM Manuals on Criteria and Guidelines for the Issuance of Pricing Error Notices and Conduct of Market Re-run; and Methodology for Determining Pricing Errors and Price Substitution Due to Congestion for Energy Transactions in the WESM. The proposal intends to provide the actual timeline for the Market Operator's publication of the Pricing Error Notice and Price Substitution in the Market Information Website.

The RCC approved the publication of the proposed amendments to the Market Information Website as submitted to solicit comments from Market Participants and interested parties.

Agreements/Action Plans:
For the Secretariat to publish in the Market Information Website the subject proposed amendments to the WESM Manuals, as approved by the RCC.

3.2. Review of RCC Work Plan

The RCC reviewed the status of its work plan for the year 2016, with the agreements enumerated below:

- ✓ On the part of PEMC, Mr. Cacho informed the RCC that the dates of submission of the proposed amendments to the following manuals are being requested to be changed to the 4th Quarter of the current year:

  a) Retail Manual for Metering Standards and Procedures
  b) Registration, Suspension and De-Registration Criteria and Procedures Manual
  c) Market Network Model Development And Maintenance Criteria and Procedures Manual

  Mr. Cacho stated that some deliverables committed by PEMC for the year were dependent on approvals/actions from external entities (i.e., ERC, BIR), so said proposals were tagged as deferred in the Work Plan.

- ✓ The RCC Secretariat was tasked to confirm and seek updates from the concerned sector representatives on the proposals to the WESM Rules and Market Manuals listed in the Work Plan.

Noting that the timelines of the other committed deliverables as reflected in the RCC Work Plan have also lapsed, the Secretariat was instructed to also verify with the concerned parties regarding updates on these commitments.

Agreements/Action Plans:
(a) For the Secretariat to finalize the revisions to the 2016 RCC Work Plan per the RCC discussions.
(b) For the Secretariat to seek from concerned RCC representatives updates on their sector's respective deliverables.

4. Next Meeting

The RCC agreed to hold its next meetings on the following dates:

- 07 December 2016
- 13 January 2017
- 03 February 2017

5. Adjournment

There being no other matter to be discussed, the meeting was adjourned at around 4:45 PM.

[redacted]

Prepared By:	Reviewed By:	Noted By:
[redacted]	[redacted]	[redacted]
Divine Gayle C. Cruz	**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] **Maila Lourdes G. de Castro** Chairperson Independent	
Members:	
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] **Abner B. Tolentino** Generation Sector Power Sector Assets and Liabilities Management Corporation (PSALM)
Atty. Jose Ildebrando B. Ambrosio Generator Sector NorthWind Power Development Corp. (NorthWind)	**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)
Juanito O. Tolentino, Jr. Distribution Sector (PDU) Mactan Electric Company (MECO)	[redacted] **Ludovico D. Lim** Distribution Sector (EC) Antique Electric Cooperative, Inc. (ANTECO)
[redacted] **Lorreto H. Rivera** Supply Sector TeaM (Philippines) Energy Corporation (TPEC)	