



Philippine Electricity  
Market Corporation

## WHOLESALE ELECTRICITY SPOT MARKET RULES CHANGE COMMITTEE

### RESOLUTION NO. 2020-10

#### **Proposed Amendments to the WESM Rules and WESM Manual on the Management of Net Settlement Surplus for the Implementation of ERC Resolution No. 07 Series of 2019**

**WHEREAS**, the WESM Rules Clause 3.13.16 provides the treatment of Net Settlement Surplus (NSS), which is the surplus or deficit of WESM settlement transactions and requires that these shall be clearly accounted;

**WHEREAS**, the WESM Manual on the Management of Net Settlement Surplus ("NSS Manual") sets the detailed procedure for the allocation of the net settlement surplus in the WESM;

**WHEREAS**, on 23 October 2019, the ERC issued Resolution No. 7, Series of 2019 entitled "A Resolution Adopting Amendments to the Rules for the Distribution of Net Settlement Surplus (NSS)", revising the NSS rules in view of promoting transparency and ensuring the correct implementation of flow back calculations and NSS settlements;

**WHEREAS**, on 12 February 2020, the Independent Electricity Market Operator of the Philippines (IEMOP) submitted proposed amendments to the WESM Rules and NSS Manual for implementation of ERC Resolution No. 7, Series of 2019;

**WHEREAS**, on 20 February 2020, the Philippine Electricity Market Corporation (PEMC) also submitted proposed amendments to the WESM Rules on NSS or net settlement deficit (NSD);

**WHEREAS**, both proposal aims to harmonize the WESM Rules and NSS Manual with the ERC Resolution No. 7, Series of 2019;

**WHEREAS**, during its 161<sup>st</sup> Meeting on 21 February 2020, the RCC approved the publication of the proposal in the PEMC website to solicit comments from industry stakeholders and interested parties;

A handwritten signature in black ink, located in the bottom right corner of the page.

**WHEREAS**, following the 30-working day commenting period from publication date on 26 February 2020, comments were received from the Technical Committee (TC), Manila Electric Company (MERALCO) and PEMC on IEMOP's proposal, while there were no comments received on PEMC's proposal, from the industry stakeholders and interested parties;

**WHEREAS**, during the 164<sup>th</sup> RCC Meeting last 24 April 2020, the RCC reviewed the proposal with due consideration of the comments received and agreed to adopt enhancements to the formulae as proposed by TC and the insertion of a section on Interest and Penalty in the NSS Manual consistent with the ERC Resolution No. 7, Series of 2019, as proposed by PEMC;

**WHEREAS**, the RCC also adopted the deletion of the reportorial requirements of Distribution Utilities (DUs) and Retail Electricity Suppliers (RES) from the NSS Manual since the ERC did not retain the requirement in the ERC Resolution No. 7 Series of 2019. The RCC likewise noted the confirmation of RCC members from the said sectors that they are continuously submitting reports to the ERC on the NSS amount and metered quantities, including the corresponding report on NSS re-distributed to their customers;

**WHEREAS**, during the 165<sup>th</sup> RCC Meeting on 15 May 2020, the RCC further agreed to adopt IEMOP's proposed amendments to the WESM Rules to the version for the enhanced WESM design;

**WHEREAS**, in view of the foregoing, the RCC approved the proposals, as amended, and its endorsement to the PEM Board;

**NOW THEREFORE**, we, the undersigned, in behalf of the sectors we represent, hereby resolve as follows:

**RESOLVED**, that the RCC approves the Proposed Amendments to the WESM Rules and WESM Manual on Net Settlement Surplus or Deficit (NSS or NSD);


**RESOLVED FURTHER**, that the said Proposed Amendments to the WESM Rules and WESM Manual on Net Settlement Surplus or Deficit (NSS or NSD) (attached as Annexes A and B) is hereby endorsed to the PEM Board for approval and subsequent transmittal to the DOE for promulgation;

Done this 15 May 2020, Pasig City.



Approved by:  
**THE RULES CHANGE COMMITTEE**

Independent Members:

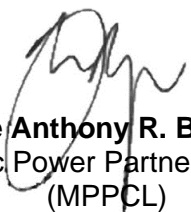
  
**Maila Lourdes G. de Castro**  
Chairperson


  
**Francisco L.R. Castro, Jr.**

  
**Allan C. Nerves**

  
**Concepcion I. Tanglao**

Generation Sector Members:


  
**Dixie Anthony R. Banzon**  
Masinloc Power Partners Co. Ltd.  
(MPPCL)


  
**Cherry A. Javier**  
Aboitiz Power Corp.  
(APC)

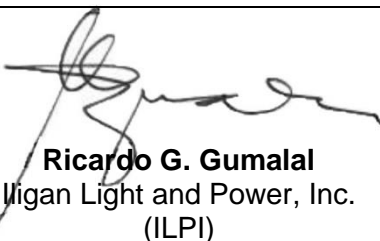
  
**Carlito C. Claudio**  
Millennium Energy, Inc./ Panasia Energy, Inc.  
(MEI/PEI)

  
**Mark D. Habana**  
Vivant Corporation - Philippines  
(Vivant)

Distribution Sector Members:

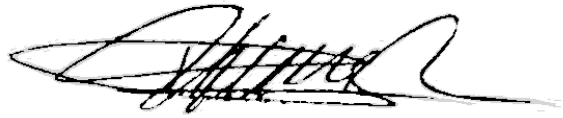
  
**Virgilio C. Fortich, Jr.**  
Cebu III Electric Cooperative, Inc.  
(CEBECO III)

  
**Ryan S. Morales**  
Manila Electric Company  
(MERALCO)

  
**Ricardo G. Gumalal**  
Iligan Light and Power, Inc.  
(ILPI)

  
**Nelson M. Dela Cruz**  
Nueva Ecija II Area 1 Electric Cooperative, Inc.  
(NEECO II – Area 1)

Supply Sector Member:



**Lorreto H. Rivera**  
TeaM (Philippines) Energy Corporation  
(TPEC)

Market Operator Member:



**Isidro E. Cacho, Jr.**  
Independent Electricity Market Operator of the Philippines  
(IEMOP)

System Operator Member:



**Ambrocio R. Rosales**  
National Grid Corporation of the Philippines  
(NGCP)



**Annex A – WESM Rules****Proposed Amendments to the WESM Rules for the Implementation of ERC Resolution No. 07 Series of 2019 entitled “A Resolution Adopting Amendments to the Rules for the Distribution of Net Settlement Surplus (NSS)”**

<b>WESM Rules (Current Design)</b>				
<b>Title</b>	<b>Clause</b>	<b>Provision</b>	<b>Proposed Amendment</b>	<b>Rationale</b>
Treatment of Remaining Settlement Surplus	3.13.16.1	If the transactions required by clauses 3.13.14.2 (a), (b) and (d), in aggregate, result in a surplus or deficit remaining, this will be known as the <i>net settlement surplus</i> .	If the transactions required by clauses 3.13.14.2 (a), (b) and (d), in aggregate, result in a surplus or deficit remaining, this will be known as the <i>net settlement surplus</i> <u>or net settlement deficit</u> .	For harmonization with the definition of NSS and NSD of ERC Resolution No. 7 Series of 2019
Treatment of Remaining Surplus	3.13.16.2	The net settlement surplus: (a) May be retained by the Market Operator, to fund deficit as a result of transactions required in clauses 3.13.14, or may be flowed back to the Market Participants in accordance with the procedures to be developed under 3.13.16.3, or may be used by the Market Operator to establish and support the market for Financial Transmission Rights subject to the approval of the PEM Board; and, (b) Shall be clearly accounted for and taken into account when setting the allowable charges under any regulatory instruments applying to the <i>Market Operator</i> and the <i>System operator</i> .	The <i>net settlement surplus</i> or <u><b>net settlement deficit</b></u> : (a) <del>May be retained by the Market Operator, to fund deficit as a result of transactions required in clauses 3.13.14, or may be</del> flowed back to the Market Participants in accordance with the procedures to be developed under 3.13.16.3, or may be used by the Market Operator to establish and support the market for Financial Transmission Rights subject to the approval of the PEM Board; and, (b) Shall be clearly accounted for and taken into account when setting the allowable charges under any regulatory instruments applying to the <i>Market Operator</i> and the <i>System operator</i> .	For harmonization with the definition of NSS and NSD of ERC Resolution No. 7 Series of 2019  Provisions for the retention of NSS was removed in previous version of Amended Rules for the Distribution of Net Settlement Surplus (ERC Resolution No. 1 Series of 2018).
Treatment of Remaining Settlement Surplus		(new)	<u><b>3.13.16.4 The calculation and flow back mechanism of net settlement surplus or deficit shall be approved by the Energy Regulatory Commission (ERC) as prescribed in its Rules for the Distribution of Net Settlement Surplus.</b></u>	<ul style="list-style-type: none"> <li>• Reflect the ERC's authority to approve the rules for calculation and flow back mechanism of NSS/NSD.</li> </ul>

**Annex A – WESM Rules**

WESM Rules (Current Design)				
Title	Clause	Provision	Proposed Amendment	Rationale
Treatment of Remaining Settlement Surplus		(new)	<b><u>3.13.16.5 The ERC may issue changes to the flow back of the net settlement surplus or deficit to Market Participants. Such changes shall be reflected in the procedures referred to in Clause 3.13.16.3 by the Market Operator in accordance with the Rules change process in chapter 8.</u></b>	<ul style="list-style-type: none"> <li>• Reflect the ERC's authority to amend, motu proprio.</li> <li>• Ensure that the amended NSS Rules are reflected in the NSS Manual.</li> </ul>
Definition of NSS	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.	Net Settlement Surplus <b><u>or Net Settlement Deficit</u></b> . The settlement surplus <b><u>or settlement deficit</u></b> 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.	For harmonization with the definition of NSS and NSD of ERC Resolution No. 7 Series of 2019

**Annex A – WESM Rules**

<b>WESM Rules (Enhanced Design)</b>				
<b>Title</b>	<b>Clause</b>	<b>Provision</b>	<b>Proposed Amendment</b>	<b>Rationale</b>
Treatment of Remaining Settlement Surplus	3.13.12.1	If the transactions required by Clauses 3.13.12.2 (a), (b) and (d), in aggregate, result in a surplus or deficit remaining, this will be known as the <i>net settlement surplus</i> .	If the transactions required by Clauses 3.13.12.2 (a), (b) and (d), in aggregate, result in a surplus or deficit remaining, this will be known as the <i>net settlement surplus</i> <b><u>or net settlement deficit</u></b> .	For harmonization with the definition of NSS and NSD of ERC Resolution No. 7 Series of 2019
Treatment of Remaining Surplus	3.13.12.2	The <i>net settlement surplus</i> : (a) May be retained by the <i>Market Operator</i> , to fund deficit as a result of transactions required in Clauses 3.13.11, or may be flowed back to the <i>WESM Participants</i> in accordance with the procedures to be developed under 3.13.12.3, or may be used by the <i>Market Operator</i> to establish and support the market for financial <i>transmission rights</i> subject to the approval of the PEM Board; and, (b) Shall be clearly accounted for and taken into account when setting the allowable charges under any regulatory instruments applying to the <i>Market Operator</i> .	The <i>net settlement surplus</i> or <b><u>net settlement deficit</u></b> : (a) <del>May be retained by the Market Operator, to fund deficit as a result of transactions required in clauses 3.13.11, or may be</del> flowed back to the Market Participants in accordance with the procedures to be developed under 3.13.12.3, or may be used by the Market Operator to establish and support the market for Financial Transmission Rights subject to the approval of the PEM Board; and, (b) Shall be clearly accounted for and taken into account when setting the allowable charges under any regulatory instruments applying to the <i>Market Operator</i> .	For harmonization with the definition of NSS and NSD of ERC Resolution No. 7 Series of 2019  Provisions for the retention of NSS was removed in previous version of Amended Rules for the Distribution of Net Settlement Surplus (ERC Resolution No. 1 Series of 2018).
Treatment of Remaining Settlement Surplus		(new)	<b><u>3.13.12.4 The calculation and flow back mechanism of net settlement surplus or deficit shall be approved by the Energy Regulatory Commission (ERC) as prescribed in its Rules for the Distribution of Net Settlement Surplus.</u></b>	<ul style="list-style-type: none"> <li>• Reflect the ERC's authority to approve the rules for calculation and flow back mechanism of NSS/NSD.</li> </ul>
Treatment of Remaining Settlement Surplus		(new)	<b><u>3.13.12.5 The ERC may issue changes to the flow back of the net settlement surplus or deficit to Market Participants. Such changes shall be reflected in the procedures referred to in Clause</u></b>	<ul style="list-style-type: none"> <li>• Reflect the ERC's authority to amend, motu proprio.</li> <li>• Ensure that the amended NSS Rules are reflected in the NSS Manual.</li> </ul>

WESM Rules (Enhanced Design)				
Title	Clause	Provision	Proposed Amendment	Rationale
			<u>3.13.16.3 by the Market Operator in accordance with the Rules change process in chapter 8.</u>	





**Annex B – WESM Manual**

**Proposed Amendments to the WESM Manual on the Management of Net Settlement Surplus for the Implementation of ERC Resolution No. 07 Series of 2019 entitled “A Resolution Adopting Amendments to the Rules for the Distribution of Net Settlement Surplus (NSS)”**

<b>WESM Manual on the Management of Net Settlement Surplus</b>				
<b>Title</b>	<b>Clause</b>	<b>Provision</b>	<b>Proposed Amendment</b>	<b>Rationale</b>
References	2.2	This document should be read together with the –  XXX  e) <i>Energy Regulatory Commission</i> Resolution No. 6, Series of 2009, A Resolution Adopting the Rules for the Distribution of <i>Net Settlement Surplus</i> .	This document should be read together with the –  XXX  e) <i>Energy Regulatory Commission</i> Resolution No. <u>67</u> , Series of <del>2009</del> <b>2019</b> , A Resolution Adopting <u>Amendments to</u> the Rules for the Distribution of <i>Net Settlement Surplus</i> <u>(NSS)</u> .	To refer to the latest ERC issuance amending the NSS Rules
Responsibilities	3.1.1	In accordance with WESM Rules Clause 3.13.12.3, the Market Operator shall:  XXX	In accordance with WESM Rules Clause 3.13.42 <u>16</u> .3, the Market Operator shall:  XXX	To reflect the appropriate clause number of the WESM Rules providing the responsibilities of the Market Operator on the NSS
Responsibilities	<b><u>3.1.2</u></b> <b><u>(new)</u></b>		<b><u>3.1.2 In accordance with ERC Resolution No. 07, Series of 2019, the Market Operator shall:</u></b> <b><u>a) Ensure the accurate implementation of the Rules including the corresponding NSS or NSD re-distribution pursuant to Articles III, IV, V and VI of said resolution; and</u></b> <b><u>b) Liable for any erroneous implementation of the formula as contained in said resolution.</u></b>	To harmonize with Article VIII of ERC Resolution No. 07 Series of 2019
Ownership of Net Settlement Surplus	4.2	OWNERSHIP OF NET SETTLEMENT SURPLUS	<b><u>OWNERSHIP OF NET SETTLEMENT SURPLUS RE-DISTRIBUTION OF NET SETTLEMENT SURPLUS/DEFICIT</u></b>	To adopt the wording of Article IV of ERC Resolution No. 7 Series of 2019

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
Ownership of Net Settlement Surplus	4.2	<p>4.2.1 WESM Participants that paid for the loss and congestion charge shall receive a share in the net settlement surplus. Pursuant to ERC Resolution No. 01 Series of 2018, the net settlement surplus (NSS) shall be allocated to Direct WESM Members as follows:</p> <ol style="list-style-type: none"> <li>Distribution Utilities (DUs);</li> <li>Retail Energy Suppliers (RES), including Local RES and Supplier of Last Resort (SoLR) and other electricity suppliers;</li> <li>Generation Companies that acted as end-users or made withdrawal from the grid;</li> <li>Independent Power Producer (IPP) Administrators who will be assigned Contracts for the Supply of Electric Energy (CSEE) and assume the default wholesale supply functions for the assigned TSC Customers; and</li> <li>Other parties which have acted as end-users and paid line loss and congestion charges.</li> </ol> <p>4.2.2 Any NSS allocated to the DUs shall be subject to immediate re-distribution to the corresponding End-users at the retail level.</p> <p>4.2.3 Any NSS allocated to the RES shall be subject to immediate re-distribution to the corresponding</p>	<p>4.2.1 WESM Participants that paid for the <u>surplus line</u> loss and congestion <del>charge</del> <u>payments</u> shall receive a share in the net settlement surplus. Pursuant to <del>ERC Resolution No. 01 Series of 2018</del> <u>Article IV Section 1 of ERC Resolution No. 7 Series of 2019</u>, the <i>Net Settlement Surplus</i> (NSS) <u>or Net Settlement Deficit (NSD)</u> shall be allocated <u>billed to</u> <i>Direct WESM Members as follows including, but not limited to, the following entities:</i></p> <ol style="list-style-type: none"> <li><i>Distribution Utilities</i> (DUs);</li> <li><i>Retail Electricity Suppliers</i> (RES), including <i>Local RES</i> and <u>the Supplier of Last Resort</u> (SoLR), and other electricity suppliers;</li> <li><i>Generation Companies that acted as end-users or made withdrawal from the grid;</i></li> <li>Independent Power Producer (IPP) Administrators <del>who will be assigned Contracts for the Supply of Electric Energy (CSEE) and assume the default wholesale supply functions for the assigned TSC Customers; and</del></li> <li>Other parties <del>which have acted as end-users and paid line loss and congestion charges</del> <u>registered as Direct WESM Members.</u></li> </ol> <p>4.2.2 <u>The total of the hourly NSS and/or NSD allocation for every billing period shall be reflected immediately as a deduction to or an adjustment to the total settlement amount of the Direct WESM Member, whether for its own WESM transactions or on behalf of its Indirect WESM Member.</u> Any NSS allocated to the DUs shall be subject to immediate re-distribution to the corresponding <u>This shall be correspondingly re-distributed to the end-users at the retail level as part of the monthly generation rate pursuant to their corresponding power supply agreements approved by the Energy Regulatory Commission.</u></p> <p>4.2.3 <u>NSS or NSD allocation corresponding to adjustments for transactions prior to the switching of an Indirect WESM Member to another Direct Member shall be billed to the current Direct WESM Member.</u> Any NSS allocated to the RES shall be subject to immediate re-distribution to the corresponding End-users in the retail electricity market.</p> <p>4.2.4 Any NSS <u>or NSD allocation billed to the RES shall be subject to re-distribution to its Contestable Customers pursuant to their Retail Supply Contract</u> allocated to a <i>Direct WESM Member</i> on behalf of its</p>	<ul style="list-style-type: none"> <li>Consistent with Article I Section 1.4 of the ERC Resolution No. 7, Series of 2019.</li> <li>For harmonization with Article IV of ERC Resolution No. 7 Series of 2019, specifically: <ul style="list-style-type: none"> <li>4.2.1 – Article IV Section 1</li> <li>4.2.2 – Article IV Section 2</li> <li>4.2.3 – Article IV Section 3</li> <li>4.2.4 – Article IV Section 4</li> <li>4.2.5 – Article V Section 2 &amp; Article VI Section 3</li> </ul> </li> </ul> <p>provide that NSS/NSD shall be allocated to all trading participants with withdrawal from the grid during intervals when there is no calculated transmission loss and congestion payments (i.e.</p>

**Annex B – WESM Manual**

<b>WESM Manual on the Management of Net Settlement Surplus</b>				
<b>Title</b>	<b>Clause</b>	<b>Provision</b>	<b>Proposed Amendment</b>	<b>Rationale</b>
		<p>End-users in the retail electricity market.</p> <p>4.2.4 Any NSS allocated to a <i>Direct WESM Member</i> on behalf of its <i>Indirect WESM Member</i> shall be subject to immediate re-distribution to the corresponding <i>Indirect WESM Member</i>.</p> <p>4.2.5 When prices in the <i>WESM</i> are administered <i>i.e.</i>, upon the occurrence of Market Intervention, Market Suspension, or implementation of Secondary Price Cap, there shall be no NSS allocation and re-distribution for the affected trading intervals.</p>	<p><del><i>Indirect WESM Member</i> shall be subject to immediate re-distribution to the corresponding <i>Indirect WESM Member</i>.</del></p> <p>4.2.5 When prices in the <i>WESM</i> are administered <i>i.e.</i>, upon the occurrence of Market Intervention, Market Suspension, or implementation of Secondary Price Cap, there shall be no NSS allocation and re-distribution for the affected trading intervals.</p>	AP, PSM, SEC).
Methodology and Procedure	5.1	CALCULATION OF NET SETTLEMENT SURPLUS	CALCULATION OF NET SETTLEMENT SURPLUS <b><u>AND NET SETTLEMENT DEFICIT</u></b>	For harmonization with ERC Resolution No. 7 Series of 2019, which also includes separate provisions for the calculation of Net Settlement Deficit

## Annex B – WESM Manual

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
Methodology and Procedure	5.1.1	The adoption of locational marginal pricing for the WESM under different market trading nodes accounts for congestion and losses in the transmission system. As a result, the price differences occur between generator nodes and customer nodes due to the losses and congestion. The surplus resulting from the aggregate WESM settlement transactions in the Net Settlement Surplus. This may also result in a settlement deficit.	The adoption of locational marginal pricing for the WESM under different market trading nodes accounts for congestion and losses in the transmission system. As a result, the price differences occur between generator nodes and customer nodes due to the losses and congestion. <del>The surplus resulting from the aggregate WESM settlement transactions in the Net Settlement Surplus. This may also result in a settlement deficit.</del> <b><u>The aggregate WESM settlement amount may result in: 1) Net Settlement Surplus which is also known as NSS; or 2) Net Settlement Deficit which is also known as NSD.</u></b>	For harmonization with Article II Section 1 of ERC Resolution No. 7 Series of 2019
Methodology and Procedure		(new)	<b><u>5.1.2 The Net Settlement Surplus or Net Settlement Deficit amount shall be calculated based on the total trading amount for every trading interval.</u></b>	For harmonization with Article II Section 2 of ERC Resolution No. 7 Series of 2019
Methodology and Procedure		(new)	<b><u>5.1.3 The Net Settlement Surplus occurs when the total collectibles exceed the total payables.</u></b>	For harmonization with Article II of Section 3 ERC Resolution No. 7 Series of 2019
Methodology and Procedure		(new)	<b><u>5.1.4 The Net Settlement Deficit occurs when the total payables exceed the total collectibles.</u></b>	For harmonization with Article II of Section 4 ERC Resolution No. 7 Series of 2019
Methodology and Procedure	5.1.2	5.1.2 Pursuant to Article II Section 2 of the ERC Resolution No. 01 Series of 2018, the net settlement surplus amount shall be calculated based on the total trading amount for every trading interval as follows:  $NSS_k = Collectibles_k - Payables_k$	<del>5.1.2</del> <b><u>5.1.5 Pursuant to Article II Section 2 of the ERC Resolution No. 01 Series of 2018 Article III Section 1 of ERC Resolution No. 07 Series of 2019, the net settlement surplus amount Total Net Settlement Surplus or Deficit (<math>NSS_{Total}</math> or <math>NSD_{Total}</math>) shall be determined by getting the difference of the total collectibles (<math>TA_{Collectibles}</math>) and the total payables (<math>TA_{Payables}</math>): calculated based on the total trading amount for every trading interval as follows</u></b>  <del><math display="block">NSS_k = Collectibles_k - Payables_k</math></del>	For harmonization with Article III Section 1 of ERC Resolution No. 7 Series of 2019

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
		<p>Where:  <math>NSS_k = \text{Net Settlement Surplus for trading interval } k</math>  Collectibles = total amount to be collected by the <i>Market Operator</i> from the <i>Trading Participants</i> for <i>energy</i> transactions in the market (including loss and congestion charges for both spot and bilateral quantities) for all <i>nodes</i> at <i>trading interval k</i>  Payables = total amount to be paid by the <i>Market Operator</i> to the <i>Trading Participants</i> for <i>energy</i> transactions in the market (including loss and congestion charges) for all <i>nodes</i> at <i>trading interval k</i>  <math>k = \text{hourly trading interval}</math></p>	<p><u><math>NSS_{Total,i} \text{ or } NSD_{Total,i} = TA_{Collectibles,i} - TA_{Payables,i}</math></u></p> <p>Where:</p> <p><del><math>NSS_k = \text{Net Settlement Surplus for trading interval } k</math></del>  <del>Collectibles = total amount to be collected by the <i>Market Operator</i> from the <i>Trading Participants</i> for <i>energy</i> transactions in the market (including loss and congestion charges for both spot and bilateral quantities) for all <i>nodes</i> at <i>trading interval k</i></del>  <del>Payables = total amount to be paid by the <i>Market Operator</i> to the <i>Trading Participants</i> for <i>energy</i> transactions in the market (including loss and congestion charges) for all <i>nodes</i> at <i>trading interval k</i></del>  <del><math>k = \text{hourly trading interval}</math></del></p> <p><u><math>NSS_{Total,i} \text{ or } NSD_{Total} = \text{Total Net Settlement Surplus or Deficit, in PhP, for trading interval } i</math></u></p> <p><u><math>TA_{Collectibles} = \text{Total trading amount, in PhP, to be collected by the Market Operator from the Trading Participants for trading interval } i</math></u></p> <p><u><math>TA_{Payables} = \text{Total trading amount, in PhP, to be paid by the Market Operator to the Trading Participants for trading interval } i</math></u></p> <p><u><math>i = \text{trading interval}</math></u></p>	
Net Settlement Deficit	5.2	NET SETTLEMENT DEFICIT	<p><del>NET SETTLEMENT DEFICIT</del>  <u>DERIVATION OF NET SETTLEMENT SURPLUS AND NET SETTLEMENT DEFICIT</u></p>	For harmonization with Article III of ERC Resolution No. 7 Series of 2019. The original Section 5.2 is suggested to be replaced by the proposed revisions

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
				and the proposed new provisions of section 5.2 of this manual.
Net Settlement Deficit	5.2.1	The net settlement surplus may be retained by the Market Operator to fund deficit settlement, pursuant to WESM Rules Clause 3.13.16.2(a). Since the issuance of the settlement statements are on monthly basis, the formula for calculation of the net settlement surplus presented in Section 5.1 of this document automatically takes the deficit into account. Thus, the resulting calculation presented in the statements already netted out the deficit.	<p><b><u>Pursuant to Article III Section 2 of ERC Resolution No. 07 Series of 2019, allocation of the NSS or NSD shall be based on the cause of the surplus (e.g., surplus transmission loss payment, surplus congestion payment, among others). As such, the NSS or NSD calculation is disaggregated into NSS or NSD due to losses (<math>NSS_{Loss}</math> or <math>NSD_{Loss}</math>) and the NSS or NSD due to congestion (<math>NSS_{Congestion}</math> or <math>NSD_{Congestion}</math>), which are allocated separately. The following formula illustrates the components of the disaggregated NSS or NSD:</u></b></p> $\underline{NSS_{Total,D,i} \text{ or } NSD_{Total,D,i} = NSS_{Loss,i} \text{ or } NSD_{Loss,i} + NSS_{Congestion,i} \text{ or } NSD_{Congestion,i}}$ <p><b>Where:</b></p> $\underline{NSS_{Total,D,i} \text{ or } NSD_{Total,D,i} = \text{Sum of disaggregated Net Settlement Surplus or Deficit due to transmission loss and congestion, in PhP, for trading interval } i}$ $\underline{NSS_{Loss,i} \text{ or } NSD_{Loss,i} = \text{Net Settlement Surplus or Deficit due to transmission loss payments, in PhP, for trading interval } i}$ $\underline{NSS_{Congestion,i} \text{ or } NSD_{Congestion,i} = \text{Net Settlement Surplus or Deficit due to congestion payments, in PhP, for trading interval } i}$ <p><b><u>i = trading interval i</u></b></p> <p>The net settlement surplus may be retained by the Market Operator to fund deficit settlement, pursuant to WESM Rules Clause 3.13.16.2(a). Since the issuance of the settlement statements are on monthly basis, the formula for</p>	For harmonization with Article III Section 2 of ERC Resolution No. 7 Series of 2019

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
			calculation of the net settlement surplus presented in Section 5.1 of this document automatically takes the deficit into account. Thus, the resulting calculation presented in the statements already netted out the deficit.	
Net Settlement Deficit	5.2.2	It is possible that a net settlement deficit rather than a surplus will occur. That is, for certain trading intervals the sum of the trading amounts at the generator nodes (i.e., payments) is greater than the trading amounts at the load or Customer nodes (i.e., collections). This deficit may occur because of differences between the ex-ante and ex-post energy trading amounts, which are due, in turn, to un-realized schedules and resulting price differences during real time (i.e., ex-post). These occurrences are beyond the control of the Market Operator and are brought about by offer and bid structures submitted to the market by the Trading Participants.	<p><b><u>In order to determine <math>NSS_{Loss}</math> or <math>NSD_{Loss}</math> and <math>NSS_{Congestion}</math> or <math>NSD_{Congestion}</math>, the trading amounts shall also be disaggregated among its components. Based on the components of the locational marginal prices (LMP), the trading amounts collected and paid by the Market Operator for each trading participant shall be disaggregated as follows:</u></b></p> $TA_{Payable,P,i} \text{ or } TA_{Collectible,P,i} = TA_{Energy,P,i} + TA_{Loss,P,i} + TA_{Congestion,P,i}$ <p><b><u>Where:</u></b></p> $TA_{Payable,P,i} \text{ or } TA_{Collectible,P,i} = \text{Trading amount of Trading Participant } P, \text{ in PhP, for trading interval } i$ $TA_{Energy,P,i} = \text{Trading amount for energy of Trading Participant } P, \text{ in PhP, for trading interval } i, \text{ as computed in (a) below}$ $TA_{Loss,P,i} = \text{Trading amount for transmission loss of Trading Participant } P, \text{ in PhP, for trading interval } i, \text{ as computed in (b) below}$ $TA_{Congestion,P,i} = \text{Trading amount for congestion of Trading Participant } P, \text{ in PhP, for trading interval } i, \text{ as computed in (c) below}$ <p><del>It is possible that a net settlement deficit rather than a surplus will occur. That is, for certain trading intervals the sum of the trading amounts at the generator nodes (i.e., payments) is greater than the trading amounts at the load or Customer nodes (i.e., collections). This deficit may occur because of differences between the ex-ante and ex-post energy trading amounts, which are due, in turn, to un-realized schedules and resulting price differences</del></p>	For harmonization with Article III Section 2 of ERC Resolution No. 7 Series of 2019

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
			during real time (i.e., ex-post). These occurrences are beyond the control of the Market Operator and are brought about by offer and bid structures submitted to the market by the Trading Participants.	
		(new)	<p><b>a) Trading amount for energy (<math>TA_{Energy}</math>) shall be computed as follows:</b></p> $TA_{Energy,p,i} = \left( EAQ_{p,i} - \sum_{c \in C} BCQ_{p,c,i} \right) * \lambda_{RTD,p,i} + (MQ_{p,i} - EAQ_{p,i}) * \lambda_{RTX,p,i} + \sum_{c \in C} BCQ_{p,c,i} * (\lambda_{RTD,p,i} - \lambda_{RTD,s,i})$ <p><b>Where:</b></p> <p><math>\lambda_{RTD \text{ or } RTX,p,i}</math> = Applicable ex-ante (RTD) or ex-post (RTX) system marginal price (SMP) of resource <math>p</math> for trading interval <math>i</math></p> <p><math>\lambda_{RTD,s,i}</math> = Ex-ante (RTD) system marginal price (SMP) of selling counterparty resource <math>s</math> (on the bilateral contract between resource <math>p</math> and counterparty <math>c</math>) for trading interval <math>i</math></p> <p><math>EAQ_{p,i}</math> = Ex-ante quantity, in MWh, of resource <math>p</math> for trading interval <math>i</math></p> <p><math>BCQ_{p,c,i}</math> = Bilateral contract quantity, in MWh, of the bilateral contract between resource <math>p</math> and counterparty <math>c</math> for trading interval <math>i</math></p> <p><math>MQ_{p,i}</math> = Metered quantity, in MWh, of between resource <math>p</math> trading interval <math>i</math></p> <p><math>c</math> = Counterparty of resource <math>p</math></p> <p><math>C</math> = Set of all counterparties of resource <math>p</math></p>	To provide details on the computation of trading amount for energy based on the current PDM.



WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
			<p><u>p = Any resource of Trading Participant P</u></p> <p><u>i = trading interval</u></p>	
		(new)	<p><b><u>b) Trading amount for transmission loss (<math>TA_{Loss}</math>) shall be computed as follows:</u></b></p> $TA_{Loss,p,i} = \left( EAQ_{p,i} - \sum_{c \in C} BCQ_{p,c,i} \right) * MTLP_{RTD,p,i} + (MQ_{p,i} - EAQ_{p,i})$ $* MTLP_{RTX,p,i} + \sum_{c \in C} BCQ_{p,c,i} * (MTLP_{RTD,p,i} - MTLP_{RTD,s,i})$ <p><b><u>Where:</u></b></p> <p><b><u><math>MTLP_{RTD \text{ or } RTX,p,i}</math> = Applicable ex-ante (RTD) or ex-post (RTX) marginal transmission loss price (MTLP) of resource p for trading interval i</u></b></p> <p><b><u><math>MTLP_{RTD,s,i}</math> = Ex-ante (RTD) marginal transmission loss price (MTLP) of selling counterparty resource s (on the bilateral contract between resource p and counterparty c) for trading interval i</u></b></p> <p><b><u><math>EAQ_{p,i}</math> = Ex-ante quantity, in MWh, of resource p for trading interval i</u></b></p> <p><b><u><math>BCQ_{p,c,i}</math> = Bilateral contract quantity, in MWh, of the bilateral contract between resource p and counterparty c for trading interval i</u></b></p> <p><b><u><math>MQ_{p,i}</math> = Metered quantity, in MWh, of between resource p trading interval i</u></b></p> <p><b><u>c = Counterparty of resource p</u></b></p> <p><b><u>C = Set of all counterparties of resource p</u></b></p>	To provide details on the computation of trading amount for transmission losses

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
			<p><u><math>p</math> = Any resource of Trading Participant <math>P</math></u></p> <p><u><math>i</math> = trading interval</u></p>	
		(new)	<p><b><u>c) Trading amount for congestion (<math>TA_{Congestion}</math>) shall be computed as follows:</u></b></p> $TA_{Congestion,p,i} = \left( EAQ_{p,i} - \sum_{c \in C} BCQ_{p,c,i} \right) * MCP_{RTD,p,i} + (MQ_{p,i} - EAQ_{p,i}) * MCP_{RTX,p,i} + \sum_{c \in C} BCQ_{p,c,i} * (MCP_{RTD,p,i} - MCP_{RTD,s,i})$ <p><b><u>Where:</u></b></p> <p><u><math>MCP_{RTD \text{ or } RTX,p,i}</math> = Applicable ex-ante (RTD) or ex-post (RTX) marginal congestion price (MCP) of resource <math>p</math> for trading interval <math>i</math></u></p> <p><u><math>MCP_{RTD,s,i}</math> = Ex-ante (RTD) marginal congestion price (MCP) of selling counterparty resource <math>s</math> (on the bilateral contract between resource <math>p</math> and counterparty <math>c</math>) for trading interval <math>i</math></u></p> <p><u><math>EAQ_{p,i}</math> = Ex-ante quantity, in MWh, of resource <math>p</math> for trading interval <math>i</math></u></p> <p><u><math>BCQ_{p,c,i}</math> = Bilateral contract quantity of the bilateral contract between resource <math>p</math> and counterparty <math>c</math> for trading interval <math>i</math></u></p> <p><u><math>MQ_{p,i}</math> = Metered quantity, in MWh, of between resource <math>p</math> trading interval <math>i</math></u></p> <p><u><math>c</math> = Counterparty of resource <math>p</math></u></p> <p><u><math>C</math> = Set of all counterparties of resource <math>p</math></u></p>	To provide details on the computation of trading amount for transmission losses

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
			<p><u><math>p</math> = Any resource of Trading Participant <math>P</math></u></p> <p><u><math>i</math> = trading interval</u></p>	
		(new)	<p><b><u>5.2.3 Net Settlement Surplus/Deficit due to line loss payment (<math>NSS_{Loss}</math> or <math>NSD_{Loss}</math>) shall be determined as the difference of the collectibles and the payables for energy and transmission loss as shown be the equation below:</u></b></p> $\underline{NSS_{Loss,i} \text{ or } NSD_{Loss,i} = \frac{\sum_{cp \in CP} (TA_{Energy,cp,i} + TA_{Loss,cp,i})}{\sum_{pp \in PP} (TA_{Energy,pp,i} + TA_{Loss,pp,i})} -}$ <p><b><u>Where:</u></b></p> <p><b><u><math>NSS_{Loss,i}</math> or <math>NSD_{Loss,i}</math> = Net Settlement Surplus or Deficit due to line loss payments, in PhP, for trading interval <math>i</math></u></b></p> <p><b><u><math>TA_{Energy}</math> = Total trading amount of a trading participant for energy, in PhP, for trading interval <math>i</math></u></b></p> <p><b><u><math>TA_{Loss}</math> = Total trading amount of a Trading Participant for transmission loss, in PhP, for trading interval <math>i</math></u></b></p> <p><b><u><math>CP</math> = Set of Trading Participants with collectible trading amounts</u></b></p> <p><b><u><math>cp</math> = Trading Participant with collectible trading amount</u></b></p> <p><b><u><math>PP</math> = Set of Trading Participants with payable trading amounts</u></b></p> <p><b><u><math>pp</math> = Trading Participant with payable trading amount</u></b></p> <p><b><u><math>i</math> = trading interval</u></b></p>	For harmonization with Article III Section 2 of ERC Resolution No. 7 Series of 2019

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
		(new)	<p><b><u>5.2.4 Net Settlement Surplus/Deficit due to congestion (<math>NSS_{Congestion}</math> or <math>NSD_{Congestion}</math>) shall be calculated as the difference of the collectibles and the payables for congestion as shown below:</u></b></p> $\underline{NSS_{Congestion,i} \text{ or } NSD_{Congestion,i} = \sum_{cp \in CP} TA_{Congestion,cp,i} - \sum_{pp \in PP} TA_{Congestion,pp,i}}$ <p><b><u>Where:</u></b></p> <p><b><u><math>NSS_{Congestion,i}</math> or <math>NSD_{Congestion,i}</math> = Net Settlement Surplus or Deficit due to congestion payments, in PhP, for trading interval <math>i</math></u></b></p> <p><b><u><math>TA_{Congestion}</math> = Total trading amount of a trading participant for congestion, in PhP, for trading interval <math>i</math></u></b></p> <p><b><u><math>CP</math> = Set of Trading Participants with collectible trading amounts</u></b></p> <p><b><u><math>cp</math> = Trading Participant with collectible trading amount</u></b></p> <p><b><u><math>PP</math> = Set of Trading Participants with payable trading amounts</u></b></p> <p><b><u><math>pp</math> = Trading Participant with payable trading amount</u></b></p> <p><b><u><math>i</math> = trading interval</u></b></p>	For harmonization with Article III Section 2 of ERC Resolution No. 7 Series of 2019
		(new)	<p><b><u>5.2.5 During trading intervals when there is no computed transmission loss and congestion, the <math>NSS</math> or <math>NSD</math> shall be computed as follows:</u></b></p> $\underline{NSS_{NoTLCp,i} \text{ or } NSD_{Total,i} = TA_{collectibles,i} - TA_{payables,i}}$ <p><b><u>Where:</u></b></p> <p><b><u><math>NSS_{NoTLCp,i}</math> or <math>NSD_{NoTLCp,i}</math> = Total Net Settlement Surplus or Deficit when there is no calculated transmission loss and congestion payments, in PhP, for trading interval <math>i</math></u></b></p>	For harmonization with Article III Section 3 of ERC Resolution No. 7 Series of 2019

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
			<p><u><math>TA_{collectibles,i}</math> = Total trading amount, in PhP, to be collected by the Market Operator from the Trading Participants for trading interval <math>i</math></u></p> <p><u><math>TA_{payables,i}</math> = Total trading amount, in PhP, to be paid by the Market Operator to the Trading Participants for trading interval <math>i</math></u></p> <p><u><math>i</math> = trading interval</u></p>	
Flow back to the Participants	5.3	FLOW BACK TO THE PARTICIPANTS	FLOW BACK TO THE PARTICIPANTS <b><u>DETERMINATION OF NET SETTLEMENT SURPLUS ALLOCATION</u></b>	To adopt the calculations provided under Article V of ERC Resolution No. 7 Series of 2019.
Flow back to the Participants	5.3.1	The net settlement surplus after funding the deficit settlement will be returned to the WESM Participants. The allocation shall be on a pro-rata basis depending on each recipient's contribution to the total NSS. The monthly amount to be allocated to each recipient shall be equal to the sum of the recipient's NSS allocation amounts computed for all trading intervals in a billing month. A recipient's NSS allocation amount per interval is equal to the total net settlement surplus amount per trading interval multiplied by the ratio of the recipient's line loss and congestion charges payments for the trading interval to the total line loss and congestion charges payments for the trading interval of all recipients. This rule shall apply regardless of the allocation method,	<p><b><u>The Market Operator shall allocate the NSS to the Trading Participants that paid for the surplus loss and congestion charges. The allocation shall be determined based on each recipient's contribution to the total <math>NSS_{Loss}</math> and <math>NSS_{Congestion}</math>.</u></b></p> <p><del>The net settlement surplus after funding the deficit settlement will be returned to the WESM Participants. The allocation shall be on a pro-rata basis depending on each recipient's contribution to the total NSS. The monthly amount to be allocated to each recipient shall be equal to the sum of the recipient's NSS allocation amounts computed for all trading intervals in a billing month. A recipient's NSS allocation amount per interval is equal to the total net settlement surplus amount per trading interval multiplied by the ratio of the recipient's line loss and congestion charges payments for the trading interval to the total line loss and congestion charges payments for the trading interval of all recipients. This rule shall apply regardless of the allocation method, whether outright deduction or otherwise.</del></p>	For harmonization with Article V Section 1 of ERC Resolution No. 7 Series of 2019.

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
Flow back to the Participants	5.3.2	<p>whether outright deduction or otherwise.</p> <p>This is represented by the following formula:  <math>RJ_k = NSS_k \times (\sum LLCC_{j,k} / \sum LLCC_k)</math>            Where:  <math>RJ_k</math> = rebate amount or NSS allocation for <i>Participant J</i> for <i>trading interval k</i>  <math>NSS_k</math> = Net Settlement Surplus for the <i>trading interval k</i>  <math>\sum LLCC_{j,k}</math> = sum of the line loss and congestion charges payments of <i>Participant J</i>'s resources for the <i>trading interval k</i>  <math>\sum LLCC_k</math> = sum of line loss and congestion charges payments of all eligible resources for the <i>trading interval k</i>  <math>J</math> = any WESM Participant paying line loss congestion charges for which a pro-rated amount of NSS will be returned or allocated  <math>j</math> = any resource of <i>Participant J</i> paying line loss and congestion charges for which a line loss and congestion charge payment will be computed  <math>k</math> = <i>trading interval</i></p>	<p><b><u>The allocation of <math>NSS_{Loss}</math> shall be calculated as follows:</u></b></p> $NSS_{Loss,p,i} = \frac{LL_{Spot,p,i} + LL_{LR,p,i}}{\sum (LL_{Spot,i} + LL_{LR,i})} \times NSS_{Loss,i}$ <p><b><u>Where:</u></b></p> <p><b><u><math>NSS_{Loss,p,i}</math> = NSS allocation due to line loss payments, in PhP, of resource <math>p</math> for trading interval <math>i</math></u></b></p> <p><b><u><math>LL_{Spot,p,i}</math> = Surplus line loss payment for spot transaction, in PhP, of resource <math>p</math> for trading interval <math>i</math>, as computed in (a, b, and d) below</u></b></p> <p><b><u><math>LL_{LR,p,i}</math> = Surplus line loss payment for line rental, in PhP, of resource <math>p</math> for trading interval <math>i</math>, as computed in (a, c, and d) below</u></b></p> <p><b><u><math>NSS_{Loss,i}</math> = Net Settlement Surplus due to line loss payments, in PhP, for trading interval <math>i</math></u></b></p> <p><b><u><math>p</math> = Any resource of Trading Participant <math>P</math></u></b></p> <p><b><u><math>i</math> = trading interval</u></b></p> <p><del>This is represented by the following formula:  <math>RJ_k = NSS_k \times (\sum LLCC_{j,k} / \sum LLCC_k)</math></del></p> <p><del>Where:</del></p> <p><del><math>RJ_k</math> = rebate amount or NSS allocation for <i>Participant J</i> for trading interval <math>k</math></del></p> <p><del><math>NSS_k</math> = Net Settlement Surplus for the trading interval <math>k</math></del></p> <p><del><math>\sum LLCC_{j,k}</math> = sum of the line loss and congestion charges payments of <i>Participant J</i>'s resources for the trading interval <math>k</math></del></p>	For harmonization with Article V Section 1 (A) of ERC Resolution No. 7 Series of 2019.

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
			$\sum LL_{CCK}$ = sum of line loss and congestion charges payments of all eligible resources for the <del>trading interval</del> $k$ $J$ = any <del>WESM</del> Participant paying line loss congestion charges for which a pro-rated amount of NSS will be returned or allocated $j$ = any resource of <del>Participant J</del> paying line loss and congestion charges for which a line loss and congestion charge payment will be computed $k$ = <del>trading interval</del>	
		(new)	<p><b><u>a) <math>LL_{Spot}</math> and <math>LL_{LR}</math> shall be determined using the following equations:</u></b></p> <p>i) <math>LL_{Spot,p,i} = [MAX(EAQ_{p,i}, \sum_{c \in C} BCQ_{p,c,i}) - \sum_{c \in C} BCQ_{p,c,i}] \times (MTLP_{RTD,p,i} - GWAMTLP_{RTD,i}) + (MQ_{p,i} - EAQ_{p,i}) \times (MTLP_{RTX,p,i} - GWAMTLP_{RTX,i})</math></p> <p>ii) <math>LL_{LR,p,i} = \sum_{c \in C} \{BCQ_{p,c,i} \times [MTLP_{RTD,p,i} - MAX(GWAMTLP_{RTD,i}, MTLP_{RTD,s,i})]\}</math></p> <p><b><u>Where:</u></b></p> <p><math>LL_{Spot,p,i}</math> = <b><u>Surplus line loss payment for spot transaction, in PhP, of resource <math>p</math> for trading interval <math>i</math></u></b></p> <p><math>LL_{LR,p,i}</math> = <b><u>Surplus line loss payment for line rental, in PhP, of resource <math>p</math> for trading interval <math>i</math></u></b></p> <p><math>EAQ_{p,i}</math> = <b><u>Ex-ante quantity, in MWh, of resource <math>p</math> for trading interval <math>i</math></u></b></p> <p><math>BCQ_{p,c,i}</math> = <b><u>Bilateral contract quantity, in MWh, of the bilateral contract between resource <math>p</math> and counterparty <math>c</math> for trading interval <math>i</math></u></b></p> <p><math>MTLP_{RTD,p,i}</math> = <b><u>Ex-ante marginal transmission loss price, in PhP/MWh, of resource <math>p</math> for trading interval <math>i</math></u></b></p>	For harmonization with Article V Section 1 (A) of ERC Resolution No. 7 Series of 2019.

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
			<p><u><math>GWAMTLP_{RTD,i}</math></u> = <u>Ex-ante generator-weighted average marginal transmission loss price, in PhP/MWh, for trading interval <math>i</math>, as computed in (iii) below</u></p> <p><u><math>MQ_{p,i}</math></u> = <u>Metered quantity, in MWh, of resource <math>p</math> for trading interval <math>i</math></u></p> <p><u><math>MTLP_{RTX,p,i}</math></u> = <u>Ex-post marginal transmission loss price, in PhP/MWh, of resource <math>p</math> for trading interval <math>i</math></u></p> <p><u><math>GWAMTLP_{RTX,i}</math></u> = <u>Ex-post generator-weighted average marginal transmission loss price, in PhP/MWh, for trading interval <math>i</math></u></p> <p><u><math>MTLP_{RTD,s,i}</math></u> = <u>Ex-ante marginal transmission loss price, in PhP/MWh, of selling counterpart <math>s</math> (on the bilateral contract of resource <math>p</math> and counterparty <math>c</math>) for trading interval <math>i</math></u></p> <p>iii) <u><math>GWAMTLP_i</math></u> = <math display="block">\frac{\sum_{g \in G} MTLP_{g,i} \times Gen. Schedule_{g,i}}{\sum_{g \in G} Gen. Schedule_{g,i}}</math></p> <p><u>Where:</u></p> <p><u><math>GWAMTLP_i</math></u> = <u>Ex-ante (RTD) or ex-post (RTX) generator-weighted average marginal transmission loss price, in PhP/MWh, for trading interval <math>i</math></u></p> <p><u><math>MTLP_{g,i}</math></u> = <u>Marginal transmission loss price, in PhP/MWh, of generator resource <math>g</math> for trading interval <math>i</math></u></p> <p><u><math>Gen. Schedule_{g,i}</math></u> = <u>Scheduled injection, in MW, of generator resource <math>g</math> for trading interval <math>i</math></u></p> <p><u><math>g</math></u> = <u>Generator resource</u></p> <p><u><math>G</math></u> = <u>Set of all generator resources</u></p>	



WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
			<u><i>i = trading interval</i></u>	
		(new)	<b><u>b) <math>LL_{Spot}</math> shall only be calculated if the <i>Trading Participant</i> had a withdrawal of energy from the <i>grid</i>. The <i>Trading Participant</i> is deemed to have a withdrawal from the <i>grid</i> if its <i>metered quantity</i> (MQ) or <i>ex-ante quantity</i> (EAQ) is less than zero (0).</u></b>	For harmonization with Article V Section 1 (A) of ERC Resolution No. 7 Series of 2019.
		(new)	<b><u>c) <math>LL_{LR}</math> shall only be calculated if the <i>Trading Participant</i> is the assigned counterparty for the <i>line rental</i>.</u></b>	For harmonization with Article V Section 1 (A) of ERC Resolution No. 7 Series of 2019.
		(new)	<b><u>d) If the calculated <math>LL_{Spot}</math> and/or <math>LL_{LR}</math> does not reflect surplus payment (i.e., <math>LL_{Spot}</math> or <math>LL_{LR}</math> is greater than zero (0)), the corresponding <math>LL_{Spot}</math> or <math>LL_{LR}</math> shall be set to zero (0).</u></b>	For harmonization with Article V Section 1 (A) of ERC Resolution No. 7 Series of 2019.
Flow back to the Participants	5.3.3	The value of the total net settlement surplus, $\Sigma NSS_k$ , is derived from the hourly settlement runs.	<p><b><u>The allocation of <math>NSS_{Congestion}</math> shall be calculated as follows:</u></b></p> $NSS_{Congestion,p,i} = \frac{CC_{Spot,p,i} + CC_{LR,p,i}}{\Sigma(CC_{Spot,i} + CC_{LR,i})} \times NSS_{Congestion,i}$ <p><b><u>Where:</u></b></p> <p><b><u><math>NSS_{Congestion,p,i}</math> = NSS allocation due to congestion charge payments, in PhP, of resource <i>p</i> for <i>trading interval i</i></u></b></p>	For harmonization with Article V Section 1 (B) of ERC Resolution No. 7 Series of 2019.

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
			<p><u><math>CC_{Spot,p,i}</math> = Surplus congestion charge payment for spot transaction, in PhP, of resource <math>p</math> for trading interval <math>i</math>, as computed in (a, b, and d) below</u></p> <p><u><math>CC_{LR,p,i}</math> = Congestion charge payment for line rental, in PhP, of resource <math>p</math> for trading interval <math>i</math>, as computed in (a, c, and d) below</u></p> <p><u><math>NSS_{Congestion,i}</math> = Net Settlement Surplus due to congestion payments, in PhP, for trading interval <math>i</math></u></p> <p><u><math>p</math> = Any resource of Trading Participant <math>P</math></u></p> <p><u><math>i</math> = trading interval</u></p> <p>The value of the total net settlement surplus, <math>\Sigma NSS_k</math>, is derived from the hourly settlement runs.</p>	
		(new)	<p><b>a) <math>CC_{Spot}</math> and <math>CC_{LR}</math> shall be determined using the following equations:</b></p> <p>i) <math>CC_{Spot,p,i} = [MAX(EAQ_{p,i}, \sum_{c \in C} BCQ_{p,c,i}) - \sum_{c \in C} BCQ_{p,c,i}] \times (MCP_{RTD,p,i} - GWAMCP_{RTD,i}) + (MQ_{p,i} - EAQ_{p,i}) \times (MCP_{RTX,p,i} - GWAMCP_{RTX,i})</math></p> <p>ii) <math>CC_{LR,p,i} = \sum_{c \in C} \{BCQ_{p,c,i} \times [MCP_{RTD,p,i} - MAX(GWAMCP_{RTD,i}, MCP_{RTD,s,i})]\}</math></p> <p><b>Where:</b></p> <p><u><math>CC_{Spot,p,i}</math> = Surplus congestion charge payment for spot transaction, in PhP, of resource <math>p</math> for trading interval <math>i</math></u></p> <p><u><math>CC_{LR,p,i}</math> = Congestion charge payment for line rental, in PhP, of resource <math>p</math> for trading interval <math>i</math></u></p> <p><u><math>EAQ_{p,i}</math> = Ex-ante quantity, in MWh, of resource <math>p</math> for trading interval <math>i</math></u></p>	For harmonization with Article V Section 1 of ERC Resolution No. 7 Series of 2019.

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
			<p><u><math>BCQ_{p,c,i}</math></u> = <u>Bilateral contract quantity, in MWh, of the bilateral contract between resource <math>p</math> and counterparty <math>c</math> for trading interval <math>i</math></u></p> <p><u><math>MCP_{RTD,p,i}</math></u> = <u>Ex-ante marginal congestion price, in PhP/MWh, of resource <math>p</math> for trading interval <math>i</math></u></p> <p><u><math>GWAMCP_{RTD,i}</math></u> = <u>Ex-ante generator-weighted average marginal congestion price, in PhP/MWh, for trading interval <math>i</math>, as computed in (iii) below</u></p> <p><u><math>MQ_{p,i}</math></u> = <u>Metered quantity, in MWh, of resource <math>p</math> for trading interval <math>i</math></u></p> <p><u><math>MCP_{RTX,p,i}</math></u> = <u>Ex-post marginal congestion price, in PhP/MWh, of resource <math>p</math> for trading interval <math>i</math></u></p> <p><u><math>GWAMCP_{RTX,i}</math></u> = <u>Ex-post generator-weighted average marginal congestion price, in PhP/MWh, for trading interval <math>i</math></u></p> <p><u><math>MCP_{RTD,s,i}</math></u> = <u>Ex-ante marginal congestion price, in PhP/MWh, of selling counterpart <math>s</math> (on the bilateral contract of resource <math>p</math> and counterparty <math>c</math>) for trading interval <math>i</math></u></p> <p>iii) <u><math>GWAMCP_i</math></u> =</p> $\frac{\sum_{g \in G} MCP_{g,i} \times Gen. Schedule_{g,i}}{\sum_{g \in G} Gen. Schedule_{g,i}}$ <p><u>Where:</u></p> <p><u><math>GWAMCP_i</math></u> = <u>Ex-ante (RTD) or ex-post (RTX) generator-weighted average marginal congestion price, in PhP/MWh, for trading interval <math>i</math></u></p> <p><u><math>MCP_{g,i}</math></u> = <u>Marginal congestion price, in PhP/MWh, of generator resource <math>g</math> for trading interval <math>i</math></u></p>	

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
			<p><u>Gen. Schedule<sub>g,i</sub> = Scheduled injection, in MW, of generator resource <math>g</math> for trading interval <math>i</math></u></p> <p><u><math>g</math> = Generator resource</u></p> <p><u><math>G</math> = Set of all generator resources</u></p> <p><u><math>i</math> = trading interval</u></p>	
		(new)	<p><b><u>b) <math>CC_{spot}</math> shall only be calculated if the Trading Participant had a withdrawal of energy from the grid. The Trading Participant is deemed to have a withdrawal from the grid if its metered quantity (MQ) or ex-ante quantity (EAQ) is less than zero (0).</u></b></p>	For harmonization with Article V Section 1 (B) of ERC Resolution No. 7 Series of 2019.
			<p><b><u>c) <math>CC_{LR}</math> shall only be calculated if the Trading Participant is the assigned counterparty for the line rental.</u></b></p>	For harmonization with Article V Section 1(B) of ERC Resolution No. 7 Series of 2019.
		(new)	<p><b><u>d) If the calculated <math>CC_{spot}</math> and/or <math>CC_{LR}</math> does not reflect surplus payment (i.e. <math>CC_{spot}</math> or <math>CC_{LR}</math> is greater than zero (0)), the corresponding <math>CC_{spot}</math> or <math>CC_{LR}</math> shall be set to zero (0).</u></b></p>	For harmonization with Article V Section 1 (B) of ERC Resolution No. 7 Series of 2019.
Flow back to the Participants	5.3.4	<p>The line loss and congestion charges payments of each Trading Participant shall be calculated as follows:</p> $LLCC_{j,k} = LLCPRD_{j,k} \times (EAQ_{j,k} - BCQ_{j,c,k}) + LLCPRTX_{j,k} \times (MQ_{j,k} - EAQ_{j,k}) + \text{Line Rental}_{j,k}$ <p>The line loss and congestion price of each trading participants for the ex-ante or ex-post run shall be calculated as follows:</p>	<p><b><u>In trading intervals when there are no calculated transmission loss and congestion payments the NSS shall be allocated to all trading participants with withdrawal from the grid. The allocation shall be proportionate to the actual withdrawal from the grid of the Trading Participant relative to the total actual withdrawals during the trading interval as shown by the equation below:</u></b></p> $NSS_{NoTLCp,p,i} = \frac{MQ_{Withdrawal,p,i}}{\sum_{ww \in WW} MQ_{Withdrawal,ww,i}} \times NSS_{NoTLCp,i}$ <p><b><u>Where:</u></b></p>	For harmonization with Article V Section 2 of ERC Resolution No. 7 Series of 2019.

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
		<p>LLCPRTD/X,j,k = LMPRTD/X,j,k – MCPLowest,k Where: LLCCj,k = line loss and congestion charges payments of resource j for the trading interval k LLCPRTD/X,j,k = line loss and congestion price of resource j during ex-ante or ex-post run for trading interval k LMPRTD/X,j,k = locational marginal price of resource j during ex-ante or ex-post run for trading interval k MCPLowest,k = lowest marginal clearing price for trading interval k EAQj,k = ex-ante quantity of resource j for trading interval k BCQj,c,k = bilateral contract quantity of the bilateral contract between resource j and counterparty c for trading interval k MQj,k = metered quantity of resource j for trading interval k Line Rentalj,c,k = line rental trading amount associated with the bilateral contract between resource j and counterparty c for trading interval k (this amount may be zero if the resource is not the assigned payer of the line rental trading amount) j = any resource of Participant J paying line loss and congestion charges for which a line loss and congestion charge payment will be computed k = trading interval</p>	<p><u><math>NSS_{NoTICP,p,i}</math> = NSS allocation when there is no calculated transmission loss and congestion payments, in PhP, of resource p for trading interval i</u></p> <p><u><math>MQ_{Withdrawal,p,i}</math> = Actual withdrawal from the grid, in MWh, of resource p for trading interval i</u></p> <p><u><math>NSS_{NoTICP,i}</math> = Net Settlement Surplus when there is no calculated transmission loss and congestion payments, in PhP, for trading interval i</u></p> <p><u>p = Any resource of Trading Participant P</u></p> <p><u>ww = Trading Participant with actual withdrawal from the grid</u></p> <p><u>WW = Set of all Trading Participants with actual withdrawal from the grid</u></p> <p><u>i = trading interval</u></p> <p>The line loss and congestion charges payments of each Trading Participant shall be calculated as follows:  <math>LLCCj,k = LLCPRTDj,k \times (EAQj,k - BCQj,c,k) + LLCPRTXj,k \times (MQj,k - EAQj,k) + \text{Line Rentalj,k}</math></p> <p>The line loss and congestion price of each trading participants for the ex-ante or ex-post run shall be calculated as follows:  <math>LLCPRTD/X,j,k = LMPRTD/X,j,k - MCPLowest,k</math></p> <p>Where:</p> <p>LLCCj,k = line loss and congestion charges payments of resource j for the trading interval k  LLCPRTD/X,j,k = line loss and congestion price of resource j during ex-ante or ex-post run for trading interval k  LMPRTD/X,j,k = locational marginal price of resource j during ex-ante or ex-post run for trading interval k  MCPLowest,k = lowest marginal clearing price for trading interval k  EAQj,k = ex-ante quantity of resource j for trading interval k</p>	

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
			<del>BCQ<sub>j,c,k</sub> = bilateral contract quantity of the bilateral contract between resource j and counterparty c for trading interval k</del> <del>MQ<sub>j,k</sub> = metered quantity of resource j for trading interval k</del> <del>Line Rental<sub>j,c,k</sub> = line rental trading amount associated with the bilateral contract between resource j and counterparty c for trading interval k (this amount may be zero if the resource is not the assigned payer of the line rental trading amount)</del> <del>j = any resource of Participant J paying line loss and congestion charges for which a line loss and congestion charge payment will be computed</del> <del>k = trading interval</del>	
		(new)	<b><u>5.4 DETERMINATION OF NET SETTLEMENT DEFICIT ALLOCATION</u></b>	To adopt the calculations provided under Article VI of ERC Resolution No. 7 Series of 2019
		(new)	<b><u>5.4.1 The Market Operator shall allocate the NSS to 1) Customers who caused the deficit; and /or 2) Customers who received excess payment. The allocation shall be determined based on each recipient's contribution to the total NSD<sub>Loss</sub> and NSD<sub>Congestion</sub>.</u></b>	For harmonization with Article VI Section 1 of ERC Resolution No. 7 Series of 2019
		(new)	<b><u>5.4.2 The allocation of NSD<sub>Loss</sub> shall be calculated as follows:</u></b>  $NSD_{Loss,p,i} = \frac{LL_{Spot,p,i} + LL_{LR,p,i}}{\sum (LL_{Spot,i} + LL_{LR,i})} \times NSD_{Loss,i}$  <b><u>Where:</u></b>  <b><u>NSD<sub>Loss,p,i</sub> = NSD allocation due to line loss payments, in PhP, of resource p for trading interval i</u></b>  <b><u>LL<sub>Spot,p,i</sub> = Surplus line loss payment for spot transaction, in PhP, of resource p for trading interval i, as computed in (a, c, and d) below</u></b>	For harmonization with Article VI Section 2 (A) of ERC Resolution No. 7 Series of 2019

## Annex B – WESM Manual

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
			<p><u><math>LL_{LR,p,i}</math> = Surplus line loss payment for line rental, in PhP, of resource <math>p</math> for trading interval <math>i</math>, as computed in (a, b, and d) below</u></p> <p><u><math>NSD_{Loss,i}</math> = Net Settlement Deficit due to line loss payments, in PhP, for trading interval <math>i</math></u></p> <p><u><math>p</math> = Any resource of Trading Participant <math>P</math></u></p> <p><u><math>i</math> = trading interval</u></p>	
		(new)	<u>a) The computation for <math>LL_{Spot,p,i}</math> and <math>LL_{LR,p,i}</math> shall follow the formulas provided in Section 5.3.2 (a) of this Market Manual.</u>	For harmonization with Article VI Section 2 (A) of ERC Resolution No. 7 Series of 2019
		(new)	<u>b) <math>LL_{Spot}</math> shall only be calculated if the Trading Participant had a withdrawal of energy from the grid. The Trading Participant is deemed to have a withdrawal from the grid if its metered quantity (MQ) or ex-ante quantity (EAQ) is less than zero (0).</u>	For harmonization with Article VI Section 2 (A) of ERC Resolution No. 7 Series of 2019
		(new)	<u>c) <math>LL_{LR}</math> shall only be calculated if the Trading Participant is the assigned counterparty for the line rental.</u>	For harmonization with Article VI Section 2 (A) of ERC Resolution No. 7 Series of 2019
		(new)	<u>c) If the calculated <math>LL_{Spot}</math> and/or <math>LL_{LR}</math> did not contribute to the deficit (i.e., <math>LL_{Spot}</math> or <math>LL_{LR}</math> is less than zero (0)), the corresponding <math>LL_{Spot}</math> or <math>LL_{LR}</math> shall be set to zero (0).</u>	For harmonization with Article VI Section 2 (A) of ERC Resolution No. 7 Series of 2019

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
		(new)	<p><b><u>5.4.3 The allocation of <math>NSD_{Congestion}</math> shall be calculated as follows:</u></b></p> $NSD_{Congestion,p,i} = \frac{CC_{Spot,p,i} + CC_{LR,p,i}}{\sum_i (CC_{Spot,i} + CC_{LR,i})} \times NSD_{Congestion,i}$ <p><b><u>Where:</u></b></p> <p><b><u><math>NSD_{Congestion,p,i}</math> = NSD allocation due to congestion charge payments, in PhP, of resource <math>p</math> for trading interval <math>i</math></u></b></p> <p><b><u><math>CC_{Spot,p,i}</math> = Surplus congestion charge payment for spot transaction, in PhP, of resource <math>p</math> for trading interval <math>i</math>, as computed in (a, b, and d) below</u></b></p> <p><b><u><math>CC_{LR,p,i}</math> = Congestion charge payment for line rental, in PhP, of resource <math>p</math> for trading interval <math>i</math>, as computed in (a, c, and d) below</u></b></p> <p><b><u><math>NSD_{Congestion,i}</math> = Net Settlement Deficit due to congestion payments, in PhP, for trading interval <math>i</math></u></b></p> <p><b><u><math>p</math> = Any resource of Trading Participant <math>P</math></u></b></p> <p><b><u><math>i</math> = trading interval</u></b></p>	For harmonization with Article VI Section 2 (B) of ERC Resolution No. 7 Series of 2019
		(new)	<p><b><u>a) The computation for <math>CC_{Spot,p,i}</math> and <math>CC_{LR,p,i}</math> shall follow the formulas provided in Section 5.3.3 (a) of this Market Manual.</u></b></p>	For harmonization with Article VI Section 2 (B) of ERC Resolution No. 7 Series of 2019
		(new)	<p><b><u>b) <math>CC_{Spot}</math> shall only be calculated if the Trading Participant had a withdrawal of energy from the grid. The Trading Participant is deemed to have a withdrawal from the grid if its metered quantity (MQ) or ex-ante quantity (EAQ) is less than zero (0).</u></b></p>	For harmonization with Article VI Section 2 (B) of ERC Resolution No. 7 Series of 2019



WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
		(new)	<b><u>c) <math>CC_{LR}</math> shall only be calculated if the <i>Trading Participant</i> is the assigned counterparty for the <i>line rental</i>.</u></b>	For harmonization with Article VI Section 2 (B) of ERC Resolution No. 7 Series of 2019
		(new)	<b><u>d) If the calculated <math>CC_{Spot}</math> and/or <math>CC_{LR}</math> did not contribute to the deficit (i.e. <math>CC_{Spot}</math> or <math>CC_{LR}</math> is less than zero (0)), the corresponding <math>CC_{Spot}</math> or <math>CC_{LR}</math> shall be set to zero (0).</u></b>	For harmonization with Article VI Section 2 (B) of ERC Resolution No. 7 Series of 2019
		(new)	<p><b><u>5.4.4 In <i>trading intervals</i> when there are no calculated transmission loss and congestion payments (e.g. administered pricing, price substitution methodology and secondary price cap, among others) the NSD shall be allocated to all <i>trading participants</i> with actual withdrawal from the <i>grid</i>. The allocation shall be proportionate to the actual withdrawal from the <i>grid</i> of the <i>Trading Participant</i> relative to the total actual withdrawals during the interval as shown by the equation below:</u></b></p> $NSD_{NoTLCp,p,i} = \frac{MQ_{Withdrawal,p,i}}{\sum_{ww \in WW} MQ_{Withdrawal,ww,i}} \times NSD_{NoTLCp,i}$ <p><b><u>Where:</u></b></p> <p><b><u><math>NSD_{NoTLCp,p,i}</math> = NSD allocation when there is no calculated transmission loss and congestion payments, in PhP, of resource <math>p</math> for trading interval <math>i</math></u></b></p> <p><b><u><math>MQ_{Withdrawal,p,i}</math> = Actual withdrawal from the <i>grid</i>, in MWh, of resource <math>p</math> for trading interval <math>i</math></u></b></p> <p><b><u><math>NSD_{NoTLCp,i}</math> = Net Settlement Deficit when there is no calculated transmission loss and congestion payments, in PhP, for trading interval <math>i</math></u></b></p> <p><b><u><math>p</math> = Any resource of <i>Trading Participant P</i></u></b></p>	For harmonization with Article VI Section 3 of ERC Resolution No. 7 Series of 2019

**Annex B – WESM Manual**

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
			<u><i>ww = Trading Participant with actual withdrawal from the grid</i></u>  <u><i>WW = Set of all Trading Participants with actual withdrawal from the grid</i></u>  <u><i>i = trading interval</i></u>	
Limitation of Flow Back Mechanism	5.4	5.4 LIMITATION OF FLOW BACK MECHANISM	5.4 <del>5</del> LIMITATION OF FLOW BACK MECHANISM	Update numbering of sections
Schedule of Payments to the Participants	5.5	5.5 SCHEDULE OF PAYMENTS TO THE PARTICIPANTS	5.5 <del>6</del> SCHEDULE OF PAYMENTS TO THE PARTICIPANTS	Update numbering of sections
NET SETTLEMENT SURPLUS RETENTION	6	NET SETTLEMENT SURPLUS RETENTION  6.1 XXX  6.2 XXX	<del>NET SETTLEMENT SURPLUS RETENTION</del>  <del>6.1 XXX</del>  <del>6.2 XXX</del>	Provisions for the retention of NSS was removed in previous version of Amended Rules for the Distribution of Net Settlement Surplus (ERC Resolution No. 1 Series of 2018).
FUND MANAGEMENT AND TAXATION	7	FUND MANAGEMENT AND TAXATION  7.1 XXX  7.2 XXX	<del>FUND MANAGEMENT AND TAXATION</del>  <del>7.1 XXX</del>  <del>7.2 XXX</del>	Likewise, provisions for the fund management of retained NSS was removed in previous version of Amended Rules for the Distribution of Net Settlement Surplus (ERC

## Annex B – WESM Manual

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
				Resolution No. 1 Series of 2018).
REPORTORIAL REQUIREMENTS	8.1	<p>8.1.1 The <i>Market Operator</i> shall prepare the following:</p> <p>a) Regular monthly summary reports on the amount of NSS or deficit being generated and distributed and the corresponding final metered quantities, Marginal Line Loss and Marginal Congestion Cost. The corresponding value added tax (VAT) and interest amounts, as well as the date when the interests were earned or credited to <i>the market operator</i>, if any. This report shall be made available to all <i>WESM Participants</i> and shall be <i>published</i> in the <i>market information website</i>. A verified copy of the report shall likewise be submitted to the <i>ERC</i> on a monthly basis including contributors to and reasons for the deficit or surplus; and</p> <p>b) Annual report comparing the subject year and the preceding year's NSS levels and allocations, analysis of the factors and constraints giving rise to any NSS or deficit. This report shall be made available to the <i>WESM Participants</i> and will be submitted to the <i>PEM Board Directors</i> and the <i>ERC</i>.</p>	<p>8.1.1 The <i>Market Operator</i> shall prepare the following:</p> <p>a) Regular monthly summary reports on the amount of NSS or <b><u>NSD deficit</u></b> being generated and distributed <b><u>to each Trading Participant which shall include the breakdown of the computation of line loss and congestion per Trading Participant and other pertinent details to support the calculations.</u></b> and the corresponding final metered quantities, Marginal Line Loss and Marginal Congestion Cost. The corresponding value added tax (VAT) and interest amounts, as well as the date when the interests were earned or credited to <i>the market operator</i>, if any. This report shall be made available to all <i>WESM Participants</i> and shall be <i>published</i> in the <i>market information website</i>. A verified copy of the report shall likewise be submitted to the <i>ERC</i> on a monthly basis including contributors to and reasons for the <b><u>surplus or deficit or surplus, no later than ninety (90) business days from the last day of the billing period covered by the monthly summary report. The corresponding Value Added Tax (VAT) and interest amounts, as well as the date when the interests were earned or credited to the market operator, if any, shall similarly be included in the subject monthly summary report;</u></b> and</p> <p><b><u>b) The pertinent data covered by the subject monthly summary report shall also be submitted in MS Excel format; and</u></b></p> <p><b><u>bc) Annual report comparing the subject year and the preceding year's NSS levels and allocations, analysis of the factors and constraints giving rise to any NSS or deficit. This report shall be made available to the WESM Participants and will be submitted to the PEM Board Directors and the ERC. The annual report on the NSS or NSD calculation and allocation shall be submitted no later than the 30<sup>th</sup> day of May immediately following the year in review, comparing the subject year and the preceding year's NSS levels and allocations, and analysis of the factors and constraints giving rise to any NSS or NSD. This report shall also be submitted to the market participants and to the PEM Board.</u></b></p>	For harmonization with Article VII Section 1 of ERC Resolution No. 7 Series of 2019

## Annex B – WESM Manual

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
REPORTORIAL REQUIREMENTS	8.1.2	The <i>Market Operator</i> shall contract a qualified external auditor who shall conduct an annual audit of the <i>NSS</i> or deficit, the corresponding value added tax (VAT) and interest amounts as well as the procedure used by the <i>Market Operator</i> , and submit to the <i>ERC</i> the audit report immediately upon its completion but no later than three (3) months after the calendar year end.	<p><del>The <i>Market Operator</i> shall contract a qualified external auditor who shall conduct an annual audit of the <i>NSS</i> or deficit, the corresponding value added tax (VAT) and interest amounts as well as the procedure used by the <i>Market Operator</i>, and submit to the <i>ERC</i> the audit report immediately upon its completion but no later than three (3) months after the calendar year end.</del></p> <p><b><u>The <i>Market Operator</i> shall comply with Clause 5.2.6 of the <i>WESM Rules</i> which requires, among others, the conduct of a <i>spot market</i> audit covering such items as enumerated under Clauses 5.2.6.1 to 5.2.6.4 of the <i>WESM Rules</i>. The audit shall also include the actual calculation of <i>NSS</i> or <i>NSD</i>, its breakdown into <i>NSS</i> or <i>NSD</i> due to loss and congestion, and its allocation, corresponding VAT and interest amounts, as well as the actual billing and collection.</u></b></p> <p><b><u>Such audit shall be conducted by a qualified third party auditor, and a quarterly report resulting therefrom shall be submitted to the <i>ERC</i> no later than ninety (90) business days after the billing period in review.</u></b></p>	For harmonization with Article VII Sections 2 and 3 of ERC Resolution No. 7 Series of 2019
REPORTORIAL REQUIREMENTS	8.1.3	DUs and RES, which are eligible recipients of any <i>NSS</i> amount shall also submit monthly report to the <i>ERC</i> of said amount and metered quantities including the corresponding report on <i>NSS</i> re-distributed to customers. For <i>Indirect WESM Members</i> , the responsibility of submitting report shall be borne by the corresponding <i>Direct WESM Members</i> representing the former.	<p><del>DUs and RES, which are eligible recipients of any <i>NSS</i> amount shall also submit monthly report to the <i>ERC</i> of said amount and metered quantities including the corresponding report on <i>NSS</i> re-distributed to customers. For <i>Indirect WESM Members</i>, the responsibility of submitting report shall be borne by the corresponding <i>Direct WESM Members</i> representing the former.</del></p>	This requirement is no longer provided in the ERC Resolution No. 7 Series of 2019

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
		(new)	<p><b><u>SECTION 9 INTERESTS</u></b></p> <p><b><u>9.1 Should the Market Operator be unable to return the amount of the NSS due to be flowed back to appropriate WESM participants under these Rules during the period specified, the retained amount shall be imposed an interest at the rate of the prevailing 91-day Treasury Bill rate as published by the Bangko Sentral ng Pilipinas (BSP) plus 300 basis points, the return of which shall be in accordance with Article 4 of ERC Resolution No. 07 Series of 2019. Such interest shall not be passed on to the market participants.</u></b></p> <p><b><u>9.2 The DUs and RES, which are recipients of RES but are not complied with the re-distribution process under these rules during the period specified shall be subject to the interest at the rate of the prevailing 91-day Treasury Bill rate as published by the BSP plus 300 basis points, the return of which shall be in accordance with Article 4 of ERC Resolution No. 07 Series of 2019. The subject interest shall be on account of DUs and RES and shall not be passed on their respective customers.</u></b></p>	To harmonize with Article IX of ERC Resolution No. 07 Series of 2019, insert new section.
		(new)	<p><b><u>SECTION 10 PENALTIES</u></b></p> <p><b><u>10.1 A penalty ranging from One Hundred Thousand Pesos (PhP100,000.00) to a maximum of Fifty Million Pesos (PhP50,000,000.00) shall be imposed on the following acts:</u></b></p> <ul style="list-style-type: none"> <li>a) <b><u>Failure to correctly implement NSS Rules, as amended, including the NSS or NSD formula;</u></b></li> <li>b) <b><u>Failure to submit documentary requirements as required under these rules;</u></b></li> <li>c) <b><u>Failure to conduct audits of the Market Operations and the settlement systems and the other procedures, persons, systems or other matters relevant to the spot market as required under Section 1.5.2 of the WESM Rules and Section, Article VII of ERC Resolution No. 07 Series of 2019.</u></b></li> </ul>	To harmonize with Article X of ERC Resolution No. 07 Series of 2019, insert new section.

**Annex B – WESM Manual**

WESM Manual on the Management of Net Settlement Surplus				
Title	Clause	Provision	Proposed Amendment	Rationale
			<p>d) <u>Non-submission or failure to submit on a timely basis, the required reports as provided in Article VII of ERC Resolution No. 07 Series of 2019;</u></p> <p>e) <u>Failure to act on and resolve adverse findings of NSS audit within ninety (90) days upon receipt by the ERC of the subject Quarterly Audit Report;</u></p> <p>f) <u>Submission of inaccurate NSS and other related data;</u></p> <p>g) <u>Unauthorized disclosure of NSS data; and</u></p> <p>h) <u>Failure to comply with the directives of the Commission pertinent to the implementation of the NSS Rules, as amended.</u></p> <p><b><u>10.2 The penalties stated in the preceding section shall be without prejudice to any civil, administrative, and criminal action that may be filed against the violation/s of these Rules.</u></b></p>	
Amendment, Publication and Effectivity	9	<p>SECTION 9 AMENDMENT, PUBLICATION AND EFFECTIVITY</p> <p>9.1 AMENDMENTS TO THIS MANUAL</p> <p>xxx</p> <p>9.2 PUBLICATION AND EFFECTIVITY</p> <p>xxx</p>	<p>SECTION 9 <b><u>11</u></b> AMENDMENT, PUBLICATION AND EFFECTIVITY</p> <p>9 <b><u>11.1</u></b> AMENDMENTS TO THIS MANUAL</p> <p>xxx</p> <p>9 <b><u>11.2</u></b> PUBLICATION AND EFFECTIVITY</p> <p>xxx</p>	Re-numbering