



Philippine Electricity
Market Corporation

MINUTES OF MEETING

Rules Change Committee
163rd Special Meeting (No. 2020-04)
 01 April 2020, 9:00 AM – 12:56 PM
 Via Microsoft Teams

Agenda	Action Required
I. Call to Order	<ul style="list-style-type: none"> The special meeting was conducted via Microsoft Teams and was called to order at 9:00 AM. The meeting was chaired by Atty. Maila Lourdes G. De Castro (Chairman/Independent).
II. Determination of Quorum	<ul style="list-style-type: none"> 15 out of 15 members were in attendance
Attendance List	
In-attendance	Not In-attendance
<p><u>Rules Change Committee</u></p> <p><i>Principal Members:</i></p> <ol style="list-style-type: none"> Maila Lourdes G. de Castro, Chairman - Independent Francisco Leodegario R. Castro, Jr. – Independent Allan C. Nerves – Independent Concepcion I. Tanglao – Independent Dixie Anthony R. Banzon – Generation (MPPCL) Mark D. Habana – Generation (Vivant) Carlito C. Claudio – Generation (MEI/Panasia) Cherry A. Javier – Generation (APC) Ryan S. Morales – Distribution (MERALCO) Virgilio C. Fortich, Jr. – Distribution (CEBECO III) Ricardo G. Gumalal – Distribution (ILPI) Nelson M. dela Cruz – Distribution (NEECO II Area 1) Lorreto H. Rivera – Supply (TPEC) Ambrocio R. Rosales – System Operator (NGCP) Isidro E. Cacho – Market Operator (IEMOP) 	
<p><u>PEMC – Market Assessment Group</u></p> <p>Karen A. Varquez Divine Gayle C. Cruz Dianne L. De Guzman</p>	

PEMC – Enforcement and Compliance Office

Atty. Hazel G. Lopez

PEMC – Legal

Atty. Monica M. Martin

Atty. Marian Dela Fuente

IEMOP Representatives

Edward I. Olmedo

Jonathan B. Dela Viña

DOE Representatives

Ferdinand Binondo

Ryan Jaspher Villadiego

Lex Magtalas

Mari Josephine Enriquez

Agenda	Agreements/Action Plans
III. Adoption of the Agenda	The proposed agenda was approved as submitted.
IV. New Business – Urgent Proposal	
Agenda	Agreements/Action Plans
Protocol for Central Scheduling and Dispatch of Energy and Contracted Reserves Issue 1.0	<p>With a vote of 12, the proposal was approved as an urgent amendment.</p> <p>The RCC approved the proposal, as amended, for endorsement to the PEM Board, and for final approval of the DOE.</p>

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2 Ms. Divine Gayle C. Cruz (PEMC) informed the body that there will be two (2) actions
3 requested for the meeting:

4 1) Certification of the proposal as Urgent based on criteria specified in the Rules
5 Change Manual; and

6 2) Approval of the proposal for endorsement to the PEM Board.

7

8 On the first requested action, Atty. de Castro asked whether all criteria is required to be
9 satisfied for the proposal to be certified as Urgent. Ms. Cruz replied that based on the RCC's
10 previous processing of Urgent Amendments, at least one criterion is needed.

11

12 Mr. Ambrocio R. Rosales (NGCP) opined against the proposal's urgency since central
13 scheduling of energy and reserve is already existing and being applied. He noted that while
14 the proposal focuses on the five (5) minute WESM Design, the reference for the scheduling of
15 the reserve providers is still based on one (1) hour trading interval. He also added that the
16 process of settlement will still be the same. The body agreed to fully discuss Mr. Ambrocio's
17 inputs after having more information on the proposal from the IEMOP's presentation.

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On the second requested action, Ms. Karen A. Varquez (PEMC) provided some points for consideration, as listed:

- The usual process for the processing of urgent amendments requires the RCC to convene within forty-eight (48) hours from the RCC's determination of urgency, and the PEM Board to decide on the matter within five (5) calendar days upon receipt of the RCC's endorsement. The PEM Board shall forward the proposal to DOE for information, upon their approval.
- The Central Scheduling and Dispatch of Energy and Contracted Reserves (Protocol) was originally approved by Department of Energy (DOE). The DOE likewise approved the Protocol's subsequent amendments, which did not go through the usual RCC process.
- In view of the foregoing, the Secretariat recommends submitting the proposal directly to the DOE from the PEM Board for approval. This is to ensure that Protocol effectivity and release of DOE Circular which supersedes the current Protocol will be prior to Go-Live date.

I. Presentation of the Proposal

Mr. Edward I. Olmedo (IEMOP) proceeded with the presentation, informing the body that the proposal underwent consultation with NGCP-SO prior IEMOP's submission to the RCC. He noted the rationale for urgency, as follows:

- To harmonize with the Enhanced WESM Design; and
- To address observed operational issues since the implementation of central scheduling of energy and reserves in 2015.

Mr. Olmedo explained the summary of the proposal, as follows:

A. Transition to 5-minute Dispatch Scheduling

- Mr. Olmedo presented the matter by showing an illustration and citing an example — a generator with initial loading of 50MW at dispatch interval 9 and ramp rate of 0.5MW/min. The current market calculates the ramp capability going up and down for regulation. In case the energy schedule of that generator remains the same from interval 9 to interval 10, there will be an up and down regulating schedule in the market.

Considering the NMMS, the MO will schedule the regulating reserve based on generator's ramp up and down capability, i.e. 2.5 MW (= 0.5MW/min ramp rate x 5 minute). Notwithstanding, the Protocol considers the DOE's directive¹ to maintain NGCP's current contracting for reserves, which is on an hourly basis.

Mr. Olmedo emphasized that this matter must be documented, given the generators' concern that they may be penalized by NGCP as non-compliant to the RTD schedule based on the Day-Ahead Ancillary Schedules (DAAS). He also added that this type of ramp limitation is only visible to regulating reserves, which

¹ DOE DC 2019-12-0018 Adopting a General Framework Governing the Provision and Utilization of Ancillary Services in the Grid

differs from contingency reserve that is dependent on the operation of the governor control.

Moreover, a new clause was proposed on the inputs for determining penalties for AS by NGCP, whether generator offered what was scheduled by NGCP at zero price instead of just following the RTD Schedules.

- Mr. Rosales commented that the proposal to consider ramp up and ramp down rates reduces the flexibility of the regulating reserve since it provides constraints on the capacity or limits the capability of RR. Further, RR generators must be able to provide the full capacity at the very start of interval, if required by the SO.

Mr. Rosales further commented that the implementation of 5-minute dispatch interval is expected to improve load forecasting, thus the proposal to schedule 50% regulation up and down may not be needed. He cited that the proposal would mean that on top of the Pmin, regulating reserves will be considered in the RTD, which would decrease the contestable demand in the market, bumping off other generators in the merit order.

Mr. Olmedo agreed that forecasted error will be minimized with shorter dispatch intervals. He clarified that the proposal does not limit reserves and that the SO could consider purely upward regulation on the proposal, which gives SO the flexibility on scheduling AS capacities. He confirmed that assessment and consultation were made with the NGCP-SCADA Team about ramping capability.

Mr. Olmedo also confirmed that the contracted capacity with NGCP is not being removed and the MO's scheduling considers the maximum capability of the generator in every 5 minutes. He also added that every 5 minutes, the value of the regulation will change depending on the real-time conditions. He also cited an example of Hydro Power Plant with a ramp rate of 20MW/min and a maximum available capacity of 100MW. At the first 5-minute interval, the plant may already reach its maximum capacity (20MW/min x 5mins=100MW). This is one of the observations while doing the Parallel Operations Program (POP).

Mr. Olmedo further clarified that the generator shall offer its full contracted AS, however, this may differ from what will be the scheduled capacity. He added, for the AS Penalty, SO may consider the generator's offer, which is part of the data exchange between MO and SO. Further to that, the purpose of downward option is for flexibility of SO noting that MO provides the data 2-minutes before the dispatch interval. Roughly, there will be 10 minutes lead time prior to the scheduled interval.

- Mr. Rosales informed the body to take note that the proposal does not really happen in the actual implementation. Even if the intention is to transition to 5-min dispatch scheduling, the reference is still the DAAS for every 1-hr trading interval that is projected day-ahead.
- Ms. Cherry Javier (APC) verified whether the proposed amendment will be implemented prior the operation of reserve market. Mr. Olmedo confirmed this

since the manual is purely Central Scheduling and Dispatch of Energy and Contracted Reserves and the manual will be obsolete upon the launch of Reserve Market.

Ms. Javier summarized that the changes will take effect before the Reserve Market, new manuals and set of rules will be promulgated upon the launch of Reserve Market, and the amendment is not included in the PDM filing considering it is outside the Reserve Market. Mr. Olmedo confirmed said summary.

- Mr. Olmedo explained that for the NMMS, the participant may submit separate offer for regulation upward and separate for regulation downward. For Regulating Reserves, unless otherwise specified by the System Operator, Trading Participants shall submit half of its DAASS capacity for upward regulation, whereas the other half shall be submitted for downward regulation to the Market Operator. Referring to the illustration, since SO contracted TP with 60MW, it has the capability to dictate that 30MW may be offer for upward and the remaining for downward. However, there is also an option that the offer may be purely upward. For the DAP, 30MW will still appear considering the hourly interval and the 60-minute multiplier (0.5MW/minute x 60 minutes). For the HAP, 2.5MW will appear considering it is per 5-minute interval (0.5MW x 5 minutes).

Mr. Carlito Claudio (PEI/MEI) then suggested that the ASPA Providers could consider the separate contracting of regulation up and down, which may be discussed during one of the AS-TWG Meetings.

- Mr. Virgilio Fortich, Jr. (CEBECO III) queried if changing the protocol will have an impact on the current pricing that may impact end-users. Also, he asked if there has been a simulation on the possible effect on cost. Mr. Olmedo replied that the proposals are still about how generators offer in the reserves. TPs will still offer zero prices for their reserve capacities so that no impact will happen to energy prices. Simulations will be done during the crafting of Reserve Market which will have a significant impact with the prices.

B. Dispatchable Reserve (DR)

- Mr. Olmedo explained that during the scheduling of DR, it is expected that the generator is in offline state but there are instances wherein the full capacity of DR will not be dispatched. Thus, the generator will offer the remaining capacity to the market for energy dispatch. With this, the proposed amendment is that the generation offer should correspond to DAASS. This concern was raised by the TPs, which is related to AS penalties and should be discussed with SO.

Mr. Rosales opposed to the amendment considering that the generation offer should correspond to the maximum available capacity. He also added that on top of the energy, the generator can provide the capacity on scheduled DR. Further, Mr. Rosales said that this will not be an issue, stating that the priority of TPs should be to provide ancillary service prior trading in the market. This is also in compliance to the MOR, i.e. offering the full capacity as AS.

Mr. Claudio commented that, for a DR provider which was scheduled and dispatched for energy, NGCP must not penalize this TP complying with the schedule in the market considering the need for energy. He also added that if the generator did not offer the maximum available capacity in the market, there will be artificial under generation in the WESM.

Mr. Isidro Cacho (IEMOP) clarified that NGCP penalizes TP based on the AS Procurement Plan (ASPP), stating that TP should be off-line while on DR, which means that TP cannot trade in the market.

- Atty. Hazel G. Lopez (PEMC) asked if there will be a possibility to be scheduled in the market below technical Pmin capability. Mr. Olmedo answered that a coordination with SO and TP is being conducted and applied on the current process of addressing the issue.
- Mr. Dixie Banzon (MPPCL) requested clarification on the methodology on how the scheduled DR and energy are traded. Mr. Olmedo replied that in normal supply situation, DR capacity will be scheduled based on the offer And the remaining supply will have a possibility to be scheduled in the market.
- Mr. Mark Habana (Vivant) commented that if generators are allowed to trade the market for the unscheduled DR without fear, then the bidding price will not be too high.

C. Documentation of MO and SO's responsibility in the exchange of data

Mr. Olmedo explained that the rationale of this proposed change is to reconcile properly all exchange data and information. This is also to improve accuracy of settlement quantities for eligible additional compensation.

Also, proposed clause on data exchange allows MO to submit data to SO for validation without need to go through with the trading participant. This to identify quantities that are already paid by SO.

D. Additional References for ASPA Penalty Mechanism

The information for validation is based on contracted capacity and offered scheduled quantity. This proposed amendment also aims to ensure that reserve quantities are appropriately scheduled.

II. Discussion of Urgency

Mr. Olmedo discussed the following reasons for proposal to be considered urgent:

- Critical for the operation of NMMS Go-live date on 26 June 2020;
- Effect of unclarified items if proposed amendments are not addressed; and
- Mitigate the issues experienced in the current market from occurring in the enhanced market.

Highlights of the comments on the proposal's urgency are as follows:

RCC Member	Urgent or Not	Comments on Urgency
Mr. Rosales	Not Urgent	The application of Central Scheduling is not critical since this considers the DAASS which is still on a 1-hour interval.
Ms. Javier	Urgent	One consideration of the 5-minute interval is the co-optimization which requires this amendment.
Mr. Habana	Urgent	To address the previous issues before the Reserve Market is set-up, and to minimize chaos.
Mr. Morales	Urgent	<ul style="list-style-type: none"> The proposal documents the current practice of SO specially on AS. He also suggested that the AS schedules should be considered public for transparency of AS scheduling specially for Customers. Better validation of the data supports better commercialization of AS aspect of the market.

With 12 votes for urgent and 1 vote for not urgent², the proposal was approved and seconded to be endorsed to PEM Board as an urgent amendment.

Atty. Marian dela Fuente (PEMC) informed the body that a Special PEM Board Meeting will be held on Friday, 03 April 2020, to discuss the proposal.

III. Discussion of the Matrix and RCC Agreements³

Clause / Proposed Provision	Clarifications/Comments/Suggestions
4.1.2.1	<p>Mr. Rosales requested confirmation from the body on the $\pm 2\%$ for the regulation reserve. He suggested to remove the $\pm 2\%$ for flexibility.</p> <p>Majority of the body agreed to retain the upward and downward regulation.⁴</p>
4.2.1	Instead of the 1200H DAP results, Mr. Claudio suggested to use later DAP runs in the DAASS preparation, knowing that the closer DAP run to real-time, the more accurate and realistic the results are.
4.2.3	Mr. Olmedo clarified that SO has an option to reduce the energy flow along specific transmission lines.

² Urgent: Banzon, Cacho, Castro, Claudio, Fortich, Gumalal, Habana, Javier, Morales, Nerves, Rivera and Tanglao

Not Urgent: Rosales

³ RCC Resolution 2020-06 — <https://www.wesm.ph/market-governance/rules-change/rcc-resolutions>

⁴ Retain: Banzon, Cacho, Claudio, Fortich, Gumalal, Habana, Javier, Morales, Rivera, and Tanglao

Delete: Nerves and Rosales

Clause / Proposed Provision	Clarifications/Comments/Suggestions
4.3.3	<p>Mr. Cacho requested clarification whether this provision effectively exempts DR generators from MOR. Under the contract, DR generators are not allowed to allocate capacity other than AS, which results conflict with MOR</p> <p>Mr. Olmedo explained that the implementation of this clause is to avoid the remaining capacity from possibly being scheduled for energy. This is also the basis for not offering the full capacity in MOR, considering the generator is scheduled for DR.</p> <p>Mr. Morales proposed to delete this clause. He added that this issue must be settle between the SO and AS Providers.</p> <p>Ms. Sony Tanglao (Independent) asked for the impact of deletion of proposal, to which Mr. Olmedo responded that there will be re-validation on quantities and data between SO and MO.</p> <p>The Secretariat noted all comments to be discussed further as general amendment.</p>
4.4.3	For further discussion as general amendment
4.5.2	For further discussion as general amendment

- Atty. Monica Martin (PEMC) inquired whether the penalties under existing ASPA is approved by ERC and whether the proposed revisions include or revise penalties under existing ASPA. Mr. Olmedo confirmed that it is part of the existing ASPA penalties. He also added that all ASPA are specific for each participant and all ASPA are approved by ERC and that the proposed revisions are based on current practices.
- Atty. Lopez requested clarification on the consequence if there are inconsistent data during the validation process of SO and MO. Mr. Olmedo explained that current practice of the MO is notifying the generator to revise the offer. He also added that SO's DAASS will still be effective.

IV. WAYS FORWARD

Ms. Varquez requested comments from Mr. Ferdinand Binondo (DOE) on the proposed ways forward, specifically, submitting the proposal directly to the DOE from the PEM Board for approval.

Mr. Binondo informed the body there is a possibility on the approval of urgent amendment prior to implementation. He suggested to seek for PEM Board's approval on endorsement to DOE for approval. In case the promulgation of proposal did not reach the Go-live date, letter from DOE will be sent stating implementation as urgent of the proposal.

248 With a majority vote, the body approved the Urgent Proposal to be endorsed by PEM Board
 249 to DOE for approval.⁵
 250

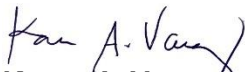
Agenda	Agreements/Action Plans
VI. Next Meeting	<ul style="list-style-type: none"> • April 24th • May 15th • June 19th • July 17th
VII. Adjournment	The meeting was adjourned at 12:56 PM.

Prepared by:

Dianne L. De Guzman

Specialist

Market Assessment Group – Rules Review Division

Reviewed by:

Karen A. Varquez

Manager

Market Assessment Group – Rules Review Division

Noted by:

John Mark S. Catriz

OIC - Head





Market Assessment Group

⁵ For Approval: Banzon, Castro, Claudio, Dela Cruz, Fortich, Gumalal, Habana, Javier, Morales, Nerves, Rivera, and Tanglao

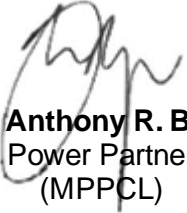





Approved by:
THE RULES CHANGE COMMITTEE



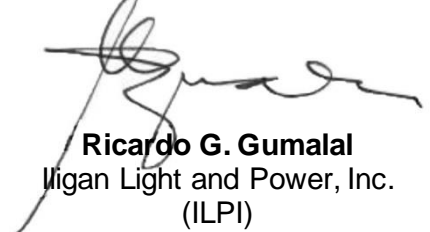

Independent Members:

 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 – Presentation Material on the Proposed Amendments to the Protocol for Central Scheduling and Dispatch of Energy and Contracted Reserves Issue 1.0



THE PROPONENT

- The proponent is the Independent Electricity Market Operator of the Philippines, Inc.
- IEMOP acts as the market operator of the WESM.



OUTLINE



**ACTION
REQUESTED**



**RATIONALE OF
THE PROPOSAL**



**SUMMARY OF THE
PROPOSAL**



**OTHER RELEVANT
MATTERS**



3

ACTION REQUESTED

- For approval

No.	Topic	Document	Rationale
1	[URGENT] Revisions for Implementation of Enhanced WESM Design and Operations and Other Operational Issues	Central Scheduling and Dispatch of Energy And Contracted Reserves	Harmonization and process improvement

Reason for urgency: Proposed amendments are critical for the operation of the enhanced market design with a target Go-Live Date of 26 June 2020



4

Rationale of the Proposal

Central Scheduling Protocol

- Central Scheduling and Dispatch of Energy and **Contracted Reserves**
- Implemented initially in the Luzon Grid on 22 Dec 2015
- Started in the Visayas Grid on 06 Oct 2017

Enhanced WESM Design and Operations

- Includes transition to 5-min dispatch interval, among others
- Go-Live target date on 26 June 2020

Proposal

- Harmonize with enhanced WESM design and operations
- Address observed operations issues since 2015



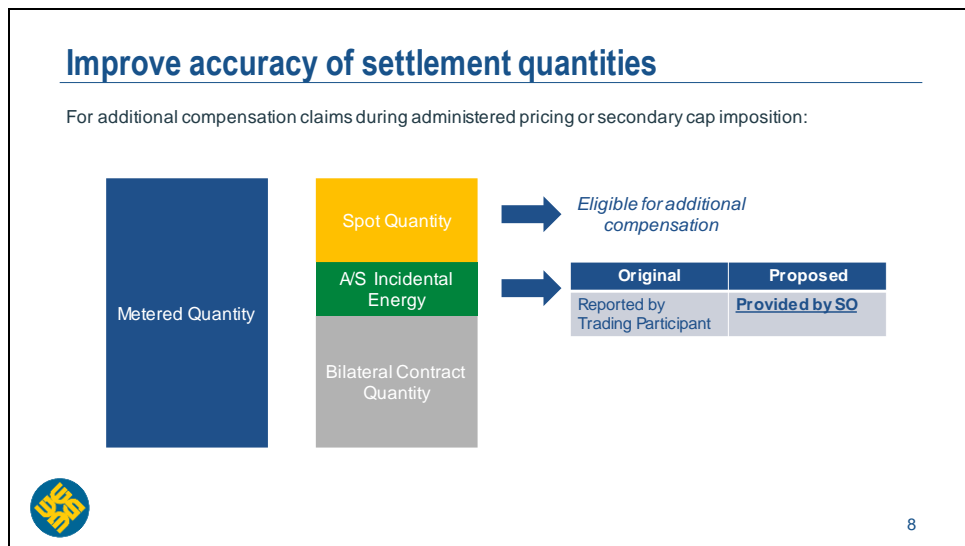
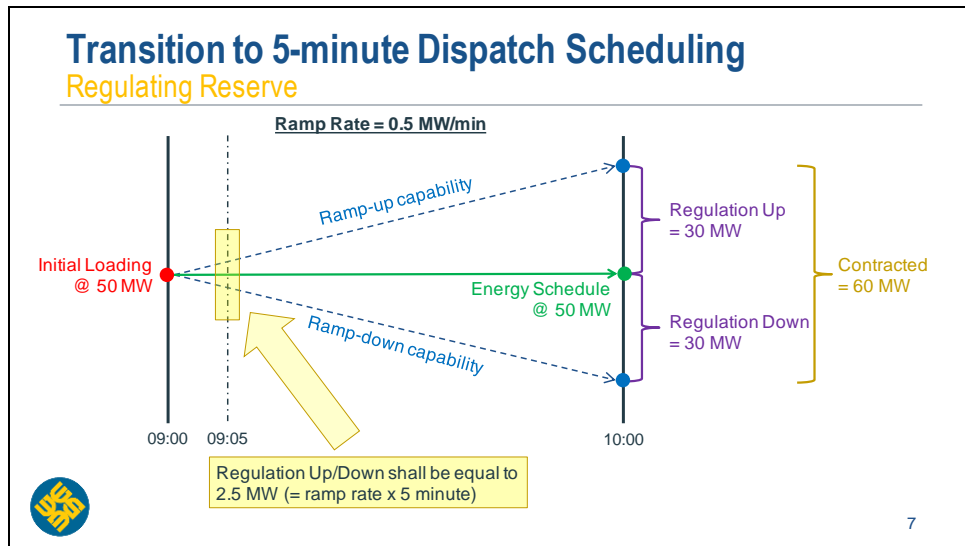
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Summary of the Proposal

Original	Proposed	Rationale
Schedule should be within ramp-limited energy and upward / downward regulation capability	Schedule should be within ramp-limited energy and upward / downward regulation capability (with illustration for ramp limitations)	Highlight possible difference of 5-min WESM reserve schedules and hourly SO reserve schedules due to ramp limits, which is not observed in 1-hour interval (<i>see next slide</i>)
For scheduled dispatchable reserve providers, generation offer should correspond to maximum available capacity	For scheduled dispatchable reserve providers, generation offer should correspond to Day-Ahead Ancillary Services Schedule (DAASS)	Allow dispatchable reserve providers to conform to the A/S nomination from its off-line state
N/A	Data Exchange <ul style="list-style-type: none"> • A/S Incidental Energy from SO to MO • Re-scheduled (in-day or near real-time) A/S capacity from SO to MO • WESM Trading Amount from MO to SO during scheduled A/S intervals 	Improve accounting of quantities for additional compensation claims (<i>see slide 8</i>)
N/A	Additional References for ASPA Penalty Mechanism <ul style="list-style-type: none"> • Reserve offer quantity is equal to DAASS • Reserve offer prices should be zero 	Clarify compliance requirements of ancillary service providers with the Central Scheduling Protocol under their ASPAs



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OTHER RELEVANT MATTERS

- None



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ACTION REQUESTED

- For approval

No.	Topic	Document	Rationale
1	[URGENT] Revisions for Implementation of Enhanced WESM Design and Operations and Other Operational Issues	Central Scheduling and Dispatch of Energy And Contracted Reserves	Harmonization and process improvement

Reason for urgency: Proposed amendments are critical for the operation of the enhanced market design with a target Go-Live Date of 26 June 2020



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THANK YOU!