



RULES CHANGE COMMITTEE

Revision to RCC Resolution No. 2020-07 on the Proposed Amendments to the Guidelines Governing the Constitution of PEM Board Committees, Issue 3 regarding the Composition of the WESM Technical Committee

Effective Date : 27 July 2020

Page : 1 of 4

WHEREAS, the Guidelines Governing the Constitution of PEM Board Committees (“Guidelines”) provide the qualifications and disqualification of members of the PEM Board Committees and the process of their selection and appointment;

WHEREAS, the Philippine Electricity Market Corporation (PEMC) submitted to the Rules Change Committee (RCC) on 11 February 2020 the proposed general amendments to the Guidelines to incorporate the following:

- Policies under the DOE Circulars issued on WESM governance;
- Changes to relevant parties involved in WESM governance;
- Targeted scope of the Guidelines, which is solely the WESM Governance Committees (“WGCs”); and
- Updated document structure for Market Manuals;

WHEREAS, following the required publication of the proposal in the PEMC website and the deliberations on the comments received, PEMC’s response, and RCC’s position paper during the 164th and 165th RCC Meeting held on 24 April 2020 and 15 May 2020, respectively, the RCC resolved to approve and endorse to the PEM Board the proposal, as revised, under RCC Resolution 2020-07;

WHEREAS, RCC Resolution 2020-07 provides, among others, the proposal to revise the WESM Technical Committee’s (TC) composition to five (5) independent members and one (1) member for each of the generation sector, distribution sector, System Operator and Market Operator;

WHEREAS, during the PEM Board Meeting held on 27 May 2020, the Board deliberated on the proposal as submitted by the RCC on 25 May 2020 and directed the RCC to study the reduction of five (5) proposed independent members to three (3), while maintaining the membership of the generation sector, distribution sector, System Operator and Market Operator;

WHEREAS, during the 166th RCC Meeting held on 19 June 2020, the RCC deliberated on the directive of the PEM Board and agreed that the number of the independent members will not affect the discussion on technical matters;

WHEREAS, the RCC agreed to amend RCC Resolution No. 2020-07 on the composition of TC to three (3) independent members, one (1) member representing the generation sector, one (1) member representing the distribution sector, one (1) member representing the System Operator (SO), and one (1) member representing the Market Operator (MO);

WHEREAS, on 22 July 2020, the Board Review Committee (BRC) discussed the RCC's revised proposed membership of the TC and suggested to retain the current total membership of five (5) with one (1) independent member and one (1) member each from the Generation, Distribution, SO and MO sectors, in view of the Energy Regulation Commission's (ERC) decision to reduce PEMC's Market Transaction Fees providing for budgetary requirements of WGCs; and

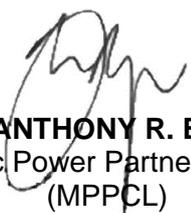
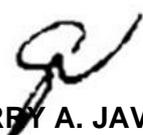
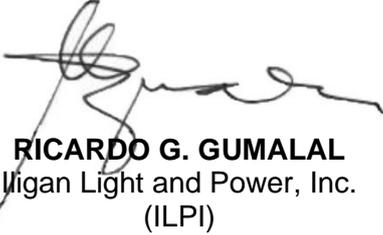
WHEREAS, on the same date, with voting results of ten (10) for adopting the BRC's suggestion and two (2) for retaining RCC's proposal, the RCC agreed to further revise RCC Resolution No. 2020-07 on the composition of TC to one (1) independent member, one (1) member representing the generation sector, one (1) member representing the distribution sector, one (1) member representing the System Operator (SO), and one (1) member representing the Market Operator (MO).

NOW THEREFORE, we, the undersigned, on behalf of the sectors we represent, hereby resolve *via* electronic communication platform, as follows:

RESOLVED, that the RCC approves the Revised Proposed General Amendments to the Guidelines Governing the Constitution of PEM Board Committees regarding the Composition of the WESM Technical Committee (attached as Annex A);

RESOLVED FURTHER, that the said Revised Proposed General Amendments to the Guidelines Governing the Constitution of PEM Board Committees regarding the Composition of the WESM Technical Committee are hereby endorsed to the PEM Board for approval and subsequent transmittal to the DOE for promulgation.

Done this **27** day of **July 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)	 CHERY A. JAVIER Aboitiz Power Corp. (APC)
 CARLITO C. CLAUDIO Millennium Energy, Inc./ Pansia 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 Iigan 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

Revised Proposed General Amendments to the Guidelines Governing the Constitution of PEM Board Committees regarding the Composition of the WESM Technical Committee

Title	Section	Provision	Proposed Amendment	Rationale
Technical Committee	8.01	<p>Section 8.01 Composition. The Technical Committee shall consist of at least five (5) members with a representative from the following:</p> <p>(a) one (1) member from the Grid Management Committee;</p> <p>(b) one (1) member from the Distribution Management Committee;</p> <p>(c) one (1) member from the System Operator; and</p> <p>(d) two (2) independent members.</p> <p>The Grid Management Committee and Distribution Management Committee, each has a seat in the Technical Committee and, as far as practicable, shall be represented by their respective Chairpersons and provided further that the Grid Management Committee or the Distribution Management Committee representative is not from System Operator.</p>	<p>Section 8.01 8.1. Composition. The Technical Committee shall consist of at least five (5) one (1) members</p> <p><u>independent member, one (1) member representing the generation sector, one (1) member representing the distribution sector, one (1) member representing the System Operator and one (1) member representing the Market Operator. The Chairperson of the Technical Committee shall be an independent member.</u> with a representative from the following:</p> <p>(a) one (1) member from the Grid Management Committee;</p> <p>(b) one (1) member from the Distribution Management Committee;</p> <p>(c) one (1) member from the System Operator; and</p> <p>(d) two (2) independent members.</p> <p>The Grid Management Committee and Distribution Management Committee, each has a seat in the Technical Committee and, as far as practicable, shall be represented by their respective Chairpersons and provided further that the Grid Management Committee or the Distribution Management Committee representative is not from System Operator.</p>	<ul style="list-style-type: none"> • To reflect changes due to the dissolution of the DMC and GMC offices. • The matters discussed in the TC impact the trading participants and service providers whose participation in and provision of service to the market involves physical assets that are affected by the decisions made by the TC. That is why we specifically include the representatives from the generation and distribution sector. See attached RCC's position paper providing justification for stakeholder representation in the TC (Annex A-1) • The number of the independent members of the Committee will not affect the discussion on the technical matters. • The membership of the Market Operator provides technical expertise on market operations.

Annex A-1**Rules Change Committee Position Paper**

Composition of the WESM Technical Committee under Section 8.02 of the Guidelines Governing the Constitution of the PEM Board Committees, Issue 3.0

The composition of the Technical Committee (TC) is currently under review. This comes after the Distribution Management Committee (DMC) and Grid Management Committee (GMC) that had representatives in the TC, were dissolved. There is also a recognition of the need to increase the capacity of the TC because of the increased workload with the implementation of various programs including the New Wholesale Electricity Spot Market (WESM) design, Reserves Market, and Mindanao market integration, among others.

We recommend that the TC be composed of seven (7) members, four (4) of whom are independent, three (3) are sector representatives (including the System Operator), and the chairman selected from among the independent members. This ensures independence of the committee while allowing for a greater level of participation from stakeholders.

The above proposal is being submitted in response to the proposed amendments to the **Guidelines Governing the Constitution of the PEM Board Committees, Issue 3.0** submitted by the Philippine Electricity Market Corporation:

*8.1. Composition. The Technical Committee shall consist of at least six ~~(6)~~ **four (4)** Independent members, **one (1) member representing the generation sector, one (1) member representing the distribution sector,** and one (1) member representing the System Operator. **The Chairperson of the Technical Committee shall be an independent member.***

Background: Effects of the Dissolution of the Grid Management Committee and Distribution Management Committee

There is a need to fill the vacancies in the Technical Committee (TC) following the dissolution of the Grid Management Committee (GMC) and Distribution Management Committee (DMC), both of which had representatives in the TC. Both DMC and GMC were composed of industry experts and practitioners, including those currently working in the industry. In addition to a purely technical perspective, the DMC and GMC representatives brought to the TC actual experiences and insights drawn from actual operations and current practices. Thus, there is a need to restore the TC's access to real-time industry expertise that will allow it to provide the PEM Board with recommendations that are both technically sound and practicable.

The presence of representatives from the Distribution Management Committee (DMC) and the Grid Management Committee (GMC) helped ensure this as they are currently immersed in the operations of their organizations and they are aware of current issues and the corresponding potential solutions. The 2016 Philippine Grid Code¹ provides the following qualifications for GMC members:

¹ ERC Resolution No. 22, Series of 2016

Annex A-1

GM 2.2.2.5 The members of the GMC shall have sufficient technical background and experience to fully understand and evaluate the technical aspects of Grid operation, planning, and development.

On the other hand, the 2017 Philippine Distribution Code² provides the following qualifications for DMC members:

2.2.2.5 The members of the DMC shall be a registered electrical engineer and shall have sufficient technical background and experience of at least 10 years in the Electric Power Industry to fully understand and evaluate the technical aspects of distribution system operation, planning, and development.

In the past, representatives of the DMC and GMC brought to the TC inputs that were developed and discussed among independent experts and industry practitioners. This is no longer possible with the dissolution of both committees. Thus, it is imperative to restore the capacity of the TC to engage and draw forth the perspectives of both experts and practitioners.

While the need for expertise can be addressed by strengthening the qualifications of independent members, relevant knowledge and experience from practitioners can only come from current members of industry. Hence, we recommend that the positions previously held by DMC and GMC representatives be filled by representatives from the distribution and generation sectors. These two sector representatives will be in addition to the representative from the System Operator (SO) who is already part of the TC.

The Technical Committee should have access to the necessary expertise as well as knowledge of current industry practice and conditions.

The dissolution of both committees presents the current dilemma of filling the seats left by the DMC and GMC representatives. PEMC recommended to have six (6) independent members who are deemed to be experts in any one (or more) of the following field: power systems, information technology, generation, distribution, metering and other related fields. However, it was not explained how the candidate's expertise would be established. Would it be enough to have a bachelor's degree in electrical engineering? How many years of related work experience should the candidate possess? We believe that **the level of expertise of potential Technical Committee members should at least be somewhat equal to that of a DMC or GMC representative.**

The matters discussed in the Technical Committee impact the trading participants and service providers. Market participants (i.e. the system operator, distribution utilities and generation companies) will eventually implement the recommendation of the Committee. Thus, sectoral members would be in the best position to provide insights and explain the potential effects of proposed policies on operations and ensure that such policies will not compromise the operation of any element in the system. They can provide much needed real-world insights from actual experience and current practices. It is important that the Committee has timely access to these professional insights from the on-the-ground operators as a check for any potential recommendations.

The independence of the Technical Committee shall be maintained by having majority independent members.

² ERC Resolution No. 2, Series of 2018

Annex A-1

The independence of the Committee is ensured by: (1) having more independent members than sectoral members, and (2) assigning an independent member to chair the committee. The four (4) independent members, one of whom will chair of the committee, will mean that the number of independent votes is always greater than the combined votes of the sectoral representatives.

More importantly, the independent members would clearly benefit from the perspectives from stakeholders: generation, distribution, and the system operator. Without the inclusion of the representatives from the distribution and generation, the SO is the only stakeholder represented in the Technical Committee. If allowed to continue, this would severely limit the viewpoints that would be heard in the committee. **In the interest of fairness and increasing the scope of participation, the generation and distribution sectors, who are also market participants and service providers, should also be represented and allowed to share their perspectives.**

Furthermore, this inclusion of representation from SO, distribution and generation should help ensure balance of inputs in the committee. The presence of multiple viewpoints that is a consequence of broader participation serves as a check to possible imbalance in the committee.

Multiple robust markets and jurisdictions have established that inclusion of market participants in their committees is beneficial.

The Electric Reliability Council of Texas (ERCOT), the first independent system operator and one of nine ISOs in North America, encourages the participation of market participants and other stakeholders in various committees and advisory groups. They meet regularly to develop protocols and procedures that govern the ERCOT system and electricity markets. Stakeholders are involved in multiple levels: working groups, task forces, subcommittees, the Technical Advisory Committee and the ERCOT Board of Directors. ERCOT's Technical Advisory Committee is comprised of stakeholders, which makes recommendations to the Board of Directors. The involvement of stakeholders helps ensure the reliability and equitable access to the system.³

The Reliability Panel of the Australian Electricity Market Commission (AEMC) determines standards and requirements to ensure the security, reliability and safety of power systems. The panel is composed of stakeholders, including consumer groups, generators, network businesses, retailers and the market operator. The presence of multiple stakeholders in the panel helped ensure the reliability and continued operation of the electric system and the continuity of supply.⁴

Nord Pool, the leading power market in Europe, has an Advisory Board consisting of power traders and industry representatives, which provides the highest level of advisory for all activities related to their operations. The composition of the Advisory Board reflects the differences in terms of customer type and geography. The Advisory Board directly reports to the Nord Pool Board.⁵

³ <http://www.ercot.com/committees>

⁴ <https://www.aemc.gov.au/about-us/reliability-panel>

⁵ <https://www.nordpoolgroup.com/About-us/Advisory-board/>

