



Republic of the Philippines  
**DEPARTMENT OF ENERGY**

Department Circular No. DC 2005-11-010 *endj*

**Whereas**, Rule 8.6.1 of the Wholesale Electricity Spot Market (WESM) Rules provide for the approval by the Department of Energy (DOE) of proposals for any WESM rules changes upon endorsement by the PEM Board;

**Whereas**, on September 9, 2005, the Interim Rules Change Committee has approved a resolution endorsing for approval before the PEM Board changes in the WESM Rules pertaining to the governance, procedure on rules change, and market operations including correction of clerical errors;

**Whereas**, after discussion, the PEM Board has resolved on September 27, 2005 to approve for endorsement to the Department of Energy (DOE) the abovestated changes to the WESM Rules;

**NOW THEREFORE**, pursuant to its authority under the WESM Rules, the DOE hereby issues, adopts and promulgates the following amendments to the WESM Rules.

A. Amendments to the WESM Rules

1. Rule 1.4.2.7 (d) is amended to read -

“(d) Has not been employed by any electric power industry participant, or a company or body related to or associated with a *WESM participant* (as defined in clause 1.4.2.7 (c)) within one year prior to nomination date; and

2. Rule 1.6.2 (c) is hereby deleted and intentionally left blank.

3. Rule 1.9 is amended to read as follows -

“Where the *WESM Rules* identify matters that are subject to review or consultation in accordance with the public consultation procedures, the *PEM Board* shall ensure that, as a minimum, the following procedures are followed:

(a) The *PEM Board* shall publish in the market information website particulars of the matter to *WESM Participants* and other interested persons, inviting written submissions concerning the matter to be made by a specified date.”

4. Rule 3.5.4.1 (as amended) is further amended to read -

Each *Customer* may submit a forecast in respect of each trading interval for each of its registered load facilities for each trading day of the week in accordance with the *timetable*. The forecast submitted by the *Customer* shall be used by the *Market Operator* in the preparation of *Net Load Forecast* if it is within the forecast tolerance range published by the *Market Operator*.

If the *Customer* fails to submit a forecast of its load facilities in accordance with the *timetable* or if the *Customer* forecast submitted is not within the published forecast tolerance range, the forecast prepared by the *Market Operator* at the node where the *Customer* is located shall be used.

Prior to the commencement of the spot market, the *Market Operator*, in consultation with *WESM Participants*, shall determine and publish the forecast tolerance range. The forecast tolerance range may be varied from time to time by the *Market Operator*.

5. Rule 3.6.5 is amended to read -

From time to time, the *System Operator* and the *Market Operator* shall investigate the scope for further development of the *market dispatch optimization model* beyond the minimum requirements specified in clause 3.6.1 and submit their recommendations in a report to the *PEM Board* for consultation with *WESM Members*.

6. Rule 3.9.6 is amended to read -

If, as a result of *load shedding*, no *ex-ante prices* can be determined or communicated within the timeframe specified in the *timetable*, or the calculated prices are believed to be in error, the *Market Operator* shall, as soon as possible, issue a *pricing error notice* in accordance with clause 3.10.5.

7. Rule 3.10.5 is amended to read -

In the event where no *ex-ante prices* can be determined or communicated within the timeframe specified by the *timetable*, or the calculated prices are believed to be in error, as a result of *load shedding*, occurrence of *constraint violation coefficients*, or for any other reason:

- a) The *Market Operator* may, as soon as possible after the end of a *trading interval*, issue a *pricing error notice*, in which case, the *ex-post* quantities and the *ex post* prices determined according to clause 3.10.7 shall also serve as *ex-ante* quantities and *ex-ante* prices.
- b) If no *pricing error notice* is issued within the time specified in the foregoing paragraph, the *ex-post* prices and quantities shall serve as *ex-ante* prices and quantities and shall stand irrespective of the outcome of any subsequent investigations or resolutions of any dispute.
- c) Should the pricing error also include *reserves*, the reserve quantity and price determined in the *ex-post* run shall serve as the *reserve* quantity and prices.

8. Rule 3.10.6 is amended to read -

The *ex-post nodal energy price* for each *market trading node* shall be determined as the *shadow price* on the *energy balance equation* for that *market trading node*, formed in accordance with clause 3.6.1.4 (c), in an *ex-post dispatch optimization* performed, in accordance with the timetable, to determine target dispatch levels for the end of that trading interval assuming:

- (a) the *plant status* at the end of that *trading interval* as determined for the *ex-post dispatch optimization* or if *load shedding* occurred in that *trading interval*, the *plant status* which would have pertained at the end of that *trading interval*, as indicated in the targets determined by the *ex-post dispatch* for that *trading interval*;
- (b) The *generation offers* which applied at the beginning of that *trading interval*;
- (c) The *unrestrained load* determined from *metering data*, or estimated, at the end of that trading interval, to apply at each *market network node* for that *trading interval*.

9. Rule 3.10.7 is amended to read -

The *Market Operator*, in consultation with *WESM participants* and subject to approval by the *PEM Board*, shall develop and publish procedures to be employed in clauses 3.10.6 (d) and (e) in establishing the network configuration and other constraints to be assumed for the determination of *ex-post nodal energy prices* for circumstances in which power system

conditions materially change during the *trading interval*, with a view to ensuring that:

- (b) The *ex-post prices* produced in accordance with clause 3.10.6, properly and fairly represent conditions at the end of the *trading interval*

10. Rule 3.13.1.1 is amended to read -

*Trading Participants* who sell electricity pursuant to *bilateral contracts* and wish those *bilateral contracts* to be accounted for in settlements shall, after each *trading day*, in accordance with the billing and settlements timetable:

- (a) Submit a schedule to the *Market Operator* specifying the *MWH bilateral sell quantities* at each relevant *market trading node*, in each *trading interval* of that *trading day*;

11. Rule 3.13.6(a) is amended to read -

For each *trading interval*, the gross *ex-post energy settlement quantity* for each *market trading node* shall be determined by the *Market Operator* as follows:

- (a) If the *market trading node* is defined under clause 3.2.2.1 as lying in the boundary of the *power system* operated by the *System Operator*, the gross *ex-post energy settlement quantity* for the *market trading node* is the net metered flow into the *power system* operated by the *System Operator* through the associated *meter*;
- (b) If the *market trading node* is defined under clause 3.2.2.2 as a *generator node* lying on the interface between *networks*, apparatus or equipment operated by parties other than the *System Operator* the gross *ex-post energy settlement quantity* for the *market trading node* is the net metered flows through the associated *meter* from the *Generation Company* to the *Customer* side of the *meter*; and

12. Rule 3.13.7 is amended to read -

For settlement purposes, the *ex-ante energy settlement quantity* for any *market trading node* in any *trading interval* shall be determined by the *Market Operator* by adjusting the gross *ex-ante energy settlement quantity* for that *market trading node* and any *trading interval*, as measured in

accordance with clause 3.13.5 or estimated in accordance with clause 3.13.6, for bilateral contract quantities notified to the *Market Operator* under clause 3.13.1.1, or inferred by the *Market Operator* under clause 3.13.1.1 and accepted as valid under clause 3.13.1.2 by:

13. Rule 3.13.16.1 is amended to read -

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 *net settlement surplus*.

14. Rule 3.14.7 is amended to read -

After the *Market Operator* is to be paid under clause 3.14.6 and in accordance with the schedule set in the billing and settlements timetable, the *Market Operator* shall pay to each *WESM Member* in cleared funds the settlement amount (if any) stated to be payable to that *WESM Member* in that *WESM Member's* final statement.

15. Rule 6.2.3 is amended to read -

During *market suspension* and *intervention*, the *Market Operator* shall impose an *administered price* to be used as basis for settlements.

Prior to the *spot market commencement date*, the *Market Operator* shall develop and publish the methodology for determining the *administered price* to be used during *market suspension* or *intervention* of the *spot market*. Said *administered price* is to be endorsed by the *PEM Board* for *ERC approval*.

16. Rule 6.5.1.1(b) is amended to read -

The *System Operator* shall also:

- (1) Implement any *load shedding* in a manner consistent with the *system security and reliability guidelines*; and
- (2) To the extent possible, determine a rotating *outage plan*, and rotate any *load shedding* requirements.

17. Rule 7.3.1.1(i) is amended to read -

The dispute resolution procedures set out in this clause 7.3 apply to all disputes which may arise between any of the following:

as to:

- (i) A dispute under or in relation to the rules and regulations issued by the *ERC* and *DOE* under the *Act*, where such rules and regulations provide that the dispute resolution procedures under the *WESM Rules* are to apply to any dispute under or in relation to that rules and regulations;  
or

18. Rule 8.2.2.2 is amended to read -

The principle applicable to the composition and operation of the *PEM Board* as set out in clause 1.4.2 apply also to the composition of the *Rule Change Committee*.

19. Rule 8.2.9 is added and will read -

- a) Subject to clause 8.6.4.2, the *Rule Change Committee* will recommend for approval of the *PEM Board* a system of classification of changes to the *WESM Rules*.
- b) Subject to approval by the *PEM Board*, the *Rule Change Committee* will develop and publish detailed guidelines and procedures to be employed in the consideration, approval, publication and effectivity of any proposed change to the *WESM Rules*. These guidelines and procedures will, as far as practicable, be consistent with the provisions of this chapter 8, provided, however, that the *Committee* may establish procedures, time periods and manner of publication and effectivity other than as stated in this chapter 8 depending on the classification of the proposed change.

20. Rule 8.5.4 is amended to read -

Approving and submitting proposed Rule change for approval

If the *PEM Board* concludes that the proposed change to the *WESM Rules* satisfies the criteria which are set out in clause 8.4.1 and that the processes and procedures set out in clause 8.4 have been duly followed, the *PEM Board*

- a) shall submit the proposed change to the *WESM Rules* to the DOE for approval if the proposed change requires approval by the DOE under the classification system approved pursuant to clause 8.6.4.2; or
- b) shall cause publication of the approved rule change, if the proposed rule change requires approval of the *PEM Board* only. The approved rule change will become effective after its publication on such date and for such period as the *PEM Board* determines.

21. Rule 8.6 is amended to read -

Approval of Proposed Rule Changes by the DOE

22. Rule 8.6.4.1 is amended to read -

If the DOE concludes that a proposed change to the *WESM Rules* is consistent with the Act and the public interest and satisfies the criteria which are set out in clause 8.4.1, it shall approve the amendment and cause its publication. The change to the *WESM Rules* approved by the DOE will take effect within fifteen days from its publication, or on such later date as the DOE, determines.

23. Rule 8.6.4.2 is amended to read -

Upon recommendation of the Rules Change Committee, the *PEM Board* shall ratify the classification system of rule change proposals developed by the Committee pursuant to clause 8.2.9 (a) that will delineate proposals requiring DOE review and approval vis-a-vis proposals that can be acted upon at the *PEM Board* level. This classification shall be approved by the DOE.

24. The definition of administered price under Rule 11 is amended to read -

Administered price. A price imposed by the Market Operator to the Trading Participants during *market suspension* and *intervention* to be used for settlements which price is determined in accordance with the methodology developed and published by the Market Operator and approved by the *ERC*.

25. The definition of Business Day under Rule 11 is amended to read -

Business day. Any day on which the spot market is open for business.

And the following clerical corrections:

1. Rule 3.8.1 is amended to read -

Prior to commencement of each trading interval, the *Market Operator* shall, in consultation with the Grid Operator, and in accordance with the *timetable*:

- b) Prepare a forecast of *the unrestrained net load* expected at each *market trading node* for the end of that *trading interval*;

2. Rule 3.8.2.2(b) is amended to read -

*Load shedding* or other directions issued by the *System Operator* during the *trading interval*;

3. Rule 3.11.1.2(a) is amended to read -

Final *dispatch* offers and when applicable, *reserve* offers;

4. Rule 3.11.1.2(e) is amended to read -

The identification of the *Trading Participant* submitting the *dispatch* bid or *dispatch* offer

5. Rule 3.13.12(a) is amended to read -

The *Market Operator* shall calculate the line rental trading amounts for each *transmission line* in the *market network model* as:

- (a) The expected flow of energy out of the *receiving node* of the *market network line* as determined by the *market dispatch optimization model* multiplied by the *ex-ante nodal energy settlement price* at that node; less

6. Rule 3.13.14.1 is amended to read -

For each *billing period*, the *Market Operator* shall determine the *settlement amount* for each *Trading Participant* as the sum of the aggregate trading amounts for the *trading intervals* in that *billing period*, determined in accordance with clause 3.13.14.2: plus



7. Rule 3.15.7.1(a) is amended to read -

*Publish the suspension notice; and*

8. Rule 3.15.7.6 is amended to read -

If:

(b) The *Market Operator* has issued a *suspension notice* to a *WESM Member* due to a failure by the *WESM Member* to continue to satisfy the *prudential requirements* and in the *Market Operator's* reasonable opinion the *WESM Member* is incapable of rectifying that failure for any reason,

9. Rule 4.4.2 is amended to read -

Subject to clause 4.4.3, *Generation Company* or *Customer* which is involved in the trading of energy shall not be registered as a *Metering Services Provider* for any *connection point* in respect of which the *metering data* relates to its own use of *energy*.

#### B. Effectivity

These amendments shall be effective fifteen (15) days following its publication in two (2) national newspapers of general circulation.

  
Raphael P. M. Lotilla  
Secretary

Metro Manila, Philippines, November 11, 2005