

**[ DOE DEPARTMENT CIRCULAR NO. DC 2006-01-0001, January 10, 2006 ]**

**ADOPTING FURTHER AMENDMENTS TO THE WESM RULES**

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 November 8, 2005 and December 8, 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 and market operations;

Whereas, after discussion, the PEM Board has resolved on November 10, 2005 and December 15, 2005 to approve for endorsement to the Department of Energy (DOE) 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(a) is amended to read --

(a) is not a director, officer, employee, contractor, agent, manager or shareholder of a WESM Member;

2. Rule 1.4.2.7 (b) is amended to read --

(b) is not a relative of a person, within the fourth civil degree of consanguinity or affinity, of a director, officer, manager, shareholder of a WESM Member;

3. Rule 1.4.2.7 (c) is amended to read -

(c) is not an officer, manager, director or shareholder, agent, employee or contractor of, or is not a person directly or indirectly, through one or more intermediaries, controls, is controlled by a company, affiliate, or any other entity related to or associated with a WESM Member, where:

(1) A related company or body, is a parent, holding company subsidiary or affiliate of the WESM Member; and

(2) An associate is a person who is director, officer, manager or shareholder of that related company or entity, or a relative of such a person within the fourth civil degree of affinity or consanguinity;

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

(d) Has not been employed as an officer, or any supervisory or managerial capacity, by any electric power industry participant, or a company or body

related to or associated with a WESM Member within one year prior to the nomination date; and

5. Rule 1.4.2.7 is added to read -

The term shareholder as used in this Clause 1.4.2.7 (a), (b), (c) shall be understood to exclude:

(a) a member of an Electric Cooperative who is not involved in the operation and management of the same Electric Cooperative; and

(b) an End-user who is required to subscribe to, or to purchase, a share in a Distribution Utility as an incident to the provision of service by the same Distribution Utility; provided that the interest of the End-user be not more than the minimum required to avail of the Distribution Utility's services.

6. Rule 1.4.6 is amended to read -

The PEM Board shall form working groups and appoint qualified personnel who shall act as the following:

(a) The *PEM Auditor* to conduct audits of the operation of the spot market and of the Market Operator in accordance with clause 1.5;

(b) A *Market Surveillance Committee* to monitor and report on activities in the spot market in accordance with clause 1.6;

(c) A Technical Committee to monitor and review technical matters under and in relation to the WESM Rules, the *Grid Code and Distribution Code* in accordance with clause 1.7; [and]

(d) A *Rules Change Committee* to assist the PEM Board and the DOE in relation to the revision and amendment of the WESM Rules in accordance with Chapter 8, and the formulation, revision and amendment of market manuals, procedures and guidelines; and

(e) A *Dispute Resolution Administrator* to facilitate the mediation of the dispute between the parties to reach resolution within a specified period of time in accordance with the dispute resolution process under clause 7.3

7. Rule 1.4.7.1 is added to read -

The PEM Board shall establish a Market Assessment Group which shall have the following powers and functions:

a. Serve as the primary support unit of the PEM Committees;

b. Assist the *PEM Board* or the *Market Surveillance Committee* to establish the procedures for monitoring and assessing the performance of the WESM and the activities conducted by the *WESM Members* with the end view of ensuring the effective functioning or overall efficiency of the *WESM*;

c. Regularly collect and process market monitoring data and indices;

d. Prepare periodic assessment reports on overall market performance and competitiveness;

- e. Provide support and assistance to the different PEM Committees formed in accordance with clause 1.4.6 when requested and in a manner as deemed necessary by the respective Committee Chairmen; and
- f. Perform such other tasks as assigned by the PEM Board, the PEM Committees or the President of the *Philippine Electricity Market Corporation*.

8. Rule 1.4.7.2 is added to read -

The Market Assessment Group shall be composed of an adequate number of personnel with the appropriate knowledge, experience and qualifications necessary to provide timely and effective support and assistance to the PEM Committees.

9. Rule 1.4.7.3 is added to read -

The Market Assessment Group shall be a unit under the Office of the President of the *PEMC*.

10. Rule 1.4.8 is added to read -

The *PEM Board* shall create an *Enforcement and Compliance Officer* to investigate alleged breaches of and enforce sanctions against the *System Operator, Market Operator*, and other *WESM members*.

To assist the *Enforcement and Compliance Officer*, an Enforcement and Compliance Office shall be created to perform the following functions:

- a. Serve as a technical and investigative support unit of the *Enforcement and Compliance Officer*;
- b. Establish a mechanism to promote consultation and voluntary compliance of industry participants; and,
- c. Continuously develop systems and procedures to deter breaches of the *WESM Rules* and further evolve enforcement of penalties consistent with the objectives of the *WESM*.

11. Rule 1.6.2. (d) is amended to read -

d. Assist the PEM Board or the *Enforcement and Compliance Officer* to investigate and gather evidence of:

- 1. Unusual or suspicious behavior or activities of *WESM Members* in the spot market;
- 2. Suspected or alleged breaches of the *WESM Rules* by *WESM Members*; and
- 3. Suspected or alleged anti-competitive behavior;

12. Rule 3.2.2.1 is amended to read -

A *market trading node* is a designated point in the market network model where energy is bought or sold based on the schedules and prices determined by the *Market Dispatch Optimization Model*. A *market trading node* where energy is primarily sold into the *WESM* is referred to as the *generator node*

while a market *trading node* where energy is primarily bought from the WESM is referred to as a *customer node*.

13. Rule 3.2.2.2 is amended to read –

Each *market trading node* defined under clause 3.2.21 shall:

- a. Be assigned to a *Trading Participant* that intends to buy or sell energy and is capable of complying with the dispatch and settlement requirements in the WESM;
- b. Be associated with a revenue metering and remote telemetering facilities capable of measuring all relevant incoming and outgoing energy deliveries for the purpose of dispatch and settlement in the WESM; and
- c. As much as possible, represent the connection point between the Network Service Provider and the Trading Participant.

14. Rule 3.2.2.3 is amended to read -

If the connection point of the Trading Participant could not be represented in the *market network model* or if a particular *market trading node* must be assigned to more than one *Trading Participant* because the conditions set in clause 3.2.2.2 are not met, the affected *Trading Participants*, the *Metering Services Provider* and the *Network Service Provider* will mutually agree on adjustments that will be implemented by the *Market Operator* and the *System Operator*.

15. Rule 3.5.13.1 is amended to read -

Subject to clause 3.5.13.3, the *System Operator* may recommend to the Market Operator that constraints be imposed on the energy dispatch of a specific facility which may have the effect of fixing or bounding the generation or re- serve scheduled from the plant, if the System Operator reasonably believes that the generator offer, reserve offer or demand bid does not provide a valid representation of the actual or expected capability of that facility in that trading interval, and where, in the reasonable opinion of the System Operator, such misrepresentation seems likely to impact materially on dispatch or pricing.

16. Rule 3.5.13.6 is amended to read -

If a review conducted under clause 3.5.13.5 concludes that a Trading Participant or the Market Operator or the System Operator has acted inappropriately, and has thereby imposed significant costs on other parties, the market surveillance committee may refer that matter to the Enforcement and Compliance Officer under clause 7.2 or require that Trading Participant or the Market Operator or the System Operator (as the case may be) to pay compensation in accordance with clause 7.2

17. Rule 3.6.1.4 (i) is amended to read -

Power flow equations, as defined by a DC approximation to an AC power flow within AC sub-systems, or equivalent mathematical representation;

18. Rule 3.10.2 is amended to read -

## Determination of Ex-Ante Nodal Energy Price

The ex-ante nodal energy price for each market trading node in any trading interval shall, subject to clause 3.10.5, be determined as the shadow price on the energy balance equation or equivalent mathematical formulation for that market trading node formed in accordance with clause 3.6.1.4 (c), in the dispatch optimization performed for that trading interval in accordance with clause 3.8.1

19. Rule 3.10.6 is amended to read -

## Determination of Ex-post Nodal Energy Price

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

20. Rule 3.9 is amended to read -

## Treatment of Load Shedding, Excess Generation and Reserve Violation

21. Rule 3.9.9 is added to read -

## Management Procedures for Reserve Violation

22. Rule 3.9.9.1 is added to read -

Should either the dispatch optimization or any market projection indicate a violation of a reserve requirement, the Market Operator shall:

- a. Promptly advise the System Operator that it may be necessary to reduce the level of the reserve requirement.
- b. Reduce the reserve requirement by the minimum amount to a level that prevents a violation of that requirement.
- c. Solve the market dispatch optimization model with the reduced reserve requirement.

23. Rule 3.9.9.2 is added to read -

The prices determined in clauses 3.10.2, 3.10.6 and 3.10.10 will be derived from the solution of the market dispatch optimization model provided for in clause 3.9.9.1 (c)

24. Rule 4.2 (a) is amended to read -

A *Customer* in respect of any market trading node that is assigned to it through which it purchases electricity from the spot market; and

25. Rule 4.2 (b) is amended to read -

A *Generation Company* in respect of a market trading node that is assigned to it through which it sells electricity to the spot market; and