

Cagayan De Oro Public Consultation (13 Feb 2017)

Question/Comments/Recommendations	Response
<p><u>Oro Chamber of Commerce:</u> WESM is acceptable in Luzon and Visayas where there is lack of capacity; but not in Mindanao where there is excess capacity which may last 6 years more. Law of supply and demand in economics should be upheld; otherwise, there will be distortion or hampering of economic growth.</p>	<p><u>Asec. Delola of DOE:</u> WESM is not designed to work/operate in a condition with supply deficiency. So, I disagree with the comments. Luzon and Visayas actually have excess capacity. This year, Mindanao has experienced excess supply. The operation of the WESM does not only address excess capacity but also provide several benefits as discussed by Mr. Fernandez.</p>
<p><u>Oro Chamber of Commerce:</u> President Duterte already ratified the environment summit (COP 21) agreed by 200 countries in the world. Why not embark in big hydro power and/or Nuclear Power Plants?</p>	<p><u>Dir. Capongcol of DOE:</u> With regard to the intended 70% National Determined Contribution, the DOE primary goal is to meet the demand now and in the future. If you are following the DOE's policy statements, we are now working with the 70% baseload, 20% mid-merit, and 10% peaking requirements. So, regardless of whether it's more on renewable resources as long as it can provide the demand requirements of the consumers.</p> <p>The DOE supports the RE plant and any new plants in the grid which provides additional power supply</p>
<p><u>Oro Chamber of Commerce:</u> WESM is intended to allow competition of available capacity for customers to avail lower power cost of energy; therefore, WESM aims to serve the interest of the customers. But what happens today is pushing WESM for the interest of power plants to make use of excess capacity. This is not the objective of WESM.</p>	<p><u>Asec. Montenegro of MinDA:</u> From the development and planning perspective, we are looking for a market not only applicable today but also applicable to the future. For the longest time, we are relying only to one source of power for our mainland which is the Agus-Pulangi hydro power, a resource that is often affected by changing climate patterns i.e. El Niño. This also cause frequent shortage of power. This is up until the entry other capacities such as STEAG which makes a better kind of mix that we wanted to have in Mindanao. This is the situation today. Let's think of what the situation would be 10, 20, or 30 years from now. For the period until 2030 only, there are already many reckoning periods that we must consider in our simulation of economic growth in Mindanao (e.g. COP 21, Ambisyon Natin 2040, Philippine National Targets, etc.). Otherwise, we would go back to where we were last 15 years ago wherein there were lack of planning and forecasting that were not able to address issues on energy.</p>

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	<p>The MinDA agrees in having the WESM Mindanao not only due to excess capacity but also due to other benefits presented by the DOE.</p> <p><u>Asec. Delola of DOE:</u> It was released in the news that the lowest electricity price in December 2016 in the market for Luzon dropped to about PhP2.20/kWh from as high as PhP9/kWh in 2013. So, there is an avenue for competition in the WESM. Aside from mitigating measures, there are governance committees to monitor the market so as that fair and transparent operation can be observed all throughout.</p> <p>After this public consultations, we will be conducting IECS where PEMC will discuss more on the operation side.</p>
<p><u>Oro Chamber of Commerce:</u> In hydropower plants of NPC and PSALM which has thrown water. Why do we allow water spillage when water is free? Hence, the cost of electricity should be cheaper. We do not understand because this is a violation of priority dispatch under the RE law.</p>	<p><u>Mr. Rosales of NGCP:</u> Whenever the inflow in the elevation of the hydro plant is very high, we usually put it in maximum dispatch. This is to optimize the dispatch of the hydro. Whenever there is high inflow of water, we really cannot prevent spillage. That would be more on the management of NPC-PSALM. But during dry season, it is necessary to limit the dispatch of hydro which is also based on the nomination of NPC-PSALM.</p>
<p><u>Oro Chamber of Commerce:</u> Based on the committed capacities, it appears in the DOE Demand Supply outlook that there will be another round of power deficiency in 2021-2022. Can DOE and Minda can do something to hasten the development of RE resources e.g. Agus Pulangi 5 hydro power plant?</p>	<p><u>Asec. Delola of DOE:</u> For the power development projects, the DOE already endorsed an executive order for the approval of the President to declare power projects as projects of national significance. In that way, we can give priority and hasten the implementation of these projects.</p> <p>Based on the presentation, we will enjoy excess capacity in a few years only and we'll need an influx again of new power plants not only Renewable Energy but also from other resources.</p> <p>As what mentioned by Director Capongcol, the DOE is looking at the 70% baseload, 20% mid-merit, and 10% peaking requirement without bias on whatever technology will come in.</p>

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	<p>Usec. Fuentebella mentioned that the DOE is pushing forward fuel agnostic policies in the power industry. We assure you that the DOE will be consistent to its mandate to provide policies for reliable, secure and cost-efficient ways to supply power to consumers.</p> <p><u>Asec. Montenegro of MinDA:</u> We learned our lessons already that is why we are looking at the supply forecast in terms of how much excess supply we have today and until when this excess capacity will be eaten up by the demand. So that we'll know also how and why we need to exert effort. When EPIRA was passed, power sector became private sector and commercially driven. Government are no longer allowed to build power plants. Therefore, there is a need to provide an enabling environment for investment to come in. We need projects to come in as early as 2019, allowing the construction to occur in 2020 up to 2021, and have them online in 2022 or by the time we need another round of excess supply.</p> <p>That's the kind of collaboration that is needed among energy families including addressing safety and security concerns in the region. Also to mention about vRE such as Solar, some are asking why not use more Solar without knowing that we only have 4.5 hours of sunshine. We should not depend our energy on Solar alone. We can source from other resources such as the pending 250MW form Agus 3, 300MW from Pulangi 5, etc. However, the challenge of Hydro is site-specific and need many approvals to different agencies/sectors. They will also face the risk if ECs will enter contracts with them. That is the reason why we want a market to give a level-playing field for small RE players which some are embedded to the ECs.</p> <p><u>Dir. Capongcol of DOE:</u> We are working under a restructured power industry wherein the government cannot venture into new power generation business. Although, existing generation facilities owned by the government can be upgraded or</p>

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	<p>rehabilitated using their own internal cash revenues. So on how we can facilitate investment is to develop a framework or venue where competition can foster.</p> <p>Another, the DU are mandated to provide adequate and optimal supply to its customers. It is a link of the generation and the buyers in the electric power industry. The DU should determine the optimal supply mix to its franchise area because each DU has their own inherent characteristics as far as customers are concerned.</p>
<p><u>GN Power:</u> NPC PSALM contracts with DUs will be expired on 25 December 2017. With this and WESM Mindanao, what would happen to the existing capacities of PSALM and onwards?</p> <p>Also, what would happen to STEAG coal-fired power plant?</p>	<p><u>Dir. Capongcol of DOE:</u> With regards to the contracting of PSALM, what they are doing is annual contracting not only with DUs but also directly connected customers as well.</p> <p>Now, there is an on-going discussion on the policy study being asked by the administration which is to dedicate some part of the generation of Agus Pulangi to ecozones and marginalized areas in Mindanao.</p> <p>With regards to the STEAG, I think PSALM can better respond to that.</p> <p><u>Mr. Tolentino of PSALM:</u> Based on the privatization plan, the STEAG is scheduled in 2018 but depends on the advise of the Administration if it will push through. For the meantime, the 2017 allocation which will expire on 25 December 2017, some of the portion of it for the renewal of 2018, we can allocate it to the DUs which will renew its contract with PSALM.</p>
<p><u>GN Power:</u> Why is marginal pricing more economically viable than price-as-bid/pay-as-bid methodology?</p>	<p><u>Mr. Descanzo of PEMC:</u> The concept of marginal pricing is adopted by most market primarily due to its efficiency. Basically, each generators are competing to penetrate the schedule for that particular trading interval. To penetrate the schedule, generating plants will have to bid low to ensure dispatch. The bid price offers by the generators are most likely equivalent at least to their marginal cost of the generating plant and opportunity. One generator will subsequently sets the marginal clearing price and if you are cheaper resource/technology generation plant, you have the assurance to recover your marginal cost and</p>

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	<p>an opportunity to earn more than your marginal cost. Whether you are the cheapest or expensive plant, as long as you have bilateral contracts and your objective is to deliver your bilateral contracted quantities, you will have to bid low to ensure dispatch.</p> <p>On the other hand, if we changed the rules to pay-as-bid, the behavior of the participants will also change. For example, if I were a cheap plant and I will bid at a low price, I will be paid at a low price. Hence, I will change my bid price offer to a higher price or I will try to predict and bid at the marginal clearing price in the market. Hence, this concept will never achieve the objective of low electricity price in the market.</p>
<p><u>CEPALCO:</u> How will the SO treat the embedded generators with bilateral contracts and/or fully contracted with its host DU? Will they be included in the central dispatch wherein DU with several supply sources which are embedded to its system have their own merit order dispatch?</p>	<p><u>Mr. Rosales of NGCP:</u> With the implementation of WESM, all grid-connected including embedded generation will be subject to central dispatch. So, it will all depend on the offers whether the embedded generation will be dispatched in the real-time schedule. The SO will only implement the schedule for each trading interval.</p> <p>The SO will not look into the embedded generators' bilateral contract. Rather, the SO will base the dispatch of EG based on market result. With our current situation without the WESM, the SO is still implementing the bilateral dispatching. The problem right now is when DUs have excess bilateral contracts with generators. As much as possible, the ancillary service will be the one to absorb the excess power consumed by the customer. However, if the ancillary is already depleted, that would be the time we will implement voluntary curtailment.</p> <p>But with the WESM, we will only constrained-on those generators in the merit order table and try to balance the supply and demand. Then, there will be no deficiency.</p> <p>While we don't have WESM yet, we will still have manual load curtailment even if we have excess capacity.</p>

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<p>During excess generation, will the generation supplying the baseload requirement of its host DU, by virtue of its bilateral contract, be also included in the Pmin adjustment?</p>	<p>Yes.</p>
<p><u>CEPALCO:</u></p> <p>Specific comment on the Department Circular:</p> <p>On Section 5, it says there that the Trial Operations Program (TOP) should also include a simulated financial settlement to avoid the issues similar to IMEM which are mostly in the financial settlement.</p>	<p>Noted.</p>
<p><u>CEPALCO:</u></p> <p>Mindanao Dispatch protocol must be consistent with the protocol adopted for Luzon and Visayas.</p>	<p><u>Mr. Rosales of NGCP:</u></p> <p>Actually, the protocol that we are implementing right now is already existing. It is not consistent with that of Luzon and Visayas where we adopted the WESM Dispatch Protocol. But once the WESM in Mindanao is already in place, we will adopt a dispatch protocol consistent with that of Luzon and Visayas.</p>
<p><u>CEPALCO:</u></p> <p>Embedded generation without capability or precluded by its power supply agreement to trade in the WESM should not be made to shoulder the cost of the communication facilities.</p>	<p><u>Assist. Dir. Exconde of DOE:</u></p> <p>We noted this request and will respond to this later to our posting of consolidated comments.</p>
<p><u>CEPALCO:</u></p> <p>Will the dispatch order priority include embedded generators?</p>	<p><u>Mr. Rosales of NGCP:</u></p> <p>Yes.</p>
<p><u>CEPALCO:</u></p> <p>Section 2.2.2.9, these data should be published so that the DUs will also know how much is the scheduled quantity of the generators with whom it has a bilateral contract with.</p>	<p><u>Mr. Descanzo of PEMC:</u></p> <p>There are several information are used as input in the market, as well as the market results, are published in the website day after based on the approved market manual. For information, when we started the market, the publication of confidential information are seven (7) days after but we are now publishing it day after the actual trading interval.</p>
<p><u>CEPALCO:</u></p> <p>On Section 6.3.2.4, how will the generators with bilateral commitments with the DUs, will they be included in the load adjustment?</p>	<p><u>Mr. Rosales of NGCP:</u></p> <p>Yes, we will depend on the submitted renomination of all on-grid connected generators including Embedded Generations. The SO will always implement load adjustment. But if the DU failed to renominate and/or the generators failed to be renominated,</p>

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	<p>the SO will issue Load Adjustment Notice to the generators once there is excess generation. The Load Adjustment Notice is a documented dispatch instruction also to be able to constrained-off the output of the generator so that it will be 1:1.</p> <p><u>Mr. Descanzo of PEMC:</u> We need to clarify that the SO discussed the interim dispatch protocol prior to the implementation of WESM. Under the WESM, there will be no re-nomination of dispatch. All will be based on price and schedules. Generators have to stick to the schedule. The committed or bilateral contracted quantities are declared in the market day after and the imbalance that are not covered in the bilateral will automatically be part of the spot transaction. Hence, there is no need for renomination. In Luzon and Visayas, we have hourly trading interval. But with our enhanced design, we will have 5-minute trading interval.</p>
<p><u>Mapalad Power Corporation:</u> Would like to clarify regarding if diesel plants are part of the Pmin?</p> <p>We have bilateral contracts in our diesel plants. If you set all the Pmin of power plants and DUs with existing bilateral contracts with our diesel plants have no contracted quantities with coal plants, will they still be supplied through the Market? Because if our thrust is to lower the price of electricity, it will be difficult to achieve since the DU will pay the fixed capacity and Operations and Maintenance (O&M) Cost, whether our diesel plant will run or not.</p>	<p><u>Dir. Capongcol of DOE:</u> In Luzon and Visayas, the Diesel is included as zero Pmin if they are certified as Fast-Start Facility by NGCP. Zero Pmin means that the engine can be turned-off but they submit offer to the market without the price. So once they are scheduled by the MO, they should be able to run based on the schedule.</p> <p><u>Mr. Descanzo of PEMC:</u> In the market, no such scenario will occur because the generators will just declare bilateral contracts. I think what you are saying is the impact of dispatch protocol when there is excess generation and who will be prioritized for the capacity adjustment to Pmin. If the scenario is excess generation, the default action of the SO is to reduce supply in the system in order to maintain system balance. These cases are very rare in actual operation. I think the objective of formulating dispatch protocol is for everybody's guidance.</p> <p><u>Mr. Adiong of NGCP:</u> We agree on what was discussed by Mr. Descanzo. We are using the Interim Dispatch protocol while the WESM is not yet in place.</p>

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	<p>So in the event of excess power generation, we follow our order of priority i.e. Diesel Plant capacities will be adjusted to Pmin. If excess capacity still persists, then we will have to shut down Diesel Plants before the Coal.</p> <p>With the WESM, we have a Merit Order Table. In case of excess generation, we will follow the Merit Order Table so as to attain the balanced supply and demand in the system.</p>
<p><u>Iligan Light Power:</u> WESM will be implemented by June 2017 and the RCOA will follow. Should Contestable Customers directly participate in the WESM? Or should they source it from the Retail Electricity Supplier?</p> <p>Assuming there is already a declaration, can Contestable Customers directly participate in the WESM?</p> <p>I think most of us are fully contracted. Do we have an idea on the percentage of supply that is being contracted out bilaterally against the aggregate demand in Mindanao. The demand requirement which are not covered by the bilateral contracts is what we should talk about/consider in the implementation of the WESM. Most of the ECs or DUs are fully contracted for over 20 years and are over-contracted or already beyond the requirement.</p> <p>What are the initiatives that will be undertaken by the DOE or other government agencies to address this problem? Because existing price on the bilateral contracts are already approaching PhP6/kWh. We hope the DOE will consider initiatives that will look into reopening of PSAs and create provisions that will keep the rates in Mindanao lower than what is in Luzon. In February this year, DUs will have higher rates than in Luzon approaching PhP10/kWh mark.</p> <p>With the upcoming WESM and RCOA, we would like to request PEMC to conduct</p>	<p><u>Dir. Capongcol of DOE:</u> Once we have WESM in Mindanao, RCOA will follow but will not immediately be implemented. Because ERC will have to declare if RCOA will be implemented in Mindanao. There pre-conditions that need to be satisfied before its implementation.</p> <p>Yes, there is an on-going initiative policy study wherein the demand side participation is one of the features being considered as part of the WESM development i.e. Demand Response.</p> <p>With regards to effect of mandatory contestability of contestable customers, particularly if they have already bilateral contracts, please note that the DOE and ERC have put up mitigating measures so as to address this apparent excess capacities in the market. There are resolutions for that contract like renegotiation and selling into the market.</p> <p><u>Atty. Layugan of ERC:</u> ERC is the implementing agency of the RCOA. You are correct. That is the same situation of the generation companies and the DUs in Visayas are facing the problem of carving out the provisions of contracts already entered into. As what Dir. Capongcol said, we included provisions in our rules which gives certain mechanisms for carving out provisions. You are also right that they cannot sell the contracts that are priced higher than the retail rates. In the recent approval of ERC of bilateral contracts, we have looked into automatic reduction clauses in the PSAs; such that, if there is a particular Contestable Customer which will be mandated to migrate to an RES, there will be an</p>

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<p>more training and also to include CCs especially here in Mindanao.</p>	<p>automatic reduction in the PSA. We are set to discuss this again to the ERC because we realized that this provision may not be enough.</p> <p>In addition, it is not certain that the contracts that were approved 3-4 years ago will be addressed with the recent ERC approval process. That is the reality that the participants in Visayas are now facing.</p> <p>But you are in Mindanao wherein there is no WESM and RCOA yet. We can provide you a sufficient timeline. I don't think RCOA will kick in immediately after the WESM. Because on top of WESM being a condition, most likely the conditions that were imposed in Luzon and Visayas will be adopted in Mindanao and it will take time. As of now, we are looking at the Automatic Reduction provision.</p> <p><u>Mr. Descanzo of PEMC:</u> On the training, as stated earlier, there will be continuous/several IECs and trainings. We already have modules designed to participant level. For your information, we will post the schedule in the website and call/invite the Mindanao participants.</p>
<p>How are the members of the PEM Board chosen?</p>	<p><u>Dir. Capongcol of DOE:</u> The governance of the WESM is by sectoral nomination. For example, the generation sector nominates their representative. So, there are four (4) representatives from the generation sector, two (2) from the DUs, two (2) from the ECs, and representative from suppliers and independent personalities. Currently, all are appointed by the Chair which is the DOE Secretary and this starts at sectoral nomination. There might be representative from Mindanao.</p>
<p>Will there be a separate Board for WESM Mindanao?</p>	<p>There is no discussion yet on this matter. Nonetheless, we may appoint one representative from Mindanao in the current PEM Board.</p> <p><u>Assist. Dir. Exconde of DOE:</u> Bu definitely, this is already flagged to the DOE since this was already raised before that</p>

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	Mindanao should have a representation in the PEM Board.
<p><u>Dave Tauli:</u> There is no economical justification, legal grounds and practical benefits of the WESM in Mindanao for consumers. It is illegal and will increase the rates. It will not address the problem of DUs, specifically the ECs in terms of their over-contracting. If the DOE issues its Circular on the launching of the WESM, we will file a TRO in the court to stop the establishment of the WESM. We will ask later on the consumers, LGUs, DUs, and ECs to join us in petitioning to stop the establishment of the WESM.</p> <p>We are asking how WESM lower the rates in Mindanao. What is the legal ground? WESM is only advantageous in Mindanao if the interconnection between Visayas and Mindanao is already established. We already raised this concern since the establishment of IMEM that it will result in high rates since there is no Mindanao-Visayas interconnection yet. There only six (6) generators in Mindanao while there are millions of customers.</p> <p>What we need right now is to change the dispatch protocol. We need to agree on how to dispatch these generators given the present condition of Mindanao. The ECs will meet here in CDO on 17 February 2017 to draft their proposed dispatch protocol which they will recommend to NGCP. We consumers initiated the meeting because the consumer are not invited by the DOE. Since they are not doing it, we will have someone else to do it. We the consumers, DUs and ECs will meet to determine the least-cost dispatch protocol in Mindanao. And if the NGCP approves, problem solved. There's no WESM.</p>	<p><u>Assist. Dir. Exconde of DOE:</u> We noted your additional comments.</p> <p><u>Asec. Montenegro of MinDA:</u> In behalf of the adopted member of energy family in Mindanao, we work with the energy agencies to look in totality of the power situation in Mindanao. We definitely respect your/your group's position to launch a TRO or complain. Should this hold up to the DOE that is part of the democratic space and an inherent constitutional right of this country. But you might also want to respect the position of everybody else in this room who put forward their comments and convey what they think should be revised and/or amended as far as the Draft DC is concerned in terms of establishing the market. This is a democratic nature that we are supposed to nurture in this kind of exercise. On that light, may we invite more comments rather than just whether this market is justifiable economically, legally and constitutionally. Because if I could chip in my few cents of thoughts, although I am not from the energy sector by background, all I wanted to look at is that what we should do today, should not be premised on the current situation but the current reality 4 or 5 years from now and not premised on what was happening 30 years ago.</p>
<p><u>Mindanao Energy Systems:</u> DUs/ECs in Mindanao is actually over-contracted for the next two years. It is stated that the WESM establishment is targeted in June 2017 and it entails cost. All settlements</p>	<p><u>Dir. Capongcol of DOE:</u> With regards to the June 2017, that is in line with the proposed enhanced New MMS target for Luzon and Visayas. Since are implementing WESM here, the WESM design enhancement is</p>

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<p>of bilateral contracts are done outside the market. So if we are pushing the June 26, 2017 launching which in fact, there is nothing to settle in the market. My assumption is that, which I believe is true, ECs and DUs are over-contracted. Then, why need to establish WESM this June 2017?</p>	<p>also included. Now with regards to the statement that there will be no trading or transaction in the WESM, we all know that there are imbalances in every trading interval. So that is one of the benefits of WESM, we have central scheduling and balance demand and supply.</p>
<p><u>Oro Chamber of Commerce:</u> In terms of government goals of the economic practice for the country, we knew very well that the Philippine/Manila rate is four times the rate of Indonesia, three times the rate of Thailand, and two times the rate of Malaysia. More manufacturing industries are migrating or attracted to countries with low electricity rates. Examples of these countries are Thailand, Indonesia, Malaysia and Vietnam. That is why they become industrialized countries. More than 50% of their GDP came from manufacturing industry. But the manufacturing industry contribution to the GDP is only 26%. Due to high electricity cost, Philippines cannot afford to hire more people. The unemployment rate in these countries only range at 2-4% while in the Philippines id 9%. It's because our rate is very high that is why I understand the people who want to keep the rate in Mindanao low. We should not only rely in big hydro power plants which I understand. But we should not level at the rates in Luzon. We have to continue to attain more competitive rate to attract more manufacturing industries here in the Philippines, especially here in Mindanao. I would like to address that question to the DOE to come up with a plan that will make our rate competitive with other ASEAN countries.</p>	<p><u>Assist. Dir. Exconde of DOE:</u> Noted on your comments. For information, we are closely monitoring the rates relative to other countries, especially our fellow ASEAN members. We can show updated data on the comparison of rates of ASEAN countries which indicates that our rates is no longer significantly higher than other countries.</p> <p><u>Asec. Montenegro of MinDA:</u> It is also important to put context on our electricity rates vis-à-vis other countries in ASEAN or Asia. It is important that when you talk about Thailand, Vietnam, Brunei, Indonesia or other ASEAN countries, 40% of their electricity rates are subsidized by the government since they own their fuel. Whereas in the Philippines, we are not that rich. Second, it is not apples to apples comparison because our electricity rates reflect the true cost of energy because it incorporates the true market value of diesel, coal, etc. We cannot do something about that because we import large amount of these resources substantially for our energy use. That is the reality on our competitiveness. We have lots of Foreign Direct Investments (FDIs) in terms of financial market but what we need is physical investments from FDIs.</p>
<p><u>Iligan Light Power Co.:</u> It was stated earlier that the PDM is still pending with ERC? I assume you will use the same PDM in Mindanao or will it be a different one? We would also like to request the hearings in relation to the PDM in Mindanao be held in Mindanao so we can also participate.</p>	<p><u>Atty. Layugan of ERC:</u> For the information of the group, we are yet to receive the filing of PDM and this is what we also pointed out to the DOE and PEMC that approval of the ERC will take time. The PDM is not only for the Mindanao but for also for the Luzon and Visayas. As what I am discussing with Dir. Capongcol, there will be intervenors not only in Mindanao but also from the entire</p>

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	<p>country. In the meantime, I am saying what methodology will be applied in Mindanao. I would also like to be clarified on the Draft DC, particularly on page 3, it says there is a launch date of June 26, 2017. But there is also a provision that PEMC will have a list or criteria under Section 2. What calls our attention is the process that would need the approval of the ERC, which is Section 2.5 and 2.6 which is the PDM. I assume that when you say launch it does not mean to be everything in place on June 26, 2017. Also, it says that it has to be certified by an independent auditor which I am not aware of the timeline on the engagement of the auditor.</p> <p>Going back to page 3 of the DC, it says that after 15 days the PEMC shall submit to the DOE the status of the criteria prior to the launch date. So if we say that PDM will be approved after 6 months or 1 year, will this mean that it will also be the commercial operation date of the WESM?</p> <p><u>Asec. Delola of DOE:</u> Yes, Section 2 states the criteria for the commercial operation of the WESM.</p> <p><u>Atty. Layugan of ERC:</u> From June 26 launch date, what dispatch protocol will govern Mindanao?</p> <p><u>Asec. Delola of DOE:</u> There is no really WESM. If we really cannot have the WESM by June 26, 2017, the existing dispatch protocol, if not amended, then it stays that way.</p> <p><u>Mr. Descanzo of PEMC:</u> We have an approved PDM in Luzon and Visayas. If the current Market Management System (MMS) will be used in Mindanao, then we can use the approved PDM. We do not have to file a new one to the ERC. However, the current MMS has limitations such as it cannot integrate Mindanao.</p> <p>The main reason for developing New MMS is to upgrade our current system. We are also introducing enhancements on the market design</p>

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	<p>in compliance with the DOE directives such as the shortening of trading interval from 1 hour to 5 minutes, single settlement, etc. We need to incorporate that to our New MMS which we target to operationalize on 26 June 2017.</p> <p>Hopefully, upon filing to the ERC, we hope the PDM will be approved. You can observe that the June 2017 is aligned with the activities for Luzon and Visayas. This will be adopted in Mindanao.</p> <p>The PDM was still not filed to the ERC since there are still many pending approvals such as the RCC. We hope that the PDM will be file to the ERC this March 2017.</p>
<p><u>Atty. Layugan of ERC:</u> In the part of the Circular regarding the inclusion of embedded generation, it says there that embedded generation with less than 5MW shall register to the market voluntarily. We should also take in to account that there were 8 embedded generation and these could be FIT entitled depending on the policy of the government. So if they are FIT entitled, then they should be registered in the WESM. Because many of the capacities of these RE generation are considered as deliveries to the grid and not to those DUs. When WESM comes in, they are not under RESA but under REPA and will be paid at the ACRR. We suggest to include RE regardless the amount of capacity.</p>	<p><u>Assist. Dir. Exconde of DOE:</u> This has been raised also by many stakeholders. We will include this in the revisions of the circular.</p>
<p><u>First Gen:</u> There were billing issues during the implementation of IMEM before. How will this be handled in the coming of the WESM? How will we prevent such reoccurrence?</p>	<p><u>Dir. Capongcol of DOE:</u> The IMEM outstanding settlement issue is being resolved separately from this on-going initiative of the WESM. The DOE is calling for several reconciliation meetings to address the individual issues in the IMEM. We hope to resolve it prior to WESM.</p>
<p>We suggest that DOE should prepare response and made available so that there will be no repetitions on the discussion of issues to the next remaining Public Consutations.</p>	<p><u>Asec. Delola of DOE:</u> Yes, the DOE already intend to summarized prepare responses and positions to the issues raised in this Public Consultation. We will also update the Circular to consider the suggestions.</p>
<p><u>First Gen:</u> We are happy on the EO for the generation as project of national significance. I would</p>	<p><u>Asec. Delola of DOE:</u> It is not inconsistencies on how we view the plans. We still need the 50-50 mix even though</p>

Question/Comments/Recommendations	Response
<p>just like to clarify the discrepancy wherein MinDA stated that they are targeting 50 energy portfolios. While the DOE said that as long as they meet the demand requirement, they will be fuel agnostic. But leaning towards the RE law, probably this needs reconciliation since it was stated therein that it is the policy of the government to accelerate the exploration, development, and increase the utilization of RE.</p>	<p>we have the 70-20-10 agenda. There RE plants that operate in baseload. The directives of the Secretary is not contrary to the RE law objectives. The DOE policy will always consider appropriate generation mix.</p> <p>In terms of the EO, the DOE is already looking forward to the signing of EO.</p> <p><u>Asec. Montenegro of MinDA:</u> We are not only looking forward to the EO but also the Senate Bills being offered by Senator Gatchalian to make the facilitation of energy projects as a law already.</p> <p>I was waiting for someone to raise this question, what is the status of the Renewable Portfolio Standards (RPS)? We proposed earlier the viability of RE sources considering the 220 pending applications with an aggregated potential capacity of 3000MW.</p>
<p>What are the next step on the renewable market</p>	<p>DOE still studying the implementation of the RPS since there are various comments and issues on the draft/proposed implementation of RPS.</p>

Zamboanga Public Consultation (17 Feb 2017)

Question/Comments/Recommendations	Response
<p><u>Board Member of Zamboanga del Sur/ Office of the Governor- Zamboanga del Sur:</u> It was explained that the establishment of WESM would be beneficial to consumers due to competition or bidding. What is the guarantee that power producers would not resort to collusion and does control the spot market? Collusion exists even to bidding of projects with at least 150 memberships in the contractors association while there are only a handful of power generators.</p>	<p><u>Asec. Delola of DOE:</u></p> <p>The WESM Rules already place some provisions not to allow collusions. We already set price caps as was presented earlier. The DOE together with ERC and the PEMC also has regular tripartite meeting being conducted to address issues if there is any, regarding market.</p> <p><u>Ms. Arenos of PEMC:</u> First, monitoring of anti-competitive behavior is under the jurisdictions of ERC which that is provided under the EPIRA and also the Philippine Competition Commission (PCC) under the newly created law. Secondly, we have also a governance committee in PEMC. We have Market Surveillance Committee (MSC) which is composed of five independent members (not employees of PEMC). Those members have expertise on engineering, economics, etc. The part of the MSC thru the support provided by the market assessment group of PEMC monitors all the activities of the market participants. We have market monitoring indices which is posted in WESM websites. Based on that, MSC conduct analysis on the activities of the market. From there, if the MSC detects that there is something unusual with the behavior of the trading participants, then that will be plug to the ERC as well with the DOE. As mention by Asec. Delola , if there are issues on market, there is a venue for that and that is the WESM Tripartite Committee.</p> <p><u>Dir. Capongcol of DOE:</u> Market or WESM is not only in operation, there is also a governance part. Rules that will govern anti- competitive/ market abuse are already in place. There are mitigating measures, caps, monitoring of bids submitted by generators. We also have enforcement and compliance officer so that we can plug immediately those anti-competitive acts.</p>
<p><u>Anonymous:</u></p>	<p><u>Mr. Descanzo of PEMC:</u></p>

Question/Comments/Recommendations	Response
<p>How will the five-minute interval in the proposed enhanced WESM design be implemented in WESM Mindanao since the arrangement in Mindanao grid is different from the Luzon and Visayas grids?</p>	<p>Basically, the process in dispatch protocol is the generators will nominate capacity for their counterparties in the market, same, except that it will undergo to price bidding. So, all generators will just offer their capacities with corresponding prices and then the scheduler/ market will schedule which among those offers are the cheapest to produce the most economic mix for that interval. Whether it's done hourly or in five-minute interval, it is still the same process. Bilateral contracts will be honored and will be settled based on their contracts, after the fact. The first thing that the generators will do is to ensure that they can be included in the schedule. They have to beat other generators in terms of pricing. After delivering the required capacities for the counterparties, those quantities will be netted-out from the market and will be settle based on contracts. There is no nomination but rather bid- based offer. All cheaper offers will be scheduled ahead.</p>
<p><u>PSALM:</u> Since here in Mindanao there are resource nodes or customer nodes that have multiple withdrawals from different customers, so how we should account that?</p>	<p><u>Asec. Delola of DOE:</u> Market is not yet experienced in Mindanao, so most probably most of you are still confused. Rest assured that there will be trainings to be so that everyone will better understand everything in WESM.</p> <p><u>Mr. Descanzo of PEMC:</u> The question is too detailed. To simplify the question, she is asking who will shoulder the line losses for a particular contract. Line rental is basically the line losses. There are two points being talked about in terms of delivering power. First is the plant gate (connection from generator), second reference point is where the customer is connected. PSALM transaction is to deliver power to the customer point with a corresponding price. In other words, PSALM shoulders the losses. We have settlement formulas or process to account those computations. It was mentioned that if you are a customer or generator, part of your requirement is to submit the location of reference point for the market to know where to charge the line losses.</p>
<p><u>Anonymous:</u></p>	<p><u>Dir. Capongcol of DOE:</u> We have already a Disconnection Policy; any generator who has outstanding receivable from</p>

Question/Comments/Recommendations	Response
<p>What do we plan to do with the delinquent customers of PSALM? How they will be treated in WESM?</p>	<p>a customer can request NGCP for a disconnection. With regards to IMEM, we are hoping that we can settle that before the WESM starts. It's up with the PSALM or the generator what will be their action as far as addressing the outstanding obligation of their customer. They have the rights to request for the disconnection.</p>
<p><u>Anonymous:</u> Who will act as default wholesale supplier for distribution utilities and other customers who under-declare or nominate their consumptions?</p>	<p><u>Dir. Capongcol of DOE:</u> When we implemented WESM in Luzon, we designated PSALM as the default wholesale supplier because during that time majority of the power plants were still owned by the government. With regards to the Mindanao situation and the current financial situation of PSALM, we are still conducting studies on how will we able to address small EC's or DU's. This matter will be raised to the Secretary for our guidance.</p> <p><u>Mr. Descanzo of PEMC:</u> We have operational solution in the market. It was mention that there are direct and indirect memberships. The DU or the EC can register in the market as an indirect member, meaning all imbalances of the customer will be borne by the generator. For example, the DU consumes 100 MWh, that amount will be netted-out from the market, to cover the exposure of the DU. Outside the market they will settle with the contract agreement. It depends on their agreement. By default, the generator will be the wholesale supplier of their counterparts.</p>
<p><u>Anonymous:</u> How will the arrangement be for PSALM as their sole supplier? How will they register, direct or indirect member?</p>	<p><u>Mr. Descanzo of PEMC:</u> It is their choice, but for those who are not capable to handle spot transaction they can register as indirect member on the assumption that PSALM will shoulder/cover their exposure.</p>
<p><u>Anonymous:</u> What is the policy direction with regards to the Agus-Pulangui Complex?</p>	<p><u>Asec. Delola of DOE:</u> As of right now, the maintenance work will be on-going. There will be no changes to that. But in terms of the direction of the Agus-Pulangui Complex, we are yet to have a policy on that that still being studied. The Secretary already mentioned that it might be allocated to the marginalized coops to attract more investors in Mindanao</p> <p><u>Dir. Capongcol of DOE:</u></p>

Question/Comments/Recommendations	Response
	In addition, PSALM is doing a study with the International Finance Corp. (IFC) on the appropriate scheme for Agus-Pulangui.
<p><u>Mapalad:</u> What will happen to 82 Million worth of purchase from IMEM that remain unsettled until now upon WESM implementation?</p> <p>Will that be properly address when WESM comes in?</p> <p>Three or four months ago, when in the rates of Luzon went up and there was an investigation wherein apparently there was a collusion of power plants. Hence, the rates went up. May I know the status of this investigation? I think it also went up to the Senate.</p> <p>The IMEM supposedly address deficits while the WESM addresses excess capacities. Is this correct?</p>	<p><u>Ms. Ejercito of DOE:</u> Out of the PhP 238.1 Billion total IMEM Bills, the balance as of December 2016 is PhP 82.5 Million which will be paid to TMI (PhP 37.2 Million) and Mapalad (PhP45.3 Million). We already have collected PhP 4.2 Million; hence the remaining balance is PhP 78.3 Million. The ones with large outstanding obligations, particularly Minergy with PhP 13.5 Million, the TMI, Mapalad, and Minergy already reconciled with the 18 months equal staggered payment which will continue until June 2018. The others like Keiji also have staggered payment of PhP 332,000. 00. Now, we will be doing a reconciliation meeting with BUSECO and MORESCO-1 scheduled after the Public Consultation in Butuan City. BUSECO has paid partly of its balance of PhP 18.8 Million which were during off-peak periods. Likewise, MORESCO-1 has a balance of PhP 14.05 Million. NPC Substation also has an outstanding balance of PhP 4.7 Million but its check payment is already in transit. The EEI, which has a balance of PhP 500,000.00, will be paying the half amount of PhP 250,000.00 and will still reconcile with the remaining half.</p> <p><u>Assist. Dir. Exconde of DOE:</u> We are doing our best to address these things prior to WESM implementation.</p> <p>From what I know last December 2016, it was the Malampaya situation. We need clarify the specific case on your question. There was a case which was subjected to investigation but it happened three years ago. We can give you information on that case. I don't think there was a situation three month ago.</p> <p><u>Mr. Descanzo of PEMC:</u> Our market is a gross pool market which means all transactions will go through the market.</p> <p>Yes, if you mean the deliveries outside the bilateral contracts.</p>

Question/Comments/Recommendations	Response
<p>Will the bill from the excess will be charged to the ECs?</p> <p>When WESM comes in, will there be only one bill?</p> <p>When the PSAs are being approved, we have what we call Capacity Fee and O&M Fee. For example, the ECs only used 80MW but will still pay the Capacity Fee of 100MW. But that particular excess will now be sourced to the market. Will that Capacity Fee be included also in the market and be discounted in the bill of the EC?</p>	<p>There will be one bill from the market and the other bills will be from your direct payments/bilateral contracts.</p> <p>The market is agnostic of the breakdown of your cost. You as generator will just offer your price in the market and you ensure that you'll recover your cost by your offer price. We consider the generators offer as energy fee to every energy delivered.</p>
<p><u>NGCP:</u> For embedded generators, will the market operator required them to be metered by NGCP?</p>	<p><u>Dir. Capongcol of DOE:</u> On the draft circular, 5 MW up embedded generators are part of WESM and required to be metered.</p> <p><u>Asec. Delola of DOE:</u> Part of the requirement for us to declare WESM commercial operation is that all metering facilities should be WESM compliant. 5MW and above is mandated to register while those that are below 5MW may or may not register. If they intend to sell in the market, they also have to register in WESM.</p>
<p><u>Academe:</u> With the coming of WESM, how does the general public in Mindanao expects the power rates? Will it be lower or higher?</p>	<p><u>Engr. Fernandez of DOE:</u> Those people who signed the contract are the ones who will define whether you're going to expect a lower rate. If you're over subscribe with your supplier, definitely this is settled outside of the market, so the same rate that you are going to receive. However, if you have an excess capacity wherein your contracted capacity is lower than your actual consumption and you are going to buy in the market, in Mindanao having a 700-1000MW definitely those plants will be at a lower price.</p> <p><u>Asec. Delola of DOE:</u> The DOE is mandated to ensure that there will be a reliable, efficient and cost effective power supply for the consumers. So we're not just looking into WESM to really foster an environment or there is a cost effective or responsive price of power. In fact were already finalizing the guidelines for the Competitive</p>

Question/Comments/Recommendations	Response
<p>I saw earlier that the average PhP/kWh with WESM is from PhP10/kWh to PhP32/kWh. Currently, we are enjoying PhP8/kWh. I really cannot see that the WESM will bring down the rates.</p>	<p>Selection Process (CSP). On the on-set it is really on the signing of the power supply agreements (PSA). So if the PSA on the first place are costs at a very high rate then we will be paying a high cost of electricity. Because there is still that bilateral quantity that we have to settle. The market may or may not dictate the price. That is why one of the issues that were looking at, is the CSP. The ERC has already a resolution and will be promulgating the new guidelines on CSP. So hopefully we can address the issues on the PSA's.</p> <p><u>Asec. Delola of DOE:</u> I think what you mentioned is the Caps in the market.</p> <p><u>Mr. Descanzo of PEMC:</u> The PhP10/kWh you mentioned is the negative (-) PhP10/kWh. It means that when even you consumed electricity, you will be paid at PhP10/kWh. For the PhP32/kWh, that would be the highest allowable offer of the generators. Remember that the trading in the market is per interval. Currently in Luzon and Visayas, the trading interval in the WESM is hourly. For a particular interval, it can happen that the price in the market is at PhP32/kWh wherein there is a very tight supply condition. But what you are saying i.e. PhP8/kWh is a monthly average generation rate. The same goes to the market, you will see average generation rate of all intervals of the trading month. We have mitigating measures in place to ensure that sustained high prices will result in high generation cost for consumers. For instance, all are bidding at high prices, the secondary price cap at PhP6/kWh will be imposed. When average price for 7 days exceed PhP9/kWh, the price will be pegged at PhP 6/kWh which will reflect on your bill. If your DU/EC is fully contracted, your average generation charge will be based on their contracts. If ever your DU/EC is 100% exposed in the market, the highest possible monthly average generation rate that will reflect on your bill is PhP8.99/kWh. In Luzon, the current price is PhP2.3 – 2.5/kWh.</p>
<p><u>ZAMSURECO-2:</u></p>	<p><u>Mr. Descanzo of PEMC:</u></p>

Question/Comments/Recommendations	Response
<p>I think the highest generation rate if you deal with diesel plants is only PhP16/kWh. Why impose a PhP32/kWh offer cap? Why not make it lower/closer to the highest generation rate plant? What are the factors used in determining the PhP32/kWh offer cap.</p>	<p>The assumption is the DU will contract from the least cost efficient plants. The last option to contract is the diesel plants. If you have contracts with diesel plants, you are tied up with e.g. PhP16/kWh for the whole duration of your contract. The difference of the PhP32/kWh diesel plant in the market and diesel plants in your bilateral contract is the exposure. You will be only exposed to the diesel offer price in the market only at the time when there is tight supply condition and the diesel plant is the marginal plant. You will only play at a high price for the trading hours only that the diesel plant dictated the price. In a month, that would cost only minimal to you.</p> <p>So how was the PhP32/kWh offer cap set? If you are a diesel power plant without contracts, do you think you can recover your cost at PhP16/kWh? ERC determined this offer cap by looking at the merchant power plants in the market. According to their findings, diesel plants only operate 3-6% within a year. The rest of the time, they have no production. With this kind of production, investors would need a higher price to recover their cost.</p>
<p><u>Academe:</u> How will the general public be benefited in the establishment of WESM in Mindanao?</p>	<p><u>Dir. Capongcol of DOE:</u> WESM is an alternative supply option. With the market, the distribution utility will have the option to buy power in case of supply outages from its contracted generator. This will assure 24/7 power supply for the customers.</p>
<p><u>Academe:</u> Who has the control that the lowest offer generator would be utilized first?</p>	<p><u>Mr. Descanzo of PEMC:</u> There is a price determination methodology. All information is submitted electronically without human intervention.</p>
<p><u>WMPC:</u> Regarding the ancillary services, why not include this because it will affect the rates? Why is not the Reserve Market integrated in the WESM?</p>	<p><u>Dir. Capongcol of DOE:</u> We are still waiting for some of the approval from the ERC and studies from the directives of the ERC. Currently in Luzon and Visayas, we have central scheduling of energy and reserves. But in Mindanao, we will have proper pacing. For now, rest assured that NGCP as SO will perform its responsibility to secure the Mindanao Grid.</p>
<p><u>ZAMSURECO-1:</u> What will the DOE do to empower EC's especially in accurate load forecasting?</p>	<p><u>Asec. Delola of DOE:</u> We will give the support needed by the EC's even the private DU's, will provide trainings.</p>

Davao Public Consultation (21 Feb 2017)

Question/Comments/Recommendations	Response
<p><u>Davao Light:</u> On NGCPs presentation on Dispatch Protocol. The economic dispatch of the said protocol is NGCP's view on economic dispatch model. In our company, the economic dispatch means taking into consideration the fixed cost and variable cost.</p> <p>So, we'd rather dispatch first our baseload plants which are TSI and San Miguel Balita. Prospectively for San Miguel Balita, we are already paying about PhP3.00 of fixed cost whether it will be dispatched or not. The variable pesos for our coal plant is PhP2.00 or less, so it's cheaper than NPC's cost. Here we see that NPC hydro is the second. I think we need to put things in proper perspective because what we will follow in our interim dispatch protocol.</p> <p>We need to consider the perspective of each participant in determining the economic dispatch in order to have a trustworthy interim dispatch protocol.</p>	<p><u>Mr. Adiong of NGCP:</u> Our interim dispatch protocol is based on maximizing the hydro plants, reduce the diesel, and then reduce the coal plants. They said the coal plants are cheaper than the hydro. But we don't have any basis or data submitted to us to consider. Anyway this is only interim.</p> <p>If there are directive that the coal plants will be prioritized since they are cheaper compared to hydro plants, then we will amend the said interim protocol.</p>
<p><u>Chamber of Commerce:</u> There are power plants where the variable cost is higher than the fixed cost, and this should be considered in the economic dispatch. WESM should address these concerns when the market is already open.</p> <p>On the technical, the problem in Mindanao is voltages. There are extremely low voltages, which are currently experienced by the ECs, and these should be addressed during the implementation of the WESM.</p>	<p><u>Dir. Capongcol of DOE:</u> The DOE is not aware on the supply contract arrangements. Most of the DUs/load is considering NPC plants because of cheaper rates.</p> <p>Regardless, we take note your suggestions, and will be happy to have more details on the concerns for our consideration.</p> <p><u>Assist. Dir. Exconde of DOE:</u> Noted and this will be considered. Please note that all comments and recommendations will be recorded for consideration.</p>
<p><u>NPC:</u> We have concerns on the inflow and capacity factor of Agus and Pulangi power plants. We cannot maximize the energy of the said plants since we also provide ancillary services (AS) such as contingency reserves. The basis of</p>	<p><u>Mr. Adiong of NGCP:</u> Agus and Pulangi are used based on the load generation matrix, including the AS. It's true that Agus and Pulangi are being used for the AS. With regards to inflow, we need to spill water due to limitation of the plant and also considering the maximizing and the order of priority.</p>

<p>NGCP is the order of priority and Agus and Pulangi are the cheapest ancillary provider.</p>	
<p><u>Aboitiz:</u> What are your plans to the financially unstable DUs in Mindanao during the WESM?</p> <p>What is the role of the PSALM considering that it stills hold the 50% capacity of loads in Mindanao? How are they going to be contributed to the WESM? Are they going to be independent or responsible for their own welfare?</p>	<p><u>Dir. Capongcol of DOE:</u> There is an on-going study to use the said PSALM’s plant capacity in the marginalized ECs and proposed economic zones, based on the MOA of PEZA and DOE on the establishment of Ecozones. DOE, PSALM, Transco and NEA are studying the matter and will prepare recommendation for the Secretary’s consideration. Before in Luzon, there is a policy that PSALM is a default wholesale supplier (DWS). So we are looking if the DWS will be appropriate for the said ECs or do we need other strategy. So as of now, it is still within the study of DOE, PEMC and NEA.</p> <p><u>Assist. Dir. Exconde of DOE:</u> With regards to the TWG of this WESM Mindanao, it is fully represented by PSALM, ERC, NEA, Transco & MinDA.</p>
<p><u>Chamber of Commerce:</u> When will the RCOA be implemented in Mindanao?</p>	<p><u>Dir. Capongcol of DOE:</u> There are pre-requisite for the implementation for RCOA. For Mindanao, the lacking is the establishment of the WESM. We could implement RCOA in Mindanao but not immediately.</p>
<p><u>Davao Light:</u> I have two questions. First, will the 4.35% system loss be used during the WESM?</p> <p>The second is, will the dispatch interval be reduced to 5min?</p>	<p><u>Mr. Descanzo of PEMC:</u> That 4.35% systems loss is the average. But in the WESM, the losses which will be used in the spot is real time.</p> <p>Yes the dispatch interval in the WESM will be reduced to 5 min, and it will be adopted in Mindanao</p>
<p><u>Davao Chamber of Commerce:</u> Concerning FIT all, if you have a biomass system and you want to feed it to the grid. You don’t need to have a bilateral contract with a utility company, if you are already on WESM. Is that true?</p> <p>What will happen to the utility who cannot pay the WESM or default?</p>	<p><u>Dir. Capongcol of DOE:</u> Once we have a WESM, RESA will be converted to REPA with TRansCo and be settled through the TransCo FIT-All Administrator.</p> <p>For non-paying ECs, the DOE issued a Department Circular on disconnection policy. Any affected can request for the disconnection from the NGCP to the non-paying Distribution Utility.</p>
<p><u>Davao Light:</u> On the mandatory registration of Embedded Generations (EGs) with capacities 5MW and above, do we have exemption in mandatory</p>	<p><u>Asec. Delola of DOE:</u> As what is written in the Circular, it is mandatory for registration for 5mw and above. For EGs with lower capacities, they have to option to register or</p>

<p>e.g. aging EGs, already not reliable to operate to an extended period, or plants that are owned by Contestable Customers?</p>	<p>not. But this is the reason why we are having public consultations to gather recommendations in the Circular. I understand that Davao Light and even NGCP have some concerns in this provision. But on the technical aspect, it is necessary for the 5MW and above EGs to register in the market since WESM is a gross pool market. Any injection or withdrawal to the grid must be accounted for, so as not to have imbalances later on.</p> <p><u>Mr. Descanzo of PEMC:</u> It is more on the nature of existing generators. This has happened to Generators in Luzon who joined the ILP and obtained different licenses.</p> <p><u>Atty. Layugan of ERC:</u> The question is more on the registration if you are a Contestable Customer and you also have generation company supplying a Contestable Customer. But this is provided that, we already have RCOA in Mindanao. If the RCOA is already implemented in Mindanao, the way we interpreted the rules is if you are an EG supplying your own Contestable Customer, then the COC license will suffice. Otherwise, if that specific EG is supplying not only its Contestable Customer but also delivers to the Grid, then we will require both COC and RES license.</p>
<p><u>Davao Light:</u> Attached in the circular is the Mindanao dispatch protocol. Do we have another venue to discuss the details of the protocol?</p> <p>Will the dispatch protocol prior and during the WESM operations be the same?</p> <p>For example, PSALM has an excess from its bilateral contracts and other generators will issued a Load Adjustment Notice (LAN), what would happen to that excess when WESM comes in? Will that be settled in the market and capacities we nominate will be settled in our bilateral contracts?</p> <p>Will PSALM be a price-taker in the market?</p>	<p><u>Assist. Dir. Exconde:</u> That was already discussed by NGCP in their presentation. But you can still submit your comments on the dispatch protocol.</p> <p><u>Mr. Adiong of NGCP:</u> What I discussed earlier is the current and interim protocol while the WESM is not yet in place. During WESM, we will use the WESM dispatch protocol.</p> <p>In the interim, we issue LAN. But in the WESM, there will be no more LAN. The bilateral contracts will be honored in the WESM.</p> <p><u>Asec. Delola of DOE:</u></p>

<p>Regarding the trainings stated in the Circular, may we know the details/ And we request that these trainings be held here in Mindanao so it will be less costly for us.</p>	<p>As for the PSALM generation, we are yet to finalize the policy. The bilateral contracts are declared day-after the trading day. Any excess from the declared bilateral contracts will be settled in the market. Then the quantities declared in the bilateral contracts will be settled outside the market and is not referenced on the price in the market but on the price in your contract.</p> <p><u>Mr. Descanzo of PEMC:</u> There will be different modules such as design, process, dispatch protocol, settlement, etc. We also have hands-on trainings which we need to conduct in Manila since it is where our facilities are. For the classroom type trainings, we can conduct it here in Mindanao. After the approval of the Circular, we can already start our training initiatives. We will first ask for request for trainings from the participants. After receiving your requests, we will schedule the conduct of training.</p>
<p><u>DORECO:</u> On the locational marginal price, what will be charged to the consumer, will it be the actual transmission losses or the computed 4.35%?</p> <p>Why is the congestion cost being charged to the DUs? It is not the fault of the DUs to enter into contract with generators where lines are congested. Hope we can address this prior to the WESM.</p>	<p><u>Mr. Decanzo of PEMC:</u> The 4.35% is the average and is used in designing the distribution wheeling charges which is used as basis in the contracts. But in the market per interval, we compute for the energy and transmission losses. So it will change depends on the actual transmission loss. I think it will be lower.</p> <p><u>Assist. Dir. Exconde of DOE:</u> Noted on this.</p>
<p><u>NGCP:</u> The metering is a vital part of the WESM. We already conducted audits on all metering facilities in Mindanao. What if the customer would not like to change their metering facilities that are not compliant?</p> <p>I think the RTUs are not mentioned in the Circular. In Luzon and Visayas, RTU is a requirement. It is a part of the preparation for the Embedded Generation.</p>	<p><u>Mr. Descanzo of PEMC:</u> It was mentioned earlier that we will have a readiness checklist based on the provision of the Circular which includes technical, metering requirements, etc. It is not specifically stated in the Circular but it implied in that provision. Supposedly, NGCP is the Metering Service Provider so the meters should be compliant. During the settlement preparations, disputes will most likely arise. It will go down eventually to changing the meter for accuracy.</p> <p>The RE are must and priority dispatch. These are monitored in the market and paid at price taker by TransCo and the difference will be paid through FIT the FIT-All Fund.</p>

	<p><u>Assist. Dir. Exconde of DOE:</u> This will also be addressed in the trainings.</p> <p><u>Asec. Delola of DOE:</u> The issues with NGCP will be discussed with the DOE. All the reparatory requirement should be met prior to launching.</p> <p><u>Assist. Dir. Exconde of DOE:</u> We would like to emphasize that the Circular is primarily to declare the launching. The details that you have raised will be part of the inputs for the rules and guide.</p> <p><u>Mr. Adiong of NGCP:</u> With regards to his question, embedded power plants will come in. We have this energization request form wherein the SCADA group will affix their signature in the agreement that the plant must be monitored. NGCP can already monitor most of the embedded power plants. For some of plants that NGCP cannot monitor yet, they will be issued a provisional authority to connect only and must comply the requirements later on.</p>
<p><u>EDC Geothermal Plant Mt. Apo:</u> Under Section 2, we have to comply with the 6 criteria for us to declare commercial operation of the WESM. Does that mean if there is only one EC that will not comply i.e. metering requirements, there will be no commercial operation?</p> <p>What if the others do not agree and are not convinced with the benefits of the WESM?</p>	<p><u>Asec. Delola of DOE:</u> Yes, we will still proceed. Prior to the commercial operation date of the WESM, we will be able to see the problems which the DOE, together with NEA, can already intervene and assist the ECs. We cannot really avoid that there is some resistance in any program that the government is launching. But we have to think of the collective result of the program. Aside from the agenda for transparency, it is also mandated by the law or EPIRA that we need to push through WESM.</p>
<p><u>COTELCO:</u> Will this EPIRA provision applicable in Mindanao i.e. “on the first 5 years of the establishment of the WESM, no Distribution Utility should source more than 90% of its total demand from bilateral contracts supplies”? Considering that most DUs in Mindanao are already more than 90% or 100% contracted, will this mean that DUs will be exposed to market? With the exposure in the market, will be paid at contract price or market price?</p>	<p><u>Asec. Delola of DOE:</u> The 10 percent is no longer required. So if you want to be fully contracted, you can settle that outside the market but the deficiency from your bilateral contracted quantities can be sourced from the market.</p>
<p><u>COTELCO:</u></p>	<p><u>Mr. Descanzo of PEMC:</u></p>

<p>We believe that there will be a Market Fee and prudential requirement. How do you compute for the Market Fee? What would be the basis of the prudential guarantee?</p> <p>Does this mean that the Market Fee in Mindanao will be different?</p> <p>How do we compute the prudential requirement considering that the EC's are over contracted?</p>	<p>Prudential guarantee is based on your exposure. If you think that you will have no exposure in the market, your prudential guarantee will be very minimal. Sometimes, we have errors in the forecasting or nomination, the market will address that deviations. Your actual exposure will be the basis of your prudential requirement.</p> <p>The market fees is based on budget to be filed to and approved by the ERC.</p> <p>The Market Fee will be the same since we only have one budget filing and approval.</p> <p>When we start in Luzon, there was no basis but we started with TOU Rate x 10% since there is a 10% spot exposure requirement at that time. Upon the cessation of the 10% spot exposure requirement, we requested the participant to submit historical bilateral contracts and quantities that they expect they will source from the market. The same process will be adopted. If you say you will have 0 exposure in the market, you will also have 0 prudential requirement.</p>
<p><u>Aboitiz:</u> Are we envisioning to have indirect WESM Members for ECs who are struggling to obtain prudential requirement for the WESM in Mindanao?</p> <p>Are we also looking at PSALM as conduit for indirect membership of those entirely contracted with PSALM?</p> <p>This is one of the problems together with the interconnection problems on the implementation of the WESM, considering the trading interval is already 5-minute.</p>	<p><u>Asec. Delola of DOE:</u> Yes, this is allowed.</p> <p><u>Asec. Delola of DOE:</u> We still have to issue a separate policy on that. But, that would be the case of some ECs who are fully contracted with PSALM.</p> <p><u>Assist. Dir. Exconde of DOE:</u> Yes, all of these will be part of the readiness criteria.</p>
<p><u>Chamber of Commerce:</u> On the indicative capacities in Mindanao, it was shown that there is somewhat 200MW which will be realized in the future. From an investor's point of view, indicative plants need to have bilateral contracts with DUs. But with the oversupply in Mindanao, I don't think they could do away with the bilateral contract. Can FIT be a guarantee for those indicative plants?</p>	<p><u>Assist. Dir. Exconde of DOE:</u> We noted your comment and the DOE need to discuss this first and come up with a policy on that.</p>

Butuan Public Consultation (21 Feb 2017)

Question/Comments/Recommendations	Response
Morning	
<p>Nolie Namocatcat, ANECO:</p> <ul style="list-style-type: none"> •Is the required dispatch and contingency reserve as seen in the presentation is actual or only for projection? •There is no procurement of ancillary as far as dispatchable reserve and contingency reserve. <p>•Hope this will be resolved and will not affect the operation of the WESM. I don't know how it is going to complicate the performance and operation of WESM in the absence of a contingency reserve.</p>	<ul style="list-style-type: none"> • Mr. Fronda, NGCP: that's the actual that happened in Mindanao in 2006. • Mr. Fronda, NGCP: NPC and PSALM is here to confirm that we have regulating and contingency reserve. • Mr. Samsin, PSALM: Yes, the PSALM provides regulating and contingency reserves in Mindanao. We have plants which are accredited supplier of regulating and contingency reserve • Mr. Fronda, NGCP: We need the contingency and regulating reserve for the hourly dispatch of ours. The data shown in slide10 is the actual peak data. • Mr. Ambos, NPC MinGen: Renomination of PSALM is coming from our plant. Before they supply the allocation of energy of PSALM, the regulating and contingency reserve is already reduced. So, during peak hours, the contingency reserve is still existing. It means that our declaration for today in terms of capacity, was already reduced by the capacity of regulating and contingency reserve before allocating the energy by PSALM. • ADICE, DOE: As clarified by Mr. Ambos of NPC, there is an available regulating and contingency reserve every hour because they are first reduced in the total available capacity of PSALM before allocation.
<p>Mr. Joel Almonte, ANECO:</p> <ul style="list-style-type: none"> •How come that we have available reserve yet we have a scenario that the plants undergo sudden emergency shutdown and there are Automatic Load Dropping particularly in Butuan? You mentioned that there is a reserve, then why is Mindanao experiencing sudden ALD in southern areas of Mindanao, especially in Butuan. 	<ul style="list-style-type: none"> • Mr. Fronda, NGCP: it is normal to have ALD especially if the large units tripped because our available reserve is not that much. In PGC 2016, power plants are now mandated to have pre-governor. If that will be implemented, all power plants will be on pre-governor then we can say that power plants can respond to a certain tripped capacity. If I am not mistaken, the maximum capacity available in Mindanao Grid is 150MW.

<p>•Does NGCP have other means to prevent the ALD?</p> <p>•So currently the Mindanao Grid is not secured?</p> <p>•That is our problem with our consumers because we want them to be an adequate supplier but still we are still experiencing ALD. We want to ask help from NGCP to explain to our consumers.</p> <p>•If WESM will be implemented, do we use the same dispatch protocol? Because the current dispatching has an effect on DUs. Our rates will increase because you prioritize hydro which don't have fix charges unlike coal plants.</p>	<p>If that tripped, the available regulating and contingency reserve that will respond is only that much. Remember that the supplier of ancillary reserve in Mindanao is only NPC and PSALM. Many of the power plants are not in AGC or pre-governor therefore, there is not much enough power plant that could respond in the tripping.</p> <p>•We should encourage the availability of ancillary service providers. Remember we are limited and most of the generating plants that are available running when particular plant trips usually are not in pre-governor. We need certain amount to trip from the customer to balance. If the mandate of PGC 2016 on the regulating reserve states that all power plants should have a pre-governor, then there is a possibility that the maximum 150MW of the system could be absorbed such that there will be no more ALD. Then more plants could provide reserves.</p> <p>•It is secured. That is the way how we secure, there will be an ALD.</p> <p>• ADICE, DOE: Please let us know the details of your concern to guide us in assessing the areas that we need to consider.</p> <p>• ASEC RED, DOE: the DOE is currently spearheading, actually we are strictly implementing the review of Transmission Development Plan (TDP) of NGCP. Historically, TDP only focusses on the CAPEX project implementation. Right now we are expanding the review of the TDP to also include the requirement of Ancillary Services because as per directive of the Secretary, NGCP has to provide adequate ancillary services. The review of NGCP's TDP is currently a regular activity that we are conducting.</p> <p>• Mr. Fronda, NGCP: No more because that is during the time of integrated set-up. For NGCP to implement that, we will use the market set up. I agree with you. We observed that some of the generators have very low variable cost. Those variable cost are not on our Merit Order Table. We are using the MOT that is during the integrated set-up. But with the presence of WESM, this will not be possible anymore.</p>
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<p>•How the PSALM plants be treated?</p>	<ul style="list-style-type: none"> • DMCC, DOE: We would like to clarify that the WESM is designed as a gross pool. As far as pricing is concerned, the existing price of bilateral of the DU will not be affected, only spot exposure. These are the imbalances or the capacity that is not covered by the bilateral contracts. It is important that the DU should have an adequate supply contract. The NGCP will take care of the AS. As mentioned by ASEC Delola, the Secretary gave an instruction that NGCP should have a firm adequate contract for AS. The Market will only cater for the uncontracted capacities and imbalances. This will be included in the IECs and trainings before we start the WESM. • DMCC, DOE: The PSALM’s portfolio is part of the bilateral contract because they are already allocated to DUs and their customers.
<p>Mr. Alfredo Plaza, PAKKADS:</p> <ul style="list-style-type: none"> •What is the impact of WESM to the masa? What matters is the security of services in power, not the rise in prices of power rates. 	<ul style="list-style-type: none"> • ASEC RED, DOE: That is the very essence of WESM. That is why we are implementing WESM. Even with the surplus or the excess in capacity, the curtailment can really happen. First, because of the limited AS. There are DUs that don’t have sufficient contract for their requirement. So, WESM addresses the excess or deficiency. With WESM’s gross pool operation, your excess requirement will be sourced out from the market. The pricing in the market will only cover the price of the excess power sourced-out from the WESM. The rest of the capacity will still be covered by the price of the bilateral contract. Therefore, the price of the bilateral contract will be settled outside the market.
<p>Mr. Reynard L. Amat, Mayapay Tribal Council:</p> <ul style="list-style-type: none"> •Most of the transmission lines and generator is inside the ancestral domain. What is in it for the tribal people with regards to the development of WESM? 	<ul style="list-style-type: none"> • ASEC RED: It is outside of discussion but would like to talk to you in person. You might not be aware of ER 1-94 and other existing rules but I will discuss it with you after this forum. • Mr. Heruela, PEMC: One feature of WESM, wherein we consider this your concern, is nodal pricing. If your community is hosting a power plant and if you are nearer to the source of power you will have lesser power rate.
<p>Mr. Nolie Namocatcat, ANECO:</p> <ul style="list-style-type: none"> •This is just a reaction on the issues in ALD. If the plant is so large and if that plant goes 	

<p>down, you need a big reserve requirement. Hence there should be policy on this size of plant.</p>	<ul style="list-style-type: none"> • ADICE, DOE: the ERC already issued a resolution on that. For Luzon, it's 650MW per unit. For Mindanao, it's 150MW.
<p>Mr. Noel Fernandez, TMI:</p> <ul style="list-style-type: none"> • If there is a problem in the transmission system, the price in the WESM will spike up. Do we have a contingency on our transmission system if a problem occurs? 	<ul style="list-style-type: none"> • ASEC RED, DOE: Based on the draft Circular, there are certain requirements that we need before we implement the WESM. DOE together with the PEMC and NGCP will be having an assessment of the readiness of the grid.
<p>Mr. Nolie Namocatcat, ANECO:</p> <ul style="list-style-type: none"> • On the transmission, is it regulated investment or market investment? 	<ul style="list-style-type: none"> • ASEC RED, DOE: it should be regulated. It should undergo approval not only by DOE but also ERC because there are recoveries involved.
<p>Mr. Abe Nisnisan, TMI Aboitiz:</p> <ul style="list-style-type: none"> • Speaking about system stability, about N-1 contingency, EGs cannot enter into contract with NGCP to serve as AS because they are not directly connected. Maybe this is the time to consider EGs to supply AS. • How can you entice investors to build embedded generator plant if the cost of your AS is so big? 	<ul style="list-style-type: none"> • DMCC, DOE: One of the policy initiative that we are doing right now is the study on the policy of EGs. So, we would like to encourage you to submit your recommendations to the DOE so that we can develop policy for the integration of EGs in the electricity market in Mindanao. • DMCC, DOE: The DOE will consider that in the policy for EGs.
<p>Mr. Solomon Bilaoen, PAKKADS:</p> <ul style="list-style-type: none"> • What happened in Luzon and Visayas WESM was not discussed in the presentation. WESM in Luzon was implemented about 10 years ago, and in Visayas, WESM was implemented about 5 years ago. And for Mindanao, it took a long time for WESM to be implemented. Please provide details on why it took a long time for WESM to be implemented in Mindanao because us, elderly people, have to understand these simple matters. 	<ul style="list-style-type: none"> • ASEC RED, DOE: Can we defer the question? That will be discussed later.
<p>Mr. Elisito Bonilla, SURNECO:</p> <ul style="list-style-type: none"> • SURNECO is one of the ECs that was encourage to put up an EG. Until now, we don't have permit to operate. Our permitting requirements is same as IPPs. How come an EC which is a non-stock non-profit group is being forced to comply with the requirements same as the IPPs. • Somebody in the NGCP management should cite a document to prove that there is required 4.35% system loss 	<ul style="list-style-type: none"> • ASEC RED, DOE: This will be discussed later • Mr. Fronda, NGCP: I am not the best person to answer that aspect. My presentation was actually limited to the operations aspect. • ADICE, DOE: Our representative from ERC will discuss to you later to clarify the 4.35% system loss • Mr. Fronda, NGCP: The 4.35% system loss used by NGCP with regards to the load is to maintain the matrix in such a way that it will

	<p>maintain the matrix or in order not to exceed the matrix. That is only for the operational aspect in determining the load to maintain matrix but as far as the billing is concern, we don't use that. In WESM, we will be using the actual system loss.</p>
<p>Mr. Nolie Namocatcat, ANECO: <ul style="list-style-type: none"> •The actual system loss of NGCP that is 4.35% is correct. But NGCP has not file a petition in ERC to redefine the system loss. But in cases of billing settlement, the system loss that is being applied is the actual not the 4.35%. </p>	
<p>Ms. Helene Banua, MOELCI II: <ul style="list-style-type: none"> •This has reference to Prudential Requirement (PR). Could it be possible for the DOE or PEMC to waive the PR to ECs because we experienced electricity rates increased as much as Php12/kWh caused by over-contracting. In WESM, we will be required to give a security deposit then we should get a loan from NEA, therefore there will be a recoverable amount that would be an additional burden on the consumers. So, I would like to ask DOE if it is possible to waive the security deposit. •If not be waived, would NEA waive the interest rate of 4% to 6% that will be charged to ECs which will be recovered from the consumer? </p>	<ul style="list-style-type: none"> • ADICE, DOE: That will be responded later in PEMC's presentation.
<p>Mr. Nolie Namocatcat, ANECO: <ul style="list-style-type: none"> •I would like to clarify that we have no over contracting, we should rather term as reserve contracting. </p>	
Afternoon	
<p>Mr. Alfredo Plaza, PAKKADS: <ul style="list-style-type: none"> •You have all this WESM governance with different committees that oversee and ensure that WESM would be for the benefit of the consumers. However, the consumers are still suffering on the passed-on rates coming from the IPPs. Is it not possible that what they are supplying will be with those higher prices? Does WESM has these parameters to ensure that it will not be abused by those suppliers? </p>	<ul style="list-style-type: none"> • Mr. Descanzo, PEMC: When it comes to governance, particularly in the enforcement of the rules, monitoring of the market outcomes and market payables, there are several policies in place to enforce and monitor those areas. We have this Philippine Competition Committee that monitors the competition. We also have ERC as regulator. Inside the WESM, we have the Market Surveillance Committee. They focus on the monitoring of the compliance to the WESM rules. The two major items that they are monitoring is

<p>•Is DOE sincere in developing the RE resources here in Mindanao?</p> <p>•Why can't we fast track the development of RE if we are really serious in the effect of the global warming? Why can't DOE provide serious programs to solve this problem?</p>	<p>the compliance to must offer rules and compliance to schedule. There are also some mitigating measures in place as mentioned earlier, the offer price capping and the secondary price capping. These mitigating measures prevent the high prices on the consumers. I like to emphasize that majority of DUs or ECs consumptions or requirement are under bilateral contract and some of you had mentioned that those contracts are really cheap contracts. That would also impact the cost of electricity of the consumers.</p> <p>• ASEC RED, DOE: There is really vast potential for RE however the government is not allowed to invest in the construction of new power plant. So, we need to have private investors. Another problem is the delays of the power plants project due to permits, that is why the DOE is pushing for the EO through the president to consider the power plant project as a project of national significance.</p> <p>• DMCC, DOE: Actually the government is serious in the development of RE. In partnership with MinDA, we have established the EVOSS (Energy Virtual One Shared System) because the permits and licenses are not only from the DOE but also to other agencies. One of the efforts of the DOE is to produce an EO that would facilitate the permits and licensing for a power generation or facility. We tasked Investment Promotion Office (IPO) to monitor the progress of those applications.</p>
<p>Mr. Nolie Namocatcat, ANECO:</p> <p>•I don't really believe that the delay of RE development is the processing. The real reason is everybody was mesmerized with RE knowing that the sources are free from the environment. But people don't realize that converting this sources into power requires huge investment.</p>	<p>• ADICE, DOE: We understand the issue on RE, but we need to focus on the details of the draft Circular.</p>
<p>Mr. Nolie Namocatcat, ANECO:</p> <p>•I think most here in Mindanao agree with WESM. The only issue is the wrong impression hence it requires proper information for the stakeholders.</p>	<p>• ADICE, DOE: This is one of the activities of the DOE as discussed with MinDA together with the energy family that we will be conducting Information Education Communication (IEC) campaigns. This is one of the key activities of DOE for the appreciation of stakeholders specially the consumers. PEMC will also conduct trainings for the participants.</p>

<p>Mr. Rupert Joseph Tortal, PMC Philsasa Mining Corp.</p> <ul style="list-style-type: none"> •In coming June wherein WESM is in full operation, will RCOA automatically apply to the contestable consumers? •When will it happen? 	<ul style="list-style-type: none"> •ASEC RED, DOE: No. The RCOA will not be implemented simultaneously with the WESM Mindanao operations. There will be another round of discussion prior to the implementation of RCOA. •The ERC will be the one to declare the implementation of RCOA.
<p>Mr. Noel Fernandez, TMI</p> <ul style="list-style-type: none"> •How many percent of the Mindanao meters of the MSP are WESM compliant? 	<ul style="list-style-type: none"> • Mr. Sevilla, NGCP: Under my AOR, there are approximately 2 to 3 meters that are non-compliant to WESM. •ADICE, DOE: It will be included in the checklist for the readiness. •ASEC RED, DOE: We have an agreement with NGCP that after the series of Public Consultations, we will be discussing about the WESM compliance of the meters. As mentioned earlier, that is one of the requirements prior to the implementation of WESM.

General Santos Public Consultation (07 March 2017)

Question/Comments/Recommendations	Response
<p><u>LGU Koronadal:</u> It was stated earlier that the WESM in Luzon is operating in an hourly basis with changing of rates. Why implement the 5 minutes interval in Mindanao?</p> <p>Was the WESM successful in Luzon and Visayas? Because it seems that the implementation of WESM in Mindanao is drastic.</p>	<p><u>Mr. Descanzo of PEMC:</u> Actually the 5-minute interval will be implemented simultaneously in Luzon, Visayas and Mindanao. We have an on-going study which came from the approved policy of the DOE to shorten the 1 hour trading interval to 5-minutes. There are many advantages in shortening the trading interval. In a longer interval, large deviations from the forecast most likely occur in between the interval. This results in imbalances in the form of regulating capacities for SO to correct the system imbalance.</p> <p>By June 2017 which is the deployment of our New Market Management System (NMMS), one of the changes will be the shortening of trading interval from 1 hour to 5 minutes in Luzon, Visayas and Mindanao.</p> <p>There are several indicators to evaluate the success of WESM. You can use simple information which you can find in the WESM website. The WESM data shows that the average spot market price is around PhP2.00/kWh. The lowest was in Dec 2016 at PhP2.08/kWh. Before, the price went from PhP5.00 to PhP4.00 and continue to decrease over time. That is one indicator wherein the price of electricity from the spot market is lower than most of the existing contracts. It is also noteworthy that we already have efficiency in operation.</p> <p><u>Mr. Rosales from NGCP:</u> The forecast is point to point only, from start point to end point. For example in the interval of 1:00pm, from 12:01pm to 1pm, the demand in Luzon is 7,000 MW which is normally a straight line. The variations in the intra-hour are not addressed by the forecast in the WESM. In the dispatch schedule over the hour, the SO need to comply with the schedule and target load. Due to variations in the intra-hour, the SO is forced to issue re-dispatch instructions or constrained-off generators in the WESM Merit Order Table to reduce their output. Our ancillary reserves are already depleted since we do not have downward regulation. With this 5 minute reduction in the</p>

Question/Comments/Recommendations	Response
<p>Our concern are the DUs who got paranoid during the IMEM, we are afraid of the possible big change in prices. Are we ready for WESM?</p> <p>Our real concern is our DUs. When the IMEM was introduce, they got paranoid and the trading interval was hourly. So are we ready for the 5-minute trading interval? There were problems encountered before on rates due to lack of monitoring. It is okay with us if every 5-minute, the price of electricity will decrease; otherwise, it will be a different scenario.</p>	<p>dispatch schedule, we can definitely address the interval variation.</p> <p><u>Asec. Delola of DOE:</u> We understand your concern. That is why we have certain parts in the circular that should be attained first before we go into a full commercial operation to ensure preparedness. This includes the trainings not only for the ECs but also for the generators, and SO.</p>
<p><u>Aboitiz Power Corp.:</u> Is the current infrastructure in Mindanao ready for the 5-minute dispatch interval e.g. meters, communication, etc.?</p>	<p><u>Mr. Rosales of NGCP</u> From SO point of view, once we received 5-minute schedule, this will be provided to all generators. Ideally, the proposal is to have all generators under the automatic generations control (AGC). With the AGC, the generators will be automatically dispatch for every 5 minutes. However currently, generators may adjust manually based on the schedule for every 5-minutes.</p> <p>For the metering, the SO is working on it to be capable for the 5-min implementation.</p>

Question/Comments/Recommendations	Response
<p><u>Aboitiz Power Corp.:</u> What would be the process of market registration? Is there a need for plant testing e.g. Pmax, Pmin, and ramp rates? When will this commence if any?</p>	<p><u>Mr. Descanzo of PEMC:</u> Once the DC is in effect, we will start registration, training and other activities. In fact, we have started the modeling part together with SO. The registration start with submission of documents such as technical description of plants and other commercial documentation which will be based on COC issued to its resources for generators. For the DUs, we need the characteristics of load. We will advise you as soon as the registration is ready.</p> <p><u>Atty. Adviento of PEMC:</u> For those who will be participants in the WESM in Mindanao, please note that PEMC will consider the documents submitted in the IMEM, as provided in the Circular.</p>
<p><u>LGU Brgy. Fatima:</u> Is it beneficial to us to have WESM in Mindanao?</p>	<p><u>Asec. Delola of DOE:</u> This should be the first question to start with, the bottomline which benefits the consumers will receive. The primary reason why we are pushing WESM is transparency. With WESM, the operations of the industry will be transparent. We will be able to see the movements of the costs and the generation of suppliers in a 5-minute basis. We will be able to determine where our electricity costs came from.</p> <p>Aside from transparency, there is an avenue for competition. As what Asec. Montenegro stated, WESM opens a level-playing field to all players, whether small or big players. We can assure that generators will compete with the presence of WESM which we hope will boil down to reduction of electricity cost. If not, at least we have transparency.</p> <p>This is just one of the reforms from the EPIRA. After WESM, there are still lots of policies to be implemented. All of these are to unbundle the operations in the industry. There will be accountability to everybody who is playing in the power industry.</p> <p><u>Asec. Montenegro of MinDA:</u> On the planning perspective, our economic landscape in Mindanao is already evolving. We</p>

Question/Comments/Recommendations	Response
	<p>were very much different from where we were 15 years ago. As I mentioned earlier that 20 years ago, 90% of our power supply is coming from cheaper hydro.</p> <p>Today, the dominance was already taken over by the Fossil Fuel Power Plants which provides for our baseload requirements and prevent blackouts. If we only rely on the cheaper hydro which we had for the last 20 years, we would had rotating brownouts in 2013, 2014, and 2015 due to the occurrence of El Niño. It is becoming frequent today and PAG-ASA has just announced that in April, May and June 2017, there will be rounds of El Niño again in Mindanao. That would dry up again the output of Agus Pulangi from 600-500 MW into just less than 200 MW. If we don't have other resources, then we'll have to experience again what happened in 2013 i.e. 6 hours rotating brownout in Gensan, 12 hours in Zamboanga, and several hours in other parts of Mindanao.</p> <p>Since our energy mix is already evolving, our dispatch protocol have to evolve also. Our system is also getting complicated, so we should also level-up with the sophistication for our market in energy. The market is not being introduced to bring down electricity prices, but to address certain peculiarities, technicalities, and the realities of the new evolving industry in Mindanao. For 15 years from now, we don't have to experience again what happened 15 years ago which is rotating brownouts. Let us also look at the entire chain, not only the benefitting of power consumers but also the generators, especially the small ones that do not have the capacity to sell their power to ECs because the ECs are already fully contracted. If there is a market, there will be a level-playing field and increase in number of players. As what was stated in the EPIRA, we aim to broaden the ownership base in the power generation in the Philippines.</p>
<p><u>Alabel Solar Power Corporation:</u> The reverse auction/competitive selection process (CSP) is being considered by Sen. Win Gatchalian. Will this be implemented soon? How will this affect the power industry?</p>	<p><u>Asec. Delola of DOE:</u> On the Senate Bill 1308, DOE is still on the studying phase and we are yet to give comments on the Bill being proposed by Sen. Gatchalian. I think that is more on the centralized auction of contracts for the DUs and ECs. But right now, we cannot yet determine the impact.</p>

Question/Comments/Recommendations	Response
<p><u>EDC-Mount Apo:</u> This is about rules, we lay down the rules and let the players obey the rules. So, what were our experience in Luzon and Visayas? With the players who disobey the rules, are we punishing them so they will obey the rules?</p>	<p><u>Dir. Capongcol of DOE:</u> As what PEMC presented, WESM has governance committees who conduct monitoring of players' who breach the WESM Rules or undertake anti-competitive behavior. So in every hour that the WESM operates, the Market Surveillance Committee monitors if generators submit offers, followed or deviated from the schedule in the Market. At the same time, we have mitigating measures in place. If players deviated from the rules, there will be an investigation process. There are many players who were penalized in Luzon and Visayas. You can look at the WESM Websites for the breaches and penalties imposed to our trading participants.</p>
<p><u>SUKELCO:</u> Will there be a required percentage of DU demand needed to be traded in the WESM?</p> <p>If the DU decides not to trade in the WESM for a certain month, will there be no problem with that?</p> <p>If ever we exceed to our forecast, are we automatically exposed to WESM even we did not trade in the WESM? For example, we contracted 90 MW but our actual demand went up to 100 MW, will that be automatically a Spot transaction?</p>	<p><u>Asec. Delola of DOE:</u> There is none.</p> <p>We are expecting that a lot of DUs will not be exposed in the market because many DUs have already contracts above their requirements.</p> <p><u>Dir. Capongcol of DOE:</u> With the 5 minute trading interval, we expect that your energy withdrawal will be closer to our forecast. So if you have imbalance that would mean exposure in the market. We also have Tolerance Level which is +/-3%.</p> <p><u>Mr. Descanzo of PEMC:</u> As one of the points that was discussed, EPIRA stated that any withdrawal or injection of energy should be through the market. It is a mandatory market wherein all Industry Participants are required to register and participate. But it does not mean that all your withdrawal will come from the market because the market honors the contracts. If you are saying you are 100% contracted, chances are you will not have market exposure. One of the technical reasons for using this kind of model is for the accounting of gross quantities. Only the quantities outside the contracts will be settled in the market but for the dispatching, it will be gross pool.</p> <p>The scheduling is based on your forecast of the demand in your franchise area. The DU and Generator will submit to the market day after the</p>

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<p>Will the locational marginal pricing (LMP) also be adopted in Mindanao e.g. when we do not have plenty of power plants in our area, our LMP will be higher?</p> <p>How about the areas with many generators which have negative LMPs? Will there be a collection? My idea is why not just also pro-rate the transmission loss in Mindanao since Mindanao pays pro-rated rates?</p>	<p>trading interval the contracted quantities. When you declared that your contracted quantity is 90MW but you withdrew 100MW, you automatically consumed 10MW from the market. You can still fix your declaration of contracted quantities with your generator since you will submit it day after.</p> <p>If you have contracted quantities outside your area, you are charged for transmission loss. That would be the same for the market. The difference is without the market, you are charged with pro-rated system loss in that interval. With the market, the actual system loss will be accounted. We have load flow model to determine the transmission losses in real time and the data will be validated by the metered quantities. That will be reflected in the LMP.</p> <p>Negative LMPs would not be possible because of losses alone. There are other scenarios for the LMP to be negative. In that case, the load will always pay for their consumption. It is a very rare scenario to have negative LMPs. The other issue to why not make the LMP as only one single price agreed, I think it's a matter that should be addressed by the ERC. The Price Determination Methodology (PDM) used in the market is being deliberated and approved by the ERC.</p>
<p><u>COTELCO PPALMA:</u> How about if our IPPs are on shutdown? Then we will have deficit. Who will arrange for the deficit in the market?</p> <p>Our losses are pegged at 4.35% but we have an actual system loss which is 2.35-2.36% on the average. Which one should we use?</p> <p>No, the 4.35% reflects in the NGCP billing.</p>	<p><u>Mr. Descanzo of PEMC:</u> This will depend on your contract, does your contract say that the IPP is in charge of replacement power? If you don't have replacement power, there will be brownout in your franchise area. But with the market, you have another option or source of power.</p> <p>For the market it is actual. In your contracts, there is a provision where 4.35% is used for system delivery loss. But based on the NGCP metering, they have not been using 4.35% but only 2%. This was already raised the same in other public consultations.</p> <p>Who imposes the 4.35%? If this is PSALM/NGCP, they no longer use 4.35%. I think it is your other generators imposing this. If the 4.35% is not already appropriate, you should</p>

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<p>In the metering, some meters are not readable. How can we retrieve data? We do not have SCADA, can we avail of SCADA facility since NGCP is also on SCADA? So that our metering is synchronized with</p>	<p>discuss this with your supplier. Otherwise, if this is really reflected to the NGCP Billing; hence, it should be resolved.</p> <p><u>Assist. Dir. Exconde of DOE:</u> This was already raised in the previous public consultations and we have taken note of this. We will clarify this in the series of trainings and Information and education Campaigns.</p> <p><u>Mr. Rosales of NGCP:</u> For SCADA monitoring, this is already required for all generators so that we can easily monitor implementation of central dispatch.</p> <p>For DU or ECs to be equipped with SCADA, I am not sure if this is a requirement. But NGCP can already monitor the delivery points</p> <p><u>Assist. Dir. Exconde of DOE:</u> We need to have checklist requirements and who will be responsible for those infrastructure requirement.</p>
<p><u>LGU South Cotabato:</u> How do we really know if the DUs are charging us fairly? Because there might be instances that they are buying it low and selling it high.</p>	<p><u>Asec. Delola of DOE:</u> For the instances of buying it low and selling it high, this will not happen since we have ERC who is regulating the rates being passed on to consumers. This is now the challenge for all consumers to be more vigilant. Our DUs are already transparent given that the bill is already unbundled showing how much goes to each cost. You can ask your DUs on how your bills were computed.</p> <p>You can also ask the decision of the ERC on how the DUs come up with the rates approval goes thru public consultations where you can participate. This is a call for us LGUs to be more involved in these kinds of activities to be informed on how the DUs purchase and price their power.</p>
<p><u>Aboitiz Power Corp.:</u> Trial Operations Program (TOP) will commence on March 26, will this be similar to what happened in Luzon? When can we have access to digital certificates?</p>	<p><u>Mr. Descanzo of PEMC:</u> The TOP may not start by Mar 26 since the circular is not yet approved. If the DC is promulgated by April, then we can start the registration which may take 2 weeks. By then, we can start distributing digital certificates. However, we will have series of training first as part of the TOP. After the TOP, we will have the actual</p>

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	simulations of scenarios. Please also expect that once we start the registration, we will also start the installation of DC.
<p><u>Written on paper:</u> How much is the transaction cost in the WESM and who will pay for it?</p>	<p><u>Mr. Descanzo of PEMC:</u> In LV we have market fee which is a regulated fee recovered over the production of generator. Our concept is the same market fee will be adopted in Mindanao which is based on the budget approved by the ERC</p>
<p><u>South Cotabato Chamber of Commerce:</u> Just a clarification, will PEMC be the one to operate the WESM? How independent will you be from DOE? Also, the composition of the PEM Board members are from the industry players, will not there be a collusion the same as what is happening in the oil industry?</p>	<p><u>Dir. Capongcol of DOE:</u> PEMC is a private, non-stock, non-profit corporation. In terms on how independent is PEMC from DOE and ERC, we are only the oversight. The DOE provides policy while ERC regulates and approves the PDM.</p> <p>Currently the PEM Board, as an autonomous group market operator (AGMO) is chaired by the DOE, but we are moving towards an independent Market Operations (IMO). We are discussing yet with the PEM Board on how to transition with the IMO.</p> <p>In the Board, there are sector representation which includes 4 representatives from the generation sector, 2 from private DUs, 2 ECs then some independent representation, from market and system operations.</p> <p>If there will be Mindanao representative, we cannot answer yet since this is still to be discussed.</p> <p>On the collusion, we already mentioned that we have WESM governance committees. We also have the ERC and the Philippine Competition Commission.</p> <p><u>Pres. Ocampo of PEMC:</u> Just for clarification with respect to collusion, there are several governance committees. Particularly to the Market Surveillance Committee (MSC) which monitors the behavior of each participant, whether you are a generation company, distribution utility, or part of the SO or MO. There are standards and indices set. The MSC monitors the behavior of participants in according with the WESM Rules.</p>

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	<p>We also have the ERC who also monitors PEMC. In fact, we are required to submit monthly reports to the ERC. Also, take note that the representation is equally distributed. If the intention of the generators is to increase the price, they cannot do that since we are using the PDM approved by the ERC which is already embedded in the system. WESM is already automated and no one can manipulate it.</p> <p>There are also independent members of the Board who are concerned in the interest of consumers.</p> <p>As PEMC President during meetings, if there are discussions related to the behavior of the generators, we all request generators to get out. They cannot participate in the discussion. That is why there are participants who were penalized. Please note that our intention here is transparency.</p> <p>We have reports indicating the behavior of every participant in the market including standards and mitigating measures just to avoid anti-competitive behavior.</p>
<p><u>LGU Brgy. Mabuhay, Gensan:</u> Why not create a separate governance committees in Mindanao since it is not yet interconnected with Visayas and Luzon?</p>	<p><u>Asec. Delola of DOE:</u> We can study this during the deliberation of the finalization of the Department Circular.</p> <p>However, the current direction for now is we only have one market which is under one rule. Eventually, Mindanao will be interconnected Visayas and Luzon. There will be only one market operator who will operate the WESM in LVM which is the PEMC.</p>
<p>How will the capacities of PSALM in excess of the CSEE be treated in the Market?</p>	<p>This was raised in all previous public consultations. As of now, capacities of PSAL will be traded in the Market. Before, we can just overdraw to PSALM but this is causing issues right now. Many people are approaching the DOE right now to change the dispatch protocol.</p> <p>With the market, the hierarchy will change and the schedule will be bases on offers and bids. PSALM will also be part of the WESM dispatch protocol.</p>

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	If PSALM capacities are fully contracted, they still have to bid or declare their capacities in the market.
<p><u>Peak Power:</u> We know for a fact that Mindanao is different from Luzon and Visayas Grid. PEMC may know or may not know how Mindanao energy is behaving. Maybe it is the same PEM Board but I would just like to suggest to include one Mindanaoan representative to observe in the market.</p> <p>Who is the last police of this market? Because had PEMC been here during the crisis 5 years ago, maybe we could have avoided some of the things that we are doing now.</p> <p>Why is there so much capacity that came in when we knew for a fact how much is the total demand of Mindanao. DOE could know. I'm sure ERC knows.</p> <p>During off-peak capacity was 3000 but demand is less than 900. Then, why did capacities were coming over when you knew all along the growth in Mindanao and we're in this situation now?</p> <p>You invited investors, they came in. Of course, competition will bring down the power rates. But the investors do not intend to lose but to make money. Had the DOE and ERC knew that the capacities are ballooning which is detrimental to the system? We could have controlled these things to the system.</p> <p>Why did we allow this to happen? I read in the Ed Fernandez presentation, it was stated there that it is a must that DUs should already enter into contracts. WESM are market forces. If you cannot compete, you'll pay for the CRF and O&M. Did ever mention that when there was a crisis? Never. Even the ERC and PSALM said to us to enter into contracts for the next 25 years since PSALM will not contract anymore. If you have advised us to allocate 10% to the WESM and 20% for our</p>	<p><u>Assist. Dir. Exconde of DOE:</u> The first question was already discussed by Asec. Delola.</p> <p><u>Dir. Capongcol of DOE:</u> When do you build power plants? Is it only when you already need power? Remember that every generation company has their own due diligence. They know what the market is. The main thrust of EPIRA is to make a competitive environment, particularly in the generation and supply sector. In the over-contracting, it is something that should be studied carefully by DUs. We are not saying that DUs are wrong but we should know your load profile and forecast for the next 10 to 20 years. We cannot reset plants when we already need power which we know building a power plant takes 3-5 years.</p> <p>With regards to the Mindanao representation, we will study on that. In the IMEM, there was a separate Board and committees that were created. We will look at it if that would still work and be part of the committee of the Board. But don't quote me on that since it is still for discussion.</p>

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contestable customers, we could have avoided this problem.	
<p><u>Written on paper:</u> If federalism will be pursued by the government, will the market be affected on the change of the government form?</p>	<p><u>Assist. Dir. Exconde of DOE:</u> This will be part of the consideration for the policy formulation for the market.</p>