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Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, Pasig City

IN THE MATTER OF THE APPLICATION  
FOR THE APPROVAL OF THE PRICE  
DETERMINATION METHODOLOGY (PDM)  
FOR THE PHILIPPINE WHOLESALE  
ELECTRICITY SPOT MARKET (WESM)

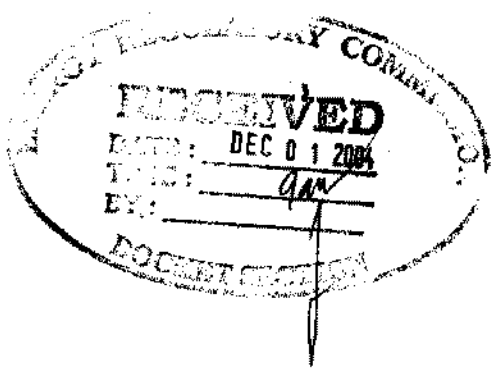


ERC CASE NO.2003-356

DEPARTMENT OF ENERGY (DOE)  
THROUGH THE PHILIPPINE ELECTRICITY  
MARKET CORPORATION (PEMC)  
- MARKET OPERATOR,

Applicant.

X-----X



**COMPLIANCE**

Applicant, by counsel, respectfully submits this Compliance for the consideration of this Commission.

1. This Compliance is being submitted in response to the Order issued by this Commission dated 15 March 2004 directing the Applicant to re-submit the Price Determination Methodology and to submit certain information, studies, simulation, procedures, guidelines or criteria, and to make certain amendments to the Wholesale Electricity Spot Market Rules (the "WESM Rules").

**BACKGROUND**

2. On June 26, 2003, an Application was filed before the Commission for the approval of the Price Determination Methodology ("PDM") for the Philippine Wholesale Electricity Spot Market ("WESM") pursuant to Section 30 of the Electric Power Industry Reform Act of 2001 ("EPIRA").

*Handwritten initials/signature*

3. In its order dated July 23, 2003, the Commission directed Applicant to submit specific criteria and procedures for, among others matters, the market network model, trading nodes, and customer pricing zones, to which the Applicant has complied in its Compliance with the Commission on 22 October 2003;

4. On 15 March 2004, the Commission issued an order directing revision of the Price Determination Methodology to take into considerations certain issues and factors, as well as submission of various papers and amendments of the WESM Rules;

#### **AUTHORITY OF PEMC TO FILE ON BEHALF OF THE APPLICANT**

5. It will be noted that, while in the original application and prior compliances, the Applicant DOE made its filings through the National Transmission Corporation (the "TRANSCO"), the present Compliance is being filed by the Philippine Electricity Market Corporation (the "PEMC") on behalf of the Applicant;

6. The PEMC has been authorized by the Applicant to make the present filing with the Commission. This authority is evidenced by a letter of Secretary of Energy Vincent S. Perez, which is attached hereto as Annex "D".

#### **COMPLIANCE WITH THE ERC DIRECTIVES**

6. The Applicant respectfully re-submits the **Price Determination Methodology for the Philippine Wholesale Electricity Spot Market (WESM)**, attached herein as Annex "A", which is revised to take into consideration various matters raised in the Order;

7. The details of the compliances by the Applicant on each directive contained in the Order are set out in Annex "B" entitled **Compliance to ERC Directives on the Re-filing of the WESM Price Determination Methodology**. For clarity, a matrix of the compliances are set out in Annex "C."

15/11/04

8. There are certain submissions required of the Applicant which are currently being developed by the WESM-Technical Working Group, and which must be verified using data generated from the WESM Market Trials planned to take place during the first semester of the following year. These shall be submitted after the market trials and include (a) Criteria and circumstances wherein the System Operator can intervene in the WESM in regards to WESM Rule 3.5.13, and detailed procedures on designation of must-run units by the System Operator; (b) Guidelines on what constitutes Significant Variations in and between Trading Intervals; (c) Management procedures during load shedding; and (d) Management procedures for removal of excess generation from the dispatch schedule.

RESPECTFULLY SUBMITTED.

26 November 2004, Pasig City

For the **DEPARTMENT OF ENERGY**, Applicant

**PHILIPPINE ELECTRICITY MARKET CORPORATION**

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