

COMPLIANCE

**With the Order dated 15 March 2004
In the Application for Approval
Of the Price Determination Methodology
for the Philippine Wholesale Electricity Spot Market
(ERC Case No. 2003-356)**

Submitted to the

ENERGY REGULATORY COMMISSION

Submitted by the

DEPARTMENT OF ENERGY

through the **PHILIPPINE ELECTRICITY MARKET
CORPORATION**



Philippine Wholesale Electricity Spot Market

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Annexes

Annex	Document Title
A	Market Simulation -Luzon Grid - Using Market Management System
B	Department of Energy Circular No. 2004-07-008



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Annex	Document Title
C	Load Forecasting Methodology
D	Dispatch Criteria for Must Run Units
E	Dispatch Protocol
F	Emergency Procedures
G	Market Network Model Manual
H	Constraint Violation Coefficients
I	Management Procedures for Load Shedding
J	Management Procedures on Excess Generation
K	Billing and Settlements Manual



INTRODUCTION

Background

The *WESM Rules* require that the *Price Determination Methodology* (the "PDM") as contained in the said *WESM Rules* shall be subject to the approval of the Energy Regulatory Commission (the "Commission").

In compliance with this requirement, the Application for Approval of the Price Determination Methodology for the Philippine Wholesale Electricity Spot Market was filed with the Commission by the Department of Energy (the "DOE"). The filing was originally made through the National Transmission Corporation - Market Operations (the "Transco-MO"). The authority to pursue the application with the Commission was subsequently transferred by the DOE to the Philippine Electricity Market Corporation ("PEMC").

On 15 March 2004, the Commission issued an Order in which the Commission stated that it

- (1) approves in concept many elements of the methodology then submitted,
- (2) provides guidance for the further development of some elements of said methodology,
- (3) seeks additional information and/or explanation for some elements of the methodology, and
- (4) designates certain elements for future, separate, independent filing with the Commission.¹

Thus, the Order provided for, among other things, directives requiring additional submissions as well as the re-submission of the WESM PDM in a form that is consistent with the WESM Rules.

A Compliance dated 26 November 2004 was filed with the Commission on 1 December 2004 which included a revised Price Determination Methodology as well as various documents containing the most of the required submissions. Several documents were, however, not submitted as these were yet to be developed at that time.

¹ Order dated 15 March 2004, page 3



Description of Contents

This submission is being made in full compliance with the directives of the Commission. This is presented in three Parts.

- Part I presents the compliances to the directives of the Commission contained in the Order dated 15 March 2004. This includes a discussion of any associated WESM Rule changes, where a WESM Rule change was required and promulgated.
- Part II summarizes the enhancements and revisions made on the Price Determination Methodology that was earlier submitted to the Commission. The reasons for the revisions are likewise discussed.
- Part III contains the Price Determination Methodology for the WESM, as revised. This incorporates changes discussed in Part II and reflects changes to the WESM Rules which were promulgated since the original submission of the PDM.

In certain cases, revisions to some of the documents submitted with the Compliance dated 26 November 2004 have been made. Where revisions are made, these are so cited in the discussions.

The various independent documents associated with the PDM filing are attached as Annexes "A" to "L." For convenience and to avoid confusion, all documents, including those already submitted in the earlier compliance, are being filed with this Compliance.

Convention

Italicized words and phrases found in all parts of this Compliance are either defined terms in the Glossary of Terms or are titles of documents forming part of this Compliance.

The independent documents which form part of this Compliance are marked as Annexes "A" to "L." Some documents, including this Compliance, may also have their respective attachments and these are marked as Appendices.