

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

The Applicant, through the Philippine Electricity Market Corporation - Market Operator and by counsels, respectfully submits this Compliance for the consideration of this Commission, and states that:

1. On 15 March 2004, this Honorable Commission issued an Order directing the Applicant to re-submit the Price Determination Methodology (the "PDM") for the Philippine Wholesale Electricity Spot Market, to submit additional information and clarifications in respect to various issues, and to make certain amendments to the WESM Rules.

2. On 1 December 2004, the Applicant, through the Philippine Electricity Market Corporation, submitted to the Honorable Commission its partial Compliance with the said directives which included the revised PDM, the approved amendments to the WESM Rules, as well as various documents containing some of the required information and clarifications. The

submission was incomplete, however, as some of the guidelines and procedures referred to in the above-cited directives had yet to be developed and deliberated upon in the WESM.

3. The Applicant is now submitting to the Honorable Commission its full compliance with the above-cited directives. The submission is organized in a single document (the "main compliance") which is presented in three major parts. Part I contains the detailed discussion of the additional information and clarifications required by the Commission in its Order; Part II presents a summary of the enhancements and revisions made in the PDM; and Part III presents the PDM, as revised.

4. Some of the required information is contained in manuals, guidelines, or market study reports which are attached to the main compliance as Annexes "A" through "L." These manuals and guidelines were the result of extensive consultations with and discussions among the market participants through WESM Technical Working Group (eventually re-constituted as the Interim Rules Change Committee) and its various sub-committees, and were all approved for application in the WESM by the Philippine Electricity Market Board of Directors in accordance with the WESM Rules.

5. Amendments to the WESM Rules were likewise exhaustively deliberated and approved by the WESM-Technical Working Group and the PEM Board, and were subsequently approved and promulgated by the Department of Energy through Department Circular DC-2004-07-008. A copy of the Circular is attached as Annex "B" of the main compliance.

RESPECTFULLY SUBMITTED.

22 August 2005, Pasig City

For the **DEPARTMENT OF ENERGY**, Applicant

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