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IMEM Manual

Billing and Settlements
Issue 1.0

Abstract	This manual presents the criteria, guidelines and procedures for all settlement-related transactions for IMEM

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Related Documents

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	Interim Mindanao Electricity Market Rules (IMEM Rules)
IMEM-PDM-001	IMEM Price Determination Methodology
IMEM-RCP-001	IMEM Registration Criteria and Procedures Manual
IMEM-MSP-001	IMEM Metering Standards and Procedures Manual
IMEM-IPC-001	IMEM Information Provision and Confidentiality Manual
IMEM-DRM-001	IMEM Dispute Resolution Manual

Distribution List

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SECTION 1 INTRODUCTION

1.1   PURPOSE

This Manual implements relevant provisions of Chapter 5 of the *IMEM Rules*. In particular, it is created in compliance with *IMEM Rules* Clause 5.1.2.6 which requires the *IMEM Operator* to maintain and publish an *IMEM Manual* that defines:

a)   The procedures which the *IMEM Operator* and *IMEM Trading Participants* must follow in relation to settlement, billing, collections and payment;

b)   The methods and processes used by the *IMEM Operator* for calculating its *Actual Exposure* to *IMEM Trading Participants* and enforcement measures to maintain compliance with the requirements of Section 5.6 of the *IMEM Rules*; and

c)   Any other relevant procedures required to implement the provisions of this chapter.

1.2   SCOPE OF APPLICATION

1.2.1   This Manual covers the criteria, guidelines and procedures related to:

   a)   The billing and settlement timeline as contemplated in *IMEM Rules* Section 5.1.2;

   b)   The issuance of *Settlement Statements* as contemplated in Sections 5.5.1, 5.5.2 and 5.5.3 of the *IMEM Rules*;

   c)   Collection and payments of *Settlement Amounts* as contemplated in *IMEM Rules* Sections 5.5.4, 5.5.5 and 5.5.6; and

   d)   *Prudential Security Requirements,* and billing and settlement timetable in the implementation of *IMEM* as contemplated in the *IMEM Rules* Section 5.6.

1.2.2   This Manual does not cover:

   a)   The detailed computation of *Settlement Quantities*, *Settlement Prices* and adjustment rates, *Settlement Amounts*, and *Market Fees* as prescribed in *IMEM Rules* Sections 5.2, 5.3 and 5.4, which are covered in the *IMEM* Price Determination Methodology;

   b)   The criteria, procedures and guidelines related to the collection, validation and transmittal of *Metering Data* used for settlement purposes. This is covered in the IMEM Metering Standards and Procedures Manual;

c)   Settlement dispute resolution procedures, which are covered in the IMEM Dispute Resolution Manual.

1.3   DEFINITIONS

Unless otherwise defined or the context implies otherwise, the italicized terms used in this Manual which are defined in the *IMEM Rules* will bear the same meaning as defined in the *IMEM Rules*.

1.4   RESPONSIBILITIES

1.4.1   *IMEM Trading Participants* shall comply with the requirements and procedures set forth in this Manual and in the *IMEM Rules*. An *IMEM Trading Participant* can either be an:

    a)   *IMEM Customer*: A person who engages in the activity of purchasing electricity supplied through the *Mindanao Grid*; or an

    b)   *IMEM Resource*: An *IMEM Generator* or an *IMEM Load Curtailment Resource*

1.4.2   The *IMEM Operator* shall be responsible for implementing the guidelines and procedures set forth in this Manual.

1.5   AMENDMENTS

Any amendments to this Manual will be promulgated by the *Department of Energy* (*DOE*).

1.6   EFFECTIVITY AND PUBLICATION

This Manual shall take effect upon approval by the *Department of Energy* (*DOE*). Thereafter, it shall be published in the *Market information Website*[1].

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[1] http://www.wesm.ph/inner.php/the_market/interim_mindanao_electricity_market_(imem)

SECTION 2 SETTLEMENT TIMETABLE

2.1 OVERVIEW

This Section describes the key billing and settlement timelines.

2.2 TIMELINE

2.2.1 Frequency of Billing

      2.2.1.1 The *IMEM Operator* shall calculate *Settlement Quantities* and *Settlement Amount* for each *IMEM Resource* and *IMEM Customer* in each *IMEM Trading Interval*

      2.2.1.2 Calculation of *Settlement Quantities* and *Settlement Amounts* and billing of *IMEM Trading Participants* shall be performed monthly for the preceding *Billing Period*, which shall be a one-month period starting on the 26th day of a calendar month and ending on the 25th day of the following calendar month.

2.2.2 Metered Quantities

      Within five (5) days from the end of the *Billing Period*, the *IMEM Operator* shall make available to each *IMEM Trading Participant* the *Metered Quantities* and *IMEM Adjusted Metered Quantities* of that *IMEM Trading Participant* for all *IMEM Trading Intervals* in that *Billing Period*[2].

2.2.3 Contract Quantities

      IMEM Generators who hold contracts with *IMEM Customers* shall, in consultation with their contract counterparties, declare to the *IMEM Operator Ex-Post Contract Quantities* no later than three (3) days after *Metered Quantities* and *IMEM Adjusted Metered Quantities* of that *IMEM Trading Participant* for all *IMEM Trading Intervals* in *that Billing Period* are made available by the *IMEM Operator*[3].

2.2.4 Preliminary Statements

      No later than the 7th day of the calendar month, the *IMEM Operator* shall issue a *Preliminary Settlement Statement* to each *IMEM Trading Participant* in accordance to Section 4.2.1 of this Manual[4].

2.2.5 Final Statements

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[2] *IMEM Rules* Clause 5.1.2.1
[3] *IMEM Rules* Clause 5.1.2.2
[4] *IMEM Rules* Clause 5.1.2.3

No later than the 15th day of the calendar month, the *IMEM Operator* shall issue a *Final Settlement Statement* to each *IMEM Trading Participant* in accordance to Section 4.2.2 of this Manual[5].

2.2.6 Adjustments

The *IMEM Operator* shall reflect all adjustments as an additional line item in the next issuance of the *Final Settlement Statements*. Adjustments in the *IMEM* are detailed in Section 4.2.3 of this Manual.

2.2.7 Collection and Payment

2.2.7.1 Each *IMEM Trading Participant* shall pay to the *IMEM Operator* all amounts due under a *Final Settlement Statement* for a *Billing Period* in cleared funds, no later than 1500H of the twenty-fifth (25th) day of the month following the end of the *Billing Period*[9].

2.2.7.2 Subject to Sections 2.2.8 and 6.2 of this Manual, the *IMEM Operator* shall pay to each *IMEM Trading Participant* all amounts payable under a *Final Settlement Statement* no later than 1500H on the third (3rd) *Business Day* after the date specified in Clause 2.2.7.1 of this Manual[10].

2.2.7.3 If any of the stated under this Section do not fall on a *Business Day*, the due date shall be the next *Business Day*[11].

2.2.8 Security Drawdown and Default

2.2.8.1 In the event that an *IMEM Trading Participant* fails to pay its obligations by the date specified in Section 2.2.7 of this Manual, the *IMEM Operator* shall immediately draw on the prudential security provided by the *IMEM Trading Participant* without the need of prior consent[12].

2.2.8.2 Within one (1) *Business Day* after the drawdown, the *IMEM Operator* shall notify the *IMEM Trading Participant* of the date of withdrawal and amount withdrawn[13].

2.2.8.3 The *IMEM Trading Participant* shall replenish its security no later than the end of banking hours on the third (3rd) *Business Day* after the receipt of notification[14].

2.2.8.4 In the event that the amounts collected by the *IMEM Operator* under Section 2.2.7 and the amounts drawn from prudential

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[5] *IMEM Rules* Clause 5.1.2.4
[9] *IMEM Rules* Clause 5.5.4.4
[10] *IMEM Rules* Clause 5.5.4.5
[11] *IMEM Rules* Clause 5.5.4.6
[12] *IMEM Rules* Clause 5.6.4.1
[13] *IMEM Rules* Clause 5.6.4.2
[14] *IMEM Rules* Clause 5.6.4.3

security is insufficient to pay for the aggregate settlement amounts due, the *IMEM Operator* shall issue a *Notice of Default* to the relevant *IMEM Trading Participant* within one (1) *Business Day* of the default occurring[15].

a) Within one (1) *Business Day* after the receipt of the *Notice of Default*, the *IMEM Trading Participant* shall pay to the *IMEM Operator* the default amount and interest due[16].

b) The *IMEM Operator* shall pay I*MEM Trading Participants* no later than 1500H on the third (3rd) *Business Day* after the collection of the shortfall from the defaulting *IMEM Trading Participant*[17.]

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[15] *IMEM Rules* Clause 5.5.5.3
[16] *IMEM Rules* Clause 5.5.5.3
[17] *IMEM Rules* Clause 5.5.5.2(c)

SECTION 3   CONTRACT QUANTITY DECLARATIONS

3.1   OVERVIEW

This Section describes and supplements the procedures to be followed by the *IMEM Operator* and *IMEM Generators* when declaring *Ex-Post Contract Quantities*[18] under Clause 5.2.2 of the *IMEM Rules.*

3.2   PROCEDURES

3.2.1   Timelines

3.2.1.1   Within five (5) days from the end of the *Billing Period*, the *IMEM Operator* shall make available to each *IMEM Generator* their *Metered Quantities* for all *IMEM Trading Intervals* in that *Billing Period*[19].

3.2.1.2   Within five (5) days from the end of the *Billing Period*, the *IMEM Operator* shall also provide *IMEM Generators* the *Metered Quantities* and *IMEM Adjusted Metered Quantities* of the *IMEM Customers* that they have contracts with.

3.2.1.3   *IMEM Generators* who hold contracts with *IMEM Customers* shall, in consultation with their contract counterparties, declare to the *IMEM Operator Ex-Post Contract Quantities* for each contract counterparty in each *IMEM Trading Interval* within three (3) days of receipt of *Metered Quantities* and *IMEM Adjusted Metered Quantities* from the *IMEM Operator*[20].

3.2.1.4   If an *IMEM Generator* fails to declare their *Ex-Post Contract Quantities* by the date specified in Clause 3.2.1.3 of this Manual, the *IMEM Operator* shall use the *Ex-Ante Contract Allocations*[21] assigned under *IMEM Rules* Clause 3.2.6 to that *IMEM Generator* and to the *IMEM Customers* with whom they hold contracts for the purpose of settlement.

3.2.1.5   If an error was found in the *Ex-Post Contract Quantity* declaration of an *IMEM Generator*, the *IMEM Operator* shall notify the *IMEM Generator* of the error through electronic mail

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[18] *Ex-Post Contract Quantities* are defined in the IMEM Rules as the quantity of electricity in MWh sold by one party to another, outside the *IMEM*, in an *IMEM Trading Interval* declared in accordance with Section 5.2.2 of the IMEM Rules.

[19] *IMEM Rules* Clause 5.1.2.1

[20] *IMEM Rules* Clause 5.1.2.2

[21] *Ex-Ante Contract Allocation* is the instantaneous MW quantity allocated in advance to an *IMEM Generator* or an *IMEM Customer* to indicate the portion of its capacity or demand (respectively) that is covered by a bilateral contract between the two. In each case, it is specified at the *Connection Point* of the *IMEM Generator* and the *IMEM Customer*.

within one (1) *Business Day* of receiving the *Ex-Post Contract Quantity* declarations from the *IMEM Generator*.

3.2.1.6   Upon receiving the error notification in Clause 3.2.1.5 of this Manual, the *IMEM Generator* shall respond within one (1) day of receiving the notification. If the *IMEM Generator* does not respond within this timeframe, the *IMEM Operator* shall assume that the *Ex-post Contract Quantities* of the *IMEM Generator* and their *IMEM Customer* contract counterparties are zero with respect to that *Ex-Post Contract Quantity* declaration. The *IMEM Operator* shall not accept any other re-declaration of *Ex-Post Contract Quantities*.

3.2.2   Ex-Post Contract Quantity Declaration

IMEM Generators shall adhere to the following rules when submitting their *Ex-Post Contract Quantity* declarations[22]:

a)   An *IMEM Generator* shall declare, for each *IMEM Trading Interval*, the *Ex-Post Contract Quantities* of the *IMEM Customers* which are its contract counterparties as both:

i.   the MWh output of the IMEM Generator allocated for supplying the contracted energy, expressed as a positive number; and

ii.   the MWh energy withdrawal at the IMEM Customer's Connection Point that is covered by the contracted energy, expressed as a negative number.

b)   The difference between the absolute values of the quantities declared under Clause 3.2.2(a) shall accurately reflect the losses between the *Connection Point* of the *IMEM Generator* and the *Connection Point* in the *Mindanao Grid* of the *IMEM Customer*.

c)   Subject to Clause 3.2.2(d), the absolute values of the quantities declared for a *Grid IMEM Load Curtailment Resource* and was scheduled in the relevant *IMEM Trading Interval*, shall equal the *Ex-Ante Contract Allocations* declared for that *Grid IMEM Load Curtailment Resource* as an *IMEM Customer* under Section 3.2.5 of the *IMEM Rules*.

d)   If the *Metered Quantity* of an *IMEM Generator* declaring *Ex-Post Quantities* to *IMEM Customers* who are also *IMEM Load Curtailment Resources*, is less than the sum of its *Ex-Ante Contract Allocations* or, if altered, then the absolute value of the quantities declared for its *IMEM Customers* who are also *IMEM Load Curtailment Resources* shall not be less than its *Ex-Ante Contract Allocation* to each *IMEM Load Curtailment*

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[22] *IMEM Rules* Section 5.2.2

Resource multiplied by the ratio of its *Metered Quantity* and the sum of its *Ex-Ante Contract Allocations*.

e)   The quantity declared under Clause 3.2.2(a)(i) shall always be greater than the absolute value of the quantity declared under Clause 3.2.2(a)(ii), except where the *IMEM Customer* is also the *IMEM Network Service Provider* for the *IMEM Generator*'s *Connection Point*.

f)   The sum of all *Ex-Post Contract Quantities* declared under Clause 3.2.2(a)(i) by an *IMEM Generator* for each *IMEM Trading Interval* shall be no more than the *Metered Quantity* of that *IMEM Generator* in that *IMEM Trading Interval*.

g)   Subject to Clause 3.2.2(c), the sum of all *Ex-Post Contract Quantities* declared under Clause 5.2.2.1(b) to an *IMEM Customer* for each *IMEM Trading Interval* shall be no less than the *IMEM Adjusted Metered Quantity* of that *IMEM Customer* in that *IMEM Trading Interval*.

h)   For *IMEM Customers* who are *Mindanao Distribution Utilities* with *Embedded IMEM Load Curtailment Resources* within their franchise areas, *Ex-Post Contract Quantities* declared shall consider the energy curtailed by the *Embedded Load Curtailment Resources* connected to the system of the *IMEM Customer*[23].

3.2.3   Form and Mode of Submission

3.2.3.1   *IMEM Generators* submitting *Ex-Post Contract Quantity* declarations under Clause 3.2.1.3 of this Manual shall use the template provided in **Error! Reference source not found.** of this Manual in declaring their *Ex-Post Contract Quantities.*

3.2.3.2   *IMEM Generators* submitting *Ex-Post Contract Quantity* declarations under Clause 3.2.1.3 above shall submit declarations through a secured File Transfer Protocol (FTP)[24].

3.2.3.3   If FTP facilities are not operational, the *IMEM Generator* shall submit *Ex-post Contract Quantity* declarations via electronic mail[25].

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[23] IMEM PDM Section 3.3.1.1(a)

[24] Details, including usernames and passwords, will be provided by the *IMEM Operator* to the relevant *IMEM Generator* upon successful registration of that *IMEM Generator.*

[25] E-mail address will be provided the *IMEM Operator* to the relevant *IMEM Generator* upon successful registration of that *IMEM Generator*

SECTION 4   SETTLEMENT STATEMENTS AND ADJUSTMENTS

4.1   OVERVIEW

This Section establishes the procedures related to:

a)   The issuance of the *Preliminary Settlement Statements* and *Final Settlement Statements*;

b)   Adjustments to *Final Settlement Statements*; and

c)   *Disputes* related to *Final Settlement Statements* (note that this Manual only addresses the triggers for settlement-related *Disputes* and that the procedures for resolving *Disputes* are addressed in the IMEM Dispute Resolution Manual).

4.2   PROCEDURES

4.2.1   Preliminary Settlement Statements

4.2.1.1   A *Preliminary Settlement Statement* shall

a)   Set out the settlement calculations for an *IMEM Trading Participant* and the *Settlement Amount* payable by or to that *IMEM Trading Participant;*

b)   Include supporting data for all amounts payable sufficient to enable each *IMEM Trading Participant* to audit the calculation of the amount payable by or to that *IMEM Trading Participant*; and

c)   Be issued for purposes of audit and review by the *IMEM Trading Participant*, and is not binding for invoicing, collection and payment purposes[26].

4.2.1.2   No later than the 7th day of the calendar month, the *IMEM Operator* shall issue a *Preliminary Settlement Statement* to each *IMEM Trading Participant*[27].

4.2.1.3   The *IMEM Operator* shall transmit the *Preliminary Settlement Statement* and all relevant data attachments in encrypted format to *IMEM Trading Participants* through secure File Transfer Protocol (FTP).

4.2.1.4   In the event that FTP facilities are not operational, the *IMEM Operator* shall transmit the *Preliminary Settlement Statement* and all relevant data attachments in encrypted format to *IMEM Trading Participants* using electronic mail.

4.2.1.5   If an *IMEM Trading Participant* determines that there is an error or discrepancy in its *Preliminary Settlement Statement*, it shall

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[26] *IMEM Rules* Clause 5.5.1.1
[27] *IMEM Rules* Clause 5.1.2.3

immediately notify the *IMEM Operator* of the error or discrepancy[28].

4.2.1.6　If notified, the *IMEM Operator* shall review the calculations used to produce the *Preliminary Settlement Statements* to verify the error or discrepancies reported[29].

4.2.1.7　If the *IMEM Operator* determines that there is an error or discrepancy in the *Preliminary Settlement Statement*, it shall ensure that the correction is reflected in the relevant *Final Settlement Statement*, provided that corrections requiring the input of an external party are received by the *IMEM Operator* at least two (2) *Business Days* prior to the issuance of the *Final Settlement Statements*. If the *IMEM Operator* receives the notification after the relevant deadlines, the correction shall be reflected as an adjustment in the *Settlement Statements* of the succeeding *Billing Period*[30].

4.2.2　Final Settlement Statements

4.2.2.1　A *Final Settlement Statement* shall:

a)　Set out the settlement calculations for an *IMEM Trading Participant* and the *Settlement Amount* payable by or to that *IMEM Trading Participant*;

b)　Include supporting data for all amounts payable sufficient to enable each *IMEM Trading Participant* to audit the calculation of the amount payable by or to that *IMEM Trading Participant*; and

c)　Be the basis for invoicing, collection and payment, and is binding for those purposes[31].

4.2.2.2　No later than the 15th day of the calendar month, the *IMEM Operator* shall issue a *Final Settlement Statement* to each *IMEM Trading Participant*[32].

4.2.2.3　The *IMEM Operator* shall transmit the *Final Settlement Statement* and all relevant data attachments in encrypted format to *IMEM Trading Participants* through secure File Transfer Protocol (FTP).

4.2.2.4　In the event that FTP facilities are not operational, the *IMEM Operator* shall transmit the *Final Settlement Statement* and all relevant data attachments in encrypted format to *IMEM Trading Participants* using electronic mail.

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[28] *IMEM Rules* Clause 5.5.1.2
[29] *IMEM Rules* Clause 5.5.1.3
[30] *IMEM Rules* Clause 5.5.1.4
[31] *IMEM Rules* Clause 5.5.2.1
[32] *IMEM Rules* Clause 5.1.2.4

4.2.3   Adjustments

4.2.3.1   Triggers for Adjustment

The *IMEM Operator* shall introduce adjustments in the relevant *Settlement Statements*:

a)   If the *IMEM Operator* determines that there is an error or discrepancy in any *Final Settlement Statement* that has already been issued;

b)   If input data required from an external party in respect of corrections to a *Preliminary Settlement Statement* are not submitted by the relevant external party to the *IMEM Operator* at least two (2) *Business Days* before the deadline of the issuance of the *Final Settlement Statements*; and

c)   If an *IMEM Metering Services Provider* provides corrected *Metering Data* to the *IMEM Operator* within one (1) year after the issuance of the relevant *Final Settlement Statements*.

4.2.3.2   If the *IMEM Operator* determines that there is an error or discrepancy in any *Preliminary Settlement Statement* that has already been issued, it shall ensure that the correction is reflected in the relevant *Final Settlement Statement*, provided that corrections requiring the input of an external party are received by the *IMEM Operator* at least two (2) *Business Days* before the deadline of the issuance of *the Final Settlement Statements*. If the *IMEM Operator* receives notice of an error, discrepancy or correction of an earlier identified error after their relevant deadlines, the correction will be reflected as an adjustment in the *Settlement Statements* of the succeeding *Billing Period*[33].

4.2.3.3   Subject to Clause 4.2.3.4, if the *IMEM Operator* determines that there is an error or discrepancy in any *Final Settlement Statement* that has already been issued, it shall ensure that the correction is reflected in the next *Final Settlement Statement* to be issued to that *IMEM Trading Participant*.[34]

4.2.3.4   Subject to Clause 4.2.3.5, if the error or discrepancy in Clause 4.2.3.3 requires input data from an external party, then the relevant responsible party shall submit the correct data within two (2) *Business Days* of the issuance of the *Final Settlement Statement* in which the adjustment is to be included. Otherwise,

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[33] *IMEM Rules* Clause 5.5.1.4
[34] *IMEM Rules* Clause 5.5.2.2

the correction shall be reflected in the *Final Settlement Statement* for the following *Billing Period*[35].

4.2.3.5   If an *IMEM Metering Services Provider* provides corrected *Metering Data* to the *IMEM Operator* within one (1) year after the issuance of the *Final Settlement Statement* for the *Billing Period* where the *IMEM Trading Interval* of the corrected *Metering Data* belongs to, the *IMEM Operator* shall include in the *Settlement Statements* of affected *IMEM Trading Participants* for the next *Billing Period* the adjustments that resulted from the use of the corrected *Metering Data*[36].

4.2.3.6   The *IMEM Operator* shall reflect all adjustments as an additional line item in the next issuance of the *Final Settlement Statements*.

4.2.4   Disputes

4.2.4.1   If an *IMEM Trading Participant* determines that there is an error in the *Final Settlement Statement* or its supporting data, and, despite notice to *the IMEM Operator*, the same has not been corrected in accordance with IMEM Rules Clause 5.5.1.4 or Clause 5.5.2.2, an *IMEM Trading Participant* may lodge a *Dispute* with the *IMEM Operator* in respect of any amount stated in the *Final Settlement Statement* or its supporting data[39].

4.2.4.2   *Disputes* must be lodged within twelve (12) calendar months of the date of issuance of the relevant *Final Settlement Statement*[40].

4.2.4.3   The *IMEM Trading Participant* and the *IMEM Operator* shall settle *Disputes* in accordance with *IMEM Rules* Clause 8.3 and the IMEM Dispute Resolution Manual[41].

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[35] *IMEM Rules* Clause 5.5.2.3

[36] *IMEM Rules* Clause 4.4.5.5

[39] *IMEM Rules* Clause 5.5.3.1

[40] *IMEM Rules* Clause 5.5.3.2

[41] *IMEM Rules* Clause 5.5.3.3

SECTION 5 COLLECTION AND PAYMENTS OF SETTLEMENT AMOUNTS

5.1 OVERVIEW

This section describes and supplements the procedures related to the collection and payment of *Settlement Amounts* prescribed in Sections 5.5.4. 5.5.5 and 5.5.6 of the *IMEM Rules*

5.2 PROCEDURES

5.2.1 Timelines

    5.2.1.1 *IMEM Trading Participants* shall pay the *IMEM Operator* all amounts due under a *Final Settlement Statement* in cleared funds, no later than 1500H of the twenty-fifth (25th) day of the month following the end of the *Billing Period* whether or not the *IMEM Trading Participant* disputes the amount payable[42].

    5.2.1.2 Subject to Section 6.2 of this Manual, the *IMEM Operator* shall pay *IMEM Trading Participants* all amounts payable under the *Final Settlement Statements* no later than 1500H on the third (3rd) *Business Day* after the date specified in Clause 5.2.1.1 of this Manual[43].

    5.2.1.3 When the *IMEM Operator* believes that the *IMEM Trading Participant* is incapable to comply with the requirements under Sections 5.2.3 and SECTION 7 of this Manual, the *IMEM Operator* may exercise its right to immediately demand payment for the *Settlement Amounts*, even prior to the deadline of payment by the *IMEM Trading Participant* under Section 5.2.1.1 of this Manual.

    5.2.1.4 If any of the stated due date under Clause 5.2.1.1 of this Manual do not fall on a *Business Day*, the due date shall be the next *Business Day*[44].

5.2.2 Electronic Fund Transfer Facility

    5.2.2.1 The *IMEM Operator* shall ensure that an electronic funds transfer facility is provided and made available for all *IMEM Trading Participants* for the purposes of facilitating settlements collection and payment of the *Settlement Amounts* due for all *IMEM* transactions[45].

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[42] *IMEM Rules* Clause 5.5.4.4
[43] *IMEM Rules* Clause 5.5.4.5
[44] *IMEM Rules* Clause 5.5.4.6
[45] *IMEM Rules* Clause 5.5.6.2

5.2.2.2   Unless otherwise authorized by the *IMEM Operator*, all *IMEM Trading Participants* shall use the electronic funds transfer facility provided by the *IMEM Operator* under Section 5.2.2.1 of this Manual for the settlement of *IMEM* transactions and the payment of *Market Fees*[46].

5.2.3   Payment Obligations

5.2.3.1   The *IMEM Trading Participants* are responsible to pay the *Settlement Amounts* to the *IMEM Operator* and the same shall be paid by the *IMEM Operator* to the *IMEM Trading Participants* to whom payments are due[47].

5.2.3.2   Where the *Settlement Amount* for *an IMEM Trading Participant* is a negative amount, the *IMEM Trading Participant* shall pay that amount to the *IMEM Operator*[48].

5.2.3.3   Where the *Settlement Amount* for an *IMEM Trading Participant* is a positive amount, the *IMEM Operator* shall pay that amount to the *IMEM Trading Participant*[49].

5.2.3.4   *IMEM Trading Participants* shall deposit in cleared funds all amounts due under a *Final Settlement Statement* into the account nominated by the *IMEM Operator* under Clause 5.5.4.4 of the *IMEM Rules*[50].

5.2.3.5   All relevant bank charges shall be to the account of the *IMEM Trading Participant*[51].

5.2.3.6   In the event that an *IMEM Trading Participant* fails to pay its obligations by the due date, the *IMEM Operator* may immediately draw on the prudential security provided by the *IMEM Trading Participant*, without need of prior consent[52]. Further details of prudential security drawdown is covered in Section 7.2.5 of this Manual.

5.2.3.7   *IMEM Trading Participants* shall promptly pay all obligations whether or not the amounts payable are the subject of a *Dispute* under Section 4.2.4 of this Manual[53].

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[46] *IMEM Rules* Clause 5.5.6.3
[47] *IMEM Rules* Clause 5.5.4.1
[48] *IMEM Rules* Clause 5.5.4.2
[49] *IMEM Rules* Clause 5.5.4.3
[50] See also *IMEM Rules* Clause 5.5.6.1.
[51] *IMEM Rules* Clause 5.5.6.4
[52] *IMEM Rules* Clause 5.6.4.1
[53] *IMEM Rules* Clause 5.5.6.6

SECTION 6 PAYMENT DEFAULT

6.1 OVERVIEW

This Section describes the requirements and procedures that the *IMEM Operator* and the *IMEM Trading Participants* must follow in the event of a *Default*.

6.2 PROCEDURES

6.2.1   A *Default* event occurs when the amounts collected by the *IMEM Operator* under Clause 5.2.1.1 of this Manual, including all amounts drawn from the prudential security under Section 7.2.5 of this Manual, is insufficient to pay for the aggregate settlement amounts due[54].

6.2.2   In case of *Default* event, the *IMEM Operator* shall[55]

    6.2.2.1   Collect the total amount of *Market* Fees due for the *Billing Period* from the amounts collected;

    6.2.2.2   Pay each *IMEM Trading Participant* from the remaining amounts collected in the proportion that the amount due to them for the *Billing Period* bears to the total amount due to all *IMEM Trading Participants* for that *Billing Period*; and

    6.2.2.3   Pay the remainder of the monies due to affected *IMEM* Trading Participants not later than 1500H on the third (3rd) *Business Day* after the collection of the shortfall from the defaulting *IMEM Trading Participant*.

6.2.3   When a *Default* event occurs, the *IMEM Operator* shall issue a *Notice of Default* to the defaulting *IMEM Trading Participant* within one (1) *Business Day* of the *Default* event occurring[56].

6.2.4   The *Notice of Default* shall specify the total amount due including the default interest[57]. The default interest on the unpaid amount shall be at the rate equivalent to the prevailing lending rate published by the Bangko Sentral ng Pilipinas (BSP) plus 300 basis points or a fixed rate of 8% per annum whichever is higher for each day of delay until fully paid. Where no interest rate is published or made available for a particular day, the most recent interest rate published or made available shall be used. The default interest shall be reckoned from the first day such amount is due and

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[54] *IMEM Rules* Clause 5.5.5.1
[55] *IMEM Rules* Clause 5.5.5.2
[56] *IMEM Rules* Clause 5.5.5.3
[57] *IMEM Rules* Clause 5.5.5.3

payable, up to and including the date on which payment is made, with interest computed based on a 360-day year[58].

6.2.5   The defaulting *IMEM Trading Participant* shall pay the total amount specified in the *Notice of Default* in cleared funds no later than one (1) *Business Day* after the receipt of the *Notice of Default* to avoid further default interest charges[59].

6.2.6   If the defaulting *IMEM Trading Participant* fails to pay the total amount specified in the *Notice of Default* by the deadline specified in Clause 6.2.5 of this Manual, the *IMEM Operator* shall issue a *Suspension Notice*[60] as soon as practicable[61].

6.2.7   The *IMEM Operator* shall pay the shortfall amount plus any default interest accrued due to affected *IMEM Trading Participants* not later than 1500H on the third (3rd) *Business Day* after the collection of the shortfall from the defaulting *IMEM Trading Participants*[62].

6.2.8   The *IMEM Operator* shall not be liable for any delays in the remittances to *IMEM Trading Participants* due to shortfall or delay in the payments from the defaulting *IMEM Trading Participants*[63].

6.2.9   The amount of the default interest shall be prioritized over the principal amount of the outstanding obligation in the distribution of payment[64].

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[58] *IMEM Rules* Clause 5.5.6.5
[59] *IMEM Rules* Clause 5.5.5.3
[60] *Suspension Notice* is a notice issued by the *IMEM Operator* in accordance with Clause 2.6.2.1 of the *IMEM Rules*
[61] *IMEM Rules* Clause 5.5.5.4
[62] *IMEM Rules* Clause 5.5.5.1(c)
[63] *IMEM Rules* Clause 5.5.5.5
[64] *IMEM Rules* Clause 5.5.5.6

SECTION 7   PRUDENTIAL SECURITY

7.1   OVERVIEW

This Section describes and supplements the guidelines and procedures related to *Prudential Security Requirements* specified in Clause 5.6 of the IMEM Rules. In particular, this Section covers:

a)　　　*IMEM Trading Participant* obligations to post and maintain *Prudential Security Requirements*;

b)　　　The procedures used by the *IMEM Operator* to calculate the *Actual Exposure* of *IMEM Trading Participants* and issue *Margin Calls*; and

c)　　　The procedure used by the *IMEM Operator* when drawing down on the prudential security posted by *IMEM Trading Participants* in fulfillment of their *Prudential Security Requirements*.

7.2   PROCEDURES

7.2.1　　Overview of Prudential Security Requirements

7.2.1.1　*Prudential Security Requirements* are imposed to ensure the effective operation of the *IMEM* by providing a level of comfort that *IMEM Trading Participants* will meet their obligations to make payments as required under the *IMEM Rules*[65].

7.2.1.2　Subject to Clause 7.2.1.3 of this Manual, an *IMEM Trading Participant* shall provide and maintain a prudential security complying with the requirements of Section 7.2 of this Manual[66].

7.2.1.3　The *IMEM Operator* may exempt an *IMEM Trading Participant* from the requirement to provide a prudential security under Clause 7.2.1.1 of this Manual, if the *IMEM Operator* believes that[67]:

a)　　It is likely that the amount payable by the *IMEM Operator* to *that IMEM Trading Participant* under the *IMEM Rules* will consistently exceed the amount payable to the *IMEM Operator* by that *IMEM Trading Participant* under the *IMEM Rules* in respect of that *Billing Period*; or

b)　　It is unlikely that the *IMEM Trading Participant* will be required to pay any amounts to the *IMEM Operator*.

7.2.1.4　If, under Clause 7.2.1.3, the *IMEM Operator* has exempted an *IMEM Trading Participant* from the requirement to provide a prudential security under Clause 7.2.1.1 of this Manual then the

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[65] IMEM Rules 5.6.1.1
[66] IMEM Rule 5.6.1.2
[67] IMEM Rule 5.6.1.3

IMEM Operator may vary or cancel the exemption at any time by giving written notice of the variation or cancellation of the exemption to the *IMEM Trading Participant*[68].

7.2.1.5　The *IMEM Operator* may review and change its determination of an *IMEM Trading Participant's Average Exposure* at any time, provided that any change to an *IMEM Trading Participant's Average Exposure* will apply no earlier than thirty (30) days from the date that the *IMEM Operator* notifies the *IMEM Trading Participant* of the change[69].

7.2.1.6　Each *IMEM Trading Participant* shall ensure that at all times the aggregate undrawn and unclaimed amounts of current and valid prudential security held by the *IMEM Operator* in respect of that *IMEM Trading Participant* is not less than that *IMEM Trading Participant's Average Exposure*[70].

7.2.1.7　The prudential security provided by an *IMEM Trading Participant* under Section 5.6 of the IMEM Rules and Section 7.2 of this Manual shall be in cash[71].

7.2.2　Initial Prudential Assessment

7.2.2.1　At time of registration, the *IMEM Trading Participant* shall submit their own estimate of its *Average Exposure* in respect of the previous six (6) *Billing Periods* and all underlying data and assumptions to the *IMEM Operator*. Additionally, the *IMEM Trading Participant* shall provide:

a)　Hourly Load Profile / *Metered Quantity* over the last six (6) months,

b)　Contracted quantity in the next six (6) months,

c)　Hourly Load Curtailed / Dropped in the last six (6) months as a result of *Load-to-Maintain* instructions from the *Mindanao System Operator*,

d)　*Metering Data* used to derive the above estimate (if different with the hourly *Metered Quantities* provided in item a)), and

e)　Contracted quantity assumptions in the next six (6) months (if different with the contracted quantity in the next six (6) months provided in item b)).

7.2.2.2　Subject to Clause 7.2.2.3 of this Manual, in estimating its *Average Exposure* for the initial implementation of the *IMEM*,

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[68] *IMEM Rules* Clause 5.6.1.4
[69] *IMEM Rules* Clause 5.6.2.3
[70] *IMEM Rules* Clause 5.6.2.4
[71] *IMEM Rules* Clause 5.6.2.5

the *IMEM Trading Participant* shall use the pricing assumption to be provided by the *IMEM Operator*.

7.2.2.3   From time to time and as relevant, the *IMEM Operator* may revise the pricing assumption in Clause 7.2.2.2 of this Manual to reflect historical *IMEM Day-Ahead Prices*.

7.2.2.4   The *IMEM Operator* shall use the data provided under Clause 7.2.2.1 of this Manual and the pricing assumption set forth in Sections 7.2.2.2 or 7.2.2.3 of this Manual, as relevant, to:

a)   Validate the *IMEM Trading Participant*'s estimate of its *Average Exposure* provided under Section 7.2.2.2 of this Manual, and

b)   Derive its own estimate of the *IMEM Trading Participant*'s *Average Exposure*.

7.2.2.5   *IMEM Operator* shall set the initial *Prudential Security Requirements* of an *IMEM Trading Participant* as the maximum of its own estimate of the *Average Exposure* of the *IMEM Trading Participant* in Clause b) above and the estimate of the *Average Exposure* provided by the *IMEM Trading Participant* under Clause 7.2.2.1 of this Manual.

7.2.2.6   To qualify for registration or comply with its membership requirements, as the case may be, a *Pending IMEM Member* or an *IMEM Trading Participant* shall satisfy its *Prudential Security Requirements* by depositing the amount calculated by the *IMEM Operator* under Clause 7.2.2.5 of this Manual into the bank account nominated by the *IMEM Operator* at time of registration or when it is informed to do so by the *IMEM Operator*.

7.2.3   Monitoring of Actual Exposure and Margin Call

7.2.3.1   Pursuant to Clause 5.6.3.1 of the *IMEM Rules*, the *IMEM Operator* shall, on a monthly basis, monitor its *Actual Exposure* to each *IMEM Trading Participant* in respect of the previous *Billing Period.*

7.2.3.2   The *IMEM Operator* shall calculate its *Actual Exposure* to an *IMEM Trading Participant* as the balance of the most recently issued *Preliminary Settlement Statement* plus any outstanding unpaid amounts of that *IMEM Trading Participant.*

7.2.3.3   If the *Actual Exposure* of an *IMEM Trading Participant* exceeds the *IMEM Trading Participant's* prudential security posted to fulfill their *Prudential Security Requirements*, the *IMEM Operator* shall issue a *Margin Call* to that *IMEM Trading Participant*[72].

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[72] *IMEM Rules* Clause 5.6.3.5

7.2.3.4 Upon receipt of the *Margin Call*, the *IMEM Trading Participant* shall comply by providing additional prudential security sufficient to the required amount or prepaying the amount of payable sufficient to reduce the *Actual Exposure* of the *IMEM Operator* to that *IMEM Trading Participant*[73].

7.2.3.5 *The IMEM Trading Participant* shall satisfy the *Margin Call* no later than the end of banking hours on the third (3rd) *Business Day* to occur after receipt of the *Margin Call*[74].

7.2.3.6 The prepayment under Clause 7.2.3.4 of this Manual shall be applied to the *Settlement Amount* in the closest *Billing Period* until fully consumed[75].

7.2.3.7 If an *IMEM Trading Participant* fails to satisfy a *Margin Call* as specified in Clauses 7.2.3.4 and 7.2.3.5 of this Manual then the *IMEM Operator* shall give the *IMEM Trading Participant* a *Suspension Notice*[76].

7.2.3.8 If, even without a *Margin Call*, the *IMEM Trading Participant* becomes aware that its prudential security has deteriorated and its aggregate value has become less than its *Average Exposure*, it shall immediately replace or replenish the same to the required amount[77].

7.2.4 Annual Assessment of Average Exposure

7.2.4.1 Before the end of each calendar year, the *IMEM Operator* shall review:

a) The *Average Exposure* of each *IMEM Trading Participant* based on their *IMEM* transactions in the previous six- (6-) month period; and

b) The amount of prudential security held by each *IMEM Trading Participant*.

7.2.4.2 If the amount of prudential security held by an *IMEM Trading Participant* is lower than its *Average Exposure* calculated in Clause 7.2.4.1 above, *the IMEM Operator* shall notify the *IMEM Trading Participant* of the amount of additional prudential security that they must post to fulfill their *Prudential Security Requirements*.

7.2.4.3 The *IMEM Trading Participant* shall post the additional prudential security within seven (7) *Business Days* of receiving notification the *IMEM Operator* in Clause 7.2.4.2.

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[73] *IMEM Rules* Clause 5.6.3.5
[74] *IMEM Rules* Clause 5.6.3.7
[75] *IMEM Rules* Clause 5.6.3.6
[76] *IMEM Rules* Clause 5.6.3.8
[77] *IMEM Rules* Clause 5.6.3.9

7.2.4.4 If an *IMEM Trading Participant* fails to provide the additional prudential security within the timeframe specified in Clause 7.2.4.3, the *IMEM Operator* shall issue a *Suspension Notice* to the *IMEM Trading Participant* as soon as practicable.

7.2.5 Drawdown of Prudential Security

7.2.5.1 In the event that an *IMEM Trading Participant* fails to pay its obligations by the due date under Clause 5.2.1.2 of this Manual, the *IMEM Operator* shall immediately draw on the prudential security provided by the *IMEM Trading Participant* without the need of prior consent[78].

7.2.5.2 Within one (1) *Business Day* after the drawdown, the *IMEM Operator* shall notify the *IMEM Trading Participant* of the date of withdrawal and amount withdrawn[79].

7.2.5.3 The *IMEM Trading Participant* shall replenish its prudential security no later than the end of banking hours on the second (2nd) *Business Day* after the receipt of notification of drawdown[80].

7.2.5.4 If an *IMEM Trading Participant* fails to replenish its prudential security deposit as required under Clause 7.2.5.3 of this Manual, the *IMEM Operator* shall give the *IMEM Trading Participant* a *Suspension Notice*[81].

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[78] *IMEM Rules* Clause 5.6.4.1
[79] *IMEM Rules* Clause 5.6.4.2
[80] *IMEM Rules* Clause 5.6.4.3
[81] *IMEM Rules* Clause 5.6.4.4

SECTION 8   ADDITIONAL PROCEDURES

8.1   OVERVIEW

This Section describes additional procedures that are to be performed by the *IMEM Operator* for certain *IMEM Trading Participants.*

8.2   FOR NPC

8.2.1   Overview

This Section describes the additional procedures in settling *IMEM Generators* associated with the National Power Corporation (NPC). In the *IMEM*, a single *Settlement Amount* is calculated for the whole portfolio of NPC; that is, *Settlement Quantities* and *Settlement Amounts* are not calculated for each *IMEM Generator* associated with NPC. NPC-associated *IMEM Generators* include those that are owned by NPC and those that are owned by Independent Power Producers but have a contract with NPC.

8.2.2   Additional Procedures

8.2.2.1   Before calculating any *Settlement Quantity* or *Settlement Amount* in a *Billing Period*, the *IMEM Operator* shall determine the settlement raw data for the whole portfolio of NPC as the sum of each raw data of all NPC-associated *IMEM Generators*. Relevant settlement raw data includes, but is not limited to, the following:

a)   *Metered Quantity*, and

b)   *Day-Ahead Schedule*, and

c)   *Dispatch Target*.

8.2.2.2   The *IMEM Operator* shall use the raw data of the whole portfolio of NPC calculated under Clause 8.2.2.1 when determining the *Settlement Quantities* and *Settlement Amounts* of NPC.

8.2.2.3   The *IMEM Operator* shall prepare a single *Settlement Statement* for the whole portfolio of NPC. The *Settlement Statements* of NPC shall be prepared using the same procedures as that of other *IMEM Trading Participants* in Section 4.2.

8.3   FOR EMBEDDED IMEM LOAD CURTAILMENT RESOURCES

8.3.1   Overview

As per Clause 3.6.2 of the IMEM Price Determination Methodology, considering the *Ex-Post Contract Quantities* of *IMEM Customers* with *Embedded IMEM Load Curtailment Resources*, the *IMEM Operator* shall account the *Settlement Amounts* of *Embedded Load Curtailment Resources* and their host *Mindanao Distribution Utilities*. This Section provides the procedures that the *IMEM Operator* will follow when accounting for the *Settlement Amounts*.

8.3.2 Additional Procedures

8.3.2.1 For each *Billing Period*, *Mindanao Distribution Utilities* with *Embedded IMEM Load Curtailment Resources* within their franchise areas shall submit the latest generation cost charged to their customers on or before four (4) days prior to the issuance of the *Preliminary Settlement Statements*.

8.3.2.2 In the event that a *Mindanao Distribution Utility* does not submit its latest generation cost within the deadline in Clause 8.3.2.1, the *IMEM Operator* shall request the same data from the National Electrification Administration (NEA).

8.3.2.3 In the event that the NEA does not submit the requested information under Clause 8.3.2.2 within two (2) days prior to the issuance of the *Preliminary Settlement Statements*, the *IMEM Operator* shall use the last generation cost associated with that *Mindanao Distribution Utility*.

8.3.3 Adjustment Formulae

This Section provides the formula for computing the adjustment on the *Billing Period Settlement Amounts* of *Embedded IMEM Load Curtailment Resources* and *IMEM Customers* who are *Mindanao Distribution Utilities*.

8.3.3.1 Embedded IMEM Load Curtailment Resources

The adjustment in the *Billing Period Settlement Amount* of an *Embedded IMEM Load Curtailment Resource* reflects the incremental generation cost that it would have paid to its host *Mindanao Distribution Utility* if it was not scheduled in the *IMEM* during that *Billing Period*. The adjustment is calculated using the following formula:

$$\text{EILCRA}_{i,m} = -\left[\sum_{j=1}^{n_m} \text{ITQ}_{i,j} \times \text{GR}_{k,m-1} + \sum_{l=1}^{n_{m-1}} \text{ITQ}_{i,l} \right.$$
$$\left. \times \left(\text{GR}_{k,m-1} - \text{GR}_{k,m-2} \right) \right]$$

Where,

EILCRA$_{i,m}$ – Adjustment on *Embedded IMEM Load Curtailment Resource i* for *Billing Period m*

ITQ$_{i,j}$ – IMEM Trading Quantity of *Embedded IMEM Load Curtailment Resource i* for *IMEM Trading Interval j* (Note: Only *IMEM Trading Intervals* where the *Embedded IMEM Load Curtailment Resource* has a positive *IMEM Trading Quantity* is considered in the computation)

n$_m$ – number of *IMEM Trading Intervals* in *Billing Period m* where *Embedded IMEM Load Curtailment Resource i* has a positive *IMEM Trading Quantity*

GR$_{k,m-1}$ – Generation Rate of *IMEM Customer k*, who is the host *Mindanao Distribution Utility* of *Embedded IMEM Load Curtailment Resource i*, for *Billing Period m-1*

ITQ$_{i,l}$ – IMEM Trading Quantity of *Embedded IMEM Load Curtailment Resource i* for *IMEM Trading Interval l* (Note: Only *IMEM Trading Intervals* where the *Embedded IMEM Load Curtailment Resource* has a positive *IMEM Trading Quantity* is considered in the computation)

n$_{m-1}$ – number of *IMEM Trading Intervals* in *Billing Period m-1* where *Embedded IMEM Load Curtailment Resource i* has a positive *IMEM Trading Quantity*

GR$_{k,m-2}$ – Generation Rate of *IMEM Customer k*, who is the host *Mindanao Distribution Utility* of *Embedded IMEM Load Curtailment Resource i*, for *Billing Period m-2*

8.3.3.2 Host Mindanao Distribution Utilities

The adjustment in the *Billing Period Settlement Amount* of a *Mindanao Distribution Utility* reflects the incremental generation cost that it would have received from its customers, who are *Embedded IMEM Load Curtailment Resources*, if its customers were not scheduled in the *IMEM* during that *Billing Period*. The adjustment is calculated using the following formula:

$$EILCRA_{i,m} = \sum_{j=1}^{n_{i,m}} \left| EILCRA_{j,i,m} \right|$$

Where,

EILCRA$_{i,m}$ – Adjustment on *Mindanao Distribution Utility i* for *Billing Period m* due to the activity of *Embedded IMEM Load Curtailment Resources* in its franchise area

$EILCRA_{j,i,m}$ – Adjustment on *Embedded IMEM Load Curtailment Resource j* within the franchise area of *Mindanao Distribution Utility i* for *Billing Period m*

$n_{i,m}$ – number of *Embedded IMEM Load Curtailment Resources* within the franchise area of *Mindanao Distribution Utility i* for *Billing Period m*

Appendix A   Ex-Post Contract Quantity Declaration Template

Participant Name:					
Trading Date	Interval	Customer Name	Generator Name	Customer Quantity	Generator Quantity
EOF					

Notes:
1. File should be in .csv format
2. Contract Quantities are in MWh
3. In case an *IMEM Participant* owns several generators, all generators should be listed in one file.