

Proposals on Further Enhancing the Power Industry



Outline

Changes in the WESM Rules and Manuals

- Modification of Must Offer Rule
- Switching to "day ahead" delivery market
- Establishment of a forward market for power
- Turn on demand bidding in WESM
- Further enhancement of Administrative Pricing mechanism
- Publish and explain methodology for setting the WESM price ceiling

Changes in Regulation (ERC)

- Requiring utilities to contract 100% of their projected peak demand
- Publishing of annual planned outages by the System Operator



Changes in the WESM Rules and Manuals

Modification of Must Offer Rule

- Allow the plants that do not want to offer any capacity to be called only on a last resort without setting the market price;
- Use a "day ahead" price discovery and allow plants that are not running to submit offers ;
- Allows plants like Malaya time to start-up;

Plants at "no offer" status with floor price of PhP 20/kWh

Undergeneration-plant with "no offer" status to be called upon

Scenario 1- clearing price of PhP 25/kWh, then plant with "no offer" status to be paid at PhP25/kWh

Scenario 2- clearing price of PhP 19/kWh, then plant with "no offer" status to be paid at PhP20/kWh



Changes in the WESM Rules and Manuals

Switching to "day-ahead" delivery market

- Does not require any change of software, only a change in the rules;
- Most other markets operate this way;
- More resistant to hourly price volatility;



Changes in the WESM Rules and Manuals

Establishment of a forward market for power

- Based on Contract For Differences or "CFDs", which the WESM is originally designed to have;
- Encourage utilities to trade in this market to cover any future exposure they may have;
- Most markets have an active forward and CFD market;
- Makes contracts quicker to negotiate; only three values to agree on;



Changes in the WESM Rules and Manuals

Turn on demand bidding in WESM

- Utilities and industries have the option to curtail themselves when the price of power becomes too high;
- Most other markets have active demand bidding;
- Provides utilities with an optional tool to limit customer price volatility;
- Allows customers to have an indirect method of taming/controlling the prices offered by generators;



Changes in the WESM Rules and Manuals

Further enhancement of Administrative Pricing mechanism

- Revise the (recently introduced) trigger for the Administrative Pricing to include (in addition to the 4% supply shortfall):
 - The exhaustion of all possible Must Run generators and
 - A trigger related to Price- the market can be short on reserves but prices might still remain low



Changes in the WESM Rules and Manuals

Publish and explain methodology for setting the WESM price ceiling

- Explanation/basis on how WESM offer cap or price cap was determined;



Changes in Regulation (ERC)

Requiring utilities to contract 100% of their projected peak demand

- We propose 100% contracting of their peak demand for the next 3 years;
- Chile does this;
- However, ECs/DUs should not be penalized if their actual load is less than what they contracted because their projections were not met;



Changes in Regulation (ERC)

Publishing of annual planned outages by the System Operator

- All distribution utilities will see when are the critical weeks and find cover during these periods;
- Currently, it is treated as confidential information;



THE END

