

[**ERC, March 10, 2004**]

RULES AND PROCEDURES RELATING TO THE CONDUCT OF BUSINESS OF THE GRID MANAGEMENT COMMITTEE

Pursuant to Section 2.2.5 of the Grid Code and the Guidelines to Govern the Formation of the Grid Management Committee ("GMC") issued by the Energy Regulatory Commission, the GMC issues the following Rules and Procedures Relating to the Conduct of Business of the GMC (the "Rules").

RULE 1 - Purpose, Definitions and Interpretation

Rule 1.1 Purpose - These Rules are promulgated to provide guidance and to establish general operating procedures for the administration of the Grid Management Committee (GMC) and in accordance with the following objectives:

- a) To facilitate the monitoring of compliance with the Philippine Grid Code (PGC) at the operations level;
- b) To ensure representation of all Users of the Grid in reviewing and making recommendations pertaining to connection, operation, maintenance, and development of the Grid; and
- c) To specify the processes for the settlement of disputes, enforcement, and revision of the Grid Code.

Rule 1.2 Definitions. - The following words and phrases shall, unless more particularly defined, have the following meanings:

- a) **Department of Energy (DOE).** The government agency created pursuant to Republic Act No. 7638 which is provided with the additional mandate under the Act of supervising the restructuring of the electricity industry, developing policies and procedures, formulating and implementing programs, and promoting a system of incentives that will encourage private sector investments and reforms in the electricity industry and ensuring an adequate and reliable supply of electricity.
- b) **Distribution Utility.** An Electric Cooperative, private corporation, government-owned utility or existing local government unit that has an exclusive franchise to operate a Distribution System.
- c) **Distributor.** Has the same meaning as Distribution Utility.
- d) **Dispute Resolution Panel.** A panel appointed by the GMC to deal with specific disputes relating to violations of the provisions of the Grid Code.
- e) **Electric Cooperative.** A cooperative or corporation authorized to provide electric services pursuant to Presidential Decree No. 269, as

amended, and Republic Act No. 6938 within the framework of the national rural electrification plan.

f) **Energy Regulatory Commission (ERC).** The independent, quasi-judicial regulatory body created pursuant to Republic Act No. 9136, which is mandated to promote competition, encourage market development, ensure customer choice, and penalize abuse of market power in the restructured electricity industry and among other functions, to promulgate and enforce the Philippine Grid Code and the Philippine Distribution Code.

g) **Grid Code.** The set of rules, requirements, procedures, and standards to ensure the safe, reliable, secured and efficient operation, maintenance, and development of the high voltage backbone Transmission System and its related facilities.

h) **Grid Owner.** The party that owns the high voltage backbone Transmission System and is responsible for maintaining adequate Grid capacity in accordance with the provisions of the Grid Code.

i) **Grid Management Committee (GMC).** The committee established by the ERC to perform the functions mentioned in Section 2.2.1 of Chapter of the Philippine Grid Code and Article II of the Guidelines to Govern the Formation of the GMC.

j) **Guidelines.** The Guidelines to Govern the Formation of the Grid Management Committee issued by the Energy Regulatory Commission on May 15, 2002.

k) **Large Customer.** A Customer with a demand of at least one (1) MW, or the threshold value specified by the ERC.

l) **Large Generator.** A Generation Company whose generating facility at the Connection Point has an aggregate capacity in excess of 20 MW.

m) **Market Operator.** An independent group, with equitable representation from the electric power industry participants, whose task includes the operation and administration of the Wholesale Electricity Spot Market in accordance with the Market Rules.

n) **National Electrification Administration (NEA).** The government agency created under Presidential Decree No. 269, whose additional mandate includes preparing Electric Cooperatives in operating and competing under a deregulated electricity market, strengthening their technical capability, and enhancing their financial viability as electric utilities through improved regulatory policies.

o) **National Transmission Corporation (TRANSCO).** The corporation that assumed the authority and responsibility of planning, maintaining, constructing, and centrally operating the high-voltage Transmission System, including the construction of Grid interconnections and the provision of Ancillary Services.

p) **Significant Incident.** An Event on the Grid, a Distribution System, or the System of any User that has a serious or widespread effect on the Grid, the Distribution System, and/or the User System.

q) **Significant Incident Notice.** A notice issued by the System Operator or any User if a Significant Incident has transpired on the Grid or the System of the User, as the case may be.

r) **Small Generator.** A Generation Company whose generating facility at the Connection Point has an aggregate capacity of 20 MW or below.

s) **Supplier.** Any person or entity authorized by the ERC to sell, broker, market, or aggregate electricity to the End-users.

- t) **System Operator.** The party responsible for generation Dispatch, the provision of Ancillary Services, and operation and control to ensure safety, Power Quality, Stability, Reliability, and the Security of the Grid.
- u) **User.** A person or entity that uses the Grid or Distribution System and related facilities. Also, a person or entity to whom the Grid Code or Distribution Code applies.

All other terms not otherwise defined shall have the meaning attached to them in the Grid Code.

Rule 1.3. Abbreviations

Any abbreviations used herein shall have the meaning attached to them in the Grid Code.

Rule 1.4. Interpretation and Construction.

These Rules shall be interpreted so as to accomplish the aim and purpose of the Grid Code in light of the functions of the GMC. Nothing in these Rules shall be construed so as to amend or contravene any validly existing law, rule or government regulation.

RULE 2 - Administration and Operation of GMC

Rule 2.1 Functions of the GMC

The following are the GMC functions:

- a) Monitor the implementation of the Grid Code;
- b) Monitor, evaluate, and make recommendations on Grid operations;
- c) Review and recommend standards, procedures, and requirements for Grid connection, operation, maintenance, and development;
- d) Coordinate Grid Code dispute resolution and make appropriate recommendations to the ERC;
- e) Coordinate Grid Code enforcement process and make recommendations to the ERC;
- f) Coordinate revisions of the Grid Code and make recommendations to the ERC; and
- g) Prepare regular and special reports for submission to the ERC, or as required by the appropriate government agency, or when requested by a Grid User.

Rule 2.2. Composition of the GMC. — Unless otherwise provided by law or appropriate rules and regulations issued by competent authority, the GMC is composed of the following members appointed by the ERC after due nomination:

- a) One (1) member nominated by the System Operator;
- b) One (1) member nominated by the Grid Owner;

- c) One (1) member nominated by the Market Operator;
- d) Three (3) members nominated by Large Generators;
- e) One (1) member nominated by Small Generators;
- f) Three (3) members nominated by private and local government Distributors;
- g) Three (3) members nominated by Electric Cooperatives, one each from Luzon, Visayas, and Mindanao;
- h) One (1) member nominated by Suppliers; and,
- i) One (1) member nominated by Large Customers.

The abovementioned composition of the GMC shall be valid and subsisting until and unless the appropriate amendment is made to the Philippine Grid Code relative thereto.

In addition to the foregoing members, the following government agencies shall have representatives to provide guidance on government policy and regulatory frameworks but who shall not be allowed to exercise decision-making functions and formulation of recommendations to the ERC.

- a) One (1) representative from the ERC;
- b) One (1) representative from the DOE; and,
- c) One (1) representative from the NEA.

The new Members and the representatives shall be admitted to the GMC upon submission to the GMC of their ERC appointment papers.

Rule 2.3. Term of Office — Except for the initial Members of the GMC whose term have been specified in their respective appointments, all subsequent Members of the GMC shall have a term of three (3) years and shall not be eligible for re-appointment.

However, the initial Members of the GMC whose specific appointments are less than the three (3) year term shall be available for re-appointment, but only once.

Rule 2.4. Removal for Cause — Subject to the approval by the ERC, the GMC may recommend removal of a Member for cause, if such Member is unwilling or unable to discharge his obligations and responsibilities in accordance with the function of his office. The vote of two-thirds of the Members of the GMC present in a meeting called for such purpose shall be necessary to recommend removal of a Member for cause.

Rule 2.5. Vacancy — In cases of vacancy in the GMC or four (4) months prior to the end of the term of a Member, the GMC shall advise the ERC of said vacancy. The ERC in return shall request nominations from the sector being represented by the Member. Except for vacancies due to the expiration of the term of a Member, a new Member who occupies a seat vacated by a previous Member shall only serve for the remaining unexpired term of his predecessor.

Rule 2.6. Regular and Special Meetings — Unless otherwise agreed upon, the GMC shall meet regularly every second Thursday of every month at the principal

office of the GMC or at such other time and place as specified in the notice of meeting. Special meetings may be called for any purpose by the Chairman or by any eight (8) Members. Special meetings shall be held at the principal office of the GMC or at such other place as specified in the notice of meeting.

In any emergency situation that requires urgent action or where time is of the essence, the Chairman or any eight (8) Members may call for action by referendum without a meeting of the Members. The Members shall be furnished written notices of the results within ten (10) days of the action vote, and all written responses of the Members shall be filed with the minutes of proceedings of Members.

Rule 2.7. Mode of Meetings — Meetings may be held in person or through videoconference, teleconference, or other similar modes, provided that the rules and guidelines promulgated by the Securities and Exchange Commission (SEC) governing meetings conducted in these manners are observed.

Rule 2.8. Notices and Agenda. — Notices of meeting shall be faxed and/or e-mailed to all Members for all regular and special meetings at least seven (7) calendar days prior to the date of the meeting. The notice of meeting shall specify the time and place of meeting as well as the agenda for such meeting.

Rule 2.9. Presiding Officer. — The Chairman of the GMC designated by the ERC shall preside over all meetings of the GMC. In the absence of the Chairman and Vice-Chairman, the GMC shall elect from among themselves the presiding officer of the GMC.

The Chairman, in consultation with the other Members, shall be responsible for the efficient operation of the GMC and its sub-committees. The Chairman may delegate from time to time any or all of the aforesaid duties and authority to the Vice-Chairman or any other officer.

Rule 2.10. Quorum and Affirmative Vote. — A majority of the current membership of the GMC shall constitute a quorum for a meeting. A quorum shall consist of at least fifty percent (50%) plus one (1) of the GMC Members being present. An affirmative vote of majority of the Members constituting a quorum shall be necessary to approve internal GMC operations. In resolving other contentious matters affecting the enforcement of the Grid Code or other third parties, the GMC shall endeavor to decide issues based on consensus rather than by simple majority voting. However, should there be no consensus or is otherwise not possible, simple majority voting shall be used, provided that it is in the best interest of the Grid and in furtherance of the purpose of the Grid Code and the functions of the GMC. The GMC shall document the fact of the failure to reach a consensus and the antecedents thereof, as well as any dissenting opinions, which shall be included in the records of the meeting to be submitted to the ERC. In no case shall failure to reach a consensus be the basis of obstructing the GMC from performing its mandate under the Grid Code and the Guidelines.

Rule 2.11. Appointment of Other Officers and Employees. — The GMC may appoint such other officers and employees as it may deem necessary to accomplish its purpose and functions, consistent with applicable rules and procedures.

During its first regular meeting of the year, the members shall elect from among