



Regulatory Advisory No. 2024-004

TO : **ALL ELECTRIC COOPERATIVES**

SUBJECT : **WESM PRUDENTIAL REQUIREMENTS**

DATE : **JUN 20 2024**

To ensure efficient operation of the spot market, fulfillment of prudential requirements of WESM Members must be guaranteed. The prudential requirement is a "security deposit" that a WESM participant must post and must be called upon in case the trading participant fails in paying its obligations.

For the Provision of Security, Clause 3.15.2.1 of the WESM Rules states *to wit*:

"A WESM Member wishing to participate in Market Transactions shall provide and maintain a security complying with the requirements of Clause 3.15.2 (Provision of Security)."

However, based on the letter to the Department of Energy (DOE) by the Independent Electricity Market Operator (IEMOP) dated 03 June 2024 regarding the **Report on Prudential Requirement and Issuances of Margin Call Notices to WESM Trading Participants for the month of May 2024**, several Electric Cooperatives (EC) failed to settle their financial obligations with the market operator within the prescribed timelines.

The WESM Rules includes injunctions in cases where members are not complying with the prerequisites in its participation in the spot market. Clause 3.15.5.2 on Replacement Security specifically provides that:

"If:

(a) A WESM Member fails to comply with clause 3.15.5.1; and,

(b) That WESM Member does not remedy that failure within three (3) working days after being notified by the Market Operator of the failure, then the WESM Member is deemed to be in default and the Market Operator shall give the WESM Member a Suspension Notice in accordance with Clause 3.15.8.

3.15.8 Suspension of a WESM Member

3.15.8.1 As soon as practicable after a Suspension Notice is issued by the Market Operator under the WESM Rules, the Market Operator shall:



- (a) *Publish the suspension notice; and*
- (b) *Place a notice in a newspaper of general circulation that the WESM Member has been suspended.*
- (c) *Notify in writing the ERC, the DOE and National Electrification Administration of such suspension."*

ECs, being trading participants, are required to comply with the WESM Rules to prevent issues that might adversely affect power supply in their respective franchise areas and possibly result to collection of higher electricity charges to the detriment of member-consumer-owners.

In consideration thereto, ECs who received Margin Call Notices and/or in default of their prudential requirements are **directed to comply with the WESM financial requirements and submit their compliance report within seven (7) calendar days** upon receipt of this notice to the Regulatory Affairs Office (RAO) through email address rates.rao@gmail.com.

For your strict compliance.


ANTONIO MARIANO C. ALMEDA
Administrator

NATIONAL ELECTRIFICATION
ADMINISTRATION
Office of the Administrator



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