

Briefing Note: Updated Regulatory Compliance Statement for AECO Gemini

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1 PURPOSE

This updated note reaffirms and expands upon why AECO Gemini, under its Service Agreement and Master Load and Generation Coverage Agreement (LGCA) frameworks, remains outside the regulatory perimeter of the Philippine Securities and Exchange Commission (SEC) as a broker, dealer, exchange, alternative trading system (ATS), or clearing/settlement entity under the Securities Regulation Code (Republic Act No. 8799), as amended, and related rules.

This update incorporates refinements from the latest agreements, including enhanced definitions of administrative roles, intellectual property licensing, and custodian interactions, while confirming no material changes that would trigger SEC oversight. It also addresses evolving market practices in the Wholesale Electricity Spot Market (WESM) and Renewable Energy Market (REM) as of September 2025.

2 CONTEXT: OVERVIEW OF AECO GEMINI

AECO Gemini is a specialized software-as-a-service (SaaS) platform designed to support energy market participants—such as retailers, generators, and load-serving entities—in managing bilateral contracts for electricity load coverage and generation planning within the Philippine energy sector. Operating through a secure web-based portal, it enables users to upload and analyze load data, forecast consumption patterns, organize generation commitments, and administer Coverage Orders (bilateral agreements for financial hedging of energy exposures).

Key functionalities include:

- Load and Generation Planning: Tools for compressing interval-level data, generating predictive models, and tracking performance against historical coverage.
- Contract Administration: Workflow automation for preparing, executing, and archiving Coverage Orders under the LGCA, including formula-driven settlement calculations aligned with WESM/REM intervals.
- Reporting and Analytics: Neutral, anonymized outputs for position monitoring, settlement summaries, and derived benchmarks, all powered by AECO's proprietary intellectual property (e.g., AECO Models and Patented Frameworks).

At its core, AECO Gemini facilitates efficient, compliant administration of bilateral energy contracts without AECO assuming any commercial, intermediary, or risk-bearing role. It integrates with published market data from the Independent Electricity Market Operator of the Philippines (IEMOP) for reference purposes only, ensuring users maintain full control over negotiations and executions.

2.1 Business Benefits and Purpose

The primary purpose of AECO Gemini is to deliver transformative efficiency in electricity market risk management, automating the end-to-end Tender Offer to Contract (TOTC) process—from quote generation and risk coverage establishment to generation planning and Coverage Order settlement. By leveraging advanced computational models and seamless workflow integration, the platform achieves up to a 100x performance improvement in achieving equivalent risk coverage levels compared to traditional manual methods. This automation minimizes operational silos, reduces human error in complex interval-based calculations, accelerates settlement cycles, and enhances overall portfolio resilience in volatile WESM/REM environments, enabling users to focus on strategic decision-making rather than administrative burdens.

3 MINISTERIAL AND ADMINISTRATIVE ROLE

- AECO's Services are strictly limited to administrative, computational, workflow automation, reporting, and intellectual property licensing functions, as detailed in the Service Agreement schedules.
- AECO is not a counterparty to Coverage Orders under the LGCA and assumes no commercial discretion, risk-taking, or fiduciary responsibility. AECO's "Administrator Role" excludes any authority to act as a broker, intermediary, fiduciary, counterparty, or agent.
- AECO expressly disclaims any role as a broker, intermediary, representative, fiduciary, or exchange operator in both the Service Agreement and LGCA.

4 COVERAGE ORDERS ARE BILATERAL CONTRACTS

- Coverage Orders are bilateral agreements between the Customer and its chosen counterparties under the LGCA, executed independently via authorized signatories or digital platforms (e.g., Adobe Sign).
- All negotiation of terms, commercial discretion, and counterparty selection are performed solely by the Customer or Parties to the LGCA, as affirmed in the agreement recitals.
- Portal "visibility" of counterparties remains informational only; AECO does not match, introduce, solicit, or allocate counterparties.

5 GEMINI PORTAL IS NOT A TRADING VENUE

- The Gemini Portal is expressly defined as not a trading venue, marketplace, securities exchange, or ATS in the Service Agreement and Portal Access Agreement.
- Functions such as model execution (using AECO Models), reporting, or workflow automation are ministerial tools, dependent on licensing of AECO IP (including Patented Frameworks) and Customer-provided data.
- Without such licenses or data, Portal functions are inoperative—reinforcing its role as an administrative platform, not a market infrastructure.

6 FEES ARE ADMINISTRATIVE, NOT BROKERAGE

- Fees are calculated based on volume (MWh), contract complexity, intellectual property licensing of AECO Models and Patented Frameworks, named user licensing, and optional support/training services, as outlined in the Service Agreement fee schedules.
- Fees are not based on contract value, settlement amounts, or market outcomes, thereby avoiding any characterization as commission, brokerage, or performance-based remuneration.
- Complexity tiers and user fees reflect administrative effort only, determined solely by AECO without reference to commercial results.

7 CUSTODY AND SETTLEMENT OUTSIDE AECO

- Collateral and security arrangements are handled by an independent SEC-licensed custodian, appointed jointly under the LGCA.
- Payment obligations under Coverage Orders are settled bilaterally between Customer and counterparty, with AECO transmitting instructions only as a neutral conduit.
- AECO does not provide clearing, settlement, or custodial services, as confirmed in the LGCA provisions on the custodian's fiduciary neutrality.

8 REGULATORY ALIGNMENT UNDER R.A. 8799 AND RELATED LAWS

- Under the Securities Regulation Code (R.A. 8799) and SEC rules:
 - A broker/dealer deals in securities on behalf of others or for its own account.
 - An exchange/ATS provides facilities for bringing together buyers and sellers of securities or facilitating multi-lateral trading.
 - A clearing agency provides settlement, custody, or netting services for securities transactions.
- AECO performs none of these activities. It operates solely as a technology and administrative services provider, outside the licensing perimeter, consistent with its role under the Energy Regulatory Commission (ERC) guidelines for WESM/REM support tools.
- Additional alignment: No involvement in "securities" as defined (e.g., Coverage Orders are financial settlement contracts for energy exposures, not investment contracts). Fees and IP licensing do not constitute "underwriting" or "distribution."

9 RECENT DEVELOPMENTS AND CONFIRMATIONS (AS OF SEPTEMBER 2025)

- WESM/REM Integration: Updated LGCA aligns settlement intervals with IEMOP's 5/30-minute structures, but AECO's computations remain formulaic and non-discretionary.
- Data Privacy and IP: Service Agreement enhancements ensure compliance with the Data Privacy Act (R.A. 10173) for Customer Data processing, with Derived Data remaining AECO IP—non-regulatory for SEC purposes.
- No SEC Precedents Impacted: Recent SEC advisories (e.g., on crypto/derivatives platforms) do not apply, as AECO Gemini involves no public offerings, multi-lateral matching, or tokenized assets.

10 RISK ASSESSMENT MATRIX

To further illustrate AECO Gemini's regulatory positioning, the table below summarizes key SEC-regulated activities, AECO's role, and associated risks under R.A. 8799. This matrix highlights how the platform's design mitigates exposure.

SEC-Regulated Activity	Description under R.A. 8799	AECO's Role in AECO Gemini	Residual Risk Level	Mitigation Rationale
Broker/Dealer Functions	Dealing in securities on behalf of others or for own account (Sec. 3(a)(4)–(5)).	None—AECO provides only administrative tools; no negotiation, execution, or risk assumption.	Low	Bilateral execution by parties; fees non-performance-based.
Exchange/ATS Operations	Facilities for multi-lateral buyer-seller matching or trading (Sec. 3(a)(1)).	None—Portal is informational; no matching or solicitation.	Low	Customer-driven counterparty selection; no order routing.

SEC-Regulated Activity	Description under R.A. 8799	AECO's Role in AECO Gemini	Residual Risk Level	Mitigation Rationale
Clearing/Settlement Services	Custody, netting, or settlement of securities transactions (Sec. 3(a)(23)).	None—Independent custodian handles all; AECO relays instructions only.	Low	SEC-licensed third-party isolation; no AECO fund handling.
Securities Characterization	Coverage Orders as investment contracts or derivatives.	Not applicable—Financial settlements for energy exposures only.	Low	No public offering; bilateral energy hedging, not investment.
Fee Structures	Commissions or underwriting fees implying intermediation.	Administrative only—Based on volume/complexity, not outcomes.	Low	Explicit disclaimers in agreements; aligns with SaaS norms.

Risk Levels: Low = No material SEC exposure; Medium/High would require licensing (none apply here).

11 CONCLUSION

AECO Gemini remains a bilateral contract administration platform that provides only administrative, computational, and IP licensing support under the Service Agreement and LGCA. It does not introduce, match, or intermediate counterparties, does not operate as a trading venue, and does not provide clearing, settlement, or custody. Accordingly, AECO Gemini is not a market and does not require an SEC license under Philippine securities laws as of September 19, 2025.

Note to Recipient: This Briefing Note provides AECO Services Inc.'s analysis of the regulatory positioning of the AECO Gemini platform under Philippine securities laws, based on the current Service Agreement and Master Load and Generation Coverage Agreement (LGCA). It is shared for informational purposes to support your internal review and due diligence.

This document reflects AECO's understanding as of September 19, 2025, and does not constitute legal advice, opinion, or endorsement. We recommend that your legal team independently verifies the analysis in the context of your specific operations and consults with counsel as needed. AECO is happy to discuss this further or facilitate introductions to our regulatory advisors.