



PUBLIC

WESM Manual

# Enforcement and Compliance

Issue 1.0 | WESM-ECM

This manual sets out the approach for enforcement of the obligations of *WESM Members* under the *WESM Rules*, the *Retail Rules* and its *Market Manuals*, and implements Section 7.2 of the *WESM Rules* and related provisions. It sets out specifically the guidelines and procedures for monitoring compliance by *WESM Members* with their obligations under the

*WESM Rules*, the *Retail Rules* and its *Market Manuals*, and in the investigation and imposition of sanctions for breach. It also includes the corresponding authorities and responsibilities of the persons and entities involved in the enforcement processes of the *WESM*. This also sets out the obligations of *WESM Compliance Officers* designated pursuant to the *WESM Rules*.

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In case of inconsistency between this document and the DOE Circulars, the latter shall prevail.

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## Reference Documents

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WESM-PM	WESM Penalty Manual

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## SECTION 1 INTRODUCTION

### 1.1 PURPOSE

- 1.1.1 This Manual sets out the framework and processes by which compliance with the Wholesale Electricity Spot Market (WESM) Rules, Retail Rules and *Market Manuals* governing the market are enforced. It sets out more particularly the processes for monitoring compliance, and for investigation of *breaches* and imposition of corresponding sanctions and penalties, and other consequences of *breach*.

### 1.2 SCOPE OF APPLICATION

- 1.2.1 More specifically, the processes and actions set out in this Manual apply to the enforcement of the following Market Rules –
- a) the *Wholesale Electricity Spot Market Rules*, otherwise known as the *WESM Rules*, and its associated *Market Manuals*; and
  - b) the *Retail Rules for the Integration of Retail Competition and Open Access in the Wholesale Electricity Spot Market*, otherwise known as the *Retail Rules*, and its associated *Market Manuals*.

For this purpose, they shall be collectively referred to as Market Rules in this Manual.

- 1.2.2 The processes set out in this Manual apply to all *WESM Members*, including *Trading Participants*, the *System Operator*, *Market Operator*, as well as, the service providers.
- 1.2.3 The investigation procedures set out in this Manual will also apply in cases where the *Enforcement and Compliance Office* is directed by the PEM Board, Department of Energy (DOE) or the Energy Regulatory Commission (ERC) to conduct investigations for subject matters and purposes involving *WESM Members* and their participation in the WESM, other than what is covered by this Manual and for which no procedures were prescribed.

<b>SECTION 2</b>	<b>DEFINITIONS, REFERENCES AND INTERPRETATION</b>
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## **2.1 DEFINITIONS**

- 2.1.1 All terms and abbreviations used in this Manual that are defined in the *Market Rules* shall have the same meaning as defined in the latter, unless the context otherwise provides or the said term or abbreviation is otherwise defined in the Glossary of this Manual. This shall be regardless of whether or not the term or abbreviation is italicized.
- 2.1.2 Where italicized and unless the context otherwise provides, the term or abbreviation shall have the definition given in the Glossary of this Manual.

## **2.2 REFERENCES**

- 2.2.1 This Manual shall be read in conjunction with the *Market Rules*, including but not limited to the documents listed in the Reference Documents table of this Manual.

## **2.3 INTERPRETATION**

- 2.3.1 Unless otherwise stated in this Manual, the rules of interpretation set out in Chapter 9 of the *WESM Rules* shall also apply to this Manual.



## SECTION 3      LEGAL AND REGULATORY FRAMEWORK

### 3.1 LEGAL BASIS

- 3.1.1      Section 30 of Republic Act No. 9136 expressly provides that the *WESM Rules* shall specify the procedures for, among other things, the surveillance and assurance of compliance of the participants with the Market Rules. The formation of the market's governing body is likewise mandated to be included in the Market Rules as part of the procedures for administering the market.
- 3.1.2      These mandates are reiterated in the EPIRA Implementing Rules and Regulations, or the EPIRA-IRR. The EPIRA-IRR, Rule 9 similarly directs the inclusion in the *WESM Rules* of the procedures for assurance of compliance with the rules among market participants and the formation of a governing body.<sup>1</sup> The same Rule 9 likewise states that the Market Rules shall be formulated as to provide for adequate sanctions in cases of *breaches* of the *WESM Rules*.<sup>2</sup>
- 3.1.3      Pursuant to the legal mandate discussed above, the *WESM Rules* provide for the manner by which they are to be enforced, including particularly the imposition of sanctions for *breach* and the requirements and procedures before sanctions can be imposed.<sup>3</sup> The *WESM Rules* likewise provide for the design and promulgation of a penalty scheme that will be applied in case of *breach*.<sup>4</sup>
- 3.1.4      The *WESM Rules* also expressly provide that *WESM Members*, upon having registered with the *Market Operator* as such, are bound by the *WESM Rules*.<sup>5</sup>
- 3.1.5      Meanwhile, the *Retail Rules* expressly provide that Chapter 1 of the *WESM Rules* shall apply with respect to the governance of the integration of retail competition in the *WESM*, the operations of the *Central Registration Body* and the participation and transactions in the *WESM* of *Suppliers* and *Contestable Customers*.<sup>6</sup> It is also expressly provided that the enforcement of the *Retail Rules* shall also be in accordance with Chapter 7 of the *WESM Rules*.<sup>7</sup>

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<sup>1</sup> EPIRA-IRR, Rule 9, Section 5 (c) (iii)

<sup>2</sup> EPIRA-IRR, Rule 9, Section 5 (b) (iv)

<sup>3</sup> *WESM Rules*, Clause 1.8.1 and Section 7.2

<sup>4</sup> *WESM Rules*, Clause 1.6.3

<sup>5</sup> *WESM Rules*, Clause 2.2.2

<sup>6</sup> *Retail Rules*, Clause 1.5.1

<sup>7</sup> *Retail Rules*, Clause 1.7

## 3.2 ENFORCEMENT OF THE MARKET RULES

- 3.2.1 The *WESM Rules* establish a governance structure for the *WESM* which includes, among other things, a structure for carrying out enforcement and compliance functions. The establishment of such governance structure is pursuant to the EPIRA which, provides that the procedures for administering the market which are to be set out in the *WESM Rules* include the formation of a governing body.<sup>8</sup>
- 3.2.2 In line with this, the *WESM Rules* prescribe the respective mandates of the Philippine Electricity Market Board and the *Compliance Committee* in respect to enforcement and compliance. The *WESM Rules* also provide for the creation of an *Enforcement and Compliance Office* to assist the Board in carrying out its enforcement and compliance functions. The *Enforcement and Compliance Office* is a unit within the Philippine Electricity Market Corporation (PEMC).

## 3.3 SCOPE OF MARKET ENFORCEMENT AND SANCTIONS

- 3.3.1 The sanctions that may be imposed by authority of and the enforcement process prescribed in the *WESM Rules* are for *breaches* of the *Market Rules*. The specific approach to enforcement is described in more detail in Section 5 of this Manual.

## 3.4 ENFORCEMENT ACTIONS UNDER THE *WESM RULES*

- 3.4.1 *WESM Rules* Clause 1.8.1 provides that the Rules are to be enforceable in accordance with its Chapter 7.
- 3.4.2 In addition, however, the *Market Rules* also authorize the *Market Operator* to impose sanctions and penalties for some specific non-compliance or behavior. These specifically pertain to non-compliances with registration and membership requirements by *WESM Members*: defaults in payments and prudential requirements by Trading Participants, and to *breaches* and unethical acts by *Metering Services Providers*. More specifically –
- a) Non-compliances with the *WESM* registration requirements give ground for the *Market Operator* to take punitive action, and the sanctions that can be imposed include suspension or deregistration of the *WESM Member* from the *WESM*.<sup>8</sup>
  - b) Non-compliances pertaining to prudential requirements<sup>9</sup> and to payments to the *Market Operator* are considered as events of default<sup>10</sup> and similarly give grounds for the *Market Operator* to suspend or deregister the erring *WESM Member* from the *WESM*.

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<sup>8</sup> *WESM Manual on Registration, Suspension and De-registration Criteria and Procedures*

<sup>9</sup> *WESM Rules* Section 3.15.5, 3.15.6 and 3.15.10 in relation to Section 3.15

<sup>10</sup> *WESM Rules* Section 3.14.11

- c) *Breach* and unethical act or conduct by a *Metering Services Provider* also gives ground for deregistration of the erring *Metering Service Provider* by the *Market Operator*.<sup>11</sup> The *Market Operator* is also authorized under the *WESM Rules* to develop a process of penalties and sanctions for *Meter Services Provider* whose *meter data* is incorrect beyond reasonable limits.<sup>12</sup>

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<sup>11</sup> *WESM Rules* Clauses 4.7.2 and 4.7.5

<sup>12</sup> *WESM Rules* Clauses 4.7.3, 4.7.4 and 4.7.5 and *Retail Rules* 4.1.3

## SECTION 4 RESPONSIBILITIES

### 4.1 PHILIPPINE ELECTRICITY MARKET BOARD

- 4.1.1 Within the Market, the *PEM Board* shall have the primary authority and responsibility to enforce the *Market Rules*. In this respect, the *PEM Board* shall be responsible for deciding outcomes of investigations that are brought to it, particularly, authorizing the imposition of sanctions for *breach*, unless otherwise delegated, and directing the implementation of any remedial or mitigation measures, pursuant to the procedures set out in this Manual.
- 4.1.2 The *PEM Board* shall exercise its authority to enforce the rules in the manner set out in the *Market Rules*, and in the *WESM Penalty Manual*. It shall carry out this function in conjunction with the *Compliance Committee*, and the *Enforcement and Compliance Office*, which are by themselves granted specific authorities under the *Market Rules*, and the *WESM Penalty Manual*. As such, the *PEM Board* shall not exercise its authority in a manner as to limit the corresponding authority granted to the *Compliance Committee*, and the *Enforcement and Compliance Office*.
- 4.1.3 The *PEM Board* shall meet, deliberate, resolve and vote on the investigations for *breach*, particularly imposition of penalties, sanctions, and remedial measures based on the recommendations of the *Compliance Committee* and results of the investigations by the *Enforcement and Compliance Office*, and all matters pertaining to enforcement and compliance, in the same manner as it meets, deliberates, resolves and votes on matters submitted to or coming within its authority, unless such act of imposing penalties, sanctions and remedial measures is authorized to be carried out by the *Compliance Committee* or the *Enforcement and Compliance Office* under the *WESM Penalty Manual* or other relevant *Market Manuals*. It may, at its discretion, adopt its own internal procedures for handling of investigations and other enforcement- related matters referred to it.

### 4.2 COMPLIANCE COMMITTEE

- 4.2.1 Within the limits set out in this Manual and in addition to its functions as set out in the *Market Rules* and the *Compliance Committee Manual*, the *Compliance Committee* has the following authority and obligation in respect to enforcement of the *Market Rules*. Its enforcement authority includes the authority to:
- a) Review reports of investigations of breaches to the *WESM Rules* and *Market Manuals* carried out by the *Enforcement and Compliance Office* and, based on the results of such investigation, decide on the outcomes of the investigation and recommend imposition of sanctions or penalties if warranted;

- b) Review and monitor the compliance of the *Enforcement and Compliance Office* with the reportorial requirements pursuant to the WESM Rules, Market Manuals, and other applicable laws, rules, regulations, or issuances;
- c) Review and monitor the compliance by the *Market Operator* and the *System Operator* with their obligations pursuant to the *WESM Rules* and *Market Manuals*, or any coordinating or operating agreements, or protocols which may be established governing the performance of their functions and obligations under the *WESM Rules* and *Market Manuals*.
- d) Propose amendments to the WESM Rules or Market Manuals in accordance with chapter 8 with a view to:
  - (i) Improving the efficiency and the effectiveness of the operation of the WESM; and
  - (ii) Improving or enhancing the prospects for the achievement of the WESM objectives;
- e) Assist the *Rules Change Committee* in relation to its assessment of proposals to amend the WESM Rules or Market Manuals under Chapter 8; and
- f) Recommend to the *PEM Board* the imposition of penalties for *breaches* other than those arising from and determined through the compliance monitoring and assessment by *Enforcement and Compliance Office*, and implementation of remedial measures as a consequence of such *breach*, based on outcomes of investigation carried out by the *Enforcement and Compliance Office*.

#### 4.3 ENFORCEMENT AND COMPLIANCE OFFICE

4.3.1 The *Enforcement and Compliance Office* shall assist the *PEM Board* in the enforcement of the *Market Rules*, and shall have the following authority and responsibility –

- a) Administer the WESM enforcement processes, with authority and responsibility that includes, but is not limited to –
  - i. monitoring of compliance amongst *WESM Members*, and, based on the result of its own monitoring and assessment, imposing specified penalties therefor in accordance with the *Market Rules* and the *WESM Penalty Manual*;
  - ii. deciding on a request for reconsideration filed by any *WESM Member* of the findings or results of the compliance monitoring and assessment activities as may be authorized under the *Market Rules* and the *WESM Penalty Manual*;
  - iii. investigating *breach*, submitting the results of its investigations and making recommendations on sanctions and penalties, and remedial measures, as it deems appropriate based on the results of its investigations; and
  - iv. evaluating applications for exemptions and submitting recommendations on possible action on the application, and monitoring implementation of approved compliance plans.

- b) Require from *WESM Members*, the *Market Operator*, and the *System Operator* the submission of data, documents, and other forms of information that it needs in the course of its monitoring and investigation;
- c) Obtain data, documents, and other forms of information that it needs for its monitoring and investigations from persons, agencies, or entities other than those stated in the foregoing paragraph;
- d) Obtain expert advice or technical assistance, and other information from *WESM Governance Committees*, as it deems necessary, to aid in its investigation and monitoring;
- e) Prepare and issue notices, memoranda, and reports in respect of its own functions and authority; and
- f) Assist the *PEM Board* in enforcing approved penalties and sanctions, as well as in implementing *remedial measures*.

4.3.2 The *Enforcement and Compliance Office* shall exercise the foregoing authority and functions under the supervision and control of the *PEM Board*. Neither the *Compliance Committee* nor the Board shall, however, act in such a manner as to prevent, unreasonably delay, or exert undue influence over, the performance by the *Enforcement and Compliance Office* of its functions.

4.3.3 In addition to the foregoing functions, the *Enforcement and Compliance Office* shall also be responsible for:

- a) Continuously developing systems and procedures to deter *breaches* of the *Market Rules* and further evolve enforcement of penalties consistent with the objectives of the *WESM*;
- b) Implementing compliance activities intended to promote consultation and voluntary compliance, to deter *breaches* of the *Market Rules* by *WESM Members* and to further evolve enforcement of penalties consistent with the objectives of the *WESM*;
- c) Assisting the *Market Surveillance Committee* in designing penalty levels and in reviewing and recommending changes, as appropriate, to the *WESM Penalty Manual*;
- d) Serving as primary support unit of the Compliance Committee;
- e) Keeping the *PEM Board* informed on compliance-related matters;
- f) Notifying the *ERC* and the *DOE* of investigations on and confirmed *breaches* by *WESM Members*;
- g) Undertaking other compliance-related activities directed by the *PEM Board*;
- h) Receiving and managing all compliance-related communications such as reports, notices, self-reports, requests for investigations, reports of probable *breach* and complaints;
- i) Maintaining a compliance database in accordance with this Manual, publishing information in the market information website, and disseminating information to various parties;
- j) Performing all other actions required of it under this *Manual*; and

- k) Overall, providing secretariat and technical support to the *PEM Board* in matters pertaining to investigations, and other enforcement and compliance matters.

#### **4.4 PEMC PRESIDENT**

- 4.4.1 The PEMC President shall have the following functions in respect to enforcement and compliance in the market –
  - a) Appoint the *Enforcement and Compliance Office* staff;
  - b) Exercise administrative supervision over the *Enforcement and Compliance Office* and its performance of the duties and responsibilities under this Manual; and
  - c) Issue notices and receive notices or authorize receiving of notices required in this Manual to be issued by or to the *Market Operator* in accordance with internal business processes of PEMC.

#### **4.5 MARKET ASSESSMENT GROUP**

- 4.5.1 The Market Assessment Group shall –
  - a) Make available to the *Enforcement and Compliance Office*, the *Compliance Committee*, and the *PEM Board* its market assessment and monitoring reports and data as well as other market and dispatch data and reports received by it in the course of performing its market monitoring functions; and
  - b) Provide technical assistance or expertise, if so requested, in relation to any investigation or enforcement action being undertaken.

#### **4.6 WESM GOVERNANCE COMMITTEES**

- 4.6.1 Any of the WESM Governance Committees or any of their members shall, if called upon or requested -
  - a) Provide technical expertise or assistance in relation to any investigation or enforcement action being undertaken; and
  - b) Provide or make available its reports, data or information that can aid in any investigation or compliance monitoring being undertaken.
- 4.6.2 If, in the course of the performance of its functions, a WESM Governance Committee or any of its members has reason to believe that a *WESM Member* may have committed a *breach*, it may submit a *request for investigation* in accordance with the procedures set out in this Manual.

#### **4.7 MARKET OPERATOR**

- 4.7.1 The *Market Operator* shall –



- a) Make available to the *Enforcement and Compliance Office*, the *Compliance Committee* and the *PEM Board* data, reports and other information received or generated by it or that comes into its custody in the course of its market operations;
- b) Provide technical assistance or expertise, if so requested, in relation to any investigation or enforcement action being undertaken;
- c) Perform such other functions as may be required of it under this Manual.

4.7.2 If, in the course of the performance of its functions, the *Market Operator* has reason to believe that a *WESM Member* may have committed a *breach*, it may initiate an investigation by submitting a *notice of probable breach* in accordance with the procedures set out in this Manual.

#### 4.8 SYSTEM OPERATOR

4.8.1 The *System Operator* shall, if called upon or requested –

- a) Make available to the *Enforcement and Compliance Office*, the *Compliance Committee* and the *PEM Board* data, reports and other information received or generated by it or that comes into its custody in the course of its operations;
- b) Provide technical assistance or expertise, if so requested, in relation to any investigation or enforcement action being undertaken; and
- c) Perform the actions required of it under this Manual.

4.8.2 If, in the course of the performance of its functions, the *System Operator* has reason to believe that a *WESM Member* may have committed a *breach*, it may initiate an investigation by submitting a *notice of probable breach* in accordance with the procedures set out in this Manual.

#### 4.9 WESM MEMBERS

4.9.1 By having registered in the *WESM*, a *WESM Member* has undertaken to comply, in good faith, with the *Market Rules* and as such, is bound by this Manual and the *WESM Penalty Manual*, and all notices and decisions issued by authority of these manuals.

4.9.2 If called upon or requested, a *WESM Member* shall strictly comply with directives and notices issued in relation to any *enforcement action* and *enforcement proceeding* being carried out.

4.9.3 Any *WESM Member* may initiate an investigation by submitting a *request for investigation* in accordance with the procedures set out in this Manual if it has reason to believe that another *WESM Member* may have committed a *breach*.



## SECTION 5 WESM ENFORCEMENT PROCEEDINGS AND ACTIONS

### 5.1 DEFINITION OF BREACH

- 5.1.1 A non-compliance with the *Market Rules* is categorized as a *breach* if it is of such nature that its occurrence can cause adverse impact on or threaten the efficiency of the scheduling and dispatch processes of the WESM and the ability of the WESM to meet its objectives. In these cases, ensuring the efficiency of the WESM and prevention of any adverse impact to either the market or the power system is more important.
- 5.1.2 More specifically, the non-compliances that are categorized as *breaches* covered by *enforcement* under this Manual are as follows –
- a) Non-compliances with the *Market Rules* which are specified as *breach* in and are subject of sanctions under the *WESM Penalty Manual*; <sup>13</sup> and
  - b) Non-compliances with provisions of the *Market Rules* which are expressly provided as subject to sanctions under said provisions of the *Market Rules* although they may not be specifically listed in the *WESM Penalty Manual*.
- 5.1.3 Any *enforcement action* taken under this Manual does not imply enforcement of the Philippine Grid Code, the Philippine Distribution Code, other rules and regulations which likewise govern or regulate the WESM or the *WESM Members*, and therefore does not prejudice and is likewise not prejudiced by the taking of any action authorized under such codes, rules and regulations. This is notwithstanding that such codes, rules and regulations also impose sanctions on the same acts or omissions that constitute a *breach* of the *Market Rules* or *Market Manuals* as defined above.

### 5.2 ENFORCEMENT PROCEEDINGS

- 5.2.1 WESM *enforcement proceedings* refer to the activities or processes that are carried out to establish and determine the occurrence of *breach* and the corresponding *enforcement action* that will be carried out as a consequence of the *breach*. These include the processes for compliance monitoring and assessment, investigation for *breach* and imposition of *enforcement actions*. The timeline and the entities responsible and/or accountable for the *enforcement proceedings* are summarized in Appendices I and II of this Manual.
- 5.2.2 **Compliance monitoring and assessment**, as described in this Manual, is an integral part of *enforcement proceedings* in the WESM. Compliance monitoring under this Manual shall be carried out by the *Enforcement and Compliance Office* and shall be primarily for the purpose of determining the occurrence of *breach* of

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<sup>13</sup> See *WESM Penalty Manual*.

the *Market Rules*. Assessment is done by taking into consideration all the relevant and verified market data and information from the *Market Operator*, the *System Operator*, the *WESM Members*, among others, with the end in view of determining the appropriate *enforcement actions*, if warranted. The compliance monitoring and assessment carried out for other purposes, such as for measuring performance standards or for audit compliance or for market assessment and surveillance, is not covered or restricted by this Manual.

- 5.2.3 **Investigations for breach committed by WESM Members** may be initiated by the *Enforcement and Compliance Office*, from a *notice of probable breach* by the *Market Operator* or the *System Operator*, or by *request for investigation* from other *WESM Members* or *WESM Governance Committees*. Investigation may also be initiated from the directive of the *PEM Board*, *DOE* or *ERC*. This is carried out by the *Enforcement and Compliance Office* which shall afford the party being investigated sufficient opportunities to respond to the investigation. Investigation reports of the *Enforcement and Compliance Office* are reviewed by the *Compliance Committee*. The results of the investigation, as reviewed, are then submitted to the *PEM Board*, which has the authority to impose sanctions and penalties, and to require that remedial measures be carried out.
- 5.2.4 **Investigation of the Market Operator and the System Operator.** The investigation of the *Market Operator* and the *System Operator* by the *Enforcement and Compliance Office* shall be in accordance with the relevant provisions of the *Enforcement and Compliance Manual*. The *PEM Board*, as it may deem necessary, may thereafter file a formal complaint with the *ERC* and the *DOE*.
- 5.2.5 **Imposition of specified penalties** by the *Enforcement and Compliance Office*, as may be authorized by the *Market Rules* and the *WESM Penalty Manual*, is carried out if a breach is determined after the concerned *WESM Member* is afforded adequate opportunities to respond to the initial finding of probable breach. This is imposed upon finding of breach as a result of compliance monitoring and assessment, as initiated by the *Enforcement and Compliance Office*.
- 5.2.6 **Imposition of sanctions and penalties** by the *PEM Board* is carried out in the accordance with the *WESM Penalty Manual* and is based on the recommendations of the *Compliance Committee*. The latter submits recommendations based on its findings of facts on an investigation which, in turn, is based on its review of the results of the investigations by the *Enforcement and Compliance Office*. The investigations referred to herein are those initiated in accordance with Section 7.3.1 of this Manual.
- 5.2.7 **Imposition of Penalties on the Market Operator and the System Operator.** The penalty for breach of the *Market Rules* by the *Market Operator* or the *System Operator* shall be determined and imposed by the Energy Regulatory

Commission based on the results of the investigation by the *Enforcement and Compliance Office* and the formal complaint of the PEM Board.

- 5.2.8 **Implementation of remedial measures** can be prescribed by the *Enforcement and Compliance Office* or the *Compliance Committee* as provisional measures while an investigation for *breach* is ongoing. Final remedial measures are determined and imposed by the *PEM Board* based on the outcomes of an investigation.

### 5.3 ENFORCEMENT ACTIONS FOR BREACH

- 5.3.1 **Enforcement actions** are the actions that can be authorized to be done as consequences of a *breach*. These include the imposition of sanctions and penalties or requiring implementation of remedial measures. In appropriate cases, filing of a complaint or petition to initiate regulatory action may also be authorized.
- 5.3.2 **Financial and non-financial penalties.** The financial and non-financial penalties that can be imposed for *breaches* covered by this Manual are those set out in the *WESM Penalty Manual*.
- 5.3.3 **Remedial measures.** To ensure continuing compliance, to prevent recurrence of *breach*, or to prevent or mitigate adverse impact on the market or the power system, it may be necessary to require a *WESM Member* to take remedial measures. Such measures may be required to be implemented before, during and after an investigation. The remedial measures that can be imposed shall be determined on a case by case basis, and may be directed by either the *Enforcement and Compliance Office*, the *Compliance Committee* or the *PEM Board*, depending on which stage of the process the measure is required to be carried out.
- 5.3.4 **Initiation of regulatory action.** In cases of *breach* by the *System Operator* or the *Market Operator*, the *PEM Board* may initiate a complaint with the *ERC* and *DOE* if either party fails to rectify the *breach* or the *breach* is incapable of rectification.

## SECTION 6      PROCEDURES FOR COMPLIANCE MONITORING AND ASSESSMENT

### 6.1 GUIDING PRINCIPLES

- 6.1.1      The *Enforcement and Compliance Office* shall regularly monitor compliance by *WESM Members* with the *Market Rules* to determine if an act or omission that may constitute probable *breach* covered by this Manual may have been committed. The monitoring shall cover all *WESM Members* and all categories of *breach* described in Section 5.1 as covered by the *enforcement* process set out in this Manual.
- 6.1.2      The *Enforcement and Compliance Office* shall carry out compliance monitoring and assessment by examining readily available and verifiable market and dispatch data and reports and such other information it can obtain from the *DOE* and the *ERC* and their attached agencies or offices, and other government agencies with jurisdiction over the *WESM Member* or its operations.
- 6.1.3      The *Enforcement and Compliance Office* shall, for this purpose, establish a detailed process or procedure of compliance monitoring and assessment and prescribe a reply format or template that may be accomplished by the *WESM Member* as part of the monitoring process. In developing the procedure, the *Enforcement and Compliance Office* shall ensure that the right of the *WESM Member* to due process shall be protected by giving them adequate time and opportunity to respond to any allegations of probable *breach* of the *Market Rules*, and to be informed of the results of the compliance monitoring and assessment.
- 6.1.4      If, as a result of its compliance monitoring and assessment, and after taking into account all the market data and information cited in Section 6.4.1, the reasons provided by the concerned *WESM Member* and all the supporting documents submitted in relation thereto under Section 6.3.2, the *Enforcement and Compliance Office* determines that there is a *breach* committed by a *WESM Member*, and shall issue the *Notice of Specified Penalty* through the PEMC President in accordance with the *WESM Penalty Manual*. Where remedial measures are required, it shall cause the implementation of the same in accordance with Section 7.1.5.
- 6.1.5      A *WESM Member* may seek a reconsideration or appeal of the findings contained in the compliance monitoring and assessment report in accordance with the procedures and subject to the requirements provided in the *WESM Penalty Manual*.

### 6.2 FLAGGING OF PROBABLE BREACH

- 6.2.1      The *Enforcement and Compliance Office* shall conduct the daily initial compliance monitoring of the breach of the *Market Rules*. The notice of non-compliance will be sent to the concerned *WESM Members* through their

respective *WESM Compliance Officers* on a daily basis or in such frequency as may hereafter be set by the *WESM Rules* or other *Market Manuals*.

- 6.2.2 The flagging or the notification of the probable breach can be implemented or satisfied through a system that automatically checks for non-conformance.

### **6.3 SUBMISSION OF REPLY AND SUPPORTING DOCUMENTS**

- 6.3.1 The *WESM Member* shall have three (3) business days from receipt of the non-compliance notice or flagging of probable breach to respond thereto.
- 6.3.2 The explanations of the *WESM Member* shall be accompanied by supporting documents. If the information indicated in the reply is/are incomplete or not supported by appropriate and relevant supporting documents, the *Enforcement and Compliance Office* shall immediately coordinate with the contact person or authorized representatives of the concerned trading participants to address the lack of information or supporting documents.
- 6.3.3 If the *WESM Member* fails or refuses to submit or provide to the *Enforcement and Compliance Office* any information in its possession or known to it during the compliance monitoring, the *Enforcement and Compliance Office* shall proceed with the assessment of compliances as set forth in the succeeding section based solely on the available data or information.

### **6.4 VALIDATION AND ASSESSMENT**

- 6.4.1 The *Enforcement and Compliance Office* shall, on a daily basis, conduct validation, verification, and assessment of the compliances by the *WESM Member* by taking into account the submissions of the *WESM Members*, the data and information provided by or obtained from the *Market Operator*, the *System Operator*, and other agencies or entities, as may be applicable.
- 6.4.2 The *Enforcement and Compliance Office* may, from time to time, require the *WESM Member* to submit additional documents or information to clarify the reasons or explanations provided by the latter.
- 6.4.3 The *Enforcement and Compliance Office* shall complete its validation and assessment of a specific billing or monitoring period by the 15<sup>th</sup> of the month following the month subject of the monitoring unless a different period of monitoring and assessment is hereafter set by the *Market Manuals* or due to unforeseen events or incidents which are beyond the control of the *Enforcement and Compliance Office*.
- 6.4.4 The *Enforcement and Compliance Office* shall maintain a compliance database that contain all the files and documents used in relation to its monitoring and assessment activity.

## 6.5 ISSUANCE OF REPORT

6.5.1 The *Enforcement and Compliance Office* shall, based on the available market data at the time of the assessment, prepare the compliance monitoring and assessment report which shall:

- a) contain or provide, among others, a finding whether the concerned *WESM Member* is compliant with the *Market Rules*;
- b) contain or provide the penalty amounts, if any, as a result of the finding of breach;
- c) cover one billing month unless a different period or duration is set by other *Market Manuals*;
- d) be issued to the concerned *WESM Member* with respect to each facility or plant that is subject of monitoring, as applicable; and
- e) be issued not later than the 15<sup>th</sup> day of the month following the month subject of the monitoring. For instance, the monitoring covers the September billing month, the report shall be issued not later than 15 October.

6.5.2 If there is a finding of breach by the *Enforcement and Compliance Office* based on its validation and assessment, the report shall likewise be accompanied by a *Notice of Specified Penalty*. The service of *Notice of the Specified Penalty* and the effect thereof, including the collection of penalties, are provided in the *WESM Penalty Manual*.

## 6.6 RECONSIDERATION AND/OR APPEAL

6.6.1 The filing of Request for Reconsideration or Appeal, the grounds, formal requirements, and resolution or decision thereon are set forth in the *WESM Penalty Manual*.

## 6.7 ISSUANCE OF NOTICE OF SPECIFIED PENALTY

6.7.1 The *Notice of Penalty* shall be issued by the *Enforcement and Compliance Office* through PEMC President in accordance with the *WESM Penalty Manual*.



## SECTION 7 PROCEDURES FOR INVESTIGATION AND REVIEW

### 7.1 GUIDING PRINCIPLES

- 7.1.1 Investigations under this Manual refer to investigations which emanate from the request for investigations or notice of probable breach filed by the *Market Operator*, the *System Operator*, or other *WESM Members*. These do not include any monitoring activities initiated by the *Enforcement and Compliance* itself which are already being dealt with under the preceding Section of this Manual.
- 7.1.2 Notwithstanding the provision of Sections 5.2.3 and 7.1.1, the *Enforcement and Compliance Office* may, *motu proprio*, initiate investigation if it has reasonable grounds to believe that a particular act or omission by any *WESM Member*, *Market Operator*, or *System Operator* constitutes a probable breach of the *Market Rules*, and which is not otherwise included or covered by the compliance monitoring activities referred to in Chapter 6 of this Manual.
- 7.1.3 The investigations under this Manual are inquisitorial and the proceedings are summary in nature and are not carried out in an adversarial manner. For this purpose, the *Enforcement and Compliance Office* has the authority to obtain information and technical or expert advice from various sources, including but not limited to the *Market Operator*, *System Operator*, the various *WESM Governance Committees*, and other entities and agencies to aid in its investigation. This authority notwithstanding, it is the responsibility of the party being investigated to ensure that all information in its possession are made available for the investigation. If the party investigated fails to present or provide to the *Enforcement and Compliance Office* any information in its possession or known to it during the formal investigation, such party is deemed to have waived the presentation of such information and the same may not thereafter serve as basis for review of the results of the investigation of the *Enforcement and Compliance Office*.
- 7.1.4 An investigation shall be carried out in a manner that ensures that all parties concerned are given the opportunity to be heard. This requirement shall be fulfilled by strict compliance with the procedures set out in this Manual.
- 7.1.5 Sanctions or penalties may be imposed and remedial measures may be implemented after an investigation or upon finding of a probable breach as a result of the compliance monitoring and assessment carried out by the *Enforcement and Compliance Office* in accordance with this Manual.
- 7.1.6 No dispute resolution proceeding may be initiated upon the results of an investigation, including the findings of fact, the determination of whether a *breach* has been committed, and the sanctions, penalties and remedial measures imposed, and any and all actions taken by the *Enforcement and Compliance Office*, *Compliance Committee*, and *PEM Board* in respect to an investigation.

- 7.1.7 Investigations shall be initiated within two (2) years from occurrence of the act or omission constituting the probable *breach*. For example, investigation of an event occurring on 01 January 2014 shall be initiated not later than 01 January 2016 which is the end of the two-year period.
- 7.1.8 Unless the *PEM Board* authorizes a longer period, the *Enforcement and Compliance Office* shall complete an investigation of a case and submit its investigation report as set out in Section 7.7 not later than twenty-four (24) months from the issuance of the *notice investigation*. The *PEM Board*, at its discretion and on written request by the *Enforcement and Compliance Office*, may allow a longer period for an investigation to be completed if it is satisfied that the right of the parties investigated to due process will be prejudiced if a longer period is not allowed. Where a case is remanded pursuant to Section 7.10 and, for this reason, the *Enforcement and Compliance Office* is unable to complete the investigation within the twenty-four-month period, the *PEM Board* shall, upon request of the latter, allow a longer period for the investigation to be completed.

## 7.2 INITIATION OF INVESTIGATION

- 7.2.1 An investigation is initiated upon the endorsement to the *Enforcement and Compliance Office* of a report of probable breach or a *request for investigation* on the WESM Member that is subject of the investigation or upon a directive from the *PEM Board*, the *DOE* or *ERC*. The related procedures on investigation, such as, issuance of notice of investigation, submission by the parties, conduct of ocular inspections, and implementation of the decisions, set forth in Sections 7.3 to 7.12 of this Manual shall apply.
- 7.2.2 A *notice of investigation* shall be issued upon either one of the following –
- a) A *report of probable breach* submitted by the *System Operator* or the *Market Operator*; or
  - b) A *request for investigation* submitted by any *WESM Governance Committee* or any *WESM Member*; or
  - c) A directive from the *PEM Board*, *DOE* or *ERC* specifically directing investigation for *breach* for possible imposition of sanctions under the *WESM Rules* or the *WESM Penalty Manual*; or
  - d) Initiation of investigation by the *Enforcement and Compliance Office* in accordance with Section 7.1.2 of this Manual.
- 7.2.3 If the *Market Operator* or the *System Operator* monitors the occurrence of probable *breach* by a *WESM Member*, it may submit to the *Enforcement and Compliance Office* a *report of probable breach*. This shall be in writing and shall clearly specify, at the minimum, –
- a) the type of *breach* and the rule or *Market Manual* alleged to have been *breached*;
  - b) the specific acts or omission constituting the possible *breach*;



- c) the *WESM Member* involved;
- d) the generating unit or customer facility involved; and
- e) the periods, specifying if applicable the trading dates and trading intervals, in which the act or omission occurred.

7.2.4 If a *WESM Governance Committee*, *WESM Member* or any party believes that a *breach* may have been committed by any *WESM Member*, it may submit a *request for investigation* to the *Enforcement and Compliance Office*. This shall be in writing and shall clearly specify, at the minimum –

- a) the party submitting the request, with complete contact details;
- b) the type of *breach* and the rule or *Market Manual* alleged to have been *breached*;
- c) the specific act or omission constituting the possible *breach*;
- d) the *WESM Member* involved;
- e) the generating unit or customer facility involved; and
- f) the periods, including if applicable the trading dates and trading intervals, in which the act or omission occurred.

7.2.5 A *request for investigation* or *report of probable breach* may cover more than one occurrence of the same type of *breach*. Where the acts or omission constituting the probable *breach* occurs several times over one *WESM* billing period, the *report of probable breach* or *request for investigation* shall, to the extent practicable, cover all occurrences for at least one billing period. Submission shall be made within such period as to allow the *Enforcement and Compliance Office* reasonable period within which to initiate an investigation within the two-year period prescribed in Section 7.1.7. In any case, no investigation can be initiated two (2) years after the occurrence of the act or omission regardless that the *request for investigation* or the *report for probable breach* was submitted before the lapse of the two-year period.

7.2.6 Immediately upon receipt of the *report of probable breach* or *request for investigation*, the *Enforcement and Compliance Office* shall determine whether the specific acts or omissions referred to are already covered in a formal investigation it has or intends to initiate as a result of its compliance monitoring under Section 6.2. If so included, it shall notify the party submitting the *report of probable breach* or *request for investigation* that an investigation has been or will be initiated and that no separate investigation shall thus be initiated.

7.2.7 If the *request for investigation* or *report of probable breach* is not covered by a formal investigation initiated or intended to be initiated, the *Enforcement and Compliance Office* shall verify if the same substantially contains the information required in Section 7.2.4 or 7.2.5. If not, it shall return the same to the requesting party which shall then rectify the identified shortcomings and submit a new *request for investigation* or *report of probable breach* no later than five (5) business days from receipt of the notice from the *Enforcement and Compliance Office*. If no revision is received within the five-day period, the matter shall be

deemed abandoned and no investigation shall be initiated upon such request or report.

- 7.2.8 If the *Enforcement and Compliance Office* determines that the *request for investigation or report of probable breach* is complete, it shall immediately initiate a formal investigation in accordance with this *Manual*. The *Enforcement and Compliance Office* shall not unreasonably withhold confirmation or delay any action required in this paragraph.
- 7.2.9 Where the conduct of an investigation is directed by the *PEM Board*, *DOE* or *ERC*, the *Enforcement and Compliance Office* shall initiate formal investigation in accordance with this *Manual* no later than ten (10) working days from receipt of the order, resolution, decision or any such other document containing the directive, unless a different period is directed.
- 7.2.10 The directive from the *PEM Board*, *DOE* or *ERC* to conduct an investigation will be carried out in accordance with this *Manual* only if the directive clearly specifies that the investigation is for the purpose of a possible imposition by the *PEM Board* of sanctions and penalties pursuant to the *WESM Penalty Manual* or the *WESM Rules*. Where the investigation directed is not for such purpose or is for fact-finding purposes only, the investigation shall be carried out in accordance with the directive. In such case, the procedures set out in this *Manual* shall only have suppletory effect.
- 7.2.11 Where the *Enforcement and Compliance Office* is uncertain as to whether or not the *PEM Board*, *DOE* or *ERC* directive is clearly for the conduct of an investigation under this *Manual*, it shall seek clarification of the same and the period stated in Section 7.2.8 shall be reckoned from the date that the clarification has been received by *Enforcement and Compliance Office*.
- 7.2.12 If the acts or omissions required to be investigated by the *PEM Board*, *DOE* or *ERC* are already covered, in whole or in part, by an investigation or by the compliance monitoring and assessment activity already initiated or intended to be initiated by the *Enforcement and Compliance Office*, it may, if appropriate, consolidate or integrate the data or information used in the compliance monitoring, or the results thereof, in the investigation so that no overlapping investigations or monitoring activities shall be carried out, and shall notify the agency directing the investigation and the parties being investigated of such consolidation or the results of the previous compliance monitoring and assessment. If necessary, an amended *Preliminary Notice of Investigation* shall be issued.

### 7.3 NOTICE OF INVESTIGATION

- 7.3.1 The *Preliminary Notice of Investigation* shall be issued to and served on the *WESM Member* that will be investigated within five (5) business days from receipt of the endorsement of request for investigation or directive from the *PEM Board*,

DOE or ERC, as the case may be, and shall clearly state, at the minimum, the following –

- a) type of *breach* alleged to have been committed and the provision of the *Market Rules* alleged to have been *breached*;
- b) acts or omission constituting the possible *breach*;
- c) generation or customer facility or resource involved; and
- d) time or trading interval and the trading day when the possible *breach* occurred.

7.3.2 If the investigation is initiated upon a *report of probable breach, request for investigation* or *PEM Board, DOE or ERC* directive, but is already covered or is being covered by the compliance monitoring by the *Enforcement and Compliance Office*, the *notice of investigation*, in addition to the requirement set in the immediately preceding paragraph, shall also state the market and dispatch data and report which served as bases for the initiation of the investigation and upon which a verification of the contents of the notice can be made.

7.3.3 If the investigation is initiated upon a *report of probable breach, request for investigation* or *PEM Board, DOE or ERC* directive, copies of the same shall be attached to the *notice of investigation*.

7.3.4 Copies of the *notices of investigation* shall be furnished to the party that submitted the *request for investigation* or *report of probable breach*, as well as to the *PEM Board, DOE or ERC*.

#### 7.4 SUBMISSION BY PARTIES

7.4.1 The *WESM Member* being investigated shall submit its reply to the investigation within ten (10) working days from receipt of the *notice of investigation*.

7.4.2 The reply shall clearly state the party's explanations and the relevant data, records and other documents to support the explanations. To ensure completeness of the reply, the *Enforcement and Compliance Office* may prescribe a reply format or template. Copies of all supporting data, records and other documents duly certified by the custodian of such data, records or documents shall be submitted with the reply.

7.4.3 The *WESM Member* being investigated may submit additional or supplemental reply, data, documents or records to the *Enforcement and Compliance Office* at any time before completion of investigation as referred to Section 7.7 of this Manual.

7.4.4 If the investigation was initiated upon a *request for investigation*, the party that submitted the *request for investigation* may submit additional information to the *Enforcement and Compliance Office*, with copies furnished to the *WESM*

*Member* being investigated, within ten (10) working days from its receipt of the copy of the *notice of investigation*.

- 7.4.5 The *Enforcement and Compliance Office* may, at its discretion, request for the submission of additional explanations, data, records, or other documents from the party investigated or the party that requested the investigation. The request shall be issued in writing and shall state the period within which the same should be submitted which shall not be less than five (5) working days from receipt of the request. The party so directed shall comply with any request for additional submission.
- 7.4.6 The party that fails to submit its reply and/or any additional submission within the periods stated is deemed to have waived its right to submit its reply or additional submission.
- 7.4.7 If the investigation was initiated upon a *request for investigation*, copies of all submissions by the parties shall be furnished to the party that submitted the *request for investigation* or the *WESM Member* being investigated, as applicable. The responsibility to furnish copies shall be that of the party making the submission.

## **7.5 CONFERENCES AND OCULAR INSPECTIONS**

- 7.5.1 Conferences and ocular inspections of facilities involved in the investigation may be conducted upon discretion of the *Enforcement and Compliance Office* through appropriate notice to the party or upon request of the party being investigated. Said notice or request shall specify the desired date and time of the activity.

## **7.6 REQUEST FOR INFORMATION AND TECHNICAL ADVICE**

- 7.6.1 For the purpose of obtaining comprehensive information to aid in its investigation, the *Enforcement and Compliance Office* has the authority to –
- a) Request information from the *System Operator*, the *Market Operator*, or other *WESM Members*, regardless that they are not parties to the investigation;
  - b) Request from the *Market Assessment Group* any information that may be in its possession as a result of the exercise of its monitoring and assessment functions; and
  - c) Request information or data from the *DOE*, the *ERC*, and other government agencies that have jurisdiction over the *WESM Member* or the *WESM*.
- 7.6.2 The *Enforcement and Compliance Office* may also request the *Market Operator* or the *System Operator*, or any *WESM Governance Committee* other than the *Compliance Committee*, to provide technical or expert advice on any issues that is subject of or relevant to an investigation.

## 7.7 COMPLETION OF FORMAL INVESTIGATION

- 7.7.1 The formal investigation shall be completed not later than one hundred fifty (150) business days from the receipt of the request for investigation as endorsed by the requesting party.
- 7.7.2 An *investigation report* shall be issued on or before the end of the period referred to in the preceding paragraph. It shall clearly set out the following –
- d) Summary of preliminary matters and procedures carried out in the investigation, from the initiation of the investigation to the completion of the formal investigation;
  - e) List of information considered in the investigation and upon which the findings of fact are based, and the sources of such information;
  - f) Findings of fact relating to the *breach*, as admitted by the parties or determined in the course of the investigation;
  - g) Assessment and opinion, and the basis therefor;
  - h) On the basis of its findings, assessment and opinion, determination of the existence or non-existence of a *breach*;
  - i) Recommended penalties or sanctions, if existence of a *breach* is confirmed; and
  - j) Recommended remedial measures and other *enforcement actions*, as it deems appropriate under the circumstances of the case.
- 7.7.3 Copies of the data, records, reports and other documents relied upon and examined in the investigation and which served as bases for the findings, assessment and recommendations of the *Enforcement and Compliance Office* shall be made as annexes of the investigation report.
- 7.7.4 The investigation report and its annexes shall be submitted by the *Enforcement and Compliance Office* to the *Compliance Committee* by serving copies of the same to each committee member.

## 7.8 REVIEW OF INVESTIGATION

- 7.8.1 The *Compliance Committee* shall review all investigation reports submitted by the *Enforcement and Compliance Office* on its next scheduled meeting after the receipt of the investigation report. The review report of the *Compliance Committee* shall be submitted to the *PEM Board* together with the investigation report of the *Enforcement and Compliance Office* within thirty (30) business days upon receipt of the investigation report.
- 7.8.2 The review report of the *Compliance Committee* shall clearly state whether it agrees or disagrees with the investigation report of the *Enforcement and Compliance Office* and the basis therefor. The *Compliance Committee* may likewise recommend to the *PEM Board* that the case be remanded to the *Enforcement and Compliance Office* for further investigations.

## **7.9 DECISION**

- 7.9.1 The *PEM Board* shall, within thirty (30) working days from receipt of the review report of the *Compliance Committee*, render a decision approving, disapproving or modifying the sanctions, remedial measures, and other recommendations or remanding the case to the *Enforcement and Compliance Office* for further investigation.
- 7.9.2 The copy of the *PEM Board* decision on the investigation, accompanied by a copy of the Investigation Report of the *Enforcement and Compliance Office*, and the Review Report of the *Compliance Committee*, upon which the decision is based, shall be provided to the concerned trading participant or the party being investigated.

## **7.10 REMAND OF CASES**

- 7.10.1 If a case is remanded to the *Enforcement and Compliance Office* by the *PEM Board*, it shall rectify the identified shortcomings or carry out further investigation and revise its investigation report accordingly, in accordance with the procedures set out in this Section.
- 7.10.2 Within five (5) working days from receipt of the notice of the remand, the *Enforcement and Compliance Office* shall notify the party investigated of the remand and the reasons therefor. If the investigation was initiated upon a *request for investigation* or a *notice of probable breach*, the parties that submitted the same shall likewise be notified of the remand.
- 7.10.3 The *Enforcement and Compliance Office*, as it deems appropriate, may conduct conferences and ocular inspections; require submission of market data and reports from the *Market Operator* or the *System Operator*, or the *Market Assessment Group*, or other *WESM Members*; request technical assistance from the *Market Assessment Group*, the *Market Operator*, the *System Operator* or any *WESM Governance Committee*; or require additional submissions from the party being investigated. These shall be carried out following the applicable procedures set out Sections in 7.4.5, 7.5.1, and 7.6.
- 7.10.4 The *Enforcement and Compliance Office* shall submit a revised investigation report to the *PEM Board* within thirty (30) business days from remand of the case. The revised investigation report shall clearly set out the procedures undertaken and the changes in the findings, assessment and recommendations.

## **7.11 REQUEST FOR RECONSIDERATION OF THE PEM BOARD DECISION**

- 7.11.1 The filing of any request for reconsideration of the *PEM Board* Decision shall be governed by the relevant provisions of the *WESM Penalty Manual*.



## 7.12 NOTICE AND IMPLEMENTATION OF THE *PEM BOARD* DECISION

- 7.12.1 The decision or resolution of the *PEM Board* becomes final and executory, and is binding on the parties to the investigation –
- a. upon the lapse of the period within which to file a request for reconsideration as set forth in the *WESM Penalty Manual*, and no request for reconsideration was filed; or
  - b. upon issuance of the resolution on the Request for Reconsideration by the *PEM Board*.
- 7.12.2 Upon finality of the decision or resolution of the *PEM Board* Decision, the *PEM Board*, through its Corporate Secretary, shall immediately notify the *Enforcement and Compliance Office*, the *Compliance Committee* and the concerned parties of its decision or resolution. The Corporate Secretary of the *PEM Board* shall issue a certification of the relevant resolution or the excerpt of the minutes of the meeting of *PEM Board*.
- 7.12.3 The *Enforcement and Compliance Office* shall thereafter take the following actions –
- a) Issue a notice of penalty to the party investigated in accordance with the requirements provided in the *WESM Penalty Manual*.
  - b) Provide a copy of the notice to the Market Operator to cause the billing and collection of the amount due.
  - c) Where remedial measures are required, cause the implementation of the same in accordance with Section 7.14.
  - d) Notify the *Compliance Committee*, ERC, and DOE of the action taken on the investigation. The notification submitted shall serve as a compliance with the obligation of the *PEM Board* set out in *WESM Rules* Clause 1.4.5.1 (e).

## 7.13 INVESTIGATION OF THE *MARKET OPERATOR* AND THE *SYSTEM OPERATOR*

- 7.13.1 Any provision in this *Manual* to the contrary notwithstanding, the investigation of the *System Operator* or the *Market Operator* for probable *breach* of the *Market Rules* shall be carried out in accordance with Sections 7.3 to 7.10.
- 7.13.2 A *WESM Member* or the *WESM Governance Committee* that has reasonable grounds to believe that the *Market Operator* or the *System Operator* may be in *breach* of the *Market Rules* shall submit a notice to the *PEM Board* of the probable *breach*.
- 7.13.3 The notice shall be submitted within such period as to allow the *Enforcement and Compliance Office* reasonable period within which to initiate an investigation within the two-year period prescribed in Section 7.1.7. No investigation can be

initiated two (2) years after occurrence of the act or omission regardless that the notice was submitted prior to the lapse of the two-year period.

- 7.13.4 The notice to be submitted to the *PEM Board* shall be in writing and shall clearly set out the –
- a) the specific provision of the *Market Rules* alleged to have been breached;
  - b) the specific acts or omissions constituting the possible *breach*; and
  - c) the periods, specifying if applicable the trading dates and trading intervals in which the act or omission occurred.
- 7.13.5 Upon receipt of the notice, the *PEM Board* shall verify if the same substantially contains the information required in the preceding section. If not, it shall return the same to the requesting party which shall then rectify the shortcomings and submit a new notice no later than five (5) working days from the receipt of the notice from the *PEM Board*. If no revision is received within the five-day period, the matter shall be deemed abandoned and no investigation shall be initiated upon such notice.
- 7.13.6 Upon determination by the *PEM Board* that the *Market Operator* or the *System Operator* may have committed a probable breach, it shall notify the *Enforcement and Compliance Office* to initiate an investigation.
- 7.13.7 The *Enforcement and Compliance Office* shall commence the investigation by issuing the *notice of investigation* to the *System Operator* or the *Market Operator*, as applicable. The *notice of investigation* shall be issued in the same manner as provided for in Section 7.3.
- 7.13.8 The *System Operator* or the *Market Operator* shall submit its reply within the same period and the same manner as provided for in Section 7.4.
- 7.13.9 The formal investigation shall be conducted by the *Enforcement and Compliance Office* in the same manner as set out in Sections 7.5 to 7.7, as these are applicable. After the *Enforcement and Compliance Office* completes its investigation, it shall prepare an investigation report clearly setting out the matters required in Sections 7.7.2 and 7.7.3, and submit the same to the *Compliance Committee* in accordance with Section 7.7.4.
- 7.13.10 The *Compliance Committee* shall review the investigation report submitted by the *Enforcement and Compliance Office* and submit its investigation review report to the *PEM Board* in accordance with Section 7.8.
- 7.13.11 Upon the results of the investigation, the *PEM Board* shall determine whether a *breach* has been committed. If it determines that a *breach* has been committed, it shall determine the remedial measures that should be carried out by the *System Operator* or the *Market Operator* to rectify the *breach*, prevent its recurrence or



mitigate its impact. If it determines that no *breach* has been committed, it shall direct the closure of the investigation.

- 7.13.12 The copy of the decision of the *PEM Board* shall be provided to the concerned parties, and implemented in the same manner as that set out in Section 7.9.
- 7.13.13 If remedial measures are required to be implemented, the *Enforcement and Compliance Office*, the *Compliance Committee*, or the *PEM Board* shall cause the notification thereof to the concerned parties in accordance with Section 7.14. If the *breach* is not remedied or the remedial measures are not implemented in full or in part, the *PEM Board* may file a formal complaint to the *ERC* and the *DOE*.

## 7.14 REMEDIAL MEASURES

- 7.14.1 Remedial measures are tasks or actions that are required of a *WESM Member* being investigated or found in *breach* for the purpose of mitigating or preventing the adverse impact of *breach* or to prevent recurrence of the *breach*. They may be required when the act or omission subject of the investigation may –
- a) Negatively impact trading in the *WESM* and would likely prevent orderly and efficient trading or settlement;
  - b) Lead to unfair or unreasonable *WESM* prices;
  - c) Cause material negative impact on the viability and sustainability of the *WESM* or the functions of the *Market Operator* if not immediately remedied; or
  - d) Cause material negative impact on the system or the functions of the *System Operator* if not immediately remedied.
- 7.14.2 It is understood, however, that compliance by a party investigated with remedial measures that were required while an investigation or the compliance monitoring and assessment is still pending is not deemed an admission of the *breach*.
- 7.14.3 A *WESM Member* may be required to implement remedial measures by the *Enforcement and Compliance Office*, the *Compliance Committee* or the *PEM Board*.
- 7.14.4 The *Enforcement and Compliance Office* or the *Compliance Committee* may require that remedial measures be carried out pending completion of an investigation if it determines that the immediate implementation of such measures is necessary to prevent or mitigate an adverse impact caused by the acts or omissions of the *WESM Member* that are subject of the investigation. Where directed by the *Enforcement and Compliance Office* or the *Compliance Committee* the remedial measures are implemented as provisional remedies until the *PEM Board* finally decides on the final remedial measures that have to be implemented.

- 7.14.5 The *Enforcement and Compliance Office* may require implementation of remedial measures at any time during the compliance monitoring and assessment or after it initiates an investigation and before it completes and submits its investigation report.
- 7.14.6 The *Compliance Committee* may require a *WESM Member* to implement remedial measures in the course of its review of an investigation and before it submits its investigation review report to the *PEM Board*. The Committee shall inform the *Enforcement and Compliance Office* of the remedial measures that are required to be implemented.
- 7.14.7 The final remedial measure directed by the *PEM Board* shall be contained in the *notice of penalty* served on the *WESM Member*. For provisional remedial measures directed by the *Enforcement and Compliance Office* or the *Compliance Committee*, a *notice of provisional remedial measures* shall be issued by the *Enforcement and Compliance Office* and served on the *WESM Member*.
- 7.14.8 If the remedial measure required is of such nature that can be immediately implemented or started, the *WESM Member* so directed shall implement the same immediately upon receipt of the notice. Within five (5) working days from receipt of the relevant notice, the party shall notify the *Enforcement and Compliance Office* in writing that the measure required has been implemented or started and the details of the implementation.
- 7.14.9 If the remedial measure required is of such nature that it cannot be immediately implemented and completed, the *WESM Member* so directed shall, within five (5) business days from receipt of the relevant *notice*, submit its compliance plan to the *Enforcement and Compliance Office*. The plan shall detail the manner and period within which the party concerned shall implement and complete the remedial measure. As appropriate, the plan shall specify the manner by which the *WESM Member* intends to mitigate any adverse effect, to operate or modify its equipment or facility, or to otherwise conduct its operations in order to carry out or accomplish the remedial measure.
- 7.14.10 The *Enforcement and Compliance Office* shall monitor the compliance by the *WESM Member* to ensure that the remedial measures are implemented as directed. As part of its monitoring, the *Enforcement and Compliance Office* may issue such reminders or notices to the *WESM Member* as it deems appropriate from time to time. The *WESM Member* may also be required to submit periodic reports of its compliance, as well as to allow ocular inspection of its facilities if appropriate.
- 7.14.11 Upon complete implementation of the compliance plan or lapse of the period within which the compliance plan is required to be implemented, the *Enforcement and Compliance Office* shall submit a report to the *PEM Board* detailing the results of the implementation.

- 7.14.12 A failure to implement the required remedial measure, in whole or in part, shall be considered a *breach* and shall be subject to penalties as set out in the *WESM Penalty Manual*. The sanction shall be imposed by the *PEM Board*, upon recommendation of the *Enforcement and Compliance Office*, without need of further investigation.

## 7.15 COSTS

- 7.15.1 The *PEM Board* shall decide on the costs associated with any investigation and with the implementation of decisions and remedial measures that will be shouldered by *WESM Member* involved in the investigation. The costs to be imposed shall be in accordance with a schedule of costs and charges that the *PEM Board* shall determine and review from time to time. The schedule of costs and charges, and any changes on it, shall be published in the market information website before it takes effect.
- 7.15.2 Notwithstanding the foregoing, the costs associated with the day-to-day operations of the *Enforcement and Compliance Office*, the Market Assessment Group, and the *Compliance Committee* shall not be passed on to a *WESM Member* as cost associated with any investigation, decision or remedial measure. These shall instead be included in the annual revenue requirements of the *PEMC* which shall be defrayed through the market fees.

## 7.16 SERVICE OF NOTICES AND REPORTS

- 7.16.1 All notices required to be issued to and served on *WESM Members* under this Section shall be issued to and served on the *WESM Member* through its *WESM Compliance Officer* as appears on the records of the *Enforcement and Compliance Office*, or if none is designated, through any one of the main contact persons, president or chief executive officer of the *WESM Member* as appears in the records of the *Market Operator*. At its discretion, *WESM Member* may also designate another person as its authorized representative for a specific investigation, provided that such designation shall be considered as made for that investigation only.
- 7.16.2 All notices shall be served at the office addresses of the above-named persons as this information appears in the records of the *Enforcement and Compliance Office* or the *Market Operator*. *WESM Members* have the obligation to ensure that their contact information provided to the *Enforcement and Compliance Office* and to the *Market Operator* is current at all times regardless that they are not subject of any investigation.
- 7.16.3 Service of notices and reports by the *Enforcement and Compliance Office* to all specified recipients as well as all notices and submissions to the *Enforcement and Compliance Office* may be made by personal service, postal mail, or by electronic mail. Personal service includes service by in-house or third party messengerial services or by commercial couriers. Service is deemed to have

been made upon: (a) actual delivery if made by personal service; or (b) upon deposit in the post office if by postal mail, notwithstanding in either case that the same was returned undelivered or that the intended recipient refused the delivery; or (c) by actual receipt and acknowledgment by the intended recipients by electronic mail.

## SECTION 8      NON-COMPLIANCE REPORT

### 8.1 RATIONALE

- 8.1.1      The compliance monitoring and assessment of the market obligations of the *WESM Members* is one of the enforcement processes established under this Manual.
- 8.1.2      Self-reports by *WESM Members* of their possible non-compliances will provide the *Enforcement and Compliance Office* the information that it will need to more effectively carry out its compliance monitoring tasks. This will also help in lessening the possibility that the monitoring and screening by the *Enforcement and Compliance Office* of *WESM Member* compliance will result in error arising from incomplete information. This is particularly important considering that the results of the compliance monitoring may lead to the initiation an investigation for a possible *breach*.

### 8.2 SCOPE OF APPLICATION

- 8.2.1      This section shall only apply to obligations of *WESM Members* which, if not complied with, shall constitute a *breach* as defined in this Manual and in the *WESM Penalty Manual* as well as relevant provisions of the *Market Rules*.

### 8.3 NON-COMPLIANCE REPORTS

- 8.3.1      *WESM Members* that were or that expect to be unable to comply with an obligation under the *Market Rules*, which if not complied with may constitute a *breach*, are required to submit to the *Enforcement and Compliance Office* a *non-compliance report* in a prescribed form and following the procedures set out in this Section.
- 8.3.2      To avoid duplication of reports, the significant event reports and supporting data submitted by *Trading Participants* or *WESM Members* in compliance with the requirements of *WESM Rules* Clause 3.5.11.7 shall serve as non-compliance report for the event being reported. The *Enforcement and Compliance Office* may, however, require the *Trading Participant* or *WESM Members* to submit additional information or data in accordance with Section 8.4 of this Manual.
- 8.3.3      For the avoidance of doubt, no non-compliance report needs to be submitted to the *Enforcement and Compliance Office* in accordance with this Manual for the following non-compliances –
- a) Failure to comply with prudential requirements, or the occurrence of any event of default, or failure to pay sums of money to the *Market Operator* pursuant to Chapter 3 of the *WESM Rules*, or price determination methodologies approved by the ERC for use in the WESM, and associated *Market Manuals*; or

- b) Failure to comply with requirements for registration in or for continuing membership in the WESM pursuant to Chapter 2 of the *WESM Rules* and associated *Market Manuals*, and in the *Retail Rules*.

#### 8.4 CONTENTS OF NON-COMPLIANCE REPORTS

- 8.4.1 The non-compliance report shall contain the following information, it being understood that these are high level descriptions of the contents of the report and that the *Enforcement and Compliance Office* may prescribe more specific information or detail –
  - a) The rule or obligation that has not been complied with or that with which the *WESM Member* expects it may not be able to comply;
  - b) The specific facility involved;
  - c) The date and time or trading interval that the non-compliance has occurred;
  - d) The reasons for the non-compliance;
  - e) Where appropriate, the measures taken or proposed to be taken to mitigate the impact of the non-compliance, as well as to avoid recurrence in the future; and
  - f) Where appropriate, the reporting *WESM Member* shall submit additional information, records or documents that will support the facts being reported.
- 8.4.2 The *Enforcement and Compliance Office* may prescribe the format of the report and the details of the information that it requires for the purpose of facilitating submission and evaluation of the reports, and may modify the same from time to time. The *Enforcement and Compliance Office* shall notify all *WESM Members* of the prescribed format and required information. The *Enforcement and Compliance Office* shall ensure that the report format shall not be unduly burdensome on the part of the *WESM Member*.
- 8.4.3 If the *Enforcement and Compliance Office* determines that the report submitted is not in the prescribed format, or not all the required information was provided, it shall notify the *WESM Member* and require that the shortcomings be rectified. The *WESM Member* so directed shall submit a revised non-compliance report or submit the missing information no later than three (3) working days upon being notified.

#### 8.5 SUBMISSION OF NON-COMPLIANCE REPORTS

- 8.5.1 Unless the *Enforcement and Compliance Office* provides for a different period, non-compliance reports shall be submitted on the business day after a non-compliance has occurred. Where appropriate, the non-compliance report for a trading day shall include all non-compliances or events that occurred during the trading day being reported.
- 8.5.2 The *WESM Member* may also submit a non-compliance report when it expects the occurrence of event/s that may result in a possible non-compliance with its

obligations in the WESM. When a non-compliance report was submitted in advance of an event, the *WESM Member* shall not be required to submit another report pursuant to the foregoing section, unless the actual circumstances varied from what was previously reported. In such case, the *WESM Member* shall submit a revised non-compliance report no later than the business day after the event or occurrence of the non-compliance.

- 8.5.3 Non-compliance reports shall be submitted in the manner prescribed by the *Enforcement and Compliance Office* which shall notify all *WESM Members* of a prescribed report format. The *Enforcement and Compliance Office* may not, however, refuse to accept a report by reason that same was not submitted in the prescribed manner, but may only require rectification pursuant to Section 8.4.3.
- 8.5.4 The *Market Operator* or the *Enforcement and Compliance Office* may, if practicable, develop and provide a facility that will allow *WESM Members* to submit non-compliance reports through electronic means. If provided, such facility shall be made available to all *WESM Members* without discrimination and subject only to compliance with registration and access requirements that will be set by the *Market Operator* or the *Enforcement and Compliance Office*. If a facility is so provided, all reports shall be submitted through such facility.

## 8.6 ACTION ON NON-COMPLIANCE REPORTS

- 8.6.1 The *Enforcement and Compliance Office* shall evaluate non-compliance reports submitted by *WESM Members* as part of the compliance monitoring and assessment procedure set out in Section 6 of this Manual. As provided for in Section 6, non-compliance reports, and all the supporting documents related thereto, shall be among the information that shall be considered and assessed together with all the market data made available to the *Enforcement and Compliance Office* in determining whether or not a *Notice of Specified Penalty* is issued against a *WESM Member*. For this reason, the *Notice of Specified Penalty* may be issued as a result of compliance monitoring and assessment without need of a formal investigation. The *Notice of Specified Penalty* to be issued for this purpose shall be signed by the *PEMC President* in accordance with Section 3.2 of the *WESM Penalty Manual*.
- 8.6.2 A finding of *breach* may thus be made and enforcement action may be taken against a *WESM Member* on the basis of the non-compliance report and its supporting documents submitted by the *WESM Member*, the market data and information from the *Market Operator*, the *System Operator*, and other relevant market data.
- 8.6.3 The non-compliance reports submitted by *WESM Members* or any information contained therein may also be made available by *Enforcement and Compliance Office* to other units within PEMC or to any *WESM Governance Committee* to be utilized for market assessment, surveillance and audit purposes.



## SECTION 9 WESM MEMBER INTERNAL COMPLIANCE

### 9.1 GUIDING PRINCIPLES

- 9.1.1 By having registered to participate in the WESM as either a service provider or trading participant, all *WESM Members* have the primary obligation to comply with the *Market Rules*. Such obligation likewise extends to compliance with other rules and regulations of other regulatory agencies where compliance with such will, in turn, impact on WESM compliance. Among other things, this includes compliance with environmental standards, such as emission standards for coal power plants, licensing requirements, franchise conditions and reportorial requirements of various government agencies.
- 9.1.2 Fostering a culture of compliance is encouraged through proactive compliance by *WESM Members* of their obligations under the *Market Rules*. Proactive compliance can lead to fewer *breaches* and, in turn, to less frequent imposition of *penalties*.
- 9.1.3 Towards achieving the objective of fostering a culture of compliance, the *WESM Rules* Clause 7.2.9.1 directs that each *WESM Member*, and the *Market Operator* shall designate a *WESM Compliance Officer* in their respective organizations.

### 9.2 WESM MEMBER INTERNAL COMPLIANCE

- 9.2.1 *WESM Members* are encouraged to develop and maintain an in-house compliance program within their organizations with the end in view of ensuring that their relevant personnel, systems and processes, infrastructure and organizational activities are geared towards achieving and ensuring WESM compliance. Among other things, it is encouraged that in-house compliance activities include processes for readily detecting occurrence of probable *breach*, and for implementing corrective and preventive measures once detected.
- 9.2.2 Compliance programs should also cover counterparties and other third parties whose dealings can impact on the ability of the *WESM Member* to ensure WESM compliance.
- 9.2.3 Compliance activities should also include education of employees, counterparties and other relevant third parties on the operations of the WESM and on provisions of *Market Rules* relevant to their respective operations and activities and how such operations and activities, in turn, impact on WESM compliance.

### 9.3 WESM COMPLIANCE OFFICERS

- 9.3.1 All *WESM Members*, as well as the *Market Operator* shall designate a *WESM Compliance Officer* within their respective organizations and shall comply with obligations set forth in Clause 7.2.9 of the *WESM Rules*.



- 9.3.2 In January of each year, and at any time a new *WESM Compliance Officer* is designated, the *WESM Member* shall submit the names of its *WESM Compliance Officer* and such other details and in such form as may be required by the *Enforcement and Compliance Office*. They shall ensure that information submitted is current at all times. The *Enforcement and Compliance Office* shall maintain a registry of the incumbent *WESM Compliance Officers* of all *WESM Members*. A *WESM Member* shall be responsible for ensuring that the information submitted to the *Enforcement and Compliance* is current at all times.
- 9.3.3 It is required that the person to be appointed as *WESM Compliance Officer* should have an understanding of the *WESM* compliance requirements of their organization, and is of a position that he or she is able to recognize possible non-compliances and has sufficient authority to resolve the same. As such, he or she should occupy a senior management position such as those pertaining, but not limited, to legal, risk management, regulatory or compliance.

#### **9.4 OBLIGATIONS OF WESM COMPLIANCE OFFICERS**

- 9.4.1 As prescribed in *WESM Rules* Clause 7.2.9.2, *WESM Compliance Officers* shall:
- a) Monitor the activities and transactions in the *WESM* of his or her organization and carry out measures to ensure compliance by his or her organization with the *EPIRA*, its Implementing Rules and Regulations, the *Market Rules*; and, for this purpose, put in place necessary procedures and guidelines;
  - b) Keep abreast with developments in the *WESM*, including amendments to *Market Rules* as well as issues raised by the *WESM Governance Committees* and the *PEM Board* affecting his or her organization's compliance, and ensure that relevant personnel and units within his or her organization are informed of and, if appropriate, will implement changes in the organization's internal systems and processes to comply with amendments to *Market Rules* and to resolve issues raised;
  - c) From time to time and if it deems it necessary or appropriate, propose amendments to the *Market Rules* to enhance or develop the *WESM* enforcement and compliance and to promote good commercial and technical practices;
  - d) Be the main point of contact that is responsible in coordinating with the *Enforcement Compliance Office* on all matters relating to the *WESM* enforcement, compliance and governance, including the provision of the necessary information and data, as may be required by any of the *WESM Governance Committees* and by the *Enforcement and Compliance Office*;
  - e) Submit to the *Enforcement and Compliance Office* a report of his/her organization's compliance with *Market Rules* covering such period, but not

less frequent than annually, and in such form as may be prescribed by the *Enforcement and Compliance Office*.

## **9.5 ANNUAL WCO REPORT**

- 9.5.1 Pursuant to *WESM Rules* Clause 7.2.9.2, all *WESM Compliance Officers* shall submit a report to the *Enforcement and Compliance Office* which shall state the compliance activities undertaken and the enforcement-related issues and concerns that have arisen during a calendar year.
- 9.5.2 The report shall be submitted to the *Enforcement and Compliance Office* in such form and number of copies as the latter may require. The reports shall be submitted not later than 31 January of the following year, or on such other period as the *Enforcement and Compliance Office* may set from time to time. The *Enforcement and Compliance Office* shall notify all *WESM Members*, from time to time, of the form and number of copies required, and the period for submission of the report if a date other than 31 January is set.
- 9.5.3 An annual consolidated report shall be submitted by the *Enforcement and Compliance Office* to the *DOE* and the *PEM Board* no later than sixty (60) days from the last day for submission of reports by the *WESM Compliance Officers*.

## SECTION 10 INFORMATION DISCLOSURE AND RECORDS MANAGEMENT

### 10.1 SCOPE OF APPLICATION

- 10.1.1 The provisions of this section refer only to the obligation of the *Enforcement and Compliance Office* in respect to the handling of information and records that comes to its possession as it carries out its functions under this Manual, as well as to its obligation to prepare, disseminate and publish reports.

### 10.2 INFORMATION DISCLOSURE AND PUBLICATION

- 10.2.1 The *Enforcement and Compliance Office* shall publish the following information in the market information website –
- a) List of investigations initiated, including the parties and facilities involved, the possible *breach* subject of the investigation, and the status of the investigation;
  - b) Summarized description of the results of an investigation, including the names of the parties and facilities involved, the nature of the *breach* confirmed in the investigation, penalties or sanctions imposed, and remedial measures required; and
- 10.2.2 Copies of investigation reports and investigation review reports prepared in respect to an investigation for breach shall be provided by the *Enforcement and Compliance Office* upon request and, if so required by the *Enforcement and Compliance Office*, upon payment of reasonable fees to defray cost of retrieval, reproduction and transmittal –
- 10.2.3 Notwithstanding the foregoing, copies of records and documents submitted by a party in respect to an investigation, may not be provided to any other party without the written consent of the owner of such record or document or the party that submitted the same. Thus, where such records or document are annexed to an investigation or assessment report, the copies of the latter that will be disseminated will exclude such records or documents. This prohibition, however, does not cover data, documents or records that are otherwise published or disseminated by the *Market Operator* or other parties.

### 10.3 REPORTING REQUIREMENTS

- 10.3.1 The *Enforcement and Compliance Office* shall submit a monthly report to the *PEM Board*, the *Market Surveillance Committee*, the *Compliance Committee*, the *DOE* and the *ERC* containing information on the following –
- a) Status of investigations, applications for exemptions being carried out, with summarized description of the same;
  - b) Summary of the results of non-compliance monitoring carried out;

- c) Summary of the development of non-compliance issues and enforcement processes;
- d) Recommendations that may arise from the experiences and observations in administering the compliance and enforcement procedures; and
- e) Issues and problems arising from the implementation of the procedures and provisions established in this Manual.

10.3.2 The *Enforcement and Compliance Office* shall likewise prepare, publish and disseminate such report as may be required of it from time to time by the *PEM Board*, DOE or ERC in respect to enforcement and compliance in the WESM; or such report as the *Enforcement and Compliance Office* may deem appropriate or necessary from time to time.

#### 10.4 COMPLIANCE DATABASE AND RECORDS RETENTION

10.4.1 Subject to the required retention period set out in this Section, the *Enforcement and Compliance Office* shall organize and maintain a compliance database that shall contain, the following –

- a) Records of investigations, including but not limited to the investigation reports and their attachments, the investigation review reports, *PEM Board* action on investigations, data and records used in the investigation, submissions of parties investigated, and notices and communications issued and received pertaining to an investigation.
- b) Non-compliance reports and supporting documents submitted by *WESM Members*.
- c) Monthly and periodic reports required to be prepared and published or disseminated by the *Enforcement and Compliance Office* under this Manual.

10.4.2 Access to the database shall be limited to the *Enforcement and Compliance Office*, although copies of records contained therein which are not covered by prohibited disclosure may be provided to other parties upon request.

10.4.3 The foregoing records required to be maintained in the compliance database shall be retained in electronic form for the periods set out in the following table.

Record	Start of Retention Period	Retention Period
Records of investigation cases	Date of final action on the case, <i>i.e.</i> , final <i>PEM Board</i> approval	10 years
Non-compliance reports of <i>WESM Members</i>	Date of submission of report	10 years

<b>Record</b>	<b>Start of Retention Period</b>	<b>Retention Period</b>
Records of applications for exemption	Date of the final action on the application, <i>i.e.</i> , final <i>PEM Board</i> action	10 years
Monthly and periodic reports	Date of first publication or first dissemination	5 years
Reports published in market information website	Date of first publication or first dissemination	5 years

## SECTION 11      LIMITATION OF LIABILITY AND INDEMNIFICATION

### 11.1    LIMITATION OF LIABILITY

- 11.1.1      The members of the *PEM Board* and the *Compliance Committee*, whether acting individually or jointly, the *Enforcement and Compliance Office Head* and the members of the staff of the *Enforcement and Compliance Office*, and the PEMC President shall not be made personally liable for any loss or damage incurred by a *WESM Member*, the *Market Operator* or the *System Operator* or any other person as a consequence of any act or omission undertaken in the performance of the duties and responsibilities contained in this Manual and other *Market Rules*. This is except when the person acted with malice, manifest partiality, bad faith, gross incompetence or gross negligence.

### 11.2    INDEMNIFICATION

- 11.2.1      Should any of the persons named in Section 11.1.1 be made liable for any amount for loss or damage suffered or incurred by any person or entity as a consequence of any of its acts or omissions in the performance of its duties as prescribed in this Manual and other *Market Rules*, the PEMC shall indemnify said persons through an indemnification process to be developed by the *PEM Board*. It is provided, however, that the indemnification shall exclude any liability arising out of conduct involving malice, manifest partiality, bad faith, gross incompetence or gross negligence. Said indemnification shall cover the full amount adjudged, and the costs and expenses incurred by the person involved in defending himself or herself in the related proceedings.

## SECTION 12      AMENDMENT, PUBLICATION AND EFFECTIVITY

### 12.1    AMENDMENTS

- 12.1.1      Any amendments to this Manual shall be approved by the *DOE*, following the procedures for changes to Market Manuals set out in the *WESM Rules* and in the relevant *Market Manual*.

### 12.2    PUBLICATION AND EFFECTIVITY

- 12.2.1      This *Market Manual*, as it may be amended from time to time, shall be published in the market information website maintained by the Market Operator.
- 12.2.2      This *Market Manual* or any amendments thereto shall become effective upon approval of the *DOE* in accordance with *WESM Rules* Clause 8.6.4. The date of effectivity shall be indicated in this document.



## SECTION 13 GLOSSARY

Term or Abbreviation	Definition
Breach	Act or omission that constitutes a violation or non-compliance with any provision of the <i>Market Rules</i> that are expressly provided for as subject of sanctions and penalties if committed.
Compliance Monitoring and Assessment	An integral part of <i>enforcement proceedings</i> in the WESM that is initiated and carried out by the <i>Enforcement and Compliance Office</i> , primarily for the purpose of determining the occurrence of <i>breach</i> of the <i>Market Rules</i> . Assessment is done by taking into consideration all the relevant and verified market data and information from the <i>Market Operator</i> , the <i>System Operator</i> , the <i>WESM Members</i> , among others, with the end in view of determining the appropriate <i>enforcement actions</i> , if warranted.
Compliance plan	A plan detailing the actions or tasks required to be carried out by a <i>WESM Member</i> to implement a remedial measure.
Enforcement	This is the process by which a <i>WESM Member</i> found in <i>breach</i> is imposed penalties, which may be financial or non-financial in nature, and/or required to take corrective actions or remedial measures as a consequence of the <i>breach</i> .
Enforcement action	This is an action carried out against a <i>WESM Member</i> as a consequence of the <i>breach</i> by that <i>WESM Member</i> of the <i>WESM Rules</i> or <i>Market Manuals</i> , which may include imposition of penalties, carrying out remedial measures and other corrective actions.
Enforcement and Compliance Office	The unit created within PEMC pursuant to <i>WESM Rules</i> Clause 1.4.8, which is primarily responsible for the administration of the enforcement and compliance which shall include monitoring, assessment and investigation of the <i>WESM Members</i> in relation to their compliance with the <i>WESM Rules</i> .
Enforcement and Compliance Office Head	This is the person appointed pursuant to the <i>WESM Rules</i> that will head the <i>Enforcement and Compliance Office</i> .
Enforcement proceeding	This is the activity or series of activities carried out to establish and determine the occurrence of <i>breach</i> and the corresponding enforcement action that will be carried out as a consequence of the <i>breach</i> , and includes monitoring, assessment, investigation and imposing enforcement actions.
Exemption	This is the authority granted by the <i>PEM Board</i> exempting a <i>WESM Member</i> from sanctions for non-compliance with an obligation, which would otherwise amount to a <i>breach</i> if no exemption was granted.
Investigation	An integral part of <i>enforcement proceedings</i> in the WESM that may be initiated by the <i>Enforcement and Compliance Office</i> , from a <i>notice of probable breach</i> by the <i>Market Operator</i> or the <i>System</i>

<b>Term or Abbreviation</b>	<b>Definition</b>
	<i>Operator</i> , or by request for investigation from other <i>WESM Members</i> or <i>WESM Governance Committees</i> .
Market participation agreement	The agreement required by the <i>Market Operator</i> to be executed by a <i>WESM Member</i> upon its registration in the <i>WESM</i> that, among other things, obliges the <i>WESM Member</i> to comply with the <i>WESM Rules</i> .
Market Manuals	This refers collectively to the <i>Market Manuals</i> approved for use in the <i>WESM</i> to implement the <i>Market Rules</i> .
Market Rules	This refers collectively to the <i>Market Rules</i> to which this Manual applies.
Non-compliance report	A report submitted pursuant to Section 8 of this Manual by a <i>WESM Member</i> that is unable to comply with any of its obligation under the <i>Market Rules</i> or <i>Market Manuals</i> .
Notice of provisional remedial measure	A notice in writing issued by the <i>Enforcement and Compliance Office</i> directing a <i>WESM Member</i> to implement a remedial measure pending completion of an investigation.
Notice of investigation	Formal notice issued by the <i>Enforcement and Compliance Office</i> to a <i>WESM Member</i> to initiate an investigation for possible <i>breach</i> .
Remedial measure	An action or task required to be carried out by a <i>WESM Member</i> to reduce or remove adverse impact of a <i>breach</i> (i.e., mitigation), or prevent the recurrence of a <i>breach</i> (i.e., prevention), or the cessation of an act or activity constituting or causing a <i>breach</i> or an action or task carried out leading to such cessation (i.e., correction).
Report of probable breach	Written report submitted to the <i>Enforcement and Compliance Office</i> by the <i>Market Operator</i> or the <i>System Operator</i> to notify the <i>Enforcement and Compliance Office</i> of probable <i>breach</i> by a <i>WESM Member</i> for purposes of initiating an investigation.
Request for investigation	Written request submitted to the <i>Enforcement and Compliance Office</i> by any <i>WESM Member</i> , <i>WESM Governance Committee</i> , or any other party, other than the <i>Market Operator</i> or <i>System Operator</i> , to notify the <i>Enforcement and Compliance Office</i> of possible <i>breach</i> by a <i>WESM Member</i> for purposes of initiating an investigation.
WESM Compliance Officer	Person designated by <i>WESM Members</i> , <i>System Operator</i> , <i>Market Operator</i> , <i>Metering Services Provider</i> and any other <i>WESM</i> service providers within their respective organizations pursuant to and the perform the functions set out in <i>WESM Rules</i> Clause 7.2.9.
WESM Penalty Manual, or Penalty Manual	The <i>Market Manual</i> that set outs the schedule of possible <i>breaches</i> and the corresponding penalties or sanctions that can be imposed, and the manner of carrying out such sanctions.

## APPENDIX I

### COMPLIANCE MONITORING, INVESTIGATION, RECONSIDERATION, AND APPEAL PROCESS TIMELINE EMANATING FROM COMPLIANCE MONITORING ACTIVITY OF ECO<sup>14</sup>

Activities	Responsible	Facility/Mode/ Process	Recipient	Timeline/ Frequency	Reference Manual/ Document
1. Initial Flagging of Probable Breach	ECO through IEMOP	NMMS-CMON	TP	Near Real-Time	EC Manual
2. Submission of Reply and Supporting Documents	TP	CPEMS	ECO	3 business days from initial flagging of probable breach	EC Manual
3. Validation and Assessment	ECO	CPEMS	N/A	Daily	EC Manual
4. Issuance of CMAR	ECO	CPEMS	TP	On or before 15 <sup>th</sup> day of the month following the covered billing month	EC Manual
5. Issuance of Notice of Specified Penalty	PEMC President	Manual	TP IEMOP	Simultaneous with the Issuance of CMAR	WESM Penalty Manual
6. Implementation of the Notice of the Specified Penalty (Issuance of billing)	IEMOP	Manual	TP	3 business days from receipt of the Notice of Specified Penalty	WESM Penalty Manual
7. Payment of Penalty	TP	Manual	IEMOP	12 business days from receipt of billing and collection	WESM Penalty Manual
8. Filing of Request for Reconsideration	TP	Manual	ECO	15 business days from receipt of the CMAR	WESM Penalty Manual
9. Resolution of the Request for Reconsideration	ECO	Manual	TP IEMOP	15 business days from receipt of request for reconsideration	WESM Penalty Manual
10. Issuance of Notice of Specified Penalty or Revocation of the previously-issued Notice of Penalty	PEMC President	Manual	TP IEMOP	Simultaneous with the Issuance of Resolution of Request for Reconsideration	WESM Penalty Manual
11. Implementation of the Resolution of the Request for Reconsideration/ Notice of Specified Penalty/ Revocation (Collect or Refund)	IEMOP	Manual	TP	Immediately upon receipt	WESM Penalty Manual

<sup>14</sup> The compliance monitoring and assessment activity referred to herein pertains only the Possible Non-Compliance with the Offered Capacity Compliance Rules and the Dispatch Conformance Standards Under the Enhanced WESM Design

Activities	Responsible	Facility/Mode/ Process	Recipient	Timeline/ Frequency	Reference Manual/ Document
12. Filing of Appeal	TP	Manual	MSC	10 business days from receipt of the Resolution of the Request for Reconsideration	WESM Penalty Manual and MS Manual
13. Issuance of Order to Elevate the Original Records of the Case	MSC	Manual	ECO TP	20 business days from receipt of Appeal	WESM Penalty Manual and MS Manual
14. Elevation of the Original Records of the Case	ECO	Manual	MSC	5 business days from receipt of the Order	WESM Penalty Manual and MS Manual
15. Decision on Appeal	MSC	Manual	TP ECO	30 working days from receipt of the Original Records of the Case as elevated to it by ECO	WESM Penalty Manual and MS Manual
16. Issuance of Notice of Specified Penalty or Revocation of the previously-issued Notice of Penalty	PEMC President	Manual	TP IEMOP	<ul style="list-style-type: none"> <li>Simultaneous with the Issuance of the Decision on Appeal</li> </ul>	WESM Penalty Manual and EC Manual
17. Implementation of the Decision on Appeal/ Notice of Specified Penalty/ Revocation (Collect or Refund)	IEMOP	Manual	TP	Immediately upon receipt	WESM Penalty Manual

## ACRONYMS

<b>NMMS-CMON</b>	New Market Management System – Compliance Monitoring Module
<b>CPEMS</b>	Compliance Post-Evaluation Monitoring System
<b>AMS</b>	Accounts Management System
<b>TP</b>	Trading Participant
<b>MSC</b>	Market Surveillance Committee
<b>IEMOP</b>	Independent Electricity Market Operator of the Philippines
<b>ECO</b>	Enforcement and Compliance Office

## APPENDIX II

### INVESTIGATION, RECONSIDERATION, AND APPEAL PROCESS TIMELINE EMANATING FROM THE REQUESTS FOR INVESTIGATION<sup>15</sup>

Activities	Responsible	Facility/Mode/ Process	Recipient	Timeline/ Frequency	Reference Manual/ Document
1. Filing of Request for Investigation (RFI)	Any WESM Member, Market Operator, WESM Governance Committees (except CC), ECO ( <i>motu proprio</i> )	Manual	ECO	Within 2 years from occurrence of the act or omission constituting the probable breach.	EC Manual
2. Issuance of Preliminary Notice of Investigation (PNI)	ECO	Manual	TP (entity subject of RFI)	5 business days from receipt of the RFI	EC Manual
3. Investigation Proper	ECO	Manual	TP (entity subject of RFI)	Not more than 120 business days from receipt of RFI	EC Manual
4. Completion of Formal Investigation	ECO	Manual	TP (entity subject of RFI)	Not more than 150 business days from receipt of RFI	EC Manual
5. Issuance of Investigation Report	ECO	Manual	CC	Within the period set for the completion of Formal Investigation	EC Manual
6. Review of the Investigation Report	CC	Manual	N/A	Within thirty (30) business days from receipt of the Investigation Report	EC Manual and MS Manual
7. Preparation and Submission of Review Report	CC	Manual	PEM Board	Within thirty (30) business days from receipt of the Investigation Report	EC Manual and MS Manual
8. PEM Board Review of the CC Review Report and ECO Investigation Report	PEM Board	Manual	N/A	Within thirty (30) working days upon receipt of the MSC Review Report and ECO Investigation Report	EC Manual and CC Manual
9. Issuance of Notice of Remand, <i>if necessary</i>	PEM Board	Manual	ECO	Immediately upon review of the Reports	EC Manual
10. Submission of Revised Investigation Report ( <i>in case of remand</i> )	ECO	Manual	PEM Board	Within thirty (30) business days from receipt of the remand	EC Manual

<sup>15</sup> The compliance monitoring and assessment activity referred to herein pertains only the Possible Non-Compliance with the Offered Capacity Compliance Rules and the Dispatch Conformance Standards Under the Enhanced WESM Design

Activities	Responsible	Facility/Mode/ Process	Recipient	Timeline/ Frequency	Reference Manual/ Document
11. PEM Board Review of the Investigation Report <i>(in case of remand)</i>	PEM Board	Manual	N/A	Within thirty (30) working days upon receipt of the Revised Investigation Report	EC Manual and CC Manual
12. Board Action on the Investigation and Issuance of Notice of Board Action (PEM Board Resolution on Investigation Report)	PEM Board	Manual	PEMC	<ul style="list-style-type: none"> <li>• Within thirty (30) working days from receipt of the MSC Review Report and ECO Investigation Report; or</li> <li>• Within thirty (30) working days from receipt of the Revised Investigation Report of the ECO (in case of remand).</li> </ul>	EC Manual and CC Manual
13. Notification of the PEM Board's Resolution	PEMC	Manual	TP	Upon receipt of PEM Board Resolution on Investigation Report	WESM Penalty Manual
14. Issuance of Notice of Specified Penalty	PEMC President	Manual	TP IEMOP	Simultaneous with the Issuance of Notice of PEM Board's Resolution	WESM Penalty Manual and EC Manual
15. Implementation of the Notice of the Specified Penalty (Issuance of billing)	IEMOP	Manual	TP	3 business days from receipt of the Notice of Specified Penalty	WESM Penalty Manual
16. Payment of Penalty	TP	Manual	IEMOP	12 business days from receipt of billing and collection	WESM Penalty Manual
17. Filing of Request for Reconsideration	TP	Manual	PEM Board (through Corporate Secretary)	15 business days from receipt of the Notice of the PEM Board Resolution	WESM Penalty Manual and EC Manual
18. Endorsement of the Request for Reconsideration	PEM Board (through Corporate Secretary)	Manual	ECO	Immediately upon receipt of Request for Reconsideration	EC Manual
19. Submission of Revised Investigation Report	ECO	Manual	PEM Board	Within 30 business days from endorsement of the PEM Board	WESM Penalty Manual and EC Manual
20. Resolution of the Request for Reconsideration	PEM Board	Manual	PEMC	30 working days from receipt of the Revised Investigation Report	WESM Penalty Manual

Activities	Responsible	Facility/Mode/ Process	Recipient	Timeline/ Frequency	Reference Manual/ Document
21. Issuance of Notice of Specified Penalty or Revocation of the previously-issued Notice of Penalty	PEMC President	Manual	TP IEMOP	Simultaneous with the Issuance of Resolution of Request for Reconsideration	WESM Penalty Manual and EC Manual
22. Implementation of the Resolution of the Request for Reconsideration/ Notice of Specified Penalty/ Revocation (Collect or Refund)	IEMOP	Manual	TP	Immediately upon receipt	WESM Penalty Manual