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REQUEST FOR MARKET RULES AND MANUALS AMENDMENTS

Proposals made only under this prescribed form shall be accepted and considered as submitted.

This request for amendments are be submitted to:

Rules Change Committee

Attention: WESM Governance Committee Secretariat
Philippine Electricity Market Corporation
18/F Robinsons Equitable Tower
ADB Avenue, Ortigas Center
Pasig City, 1605 Philippines
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I. Proponent's Information

Name	<div>██████████</div> <u>Engr. Arthur N. Escalante</u>
Designation	██
Company	██
Company Address	<div>████████████████████</div> <div>████████████████████</div>
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Email Address	████████████████████

II. Amendment Information

Proposed Amendments to the (please tick the box):

☒ WESM Rules ☐ Retail Rules

☒ Market Manual: WESM Manual on Penalty; WESM Manual on Market Surveillance Issue 2.0

Topic: Proposed Amendments to the WESM Rules and Market Manuals on the Procedures for Rules Changes to the WESM Penalty Manual and Enhancements of Market Surveillance Committee Processes

Proposed Classification of Amendments (please tick the box):

☒ General ☐ Minor ☐ Urgent

If Urgent, reason for urgency:

III. SUMMARY OF THE PROPOSED RULES CHANGE

The following are covered in the proposed amendments to the WESM Rules and relevant WESM Manuals:

- **Clarification of Market Surveillance Committee's (MSC's) responsibility and procedures for the review of any Rules Changes in the WESM Penalty Manual**

In the context of the Wholesale Electricity Spot Market (WESM), the MSC's responsibilities extend to the review and approval of any proposed changes to the WESM Penalty Manual, which governs penalties imposed on market participants for breach of the WESM rules.

While the WESM Penalty Manual provides guidance on the process that each proposed amendment undergoes—from deliberation to the required comments of various entities as stipulated in the WESM Rules, including WESM Members—it also offers further clarification on the procedures to be followed by the proponent and the Market Surveillance Committee (MSC) in the performance of its mandate.

- **Enhancements and clarifications to the procedures / processes of the MSC.**

To ensure the effective operation of the Committee and to further enhance its functions, specific procedural enhancements and clarifications are required. These improvements are necessary to streamline operations, clarify responsibilities, and

align with current structural and procedural realities. The amendments pertain to the timescales for reports, inclusion of procedures for rule changes to the WESM Penalty Manual, harmonization of terms, and the removal of the Enforcement and Compliance Office from the MSC's direct reporting lines due to its realignment under the Compliance Committee in line with the promulgation of the DOE.

IV. BACKGROUND

On 30 July 2021, through the DOE DC2021-08-0025 entitled *“Providing Policies for the Adoption of the Wholesale Electricity Spot Market (WESM) Penalty Manual for the Implementation of Enhancements to WESM Design and Operations”*, the WESM Penalty Manual was promulgated by the Department of Energy (DOE). This sets out the penalty system that is applied in cases of breach of the *Market Rules* and *Market Manuals*, as well as the procedures for imposition of penalties and the responsibilities of concerned persons or entities.

Since 2022, the following proposed amendments to the WESM Penalty Manual were deliberated by the Committee and endorsed to the Department of Energy (DOE):

- Resolution No. 2022-06 – Recommending to the Department of Energy Certain Amendments to the Wholesale Electricity Spot Market (WESM) Penalty Manual Issue 1.0, which focuses on:
 - Failure of the registered generation company to apply for commercial operations registration after receiving the Certificate of Compliance (COC) or Provisional Authority to Operate (PAO); and
 - Injection of power into the grid after expiry of authorized test and commissioning period, as may have been extended
- Resolution No. 2023-04 - Recommending the Adoption of the Proposed Amendments to the WESM Penalty Manual Issue 1.0, relating to the use of the term “Maximum Available Capacity” in the WESM
- Resolution No. 2023-06 - Recommending the Approval by the Department of Energy of the Proposed Manual on Ancillary Services Monitoring with Respect to the Relevant Provisions on Penalties and Sanctions, in view of Department Circular DC-2023-09-0026 entitled “Declaring the Commercial Operations of the Reserve Market and Providing Further Policies” which requires the WESM Governance Arm to finalize the reserve market compliance guidelines and submit the same to the DOE for approval no later than 15 November 2023
- Resolution No. 2024-01 - Recommending the Approval by the Department of Energy of Certain Proposed Amendments to the WESM Penalty Manual 1.0, which mainly aims to:
 - Transfer the responsibility to collect penalty from the Market Operator to Governance Arm
 - Reflect the proposed utilization of penalties collected
 - Remove the provisions relating to the enforcement remedies
 - Revise the timeline for the implementation of enforcement sanction

- Reflect other changes
- Resolution No. 2024-04 - Recommending the Adoption of the Additional Proposed Amendments to the WESM Penalty Manual

While the abovementioned proposed amendments were successfully deliberated and endorsed by the MSC to the DOE, clear procedures on the subject matter of this proposal are yet to be established following the issues and concerns raised.

Further, the WESM Rules and Market Surveillance Manual outlines the responsibilities of the Committee on market monitoring, assessment and surveillance. The same also provides the procedures for the conduct of activities related to market monitoring, assessment and surveillance to implement the said rules.

V. THE PROPOSED RULES CHANGE

The proposed amendments to the WESM Rules, WESM Manual on Penalty, and Market Surveillance Manual aim to:

- Enhance the MSC's role and clarify its procedures in overseeing the WESM, particularly regarding the review of rule changes to the WESM Penalty Manual;
- Enhancement and clarifications to the procedures / processes of the MSC

Given the evolving nature and needs of the WESM and the Retail Market, and the continuous learning that comes from the operations and experiences of the Committee, the enhancements and clarifications to its procedures and its outputs are necessary.

- Timescales for reports. It is being proposed to shift from monthly to quarterly report to avoid redundancy in the reports, as well as enhance the depth and accuracy of market assessments. This change will allow to:
 - Conduct More Detailed Assessments. By covering longer periods, the MSC can perform more comprehensive analyses, leading to more accurate and insightful evaluations of market conditions.
 - Identify Market Trends. Quarterly monitoring will enable the MSC to better identify and understand market trends, which may not be as apparent in shorter, monthly reports.
 - Resource Optimization. Focusing on quarterly reports will allow the MSC to allocate resources more efficiently, ensuring that our analyses are thorough and well-supported.
- Inclusion of procedures for rule changes to the WESM Penalty Manual. The inclusion of procedures for rule changes to the WESM Penalty Manual is essential to ensure a structured and transparent approach to implementing revisions. This is particularly relevant in relation to the proposed revisions discussed in Sub-section A of this document. By establishing clear procedures, the proposal aims to:

- Enhance Transparency. Providing a well-defined process for rule changes ensures that all stakeholders are aware of the steps involved and the rationale behind each change.
- Ensure Consistency. A standardized procedure helps maintain consistency in how rule changes are proposed, reviewed, and implemented, reducing the risk of arbitrary or ad-hoc modifications.
- Facilitate Stakeholder Engagement. Clear procedures encourage active participation and feedback from stakeholders, ensuring that their insights and concerns are considered in the decision-making process.
- Improve Compliance. By outlining the steps for rule changes, we can ensure that all revisions are in line with regulatory requirements and best practices, thereby enhancing overall compliance.
- Streamline Implementation. A structured approach to rule changes helps streamline the implementation process, making it more efficient and effective.

These procedures are designed to support the ongoing development and improvement of the WESM Penalty Manual, ensuring it remains relevant and effective in addressing market needs and regulatory requirements.

- Harmonization for the names of the reports being submitted and the streamlining of the document submission process to various entities are essential steps to improve clarity and efficiency. This initiative aims to:
 - Enhance Clarity. Standardizing the terminology used in report names ensures that all stakeholders have a clear and consistent understanding of the documents being referred to.
 - Improve Efficiency. Streamlining the submission process helps to eliminate redundant steps and simplify workflows, making it easier and faster to submit reports to the relevant entities.
 - Facilitate Compliance: Consistent terminology and a streamlined process ensure that all reports meet the required standards and regulatory requirements, thereby enhancing overall compliance.
 - Reduce Errors. By harmonizing terms and simplifying the submission process, the MSC can minimize the risk of errors and discrepancies in the reports, leading to more accurate and reliable documentation.
 - Promote Consistency. A standardized approach to report naming and submission fosters consistency across all documents, making it easier to track and manage submissions over time.
- Removal of the Enforcement and Compliance Office from the MSC's direct reporting lines due to its realignment under the Compliance Committee.

By clarifying the MSC's role in overseeing the WESM Penalty Manual, particularly regarding the review of rule changes, the MSC will have a more structured and transparent process for addressing rule amendments. This will prevent ambiguity in the MSC's duties, ensuring that stakeholders understand its mandate and trust its decision-making processes.

VI. BACKGROUND AND DESCRIPTION OF THE PROPONENT

The proponent is the MSC which acts as monitoring and assessment arm of the PEM Board to report on activities in the spot market and review the WESM Penalty Manual in accordance with Clauses 1.6 and 7.2.5.5 of the WESM Rules. The members of the Committee are as follows:

Chairman: Engr. Arthur N. Escalante
Members: Engr. Christian M. Orias
 Engr. Ferdinand P. Villareal
 Atty. Jose Roderick F. Fernando
 Dr. Justin Ranier S. Chan

VII. CONCLUSIONS AND RECOMMENDATIONS

The proposed amendments are recommended to be adopted, as this will enhance oversight, greater procedural clarity, and a more efficient governance structure within the WESM by the MSC.

VIII. REFERENCES

- WESM Rules [Last amended per DOE DC No. 2024-10-0030 dated 07 October 2024]
- WESM Penalty Manual 3.0
- WESM Manual on Market Surveillance 2.0

IX. Proposed Amendment to the WESM Rules and WESM Manual

A. WESM Rules

Title	Clause	Provision	Proposed Amendment	Rationale
Responsibilities of the Market Surveillance Committee	1.6.2	<p>The <i>Market Surveillance Committee</i> shall from time to time as necessary and appropriate or whenever the <i>PEM Board</i> directs:</p> <p>xxx</p> <p>(d) Assist the <i>Rules Change Committee</i> in relation to its assessment of proposals to amend the <i>WESM Rules</i> under Chapter 8.</p>	<p>The <i>Market Surveillance Committee</i> shall from time to time as necessary and appropriate or whenever the <i>PEM Board</i> directs:</p> <p>xxx</p> <p>(d) Assist the <i>Rules Change Committee</i> in relation to its assessment of proposals to amend the <i>WESM Rules</i> under Chapter 8; <u>and</u></p> <p><u>(e) Initiate or process proposed changes to the WESM Penalty Manual pursuant to Clause 7.2.5.5 and following the procedures outlined in Clause 8.4 of the WESM Rules</u></p>	To reflect the responsibility of the MSC to review proposed amendments to the WESM Penalty Manual pursuant to Clause 7.2.5.5 of the WESM Rules.
Scope of Chapter 8	8.1	<p>Proposals for changes, amendments, and modifications of the WESM Rules and Market Manuals, as well as the adoption of new Market Manuals shall be undertaken in accordance with the provisions of this chapter.</p> <p>This chapter 8 sets out:</p> <p>(a) The composition and manner of appointment of the Rules Change Committee;</p>	<p>Proposals for changes, amendments, and modifications of the WESM Rules and Market Manuals, as well as the adoption of new Market Manuals shall be undertaken in accordance with the provisions of this chapter.</p> <p>This chapter 8 sets out:</p> <p>(a) The composition and manner of appointment of the Rules Change Committee;</p> <p>(b) The procedure for effecting a change to the WESM Rules and Market Manuals; and</p>	The WESM Rules already provide a structured process for amendments to the WESM Rules and Market Manuals under Chapter 8, particularly Section 8.4. However, the WESM Penalty Manual is a critical regulatory document, and its amendment process is not explicitly stated within Chapter 8. By clarifying that Section 8.4 also applies to the revision of the WESM Penalty Manual, the proposed change

Title	Clause	Provision	Proposed Amendment	Rationale
		<p>(b) The procedure for effecting a change to the WESM Rules and Market Manuals; and</p> <p>(c) The procedure for approval of a change to the WESM Rules and Market Manuals, including proposals that will result in an amendment to the WESM Price Determination Methodology; and adoption of new Market Manuals.</p>	<p>(c) The procedure for approval of a change to the WESM Rules and Market Manuals, including proposals that will result in an amendment to the WESM Price Determination Methodology; and adoption of new Market Manual; and.</p> <p><u>(d) The procedure for amendment of the WESM Penalty Provisions, as provided under Section 8.4, including proposals initiated by the Market Surveillance Committee (MSC).</u></p>	<p>ensures consistency in the governance process for rule modifications.</p> <p>The proposed change explicitly recognizes the MSC's role in initiating revisions, strengthening its ability to recommend adjustments based on market surveillance findings and enforcement experience.</p>
Consideration of Proposals to Change the WESM Rules or Market Manuals or to adopt new Market Manuals by the Rules Change Committee	8.4	<p>Consideration of Proposals to Change the WESM Rules or Market Manuals or to adopt new Market Manuals by the Rules Change Committee</p> <p><i>(Title of the Section)</i></p>	Consideration of Proposals to Change the WESM Rules or Market Manuals or to adopt new Market Manuals by the Rules Change Committee	To allow for flexibility in the rules which will allow MSC to refer to the considerations under this Clause in the review of the proposed amendments to the WESM Penalty Manual which is the responsibility of the Committee.
	8.4.1.4	(new)	<u>Subject to approval of the DOE for amendments related to Penalty provisions, the Market Surveillance Committee shall develop guidelines and procedures for matters related to the penalty mechanism. These guidelines and procedures will, as far as practicable, be consistent with the provisions of this Chapter 8, provided, however, that the Committee may establish procedures, time periods and manner of publication and effectivity other than as stated in this</u>	To introduce new provision that provides basis for the MSC to establish and develop guidelines and procedures for amendments related to the WESM Penalty Manual in view of its responsibility under Clause 7.2.5.5 of the WESM Rules.

Title	Clause	Provision	Proposed Amendment	Rationale
			<u>Chapter 8 depending on the classification of the proposed change.</u>	
Assessment of proposals	8.4.2	<p>Pursuant to <i>WESM Rules</i> Clause 8.3.3 (b), the <i>Rules Change Committee</i> shall assess whether the proposed change to the <i>WESM Rules</i> or <i>Market Manual</i>, or the proposal for a new <i>Market Manual</i> is:</p> <p>xxx</p>	<p>Pursuant to <i>WESM Rules</i> Clauses <u>1.6.2 (e) and</u> 8.3.3 (b), the <i>Rules Change Committee</i> <u>or the Market Surveillance Committee, for matters related to penalty provisions in the WESM,</u> shall assess whether the proposed change to the <i>WESM Rules</i> or <i>Market Manual</i>, or the proposal for a new <i>Market Manual</i> is:</p> <p>xxx</p>	To cover the responsibility of the MSC to review any proposed amendments related to penalties imposed in the WESM
Discretions when assessing a proposal	8.4.3	<p>In considering whether a proposal for a change in the <i>WESM Rules</i> or a <i>Market Manual</i>, or for the adoption of a new <i>Market Manual</i> satisfies the criteria as set out in <i>WESM Rules</i> Clause 8.4.1, the <i>Rules Change Committee</i> may:</p> <p>(a) Take into account any information and documents that the <i>Rules Change Committee</i> reasonably considers to be relevant to its consideration of the proposed change to the <i>WESM Rules</i> or <i>Market Manual</i> or the proposed new <i>Market Manual</i>;</p> <p>(b) Consult with such persons whom the <i>Rules Change Committee</i> reasonably considers will likely be affected by the proposal;</p>	<p>In considering whether a proposal for a change in the <i>WESM Rules</i> or a <i>Market Manual</i>, or for the adoption of a new <i>Market Manual</i> satisfies the criteria as set out in <i>WESM Rules</i> Clause 8.4.1, the <i>Rules Change Committee</i> <u>or the Market Surveillance Committee for matters related to Penalty Manual</u> may:</p> <p>(a) Take into account any information and documents that the <i>Rules Change Committee</i> reasonably considers to be relevant to its consideration of the proposed change to the <i>WESM Rules</i> or <i>Market Manual</i> or the proposed new <i>Market Manual</i>;</p> <p>(b) Consult with such persons whom the <i>Rules Change Committee</i> reasonably considers will likely be affected by the proposal;</p>	To cover the responsibility of the MSC to review any proposed amendments related to penalties imposed in the WESM

Title	Clause	Provision	Proposed Amendment	Rationale
		<p>(c) Seek such information and views from any person as may be practicable under the circumstances; and</p> <p>(d) Refer and delegate the proposal to any working group, comprised of persons having such expertise as the <i>Committee</i>, in the <i>Rules Change Committee's</i> absolute discretion, whenever it considers reasonable or necessary or as it may consider practicable in the circumstances delegating to that working group any obligation or task of the <i>Rules Change Committee</i> as set out in <i>WESM Rules</i> Clauses 8.4.3 , and 8.4.5 other than this <i>WESM Rules</i> Clause 8.4.3 (d).</p>	<p>(c) Seek such information and views from any person as may be practicable under the circumstances; and</p> <p>(d) Refer and delegate the proposal to any working group, comprised of persons having such expertise as the <i>Committee</i>, in the <i>Rules Change Committee's</i> absolute discretion, whenever it considers reasonable or necessary or as it may consider practicable in the circumstances delegating to that working group any obligation or task of the <i>Rules Change Committee</i> as set out in <i>WESM Rules</i> Clauses 8.4.3 , and 8.4.5 other than this <i>WESM Rules</i> Clause 8.4.3 (d).</p>	
Notification following failure to satisfy criteria	8.4.4	If the <i>Rules Change Committee</i> concludes that a proposal does not satisfy the criteria set out in <i>WESM Rules</i> Clause 8.4.2, it shall notify the proponent and the <i>PEM Board</i> within 10 <i>working days</i> after its decision on the non-adoption of the proposal, including the reason for its decision.	<u>(a)</u> If the <i>Rules Change Committee</i> concludes that a proposal does not satisfy the criteria set out in <i>WESM Rules</i> Clause 8.4.2, it shall notify the proponent and the <i>PEM Board</i> within 10 <i>working days</i> after its decision on the non-adoption of the proposal, including the reason for its decision.	Renumbering.
	8.4.4	(new)	<u>(b) For amendments related to Penalty provision, the Market Surveillance Committee shall notify the proponent within 10 working days after its decision on the non-adoption of the proposal, including the reason for its decision.</u>	To clarify the responsibility of the MSC to review any proposed amendments related to penalties imposed in the WESM.
Notification following satisfying criteria	8.4.5	If the <i>Rules Change Committee</i> concludes that a proposal satisfies the criteria as set out in <i>WESM Rules</i> Clause 8.4.2, the <i>Rules Change Committee</i> shall:	If the <i>Rules Change Committee</i> concludes that a proposal satisfies the criteria as set out in <i>WESM Rules</i> Clause 8.4.2, the <i>Rules Change Committee</i> shall:	To cover the responsibility of the MSC to review any proposed amendments related to penalties imposed in the WESM

Title	Clause	Provision	Proposed Amendment	Rationale
		<p>(a) Notify the <i>PEM Board</i>, all <i>WESM Members</i> and all other interested parties of the proposal; and</p> <p>(b) Invite such parties to make written submissions regarding the proposal within the next 30 <i>working days</i> after publication of the proposed change to the <i>WESM Rules</i> or <i>Market Manual</i>, or new <i>Market Manual</i> in the market information website.</p>	<p>xxx</p> <p><u>If the <i>Market Surveillance Committee</i> concludes that a proposal satisfies the criteria as set out in <i>WESM Rules Clause 8.4.1.1 (b) and (c)</i> and <i>WESM Penalty Manual Section 7.1.2</i>, the <i>Market Surveillance Committee</i> shall:</u></p> <p><u>(a) Notify all <i>WESM Members</i> and all other interested parties of the proposal; and</u></p> <p><u>(b) Invite such parties to make written submissions regarding the proposal within the next 30 <i>working days</i> after publication of the proposed change to the <i>WESM Penalty Manual</i> in the market information website.</u></p>	
Submissions regarding proposed Rules change	8.4.6	To be validly considered, a written submission made in response to a proposed change to the <i>WESM Rules</i> , <i>Market Manual</i> , or proposal for the adoption of a new <i>Market Manual</i> , as provided under Clause 8.4.5 (b), must be received by the <i>Rules Change Committee</i> no later than 30 <i>working days</i> after the notice and invitation referred to in <i>WESM Rules</i> Clauses 8.4.5 (a) and (b) are issued.	To be validly considered, a written submission made in response to a proposed change to the <i>WESM Rules</i> , <i>Market Manual</i> , or proposal for the adoption of a new <i>Market Manual</i> , as provided under Clause 8.4.5 (b), must be received by the <i>Rules Change Committee</i> <u>or the <i>Market Surveillance Committee</i> for matters related to <i>Penalty Provision</i></u> , no later than 30 <i>working days</i> after the notice and invitation referred to in <i>WESM Rules</i> Clauses 8.4.5 (a) and (b) are issued.	To cover the responsibility of the MSC to review any proposed amendments related to penalties imposed in the WESM
Approval of proposals	8.4.7	If the <i>Rules Change Committee</i> , upon deliberation of the proposal and having considered all valid submissions, concludes that it is necessary or desirable	If the <i>Rules Change Committee</i> <u>or the <i>Market Surveillance Committee</i> for matters related to <i>Penalty Provision</i></u> , upon deliberation of the proposal and having	To cover the responsibility of the MSC to review any proposed amendments related to penalties imposed in the WESM

Title	Clause	Provision	Proposed Amendment	Rationale
		to give effect to the proposed change to the <i>WESM Rules</i> or the <i>Market Manual</i> , or adoption of new <i>Market Manual</i> , then it shall submit said proposal to the <i>PEM Board</i> for approval.	considered all valid submissions, concludes that it is necessary or desirable to give effect to the proposed change to the <i>WESM Rules</i> or the <i>Market Manual</i> , or adoption of new <i>Market Manual</i> , then it shall submit said proposal to the <i>PEM Board</i> <u>or directly to DOE for amendments to Penalty Provision</u> for approval.	
CONSIDERATION OF PROPOSALS TO CHANGE THE WESM RULES OR MARKET MANUALS OR ADOPT NEW MARKET MANUALS BY THE PEM BOARD	8.5	n/a	CONSIDERATION OF PROPOSALS TO CHANGE THE WESM RULES OR MARKET MANUALS OR ADOPT NEW MARKET MANUALS BY THE PEM BOARD	To consider matters related to Penalty provisions in which the PEM Board was only consulted for amendments related to penalties unlike the amendments to the WESM Rules and other Market Manuals processed by the Rules Change Committee and adopted / endorsed by the PEM Board.
DOE Assessment of proposal	8.6.1	If the <i>PEM Board</i> submits a proposal to the <i>DOE</i> for <i>DOE's</i> final approval of any changes to the <i>WESM Rules</i> or <i>Market Manuals</i> , or adoption of a new <i>Market Manual</i> , in accordance with the <i>WESM Rules</i> Clause 8.5.4, the <i>DOE</i> shall assess whether the proposed change to the <i>WESM Rules</i> satisfies the criteria which are set out in Clause 8.4.2.	If the <i>PEM Board</i> <u>or Market Surveillance Committee for amendments related to Penalty provision</u> submits a proposal to the <i>DOE</i> for <i>DOE's</i> final approval of any changes to the <i>WESM Rules</i> or <i>Market Manuals</i> , or adoption of a new <i>Market Manual</i> , in accordance with the <i>WESM Rules</i> Clause 8.5.4, the <i>DOE</i> shall assess whether the proposed change to the <i>WESM Rules</i> satisfies the criteria which are set out in Clause 8.4.2.	To cover the responsibility of the MSC to review any proposed amendments related to penalties imposed in the WESM
Notification following failure to satisfy criteria	8.6.3	If the <i>DOE</i> concludes that a proposal does not satisfy the criteria, which are set out in <i>WESM Rules</i> Clause 8.4.2, the <i>DOE</i> , shall notify: (a) The <i>PEM Board</i> ;	If the <i>DOE</i> concludes that a proposal does not satisfy the criteria, which are set out in <i>WESM Rules</i> Clause 8.4.2, the <i>DOE</i> , shall notify:	To cover the responsibility of the MSC to review any proposed amendments related to penalties imposed in the WESM

Title	Clause	Provision	Proposed Amendment	Rationale
		<p>(b) The <i>Rules Change Committee</i>; and</p> <p>(c) The person who proposed the change to the <i>WESM Rules</i>,</p> <p>within 10 <i>working days</i> of reaching that conclusion and shall provide reasons for its decision.</p>	<p>(a) The <i>PEM Board</i> <u>and the Rules Change Committee for amendments to WESM Rules and Market Manuals</u>;</p> <p>(b) The Rules Change Committee <u>Market Surveillance Committee for amendments related to Penalty Manual</u>; and</p> <p>(c) The person who proposed the change to the <i>WESM Rules</i>,</p> <p>within 10 <i>working days</i> of reaching that conclusion and shall provide reasons for its decision.</p>	
Rules Change Committee Indemnity	8.7	<p>RULES CHANGE COMMITTEE INDEMNITY</p> <p>The <i>Rules Change Committee</i> and its members, and any working group to whom any task or obligation is delegated under Clause 8.4, are not to be personally liable in any way for any change, which is made to the <i>WESM Rules</i>.</p>	<p><u>RULES CHANGE COMMITTEE AND MARKET SURVEILLANCE COMMITTEE INDEMNITY</u></p> <p>The <i>Rules Change Committee</i> <u>or the Market Surveillance Committee</u> and its members, and any working group to whom any task or obligation is delegated under Clause 8.4, are not to be personally liable in any way for any change, which is made to the <i>WESM Rules</i>.</p>	To cover the responsibility of the MSC to review any proposed amendments related to penalties imposed in the WESM

B. WESM Manual on Penalty Issue 3.0

Title	Section	Provision	Proposed Amendment	Rationale
Legal Framework	1.1.3	<p>Pursuant to this legal mandate, WESM Rules Clause 1.6.3 (Chapter 1)1, provides that the <i>Market Surveillance Committee</i> shall design the <i>penalty</i> levels and appropriate range of <i>penalties</i> that will be applied for <i>breaches</i> of the WESM Rules. This is to be done in consultation with the Rules Change Committee and the PEM Board. The <i>penalty</i> levels and ranges are to be reviewed by the <i>Market Surveillance Committee</i> from time to time and as may be necessary.</p> <p>Footnote -- 1 WESM Rules clauses 1.6.3 is being amended and transferred to WESM Rules Section 7.2.</p>	<p>Pursuant to this legal mandate, WESM Rules Clause 1.6.37.2 (Chapter 1)1, provides that the <i>Market Surveillance Committee</i> shall design the <i>penalty</i> levels and appropriate range of <i>penalties</i> that will be applied for <i>breaches</i> of the WESM Rules. This is to be done in consultation with the Rules Change Committee and the PEM Board. The <i>penalty</i> levels and ranges are to be reviewed by the <i>Market Surveillance Committee</i> from time to time and as may be necessary.</p> <p>Footnote -- 1 WESM Rules clauses 1.6.3 is being amended and transferred to WESM Rules Section 7.2.</p>	To reflect the current provision
		(new)	<p><u>7.1.4 The proposal shall:</u></p> <p><u>a) be in writing addressed to the <i>Market Surveillance Committee</i> through the <i>WESM Governance Committee Secretariat</i>, using the prescribed penalty provision rules change proposal form;</u></p> <p><u>b) include a discussion:</u></p> <p><u>i) demonstrating that the proposed amendment satisfies the criteria set forth in Section 7.1.2 of this Manual;</u></p>	To serve as guidance for the MSC and to any interested parties in the process of rules changes to the WESM Penalty Manual

Title	Section	Provision	Proposed Amendment	Rationale
			<p><u>ii) giving the reasons that the proposed amendment is desirable or necessary;</u></p> <p><u>iii) containing sufficient information to permit proper consideration by the Market Surveillance Committee of the reasons cited, including the public benefit, if any, of making the amendment; and</u></p> <p><u>iv) demonstrating that the proposed amendment falls within the definition of an urgent amendment, in appropriate cases.</u></p>	
		(new)	<p><u>7.1.5 Written Submissions</u></p> <p><u>a) The written submissions requested shall be given within thirty (30) working days from the date of publication of the notice, in coordination with the Rules Change Committee in case the amendments will affect the WESM Rules and other Market Manuals. The proponent shall be invited to respond during deliberation of the comments submitted.</u></p> <p><u>b) Only written submissions received by the WESM Governance Committee Secretariat within the prescribed period shall be validly</u></p>	To serve as guidance for the MSC and to any interested parties on the process of rules changes to the WESM Penalty Manual

Title	Section	Provision	Proposed Amendment	Rationale
			<p><u>considered by the Market Surveillance Committee.</u></p> <p><u>c) All written submissions shall contain the name and address of the person making the submission and shall be made using the Rules Change for Penalty Provision Submission form. Documents and other materials supporting the comments made may also be attached to the written submission.</u></p> <p><u>d) The written submissions may be provided through printed document, by electronic means or by facsimile, and directed to the Rules Change Committee through the WESM Governance Committee Secretariat.</u></p>	
	7.1.4	Amendments to this Manual shall be approved and promulgated by the Department of Energy	7.1.4 6 Amendments to this Manual shall be approved and promulgated by the Department of Energy	Renumbering.

C. WESM Manual on Market Surveillance

Title	Section	Provision	Proposed Amendment	Rationale
Purpose	1.1.1	This Manual establishes the principles of the <i>WESM Rules</i> and <i>Retail Rules</i> on market monitoring, assessment and surveillance. The same also provides the	This Manual establishes the principles of the <i>WESM Rules</i> and <i>Retail Rules</i> on market monitoring, assessment and surveillance. The same also provides the procedures for the	To reflect the responsibility of the MSC to review any proposed amendments to the WESM Penalty Manual pursuant to

Title	Section	Provision	Proposed Amendment	Rationale
		procedures for the conduct of activities related to market monitoring, assessment and surveillance to implement the said rules.	conduct of activities related to market monitoring, assessment and surveillance to implement the said rules, <u>and the review of proposed amendments to the WESM Penalty Manual in accordance with the Clauses 1.6.2 (e) and 7.2.5.5 of the WESM Rules.</u>	Clause 7.2.5.5 of the WESM Rules.
Scope	1.2	<p>This Manual covers all related procedures and activities concerning market monitoring, assessment and surveillance as follows:</p> <p>(a) All activities and procedures, including the functions, authority and reports of the Market Surveillance Committee, Enforcement and Compliance Office and the Market Assessment Group; and</p> <p>(b) Rules on access to information and data management.</p>	<p>This Manual covers all related procedures and activities concerning market monitoring, assessment and surveillance, <u>and review of proposed amendments to the WESM Penalty Manual</u> as follows:</p> <p>(a) All activities and procedures, including the functions, authority and reports of the Market Surveillance Committee, Enforcement and Compliance Office and the Market Assessment Group; and</p> <p>(b) Rules on access to information and data management.</p>	To reflect the responsibility of the MSC to review any proposed amendments to the WESM Penalty Manual pursuant to Clause 7.2.5.5 of the WESM Rules.
Definition of Terms	2.1	<p>xxx</p> <p>Market Assessment Report means the periodic report prepared by the <i>Market Assessment Group</i> and submitted to the <i>Market Surveillance Committee</i>.</p> <p>xxx</p> <p>Market Surveillance Committee refers to the WESM Governance Committee tasked under WESM Rules to monitor, assess and</p>	<p>xxx</p> <p>Market Assessment Report means the periodic report <u>for Wholesale and Retail electricity markets</u> prepared by the <i>Market Assessment Group</i> and submitted to the <i>Market Surveillance Committee</i>.</p> <p>xxx</p> <p>Market Surveillance Committee refers to the WESM Governance Committee tasked under</p>	<p>To reflect that the assessment reports include both the Wholesale and Retail Electricity markets.</p> <p>To include MSC's responsibility in reviewing the WESM Penalty Manual and any amendments thereof.</p>

Title	Section	Provision	Proposed Amendment	Rationale
		<p>report on the activities and developments in the WESM.</p> <p>xxx</p> <p>Review Document on Over-Riding Constraints means the report prepared by the <i>Market Surveillance Committee</i> in accordance with Section 5.5 of this Manual.</p> <p>Review Report means the report prepared by the <i>Market Surveillance Committee</i> and submitted to the <i>PEM Board</i> in accordance with Section 5.7 of this Manual.</p> <p>xxx</p>	<p>WESM Rules to monitor, assess and report on the activities and developments in the WESM, <u>and review the WESM Penalty Manual and any amendments thereof.</u></p> <p><u>xxx</u></p> <p><u>Monthly Market Statistics refers to the monthly online publication on market statistics in the Philippines.</u></p> <p><u>Monitoring Report refers to the accomplishments of the Market Surveillance Committee deliberated during the covered period including the approved market reports.</u></p> <p>xxx</p> <p>Review Document on <u>Over-Riding Constraints Report</u> means the report prepared by the <i>Market Surveillance Committee</i> in accordance with Section 5.5 of this Manual.</p> <p><u>xxx</u></p> <p><u>Review Report on Market Intervention / Suspension</u> means the report prepared by the <i>Market Surveillance Committee</i> and submitted</p>	<p>To reflect the appropriate term or name of documents / reports conducted by the Committee.</p> <p>To update reference provision.</p>

Title	Section	Provision	Proposed Amendment	Rationale
			<p>to the <i>PEM Board</i> in accordance with Section 5.7<u>3</u> of this Manual.</p> <p>xxx</p>	
Responsibilities – Market Surveillance Committee	3.1	<p>In accordance with the <i>WESM Rules</i>, the <i>Market Surveillance Committee</i> shall have the following responsibilities:</p> <p>xxx</p> <p>(b) Prepare and Submit Monthly Monitoring Reports, Quarterly Retail Market Monitoring Reports, Annual Reports to the <i>PEM Board</i>, the <i>DOE</i> and the <i>ERC</i>, as the case may be, as required under this <i>Market Manual</i>, which shall include the following:</p> <p>(i) Market Assessment Report; (ii) Retail Market Assessment Report; (iii) Over-riding Constraints Report; and (iv) Apparent or suspected incidents of <i>anti-competitive behavior</i> or abuse of market power by any <i>WESM Participant/Member</i></p> <p>xxx</p>	<p>In accordance with the <i>WESM Rules</i>, the <i>Market Surveillance Committee</i> shall have the following responsibilities:</p> <p>xxx</p> <p>(b) Prepare and Submit to the <i>PEM Board</i>, the <i>DOE</i> and the <i>ERC</i>, as the case, which may be as required under this <i>Market Manual</i>, the Monthly <u>Quarterly</u> Monitoring Reports, Quarterly Retail Market Monitoring Reports, <u>Quarterly Market Reports covering three (3) billing periods, and</u> Annual <u>Market</u> Reports <u>covering the January to December billing period, including the last quarter, for the Wholesale and Retail electricity markets,</u> which shall include the following:</p> <p>(i) Market Assessment Report; (ii) Retail Market Assessment Report; (iii) Over-riding Constraints Report; and (iv) Apparent or suspected incidents of anti-competitive behavior or abuse of market power by any WESM Participant/Member</p> <p><u>The Committee shall publish Monthly Market Statistics that include the results of</u></p>	<p>It is proposed shifting from monthly to quarterly monitoring to enhance the depth and accuracy of market assessments. This change will allow us to:</p> <ul style="list-style-type: none"> • Conduct More Detailed Assessments: By covering longer periods, we can perform more comprehensive analyses, leading to more accurate and insightful evaluations of market conditions. • Identify Trends: Quarterly monitoring will enable us to better identify and understand market trends, which may not be as apparent in shorter, monthly reports. • Resource Optimization: Focusing on quarterly reports will allow us to allocate resources more efficiently, ensuring that our analyses are thorough and well supported.

Title	Section	Provision	Proposed Amendment	Rationale
			<u>the monitoring indices specified in the Catalogue of Market Monitoring Data and Indices (CMMDI) and Catalogue of Retail Market Monitoring Data and Indices (CRMMDI).</u>	Additionally, to address any specific market issues or developments, we retain the discretion to submit monthly reports or special reports as necessary. This flexibility ensures that we can respond promptly to any emerging concerns or significant changes in the market.
	3.1	(new)	<u>(c) In the conduct of its market surveillance function, recommend to PEMC President the issuance of Notice of Possible Commission of Anti-competitive Behavior for any apparent or suspected incidents of anti-competitive behavior or abuse of market power by any WESM Participant/Member.</u>	<p>In view of the revisions to Section 3.1(b), a separate provision is introduced to specify the responsibility of the MSC in addressing any observed or suspected incidents of anti-competitive behavior or abuse of market power by any WESM Participant/Member. This separate provision aims to clarify that reports related to such behavior will be submitted on a per-occurrence basis rather than periodically.</p> <p>Consistent with Section 4.4 of the Market Surveillance Manual, clarified that the recommendation for the issuance of Notice of the MSC will be submitted to PEMC President.</p>

Title	Section	Provision	Proposed Amendment	Rationale
		(c) Prepare and submit special market reports as may be directed by the PEM Board, DOE or ERC;	(d) (e) Prepare and submit special market reports as may be directed by the PEM Board, DOE or ERC;	
	3.1	xxx (d) Review an event of <i>market intervention</i> or <i>market suspension</i> , as defined under Chapter 6 of the <i>WESM Rules</i> , and prepare the corresponding Market Intervention or Market Suspension Report to be submitted to the <i>PEM Board</i> ; xxx	xxx (e) (d) Review an event of <i>market intervention</i> or <i>market suspension</i> , as defined under Chapter 6 of the <i>WESM Rules</i> , and prepare the corresponding <u>Review Report on</u> Market Intervention or Market Suspension Report to be submitted to the <i>PEM Board</i> ; xxx	To reflect the appropriate name of the report and to distinguish it from the report/s submitted by either System Operator or Market Operator.
	3.1	xxx (e) Propose amendments to the <i>WESM Rules</i> in accordance with Chapter 8; xxx	xxx (f) (e) Propose amendments to the <i>WESM Rules</i> <u>Market Rules and Market Manuals</u> in accordance with Chapter 8; xxx	To include the Retail Rules and other market manuals in the possible proposed amendments. Renumbering
		(f) Upon request, assist the Rules Change Committee in reviewing proposed amendments to the <i>WESM Rules</i> and <i>Market Manuals</i> , and make recommendations on the expected impact and necessity of the amendment proposal;	(g) (f) Upon request, assist the Rules Change Committee in reviewing proposed amendments to the <i>WESM Rules</i> and <i>Market Manuals</i> , and make recommendations on the expected impact and necessity of the amendment proposal;	Renumbering.
		(g) Annually review and propose changes, as appropriate, to the <i>WESM Penalty</i>	(h) (g) Annually review and propose changes, as appropriate, to the <i>WESM Penalty Manual</i> pursuant to Clause 7.2 of the <i>WESM Rules</i> .	Renumbering.

Title	Section	Provision	Proposed Amendment	Rationale
		Manual pursuant to Clause 7.2 of the WESM Rules.		
	3.1	xxx (g) Annually review and propose changes, as appropriate, to the <i>WESM Penalty Manual</i> pursuant to Clause 7.2 of the <i>WESM Rules</i> . xxx	xxx (g) Annually review, and propose changes, as appropriate, <u>and review any proposed amendments</u> to the <i>WESM Penalty Manual</i> pursuant to Clause 7.2. <u>5.5</u> of the <i>WESM Rules</i> ; xxx	To update the reference Clause, for clarity. To reflect the responsibility of the MSC to review any proposed amendments to the WESM Penalty Manual pursuant to Clause 7.2.5.5 of the WESM Rules.
	(new)		<u>(h) Submit a Request for Investigation (RFI) whenever the Committee has information on acts or omissions which may possibly constitute to a breach of the WESM Rules and WESM Manuals in accordance with Section 4.6.2 of the Enforcement and Compliance Manual.</u>	To include that in the performance of its monitoring functions the MSC have observed any acts or breaches to the WESM Rules and Market manuals, the Committee may submit a RFI to ECO for further assessment / evaluation.
Responsibilities – Market Assessment Group	3.3	In accordance with the <i>WESM Rules</i> , the <i>Market Assessment Group</i> shall, among others, have the following authorities and responsibilities: xxx (h) Maintain a record of each incident leading to an Over-Riding Constraint and provide the Market Surveillance Committee a summary of said incidents during its periodic monitoring meetings;	In accordance with the <i>WESM Rules</i> , the <i>Market Assessment Group</i> shall, among others, have the following authorities and responsibilities: xxx (h) Maintain a record of each incident leading to an Over-Riding Constraint and provide the Market Surveillance Committee a summary of said incidents during its periodic monitoring meetings;	

Title	Section	Provision	Proposed Amendment	Rationale
		xxx	xxx <u>(k) Provide preliminary assessment on submitted proposed general amendments to the WESM Penalty Manual.</u>	
Responsibilities – Other WESM Governance Committees	3.6	<p>In accordance with the WESM Rules, the other <i>WESM Governance Committees</i> shall, among others, have the following responsibilities:</p> <p>(a) Notify the <i>Market Surveillance Committee</i> whenever they have knowledge of acts or omissions which may possibly constitute to a Breach of the <i>WESM Rules</i> and <i>WESM Manuals</i>;</p> <p>(b) Notify the <i>Market Surveillance Committee</i> when they have knowledge of acts or omissions constituting possible abuse of market power or anti-competitive behavior.</p> <p>(c) Provide assistance and technical expertise to other <i>WESM Governance Committees</i> when so requested; and</p> <p>(d) Promptly provide all data, information, reports and other documentation requested by <i>DOE, ERC, PEM Board, WESM Governance Committees, Market Assessment Group or Enforcement and Compliance Office.</i></p>	<p>In accordance with the WESM Rules, the other <i>WESM Governance Committees</i> shall, among others, have the following responsibilities:</p> <p>(a) Notify the <i>Market Surveillance Committee</i> whenever they have knowledge of acts or omissions which may possibly constitute to a Breach of the <i>WESM Rules</i> and <i>WESM Manuals</i>;</p> <p><u>(a)</u> (b) Notify the <i>Market Surveillance Committee</i> when they have knowledge of acts or omissions constituting possible abuse of market power or anti-competitive behavior.</p> <p>(c) Provide assistance and technical expertise to the other <i>WESM Governance</i> <u>Market Surveillance</u> <i>Committees</i> when so requested; and</p> <p>(d) Promptly provide all data, information, reports and other documentation requested by <i>DOE, ERC, PEM Board, WESM Governance Committees, or Market Assessment Group or Enforcement and Compliance Office.</i></p>	<p>The responsibility related to the Breach of the WESM Rules and Market Manuals was transferred to the Compliance Committee (CC).</p> <p>Renumbering</p> <p>To clearly indicate the other WGCs' assistance to the MSC pursuant to its mandate under the WESM Rules and Market Surveillance Manual.</p> <p>Removal of ECO since the enforcement functions of the MSC were transferred to the CC</p>

Title	Section	Provision	Proposed Amendment	Rationale
Responsibilities – WESM Members and Participants	3.7	Whenever required by the Market Surveillance Committee, the Enforcement and Compliance Office or Market Assessment Group, a WESM Member shall timely submit requested information and data and documents to enable the Market Surveillance Committee to effectively carry out its functions and responsibilities under this Manual.	Whenever required by the Market Surveillance Committee, the Enforcement and Compliance Office or Market Assessment Group, a WESM Member shall timely submit requested information and data and documents to enable the Market Surveillance Committee to effectively carry out its functions and responsibilities under this Manual.	Removal of ECO since the enforcement functions of the MSC were transferred to the CC.
Market Monitoring – Market Assessment	4.1.1	<p>The Market Assessment Group shall prepare monthly and annual Market Assessment Reports for submission to the Market Surveillance Committee, which shall include:</p> <p>xxx</p>	<p>The Market Assessment Group shall prepare monthly, <u>quarterly</u> and annual Market Assessment Reports for submission to the Market Surveillance Committee, which shall include:</p> <p>xxx</p>	<p>It is being proposed shifting from monthly to quarterly monitoring to enhance the depth and accuracy of market assessments. This change will allow us to:</p> <ul style="list-style-type: none"> • Conduct More Detailed Assessments: By covering longer periods, we can perform more comprehensive analyses, leading to more accurate and insightful evaluations of market conditions. • Identify Trends: Quarterly monitoring will enable us to better identify and understand market trends, which may not be as apparent in shorter, monthly reports. • Resource Optimization: Focusing on quarterly reports will allow us to allocate

Title	Section	Provision	Proposed Amendment	Rationale
				resources more efficiently, ensuring that our analyses are thorough and well supported.
	4.1.3	(new)	<u>The Market Assessment Group shall maintain a record of its monitoring and assessment and provide the Market Surveillance Committee a summary of observations during its periodic monitoring meetings.</u>	To ensure that the Committee will be updated on the actual condition of the market and if there's any issues or notable observations that require immediate action, MAG shall continue to present in periodic meetings.
	4.1.3	The <i>Market Surveillance Committee</i> shall review and prepare periodic reports for submission to the <i>PEM Board</i> , the <i>DOE</i> and the <i>ERC</i> , as the case may be.	4.1.3 4.1.4 The <i>Market Surveillance Committee</i> shall review and prepare periodic reports for submission to the <i>PEM Board</i> , the <i>DOE</i> and the <i>ERC</i> , as the case may be.	Renumbering
	4.1.4	Upon submission to the <i>PEM Board</i> , the above-mentioned <i>Market Assessment Reports</i> shall be published in the <i>WESM market information website</i> .	4.1.4 4.1.5 Upon submission to the <i>PEM Board</i> , the above-mentioned <i>Market Assessment Reports</i> shall be published in the <i>WESM market information website</i> .	Renumbering
Periodic Monitoring by the Market Surveillance Committee	4.3.1	The <i>Market Surveillance Committee</i> shall meet at least once every month to carry out a review of the Market Assessment Report and the Retail Market Assessment Report submitted by the <i>Market Assessment Group</i> , and the preparation of the Monthly Monitoring Report and Retail Market Monitoring Report to be submitted to the <i>PEM Board</i> .	The <i>Market Surveillance Committee</i> shall meet at least once every month to carry out a review of the <u>WESM and Retail Market conditions</u> Market Assessment Report and the Retail Market Assessment Report <u>as submitted and presented</u> by the <i>Market Assessment Group</i> , and to the <u>prepare preparation of and submit</u> the Monthly Monitoring Report and Retail	To clarify that the Market Surveillance Committee shall still meet at least once every month to review the current market conditions for both the WESM and Retail Market. This is to ensure the Committee's immediate response for any issues or notable

Title	Section	Provision	Proposed Amendment	Rationale
			<p>Market Monitoring Report to be submitted to the <i>PEM Board</i>, <u>DOE and ERC</u>.</p>	<p>observations that require immediate action.</p> <p>Further, the Monthly Monitoring Report, which contains the accomplishments of the Committee for every billing period, will still be prepared and submitted monthly to apprise the PEM Board, DOE and ERC of the activities undertaken of the Committee. For checks and balance.</p>
	4.3.2	<p>Subject to existing health protocols issued by the National Government and/or local government units by reason of the COVID-19 pandemic, meetings of the <i>Market Surveillance Committee</i> shall be held “onsite” at the PEMC office premises or “online” via remote communication. The <i>PEMC</i> shall ensure that adequate space and facilities are allocated to the <i>Market Surveillance Committee</i> for this purpose.</p>	<p>Subject to existing health protocols issued by the National Government and/or local government units by reason of the COVID-19 pandemic, meetings of the <i>Market Surveillance Committee</i> shall be held “onsite” at the PEMC office premises or “online” via remote communication. The <i>PEMC</i> shall ensure that adequate space and facilities are allocated to the <i>Market Surveillance Committee</i> for this purpose.</p>	<p>Make it general just in case there will be another form of pandemic happened in the future.</p>
	4.3.4	<p>In the periodic monitoring meetings, the <i>Market Surveillance Committee</i> shall:</p> <p>(a) Assess market monitoring indices and price trends in the <i>WESM</i> and the Retail Market to evaluate whether spot prices and reserve prices are in line with those that may be expected in an effectively</p>	<p>In the periodic monitoring meetings, the <i>Market Surveillance Committee</i> shall:</p> <p>(a) Assess market monitoring indices and price trends in the <i>WESM</i> and the Retail Market to evaluate whether spot prices and reserve prices are in line with those that may be expected in an effectively competitive market;</p>	<p>remove the redundant provision</p>

Title	Section	Provision	Proposed Amendment	Rationale
		<p>competitive market; Identify market outcomes or pricing situations that are inefficient or contrary to competition or the <i>WESM</i> objectives;</p> <p>(b) Identify market outcomes or pricing situations that are inefficient or contrary to competition or the <i>WESM</i> Objectives;</p> <p>(c) Assess monitoring indices, the behavior and strategies in bids and offers and, as appropriate, the relationship of those bids or offers to marginal or other costs;</p> <p>(d) Pursuant to Section 3.1 of this Manual, provide a report to the <i>Enforcement and Compliance Office</i> of certain acts or omissions which may possibly constitute a Breach of the <i>WESM Rules</i> or <i>Market Manuals</i>, or which may possibly constitute anti-competitive behavior or abuse of market power, recommend to the PEMC President the issuance of a Notice of Possible Commission of anti-competitive behavior for submission to the <i>ERC</i>.</p> <p>(e) Identify any need for, and recommend the implementation of, measures to remedy or mitigate possible anti-competitive behavior or abuse of market power, anomalous conditions, market defects or problems in the spot market and/or rectify or correct the same through amendments to <i>WESM</i> and <i>Retail Rules</i> and <i>Market Manuals</i>;</p>	<p>Identify market outcomes or pricing situations that are inefficient or contrary to competition or the <i>WESM</i> objectives;</p> <p>(b) Identify market outcomes or pricing situations that are inefficient or contrary to competition or the <i>WESM</i> Objectives;</p> <p>(c) Assess monitoring indices, the behavior and strategies in bids and offers and, as appropriate, the relationship of those bids or offers to marginal or other costs;</p> <p>(d) Pursuant to Section 3.1 of this Manual, provide a report to the <i>Enforcement and Compliance Office</i> of certain acts or omissions which may possibly constitute a Breach of the <i>WESM Rules</i> or <i>Market Manuals</i>, or which may possibly constitute anti-competitive behavior or abuse of market power, recommend to the PEMC President the issuance of a Notice of Possible Commission of anti-competitive behavior for submission to the <i>ERC</i>.</p> <p>(e) Identify any need for, and recommend the implementation of, measures to remedy or mitigate possible anti-competitive behavior or abuse of market power, anomalous conditions, market defects or problems in the spot market and/or rectify or correct the same through amendments to <i>WESM</i> and <i>Retail Rules</i> and <i>Market Manuals</i>;</p> <p>(f) Review from time to time the market design and propose necessary amendments to the</p>	

Title	Section	Provision	Proposed Amendment	Rationale
		(f) Review from time to time the market design and propose necessary amendments to the <i>WESM Rules, Retail Rules and Market Manuals</i> ; and (g) Review reports and recommendations of the <i>Market Assessment Group</i> , and take appropriate action thereon including preparing corresponding reports.	<i>WESM Rules, Retail Rules and Market Manuals</i> ; and (g) Review reports and recommendations of the <i>Market Assessment Group</i> , and take appropriate action thereon including preparing corresponding reports.	
	4.3.7	The <i>Market Surveillance Committee</i> shall prepare a Monthly Monitoring Report at the end of each periodic monitoring meeting which shall contain: xxx	The <i>Market Surveillance Committee</i> shall prepare a Monthly Quarterly Monitoring Report at the end of each periodic monitoring <u>period</u> meeting which shall contain: xxx (g) Approved Market Assessment Reports	It is being proposed to shift from monthly to quarterly monitoring to avoid redundancy in the reports as well as enhance the depth and accuracy of market assessments.
	4.3.8	The <i>Market Surveillance Committee</i> shall submit to the <i>PEM Board</i> the following: (a) Monthly Monitoring Report, not later than one week after its approval; (b) Quarterly Retail Market Monitoring Report, not later than one week after its approval; (c) Annual Retail Market Monitoring Report, within the first quarter of the succeeding year; (d) Annual Market Assessment Report, within the third quarter of the succeeding year; and	The <i>Market Surveillance Committee</i> shall submit to the <i>PEM Board</i> the following: (a) Monthly and Quarterly Monitoring Report, not later than one week after its approval; <u>(c) Annual Monitoring Report, which contains its accomplishments and work plan, within the first quarter of the succeeding year;</u> <u>(d) (b) Quarterly Retail Market Assessment</u> Monitoring Report, not later than one week after its approval; (c) Annual Retail Market <u>Assessment</u> Monitoring Report, within the first quarter of the succeeding year;	To reflect the existing timescale of the reports submitted and prepared by the Committee. Renumbering.

Title	Section	Provision	Proposed Amendment	Rationale
		(e) Annual Report, which contains its accomplishments and work plan, within the first quarter of the succeeding year.	<p><u>(d) Quarterly Market Assessment Report, not later than one week after its approval;</u> (e) (d) Annual Market Assessment Report, within the <u>second</u> third quarter of the succeeding year; and <u>(f) Quarterly Over-riding Constraints Report, not later than one week after its approval;</u> <u>(g) Annual Over-riding Constraints Report, within the third quarter of the succeeding year; and</u> (e) Annual Report, which contains its accomplishments and work plan, within the first quarter of the succeeding year.</p>	
	4.3.9	The <i>Market Surveillance Committee</i> shall transmit a copy of the Monthly Monitoring Report, Annual Market Assessment Report, Quarterly Retail Market Monitoring Report and Annual Retail Market Monitoring Report to the <i>DOE</i> and <i>ERC</i> .	The <i>Market Surveillance Committee</i> shall transmit a copy of the Monthly <u>Quarterly</u> Monitoring Report, <u>Quarterly and</u> Annual Market Assessment Report, Quarterly <u>and</u> <u>Annual</u> Retail Market <u>Assessment</u> Monitoring Report and Annual Retail Market Monitoring Report <u>Quarterly and Annual Over-riding Constraints Report</u> to the <i>DOE</i> and <i>ERC</i> .	<p>To reflect the existing timescale of the reports submitted and prepared by the Committee.</p> <p>Harmonization of the term / name of the reports for clarity.</p>
Other Review Functions – Review of the Proposed Amendments to the WESM Penalty Manual		(new)	<p><u>5.6 Review of the Proposed Amendments to the WESM Penalty Manual</u></p> <p><u>5.6.1 The proposals shall be submitted to the Market Surveillance Committee, through the WESM Governance Committee Secretariat, who shall check for the completeness of the proposal and its compliance with the formal requirements set forth in Section 7.1.4 of the WESM</u></p>	To provide a clear and detailed framework for the MSC regarding its responsibilities and procedures for reviewing and approving any proposed changes to the WESM Penalty Manual or Penalty Provisions.

Title	Section	Provision	Proposed Amendment	Rationale
			<p><u>Penalty Manual. Only proposals which are made in the prescribed form shall be accepted and considered as submitted.</u></p> <p><u>5.6.2 Complete proposals shall be given due course and shall be forwarded to the Market Surveillance Committee for consideration within five (5) working days from receipt of complete proposal.</u></p> <p><u>5.6.3 Incomplete proposals or those which do not comply with the formal requirements shall be denied due course, and the WESM Governance Committee Secretariat shall notify the proponent of the denial citing the grounds therefor. The proponent may resubmit the proposal and comply with the formal requirements.</u></p> <p><u>5.6.4 Upon endorsement by the WESM Governance Committee Secretariat,</u></p> <p><u>(a) the Market Surveillance Committee shall give due course to the proposal in the next Committee meeting.</u></p> <p><u>b) if the Market Surveillance Committee finds that the proposal does not satisfy the criteria as prescribed in Sections 7.1.2 of the WESM Penalty Manual, it shall notify the proponent within ten (10) working days of its decision and the reasons therefor.</u></p>	

Title	Section	Provision	Proposed Amendment	Rationale
			<p><u><i>c) if the Market Surveillance Committee determines that the proposal satisfies the criteria as prescribed in Section 7.1.2 and 7.1.3 of the WESM Penalty Manual, it shall notify the proponent of the proposal and proceed to evaluate the proposal in the manner set forth in this Market Manual.</i></u></p> <p><u><i>5.6.5 Consultation to Other Committees and Entities</i></u></p> <p><u><i>a) The Market Surveillance Committee shall notify all the WESM participants, as well as other interested parties of the proposal through publication, inviting them to give written submissions regarding the proposal.</i></u></p> <p><u><i>b) The Market Surveillance Committee shall hold a consultation meeting with the Rules Change Committee and the PEM Board on the proposed amendments within thirty (30) working days from the date of first publication of notice.</i></u></p> <p><u><i>5.6.6 Adoption and Approval of the Proposal</i></u></p> <p><u><i>a) If the Market Surveillance Committee concludes that the proposal satisfies the prescribed criteria and that the procedures</i></u></p>	

Title	Section	Provision	Proposed Amendment	Rationale
			<p><u>set forth in this Manual and in the WESM Penalty Manual have been duly complied with, it shall approve the amendment.</u></p> <p><u>b) In any case, the Market Surveillance Committee may approve the proposal with modifications if it deems proper.</u></p> <p><u>5.6.7 If the Market Surveillance Committee concludes that the proposal does not satisfy the prescribed criteria, it shall notify the proponent, the parties who made written submissions, of its decision and the reasons for rejection, within five (5) working days from the approval of the resolution on the deliberation of the proposal.</u></p> <p><u>5.6.8 If the Market Surveillance Committee determines that the procedures set forth in this Manual were not duly complied with and that the breach of procedure is material, it shall refer the proposal back to the Proponent so that the procedural error can be rectified.</u></p> <p><u>5.6.9 Pursuant to Clause 7.2.5.5 of the WESM Rules and Sections 3 and 7 of the WESM Penalty Manual, the Market Surveillance Committee shall endorse the approved proposal(s) to the DOE for its review and promulgation, thereafter.</u></p>	

Title	Section	Provision	Proposed Amendment	Rationale
Access to Information and Data Management	7.4	<p>A request for information by the <i>Market Surveillance Committee, Enforcement and Compliance Office</i> and <i>Market Assessment Group</i> shall:</p> <p>(a) Be in writing;</p> <p>(b) Indicate the reason for the request;</p> <p>(c) Specify the document or information requested and, when applicable, the format;</p> <p>(d) Specify a reasonable time within which the information must be provided; and Provide other relevant information or clarification to ensure that the request is understood by the Recipient.</p>	<p>A request for information by the <i>Market Surveillance Committee, Enforcement and Compliance Office</i> and <i>Market Assessment Group</i> shall:</p> <p>(a) Be in writing;</p> <p>(b) Indicate the reason for the request;</p> <p>(c) Specify the document or information requested and, when applicable, the format;</p> <p>(d) Specify a reasonable time within which the information must be provided; and (e) Provide other relevant information or clarification to ensure that the request is understood by the Recipient.</p>	<p>Removal of ECO since the enforcement and compliance functions were transferred to CC.</p> <p>Minor / clerical edit.</p>
Confidentiality	8.8	The members of the <i>Market Surveillance Committee, Enforcement and Compliance Office</i> and <i>Market Assessment Group</i> as the case may be, shall prepare a version of their Reports, deleting information they have determined to be confidential, to enable its dissemination and publication.	The members of the <i>Market Surveillance Committee, Enforcement and Compliance Office</i> and <i>Market Assessment Group</i> as the case may be, shall prepare a version of their Reports, deleting information they have determined to be confidential, to enable its dissemination and publication.	Removal of ECO since the enforcement and compliance functions were transferred to CC.
Limitation of Liability and Indemnification	9.1	Members of the <i>PEM Board</i> and other <i>PEMC</i> officers and staff, <i>Market Surveillance Committee, Enforcement and Compliance Office</i> , and the <i>Market Assessment Group</i> , as the case may be, shall not be made personally liable for any loss, liability or damage suffered or	Members of the <i>PEM Board</i> and other <i>PEMC</i> officers and staff, <i>Market Surveillance Committee, Enforcement and Compliance Office</i> , and the <i>Market Assessment Group</i> , as the case may be, shall not be made personally liable for any loss, liability or damage suffered or incurred by a <i>WESM member</i> , the <i>System</i>	Removal of ECO since the enforcement and compliance functions were transferred to CC.

Title	Section	Provision	Proposed Amendment	Rationale
		incurred by a <i>WESM member</i> , the <i>System Operator</i> , the <i>Market Operator</i> or any other person by reason of a disclosure of information in reports prepared as a result of the exercise of assessment, monitoring and compliance functions undertaken in accordance with the <i>WESM Rules</i> , <i>Retail Rules</i> or this <i>Market Manual</i> , unless they have acted with malice, manifest partiality, evident bad faith, gross incompetence or gross negligence.	<i>Operator</i> , the <i>Market Operator</i> or any other person by reason of a disclosure of information in reports prepared as a result of the exercise of assessment, monitoring and compliance functions undertaken in accordance with the <i>WESM Rules</i> , <i>Retail Rules</i> or this <i>Market Manual</i> , unless they have acted with malice, manifest partiality, evident bad faith, gross incompetence or gross negligence.	
	9.2	Should any member of the <i>PEM Board</i> and other <i>PEMC</i> officers and staff, <i>Market Surveillance Committee</i> , <i>Enforcement and Compliance Office</i> , <i>Market Assessment Group</i> , as the case may be, be adjudged liable for any amount for liability or damage suffered or incurred by any person or entity, the <i>PEMC</i> shall hold them free and harmless from such loss, liability or damage, and shall fully indemnify said persons through an indemnification process to be developed by the <i>PEM Board</i> ; Provided, however, that the indemnification shall exclude any liability arising out of conduct involving malice, manifest partiality, evident bad faith, gross incompetence or gross negligence. Said indemnification shall cover: xxx	Should any member of the <i>PEM Board</i> and other <i>PEMC</i> officers and staff, <i>Market Surveillance Committee</i> , <i>Enforcement and Compliance Office</i> , <i>Market Assessment Group</i> , as the case may be, be adjudged liable for any amount for liability or damage suffered or incurred by any person or entity, the <i>PEMC</i> shall hold them free and harmless from such loss, liability or damage, and shall fully indemnify said persons through an indemnification process to be developed by the <i>PEM Board</i> ; Provided, however, that the indemnification shall exclude any liability arising out of conduct involving malice, manifest partiality, evident bad faith, gross incompetence or gross negligence. Said indemnification shall cover: xxx	Removal of ECO since the enforcement and compliance functions were transferred to CC.

Title	Section	Provision	Proposed Amendment	Rationale
Amendment, Publication and Effectivity	10.2	<p>10.2.1 This Manual, as it may be amended from time to time, shall be published in the market information website maintained by the <i>Market Operator</i>.</p> <p>This Manual or any amendments thereto shall become effective upon approval of the <i>DOE</i> in accordance with WESM Rules Clause 8.6.4. The date of effectivity shall be indicated in this document.</p>	<p>10.2.1 This Manual, as it may be amended from time to time, shall be published in the market information website maintained by the <i>Market Operator</i> <u>WESM Governance Arm</u>.</p> <p>This Manual or any amendments thereto shall become effective upon approval of the <i>DOE</i> in accordance with WESM Rules Clause 8.6.4. The date of effectivity shall be indicated in this document.</p>	To reflect the appropriate entity with oversight in the amendment and publication of the Manual.

Note: Please underline and put in bold letters the proposed changes to the Market Rules or Manual.



Philippine Electricity
Market Corporation

PROPOSED AMENDMENTS ON WPM RULES CHANGE PROCEDURE AND OTHER ENHANCEMENT TO MSC PROCESSES

MSC Presentation to the RCC

20 June 2025

THE PROPONENT

- The proponent is the PEMC – Market Surveillance Committee (MSC), composed of five (5) members who are appointed by the PEM Board and mandated, among others, to:
 1. monitor the activities of WESM participants and submit corresponding market and committee reports, and
 2. review and propose amendments, as appropriate, to the WESM Penalty Manual.

PENALTY-RELATED PROVISIONS ON MANDATE OF MSC

WESM Rules

Clause 7.2.5.5.

The MSC shall review the WESM Penalty Manual from time to time as may be necessary, and in consultation with the RCC, CC and the PEM Board, recommend changes thereto, provided, that changes on the same shall be subject to the approval of the DOE.

Market Surveillance Manual 1.0

Section 3.1 (g)

Annually review and propose changes, as appropriate, to the WESM Penalty Manual pursuant to Clause 7.2 of the WESM Rules.

WESM Penalty Manual 3.0

Section 3.3.

The MSC shall annually review the levels and range of penalties as set out in this Manual. From time to time and as may be necessary, the MSC shall submit to the DOE its proposed amendments thereto, in consultation with the WESM Members, RCC and the PEM Board.

Section 7.1.3.

The MSC shall conduct consultations on the proposed changes with the WESM Members, RCC and the PEM Board, in accordance with the WESM Rules.

Section 7.1.1.

Amendments to this Manual may be initiated by the MSC, the CC, the ECO, the MO, the SO or any other WESM Member. Amendments initiated by parties other than the MSC shall be done by submitting formal proposals for amendment to the MSC.

Section 7.1.4.

Amendments to this Manual shall be approved and promulgated by the DOE.

ACTION REQUESTED

- PEMC – MSC is requesting for the amendments of the following:
 - WESM Rules
 - Market Surveillance Manual
- For information of the RCC – the corresponding proposed amendments to the WESM Penalty Manual

RATIONALE OF THE PROPOSAL

- On the Clarification of MSC's procedure for review of Rules Changes to Penalty Manual:
 - While the WESM Penalty Manual provides guidance on the process that each proposed amendment undergoes—from deliberation to the commenting of various entities required by the WESM Rules, including WESM Members—clear procedures to be followed by the proponent and even the Market Surveillance Committee (MSC) in the performance of its mandate are yet to be established.
- On other enhancement of MSC processes
 - Given the evolving nature and needs of the WESM and the Retail Market, and the continuous learning that comes from the operations and experiences of the Committee, the enhancements and clarifications to its procedures and its outputs are necessary

SUMMARY OF THE CHANGES



Clarification of MSC's procedure for review of Rules Changes to Penalty Manual

- To provide a clear and detailed framework for the MSC regarding its responsibilities and procedures for reviewing and approving any proposed changes to the WESM Penalty Manual or Penalty Provisions.
- To ensure that the MSC effectively oversees the integrity and proper functioning of the electricity market.

Proposed Changes:

- Inclusion of provisions in the WESM Rules, and Market Surveillance Manual to clarify the responsibility / mandate of the MSC to process the proposed amendments relative to WESM Penalty Provisions.
- Inclusion of provisions in the Market Surveillance Manual and WESM Penalty Manual for the procedures to follow for the processing of proposed amendments.
- Revisions to WESM Rules to include MSC in the scope of Chapter 8 – Rules Changes.



Enhancement of MSC procedures and processes

- To enhance and clarify the procedures and processes of the MSC to ensure its effective operation and strengthen its oversight capabilities.
- To streamline operations, clarify responsibilities, and align with current structure and procedures.

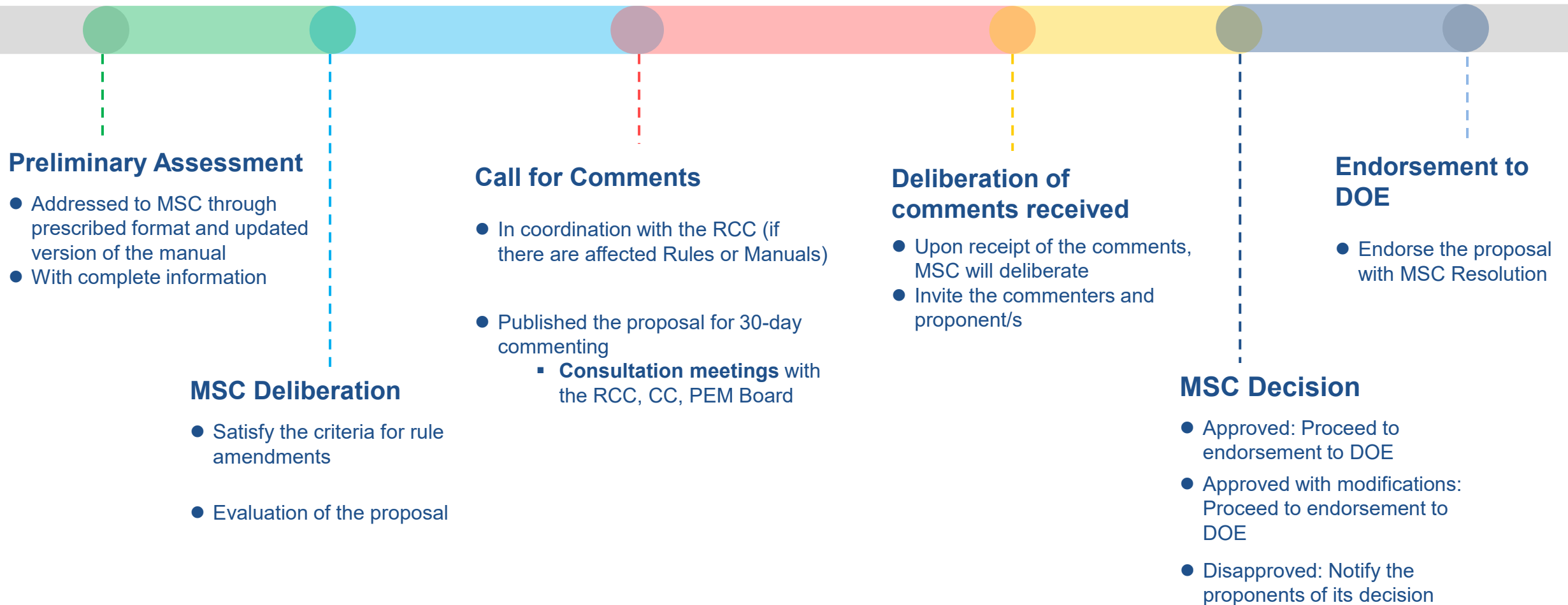
Proposed Changes:

- Shift from monthly to quarterly assessment report to avoid redundancy in the reports as well as enhance the depth and accuracy of market assessments (monthly statistics will still be regularly issued).
- Harmonization for the names of the reports being submitted and the streamlining of the document submission process to various entities
- Removal of the Enforcement and Compliance Office from the MSC's direct reporting lines due to its realignment under the Compliance Committee.



Other minor edits for clarity / brevity

RULES CHANGE PROCESS



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