



Philippine Electricity
Market Corporation

PROPOSED AMENDMENTS TO THE ENFORCEMENT AND COMPLIANCE MANUAL AND THE PENALTY MANUAL

Presentation to the RCC and MSC

January 2026 | PEM Board Room

OVERVIEW

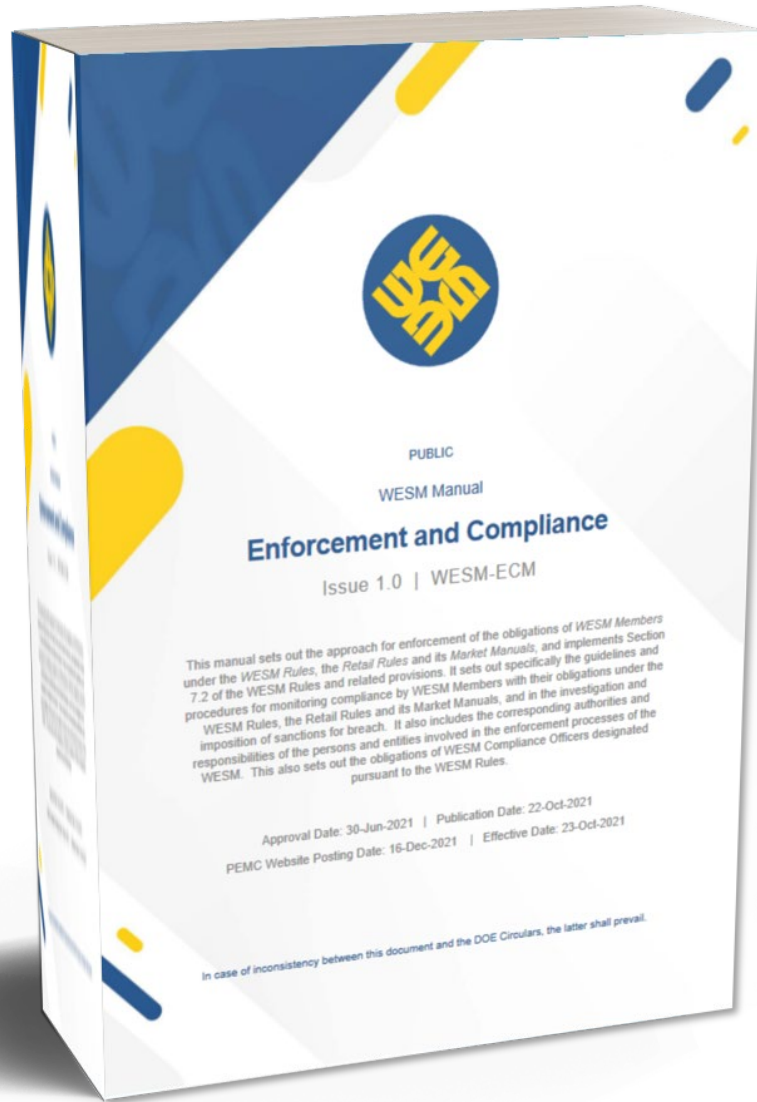
Item	Description
Previous Filing	<p>September 2023 – Filed rules change proposal (EC and Penalty Manual)</p> <ul style="list-style-type: none">• PEMC submitted key revisions, including:<ul style="list-style-type: none">○ Transfer of penalty collection from the Market Operator to the WESM Governance Arm○ Use of penalties for urgent and unforeseen WESM operational and governance needs• May 2025 - DOE disapproved the full proposal, including non-penalty-related provisions that PEMC believes were well-founded and aimed at improving enforcement efficiency.
DOE Directive	<p>June 2025 - DOE instructed the Market Operator to implement the collection and distribution mechanism, returning the collected penalties to end-users. This has been operational since June 2025 and is now proposed for formal inclusion in Section 6 of the Manual.</p>
Rationale for Refiling	<p>PEMC is refiling a refined, updated proposal that:</p> <ul style="list-style-type: none">• Aligns with DOE directives• Addresses procedural gaps• Reinforces enforcement integrity and operational clarity
Objectives of the Current Proposal	<p>To codify current practices, update rule references, and uphold consistent, transparent, and enforceable penalties across all WESM participants.</p>

COVERAGE

Penalty Manual Issue 3.0	Enforcement and Compliance Manual Issue 1.0
<p>Summary of Changes</p> <ul style="list-style-type: none"> • Clarity in the Institutional Roles • Integration of Penalty Collection, Distribution, and Flowback Mechanism • Incorporation of Exhaustion of Available Remedies in WESM Governance • Clearer Timelines and Enforcement Mechanisms • Update of Rule References and Alignment of Terminology • Transfer of the Reconsideration and Appeal Procedures • Minor/Clerical Revisions for Consistency 	<p>Summary of Changes</p> <ul style="list-style-type: none"> • Jurisdictional Clarification • Streamlined Investigation Timelines • Refined Process Flow • Filing Authority, Terminology and Notifications • Enhanced Provisions Relating to Remedial Measures • Integration of Reconsideration and Appeal Procedures • Minor/Clerical Revisions for Consistency
File with MSC; consultation with RCC, CC and PEM Board	File with RCC
General Amendment	General Amendment
Proponent: PEMC (or PEMC and IEMOP)	Proponent: PEMC

Proposed Rule Amendments to:

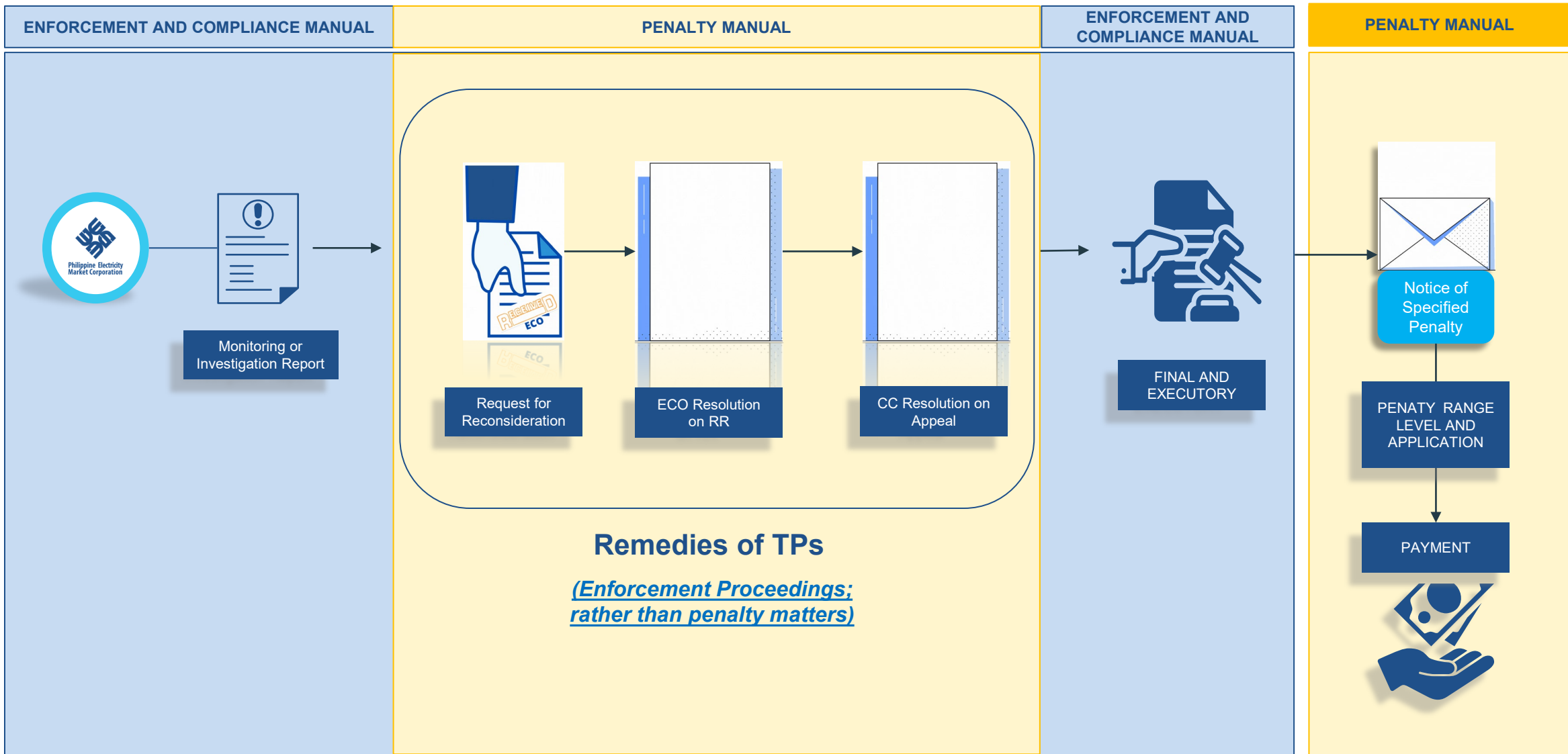
WESM Enforcement and Compliance Manual



Summary of the Proposal:

1. Transfer of the provisions on Request for Reconsideration and Appeal proceedings from Penalty Manual to the Enforcement and Compliance Manual ▶
2. Change in the timeline for compliance monitoring and assessment and other enforcement proceedings timeline ▶
3. Additional provisions for RFI verification ▶
4. Minor and clerical correction

CURRENT RULE



PROPOSED CHANGE

ENFORCEMENT AND COMPLIANCE MANUAL

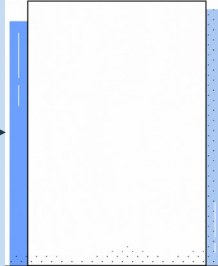
PENALTY MANUAL



Monitoring or Investigation Report



Request for Reconsideration



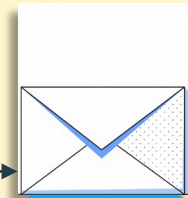
ECO Resolution on RR



CC Resolution on Appeal



FINAL AND EXECUTORY



Notice of Specified Penalty

PENALTY RANGE LEVEL AND APPLICATION

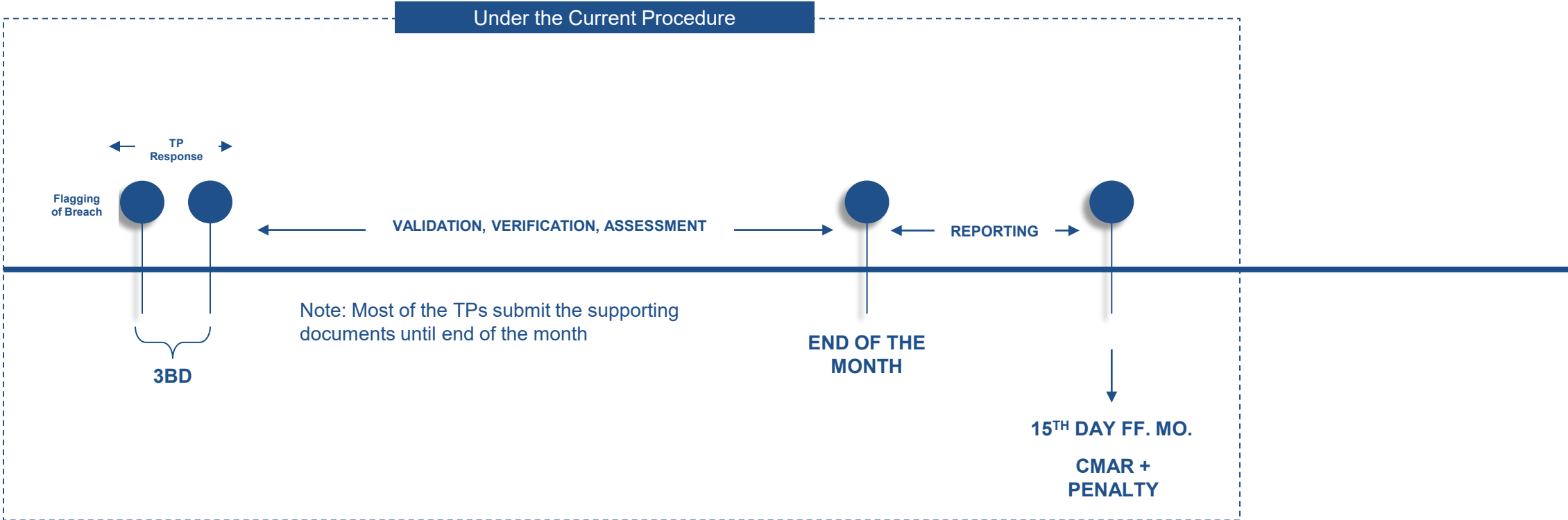
PAYMENT



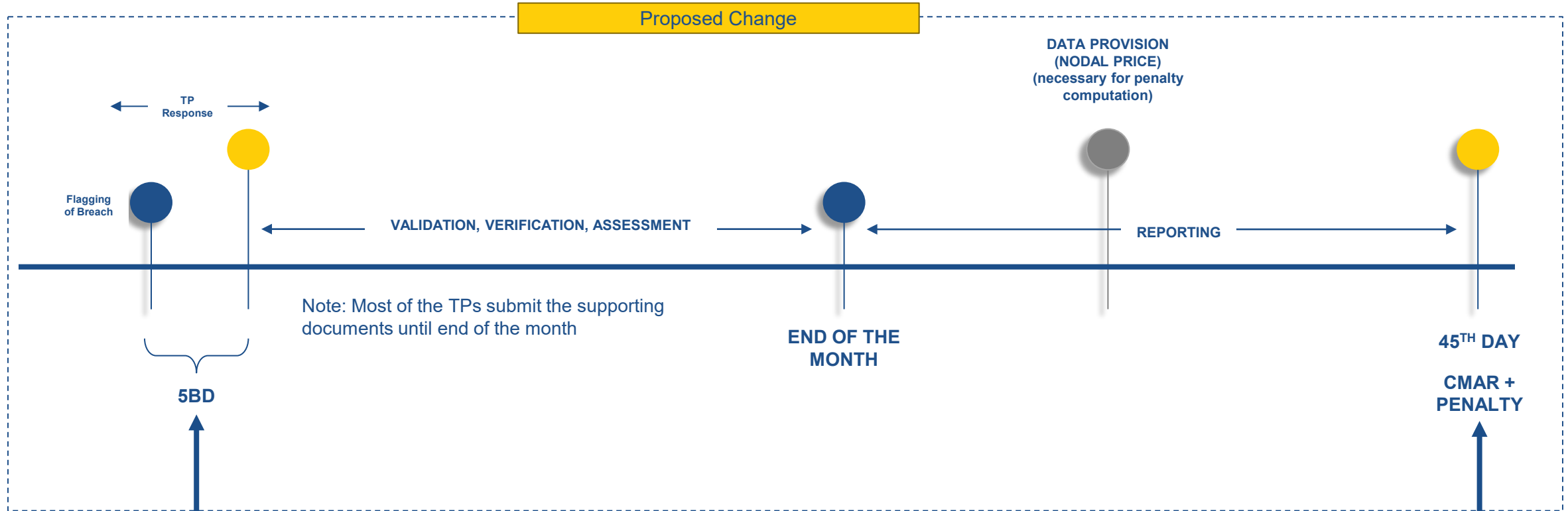
Remedies of TPs

(Enforcement Proceedings; rather than penalty matters)

COMPLIANCE MONITORING AND ASSESSMENT TIMELINE



COMPLIANCE MONITORING AND ASSESSMENT TIMELINE



1
Extend Timeline to Respond from 3D to 5D

2
Extend Timeline for issuance of report from 15th to 45th day following the covered monitoring month

Note: Penalty via NSP can't be computed on 15th because the adjusted price date is provided by MO after 15th of the month.

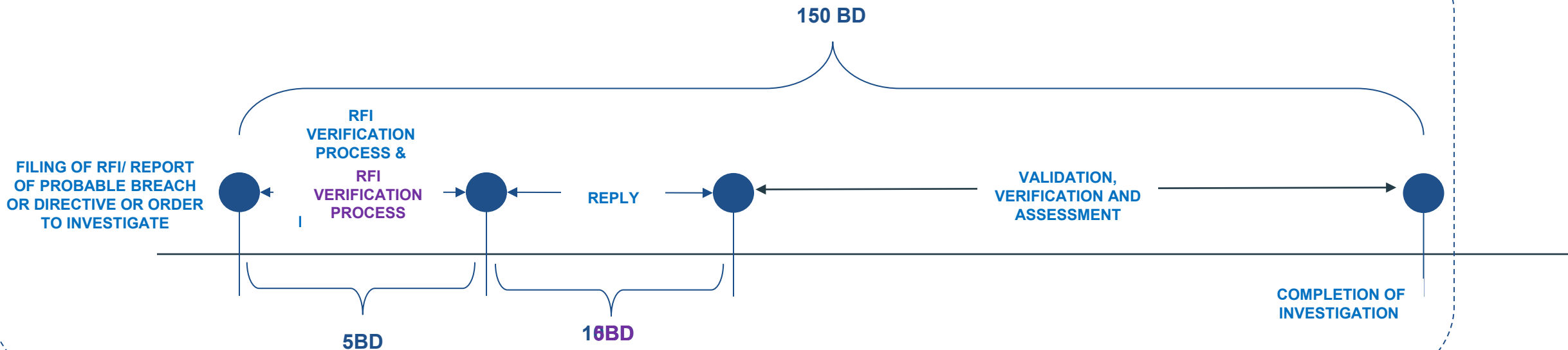
RATIONALE FOR EXTENDING ECO'S MONITORING REPORT TIMELINE TO 45 DAYS

A. OVERLAPPING TIMELINES WITH OTHER MONITORING TYPE	
Monitoring Type	Due Date of the Reports
FOR CMAR-OCC	15 days from the last day of the calendar month of the covered monitoring period
FOR CMAR-DCS	15 days from the last day of the calendar month of the covered monitoring period
FOR CMAR-MORM	15 days from the last day of the calendar month of the covered monitoring period
FOR FINAL FAS RESULTS	70 days from the last day of the calendar month of the covered monitoring period
FOR CMAR-FAS	Every March 31 of the year following the covered monitoring period
FOR CMAR-LAS	45 days from the last day of the calendar month of the covered monitoring period
FOR CMAR-ROCC	20 days the last day of the calendar month of the covered monitoring period
FOR CMAR-RCS	60 days the last day of the calendar month of the covered monitoring period
FOR INV REPORT	150 BD from RFI
FOR RESOLUTION ON RR	15 days from receipt of the Request for Reconsideration

B. VOLUME OF REPORTS ISSUED MONTHLY	
Monitoring Type	Average No. of Reports Per Month
FOR CMAR-OCC	305
FOR CMAR-DCS	305
FOR CMAR-MORM	49
FOR FINAL FAS RESULTS	100
FOR CMAR-FAS	100
FOR CMAR-LAS	20
FOR CMAR-ROCCC	70
FOR CMAR-RCS	50
FOR INV REPORT	1
RESOLUTION ON RR	5

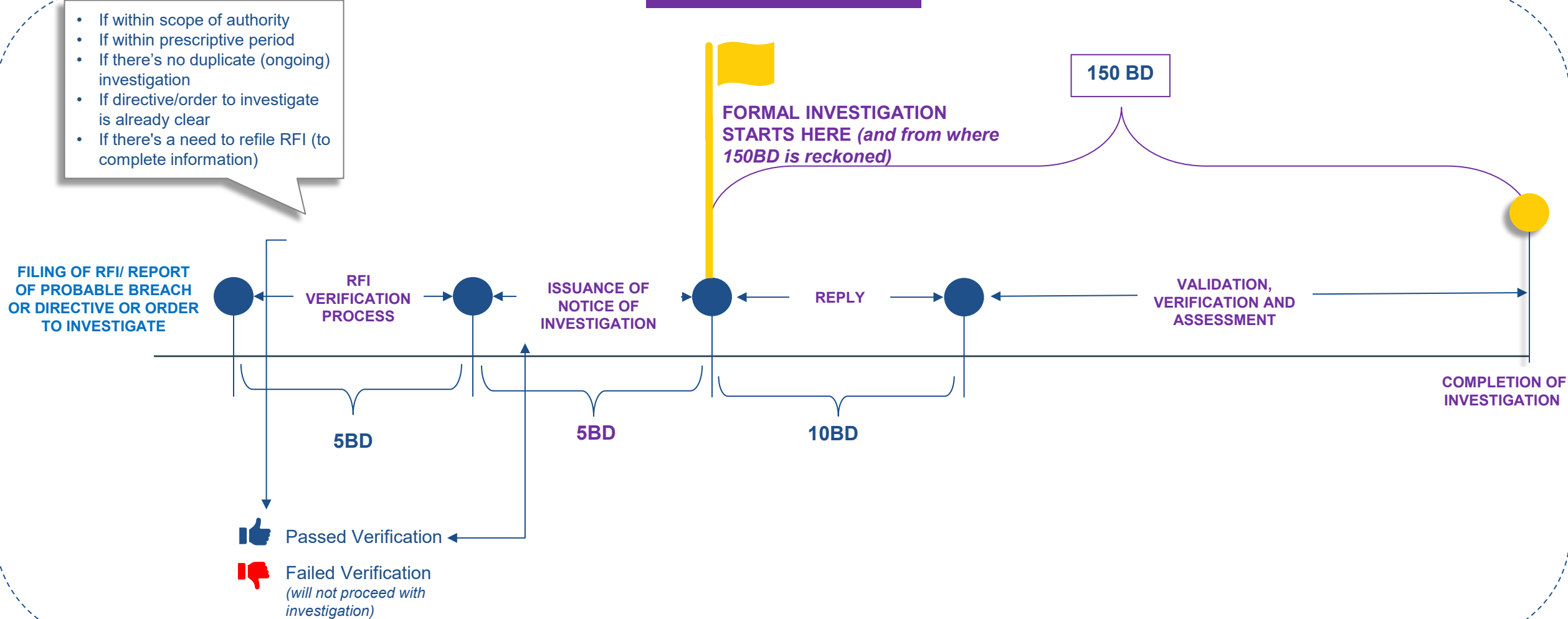
- **Monitoring activities overlap, making the timeline tight**
- **Too many reports are issued every month** (*covering Luzon, Visayas, and Mindanao WESM Members*)
- **Time management for ECO's current manpower setup**

CURRENT PROCEDURE



PROPOSED CHANGE

- If within scope of authority
- If within prescriptive period
- If there's no duplicate (ongoing) investigation
- If directive/order to investigate is already clear
- If there's a need to refile RFI (to complete information)



JURISDICTIONAL CLARIFICATION

- If within scope of authority
- If within prescriptive period
- If there's no duplicate (ongoing) investigation
- If directive/order to investigate is already clear
- If there's a need to refile RFI (to complete information)

FILING OF RFI/ REPORT OF PROBABLE BREACH OR DIRECTIVE OR ORDER TO INVESTIGATE



RFI VERIFICATION PROCESS

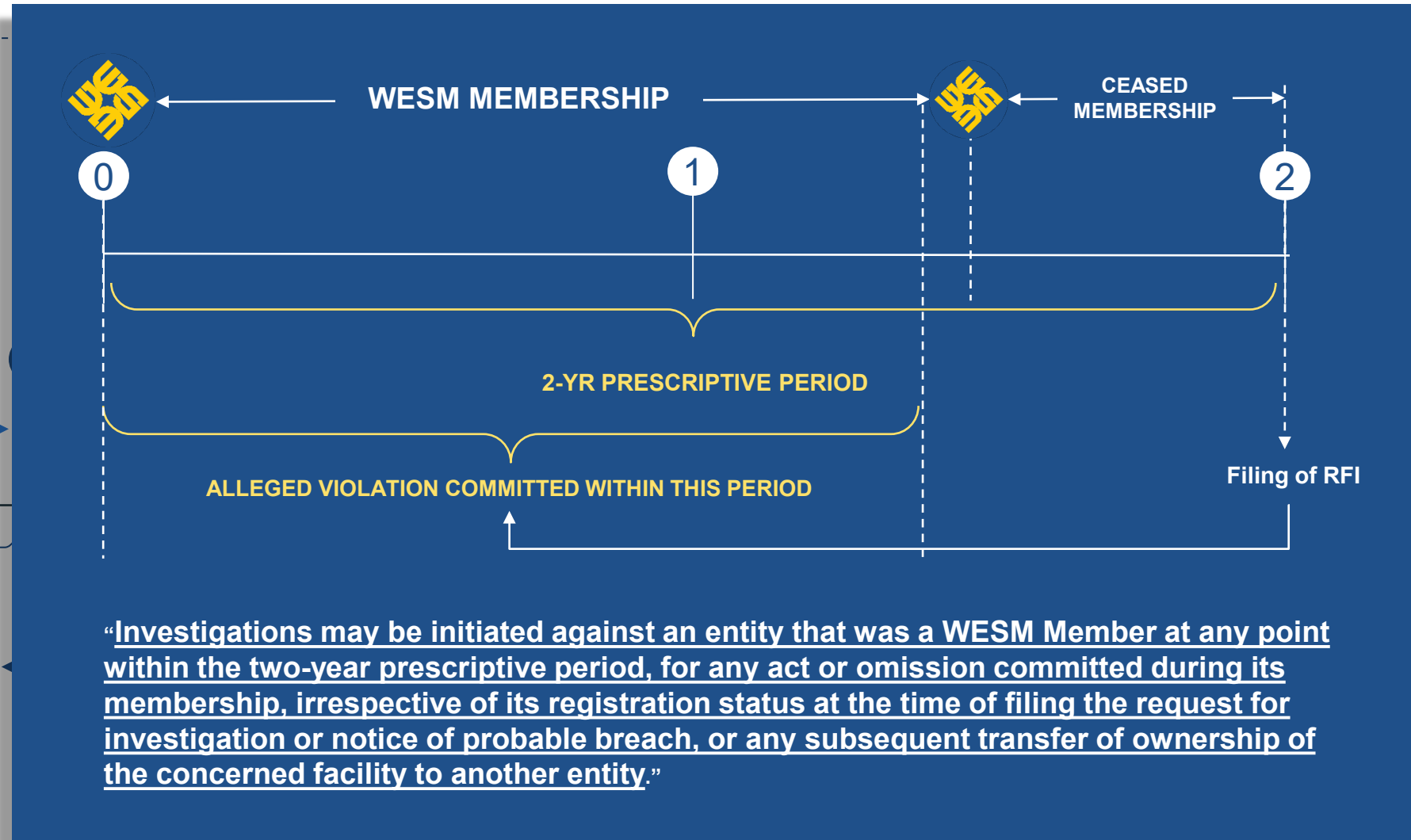
5BD



Passed Verification



Failed Verification
(will not proceed with investigation)





Republic of the Philippines
DEPARTMENT OF ENERGY
(Kagawaran ng Enerhiya)

DEPARTMENT CIRCULAR NO. DC2023-07-0022 *Dr*

**IMPLEMENTING GUIDELINES ON THE DECOMMISSIONING AND
MOTHBALLING OF A GENERATING PLANT OR UNIT PURSUANT TO SECTION
2.8 OF DOE DEPARTMENT CIRCULAR (DC) NO. DC2010-03-0003**

WHEREAS, Section 2 of Republic Act (RA) No. 9136 or the Electric Power Industry Reform Act of 2001 (EPIRA) declares as the policy of the State to ensure the quality, reliability, security and affordability of the supply of electric power;

WHEREAS, Section 2.8 of the Department of Energy (DOE) DC No. DC2010-03-0003, titled "Directing All Power Generation Companies, the Transmission Service Provider, and All Distribution Utilities to Ensure Adequate and Reliable Electric Power Supply in the Country", issued on 26 February 2010 states that Generation Companies (GenCos) shall seek prior clearance from the DOE regarding any plans for deactivation or mothballing of existing generating unit or facilities critical to the reliable operation of the Grid;

WHEREAS, Section 3.1 of the DOE DC No. DC2020-02-0004, titled "Providing Guidelines on the Planned Outage Schedules of Power Plants and Transmission Facilities and the Public Posting of the Grid Operating and Maintenance Program", issued on 06 February 2020 prescribes the guidelines on the submission by the GenCos of the three-year planned outage schedules for their power plants to the National Grid Corporation of the Philippines (NGCP) for the Grid Operating Program in accordance with the Philippine Grid Code;

WHEREAS, the GenCos, as part of their responsibilities on the application for decommissioning or mothballing of their generating plant or unit, shall abide by the mandates of RA 6969 or the Toxic Substances and Hazardous and Nuclear Wastes Controlled, RA 8749 or the Philippine Clean Air Act of 1999, RA 9003 or the Ecological Solid Waste Management Act of 2000, RA 9275 or the Philippine Clean Water Act of 2004, and Department of Environment and Natural Resources (DENR) Administrative Order No. DAO-2019-21 or the Guidelines Governing Waste-to-Energy Facilities for the Integrated Management of Municipal Solid Wastes;

WHEREAS, in the accordance with its mandate to ensure the security and reliability of the supply of electric power, the DOE deems it necessary to promulgate the guidelines on the decommissioning and mothballing of generating plant or unit to properly account the available capacity through evaluation and confirmation, as applicable, of generating plant or unit intended for decommissioning or mothballing, as the case may be;

WHEREAS, the DOE drafted a Circular for the aforementioned purposes and, to ensure transparency and consistency with the objectives of the EPIRA, posted the same on the DOE website on 16 November 2022 to solicit comments and



DEPARTMENT CIRCULAR NO. DC2023-07-0022 *Or*

IMPLEMENTING GUIDELINES ON THE DECOMMISSIONING AND MOTHBALLING OF A GENERATING PLANT OR UNIT PURSUANT TO SECTION 2.8 OF DOE DEPARTMENT CIRCULAR (DC) NO. DC2010-03-0003

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11.3 Monitor and take measures in accordance with its function to penalize any abuse of market power and anti-competitive behavior by any electric power industry participant.

Section 12. Repealing Clause. All rules and regulations, or any portion thereof, that are inconsistent with this Circular are hereby repealed or modified accordingly.

Section 13. Separability Clause. If for any reason, any section or provision of this Circular is declared unconstitutional or invalid, the other parts or provisions hereof that are not affected shall continue to be in full force and effect.

Section 14. Effectivity. This DC shall take effect fifteen (15) calendar days after its publication in two (2) newspapers of general circulation. A copy of this Circular shall be filed with the University of the Philippines Law Center-Office of the National Administrative Register.

Issued this ____ day of July 2023 at the DOE, Energy Center, Rizal Drive cor. 34th St., Bonifacio Global City, Taguig City.


RAPHAEL P.M. LOTILLA
Secretary
JUL 17 2023


DC2023-07-0022 - IMPLEMENTING GUIDELINES ON THE DECOMMISSIONING AND MOTHBALLING OF A GENERATING PLANT OR UNIT PURSUANT TO SECTION 2.8 OF DOE DEPARTMENT CIRCULAR (DC) NO. DC2010-03-0003

4.11 Within sixty (60) calendar days from receipt and evaluation of the complete documentary requirements as provided in Section 4.8 of this Circular, the DOE shall issue the LOC to the applicant. The issuance of the LOC shall not preclude the ERC and other government agencies or instrumentalities from exercising their authority and mandate over the GenCo. **It shall also not absolve the GenCo from any claims of any entity.**

4.12 Upon the effective date of the mothballing period, the following COC terms and WESM deregistration shall apply:

4.12.1 **Automatic termination of the COC and outright deregistration from the WESM for Total Generating Plant Mothballing;** or

4.12.2 For Partial Generating Unit Mothballing, the GenCo shall apply for the amendment of the COC with the ERC and the corresponding changes to its WESM registration with the MO.

Section 8. Responsibility of the WESM Governance Arm. The WESM Governance Arm shall:

- 8.1 Evaluate and take the appropriate action on the proposed changes in the WESM Rules and relevant Market Manuals in accordance with the enforcement and compliance with the policy provided herein as necessary.
- 8.2 Ensure adherence of the GenCo to the WESM Rules and Manuals until its application for deregistration is decided.

Section 9. Responsibility of the SO and SGSO. The SO and SGSO shall be responsible for the following:

RELATED PROVISION – Sec. 4.1.6 of the Penalty Manual

- If within scope of authority
- If within prescriptive period
- If there's no duplicate (ongoing) investigation
- If directive/order to investigate is already clear
- If there's a need to refile RFI (to complete information)

FILING OF RFI/ REPORT OF PROBABLE BREACH OR DIRECTIVE OR ORDER TO INVESTIGATE



RFI VERIFICATION PROCESS

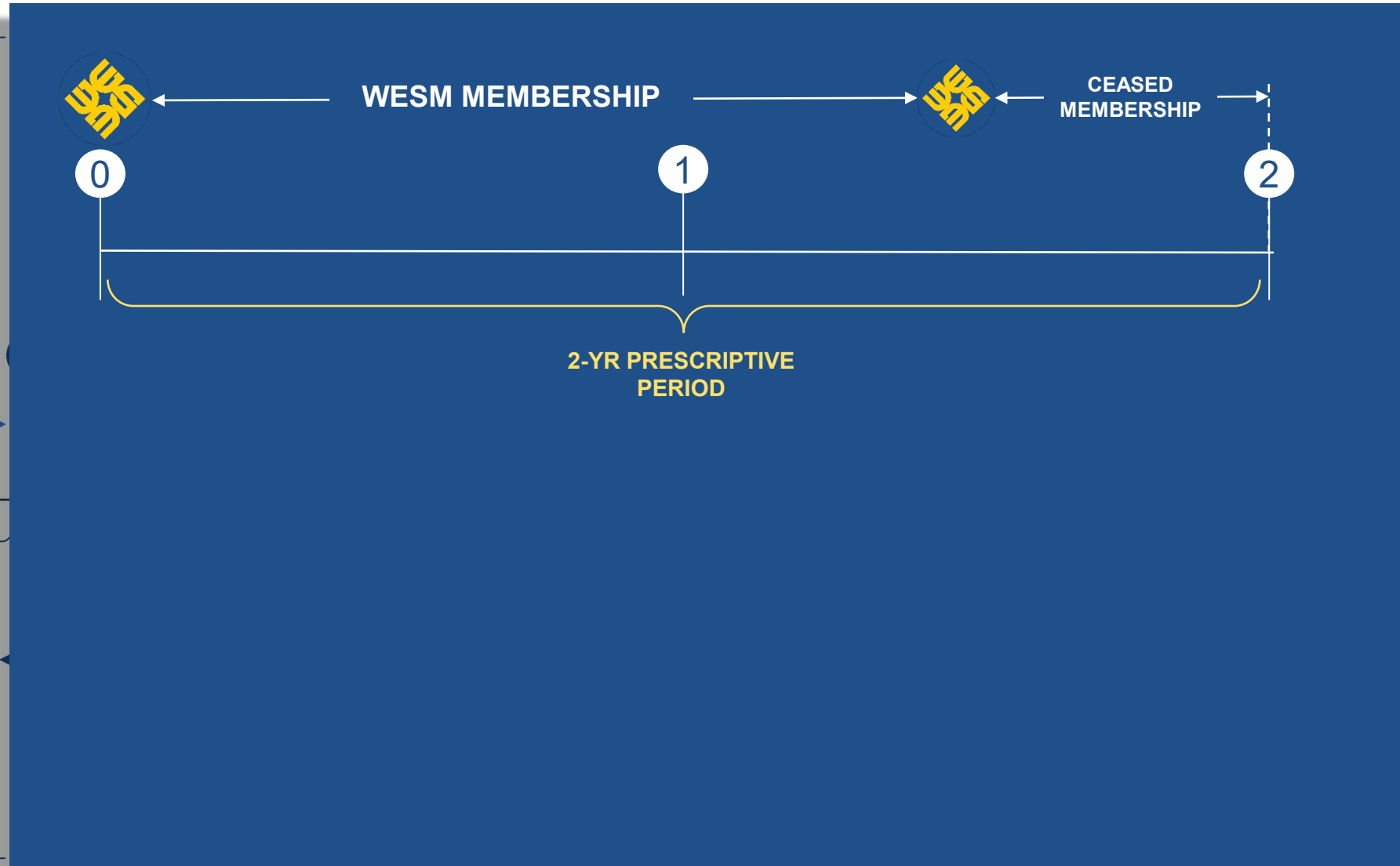
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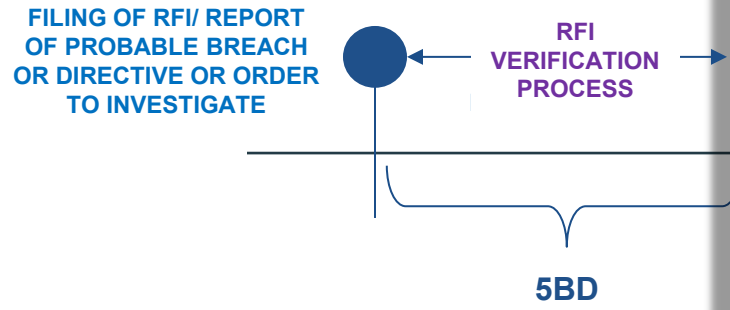


Failed Verification
(will not proceed with investigation)



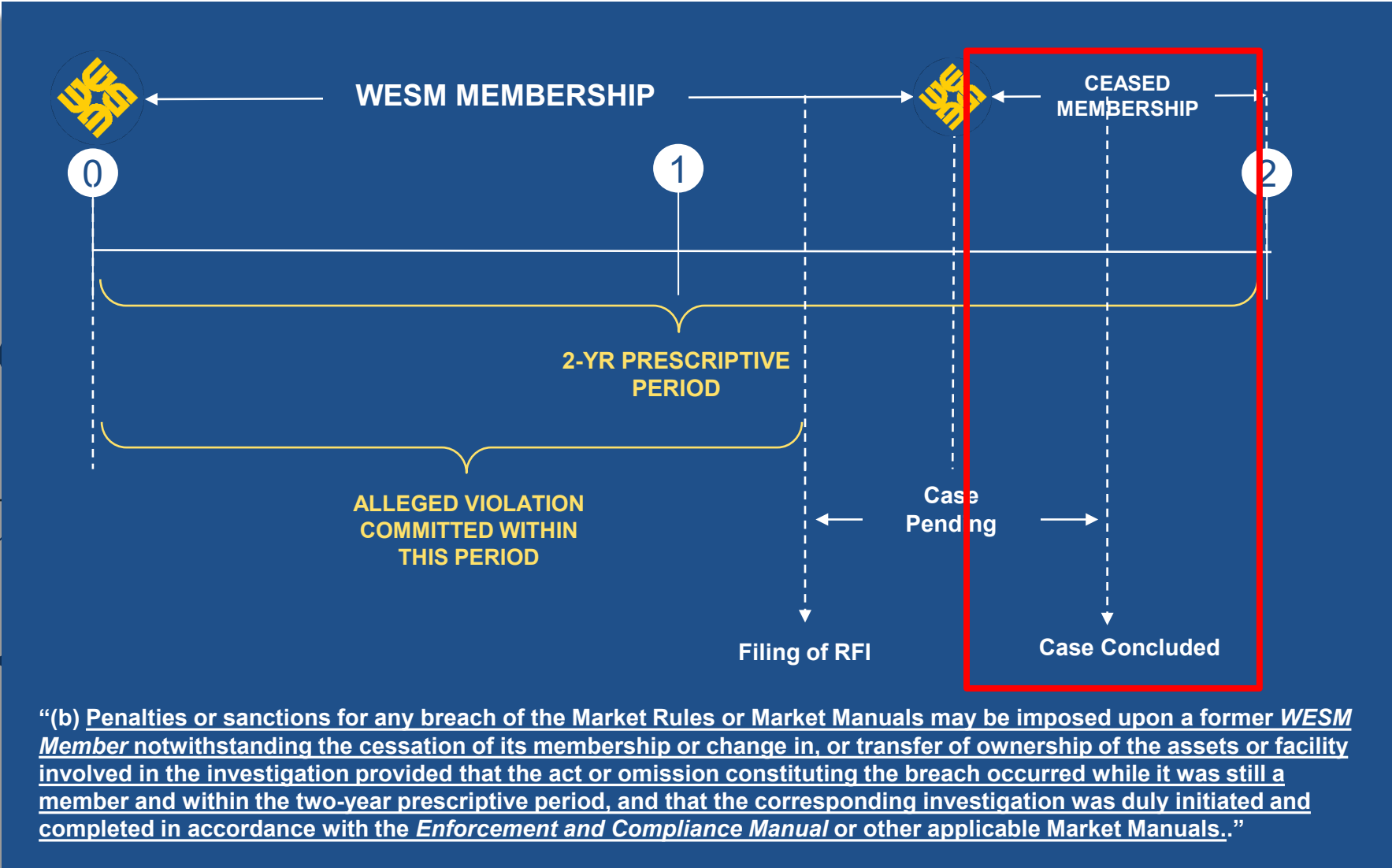
RELATED PROVISION – Sec. 4.1.6 of the Penalty Manual

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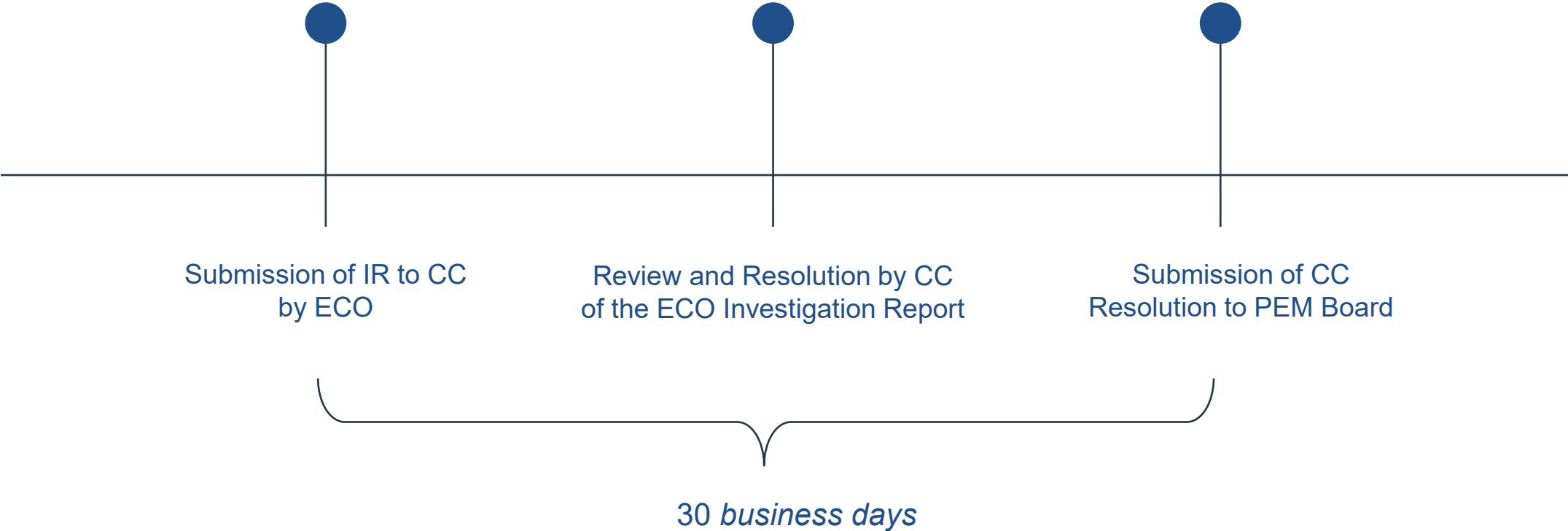
 Failed Verification
(will not proceed with investigation)



“(b) Penalties or sanctions for any breach of the Market Rules or Market Manuals may be imposed upon a former *WESM Member* notwithstanding the cessation of its membership or change in, or transfer of ownership of the assets or facility involved in the investigation provided that the act or omission constituting the breach occurred while it was still a member and within the two-year prescriptive period, and that the corresponding investigation was duly initiated and completed in accordance with the *Enforcement and Compliance Manual* or other applicable Market Manuals..”

CURRENT RULE

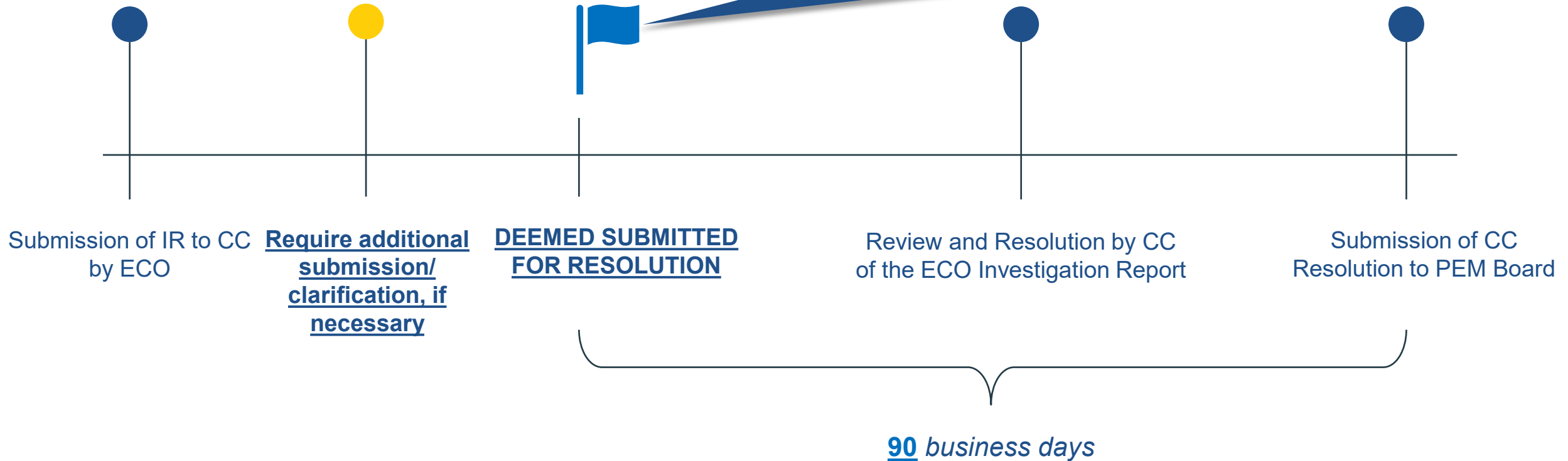
On CC Review of Investigation Report



PROPOSED RULE

On CC Review of Investigation Report

- Initial evaluation of IR & documents is completed, and no further clarification is needed from the ECO or WESM Member.
- All requested additional information has been received and no further submissions are required.
- Deadline for submitting additional data has passed without submission



JUSTIFICATION FOR EXTENDING CC REVIEW TIMELINE

Key Consideration	Summary Description
Purpose of Extension	Allows CC sufficient time to thoroughly review ECO's Investigation Report
Supplemental Submissions	Trading Participants often need time to provide additional documents or legal memorandum
Clarification from MO and SO	CC may request data from MO/SO, which follow their own timelines
Limited Meeting Frequency	CC meets monthly, making the 30-day review period impractical especially for complex appealed cases
Due Process & Review Quality	90 days enables fair, comprehensive evaluation and stronger enforcement outcomes

Area/Subject of Amendment	Brief Description
On Compliance Monitoring and Assessment Section	<ul style="list-style-type: none"> Revised the timeline - to afford the <i>WESM Member</i> more time to respond in consideration of the time to gather information from the person or unit in charge; and for ECO to have more time for quality assessment.
On Enforcement Proceedings Section / Request for Reconsideration and Appeal Section / Glossary	<ul style="list-style-type: none"> Added sections relating to Request for Reconsideration and Appeal Proceedings (as lifted from the WESM Penalty Manual). Revised the timeline – provide a reasonable period for the resolution on the Request for Reconsideration and the disposition on Appeal.
On Initiation of Investigation	<ul style="list-style-type: none"> Added a provision for clarity on jurisdictional matters. Added a provision on screening of RFI. This would prevent unnecessary efforts and time to investigate.
On Remedial Measures	<ul style="list-style-type: none"> Strengthen the need for imposition of remedial measures at any stage of proceedings (during or after the compliance monitoring or investigation)

Area/Subject of Amendment	Brief Description
On Investigation Review / Remand of Cases	<ul style="list-style-type: none"> Revised for clarity – that there is no need for ECO to inform the concerned Trading Participants that a case is remanded.
Extended Timeline for Resolution of RR	<ul style="list-style-type: none"> From 15 BD to 60 BD May be extended if delay is beyond control of ECO (but not to exceed 30 BD from receipt of required information).
On Implementation of Enforcement Actions Section	<ul style="list-style-type: none"> Revised for consistency with the rule on exhaustion of remedies. The Notice of Specified Penalty will be issued only when the finding, resolution or decision becomes final and executory.
Others	<ul style="list-style-type: none"> Clerical correction Italicized the words or terms that have been defined in the Market Rules/Market Manuals. Consistent use of terminologies. Removed redundant provisions. Updated rule references which have already been changed by series of amendments.


REQUESTED ACTION

For Review of the Proposal and
for Publication on the PEMC Website for Comments

Proposed Rule Amendments to:

WESM Penalty Manual

Proposed Changes:

1. Flowback Mechanism
2. Change in Timeline for Implementation of Enforcement Action (*Exhaustion of Remedies before Penalty Collection*)
3. Transfer of Provisions/Section on RR and Appeal from Penalty to EC Manual 
4. Minor and clerical correction



PENALTY PRINCIPLES AND GUIDELINES

Financial penalties benefit electricity end users.

- All collected penalties and default interest are ultimately returned to end users
- Distribution is coursed through WESM Customers (*distribution utilities, electric cooperatives, retail electricity suppliers, bulk users, excluding those subject to penalties*)
- Only eligible transacting Members receive allocations.

Treatment of Penalties: Penalty distributions are separate from regular WESM settlements.

- Penalty amounts follow WESM settlement mechanisms
- Not part of energy or reserve settlement amounts
- Treated strictly as pass-through transactions by the Market Operator
- Includes both collections and remittances, plus any interest
- All activities must comply with timelines in the WESM Manual on Billing and Settlements

FLOWBACK MECHANISM

Proportional Allocation to WESM Customers

Penalty amounts collected by the Market Operator are allocated *proportionally*, based on:

- Each WESM Customer's billing statement amount for the relevant month, relative to the total billing amount of all WESM Customers for the same period

Allocation follows the methodology in the WESM Billing & Settlement Manual

Settlement Notice Integration

- Each WESM Customer's collected penalty amount is explicitly reflected in their settlement notice
- Ensures transparency and traceability of collected penalty flowback

When Adjustments are Required

If a lawful order from a court of competent jurisdiction, or the Energy Regulatory Commission (acting as a quasi-judicial body) requires: (a) Reversal; (b) Modification; and (c) Refund of previously allocated penalty amounts, the MO must implement adjustments or refunds in accordance with the order

PENALTY BILLING AND COLLECTION PROCESS



NSP and Periodic Penalty Summary Report

- ECO issues NSP and the periodic penalty summary report
- ECO compiles a monthly list of issued penalty notices and submits a summary report to the Market Operator (MO) every 28th of the month.
- Basis for MO billing

Billing Statement Preparation

- MO processes billing based on ECO report
- Billing statement issued on or before the 15th of the following month
- Billing serves as formal notice to settle the penalty

Billing must include:

- Penalty amount
- Due date (10–15 BD after issuance)

Payment by WESM Member

- Member must remit payment no later than the 25th of the billing month
- If the 25th is a non-working day → next working day applies
- Default interest accrues on unpaid amounts starting the day after due date

Primary Method: Electronic Fund Transfer (EFT) to the MO

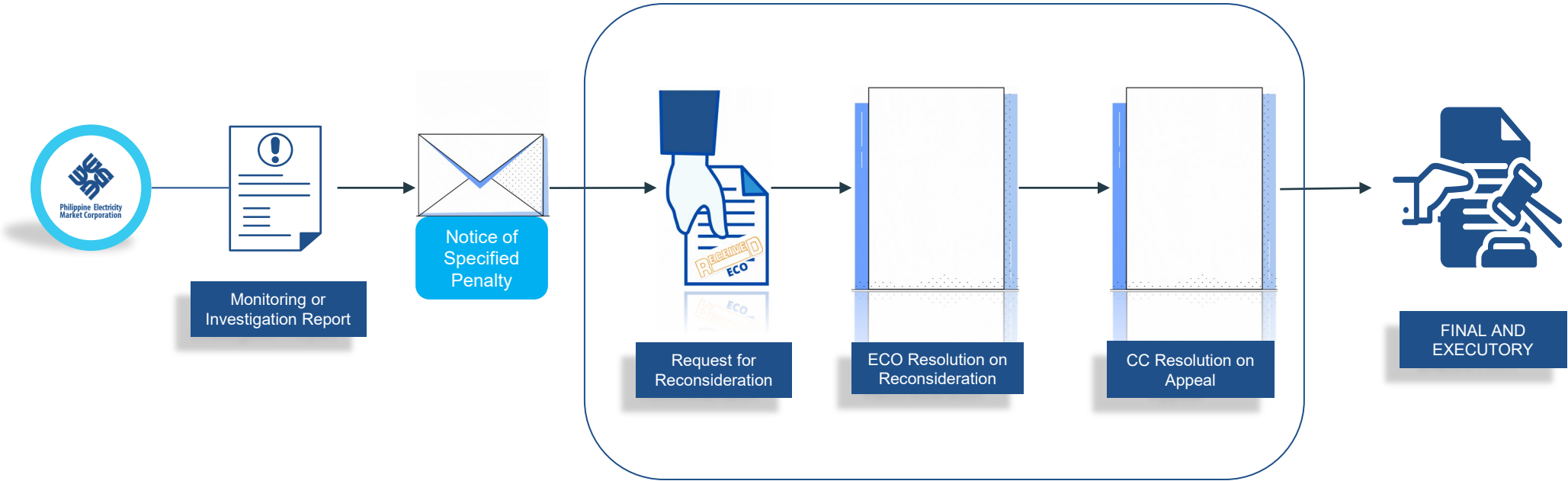
Offsetting Allowed if: a) Member provides written authority, or b) Member fails to remit within the prescribed schedule
Offsetting is applied after deducting: Market fees; Default interest

Non-Payment Handling

Default Notice

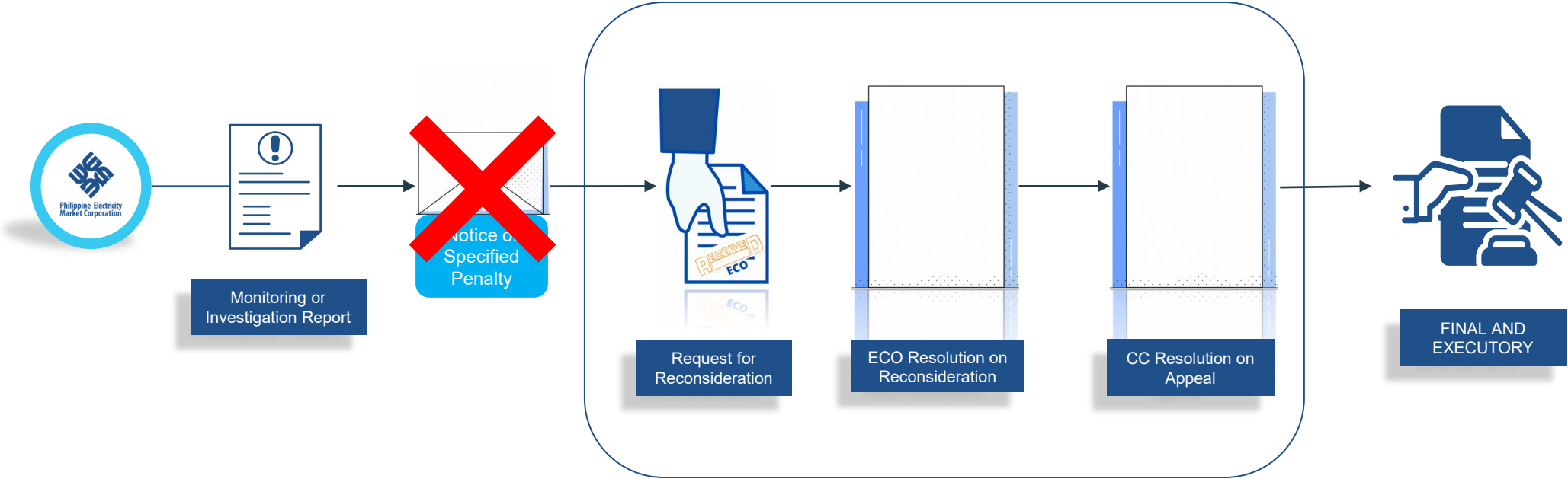
- If the Member fails to settle on time, MO issues a default notice
- Notice specifies outstanding amount
- Process follows WESM Billing & Settlement default procedures

WHEN IS A NOTICE OF SPECIFIED PENALTY ISSUED?

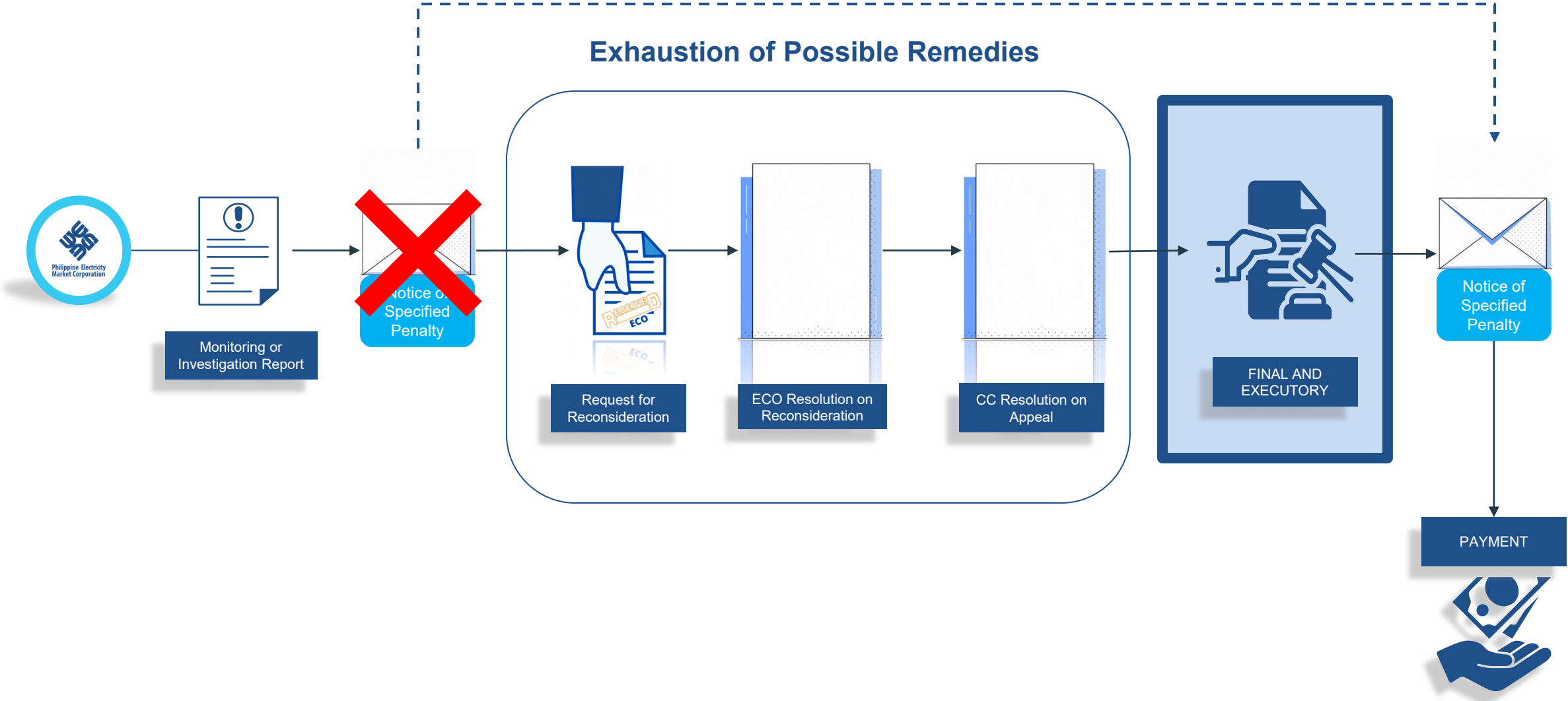


WHEN IS A NOTICE OF SPECIFIED PENALTY ISSUED?

Exhaustion of Possible Remedies



WHEN IS A NOTICE OF SPECIFIED PENALTY ISSUED?



WHEN IS A FINDING OF BREACH FINAL AND EXECUTORY?



No appeal is filed after a **reconsideration is denied** by the Enforcement and Compliance Office (*for CMA-initiated cases*)



The **Compliance Committee affirms** the breach on appeal (*for CMA-initiated cases*)



The **PEM Board confirms** the breach after the case review (RR) (*for RFI-initiated cases*)



The **deadline to appeal or reconsider lapses** without any action



Area/Subject of Amendment	Brief Description
<p>Clarify Institutional Roles</p>	<ul style="list-style-type: none"> Define roles of WESM Governance Arm (oversight, imposition of penalties, and governance), and Market Operator (billing, collection or flowback). Ensure accountability and reduce procedural overlaps or gaps.
<p>Integrate Penalty Collection, Distribution or Allocation Procedures</p>	<ul style="list-style-type: none"> Formalize the billing, collection and allocation guidelines into the Penalty Manual under Section 6. Include billing timelines, formats, and contingency measures (e.g., dissolution or non-payment).
<p>Exhaustion of Remedies</p>	<ul style="list-style-type: none"> Provide basis for including exhaustion of remedies within the scope of the Penalty Manual. Provide that penalties are imposed only after enforcement remedies have been availed of. Define when a finding of breach is considered final and executory within the purview of the Governance Arm and the Market Operator, listing conditions that reflect exhaustion of remedies.

Area/Subject of Amendment	Brief Description
<p>Establish Clearer Timelines and Enforcement Mechanisms</p>	<ul style="list-style-type: none"> Introduce defined periods for billing, payment, and reporting. Specify triggers and procedures for suspension and deregistration of non-compliant entities. Add contingency provisions to address enforcement challenges and ensure timely compliance.
<p>Update Rule References and Align Terminology</p>	<ul style="list-style-type: none"> Replace outdated citations with current clause numbers. Harmonize definitions and terms across WESM Rules and Market Manuals. Align language with prevailing regulatory standards to avoid confusion.
<p>Transfer Reconsideration and Appeal Procedures</p>	<ul style="list-style-type: none"> Relocate reconsideration and appeal processes to the WESM Enforcement and Compliance Manual. Allow the Penalty Manual to focus on penalty imposition and administration. Centralize procedural remedies and due process under the Enforcement Manual to streamline documentation and avoid redundancy.

REQUESTED ACTION

For Review of the Proposal and
for Publication on the PEMC Website for Comments

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social media accounts
scan QR code below



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pemc.info@wesm.ph



+63 2 8631 8734



18F Robinsons Equitable Tower, ADB Avenue
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