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Date Received by Secretariat: DD-Mmm-YYYY

**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 should be submitted to:

**MARKET SURVEILLANCE COMMITTEE**

Attention: WESM Governance Committee Secretariat  
 Philippine Electricity Market Corporation  
 18/F Robinsons Equitable Tower  
 ADB Avenue, Ortigas Center  
 Pasig City, 1605 Philippines  
 Email address: [mag\\_mma@wesm.ph](mailto:mag_mma@wesm.ph)

*[In accomplishing and submitting this form, you give your consent for PEMC to collect, record, organize, and update your personal data as herein provided as part of your information for purposes of rules change process.]*

**I. Proponent’s Information**

Name	[REDACTED]	[REDACTED]
Designation	[REDACTED]	[REDACTED]
Company	Philippine Electricity Market Corporation Independent Electricity Market Operator of the Philippines, Inc.	Independent Electricity Market Operator of the Philippines Inc
Company Address	[REDACTED]	[REDACTED]
Telephone No.	[REDACTED]	[REDACTED]
Email Address	[REDACTED]	[REDACTED]



### III. SUMMARY OF THE PROPOSED RULES CHANGE

The proposed amendments to the WESM Penalty Manual (Issue 3.0) aim to strengthen the Manual's relevance and functionality by aligning it with current market practices and regulatory directives.

- Institutional roles, particularly those of the WESM Governance Arm and Market Operator will be clarified to reinforce accountability and streamline enforcement responsibilities.
- Procedures for penalty collection, distribution or flowback, previously dispersed across various manuals, will be consolidated into a single, coherent section. This integration supports operational transparency and ensures that financial transactions are properly documented and executed.
- The principle of exhaustion of remedies will be formally incorporated, ensuring that penalties are imposed and collected only after WESM Members have either fully exercised all available remedies or allowed the applicable periods to lapse under the procedures of the Governance Arm, without prejudice to their right to appeal to competent authority. This approach not only streamlines the Market Operator's collection and distribution process but also upholds procedural fairness and protects the rights of market participants.
- Timelines for billing, payment, and enforcement actions will be clearly defined, along with protocols for suspension and deregistration. These enhancements are intended to reduce ambiguity and promote timely compliance.
- Terminology and rule references will be updated to reflect the latest WESM Rules and Manuals, eliminating outdated citations and ensuring consistency in language across related documents.
- Finally, reconsideration and appeal procedures will be transferred to the Enforcement and Compliance Manual, allowing the Penalty Manual to focus exclusively on penalty administration while ensuring that procedural remedies are provided in their appropriate regulatory context.

### IV. BACKGROUND

The WESM Penalty Manual serves as the primary framework for imposing, collecting, and utilizing penalties arising from breaches of Market Rules. Its original design was anchored on the principles of market discipline, procedural fairness, and transparency in enforcement. Earlier versions of the Manual, along with related WESM provisions, guided the administration of penalties and the conduct of enforcement actions.

In September 2023, PEMC submitted a comprehensive set of proposed amendments to the Penalty Manual, many of which are reflected in the current refiling. Among the key proposals were:

- (a) The transfer of the penalty collection function from the Market Operator to the WESM Governance Arm, and
- (b) The flowback of collected penalties to address urgent, unforeseen, and necessary operational and governance needs of the WESM.

The Department of Energy (DOE), however, disapproved the entire proposal, including several provisions unrelated to the aforementioned two (2) major items cited above.

PEMC views that many of the disapproved components were grounded in sound rationale and aimed at improving the efficiency and effectiveness of enforcement proceedings. Given the evolving operational landscape, PEMC sees merit in revisiting these provisions.

In parallel, the DOE directed the IEMOP to proceed with implementing the collection and distribution mechanism, wherein penalties collected are redistributed to the electricity end-users. These procedures have been successfully operationalized by the IEMOP since June 2025 and are now proposed for formal integration into the Penalty Manual under Section 6 of the Manual.

In view of these developments, PEMC sees a compelling need to refile the proposed rules change. The refiling is not merely a reiteration of previously disapproved provisions, but a refined and contextually updated proposal that reflects current enforcement realities, aligns with DOE directives, and addresses procedural gaps that have emerged over time. By reintroducing these amendments, PEMC aims to strengthen the integrity of the enforcement framework, improve operational clarity, and ensure that the Penalty Manual remains responsive to the evolving needs of the market.

The current rules change proposal seeks to codify these practices, update rule references, and reinforce the Manual’s overarching objective: to ensure consistent, transparent, and enforceable penalties across all WESM participants.

## V. THE PROPOSED RULES CHANGE

The following table outlines the key changes introduced in the proposed amendments to the WESM Penalty Manual. These revisions aim to enhance regulatory coherence, procedural transparency, and enforcement efficiency across the WESM. Each change is designed to address existing gaps, align with current practices, and support fair and timely implementation of penalties.

Proposed Change	Details	Affected Sections
Clarify Institutional Roles	<ul style="list-style-type: none"> <li>Define roles of WESM Governance Arm (oversight, imposition of penalties, and governance), and Market Operator (billing, collection or flowback).</li> <li>Ensure accountability and reduce procedural overlaps or gaps.</li> </ul>	Sec. 1.2.4, 3.1, 3.3, 3.5.1, 3.6, 3.9, 4.1.2, 4.7.1, 4.8.3, 4.9.3, 4.13.1, 4.13.3, 4.13.4, and 4.15
Integrate Penalty Collection, Distribution or Allocation Procedures	<ul style="list-style-type: none"> <li>Formalize the billing, collection and allocation guidelines into the Penalty Manual under Section 6.</li> <li>Include billing timelines, formats, and contingency measures (e.g., dissolution or non-payment).</li> </ul>	Sec. 4.2.2, 4.8.3, 4.8.4, 4.8.5, 4.13.3, 4.13.4, and 6

Proposed Change	Details	Affected Sections
Exhaustion of Remedies	<ul style="list-style-type: none"> <li>• Provide basis for including exhaustion of remedies within the scope of the Penalty Manual.</li> <li>• Provide that penalties are imposed only after enforcement remedies have been availed of.</li> <li>• 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.</li> </ul>	<p>Clause 7.2.4.2 (2nd paragraph) and Clause 7.2.4.11 of the WESM Rules</p> <p>Section 4.1.1.4 to 4.1.1.6, 4.1.5.1, 4.13.2, 4.14.2, EC Manual</p>
Establish Clearer Timelines and Enforcement Mechanisms	<ul style="list-style-type: none"> <li>• Introduce defined periods for billing, payment, and reporting.</li> <li>• Specify triggers and procedures for suspension and deregistration of non-compliant entities.</li> <li>• Add contingency provisions to address enforcement challenges and ensure timely compliance.</li> </ul>	<p>Sec. 4.8.6, 4.8.7, 4.13.3, 4.14, and 6</p>
Update Rule References and Align Terminology	<ul style="list-style-type: none"> <li>• Replace outdated citations with current clause numbers.</li> <li>• Harmonize definitions and terms across WESM Rules and Market Manuals.</li> <li>• Align language with prevailing regulatory standards to avoid confusion.</li> </ul>	<p>Sec. 1.1.3, 1.2.3, 3.1, 3.3 3.5.1, 4.1.1.3, 4.1.2, 4.1.4, 4.3.1, 4.8.1, 4.8.2, 4.9.1, 4.9.2, and 4.14.2</p>
Transfer Reconsideration and Appeal Procedures	<ul style="list-style-type: none"> <li>• Relocate reconsideration and appeal processes to the WESM Enforcement and Compliance Manual.</li> <li>• Allow the Penalty Manual to focus on penalty imposition and administration.</li> <li>• Centralize procedural remedies and due process under the Enforcement Manual to streamline documentation and avoid redundancy.</li> </ul>	<p>Sec. 1.2.2, 4.12.1, 4.12.2, 4.13.1, 4.13.2, and 4.13.3</p>

If the current rules are retained without updates, some misalignments between the Manual and actual enforcement practices may persist, potentially leading to occasional confusion or delays in penalty administration. Addressing these gaps would help reinforce the credibility of enforcement actions and promote smoother coordination among market participants, particularly in the areas of penalty collection and distribution.

The effectiveness of the proposed amendments will be assessed through key performance indicators such as the timeliness of penalty issuance and settlement, accuracy in reporting and reconciling collections, and a decline in non-compliance or and breach flaggings. Enhanced compliance rates and more streamlined enforcement

processes will serve as strong indicators that the revisions are delivering their intended benefits.

## **VI. BACKGROUND AND DESCRIPTION OF THE PROPONENT**

Philippine Electricity Market Corporation, acting as the Governance Arm of the WESM with its officers as follows:

Elvin Hayes E. Nidea – President  
Andrea J. Mendiola – Legal Department Head  
Bienvenido C. Mendoza – Market Assessment Department Head  
Ma. Hazel M. Gubaton-Lopez – Enforcement and Compliance Department Head  
Elaine D. Gonzales – Internal Audit Department Head  
Patrick S. Fernandez – Information System and Technology Department Head

Independent Electricity Market Operator of the Philippines, acting as the Independent Market Operator of the WESM with its officers as follows:

Robinson P. Descanzo – President and CEO  
Isidro E. Cacho, Jr. – Vice President for Trading and Operations  
Salvador D. Subaran – Vice President for Information Systems and Technology  
Arthur P. Pintado – Vice President for Internal Audit  
Sheryll M. Dy – Vice President for Legal  
Mary Anne T. Santiago – Vice President for Finance  
Sherwin T. Casidsid – Vice President for Administration

## **VII. CONCLUSIONS AND RECOMMENDATIONS**

The proposed amendments are necessary to align the Penalty Manual with current WESM Rules and operational practices. They enhance procedural clarity, institutional accountability, and enforcement effectiveness. It is recommended that the Rules Change Committee (RCC) and Market Surveillance Committee (MSC) adopt the proposal and endorse the same for approval to the PEM Board.

## **VIII. REFERENCES**

WESM Rules, Clause 7.2.5.5  
WESM Penalty Manual Issue 3.0  
WESM Enforcement and Compliance Manual 1.0  
WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures  
WESM Manual on Billing and Settlement  
DOE Directives on Penalty Collection and Distribution

**Amendments Relating to Enforcement Actions and Procedures and Penalty Administration**

<b>WESM RULES (As of 05 November 2024)</b>				
<b>Title</b>	<b>Clause</b>	<b>Provision</b>	<b>Proposed Amendment</b>	<b>Rationale</b>
Chapter 7 – ENFORCEMENT AND DISPUTES  7.2 ENFORCEMENT  7.2.4 Enforcement Proceedings	7.2.4.2 (2nd paragraph)	7.2.4.1 x x x  7.2.4.2 x x x  The Enforcement and Compliance Office shall ensure that the necessary verification or assessment of compliance or non-compliance is performed and that due process is observed in the conduct of compliance monitoring and assessment. Upon finding of breach by the Enforcement and Compliance Office, penalties shall immediately be imposed by the Enforcement and Compliance Office on the concerned WESM Member through issuance of notice of specified penalty by the PEMC pursuant to Clause 7.2.5.2. Provided, however, that the WESM Member may file a request for reconsideration with the Enforcement and Compliance Office.	7.2.4.1 x x x  7.2.4.2 x x x  The <i>Enforcement and Compliance Office</i> shall ensure that the necessary verification or assessment of compliance or non-compliance is performed, and that due process is observed in the conduct of compliance monitoring and assessment. Upon finding of <i>breach</i> by the <i>Enforcement and Compliance Office</i> , penalties shall <del>immediately</del> be imposed by the <i>Enforcement and Compliance Office</i> on the concerned <i>WESM Member</i> <u>pursuant to Clause 7.2.5.2</u> through issuance of notice of specified penalty by the <del>PEMC</del> <u>President of the WESM Governance Arm</u> ; <del>pursuant to Clause 7.2.5.2. provided, however, that</del> <u>such notice shall be issued to the said WESM Member may file a request for reconsideration with the Enforcement and Compliance Office. after it has been afforded the adequate opportunity to avail of the enforcement remedies provided by the relevant Market Manual.</u>	<ul style="list-style-type: none"> <li>• Changed PEMC to President of the WESM Governance Arm for consistency in the use of terminology.</li> <li>• Revised to provide basis for the rule on exhaustion of available remedies before a penalty is issued/implemented. (Remedies such as Request for Reconsideration and Appeal is proposed to be included in the implementing Market Manual, i.e., Enforcement and Compliance Manual)</li> <li>• Clerical revisions</li> </ul>

**WESM RULES (As of 05 November 2024)**

Title	Clause	Provision	Proposed Amendment	Rationale
<p>Chapter 7 – ENFORCEMENT AND DISPUTES</p> <p>7.2 ENFORCEMENT</p> <p>7.2.4 Enforcement Proceedings</p>	7.2.4.11	<p>7.2.4.11 If the decision of the <i>PEM Board</i> is to penalize the <i>WESM Member</i>, the <i>Enforcement and Compliance Office</i>, shall issue a notice of penalty to the <i>WESM Member</i> in accordance with the <i>WESM Penalty Manual</i> adopted pursuant to Clause 7.2.5.5. Provided, however, that the <i>WESM Member</i> may file a request for reconsideration to the <i>PEM Board</i>.</p>	<p>7.2.4.11 If the decision of the <i>PEM Board</i> is to penalize the <i>WESM Member</i>, the <del><i>Enforcement and Compliance Office</i></del>, <u><b>President of the WESM Governance Arm</b></u> shall issue a notice of penalty to the <i>WESM Member</i> in accordance with the <i>WESM Penalty Manual</i> adopted pursuant to Clause 7.2.5.5; <del>Provided, however, that</del> <u><b>such notice shall be issued to the said WESM Member may file a request for reconsideration to the PEM Board, after it has been afforded the adequate opportunity to avail of the enforcement remedies provided by the relevant Market Manual.</b></u></p>	<ul style="list-style-type: none"> <li>• President of the WESM Governance Arm to issue the Notice of Specified Penalty (NSP) after findings of breach by ECO - for consistency with the related provisions on issuance of Notice of Specified Penalty in the Penalty Manual.</li> <li>• Revised to provide basis for the rule on exhaustion of available remedies before a penalty is issued/implemented. (<i>Remedies such as Request for Reconsideration and Appeal is proposed to be included in the implementing Market Manual, i.e., Enforcement and Compliance Manual</i>)</li> </ul>
<p>CHAPTER 7 - ENFORCEMENT AND DISPUTES</p> <p>7.2 ENFORCEMENT</p> <p>7.2.5 Enforcement Actions</p>	7.2.5.5	<p>7.2.5.5 A <i>WESM Penalty Manual</i> shall be adopted and promulgated by the <i>DOE</i> which shall specify the:</p> <ol style="list-style-type: none"> <li>Acts or omissions constituting <i>breach</i> of the <i>WESM Rules</i> or <i>Market Manuals</i> for which penalties can be imposed;</li> <li>Penalties, financial and non-financial, that can be imposed for each type of <i>breach</i>, which should be commensurate to the nature and gravity of the <i>breach</i>; and</li> <li>Procedures for and respective obligations of responsible persons or entities in implementing penalties.</li> </ol> <p>x x x</p>	<p>7.2.5.5 A <i>WESM Penalty Manual</i> shall be adopted and promulgated by the <i>DOE</i> which shall specify the:</p> <ol style="list-style-type: none"> <li>Acts or omissions constituting breach of the WESM Rules or Market Manuals for which penalties can be imposed;</li> <li>Penalties, financial and non-financial, that can be imposed for each type of breach, which should be commensurate to the nature and gravity of the breach; <del>and</del></li> <li><u><b>Flowback of financial penalty collected; and</b></u></li> <li>Procedures for and respective obligations of responsible persons or entities in implementing penalties.</li> </ol> <p>x x x</p>	<p>Revised to add basis for including within the scope of the Penalty Manual a provision on penalty flowback in the Penalty Manual. The existing procedures for billing, collecting, and distributing penalties to electricity end-users through customers are proposed for inclusion under Section 6 of the WESM Penalty Manual.</p>

**WESM RULES (As of 05 November 2024)**

Title	Clause	Provision	Proposed Amendment	Rationale
CHAPTER 11 – Glossary		Enforcement proceeding. This is the activity carried out to establish and determine the occurrence of breach and the corresponding enforcement action that will be carried out as a consequence of the breach, and includes monitoring, assessment, investigation and imposing enforcement actions.	Enforcement proceeding - This is the activity <u>or series of activities</u> carried out to establish and determine the occurrence of <i>breach</i> and the corresponding enforcement action that will be carried out as a consequence of the <i>breach</i> , and includes monitoring, assessment, investigation, <u>reconsideration and appeal proceedings</u> , and imposing <u>imposition of appropriate</u> enforcement actions.	To add reconsideration and appeal proceedings as essential enforcement activities in determining breach of the Rules.

**WESM Billing and Settlement Manual**

<b>Title</b>	<b>Clause</b>	<b>Provision</b>	<b>Proposed Amendment</b>	<b>Rationale</b>
	New	New	<b>4.2.5 Issuance of Financial Penalty</b>  The Market Operator shall issue the financial penalty statements in accordance with the form and timeline prescribed under the WESM Penalty Manual.	To include a provision regarding the issuance of financial penalties in the WESM BSM.

**WESM Penalty Manual Issue 3.0**

Title	Section	Provision	Proposed Amendment	Rationale
Section 1 – Introduction  1.1 – Legal Framework	1.1.3	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.	Pursuant to this legal mandate, WESM Rules Clause <del>1.6.3 (Chapter 1)</del> <b>7.2.5.5</b> , provides that the <i>Market Surveillance Committee</i> shall <del>design</del> <b>review</b> the <i>penalty</i> levels and appropriate range of <i>penalties</i> that will be applied for <i>breaches</i> of the <i>WESM Rules</i> . This is to be done in consultation with the <i>Rules Change Committee</i> , <b>Compliance Committee</b> , and the <i>PEM Board</i> . <del>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.</del> <b>The amendment to the WESM Penalty Manual shall be approved and promulgated by the Department of Energy.</b>	<ul style="list-style-type: none"> <li>• Updated the rule reference based on the current WESM Rules, as amended.</li> <li>• Revised for consistency with Clause 7.2.5.5 of the WESM Rules where MSC reviews the Penalty Manual, and DOE approves and promulgates the same.</li> <li>• Remove redundant statement.</li> <li>• Added Compliance Committee – for consistency with Clause 7.2.5.5 of the WESM Rules</li> </ul>
Section 1 – Introduction  1.2 – Purpose and Scope	1.2.1	This Manual, and the <i>penalty</i> system set out, applies to <i>breach</i> of the <i>Market Rules</i> .	This Manual, and the <i>penalty</i> system set out, applies to <u>a</u> <i>breach</i> of the <i>Market Rules</i> .	<ul style="list-style-type: none"> <li>• Typo correction</li> </ul>
Section 1 – Introduction  1.2 – Purpose and Scope	1.2.2	This Manual sets out the following – a) Provisions of the WESM Rules, the Retail Rules and their implementing <i>Market Manuals</i> (collectively referred to as <i>Market Rules</i> ) which, if not complied with, will constitute a <i>breach</i> and correspondingly, the types of <i>breach</i> that are subject to <i>penalties</i> under this Manual; b) Categories and levels of <i>penalties</i> that will be applied for each type of <i>breach</i> , and qualifying circumstances that will be considered in determining the <i>penalty</i> that will apply in case of <i>breach</i> ;	This Manual sets out the following – a) Provisions of the WESM Rules, the Retail Rules and their implementing <i>Market Manuals</i> (collectively referred to as <i>Market Rules</i> ) which, if not complied with, will constitute a <i>breach</i> and correspondingly, the types of <i>breach</i> that are subject to <i>penalties</i> under this Manual; b) Categories and levels of <i>penalties</i> that will be applied for each type of <i>breach</i> , and qualifying circumstances that will be considered in determining the <i>penalty</i> that will apply in case of <i>breach</i> ;	<ul style="list-style-type: none"> <li>• Added item (d) - to incorporate in Section 6 of the Penalty Manual the collection and distribution mechanism that IEMOP currently implements, instead of developing a separate manual for collection and distribution of penalties.</li> <li>○ Excluded provision on remedies under this Manual - for clarity and delineation:</li> </ul>

**WESM Penalty Manual Issue 3.0**

Title	Section	Provision	Proposed Amendment	Rationale
		<p>c) Procedures for and respective obligations of responsible persons or entities in implementing <i>penalties</i> imposed under this Manual and remedies available to the <i>WESM Members</i> in case there is a finding of <i>breach</i>; and</p>	<p>c) Procedures for and respective obligations of responsible persons or entities in implementing <i>penalties</i> imposed under this Manual and <del>remedies available to the <i>WESM Members</i> in case there is a finding of <i>breach</i></del>; and</p> <p><b>d) <u>Procedures for flowback of the financial penalties collected.</u></b></p>	<ul style="list-style-type: none"> <li>○ The <i>Penalty Manual</i> will cover and focus on penalty design, levels, implementation and flowback of financial penalty collected;</li> <li>○ while enforcement proceedings and the post-investigation remedies (like RR and Appeal) will be <b>transferred outlined</b> in the <i>Enforcement and Compliance Manual</i>.</li> </ul>
<p>Section 1 – Introduction</p> <p>1.2 – Purpose and Scope</p>	<p>1.2.3</p>	<p>This Manual, including the penalty system, applies to and is binding to all <i>WESM Members</i> in all grids where the WESM is in operation. By having registered in the WESM, a <i>WESM Member</i> is bound to comply with the <i>Market Rules</i>.</p>	<p>This Manual, including the penalty system, applies to and is binding to <b>on</b> all <i>WESM Members</i> in all grids where the WESM is in operation. By having registered in the WESM, a <i>WESM Member</i> is bound to comply with the <i>Market Rules</i>.</p>	<p>Typo correction</p>
<p>Section 1 – Introduction</p> <p>1.2 – Purpose and Scope</p>	<p>1.2.4</p>	<p>This Manual covers only the <i>penalty</i> system, the manner of assessment and implementation of <i>penalties</i>, the remedies available to the <i>WESM Members</i> in case there is a finding of <i>breach</i>, and the utilization of the <i>financial penalties</i> collected for <i>breach</i> of the <i>Market Rules</i>. The rules, guidelines and procedures pertaining to enforcement of the <i>Market Rules</i>, and investigations of <i>breaches</i> are not covered by this Manual.</p>	<p><del>This Manual covers only the <i>penalty</i> system, the manner of assessment and implementation of <i>penalties</i>, the remedies available to the <i>WESM Members</i> in case there is a finding of <i>breach</i>, and the utilization of the <i>financial penalties</i> collected for <i>breach</i> of the <i>Market Rules</i>. The rules, guidelines and procedures pertaining to enforcement of the <i>Market Rules</i>, and <b>compliance monitoring</b>, investigations of <i>breaches</i>, <b>and the remedies that are available to the concerned <i>WESM Members</i></b> are not covered by this Manual.</del></p>	<ul style="list-style-type: none"> <li>● Removed redundant provisions (1<sup>st</sup> sentence covered already in Section 1.2.2 above)</li> <li>● Retained 2<sup>nd</sup> sentence to provide <b>exclusion</b> from scope of Penalty Manual.</li> <li>● Excluded provision on remedies under this Manual - for clarity and delineation: The <i>Penalty Manual</i> will cover and focus on penalty</li> </ul>

**WESM Penalty Manual Issue 3.0**

Title	Section	Provision	Proposed Amendment	Rationale
				design, levels, implementation and flowback of collected financial penalty; while enforcement proceedings and the post-investigation remedies (like RR and Appeal) will be transferred outlined in the <i>Enforcement and Compliance Manual</i> .
Section 3 – Responsibilities	3.1	<p><b>PHILIPPINE ELECTRICITY MARKET CORPORATION</b></p> <p>The PEMC shall oversee the administration and implementation of this Manual. This responsibility is subject only to the limitations set out in this Manual.</p>	<p><del>PHILIPPINE ELECTRICITY MARKET CORPORATION</del> <b>WESM GOVERNANCE ARM</b></p> <p>The <b><u>WESM Governance Arm</u></b> shall oversee the administration and implementation of this Manual. This responsibility is subject only to the limitations set out in this Manual.</p>	Updated to align with the terminology used in the Market Rules and Market Manuals.
Section 3 – Responsibilities	3.3	<p>The <i>Market Surveillance Committee</i> shall annually review the levels and range of <i>penalties</i> as set out in this Manual. From time to time and as may be necessary, the <i>Market Surveillance Committee</i> shall submit to the <i>Department of Energy</i> its proposed amendments thereto, in consultation with the <i>WESM Members, Rules Change Committee</i> and the <i>PEM Board</i>.</p>	<p>The <i>Market Surveillance Committee</i> shall annually review the levels and range of <i>penalties</i> as set out in this Manual. From time to time and as may be necessary, the <i>Market Surveillance Committee</i> shall submit to the <i>Department of Energy</i> its proposed amendments thereto, in consultation with the <i>WESM Members, Rules Change Committee, <b><u>Compliance Committee</u></b></i>, and the <i>PEM Board</i>.</p>	Added Compliance Committee – for consistency with Clause 7.2.5.5 of the WESM Rules
Section 3 – Responsibilities  3.4. Compliance Committee	3.4.3	<p>3.4.3 Review and recommend to the <i>PEM Board</i> action on appeals filed by any concerned <i>WESM Member</i> in accordance with the Section 4.12 of this Manual.</p>	<p><del>3.4.3 Review and recommend to the <i>PEM Board</i> action</del> <b><u>Decide</u></b> on appeals filed by any concerned <i>WESM Member</i> in accordance with the Section 4.12 of this Manual. <b><u>from the actions of the Enforcement and Compliance Office relative to compliance monitoring and assessment and</u></b></p>	For clarity and consistency with the current rules.

**WESM Penalty Manual Issue 3.0**

Title	Section	Provision	Proposed Amendment	Rationale
			<u>the request for reconsideration under Section 9 of the Enforcement and Compliance Manual.</u>	
Section 3 – Responsibilities  3.4. Compliance Committee	3.4.4	(new)	<b><u>3.4.4. Exercise the responsibilities reposed on it under the Enforcement and Compliance Manual and other WESM Rules and Market Manuals.</u></b>	Placing here a general clause not included from the enumerated obligations of CC.
Section 3 – Responsibilities	3.5.1	Monitor the compliance of <i>WESM Members</i> and, based on the result of its own monitoring and assessment, impose the specified <i>penalties</i> therefor in accordance with the <i>Market Rules</i> and the <i>WESM Penalty Manual</i> , and issue a resolution on a request for reconsideration if any is filed by any <i>WESM Member</i> . The <i>Notice of Specified Penalty</i> to be issued for this purpose shall be signed by the PEMC President in accordance with Section 3.2 of this Manual.	Monitor the compliance of <i>WESM Members</i> and, based on the result of its own monitoring and assessment, impose the specified <i>penalties</i> therefor in accordance with the <i>Market Rules</i> and the <i>WESM Penalty Manual</i> , and issue a resolution on a request for reconsideration if any is filed by any <i>WESM Member</i> . The <i>Notice of Specified Penalty</i> to be issued for this purpose shall be signed by the <del>PEMC</del> President <b><u>of the WESM Governance Arm</u></b> in accordance with Section 3.2 of this Manual.	Updated to align with the terminology used in the Market Rules and Market Manuals.
Section 3 – Responsibilities	3.5.2	Conduct investigation of probable <i>breach</i> or as endorsed to it by the <i>PEM Board</i> through request for investigation by any <i>WESM Member</i> , the <i>Market Operator</i> , or the <i>System Operator</i> , and issue a report thereon to be submitted to the <i>Compliance Committee</i> for review.	Conduct investigation of probable <i>breach</i> <b><u>of the WESM Rules or this Manual, on its own, or</u></b> as endorsed to it by the <i>PEM Board</i> , through <b><u>a</u></b> request for investigation <b><u>made</u></b> by any <i>WESM Member</i> , <b><u>a WESM Governance Committee (except the Compliance Committee)</u></b> , the <i>Market Operator</i> , or the <i>System Operator</i> , and issue a report thereon to be submitted to the <i>Compliance Committee</i> for review.	<ul style="list-style-type: none"> <li>• For clarity of the statements</li> <li>• Added that WGCs (except CC) can also file RFI consistent with Clause 7.2.4.3 (a) of the WESM Rules.</li> <li>• Excluding CC because it is involved in the review of investigation report and in endorsing its recommendation on the case to the PEM Board.</li> </ul>
Section 3 – Responsibilities	3.6	The <i>Market Operator</i> shall implement the <i>Notice of Specified Penalties</i> served on it and the distribution of the collected financial penalties in accordance with the guidelines it	The <i>Market Operator</i> shall implement the <i>Notice of Specified Penalties</i> served on it, <b><u>as reflected in the Periodic Penalty Summary Report</u></b> , and the distribution of the collected financial penalties, <b><u>and</u></b>	Section 6 already sets forth the collection and distribution mechanism currently implemented by IEMOP.

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Title	Section	Provision	Proposed Amendment	Rationale
		shall develop pursuant to Section 6 of this Manual, and shall carry out any other action required of it under any notice that is issued and served pursuant to this Manual.	<b><u>shall, on a monthly basis, report to the WESM Governance Arm on the status of penalty collection</u></b> in accordance with the guidelines <del>it shall develop pursuant to</del> <b><u>outlined in</u></b> Section 6 of this Manual. <del>and</del> <b><u>It shall likewise</u></b> carry out any other action required of it under any notice that is issued and served pursuant to this Manual.	Reporting responsibility is also integrated in Section 6.
Section 3 – Responsibilities	3.9	A <i>WESM Member</i> that is served a notice, resolution or decision pursuant to this Manual shall faithfully and timely comply with the requirements or directives thereunder, including but not limited to the payment of <i>financial penalties</i> , taking of remedial actions or measures and compliance with other directives. Failure to comply with such requirements or directives shall be subject to additional <i>penalties</i> pursuant to Section 4.1.2.2 and Section 5 of this Manual.	<b><u>3.9.1</u></b> A <i>WESM Member</i> that is served a notice, resolution or decision pursuant to this Manual shall faithfully and timely comply with the requirements or directives thereunder, including but not limited to the payment of <i>financial penalties</i> , taking of remedial actions or measures and compliance with other directives. Failure to comply with such requirements or directives shall be subject to additional <i>penalties</i> pursuant to Section <del>4.1.2.2</del> <b><u>4.1.5.2</u></b> and Section 5 of this Manual.	Added a sub-section number in line with the proposed additional provision introduced in the subsequent sub-section.  Revised for consistency.
Section 3 – Responsibilities  3.9 – WESM Members		(new)	<b><u>3.9.2. A WESM Member must keep the contact information provided to the Market Operator and the WESM Governance Arm consistently updated to facilitate accurate execution of enforcement actions and measures.</u></b>	Added to ensure that the NSPs and other enforcement-related communications are properly addressed to current officers of the concerned WESM Members; and avoid procedural lapses and technical challenges that may hinder the timely and accurate implementation of enforcement actions.
Section 4.1 – Principles  4.1.1 Enforcement Proceedings	4.1.1.2	Investigation of the WESM Members. This shall likewise be conducted by the <i>Enforcement and Compliance Office</i> upon the endorsement by the <i>PEM Board</i> to determine the occurrence of breach of the <i>Market Rules</i> upon the request of	Investigation of the WESM Members. This shall likewise be conducted by the <i>Enforcement and Compliance Office</i> upon the endorsement by the <i>PEM Board</i> to determine the occurrence of breach of the <i>Market Rules</i> upon the request of any	Added a phrase where WGCs (except CC) may also file RFI consistent with Clause 7.2.4.3 (a) of the WESM Rules.

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		any <i>WESM Member</i> , the <i>Market Operator</i> , or the <i>System Operator</i> , or upon its own initiative, as may be necessary.	<i>WESM Member</i> , <u><b>WESM Governance Committee (except the Compliance Committee)</b></u> , the <i>Market Operator</i> , or the <i>System Operator</i> , or upon its own initiative, as may be necessary.	
Section 4 – Penalty System  4.1 - Principles	4.1.1.3	Investigation of the <i>Market Operator</i> and the <i>System Operator</i> . The investigation of the <i>Market Operator</i> and the <i>System Operator</i> by the <i>Enforcement and Compliance Office</i> for probable breach of the <i>Market Rules</i> shall be in accordance with the relevant provisions of the <i>Enforcement and Compliance Manual</i> . The <i>PEM Board</i> , as it may deem necessary, may thereafter file a formal complaint with the <i>Energy Regulatory Commission</i> and the <i>Department of Energy</i> .	Investigation of the <i>Market Operator</i> and the <i>System Operator</i> . The investigation of the <i>Market Operator</i> and the <i>System Operator</i> by the <i>Enforcement and Compliance Office</i> for probable breach of the <i>Market Rules</i> shall be in accordance with <b>Clause 7.2.3 of the WESM Rules and</b> the relevant provisions of the <i>Enforcement and Compliance Manual</i> . The <i>PEM Board</i> , as it may deem necessary, may thereafter file a <del>the</del> <b>appropriate</b> formal complaint with the <i>Energy Regulatory Commission</i> and the <i>Department of Energy</i> .	Added as general reference: WESM Rules Clause 7.2.3 - Alleged Breaches of the WESM Rules by the <i>Market Operator</i> or the <i>System Operator</i>  For clarity.
Section 4 – Penalty System  4.1 - Principles	4.1.1.4	(new)	<b><u>4.1.1.4 Resolution of the Request for Reconsideration by the Enforcement and Compliance Office. The Enforcement and Compliance Office shall resolve the request filed by a WESM Member seeking review of the results of compliance monitoring and assessment under Section 4.1.1.1. The resolution shall consider any new evidence or clarifications submitted and result in formal determination.</u></b>	The inclusion of the resolution of the Request for Reconsideration and the appeal process under the list of enforcement proceedings (Sec. 4.1.1) is proposed to reflect the full scope of existing enforcement mechanisms.  Their integration into the main enumeration of enforcement proceedings (under the Principles section) ensures consistency, reinforces procedural clarity, and affirms their role as integral components of the WESM enforcement framework.
Section 4 – Penalty System	4.1.1.5	(new)	<b><u>4.1.1.5 Appeal. A WESM Member may appeal to the Compliance Committee the resolution of</u></b>	Same comment

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4.1 - Principles			<u>the Enforcement and Compliance Office of the Request for Reconsideration referred to in the preceding section. The Committee shall review the case and issue a decision affirming, modifying, or reversing the findings of the Enforcement and Compliance Office.</u>	
Section 4 – Penalty System  4.1 - Principles	4.1.1.6	(new)	<b><u>4.1.1.6 Resolution of the Request for Reconsideration by the PEM Board. The PEM Board shall resolve any request filed by a WESM Member seeking review of the results of the investigation conducted under Sections 4.1.1.2 and 4.1.1.3, whether filed or initiated by a WESM Member, a WESM Governance Committee, or motu proprio by the Enforcement and Compliance Office.</u></b>	Same comment
Section 4 – Penalty System  4.1 - Principles	4.1.2	Imposition of Penalties by the Enforcement and Compliance Office. The <i>Enforcement and Compliance Office</i> shall advise the <i>PEMC President</i> and the <i>Compliance Committee</i> of the specified <i>penalty</i> to be imposed upon the WESM Member concerned based on the results of the compliance monitoring and assessment conducted by the <i>Enforcement and Compliance Office</i> in accordance with Clause 7.2 of the WESM Rules and the WESM Enforcement and Compliance Manual. The PEM Board, the <i>Energy Regulatory Commission</i> and the <i>Department of Energy</i> shall be provided with the monthly status or summary report of the compliance monitoring	Imposition of Penalties by the Enforcement and Compliance Office. The <i>Enforcement and Compliance Office</i> shall advise the <i>PEMG President of the WESM Governance Arm</i> and the <i>Compliance Committee</i> of the specified <i>penalty</i> to be imposed upon the WESM Member concerned based on the results of the compliance monitoring and assessment conducted by the <i>Enforcement and Compliance Office</i> in accordance with Clause 7.2 of the WESM Rules and the WESM Enforcement and Compliance Manual. The PEM Board, the <i>Energy Regulatory Commission</i> and the <i>Department of Energy</i> shall be provided with the monthly status or summary report of the compliance monitoring and	Updated to align with the terminology used in the Market Rules and Market Manuals.

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		<p>and assessment activities of the <i>Enforcement and Compliance Office</i>.</p> <p>4.1.2.1 The specified <i>penalty</i> to be imposed shall be in accordance with Sections 3, 4, and 5 of this Manual.</p> <p>4.1.2.2 The following <i>penalties</i> shall be additionally imposed upon the <i>WESM Member</i> concerned in case of failure to comply with the requirements and directives of the notice, resolution or decision, as the case may be:</p> <p>a) Penalty interest in case of non-payment by a <i>WESM Member</i> of the <i>financial penalties</i> imposed on it as a consequence of a <i>breach</i>; and/or</p> <p>b) Penalties in case of non-compliance by a <i>WESM Member</i> with the remedial measures required to be implemented by it under a <i>Notice of Specified Penalty</i> issued under this Manual or a notice issued pursuant to the WESM Enforcement and Compliance Manual.</p>	<p>assessment activities of the <i>Enforcement and Compliance Office</i>.</p> <p><del>4.1.2.1 The specified <i>penalty</i> to be imposed shall be in accordance with Sections 3, 4, and 5 of this Manual.</del></p> <p><del>4.1.2.2 The following <i>penalties</i> shall be additionally imposed upon the <i>WESM Member</i> concerned in case of failure to comply with the requirements and directives of the notice, resolution or decision, as the case may be:</del></p> <p><del>a) Penalty interest in case of non-payment by a <i>WESM Member</i> of the <i>financial penalties</i> imposed on it as a consequence of a <i>breach</i>; and/or</del></p> <p><del>b) Penalties in case of non-compliance by a <i>WESM Member</i> with the remedial measures required to be implemented by it under a <i>Notice of Specified Penalty</i> issued under this Manual or a notice issued pursuant to the WESM Enforcement and Compliance Manual.</del></p>	<p>These provisions are proposed to be transferred to <b>Section 4.1.5</b> to ensure procedural coherence. As they pertain to the additional penalties that may be imposed (<i>with modifications</i>) it is more logically positioned following all provisions related to the imposition of penalties (Sec. 4.1.2 to 4.1.4).</p>
<p>Section 4 – Penalty System</p> <p>4.1 - Principles</p>	<p align="center">4.1.4</p>	<p>Imposition of Penalties on the <i>Market Operator</i> and the <i>System Operator</i>. The penalty for breach of the <i>Market Rules</i> by the <i>Market Operator</i> or the <i>System Operator</i> shall be determined and imposed by the Energy Regulatory Commission upon finding of breach of the <i>Market Rules</i> initiated through complaints or reports by the PEM Board in accordance with Section 4.1.1.3 of this Manual</p>	<p>Imposition of Penalties on the <i>Market Operator</i> and the <i>System Operator</i>. The penalty for breach of the <i>Market Rules</i> by the <i>Market Operator</i> or the <i>System Operator</i> shall be determined and imposed by the Energy Regulatory Commission upon finding of breach of the <i>Market Rules</i> initiated through complaints or reports by the PEM Board in accordance with <b>Section 7.2.3 of the <u>WESM Rules</u></b>, Section 4.1.1.3 of this Manual, and</p>	<p>Added as general reference: WESM Rules Clause 7.2.3 - Alleged Breaches of the WESM Rules by the Market Operator or the System Operator</p>

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		and pertinent provisions of the <i>Enforcement and Compliance Manual</i> .	pertinent provisions of the <i>Enforcement and Compliance Manual</i> .	
Section 4 – Penalty System  4.1 - Principles	4.1.5	<p>Transferred from Section 4.1.2.1 and 4.1.2.2</p> <p>4.1.2.1 The specified <i>penalty</i> to be imposed shall be in accordance with Sections 3, 4, and 5 of this Manual.</p> <p>4.1.2.2 The following <i>penalties</i> shall be additionally imposed upon the <i>WESM Member</i> concerned in case of failure to comply with the requirements and directives of the notice, resolution or decision, as the case may be:</p> <p>a) Penalty interest in case of non-payment by a <i>WESM Member</i> of the <i>financial penalties</i> imposed on it as a consequence of a <i>breach</i>; and/or</p> <p>b) Penalties in case of non-compliance by a <i>WESM Member</i> with the remedial measures required to be implemented by it under a <i>Notice of Specified Penalty</i> issued under this Manual or a notice issued pursuant to the WESM Enforcement and Compliance Manual.</p>	<p><b><u>4.1.5 Specified Penalties. The penalties to be imposed after the finality of the proceedings referred to in the preceding sections shall be as follows:</u></b></p> <p>4.1.2.1 <b><u>4.1.5.1</u></b> The <b><u>applicable</u></b> specified <i>penalty</i> to be imposed shall be in accordance with <b><u>prescribed under</u></b> Sections 3, 4, and 5 of this Manual <b><u>and other relevant Market Manuals, as may be appropriate.</u></b></p> <p>4.1.2.2 <b><u>4.1.5.2</u></b> The following <i>penalties</i> shall be additionally imposed upon the <del><i>WESM Member</i></del> concerned <b><u>Additional penalties</u></b> in case of failure to comply with the requirements and directives of the notice, resolution or decision, as the case may be, <b><u>particularly:</u></b></p> <p>a) Penalty <b><u>Default</u></b> interest in case of non-payment by a <i>WESM Member</i> of the <i>financial penalties</i> imposed on it as a consequence of a <i>breach</i>, <b><u>provided that, for purposes of determining the applicable penalty interest, the provisions of the WESM Rules and the Billing and Settlement Manual on default interest rates shall apply.</u></b> and/or</p> <p>b) Penalties in case of non-compliance by a <i>WESM Member</i> with the remedial measures required to be implemented by it under a <i>Notice of Specified Penalty</i> issued under this Manual or a notice issued pursuant to the WESM Enforcement and Compliance Manual.</p>	<p>These provisions are proposed to be transferred from Sections 4.1.2.1 and 4.1.2.2 to Section 4.1.5 to enhance procedural coherence within the enforcement framework.</p> <p>For clarity. Reference in Sec. 4.1.5.1 should be made to Section 5 – Schedule of Breaches and Penalties – which lists the specified penalties applicable to each type of breach.</p> <p>For clarity. Section 4.1.5.2 pertains to penalties that may be imposed in addition to those specified under Section 4.1.5.1, particularly in cases of non-payment of penalties and non-compliance with directives or remedial measures.</p> <p>For consistency: align this provision with the existing rules on default interest rate and payment under the WESM Rules (Clause 3.14.12) and the Billing and Settlement Manual (Sections 6.2.1(e) and (f)). The default interest rate is likewise defined in the WESM Rules.</p>



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Title	Section	Provision	Proposed Amendment	Rationale
			<p><b><u>corresponding investigation was duly initiated and completed in accordance with the Enforcement and Compliance Manual or other applicable Market Manuals.</u></b></p>	<p>investigation. The provision safeguards market integrity, prevents circumvention of accountability, and promotes fairness by enforcing sanctions within the prescribed two-year period.</p>
<p>Section 4 – Penalty System</p> <p>4.2 – Penalty Assessment</p>	<p>4.2.2</p>	<p>A single <i>Notice of Specified Penalty</i> may refer to more than one count of <i>breach</i> as determined for a particular monitoring period.</p>	<p>A single <i>Notice of Specified Penalty</i> may refer to more than one count of <i>breach</i> as determined for a particular monitoring period. <b><u>It shall, at the minimum, state the following –</u></b></p> <ul style="list-style-type: none"> <li>a) <b><u>Name of the WESM Member subject of the notice;</u></b></li> <li>b) <b><u>The name of the registered facility, if applicable, associated with the breach; and</u></b></li> <li>c) <b><u>The breach committed and pertinent rules that were breached;</u></b></li> <li>d) <b><u>The relevant date/s and dispatch interval/s that the breach occurred; and</u></b></li> <li>e) <b><u>The penalty imposed. If the penalty is financial in nature, the amount shall be stated in both words and figures.</u></b></li> </ul>	<p>To specify the minimum information required in the NSP, applicable across all enforceable penalty levels. <i>(Also based on current practice).</i></p>
<p>Section 4 – Penalty System</p> <p>4.3 – Description of Penalty Levels</p>	<p>4.3.1</p>	<p>The WESM <i>penalty</i> system consists of three (3) <i>penalty</i> levels. The <i>penalty</i> level to be imposed will depend on the nature of the <i>breach</i> and the circumstances surrounding the <i>breach</i>. The specific <i>penalty</i> levels to be imposed for each type of <i>breach</i> are provided for in the Schedule of Breach and Penalties of this Manual.</p>	<p><b><u>Unless otherwise provided in the WESM Rules and/or Market Manuals, the</u></b> <del>The</del> <i>WESM penalty</i> system <b><u>shall</u></b> consist of three (3) <i>penalty</i> levels. The <i>penalty</i> level to be imposed will depend on the nature of the <i>breach</i> and the circumstances surrounding the <i>breach</i>. The specific <i>penalty</i> levels to be imposed for each type of <i>breach</i> are provided for in the Schedule of Breach and Penalties of this Manual.</p>	<p>Added a non-restrictive clause to allow flexibility in adopting other practicable penalty levels or structures. (Case in point: different penalty tiers for reserve market compliance).</p>

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Title	Section	Provision	Proposed Amendment	Rationale
<p>Section 4 – Penalty System</p> <p>4.7 – Level 1-Reprimand</p>	<p align="center">4.7.1</p>	<p>If a <i>reprimand</i> is meted out, a <i>Notice of Reprimand</i> containing the reprimand is issued and shall further state the following –</p> <p>a) Name of the <i>WESM Member</i> subject of the reprimand;</p> <p>b) The name of the registered facility, if applicable, associated with the <i>breach</i>;</p> <p>c) The <i>breach</i> committed and pertinent rules that were <i>breached</i>;</p> <p>d) <i>The</i> relevant date/s and dispatch interval/s that the <i>breach</i> occurred; and</p> <p>e) <i>Remedial</i> measures required of the <i>WESM Member</i>, if any, and the manner of compliance.</p>	<p><del>If a <i>reprimand</i> is meted out, a <i>Notice of Reprimand</i> containing the reprimand is issued and shall further state the following –</del></p> <p><del>f) Name of the <i>WESM Member</i> subject of the reprimand;</del></p> <p><del>g) The name of the registered facility, if applicable, associated with the <i>breach</i>;</del></p> <p><del>h) The <i>breach</i> committed and pertinent rules that were <i>breached</i>;</del></p> <p><del>i) <i>The</i> relevant date/s and dispatch interval/s that the <i>breach</i> occurred; and</del></p> <p><del>j) <i>Remedial</i> measures required of the <i>WESM Member</i>, if any, and the manner of compliance.</del></p> <p><b><u>A Letter of Reprimand or Non-Compliance Letter shall be signed by the President of the WESM Governance Arm and shall enjoin the concerned WESM Member from committing the same breach which shall be dealt with more severely. When applicable, the Non-Compliance Letter shall also outline the required remedial actions and specify the expected manner of compliance.</u></b></p>	<p>Removed – These items are now suggested for inclusion in Section 4.2.2 (see above) to make them applicable to all enforceable penalty levels.</p> <p>Instead, a general guideline has been added regarding the content of a Non-Compliance Letter or a Reprimand.</p>
<p>Section 4 – Penalty System</p> <p>4.8. – Level 2-Financial Penalties</p>	<p align="center">4.8.1</p>	<p>The <i>financial penalty</i> may be a fixed rate amount or formula based. The amount of <i>penalty</i> for each type of <i>breach</i> is set out in the Schedule of <i>Breach</i> and Penalties of this Manual.</p>	<p>The <i>financial penalty</i> may be a fixed rate amount or formula based. <b><u>Unless specified otherwise in applicable Market Manuals, the</u></b> <del>The</del> amount of <i>penalty</i> for each type of <i>breach</i> is set out in the Schedule of <i>Breach</i> and Penalties of this Manual.</p>	<p>Added a non-restrictive clause referencing other manuals, such as the ASM Manual, to recognize that certain breach types may not be covered in this Manual’s Schedule of Breach and Penalties, or may be subject to a different computation or escalation in penalty amounts.</p>

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Title	Section	Provision	Proposed Amendment	Rationale
<p>Section 4 – Penalty System</p> <p>4.8. – Level 2-Financial Penalties</p>	<p align="center">4.8.2</p>	<p>A <i>Notice of Financial Penalty</i> shall be issued to the <i>WESM Member</i> specifying the following –</p> <ul style="list-style-type: none"> <li>a) Name of the <i>WESM Member</i>;</li> <li>b) The name of the registered facility to which the <i>breach</i> pertains, if applicable;</li> <li>c) The <i>breach</i> committed and pertinent rules that were <i>breached</i>;</li> <li>d) The relevant date/s and dispatch interval/s that the <i>breach</i> occurred;</li> <li>e) The amount of <i>financial penalty</i> imposed for each count of <i>breach</i>; and</li> <li>f) Remedial measures required of the <i>WESM Member</i>, if any, and the manner of monitoring compliance.</li> </ul>	<p><del>A <i>Notice of Financial Penalty</i> shall be issued to the <i>WESM Member</i> specifying the following –</del></p> <ul style="list-style-type: none"> <li><del>g) Name of the <i>WESM Member</i>;</del></li> <li><del>h) The name of the registered facility to which the <i>breach</i> pertains, if applicable;</del></li> <li><del>i) The <i>breach</i> committed and pertinent rules that were <i>breached</i>;</del></li> <li><del>j) The relevant date/s and dispatch interval/s that the <i>breach</i> occurred;</del></li> <li><del>k) The amount of <i>financial penalty</i> imposed for each count of <i>breach</i>; and</del></li> <li><del>l) Remedial measures required of the <i>WESM Member</i>, if any, and the manner of monitoring compliance.</del></li> </ul>	<p>Removed – These items are now suggested for inclusion in Section 4.2.2 (see above) to make them applicable to all enforceable penalty levels.</p>
<p>Section 4 – Penalty System</p> <p>4.8. – Level 2-Financial Penalties</p>	<p align="center">4.8.3</p>	<p>A copy of the notice shall also be served on the <i>Market Operator</i> and shall serve as the authority of the latter to collect the assessed <i>financial penalties</i>. Upon receipt of a copy of the notice, the <i>Market Operator</i> shall cause the billing and collection of the amount due within three (3) <i>Business Days</i> from receipt of the notice. The concerned WESM Member shall pay the penalty amount within twelve (12) <i>Business Days</i> from receipt of the billing from the <i>Market Operator</i>.</p>	<p><del>A copy of the notice shall also be served on the <i>Market Operator</i> and shall serve as the authority of the latter to collect the assessed <i>financial penalties</i>. Upon receipt of a copy of the notice, the <i>Market Operator</i> shall cause the billing and collection of the amount due within three (3) <i>Business Days</i> from receipt of the notice. The concerned WESM Member shall pay the penalty amount within twelve (12) <i>Business Days</i> from receipt of the billing from the <i>Market Operator</i>.</del></p>	<p>Sections 4.7 to 4.11 are about Penalty Levels and their respective nature and criteria.</p> <p>Sub-sections 4.8.3 to 4.8.7, on the other hand, pertain to the execution and implementation of the NSP including provisions on the Market Operator’s collection process. These provisions are more suitably outlined under Section 4.13, which covers the “<i>Service of the NSP</i>” or Section 6 on “<i>Flowback of Collected Financial Penalty</i>”</p> <p>Transferred to Section 4.13.3 with modification.</p>

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Title	Section	Provision	Proposed Amendment	Rationale
Section 4 – Penalty System  4.8. – Level 2-Financial Penalties	4.8.4	The <i>Market Operator</i> shall notify the <i>WESM Member</i> of the penalty amount including interest if applicable and the due date for payment of the same. In case of failure of the <i>WESM Member</i> to fully pay for the financial penalties on specified due date, a penalty interest in the sum specified in the Schedule of Breach and Penalties of this Manual shall be billed and collected from the <i>WESM Member</i> until the amount is fully paid.	<del>The <i>Market Operator</i> shall notify the <i>WESM Member</i> of the penalty amount including interest if applicable and the due date for payment of the same. In case of failure of the <i>WESM Member</i> to fully pay for the financial penalties on specified due date, a penalty interest in the sum specified in the Schedule of Breach and Penalties of this Manual shall be billed and collected from the <i>WESM Member</i> until the amount is fully paid.</del>	Same comment  Transferred to Section 6.3.1 with modification.
Section 4 – Penalty System  4.8. – Level 2-Financial Penalties	4.8.5	The amount shall be paid through issuance of a check payable to the <i>Market Operator</i> . However, collection from settlement amounts through offsetting or debit arrangements may be done as follows: a) If the concerned <i>WESM Member</i> authorizes the <i>Market Operator</i> to collect the penalty amounts from the settlement amounts for the billing period during which the notice was issued; and b) If the concerned <i>WESM Member</i> fails to pay the penalty amounts within the specified due date, despite the finality of the decision and receipt of the <i>Notice of Specified Penalty/ies</i> from the <i>Market Operator</i> , then the <i>Market Operator</i> shall collect the penalty from the settlement amounts of the said <i>WESM Member</i> for the immediately succeeding billing period computed as follows: (i) The penalty amounts shall be deducted from the settlement amounts after deductions from	<del>The amount shall be paid through issuance of a check payable to the <i>Market Operator</i>. However, collection from settlement amounts through offsetting or debit arrangements may be done as follows:                      a) If the concerned <i>WESM Member</i> authorizes the <i>Market Operator</i> to collect the penalty amounts from the settlement amounts for the billing period during which the notice was issued; and                      b) If the concerned <i>WESM Member</i> fails to pay the penalty amounts within the specified due date, despite the finality of the decision and receipt of the <i>Notice of Specified Penalty/ies</i> from the <i>Market Operator</i>, then the <i>Market Operator</i> shall collect the penalty from the settlement amounts of the said <i>WESM Member</i> for the immediately succeeding billing period computed as follows:                      (i) The penalty amounts shall be deducted from the settlement amounts after deductions from the same of the tax payments, interest payments, and market fees. The <i>Market Operator</i> shall ensure</del>	Same comment  Transferred to Section 6.3.3 with modification

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		<p>the same of the tax payments, interest payments, and market fees. The <i>Market Operator</i> shall ensure that the penalty amount is properly labelled as such in the billing statement or equivalent as would distinguish it from other items or deductions that may be charged against the settlement amount.</p> <p>Page 18 of 49</p> <p>(ii) If the collection of penalty cannot be made in full due to inadequacy of the settlement amount from which the penalty amounts will be deducted, the <i>Market Operator</i> shall issue a notice or demand to pay the deficiency to the concerned <i>WESM Member</i>.</p>	<p><del>that the penalty amount is properly labelled as such in the billing statement or equivalent as would distinguish it from other items or deductions that may be charged against the settlement amount.</del></p> <p>Page 18 of 49</p> <p>(ii) If the collection of penalty cannot be made in full due to inadequacy of the settlement amount from which the penalty amounts will be deducted, <del>the <i>Market Operator</i> shall issue a notice or demand to pay the deficiency to the concerned <i>WESM Member</i>.</del></p>	
<p>Section 4 – Penalty System</p> <p>4.8. – Level 2-Financial Penalties</p>	<p>4.8.6</p>	<p>The <i>Market Operator</i> shall notify the <i>PEMC President</i> of the status of the penalty collection indicating the amount collected, <i>penalty</i> interest imposed and the reason for non-payment by the concerned <i>WESM Member</i> as applicable on a monthly basis.</p>	<p><del>The <i>Market Operator</i> shall notify the <i>PEMC President</i> of the status of the penalty collection indicating the amount collected, <i>penalty</i> interest imposed and the reason for non-payment by the concerned <i>WESM Member</i> as applicable on a monthly basis.</del></p>	<p>Same comment</p> <p>Transferred to Section 6.6.1 with modification</p>
<p>Section 4 – Penalty System</p> <p>4.8. – Level 2-Financial Penalties</p>	<p>4.8.7</p>	<p>Penalty interest shall be reckoned from the date the <i>penalty</i> becomes due up to the time the same is actually settled.</p>	<p><del>Penalty interest shall be reckoned from the date the <i>penalty</i> becomes due up to the time the same is actually settled.</del></p>	<p>Same comment</p> <p>Transferred to Section 6.3.1 with modification (2<sup>nd</sup> paragraph)</p>
<p>Section 4 – Penalty System</p> <p>4.9 – Level 3-Escalated Financial Penalties</p>	<p>4.9.1</p>	<p>The amount of the escalated <i>financial penalty</i> for each type of <i>breach</i> is set out in the Schedule of Breach and Penalties of this Manual, and, unless otherwise specified, is twice the amount of the Level 2 <i>financial penalty</i>.</p>	<p>The amount of the escalated <i>financial penalty</i> for each type of <i>breach</i> is set out in the Schedule of Breach and Penalties of this Manual, and, <del>unless otherwise specified</del>, is twice the amount of the Level 2 <i>financial penalty</i> <b><u>unless specified otherwise in applicable Market Manuals.</u></b></p>	<p>Added a non-restrictive clause referencing other manuals, such as the ASM Manual, to recognize that certain breach types may not be covered in this Manual's Schedule of Breach and Penalties or may be</p>

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Title	Section	Provision	Proposed Amendment	Rationale
<p>Section 4 – Penalty System</p> <p>4.9 – Level 3-Escalated Financial Penalties</p>	<p align="center">4.9.2</p>	<p><i>A Notice of Escalated Financial Penalties</i> is issued on the <i>WESM Member</i> stating the following –</p> <ul style="list-style-type: none"> <li>a) The name of the <i>WESM Member</i>;</li> <li>b) The name of the registered facility for which the <i>breach</i> was found;</li> <li>c) The <i>breach</i> committed, specifying the rules that were <i>breached</i>;</li> <li>d) The relevant date/s and dispatch interval/s that the <i>breach</i> occurred;</li> <li>e) The reason/s for imposition of escalated <i>financial penalty</i>, particularly the occurrence of the qualifying circumstance that warranted application of the escalated <i>financial penalty</i>;</li> <li>f) The amount of <i>financial penalty</i>; and</li> <li>g) Remedial measures, if any, required of the <i>WESM Member</i> and manner of monitoring compliance.</li> </ul>	<p><del><i>A Notice of Escalated Financial Penalties</i> is issued on the <i>WESM Member</i> stating the following –</del></p> <ul style="list-style-type: none"> <li><del>h) The name of the <i>WESM Member</i>;</del></li> <li><del>i) The name of the registered facility for which the <i>breach</i> was found;</del></li> <li><del>j) The <i>breach</i> committed, specifying the rules that were <i>breached</i>;</del></li> <li><del>k) The relevant date/s and dispatch interval/s that the <i>breach</i> occurred;</del></li> <li><del>l) The reason/s for imposition of escalated <i>financial penalty</i>, particularly the occurrence of the qualifying circumstance that warranted application of the escalated <i>financial penalty</i>;</del></li> <li><del>m) The amount of <i>financial penalty</i>; and</del></li> <li><del>n) Remedial measures, if any, required of the <i>WESM Member</i> and manner of monitoring compliance.</del></li> </ul>	<p>subject to a different computation or escalation in penalty amounts.</p> <p>Removed – These items are now suggested for inclusion in Section 4.2.2 (see above) to make them applicable to all enforceable penalty levels.</p>
<p>Section 4 – Penalty System</p> <p>4.9 – Level 3-Escalated Financial Penalties</p>	<p align="center">4.9.3</p>	<p>A copy of the notice will also be served on the <i>Market Operator</i> and shall serve as its authority to collect the amount due. Failure to pay the <i>financial penalty</i> amount on due date will result in imposition of <i>penalty</i> interest until fully paid. The <i>Market Operator</i> shall cause the billing and collection of the <i>penalty</i> amount, and shall notify the <i>PEMC President</i> of the status of collection in the same manner as required for Level 2 Financial Penalty under Sections 4.8.3,</p>	<p><del>A copy of the notice will also be served on the <i>Market Operator</i> and shall serve as its authority to collect the amount due. Failure to pay the <i>financial penalty</i> amount on due date will result in imposition of <i>penalty</i> interest until fully paid. The <i>Market Operator</i> shall cause the billing and collection of the <i>penalty</i> amount, and shall notify the <i>PEMC President</i> of the status of collection in the same manner as required for Level 2 Financial Penalty under Sections 4.8.3, 4.8.4, and 4.8.5 of</del></p>	<p>Sections 4.7 to 4.11 are about Penalty Levels and their respective nature and criteria.</p> <p>Sub-section 4.9.3, on the other hand, pertains to the execution and implementation of the NSP, including provisions on the Market Operator’s collection process. This provision is more suitably outlined</p>

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Title	Section	Provision	Proposed Amendment	Rationale
		4.8.4, and 4.8.5 of this Manual with a copy thereof furnished to the <i>Enforcement and Compliance Office</i> .	<del>this Manual with a copy thereof furnished to the <i>Enforcement and Compliance Office</i>.</del>	under Section 4.13, which covers the “ <i>Service of the NSP</i> ”
Section 4 – Penalty System  4.12 – Request for Reconsideration and Appeal Proceedings	4.12.1 and 4.12.2	<p><b>4.12.1 Under the Compliance Monitoring and Assessment Proceedings</b></p> <p>4.12.1.1. <i>Period and Ground for Filing a Request for Reconsideration.</i> x x x</p> <p>4.12.1.2. <i>Form and Contents of the Request for Reconsideration and Notice thereof.</i> x x x</p> <p>4.12.1.3. <i>Resolution on the Request for Reconsideration.</i> x x x</p> <p>4.12.1.4. <i>Appeal to the Compliance Committee and Period of Appeal.</i> x x x</p> <p>4.12.1.5. <i>Ground for Appeal.</i> x x x</p> <p>4.12.1.6. <i>Form and Contents of the Appeal.</i> x x x</p> <p>4.12.1.7. <i>Decision on the Appealed Case</i> x x x</p> <p><b>4.12.2 Under Investigation Proceedings</b></p> <p>4.12.2.1 <i>Ground for Filing a Request for Reconsideration.</i> x x x</p> <p>4.12.2.2 <i>Form and Contents.</i> x x x</p> <p>4.12.2.3 <i>Reconsideration Proceedings.</i> x x x</p>	<p><del><b>4.12.1 Under the Compliance Monitoring and Assessment Proceedings</b></del></p> <p><del>4.12.1.1. <i>Period and Ground for Filing a Request for Reconsideration.</i> x x x</del></p> <p><del>4.12.1.2. <i>Form and Contents of the Request for Reconsideration and Notice thereof.</i> x x x</del></p> <p><del>4.12.1.3. <i>Resolution on the Request for Reconsideration.</i> x x x</del></p> <p><del>4.12.1.4. <i>Appeal to the Compliance Committee and Period of Appeal.</i> x x x</del></p> <p><del>4.12.1.5. <i>Ground for Appeal.</i> x x x</del></p> <p><del>4.12.1.6. <i>Form and Contents of the Appeal.</i> x x x</del></p> <p><del>4.12.1.7. <i>Decision on the Appealed Case</i> x x x</del></p> <p><del><b>4.12.2 Under Investigation Proceedings</b></del></p> <p><del>4.12.2.1 <i>Ground for Filing a Request for Reconsideration.</i> x x x</del></p> <p><del>4.12.2.2 <i>Form and Contents.</i> x x x</del></p> <p><del>4.12.2.3 <i>Reconsideration Proceedings.</i> x x x</del></p>	<ul style="list-style-type: none"> <li>It is proposed that all provisions under Section 4.12 of the WESM Penalty Manual concerning remedies, namely, Requests for Reconsideration and Appeals, be deleted and transferred to the WESM Enforcement and Compliance Manual. These remedies are considered integral to the enforcement proceedings, which comprise compliance monitoring and investigation, issuance of reports, and this time, the subsequent processes of reconsideration and appeal. Accordingly:</li> <li>The revised WESM Penalty Manual shall be limited to provisions regarding penalty design, amounts, penalty levels, implementation, and flowback of financial penalty collected.</li> <li>A set of provisions pertaining to post-investigation remedies shall be incorporated into the WESM Enforcement and Compliance Manual.</li> </ul>

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Title	Section	Provision	Proposed Amendment	Rationale
		<p>4.12.2.4 <i>Resolution on the Request for Reconsideration.</i> x x x</p> <p>4.12.2.5 <i>Effect of PEM Board Decision.</i> x x x</p>	<p><del>4.12.2.4 <i>Resolution on the Request for Reconsideration.</i></del> <del>x x x</del></p> <p><del>4.12.2.5 <i>Effect of PEM Board Decision.</i></del> <del>x x x</del></p> <p>(new)</p> <p><b><u>4.12.1 The filing of any request for reconsideration concerning the findings of compliance monitoring or investigation, including any appeal from the resolution rendered thereon, shall be governed by the pertinent provisions of the WESM Enforcement and Compliance Manual.</u></b></p>	
<p>Section 4 – Penalty System</p> <p>4.13 – Service of Notice of Specified Penalty/ies</p>	<p>4.13.1</p>	<p>A <i>Notice of Specified Penalty/ies</i> required to be issued in accordance with this Manual shall be issued and signed by the <i>PEMC President in accordance with Section 3.2 of this Manual</i>, and served on the concerned WESM Member upon the issuance of the compliance monitoring and assessment report or investigation report by the <i>Enforcement and Compliance Office</i>. The said Notice shall become executory upon issuance thereof.</p>	<p><del>A <i>Notice of Specified Penalty/ies</i> required to be issued in accordance with this Manual shall be issued and signed by the <i>PEMC President in accordance with Section 3.2 of this Manual</i>, and served on the concerned WESM Member upon the issuance of the compliance monitoring and assessment report or investigation report by the <i>Enforcement and Compliance Office</i>. The said Notice shall become executory upon issuance thereof.</del></p>	<p>Removed the redundant provision requiring the NSP to be signed by the PEMC President, as this requirement is already stated under Sections 3.2 and 3.5.1 of the Manual.</p> <p>To ensure coherence, the provisions under Section 4.13 were re-arranged in the following sequence:</p> <ul style="list-style-type: none"> <li>• Sec. 4.13.1 – Upon whom the NSP is served.</li> <li>• Sec. 4.13.2 – When NSP is served.</li> <li>• Sec. 4.13.3 – Who shall implement NSP</li> </ul>

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Title	Section	Provision	Proposed Amendment	Rationale
				<ul style="list-style-type: none"> <li>• Sec. 4.13.4 – When shall penalty be settled/paid.</li> </ul>
<p>Section 4 – Penalty System</p> <p>4.13 – Service of Notice of Specified Penalty/ies</p>		<p>(transferred to Sec. 4.13.1 from Sec. 4.13.4)</p> <p>4.13.4. A <i>Notice of Specified Penalty/ies</i> or any related notices shall be served on the <i>WESM Member</i> through its <i>WESM Compliance Officer</i> as appearing in the records of the <i>Enforcement and Compliance Office</i>, or if none is designated, to the president or chief executive officer of the <i>WESM Member</i> as appearing in the records of the <i>Market Operator</i>. <i>WESM Members</i> have the obligation to ensure that the information on the contact persons provided to the <i>Enforcement and Compliance Office</i> and to the <i>Market Operator</i> is updated at all times.</p>	<p><del>4.13.4.</del> <b>4.13.1</b> A <i>Notice of Specified Penalty/ies</i> or any related notices <b>and the Letter of Reprimand</b> shall be served on the <i>WESM Member</i> through its <i>WESM Compliance Officer</i> <del>as appearing in the records of the <i>Enforcement and Compliance Office</i>,</del> or if none is designated, to the president or chief executive officer of the <i>WESM Member</i> <del>as appearing in the records of the <i>Market Operator</i>.</del> <i>WESM Members</i> have the obligation to ensure that the information on the contact persons provided to the <i>Enforcement and Compliance Office</i> and to the <i>Market Operator</i> is updated at all times. <b>The service of the notices upon the <i>WESM Member's Compliance Officer</i>, or its president or chief executive officer, as appearing in the official records of the <i>Market Operator</i> or the <i>WESM Governance Arm</i>, shall constitute valid service upon the said <i>WESM Member</i>.</b></p>	<p>1: Upon whom the NSP is served</p> <ul style="list-style-type: none"> <li>• Transferred this provision as the opening provision under Sub-section 4.13 to clarify the intended recipient of the NSP.</li> <li>• Also included the Letter of Reprimand as an additional document requiring the signature of the WGA President.</li> <li>• Deleted the closing sentence, which has been transferred to Section 3.9 under WESM Member's Responsibilities.</li> <li>• Lastly, added effectiveness of the service of notice upon the WCOs, President, or CEO.</li> </ul>
<p>Section 4 – Penalty System</p> <p>4.13 – Service of Notice of Specified Penalty/ies</p>	4.13.2	<p>If a Request for Reconsideration or Appeal is filed, and resolution is made thereon, a separate <i>Notice of Specified Penalty</i> or revocation of said Notice, as the case may be, shall be issued by the <i>Enforcement and Compliance Office</i> or the <i>Compliance Committee</i>, as applicable, which either confirms the <i>Notice of Specified Penalty</i> previously issued or revokes the said notice in whole or in part. Similarly, the subsequent notices as a result of the reconsideration or appeal process shall become executory upon</p>	<p><del>If a Request for Reconsideration or Appeal is filed, and resolution is made thereon, a separate <i>Notice of Specified Penalty</i> or revocation of said Notice, as the case may be, shall be issued by the <i>Enforcement and Compliance Office</i> or the <i>Compliance Committee</i>, as applicable, which either confirms the <i>Notice of Specified Penalty</i> previously issued or revokes the said notice in whole or in part. Similarly, the subsequent notices as a result of the reconsideration or appeal process shall become executory upon issuance thereof and shall supersede all other notices</del></p>	<p>Deleted provisions concerning post-investigation remedies; and proposed to be transferred to the EC Manual, as discussed above.</p>

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		issuance thereof and shall supersede all other notices which may have been previously issued. In all cases, the <i>Notice of Specified Penalty</i> or revocation thereof shall be accompanied by: 4.13.2.1. A copy of the compliance monitoring and assessment report; or 4.13.2.2. A copy of resolution on the request for reconsideration or decision on the Appeal, as the case may be.	<del>which may have been previously issued. In all cases, the <i>Notice of Specified Penalty</i> or revocation thereof shall be accompanied by:                      4.13.2.1. A copy of the compliance monitoring and assessment report; or                      4.13.2.2. A copy of resolution on the request for reconsideration or decision on the Appeal, as the case may be.</del>	
Section 4 – Penalty System  4.13 – Service of Notice of Specified Penalty/ies	4.13.2	(new)	<p><b><u>A Notice of Specified Penalty shall be issued by the WESM Governance Arm to the concerned WESM Member within five (5) business days from the date that the finding of breach or the resolution or decision on a case becomes final and executory.</u></b></p> <p><b><u>A finding of breach shall be deemed final and executory under any of the following circumstances:</u></b></p> <p>a) <b><u>The Enforcement and Compliance Office has issued a resolution on the request for reconsideration filed by the WESM Member, affirming, in whole or in part, a finding of breach arising from its compliance monitoring and assessment activity, and the concerned WESM Member has not filed an appeal within the prescribed period, which has lapsed;</u></b></p> <p>b) <b><u>The Compliance Committee has rendered a decision on appeal affirming the finding of breach, in whole or in part;</u></b></p> <p>c) <b><u>The PEM Board has issued a resolution affirming, in whole or in part, a finding of</u></b></p>	2: When NSP is served Added to establish a realistic timeline for the issuance of the NSP, recognizing that it requires the President's signature only after the monitoring report is finalized and issued by ECO.  <u>Principle of Exhaustion of Remedies</u>  Added to establish a clear reckoning period for the issuance of the NSP, specifically upon the finality and executory status of the breach findings, report, or decision. It defines when a case is deemed “final and executory”.

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			<p><u>breach arising from an investigation either initiated by the <i>Enforcement and Compliance Office motu proprio</i> or filed before the <i>PEM Board</i>; or</u></p> <p>d) <u>The period for filing a request for reconsideration or appeal has lapsed without any such request or appeal being filed by the concerned WESM Member.</u></p> <p><u>Provided, however, that the finality referred to herein shall not extend to any decision rendered by a regular court or the <i>Energy Regulatory Commission</i> as a quasi-judicial body in the event that the concerned <i>WESM Member</i> initiates judicial proceedings. Any lawful order, judgment, or directive that may be subsequently issued by a court of competent jurisdiction shall be implemented by the <i>Market Operator</i> in accordance with Section 6.4.3 of this Manual.</u></p>	<p>To clarify the meaning of “final and executory” within the context of WESM’s enforcement process and avoid confusion. While this Manual governs only the internal remedies available under the WESM governance framework, the right of WESM Members to seek judicial relief remains recognized. It also ensures that the MO is properly guided in the event a lawful order from a court is issued.</p>
<p>Section 4 – Penalty System</p> <p>4.13 – Service of Notice of Specified Penalty/ies</p>	<p>4.13.3</p>	<p>This remedy of Request for Reconsideration or Appeal, notwithstanding, shall not stay the execution adverted to in Section 4.13.1 above.</p>	<p><del>This remedy of Request for Reconsideration or Appeal, notwithstanding, shall not stay the execution adverted to in Section 4.13.1 above.</del></p>	<p>Transferred to Section 4.13.4 (second sentence) for coherence.</p>
<p>Section 4 – Penalty System</p> <p>4.13 – Service of Notice of Specified Penalty/ies</p>	<p>4.13.3</p>	<p>(transferred to Sec. 4.13.3 from Sec. 4.8.3 with modification)</p> <p>4.8.3 A copy of the notice shall also be served on the <i>Market Operator</i> and shall serve as the authority of the latter to collect the assessed financial penalties. Upon receipt of a copy of</p>	<p><del>4.8.3</del> <b>4.13.3.</b> A copy of the notice shall also be served <u>by the <i>WESM Governance Arm</i></u> on the <i>Market Operator</i> and <u>which</u> shall serve as the authority of the latter to collect the assessed financial penalties. <u>The <i>Enforcement and Compliance Office</i> shall compile and update the list all the <i>Notices of Specified Penalty</i></u></p>	<p>3: <i>Who shall implement NSP</i></p> <p>Added the requirement for submitting a periodic penalty summary report listing all the penalties imposed by the WESM Governance Arm for the month, and</p>

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Title	Section	Provision	Proposed Amendment	Rationale
		the notice, the <i>Market Operator</i> shall cause the billing and collection of the amount due within three (3) <i>Business Days</i> from receipt of the notice. The concerned WESM Member shall pay the penalty amount within twelve (12) <i>Business Days</i> from receipt of the billing from the <i>Market Operator</i> .	<b>issued within the month and transmit the corresponding periodic penalty summary report to the <i>Market Operator</i> every 28<sup>th</sup> of the month. The latter shall then proceed with the billing, collection, and flowback of financial penalties in accordance with the procedures prescribed in Section 6 of this Manual.</b> <del>Upon receipt of a copy of the notice, the Market Operator shall cause the billing and collection of the amount due within three (3) Business Days from receipt of the notice. The concerned WESM Member shall pay the penalty amount within twelve (12) Business Days from receipt of the billing from the Market Operator.</del>	to be collected by the Market Operator for ease of tracking by both parties. This follows the current setup since the DOE directed the collection of penalties.  Added a reference to Section 6, which lays out the details on how the Market Operator handles the billing, collection, and flowback of the collected financial penalties.
Section 4 – Penalty System  4.13 – Service of Notice of Specified Penalty/ies	4.13.4	(new)	<b>4.13.4 The concerned WESM Member shall settle the penalty amount within the prescribed period and in accordance with the procedures set forth under Section 6 of this Manual.</b>	4: <i>When shall the penalty be settled/paid.</i>  Added the obligation for the WESM Member to settle the imposed penalty upon receipt of the corresponding bill or invoice, with reference only to Section 6 of this Manual to prevent redundancy.
Section 4 – Penalty System  4.13 – Service of Notice of Specified Penalty/ies	4.13.5	All notices required to be served on the <i>Market Operator</i> shall be served through its <i>WESM Compliance Officer</i> .	All notices required to be served on the <i>Market Operator</i> <b>or the System Operator</b> shall be served through their respective <i>WESM Compliance Officers</i> .	<i>For completeness and clarity.</i>
Section 4 – Penalty System	4.14	4.14 – Effect of Notice of Specified Penalties or Revocation Thereof	4.14 – Effect of <b>the</b> Notice of Specified Penalties <del>or Revocation Thereof</del>	Removed from the section title the “revocation” as it no longer applies in view of the integration of the principle of exhaustion of remedies into this proposal.

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Title	Section	Provision	Proposed Amendment	Rationale
Section 4 – Penalty System  4.14 – Effect of the Notice of Specified Penalties	4.14.1	4.14.1 Imposition of <i>financial</i> and non- <i>financial penalties</i> shall become executory upon issuance of the <i>Notice of Specified Penalty</i> .	<del>4.14.1 Imposition of <i>financial</i> and non-<i>financial penalties</i> shall become executory upon issuance of the <i>Notice of Specified Penalty</i>.</del> <b><u>The Notice of Specified Penalty shall serve as formal notice to the concerned WESM Member that a penalty has been imposed for breach of the Market Rules and/or Market Manuals, following the conclusion of the appropriate enforcement proceedings or the lapse of the period for filing available remedies.</u></b>	For clarity.  <ul style="list-style-type: none"> <li>4.14.1 – Effect of NSP on WESM Member (serves as notice that penalty has been imposed)</li> <li>4.14.2 – Effect of NSP on the Market Operator (serves as authority to bill and collect)</li> </ul>
Section 4 – Penalty System  4.14 – Effect of Notice of Specified Penalties or Revocation Thereof	4.14.2	The <i>Notice of Specified Penalty/ies</i> or the revocation thereof as a result of the reconsideration and/or appeal process shall serve as the authority of the <i>Market Operator</i> to immediately collect or refund the amount of the financial penalty/ies or such other amounts adverted to in the notice, to or from, the concerned <i>WESM Member's</i> account, as the case may be.	<del>The <i>Notice of Specified Penalty/ies</i> or the revocation thereof as a result of the reconsideration and/or appeal process</del> <b><u>as reflected in the periodic penalty summary report shall also serve as the authority of the Market Operator to immediately bill and collect or refund the amount of the financial penalty/ies or such other amounts adverted to in the notice, to or from, the concerned WESM Member's account, as the case may be.</u></b> <b><u>in accordance with the timeline and procedure outlined in Section 6 of this Manual.</u></b>	Removed provision relating to revocation and refund, as it no longer applies in view of the integration of the principle of exhaustion of remedies into this proposal. NSP is issued only when the case becomes final and executory, this section may need to be revised.
Section 4 – Penalty System  4.15 - Submission of Reports	4.15	The <i>Enforcement and Compliance Office</i> shall submit a monthly summary report of all Notices of Specified <i>Penalty/ies</i> and Resolutions on the requests for reconsideration made by the <i>Enforcement and Compliance Office</i> , and decisions of the <i>Compliance Committee</i> on appeals, that have been issued during the month, and the status of their implementation to the PEM Board, through the PEMC President, <i>the Department of Energy</i> , the <i>Energy Regulatory Commission</i> , the <i>Market Surveillance Committee</i> and the <i>Market Operator</i> . Such report may be included in any	The <i>Enforcement and Compliance Office</i> shall submit a monthly summary report of all Notices of Specified <i>Penalty/ies</i> and Resolutions on the requests for reconsideration made by the <i>Enforcement and Compliance Office</i> , and decisions of the <i>Compliance Committee</i> on appeals, that have been issued during the month, and the status of their implementation to the PEM Board, through the PEMC President <b><u>of the WESM Governance Arm</u></b> , <i>the Department of Energy</i> , the <i>Energy Regulatory Commission</i> , the <i>Market Surveillance Committee</i> and the <i>Market Operator</i> . Such report may be included in any monthly report	Updated to align with the terminology used in the Market Rules and Market Manuals.

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Title	Section	Provision	Proposed Amendment	Rationale
		monthly report that the <i>Enforcement and Compliance</i> is required to prepare, publish and disseminate in accordance with the WESM Enforcement and Compliance Manual.	that the <i>Enforcement and Compliance</i> is required to prepare, publish and disseminate in accordance with the WESM Enforcement and Compliance Manual.	
Sectio 5 – Schedule of Breach and Penalties  Market Rule Breached & Associated Market Manual	No. 1	WESM Rules • 3.5.5.1; 3.5.5.2; Appendix A1.1 • 3.5.7.2 <i>In relation to 3.5.12.1&amp; the WESM Dispatch Protocol</i>	WESM Rules • 3.5.5.1; 3.5.5.2; Appendix A1.1 • 3.5.7.2 <i>In relation to 3.5.12.1&amp; the WESM Dispatch Protocol</i> <b>• 3.5.11.5</b>	To align with the imposition of penalties for non-compliances with the market offer revisions.
Sectio 5 – Schedule of Breach and Penalties  Market Rule Breached & Associated Market Manual	No. 2	WESM Rules • 3.5.5.4 • 3.5.11.2	WESM Rules • 3.5.5.4 • 3.5.11.2 <b>• 3.5.11.5</b>	To align with the imposition of penalties for non-compliances with the market offer revisions.
Sectio 5 – Schedule of Breach and Penalties  Market Rule Breached & Associated Market Manual	No. 3	WESM Rules • 3.5.5.5	WESM Rules • 3.5.5.5 <b>• 3.5.11.3</b> <b>• 3.5.11.5</b>	To align with the imposition of penalties for non-compliances with the market offer revisions.
Section 6 – Utilization of Penalty	6	The financial penalties and interest amounts collected by the <i>Market Operator</i> pursuant to this Manual shall be distributed to the electricity end-users.  For this purpose, the <i>Market Operator</i> shall formulate the guidelines and procedures for distribution of the penalties and interest collected. Such guidelines and procedures shall be subject to the approval of the <i>Department of Energy</i> and the <i>Energy Regulatory Commission</i> in respect to the formula for distribution to electricity end users.	<del>The financial penalties and interest amounts collected by the <i>Market Operator</i> pursuant to this Manual shall be distributed to the electricity end-users.</del>  <del>For this purpose, the <i>Market Operator</i> shall formulate the guidelines and procedures for distribution of the penalties and interest collected. Such guidelines and procedures shall be subject to the approval of the <i>Department of Energy</i> and the <i>Energy Regulatory Commission</i> in respect to the formula for distribution to electricity end users.</del>	Removed the general provision instructing the Market Operator to develop specific guidelines, as the relevant procedures for billing, collection, and flowback of financial penalty collected are already integrated into this Manual. (see below).  The first paragraph is transferred to Section 6.2.1 under the Principles and General Guidelines.

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Title	Section	Provision	Proposed Amendment	Rationale
Section 6 – Utilization of Penalty			Section 6 – Utilization of <u>Flowback of Financial Penalty</u>	Replaced the term “Utilization of Penalty” with “Flowback of Financial Penalty” to more accurately reflect the intended use and allocation of the collected penalties.
Section 6 – Utilization of Penalty  6.1 - Scope	6.1	(New)	<p><b><u>6.1. Scope</u></b></p> <p><b>6.1.1. <u>These procedures shall govern the implementation by the Market Operator of the billing, collection and flowback of financial penalty amounts in reference to the official periodic penalty summary report transmitted to it by the WESM Governance Arm.</u></b></p> <p><b>6.1.2. <u>The provisions set forth herein shall govern all enforcement actions arising from any breach of the WESM Rules. This scope shall likewise cover the enforcement measures applicable within the Reserve Market, to the extent that such actions fall under the purview of these Rules.</u></b></p> <p><b>6.1.3. <u>In performing the foregoing functions, the Market Operator shall adhere to these procedures, in conjunction with the relevant provisions of the WESM Rules and Market Manuals.</u></b></p>	<p>Introduced to define the scope of these procedures governing the Market Operator’s billing, collection, and distribution of penalties, ensuring uniform application of the rules across all commercial WESM regions and alignment with established market rules and manuals.</p> <ul style="list-style-type: none"> <li>• 6.1.1. – Procedures for billing, collection, and distribution or flowback</li> <li>• 6.1.2 – Enforcement actions and measures/ implementation of sanctions.</li> <li>• 6.1.3 – Applicability of other related or pertinent rules.</li> </ul>
Section 6 – Utilization of Penalty	6.2	(New)	<b><u>6.2 Principles and General Guidelines</u></b>	Added to ensure fair redistribution of collected penalties and interest to electricity end users through

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Title	Section	Provision	Proposed Amendment	Rationale
6.1 – Principles and General Guidelines			<p><b>6.2.1</b> <u>The financial penalties and default interest amounts collected by the Market Operator pursuant to this Manual shall be distributed to the electricity end users through the WESM Customers. Provided, that the Market Operator shall allocate the penalty amounts to the registered WESM Members who transacted during the relevant billing month, including the distribution utilities, electric cooperatives, retail electricity suppliers, and bulk users only. Provided further, that the allocations for contestable customers and indirect members shall be coursed through their respective retail suppliers or Direct WESM counterparties. Provided, finally, that the WESM Member/s subject to the penalty shall not <del>receive any allocation</del> be allocated with flowback amount from its penalty amount due.</u></p> <p><u>Default interest shall refer to the charge imposed on any unpaid portion of the penalty amount upon its due date and shall accrue from the date the obligation becomes due until fully settled.</u></p> <p><b>6.2.2</b> <u>The penalties distributed to the receiving WESM Members are separate from their regular WESM settlement transactions. These</u></p>	<p>registered WESM Members, specifically, WESM Customers, excluding those subject to penalties.</p> <p>Added this definition to establish penalty interest as a time-based charge on unpaid penalties to encourage prompt settlement.</p> <p>Added to clarify that penalty distributions are rule enforcement outcomes, distinct from regular settlements, but similarly treated as</p>

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Title	Section	Provision	Proposed Amendment	Rationale
			<p><u>collections and remittances, including any associated interest, shall be treated strictly as pass-through transactions of the Market Operator.</u></p> <p><b>6.2.3</b> <u>The penalty amounts shall be processed in accordance with the WESM settlement mechanisms but shall remain separate from energy and reserve transactions. All related activities shall follow the timelines in the WESM Manual on Billing and Settlements.</u></p>	<p>pass-through transactions by the Market Operator.</p> <p>Added to ensure penalty processing follows established WESM settlement mechanisms and timelines, while remaining distinct from energy and reserve transactions.</p>
Section 6 – Utilization of Penalty			Section 6 – <b><u>Flowback</u></b> of <b><u>Financial</u></b> Penalty <b><u>Collected</u></b>	To clarify that financial penalty collected is flowed back to entitled WESM members
6.3 – Billing of Penalty Amount	6.3	(New)	<p><b>6.3</b> <b><u>Billing of Penalty Amount</u></b></p> <p><b>6.3.1.</b> <u>The Market Operator shall process the billing of penalties based on the periodic penalty summary report issued by the Enforcement and Compliance Office, pursuant to Sections 4.13.3 and 4.14.2 of this Manual. The corresponding billing statement shall be issued to the concerned WESM Members on or before the 15<sup>th</sup> day of the immediately succeeding month and shall constitute a formal notice of the obligation to settle or remit the specified penalty amounts. Such</u></p>	Added to formalize the billing and collection of penalties based on enforcement reports, ensuring timely notification to WESM Members of their settlement obligations.

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Title	Section	Provision	Proposed Amendment	Rationale
			<p><u>billing statement shall specify the following:</u></p> <p>a. <u>The financial penalty amount and the default interest, if applicable; and</u></p> <p>b. <u>The date on which a payment of financial penalty issued is due, which date shall be not less than ten (10) business days and not more than fifteen (15) business days after the issuance of that financial penalty statement.</u></p> <p><del>Default interest shall refer to the charge imposed on any unpaid portion of the penalty amount upon its due date and shall accrue from the date the obligation becomes due until fully settled.</del></p> <p>6.3.2. <u>The concerned WESM Member shall remit the penalty amount to the Market Operator no later than the 25<sup>th</sup> day of the month in which the billing is received, or on the next working day should the 25<sup>th</sup> day fall on a non-working day.</u></p> <p>6.3.3. <u>The amount shall be paid through the Electronic Fund Transfer (EFT) facility provided by the Market Operator. However, the collection from settlement amounts through offsetting against the WESM Member's receivables from WESM</u></p>	<p><del>Added this definition to establish penalty interest as a time based charge on unpaid penalties to encourage prompt settlement.</del></p> <p>Added to set a clear deadline for WESM Members to remit penalty payments, ensuring timely collection by the Market Operator.</p> <p>Added to establish acceptable modes of penalty payment, primarily through check issuance, while allowing offsetting from WESM receivables under specific conditions. It ensures that offsetting</p>

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Title	Section	Provision	Proposed Amendment	Rationale
			<p><b><u>transactions may be done under any of the following conditions:</u></b></p> <p>a) <b><u>Upon written authority granted by the concerned WESM Member to the Market Operator; or</u></b></p> <p>b) <b><u>In the event of failure of the WESM Member to remit the penalty amount within the prescribed payment schedule.</u></b></p> <p><b><u>Such offsetting shall be implemented only after the applicable deductions for market fees and default interest have been made.</u></b></p> <p><b>6.3.4. <u>In the event that the concerned WESM Member fails to timely settle the imposed penalty, the Market Operator shall issue a default notice specifying the outstanding amount, in accordance with the applicable default procedures outlined in the WESM Manual on Billing and Settlement.</u></b></p>	<p>is authorized or triggered by non-payment and protects priority deductions such as taxes, interest, and market fees. This promotes flexibility in collection while maintaining financial safeguards.</p> <p>Added to establish a formal and transparent process for addressing cases where a WESM Member fails to remit or maintain sufficient funds to cover imposed penalties, by requiring the Market Operator to issue a deficiency notice. This ensures procedural consistency, reinforces accountability, and enables timely enforcement actions in line with the default procedures under the WESM Manual on Billing and Settlement.</p>
<p>(New)</p> <p>6.4 – Allocation and Remittance of Collected Penalty</p>	<p>6.4</p>	<p>(New)</p>	<p><b>6.4 <u>Allocation and Remittance of Collected Penalty Amount</u></b></p> <p><b>6.4.1 <u>Penalty amounts collected by the Market Operator shall be allocated among the WESM Customers in</u></b></p>	<p>Added to establish the principal basis for the distribution of penalty amounts, specifically the metered</p>

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Title	Section	Provision	Proposed Amendment	Rationale
			<p><b><u>proportion to their respective amount in their billing statement for the relevant billing month, relative to the total amount of the billing statements of all WESM Customers for the same period. The provisions of the WESM Billing and Settlement Manual governing this allocation methodology shall apply, as may be appropriate.</u></b></p> <p><b>6.4.2 <u>The corresponding allocations of the collected penalty shall likewise be reflected in the settlement notices of the respective WESM Customers.</u></b></p> <p><b>6.4.3 <u>In the event that a lawful order, judgment, or directive issued by a court of competent jurisdiction or the Energy Regulatory Commission as quasi-judicial body requires the reversal, modification, or refund of any penalty amount previously distributed or allocated by the Market Operator, the latter shall implement the necessary adjustments or refunds in accordance with such order. Such adjustments or refunds shall be carried out in a manner consistent with the applicable provisions of the Market Rules and the Billing and Settlement Manual.</u></b></p>	<p>quantities of WESM Customers, with the detailed methodology to be referenced in the Billing and Settlement Manual to avoid redundancy.</p> <p>Added to ensure that WESM Members subject to penalties are excluded from any benefit arising from the distribution mechanism.</p> <p>Added to ensure transparency and ensure accountability in the distribution of collected penalty amounts</p> <p>Added to address instances where WESM Members initiate judicial proceedings and are subsequently granted favorable rulings by regular courts mandating the Market Operator to implement the court's directive.</p>
Section 6 – Utilization of Penalty	6.5	(New)	<b><u>6.5 Report on Penalty Collection and Distribution Status</u></b>	

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Title	Section	Provision	Proposed Amendment	Rationale
6.5 – Report on Penalty Collection and Distribution Status			<p><b>6.5.1. <u>The Market Operator shall, on a monthly basis, furnish the WESM Governance Arm with a report on the status of penalty collection and distribution arising from enforcement actions under this Manual. Such report shall include, as applicable, the total amount of penalties collected, the corresponding interest imposed on delinquent accounts, and a summary of the reasons for any non-payment or delayed remittance by the concerned WESM Member.</u></b></p> <p><b>6.5.2. <u>In instances where the imposed penalties can no longer be collected despite earnest collection efforts in accordance with the procedures prescribed under this Manual, or in cases where recovery is rendered impossible due to the dissolution, liquidation, or cessation of operations of the entity concerned, the Market Operator shall formally inform the WESM Governance Arm of such circumstances. Upon receipt of the notification, the WESM Governance Arm, through the PEM Board, shall assess the matter and determine the appropriate legal course of action. The PEM Board shall ensure that all available remedies are pursued to their fullest extent prior to concluding the matter.</u></b></p>	<p>Added to ensure transparency and accountability in the collection and distribution of penalties by requiring the Market Operator to submit regular reports to the WESM Governance Arm. These reports provide oversight bodies with timely information on collected amounts, accrued interest, and reasons for any payment delays or failures.</p> <p>In cases where penalties become unrecoverable due to circumstances such as dissolution or liquidation, this proposed provision would enable the Board to evaluate the situation and pursue all available legal remedies before closing the matter, reinforcing the integrity of enforcement processes.</p>

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Title	Section	Provision	Proposed Amendment	Rationale
Section 6 – Implementation of Suspension and Deregistration as Penalty  6.5 – Distribution or Allocation of Collected Penalty	6.6	(New)	<p><b><u>6.6 Implementation of Suspension and Deregistration as Penalty</u></b></p> <p><b><u>6.6.1 In the event that a <i>WESM Member</i> fails or refuses to pay, or provides inadequate settlement of, the penalty amounts imposed pursuant to this Manual, the <i>Market Operator</i> shall implement the applicable provisions of the WESM Rules, the WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures, and the WESM Manual on Billing and Settlement on provisions relating to default procedures and continuing compliance requirements, which may result in the suspension or deregistration of the concerned <i>WESM Member</i>.</u></b></p> <p><b><u>6.6.2 Where the enforcement action escalates to the level of deregistration, the <i>Market Operator</i> shall refer the matter to the <i>PEM Board</i> for confirmation, in line with Clause 5.4.1.3 of the WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures. The <i>Market Operator</i> shall proceed with the implementation of deregistration upon receipt of such confirmation from the <i>PEM Board</i>.</u></b></p>	<p>Added to reinforce compliance with penalty obligations by establishing suspension or deregistration as potential consequences for non-payment or inadequate settlement by WESM Members. It ensures that enforcement actions are carried out in accordance with established procedures under the WESM Rules and relevant Manuals, particularly those governing default and continuing compliance.</p> <p>By requiring PEM Board confirmation prior to implementing deregistration, the rule introduces an additional layer of oversight and due process. This framework promotes market discipline while safeguarding procedural fairness and institutional accountability.</p>

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Title	Section	Provision	Proposed Amendment	Rationale
Section 8 – Glossary  Term/Abbreviation Definition		<p><b>Term/ Abbreviation</b>  <b>PEMC</b></p> <p><b>Definition</b>                      Penalty Interest shall mean the prevailing legal rate of interest.</p> <p>Philippine Electricity Market Corporation is the governance arm of the WESM.</p>	<p><del><b>Term/ Abbreviation</b></del>  <del><b>PEMC</b></del></p> <p><del><b>Definition</b></del>  <del>Philippine Electricity Market Corporation is the governance arm of the WESM.</del></p>	