



# Market Surveillance Committee Quarterly Accomplishment Report

**26 September 2020 to 25 December 2020**

## **MARCH 2021**

This Report is prepared by the  
Philippine Electricity Market Corporation –  
Market Assessment Group for the  
Market Surveillance Committee

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## I. Introduction

Pursuant to Section 1.6.2 of the WESM Rules and Section 6.2.1 of the Market Surveillance, Compliance and Enforcement Market Manual (MSCEMM), the Market Surveillance Committee (MSC) carried-out its mandate in the monitoring and assessment of market outcomes in the WESM and in the Retail Market<sup>1</sup>, with the PEMC-Market Assessment Group (MAG) as the primary support unit. The MSC also continued with its mandate to review compliance and investigation reports that are prepared by the Enforcement and Compliance Office (ECO)<sup>2</sup>.

In performing its responsibilities, the MSC conducted regular monthly meetings, and frequently communicated through email and other messaging platforms to deliberate on various market issues and topics.

For the duration of the covered period, the MSC still adopted the online conduct of meetings in response to the National Government's implementation of quarantine measures during the COVID-19 Pandemic.

Accordingly, during the fourth quarter of 2020, the MSC conducted three (3) regular<sup>3</sup>, which were all conducted online. The MSC's accomplishments during the period are outlined in the succeeding section of this report.

## II. Accomplishments

### 1. Activities on Market Monitoring and Assessment

#### 1.1. Monitoring and Assessment of Market Outcomes in the WESM

Pursuant to MSCEM Section 6.2.1 (b)<sup>4</sup>, the MSC monitored and assessed market outcomes, trends, and drivers, as well as the bidding behavior of generator-trading participants (TPs).

The Market Assessment Report is prepared for the purpose of monitoring and assessing the efficiency and competitiveness of the WESM under different timescales and market conditions. The periodic Reports include an assessment of market behavior, including the analysis of the market monitoring indices, as contained in the Catalogue of Market Monitoring Data and Indices (CMMDI).

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<sup>1</sup> Section 1.5.1, Retail Rules: *The provisions of Chapter 1 of the WESM Rules shall apply with respect to the governance of the integration of retail competition in the WESM, the operations of the Central Registration Body, and the participation and transactions in the WESM of Suppliers and Contestable Customers.*

<sup>2</sup> MSCEM Section 6.2.1: *The MSC shall have following responsibilities: xxx (e) Review the Non-Compliance Report prepared by the ECO pursuant to the review of a Non-Compliance Notice, and submit its review to the PEM Board; (f) Review Investigation Reports prepared by the ECO pursuant to an Investigation of an alleged Breach, abuse of market power or Anti-Competitive Behavior, and submit its review to the PEM Board; xxx*

<sup>3</sup> MSC (Regular) Meeting No. 2020-12 held on 15 October 2020; MSC (Regular) meeting No. 2020-13 held on 17 November 2020; and MSC (Regular) Meeting No. 2020-14 held on 10 December 2020.

<sup>4</sup> MSCEM Section 6.2.1(b): *The MSC shall have following responsibilities: (a) xxx; (b) Review market monitoring indices and Market Assessment Report prepared by the Market Assessment Group; xxx*

### **1.1.1. Monthly Market Assessment Reports**

The MSC assessed the results of WESM operations for the billing months of September to November 2020, as provided under the Monthly Market Assessment Reports (MMAR) of the MAG (MMAR-2020-09, MMAR-2020-10, and MMAR-2020-11), which are the periodic assessment reports that are approved and published by the MSC.

The MSC took particular note of the continuous implementation of the General Community Quarantine (GCQ) of the country for the period of 26 August to 25 November 2020 and how this affected the market outcomes for the period. Despite implementation of quarantine protocols, there were episodes of price spikes (total of 16 price spike events in September and 3 events in November) experienced during this period, leading to an increase in monthly average spot prices.

The increase in monthly average price recorded in September 2020 was brought about by high prices during the SPEX Malampaya gas supply restriction, which caused deration and outage of natural gas plants relying on the facility for supply on top of the high level of outage from coal plants on the onset of the month. Meanwhile, during the November billing month, the passage of tropical depressions in the Philippine Area of Responsibility (PAR) or strong typhoons resulted to significant drop in demand and supply in the market as it took a toll on several generating plants causing a drop in power supply during the affected days. In effect, the Luzon region was placed under Market Intervention as initiated by the System Operator (SO) and Market Suspension as declared by the Energy Regulatory Commission (ERC) respectively, resulted to administered prices for 47 consecutive intervals in the Luzon region from 12 to 13 November. Typhoon Ulysses, upon its landfall in the Quezon province and traversing the Central Luzon, caused power system disturbances in the grid.

The MSC noted the increase in the monthly average spot price by 81 percent from PhP2,017/MWh in August to PhP3,657/MWh in September, followed by a decline in October to PhP2,034/MWh, and further down to PhP1,983/MWh in November 2020. Nevertheless, the unusual demand-supply trend continued during the period when compared with the previous years following the community quarantine.

The aforementioned MMARs were reviewed, deliberated upon, and approved by the MSC, and consequently submitted to the PEM Board, the ERC, and the DOE, and published in the PEMC website.

### **1.1.2. Review of Interesting Pricing Events**

During its October Meeting, the MSC discussed the consolidated interesting pricing events for 26 September 2018 to 25 December 2019, as reported by MAG.

It was noted in the report that the trading interval 1800H had the most interesting pricing events (IPE) with 39 events and the capacity of generating units was observed to be a factor in the occurrence of IPE. In addition, there were relatively few high prices from October to December 2018, February and August 2019. Meanwhile, the March and April 2019 billing months were marked by high demand mainly due to the rising temperature brought by the hot dry season. Most of the IPE

were mainly due to generating unit outages but the high demand was another main cause for some of the high prices recorded during the period. There were twelve (12) prices that breached the lower threshold mainly because of the low demand recorded during the observance of holidays (New Year). The capacity of the generating unit was observed to be a factor in the occurrence of the IPE. Generally, the higher the outage capacity, the more likely an IPE would occur.

The MSC approved the MAG's analysis on the interesting pricing events for 26 September 2018 to 25 December 2019. The MSC likewise requested MAG to include in its monitoring / reporting the peak and off-peak delineation for outages which caused the interesting events as it may be further classified as anti-competitive behavior.

### 1.1.3. Assessment of Over-Riding Constraints

#### 1.1.3.1. Monthly Monitoring of Over-Riding Constraints

Pursuant to MSCEM Section 6.2.1 (i)5, the MSC assessed the over-riding constraints imposed by the System Operator on generators for the billing months of September to November 2020. These are summarized as follows:

Billing Month	Total	Number of Generators	Event Categories
September 2020	5,815 over-riding events	28 Luzon generators and 10 Visayas generators	All events were categorized as non-security limit events, mainly due to the conduct of testing and commissioning (T&C) for a total of 5,440 events involving 15 plants.
October 2020	6,055 over-riding events	22 Luzon generators and 13 Visayas generators	All events were categorized as non-security limit events, mainly due to the conduct of T&C for a total of 5,603 events involving 15 plants
November 2020	5,757 over-riding events	22 Luzon generators and 15 Visayas generators	All events were categorized as non-security limit events, mainly due to the conduct of T&C for a total of 5,081 events involving 13 plants

### 1.1.4. Review of Market Intervention and Suspension Events

#### 1.1.4.1. SO-initiated Market Intervention Events for 2019

During its October 2020 meeting, the MSC reviewed the System Operator (SO) – Initiated Market Intervention (MI) Events for CY 2019 and January 2020 following the submission of the report from

<sup>5</sup> MSCEM Section 6.2.1(i) *The MSC shall have following responsibilities: (a) xxx; (i) Review Over-Riding Constraints; xxx*

the SO last 02 September 2020. Based on the instruction by the MSC, MAG conducted a consultation meeting the NGCP-SO for the confirmation of the observations noted in the review of the report (including the compliance of the actions taken based on the provisions in the related WESM manuals and procedures).

Date	Interval	Region Affected	Reason	Classification	Conclusion
Oct. 4, 2019	1600H to 1900H	Visayas	Manual Load Dropping due to generation deficiency	Emergency / Security Event	Complied with the WESM Manuals & Procedures
Dec. 25, 2019	0100H to 0900H	Visayas	Tripping of Tabangon-Kananga L1 and L2 (Marshalling Station) due to typhoon Ursula	Force Majeure	Complied with the WESM Manuals & Procedures
Jan. 12, 2019 Jan. 13-15, 2019 Jan. 17, 2019	1900H to 2400H 0100H to 2400H 0100H to 0400H	Luzon	Multiple tripping of transmission lines due to eruption of Taal Volcano	Force Majeure / Emergency	Complied with the WESM Manuals & Procedures

#### 1.1.4.2. Market Suspension Events on 12 – 13 November 2020

In accordance with Section 6.2.1(h) of the MSCEM manual, the MSC is also responsible for reviewing or investigating the occurrence of Market Suspension events. During its December 2020 meeting, the MSC reviewed the Market Intervention events initiated by the System Operator (SO) and the declaration of Market Suspension of the WESM in the Luzon region by the Energy Regulatory Commission (ERC), which occurred on 12 to 13 November 2020. The aforementioned MI and MS events were mainly due to multiple tripping of major transmission lines and generators as the country was hit by Typhoon Ulysses.

The declaration of MI and MS affected a total of 47 trading intervals – nine (9) intervals during the SO-initiated MI and the remaining 38 intervals were during the MS as declared by the ERC. Upon deliberation of the MSC, both the SO and the Market Operator (MO) complied with their responsibilities as prescribed in Sections 16.3.1 and 16.3.2 of the Dispatch Protocol.

Date	Interval	Region Affected	Reason	Classification	Conclusion
Nov. 12, 2020 (Market Intervention)	0100H to 0900H	Luzon	Multiple tripping of major transmission lines and generators due	Force Majeure	Complied with the WESM Manuals & Procedures
Nov. 12, 2020 (Market Suspension)	1000H to 2400H				
Nov. 13, 2020	0100H to 2300H 0100H to 2400H				

(Market Suspension)	0100H to 0400H		to Typhoon Ulysses		
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Nevertheless, the MSC has raised its concern on the responsiveness of the SO and MO in providing the necessary report and availability of the data needed to create and submit its review of the said event. With this, the MSC agreed to write a letter addressed to the NGCP, for expediency of the submission.

### **1.1.5. Results of Nodal Monitoring and Analysis (Issue on the unusual Metered Quantity of a Trading Participant)**

The MSC further continued its discussion on the unusual Total Trading Amounts (TTA), as monitored by the MSC and MAG, during its Regular Meetings in November 2020. The said discussion also contains the presentation of IEMOP's response on the issue raised in one of the MSC letters dated 03 July 2020.

Based on the monitoring and assessment conducted by MAG, unusually high metered quantities that are vastly different from the maximum generating capacity of the trading participant were noted. After further deliberation, the MSC agreed to refer the matter to the Technical Committee (TC) to conduct a study or evaluation regarding the discrepancy between the metered quantity and the maximum capacity particularly on the impact of the metering configuration and appropriateness of procedures in deriving the settlement quantities.

It can be recalled that the matter arose from the issue with the case from one of the electric cooperatives as previously observed which was due to non-updating snapshot data. For this particular concern, IEMOP has already submitted measures to address the case which includes constant communication with NGCP, use of estimator, and processing of information on the impact of non-updating data.

### **1.1.6. Monitoring and Assessment of the Retail Market**

Pursuant to the Catalogue of Retail Market Monitoring Data and Indices (CRMMDI) Section 3.1.2<sup>6</sup>, the MSC monitored and assessed the performance of the Retail Market, as provided for under the Retail Market Assessment Report, which discusses the results of retail monitoring indices and provides indications on how the retail market performed during the period in review.

- Retail Market Assessment Report covering the period 26 June to 25 September 2020 (MAG-RMAR-2020-03)

The MSC noted that a total of 1,479 contestable customers (CCs) have already registered in the market as of third quarter of 2020. An additional 24 CCs participated in the market as compared to

<sup>6</sup> CRMMDI Section 3.1.2 *The Market Surveillance Committee shall have the following responsibilities: 3.1.1 xxx; 3.1.2. Review the retail market monitoring indices and reports submitted by the Market Assessment Group. Xxx*

the previous quarter. In terms of contestability threshold, the market recorded 1,122 registrants or about 76% of the total registered CCs in the 1 MW and above contestability threshold. Meanwhile, 357 registrants or about 24% were classified under the 750-999 kW contestability threshold. In terms of location, about 90% of the registered CCs are in Luzon while the remaining 10% are situated in Visayas.

In terms of the nature of business, 780 registered CCs or about 53% were engaged in commercial activities while 699 registrants or about 47% were engaged in industrial activities. In terms of market share, MERALCO remained the top supplier with the largest number of shares in terms of number of CCs (36%) and total energy consumption (39%).

Year-on-year, there was a decrease (about 2.5%) in consumption of both Captive and CCs. And the increase (7.5%) in the 3rd quarter of 2020 was due to government's decision to allow more economic activities in the country. Of the 114 licensed Suppliers, only 72 are registered in the retail market. No suppliers registered in the market for the period in review and thus, the market retained its record of a total of 33 registered RES, 14 registered Local RES (LRES), and 25 registered Supplier of Last Resort (SOLR). There were fifty-four (54) switches from one Supplier to another within the 3rd Quarter of 2020.

The MSC agreed to present the highlights of the Retail Market Assessment Report to the PEM Board, in its November Meeting.

The MSC's Retail Market Monitoring Report for Q3 2020 (MSC-RMMR-2020-03), which adopted in full the MAG-RMAR-2020-03 was submitted to the PEM Board on 01 December 2020. The Report was also submitted to the DOE and the ERC on 04 December 2020 and was likewise published in the PEMC website.

### **1.1.7. Presentation of MSC's Competitive Analysis of the Reserves Market**

The MSC presented the analysis of the reserves market from 26 December 2017 until 25 December 2019 to the PEM Board during its November 2020 meeting.

The analysis covers only the regulating, contingency and dispatchable reserves for both the Luzon and Visayas. In addition, the computations made are based on the historical schedules and contracts from January 2018 to December 2019. The said study will be submitted to the DOE and ERC as an input to the current effort towards the reserve market.

#### **1.1.1. Discussion with NGCP-SO regarding the updates on Transmission Development Projects**

As highlighted in the regular monitoring and assessment of the market as presented to the PEM Board wherein the constraints in the Samboan-Amlan line were observed to be the frequent cause of congestion, the MSC invited representatives from the NCGP-SO during its November 2020 meeting to be apprised with the current updates on the Transmission Development Projects (TDP) specifically those project/s that will address the frequent congestions in the Samboan-Amlan line which is the connection between the Negros and Cebu islands.

After discussion, the MSC noted and thanked the NGCP-SO for the information and updates to the Committee.

### **1.1.2. Discussion on the Revisions to the Monitoring of Grid Operating Program for Q2 2020**

The MSC discussed the revisions to the monitoring of the Grid Operating Program for the 2<sup>nd</sup> quarter of 2020 for both the Luzon and Visayas region. The said revisions to the monitoring of GOP were in relation to the initial discussions of the Committee during its previous meeting.

The monitoring highlighted the significant difference in the details between the outages (planned, forced, and maintenance outage) indicated in the GOP for the 2nd quarter and the Daily Operations Report (DOR) as well as several instances when generating plants were not able to comply with their specified planned outage schedule upon verification with the DOR.

After discussion, the MSC requested MAG to undertake a study in other jurisdictions as to the matter of monitoring to be done on outages. Further, the MSC agreed to inquire with NGCP-SO as with regards to the discrepancies observed in the course of monitoring and assessment.

### **1.2. MSC Review of Internal Rules**

As part of the activities planned for the year 2020, the MSC reviewed the Committee's internal rules and further approved the proposed revisions in relation to the change in the regular meeting schedule, update on the references, terminologies, procedures and reports as well as the clerical and minor revisions to the clarity of some of the provisions.

After the deliberation, the MSC approved the revisions to its internal rules and requested MAG to proceed with the preparation of the necessary documentation for their approval.

### **1.3. Review of Proposed Revisions to the Catalogue of Market Monitoring Data and Indices (CMMDI)**

The MSC discussed proposed amendments to the CMMDI as presented to the RCC on 18 October 2010 and PEM Board on 30 October 2019. It was also recalled that the updated proposed amendments to the CMMDI incorporating the initial comments received were published in the WESM website last 25 November 2019, but no comments were received from any interested parties. The MSC also noted that the necessary actions to be taken to promulgate the revised CMMDI had already been accomplished. As one of the efforts to enhance the CMMDI, it was noted that there will be a MAG-ECO workshop in which the MSC previously agreed to wait for the same prior to promulgation however the said workshop did not push through. Below is the summary of the proposed amendments as presented to the MSC.

- 1) New Market Indices (Spot Price Indices and Generator Offer Indices)
- 2) Incorporation of changes related to the Enhance WESM Design and Operations
  - o Shorter dispatch interval (from 1 hour to 5 minutes)

- Ex-ante only settlement
- 3) Enhancements on the current list of market monitoring data and indices
  - Price duration curve
  - Market share and HHI based on TTA
  - Spot Duration Curve and Spot Frequency Distribution Table
  - Subject and Reference Offer Price Curves
  - Bid Splitting Behavior

Following the discussion, the MSC approved the proposed amendments to the CMMDI subject to the implementation of the WESM design enhancements.

## 2. Activities on Compliance and Enforcement

### 2.1. Review of Compliance Monitoring and Assessment

Compliances of Generator-Trading Participants (TP) with the Real Time Dispatch (RTD) schedule, the Must Offer Rule (MOR) and the rule on the Nomination of Loading Levels and Projected Output (NOM) for the billing months of August, September and October 2020, were deliberated upon by the MSC, as contained in the Compliance Monitoring and Assessment Reports (CMARs) prepared by the Enforcement and Compliance Office (ECO).

The CMAR is a result of the daily compliance monitoring activities by the ECO after assessing the generator-TPs' compliance with the RTD schedule and MOR. The ECO's monitoring activity was carried out by issuing Daily Compliance Notices to the generator-TPs that are initially flagged for possible non-compliance, and by validating and assessing the generator-TPs' explanations in the Significant Event Report Form and Dispatch Discrepancy Report Form, supporting documents, and other market data or reports from the MO and SO.

Following the MSC's monthly review of the CMAR, the MSC endorsed to the ECO for appropriate action, the following requests for investigations (RFIs):

Billing Month	MSC-Issued RFIs
August 2020	RTD – 2
September 2020	RTD – 5 NOM – 1 MOR – 1
October 2020	RTD – 5 NOM – 1 MOR – 2

### 2.2. Review of ECO Investigation Reports

The MSC deliberated upon ECO Investigation Reports (IRs) that were submitted during the period for the MSC's review. The ECO IRs covered the non-compliances of generator-trading participants

with the Real Time Dispatch (RTD) schedule, the Must Offer Rule (MOR) and the rule on the Nomination of Loading Levels and Projected Output (NOM).

The MSC reviewed the submitted ECO IRs with respect to: (a) the ECO's compliance with the procedures set forth in the MSCEM for the conduct of investigation, and (b) the validity and completeness of the data and documents upon which factual findings are based, pursuant to Section 10.7 of the MSCEM Manual.

For the covered period during its regular monthly meetings, the MSC completed its review on the following:

<b>MSC Meeting</b>	<b>ECO IRs Reviewed and Deliberated-Upon</b>
15 October 2020	Five (5) Consolidated Reports involving 5 generator-TPs
17 November 2020	Eight (8) Consolidated Reports involving 6 generator-TPs
10 December 2020	Five (5) Consolidated Reports involving 4 generator-TPs

The MSC then submitted and presented to the PEM Board for its approval and appropriate action the result of its review and recommendation on the ECO IRs on 15 October 2020, 17 November 2020, and 10 December 2020.

### **2.3. Discussion on the Offer for Settlement of a trading participant**

On 15 October 2020, the MSC noted the details of the pending cases and the intention by a trading participant to enter into an offer for settlement on the alleged breach from July 2014 to July 2019 in order to resolve and close the long outstanding cases of the trading participant and its Operating Plants following the updating of its Pmin registration with the WESM in 2016 and 2017. The erroneous Pmin was the main reason for the resulting breach of the WESM Rules.

After due deliberation, the Committee expressed its inclination to approve the offer for settlement and directed ECO to proceed with its initial review based on the MSC-approved Guidelines on Offer for Settlement. The MSC further requested ECO to prepare a justification slide on the offer for settlement of the trading participant and to present the recommendation prior to MSC's acceptance or denial of the offer.

During its Regular Meeting on 17 November 2020, the MSC further deliberated the results of the initial assessment and evaluation conducted by ECO in relation to the offer for settlement by the trading participant which involved 51,020 trading intervals.

After due deliberation, the MSC approved the offer for settlement submitted by the trading participant for the pending cases; and directed the ECO to proceed with the completion of the required process, documentation, and issuance of a formal report following the MSC-approved Guidelines on Offer for Settlement.

The MSC is composed of four (4) members, namely, Engr. Francis V. Mapile, Dr. Peter Lee U, Atty. Doroteo B. Aguila, and Prof. Fernando Martin Y. Roxas.

