

RULES CHANGE COMMITTEE

Revisions to RCC Resolution No. 2019-04 on the Proposed Amendments to the WESM Rules, Retail Rules and Market Manuals Related to Audit and Performance Monitoring



Effective Date : 15 October 2021

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WHEREAS, the PEM Audit Committee (PAC) submitted to the Rules Change Committee (RCC) on 04 December 2018 the Proposed Amendments to Provisions Related to Audit and Performance Monitoring Under the WESM Rules, Retail Rules, PEM Audit Manual, and Guidelines Governing the Constitution of the PEM Board Committees;

WHEREAS, the subject proposal aimed to clarify the responsibilities of the PAC in the conduct of market audits and special reviews, whose members are associated with PEMC as external partners and who are expected to give advice in their capacity as experts;

WHEREAS, the proposal also intends to enhance the preparation and implementation of market audits and the performance monitoring of WESM service providers considering the recommendations of external auditors of prior market audits;

WHEREAS, the proposal covers, among others, the following:

- (1) Scope of market audits to include review of the System Operator (SO);
- (2) Development and monitoring of System Operator Performance Standards (SOPS);
- (3) Clarifying that the PAC “oversees” instead of “conducts” market audits;
- (4) Changing the term “PEM Auditor” to “PEM Audit Committee” comprised of three (3) members; and
- (5) Enhancements and clarifications to the audit process and timeline, including the engagement of External Auditor and the frequency of market audits;

WHEREAS, the proposed amendments were made to the following documents:

- (1) WESM Rules;
- (2) Retail Rules;
- (3) Guidelines Governing the Constitution of the PEM Board Committees; and
- (4) PEM Audit Market Manual;

WHEREAS, pursuant to Procedures for Changes to the WESM and Retail Rules and Market Manuals (Rules Change Manual) Section 6.1.1, the RCC gave due course to the proposal and determined that the same satisfies the criteria for rules change during its 148th RCC Regular Meeting on 06 December 2018. In the same meeting, the RCC approved the publication of the proposal in PEMC website to solicit comments from industry stakeholders and interested parties;

WHEREAS, following the 30-working day commenting period, comments were received from the Department of Energy (DOE) and the National Grid Corporation of the Philippines (NGCP);

WHEREAS, during the 149th and 150th RCC Meetings held on 22 February 2019 and 15 March 2019, respectively, the SO expressed its strong objection on the provisions related to the SO review, citing the Energy Regulatory Commission's (ERC) exclusive jurisdiction over its regulated transmission services under the Electric Power Industry Reform Act of 2001 (EPIRA), while the proponent reiterated the proposed review is only in relation to the SO's obligations under the WESM Rules, and that the review will be aligned with the timeline of completion of Market Operator-System Operator Protocol to be developed within that year;

WHEREAS, the proposal was approved as amended for endorsement to the PEM Board by the RCC on 15 March 2019 under RCC Resolution No. 2019-04, except for the provisions relating to SO review, for which the RCC agreed to seek guidance from the PEM Board. The proposal was subsequently approved by the PEM Board on 27 March 2019¹ with the directive to incorporate the proposed SO review in the PEMC-System Operator Protocol;

WHEREAS, the proposal was submitted for final approval to the DOE, which conducted public consultations on the proposal on 15, 17 and 19 June 2020;

WHEREAS, on 22 April 2021, PEMC received the DOE letter dated 21 April 2021 remanding the proposal with directives/comments on the following items:

- (1) *Introduction of the new term “independent auditor”* – This should be harmonized with WESM Rules Clauses 1.5.3 and 5.2.6.4 and Section 4.1 of the PEM Audit Market Manual for the services engagement of a qualified independent auditor. Per the DOE, the conduct of audit should be a primary responsibility of the PAC and that the engagement of an independent third party should remain an option for the PAC depending on the scope and difficulty of the audit;
- (2) *Responsibilities of PEM Audit Committee and Other WESM Governance Committees under the PEM Audit Market Manual* – These should be reviewed relative to DOE DC 2020-10-0021 entitled “Adopting Further Amendments to the WESM Rules on Provisions for the Implementation of the Independent Market Operator;
- (3) *Periodic Conduct of Audits* – The use of the term “periodic” should be specified in detail in the PEM Audit Market Manual to ensure regularity in the conduct of audit and to identify the necessary frequency of various audits;
- (4) *Audit of the Central Registration Body (CRB)* – The proposal should consider that the CRB is part of the Market Operator’s function and the same may be integrated to market operations audit to be more cost-effective;

WHEREAS, on 26 April 2021, the RCC forwarded the DOE’s letter to the PAC, being the proponent, requesting a presentation on their recommended revisions to the PEM Board-approved proposal in consideration of the DOE’s above-mentioned directives/comments;

WHEREAS, during the 180th RCC Regular Meeting on 18 June 2021, the PAC presented its revised proposal and the RCC resolved to:

- (1) *On the Introduction of the new term “independent auditor”* – Adopted that the conduct of audit should be a primary responsibility of the PAC and the engagement of an independent third party remains as an option for the PAC with the additional option to engage the services of PEMC’s Internal Audit Department (IAD);
- (2) *Responsibilities of PEM Audit Committee and Other WESM Governance Committees under the PEM Audit Market Manual* – Pursuant to DOE DC 2020-10-0021, adopted the renaming of PEM Auditor to PEM Audit Committee as global change;
- (3) *Periodic Conduct of Audits* – Adopted, as reworded, the proposed term “periodic” in prescribing the conduct of market audits under the WESM Rules and Retail Rules, and to specify the frequency of audit in the PEM Audit Manual to be conducted at least once at an interval not

¹ PEM Board Resolution No. 2019-10-10 dated 23 April 2019

exceeding three (3) years from the last audit considering the results of past audits, the duration of the audit engagement and implementation. The periodic audit will consider the results of past audits indicating that the Market Operator has demonstrated an acceptable level of maturity in its compliance with the WESM rules and related standards. The system or process is deemed mature when it has consistently exhibited no or minimal audit findings for the past three (3) audits and whose impact does not pose significant operational, legal or market risks. After the first three (3) audits of a particular system or process, the frequency of the periodic audits may be reduced based on the Market Operator's compliance maturity level;

- (4) *Audit of the Central Registration Body (CRB)* – Adopted the PAC's proposal to retain the separate provisions pertaining to the audit of CRB in the PEM Audit Manual since the CRB is identified as a separate entity under the Retail Rules. Currently, the audit of the CRB is included in the market operations audit being part of MO's function;

WHEREAS, the RCC adopted the proposal on 18 June 2021 as contained in RCC Resolution No. 2021-09 and presented to the PEM Board for approval and endorsement to the DOE during the 39th Regular Board Meeting held on 25 August 2021. However, the PEM Board deferred approval of the proposal until the guidelines or criteria for exercising the option to engage an independent third party or the IAD are presented to the PEM Board;

WHEREAS, during the 184th and 185th RCC Regular Meetings held on 17 September 2021 and 15 October 2021, respectively, the PAC presented the 1) draft guidelines for engaging the services of the internal audit of the Governance Arm, which will be developed and approved by the PAC as part of its business procedures, subject to review by the RCC and the PEM Board, and 2) the following corresponding proposed additional amendments to address the PEM Board's requirement:

- (1) Included a proposed additional provision in the WESM Rules providing for the powers and functions of the internal audit unit of the Governance Arm; and
- (2) Revised the proposed PEM Audit Market Manual Section 4 – Engagement of Qualified Auditors indicating the need for capability building and training of the internal audit unit of the Governance Arms, and for the PAC to define the guidelines in engaging the services of the Independent Auditor and the internal audit unit of the Governance Arm for the conduct of applicable audits (Annex A);

WHEREAS, the RCC approves, as amended, the proposed additional revisions of the PAC to the subject proposal;

NOW THEREFORE, we, the undersigned, on behalf of the sectors we represent, hereby resolve *via* electronic communication platform, as follows:

RESOLVED, that the RCC approved the Proposed Amendments to the WESM Rules, Retail Rules, Guidelines Governing the Constitution of the PEM Board Committees Issue 3.0, and PEM Audit Market Manual Issue 2.0 (Annex B);

RESOLVED FURTHER, that the said Proposed Amendments to the WESM Rules, Retail Rules, Guidelines Governing the Constitution of the PEM Board Committees Issue 3.0, and PEM Audit Market Manual Issue 2.0 are hereby endorsed to the PEM Board for approval and subsequent transmittal to the DOE for promulgation.

Done this **15th** day of **October 2021** *via* Microsoft Teams.


Approved by: THE RULES CHANGE COMMITTEE	
Independent Members:	
Maila Lourdes G. de Castro Chairperson	 Francisco L.R. Castro, Jr.
 Allan C. Nerves	 Concepcion I. Tanglao
Generation Sector Members:	
 Dixie Anthony R. Banzon Masinloc Power Partners Co. Ltd. (MPPCL)	 Cherry A. Javier Aboitiz Power Corp. (APC)
 Carlito C. Claudio Millennium Energy, Inc./ Panasia Energy, Inc. (MEI/PEI)	 Mark D. Habana Vivant Corporation - Philippines (Vivant)
Distribution Sector Members:	
 Virgilio C. Fortich, Jr. Cebu III Electric Cooperative, Inc. (CEBECO III)	 Ryan S. Morales Manila Electric Company (MERALCO)
 Ricardo G. Gumalal Iligan Light and Power, Inc. (ILPI)	 Nelson M. Dela Cruz Nueva Ecija II Area 1 Electric Cooperative, Inc. (NEECO II – Area 1)

Supply Sector Member:



Lorreto H. Rivera
TeaM (Philippines) Energy Corporation
(TPEC)

Market Operator Member:



Isidro E. Cacho, Jr.
Independent Electricity Market Operator of the Philippines
(IEMOP)

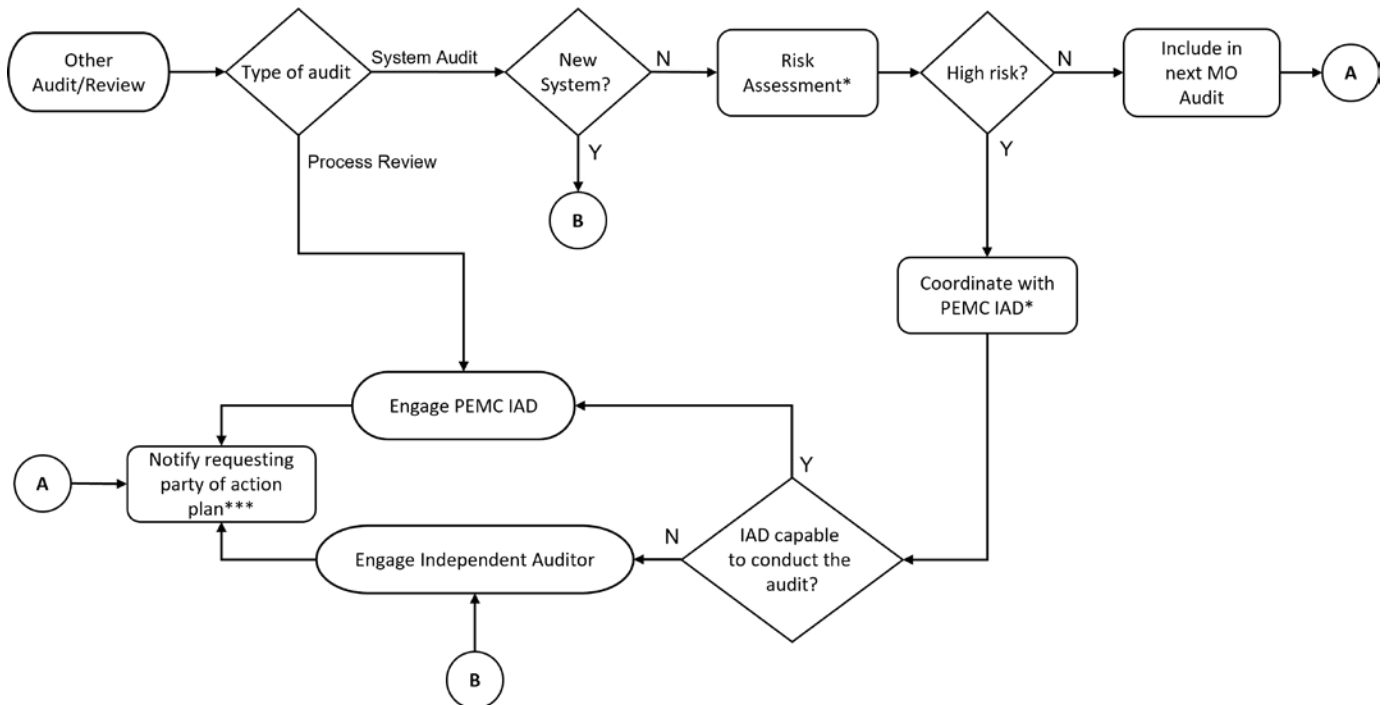
System Operator Member:



Ambrocio R. Rosales
National Grid Corporation of the Philippines
(NGCP)

GENERAL GUIDELINES FOR THE ENGAGEMENT OF AUDITOR FOR MARKET AUDITS:

1. Regular audits/review – required under the WESM Rules and Manuals and **will be conducted by Independent Auditors**
 - a. MO Audit, including CRB
 - b. RMIA
2. Other audits/reviews – audits/review required under the WESM Rules and Manuals as may be requested by the MO, or directed by PEM Board, DOE, and ERC and **will be conducted by either Independent Auditors or the PEMC Internal Audit Team**
 - a. Process review – review of processes to identify compliance with the provisions of Market Rules and Manuals, ERC/DOE issuances and internal business process
 - b. System audit – certification audit of new system or enhancements to existing system to determine consistency with the provisions of Market Rules and Manuals, ERC/DOE issuances, and software specifications

PROPOSED DECISION FLOWCHART FOR THE ENGAGEMENT OF AUDITOR FOR OTHER AUDITS/REVIEWS:

*Risk Assessment:

- Market-related Risks
- IT-related Risks
- Urgency of Audit

**Coordination with PEMC IAD:

- Determination of expertise, qualifications, and certifications for the conduct of audit
- Availability of resources and manpower as well as consideration of the timeline for accommodation the audit

*** Notify requesting party of action plan:

- If pre-deployment audit is not possible but system needs to be deployed immediately, deploy system as long as it has undergone the ICT Change Management process and the PEM Board and all WESM members were informed. The system will be audited after deployment, instead.

A. Proposed Amendments to WESM Rules ²						
Title	Section	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
Formation of Committees	1.4.6	<p>The <i>PEM Board</i> shall form working groups and appoint qualified personnel who shall act as the following:</p> <p>(a) The <i>PEM Auditor</i> to conduct audits of the operation of the <i>spot market</i> and of the <i>Market Operator</i> in accordance with clause 1.5;</p> <p>(b) A <i>Market Surveillance Committee</i> to monitor and report on activities in the <i>spot market</i> in accordance with clause 1.6;</p>	<p>xxx</p> <p>(a) The <u><i>PEM Audit Committee Auditor</i></u> <u>is responsible for the conduct of</u> <u>audits,</u> <u>by independent auditors,</u> of the operation of the <i>spot market</i>, and of the <i>Market Operator</i>, <u>and</u> <u><i>Metering Service Providers</i></u> in accordance with <u>Clause 1.5-1.5.2</u>;</p> <p>(b) to (e) xxx</p>	<p>The proposed changes intend to:</p> <p>a. Fine tune the responsibilities of the <i>PEM Audit Committee</i> to oversight functions, while maintaining its responsibility in the conduct of timely, fair and independent market audits.</p> <p>b. Require the conduct of audit of <i>Metering Service Providers (MSPs)</i> in relation to their compliance with their responsibilities under the <i>WESM Rules</i>. Such audits/reviews are consistent with the</p>	<p>xxx</p> <p>(a) The <i>PEM <u>Audit Committee Auditor</u></i> to conduct audits of the operation of the <i>spot market</i> and of the <i>Market Operator</i>, <u>and</u> <u><i>Metering Service Providers</i></u> in accordance with <u>Clause 1.5-1.5.2</u>;</p>	<p>Consistent with DOE position that the conduct of audit should be a primary responsibility of the <i>PAC</i> and that the conduct of <u>audit</u> by an independent third party should remain an option for the <i>PAC</i> depending on the scope and difficulty of the audit.</p>

² Please refer to the highlighted portions in reviewing the revised proposed amendments, as applicable.

A. Proposed Amendments to WESM Rules ²						
Title	Section	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>(c) A Technical Committee to monitor and review technical matters under and in relation to the WESM Rules, the Grid Code and Distribution Code in accordance with clause 1.7;</p> <p>(d) A Rules Change Committee to assist the PEM Board and the DOE in relation to the revision and amendment of the WESM Rules in accordance with chapter 8, and the formulation, revision and amendment of</p>		<p>power and duty of the PEM Board under WESM Rules Clause 1.4.5.2.</p> <p>Pricing and settlement outputs in the WESM are reliant on the integrity and accuracy of data being provided by the SO and MSPs.</p> <p>The correct provision to be referenced is Clause 1.5.2 instead of Clause 1.5 which enumerates the responsibilities of the Auditor.</p>		



A. Proposed Amendments to WESM Rules ²						
Title	Section	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		market manuals, procedures and guidelines; and (e) A Dispute Resolution Administrator to facilitate the resolution of the dispute between and among the parties within a specified period of time in accordance with the dispute resolution process under clause 7.3.				
Formation of Governance Arm	1.4.7.1	The Governance Arm, through the PEM Board shall establish such unit or units within the Governance Arm which shall have the			xx	



A. Proposed Amendments to WESM Rules ²						
Title	Section	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>following powers and functions:</p> <p>(a) a market assessment unit that will:</p> <p>(i) Serve as the primary support unit of the Market Surveillance Committee;</p> <p>(ii) Carry out market monitoring functions, including but not limited to, regularly collect and process market monitoring data and indices;</p> <p>(iii) Carry out market</p>				



A. Proposed Amendments to WESM Rules ²						
Title	Section	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>assessment functions, and prepare periodic assessment reports on overall market performance and competitiveness;</p> <p>(b) support units that will:</p> <p>(i) Provide technical and secretariat support to the other WESM Governance Committees formed in accordance with Clause 1.4.6; and, accordingly provide such support and</p>			xx	



A. Proposed Amendments to WESM Rules ²						
Title	Section	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>assistance as may be required and, in a manner as deemed necessary by the respective Committee Chairpersons; and</p> <p>(ii) Perform such other tasks as assigned by the Governance Arm and/or the PEM Board, the WESM Governance Committees or the Governance Arm President.</p>			<p><u>(c) An internal audit unit that will:</u></p> <p>(i) <u>Provide check and balance within the company;</u></p> <p>(ii) <u>Examine and evaluate adequacy and effectiveness of controls in existing policies, systems, procedures, standards and practices of management;</u></p> <p>(iii) <u>Verify that policies approved by the PEM Board are implemented by the Management; and</u></p> <p>(iv) <u>Conduct audit/review required in the WESM Rules and Manuals as may be requested by the Board Audit Committee and the PEM Audit Committee</u></p>	<p>Internal audit unit of the governance arm refers to the Internal Audit Department created per PEM Board Reso 2018-02-03</p>



A. Proposed Amendments to WESM Rules ²						
Title	Section	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
THE PHILIPPINES ELECTRICITY MARKET AUDITOR	1.5	THE PHILIPPINES ELECTRICITY MARKET AUDITOR	THE PHILIPPINES ELECTRICITY MARKET AUDITOR <u>THE PEM AUDIT COMMITTEE</u>	Global change adopting PEM Audit Committee	-	-
Appointment of the PEM Auditor	1.5.1	Appointment of the PEM Auditor 1.5.1.1 The PEM Board shall appoint a PEM Auditor with such skills and expertise, and on such terms and conditions, as the PEM Board reasonably deems to be appropriate, taking into consideration the nature of the obligations and functions of the PEM Auditor, as set out in clause 1.5.2 and clause 5.2.6.	<u>1.5.1 Appointment of the PEM Auditor to the PEM Audit Committee</u> 1.5.1.1 The PEM Board shall appoint <u>persons to form a PEM Audit Committee</u> a PEM Auditor <u>in such number and</u> with such skills and expertise, and on such terms and conditions, as the PEM Board reasonably deems to be appropriate, taking into consideration the nature of the obligations and	Global change adopting PEM Audit Committee Consistent with the proposal to replace PEM Auditor with the PEM Audit Committee, provisions under 1.5.1 were accordingly changed.	-	-

A. Proposed Amendments to WESM Rules ²						
Title	Section	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<p>functions of the PEM Auditor, <u>PEM Audit Committee</u> as set out in Celause 1.5.2 and Celause 5.2.6.</p> <p>1.5.1.2 <u>A member of the</u> The PEM Auditor <u>Audit Committee</u> shall not currently or has not been employed within one year prior to the nomination date by any Philippine electric power industry participants.</p> <p>1.5.1.3 The PEM Auditor must have sufficient relevant experience in one or more of the following fields: (a) Power industry; (b) Economics;</p>			

A. Proposed Amendments to WESM Rules ²						
Title	Section	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		(c) Risk management; (d) Information technology and information systems; and/or (e) In such other fields as may be relevant to and required in the performance of audits.	(a) Power industry; (b) Economics; (c) Risk management; (d) Information technology and information systems; and/or (e) In such other fields as may be relevant to and required in the performance of audits.			
Responsibilities of the Auditor	1.5.2	Responsibilities of the Auditor The <i>PEM Auditor</i> shall: (a) Conduct annual audits of the Market Operator and the settlement system and any	Responsibilities of the <u>PEM Audit Committee Auditor</u> The <u>PEM Auditor</u> shall: (a) <u>Be responsible for the conduct of annual periodic audits of the Market</u>	Consistent with the proposed amendments in Clause 1.4.6. The word “annual” was deleted as the frequency or period of the audit is already specified in Sections 4.5.5.4 and 5.2.6.1. In these sections, the frequency of the audit is	(a) Conduct annual audits of the Market Operator and the settlement system and any other procedures, persons, <u>and</u> systems or other matters <u>of the Market</u>	Frequency of audit is specified in Clause 5.2.6.1.

A. Proposed Amendments to WESM Rules ²						
Title	Section	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		other procedures, persons, systems or other matters relevant to the spot market,	Operator and the settlement system and any other procedures, persons, and systems or other matters of the Market Operator, and the Metering Services Providers as they are relevant to the spot market;	periodically or as often as necessary.	<u>Operator, and the Metering Services Providers as they are</u> relevant to the spot market;	
	(b)	(c) Recommend changes to the WESM Rules where the <i>PEM</i> Auditor detects deficiencies as a consequence of an audit, review, test, check or other	(c) Recommend changes to the WESM Rules <u>and relevant Market Manuals</u> where the <i>PEM Auditor</i> deficiencies <u>have been identified</u> as a consequence of an audit, review, test, check or other form of review; and	For clarity, WESM Manuals were added as possible areas where the PAC may propose rules changes to.	-	-

A. Proposed Amendments to WESM Rules ²						
Title	Section	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		form of review; and				
	(d)	(e) Publish on the market information website the results of any findings and recommendations under this clause 1.5.1.	(d) Publish on <u>in</u> the market information website the results of any findings <u>or</u> and recommendations under this <u>Clause 1.5.1.5.2.6.</u>	Appropriate provision to be cited is Clause 5.2.6 Market Audits and not Clause 1.5.1 which refers to the Appointment to the PEM Audit Committee. Clerical edits	-	-
Review of the WESM Rules	1.5.3	The <i>PEM Auditor</i> may appoint a qualified team of auditors to carry out a review of the scheduling and central dispatch process under the WESM Rules.	The <i>PEM Auditor</i> <u>Audit Committee</u> may appoint a qualified team of auditors to carry out the review of the scheduling and central dispatch process under the WESM Rules.	Global change adopting PEM Audit Committee	The <i>PEM Auditor</i> <u>Audit Committee</u> may <u>appoint</u> <u>engage the services of</u> a qualified team of auditors to carry out a review of the scheduling and central dispatch process under the WESM Rules.	To be consistent with proposed revisions in Clause 5.2.6.4.
Security of Metering Equipment	4.5.5.4	The <i>PEM Auditor</i> , in consultation with the <i>Market Operator</i> and <i>Metering Services Providers</i> , shall review the security	The <i>PEM Auditor</i> <u>Audit Committee</u> , in consultation with the <i>Market Operator</i> and <i>Metering Services Providers</i> , shall review	Global change adopting PEM Audit Committee The proposed addition to also review the compliance of the MSPs	4.5.5.4 The <i>PEM</i> <u>Audit Committee</u> , in consultation with the <i>Market Operator</i> and <i>Metering Services Providers</i> , shall review the security arrangements, and <u>the</u>	The frequency of review will be specified in the proposed revisions in the PEM Audit Manual.

A. Proposed Amendments to WESM Rules ²						
Title	Section	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		arrangements and requirement of <i>metering installations</i> annually.	the security arrangements, and <u>the compliance of metering installations with the requirements of metering installations annually the WESM Rules, its applicable Market Manuals and other relevant laws and issuances. The said review shall be conducted periodically or as often as necessary.</u>	to the metering installation requirements as stated in the WESM Rules, applicable market manuals and other relevant laws and issuances will serve as reference for the said review. In order for the PAC to audit the MSP upon request or direction of the DOE, ERC or PEM Board, the phrase “or as often as necessary” is proposed to be inserted.	<u>compliance of metering installations with the requirements of metering installations annually the WESM Rules, its applicable Market Manuals and other relevant laws and issuances. The said review shall be conducted periodically.</u>	
Market Audit	5.2.6	5.2.6 Market Audit	5.2.6 Market Audit <u>Audits</u>	To classify audit of the Metering Services Provider as market audits, aside from the audits conducted on the Market Operator. Note that these parties are providing services and information to the WESM and Trading Participants.	-	-

A. Proposed Amendments to WESM Rules ²						
Title	Section	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
Market Audit	5.2.6.1	The PEM Auditor shall arrange for a spot market audit to be performed once each quarter, or such other period as determined by the PEM Auditor.	The PEM Auditor <u>Audit Committee</u> shall arrange for a <u>the audit of the Market Operator and the Metering Services Providers, pursuant to Clause 1.5.2</u> spot market audit to be performed once each quarter <u>periodically,</u> or such other periods as determined by the PEM Auditor <u>Audit Committee.</u>	Global change adopting PEM Audit Committee The review of the spot market once every quarter is not feasible given the time required for the selection of the Independent Auditors that shall be tapped to undertake the audit and the audit proper itself. The audit conducted “periodically” will ensure that reviews will be regularly undertaken and that auditees have sufficient time to rectify findings.	The PEM Auditor <u>Audit Committee</u> shall arrange for <u>a the audit of the Market Operator and the Metering Services Providers, pursuant to Clause 1.5.2</u> spot market audit to be performed once each quarter <u>periodically.</u>	The frequency of audit is specified in the proposed revisions to the PEM Audit Manual.
Market Audit	5.2.6.2	The <i>spot market</i> audit shall cover and review compliance by the <i>Market Operator</i> with its procedures and the effectiveness and appropriateness of	The <i>spot market</i> audit shall cover and review compliance by the <i>Market Operator</i> with <u>the WESM Rules, its Market Manuals,</u> <u>and</u> its procedures and <u>assess the</u>	The first paragraph was rephrased to indicate that the compliance of the Market Operator to the WESM Rules and Manuals as well as the effectiveness and appropriateness of the	-	-

A. Proposed Amendments to WESM Rules ²						
Title	Section	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>systems utilized in the operation of the <i>spot market</i>, including but not limited to:</p> <p>(a) Valid audit certificates for the current revisions of all numeric software;</p> <p>(b) The calculations and allocations performed by the <i>metering</i> and <i>settlements</i> systems;</p>	<p>effectiveness and appropriateness of <u>the</u> systems utilized in the operation of the spot market. <u>The scope of the audit shall, including include, but shall not be</u> not limited to <u>a review of:</u></p> <p>(a) Valid audit certificates for the current revisions of all numeric software <u>All new market-related software and modifications to the existing software implemented by the Market Operator for electricity markets;</u></p> <p>(b) xxx;</p> <p>(c) xxx;</p>	<p>systems utilized by the MO are being reviewed in the spot market audit.</p> <p>“Valid audit certificates” was omitted because it is not the one that should be reviewed; it is the software. Audit certificate is the one being issued after the software has been reviewed.</p> <p>The proposed changes intend to identify the scope of the market audit of the MO. The proposed revisions will not just cover the review of all numeric software but also all newly deployed market-related software. This is also the intent of the current provision as stated in the last paragraph.</p>		

A. Proposed Amendments to WESM Rules ²						
Title	Section	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		(c) Billing and information systems;	(d) xxx;			
		(d) The scheduling and <i>dispatch</i> processes;	(e) The processes for software management including the Information and Communications Technology Change Management Process or "ICMP" instituted by the <i>Market Operator</i> in accordance to Clause 5.2.6.2 (a) <u>and PEM Audit Market Manual</u> subject to the conduct of regular audits as may be determined under the WESM Rules; <u>and</u>			
		(e) The processes for software management including the Information and Communication s Technology Change Management Process or "ICMP" instituted by the <i>Market Operator</i> subject to the conduct of regular audits as may be				



A. Proposed Amendments to WESM Rules ²						
Title	Section	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>determined under the WESM Rules;</p> <p>(f) The Market Operator's compliance with the WESM Rules.</p> <p>The said market audit shall also cover all new software and modifications to the existing software implemented through the ICMP.</p>	<p>(f) The <i>Market Operator's</i> compliance with the <i>WESM Rules</i>, <u>Market Manuals and other relevant laws and issuances.</u></p> <p>The said market audit shall also cover all new software and modifications to the existing software implemented through the ICMP</p>			
		New provision	<u>5.2.6.3 The market audit of the Metering Service Providers shall cover the review of their compliance with their responsibilities under the WESM</u>	<p>This new section specifically provides the audit coverage for the MSP.</p> <p>The systems, persons and procedures to be audited shall cover only</p>	-	-

A. Proposed Amendments to WESM Rules ²						
Title	Section	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<u>Rules, applicable provisions under the Grid Code and other relevant rules and regulation, including the effectiveness and appropriateness of systems utilized that are relevant in the operation of the spot market.</u>	those that are relevant to the spot market.		
Market Audit	5.2.6.3	The PEM Auditor may engage, subject to the PEM Board approval, the services of a qualified third party Auditor as outlined in clause 1.5.2 and clause 5.2.6.2. The selection of third party Auditors shall be approved by the PEM Board.	5.2.6.3 4 The PEM Auditor <u>Audit Committee</u> may engage, subject to the PEM Board approval, the services of a qualified third party <u>Independent Auditor</u> as outlined in e Clause 1.5.2 and e Clause 5.2.6.2 <u>for the various audits it shall supervise.</u> The selection of third party an Auditor shall be	Renumbering The approval by the PEM Audit Committee and PEM Board of the engagement of Independent Auditors is proposed to be deleted since the current provisions of PEMC's Manual of Approval already provides the level of approving authorities for the procurement of services inclusive of the	5.2.6.3 4 The PEM Auditor <u>Audit Committee</u> may engage, subject to the PEM Board approval, the services of a qualified <u>team of auditors</u> third party Auditor <u>in the conduct of audits</u> as outlined in e Clause 1.5.2, and e Clause 5.2.6.2, <u>and Clause 5.2.6.3.</u> The selection of third party Auditors shall be approved by the PEM Board.	To provide options for the engagement of auditors, which are specified in the proposed revisions to the PEM Audit Manual.

A. Proposed Amendments to WESM Rules ²						
Title	Section	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			approved by the PEM Board.	engagement of Independent Auditors.		
Market Audit	5.2.6.4	The PEM Auditor shall prepare a report on the results of the spot market audit. The said report shall be made available to the DOE, the ERC, the PEM Board and WESM members.	5.2.6.4- 5 The PEM Auditor Audit Committee shall prepare a report on the results of the spot market audits conducted . The said report shall be made available to the parties audited , DOE, the ERC, the PEM Board and WESM members.	Global change adopting PEM Audit Committee To clarify that reports shall be prepared for all audits conducted as supervised by the PEM Audit Committee and such reports shall be provided to the parties audited as well.	-	-
Intervention Report		6.9.4.1 Upon the concurrence of one or more of the following events: (a) xxx; (b) xxx; (c) xxx; or (d) xxx.	6.9.4.1 Upon the concurrence of one or more of the following events (a) xxx; (b) xxx; (c) xxx; or (d) xxx.	Global change adopting PEM Audit Committee	-	-

A. Proposed Amendments to WESM Rules ²						
Title	Section	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>the PEM Board shall, within ten days thereof, direct the Market Surveillance Committee to investigate the circumstances of that event and prepare a report to assess:</p> <p>(a) xxx; (b) xxx; (c) xxx; and (d) Any finding of potential, fault of any WESM Participant including a preliminary recommendation for further evaluation by the PEM Auditor.</p>	<p>the PEM Board shall, within ten days thereof, direct the Market Surveillance Committee to investigate the circumstances of that event and prepare a report to assess:</p> <p>(a) xxx; (b) xxx; (c) xxx; and (d) Any finding of potential, fault of any WESM Participant including a preliminary recommendation for further evaluation by the PEM Auditor Audit Committee.</p>			

A. Proposed Amendments to WESM Rules ²						
Title	Section	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
Glossary		PEM Auditor. The auditor appointed by the PEM Board under clause 1.4.6 to undertake functions as set out in clause 1.5.	PEM Auditor Audit Committee. The committee he auditor appointed by the PEM Board under e Clause 1.4.6 to undertake the functions as set out in e Clause 1.5.2	Global change adopting PEM Audit Committee Corrected the reference clause	-	-
		NEW	<u>Independent Auditor. Refers to the third party entity with adequate expertise, organized to conduct market audits or special audits of the processes and the systems of the WESM.</u>	To define Independent Auditor as used in relevant WESM Rules Clauses	Independent Auditor. Refers to the third party entity with adequate expertise, organized to conduct market audits or special audits of the processes and the systems of the WESM.	This is proposed to be deleted from the previously submitted proposal in RCC Resolution No. 2019-04. The term is proposed to be defined in the PEM Audit Market Manual.

B. Proposed Amendments to Guidelines Governing the Constitution of PEM Board Committees³

Title	Chapter	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
Recitals		<p>xxx</p> <p>WHEREAS, Clause 1.4.6 of the WESM Rules further provides that the PEM Board shall form working groups and appoint qualified personnel who shall act as the following:</p> <p>(a) The PEM Auditor to conduct audits of the operations of the spot market and of the Market Operator;</p> <p>xxx</p>	<p>xxx</p> <p>WHEREAS, Clause 1.4.6 of the WESM Rules further provides that the PEM Board shall form working groups <u>committees</u> and appoint qualified personnel who shall act as the following:</p> <p>(a) The PEM Auditor <u>PEM Audit Committee</u> <u>is responsible for the</u> <u>conduct of</u> <u>audits, by</u> <u>Independent Auditors,</u> of the operations of the spot market and of the Market Operator, <u>and</u></p>	<ul style="list-style-type: none"> To be consistent with the proposed amendments to the WESM Rules. Consistent with the power and duty of the PEM Board under WESM Rules Clause 1.4.5.2 to oversee and monitor the activities of the Market Operator to ensure that they fulfill their responsibilities under the WESM Rules, and acting in a manner consistent with the WESM Rules. The term “PEM Auditor” was replaced with “PEM Audit Committee” consistent with the 	<p>(a) The PEM Auditor <u>PEM Audit Committee</u> to conduct audits of the operations of the spot market and of the Market Operator, <u>and the Metering Service Providers;</u></p>	<p>Consistent with DOE position that the conduct of audit should be a primary responsibility of the PAC and that the conduct of audit by an independent third party should remain an option for the PAC depending on the scope and difficulty of the audit.</p>

³ Please refer to the highlighted portions in reviewing the revised proposed amendments, as applicable.

B. Proposed Amendments to Guidelines Governing the Constitution of PEM Board Committees³

Title	Chapter	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<u>the Metering Service Providers;</u> (b) xxx	proposed amendments to the WESM Rules and Retail Rules.		
Definition of Terms	I	“Market Information Website” refers to the facility established by the Market Operator on the electronic communication system on which it may publish information which is then available to and may be accessed by WESM Members.	“ Market Information PEMC Website” refers to the facility established by the Market Operator on the electronic communication system on which it may to publish information which is then available to and may be accessed by WESM Members <u>and the public.</u>	To differentiate the PEMC website (www.wesm.ph) from the MO public website (www.iemop.ph).	-	-
		xxx “PEM Auditor” refers to the Chairperson of the PEM Audit Committee tasked to conduct audits of the operation of the spot market and of the Market Operator in accordance with the WESM Rules.	“PEM Auditor” refers to the Chairperson of the PEM Audit Committee tasked to conduct audits of the operation of the spot market and of the Market Operator in accordance with the WESM Rules.	The term “PEM Auditor” was deleted consistent with the proposed amendments to the WESM Rules and Retail Rules. When referring to the head of the committees, the term Chairperson is used.	-	-

B. Proposed Amendments to Guidelines Governing the Constitution of PEM Board Committees³

Title	Chapter	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		accordance with the WESM Rules. “PEM Audit Committee” or “PAC” refers to one of the PEM Committees and headed by the PEM Auditor to perform duties in accordance with the WESM Rules. xxx	“PEM Audit Committee” or “PAC” refers one of the PEM Committees and headed by the PEM Auditor to perform duties in accordance with the WESM Rules. <u>to the committee appointed by the PEM Board to undertake the functions as set out in Section 5.04 of this manual.</u> <i>subsequent renumbering due to deletion of item (p)</i>			
PEM Board Committees	2.01	2.01 PEM Board Committees. The PEM Board shall form working groups and appoint qualified personnel who shall act as the following:	2.01 PEM Board WESM Governance Committees. The PEM Board shall form working groups committees and appoint qualified personnel who shall act as the following:	To be consistent with the proposed amendments to the WESM Rules.	-	-

B. Proposed Amendments to Guidelines Governing the Constitution of PEM Board Committees³

Title	Chapter	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		(a) A PEM Audit Committee, headed by the PEM Auditor; xxx	(a) A PEM Audit Committee, headed by the PEM Auditor; xxx			
PEM Audit Committee	V	5.01 Composition. The PAC shall consist of three (3) members, headed by the PEM Auditor who is an Independent Member as defined herein, with qualifications as prescribed under these Guidelines and pertinent rules.	5.01 Composition. The PAC shall consist of three (3) members, headed by the PEM Auditor Chairperson who is an Independent Member as defined herein, with qualifications as prescribed under these Guidelines and pertinent rules	The head of the PEM Audit Committee is called as the Chairperson to be consistent with other Committees.	-	-
		5.02 Appointment. The PEM Board appoints the members and the PEM Auditor as the chairperson of the Audit Committee.	5.02 Appointment. The PEM Board appoints the members and the PEM Auditor as the e Chairperson of the PEM Audit Committee.	Same rationale in 1.02.	-	-

B. Proposed Amendments to Guidelines Governing the Constitution of PEM Board Committees³

Title	Chapter	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>5.04 Responsibilities. The PAC, headed by the PEM Auditor, conducts audit of the operation of the spot market and of the Market Operator in accordance with the following:</p> <p>(a) Conduct annual audits of the Market Operator and the settlement system and any other procedures, persons, systems or other matters relevant to the Spot Market or as may be deemed necessary by the PAC;</p>	<p>5.04 Responsibilities. The PAC headed by the PEM Auditor conducts audit of the operation of the spot market and of the Market Operator in accordance with the following shall:</p> <p>(a) Be responsible for the Cconduct annual <u>of</u> audits of the Market Operator and the settlement system and any other procedures, persons, systems <u>of the Market Operator and the Metering Services Providers as they are</u> or other matters relevant to the Spot Market <u>spot</u></p>	Same rationale in 1.02.		

B. Proposed Amendments to Guidelines Governing the Constitution of PEM Board Committees³

Title	Chapter	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>(b) Test and check any enhancements or updates in the market infrastructure provided by the Market Operator for use by WESM Members;</p> <p>(c) Review any procedures and practices which are covered by the WESM Rules including but not limited to procedures mentioned in WESM Rule 5.2.6.2 at the direction of the PEM Board;</p> <p>(d) Recommend changes to the WESM Rules</p>	<p><u>market</u> or as may be deemed necessary by the PAC;</p> <p>(b) Test and check any enhancements or updates in the market infrastructure <u>including any new items or version of software</u> provided by the Market Operator for use by WESM Members;</p> <p>(c) Review any procedures and practices which are covered by the WESM Rules <u>including but not limited to procedures</u></p>	To differentiate the PEMC website (www.wesm.ph) from		

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B. Proposed Amendments to Guidelines Governing the Constitution of PEM Board Committees³

Title	Chapter	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>Information Website the results of any audit findings and recommendation s; and</p> <p>(g) The PAC shall perform all other functions and duties referred to in the WESM Rules and in accordance with applicable laws and rules.</p>	<p>consultation with the Market Operator and Metering Service Providers;</p> <p>(f) Prepare a report on the result of the spot market audits and publish on the Market Information Website the results of any audit findings and recommendations <u>Publish on the PEMC website the results of any findings and recommendation s under this Section</u>; and</p> <p>(g) The PAC shall perform <u>Perform</u> all other functions and duties referred to in the WESM</p>			

B. Proposed Amendments to Guidelines Governing the Constitution of PEM Board Committees³

Title	Chapter	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			Rules and in accordance with applicable laws and rules.			

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
Introduction	1	<p>1.1 Purpose</p> <p>This Market Manual contains a descriptive summary of the WESM Rules in relation to the PEM Auditor and WESM audits. This Manual provides for the objectives, scope and procedures of the audits of the Market Operator and the spot market, or specific audits of WESM Members requested to the PEM Auditor, and in general the functions of the PEM Auditor in auditing compliance with the WESM Rules. It also covers the characteristics of the audit processes and use of expert auditors by the PEM</p>	<p>1.1 Purpose <u>Background</u></p> <p>1.1.1 This Market Manual contains a descriptive summary of the WESM Rules in relation to the PEM Auditor and WESM audits. This Manual provides for the objectives, scope and procedures of the audits of the Market Operator and the spot market, or specific audits of WESM Members requested to the PEM Auditor, and in general the functions of the PEM Auditor in auditing compliance with the WESM Rules. It also covers the characteristics of the audit processes and use of expert auditors by the PEM Auditor, and the system for</p>	<p>The proposed changes intend to:</p> <ul style="list-style-type: none"> a. Fine tune the responsibilities of the PEM Audit Committee to oversight functions, while maintaining its responsibility in the conduct of timely, fair and independent market audits. b. Require the conduct of audit of the Metering Service Providers (MSPs), 		

⁴ Please refer to the highlighted portions in reviewing the revised proposed amendments, as applicable.

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		Auditor, and the system for reporting the results and recommendations of such audits.	<p>reporting the results and recommendations of such audits.</p> <p><u>1.1.1 The Wholesale Electricity Spot Market Rules (the “WESM Rules” or the “Rules”), under Clause 1.4.6 provides for the formation of a PEM Audit Committee that shall oversee the conduct of audits, by Independent Auditors, of the operation of the spot market, the Market Operator and Metering Service Providers.</u></p> <p><u>1.1.2 This Manual is developed in accordance with Clauses 1.5.2 and 5.2.6.2 of the WESM Rules, and Clause 1.4.3.1 and 4.8.1 of the Retails Rules which mandate the PEM Audit Committee to be responsible for:</u></p>	<p>which are consistent with the power and duty of the PEM Board under WESM Rules Clause 1.4.5.2.</p> <p>Pricing and settlement outputs in the WESM are reliant on the integrity and accuracy of data being provided by the SO and MSPs.</p> <p>The correct provision to be referenced is Clause 1.5.2 instead of Clause 1.5 which enumerates the responsibilities of the Auditor.</p>	<p><u>1.1.1 The Wholesale Electricity Spot Market Rules (the “WESM Rules” or the “Rules”), under Clause 1.4.6 provides for the formation of a PEM Audit Committee to conduct audits of the operation of the spot market, the Market Operator and Metering Service Providers.</u></p> <p><u>1.1.2 This Manual is developed in accordance with Clauses 1.5.2, 5.2.6.2 and 5.2.6.3 of the WESM Rules, and Clauses 1.4.3.1 and 4.8.1 of the</u></p>	<p>Consistent with DOE position that the conduct of audit should be a primary responsibility of the PAC and that the conduct of audit by an independent third party should remain an option for the PAC depending on the scope and difficulty of the audit.</p> <p>To include reference to new Clause 5.2.6.3.</p>



C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<p>a) <u>Conduct of audits of the procedures, persons and systems of the Market Operator and the Metering Services Providers as they relate to the operation of the spot market;</u></p> <p>b) <u>Test and check any enhancements or updates in the market infrastructure including any new items or version of software provided by the Market Operator for use by WESM Members;</u></p>		<u>Retail Rules which mandate the PEM Audit Committee to be responsible for:</u>	



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<p><u>c) Review any procedures and practices which are covered by the WESM Rules at the direction of the PEM Board;</u></p> <p><u>d) Recommend changes to the WESM Rules, Retail Rules and relevant Market Manuals where the PAC identified deficiencies as a consequence of an audit, review, test, check or other form of review;</u></p> <p><u>e) Prepare and Publish on the PEMC website the results of any findings and recommendations under this Section.</u></p>			



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>1.1.2 The general objectives of this Manual are the following:</p> <p>(a) Establish the requisites and mechanisms to ensure the independence and transparency of the PEM Auditor and WESM audits;</p> <p>(b) Establish the requisites and mechanisms to ensure independent and effective audits of the spot market and of the Market Operator, as well as to ensure compliance and non discrimination in applying the WESM Rules;</p>	<p><u>1.2 Purpose</u></p> <p><u>1.2.1</u> 4.1.2 The general objectives of this Manual are the following:</p> <p><u>a)</u> (a) Establish the requisites and mechanisms to ensure the independence and transparency of the <u>market audits and review by the PEM Audit Committee Auditor and the WESM audits and reviews it administers.</u></p> <p><u>b)</u> (b) Establish the requisites and mechanisms to ensure independent and effective audits of the spot market and of the Market Operator <u>and the Metering</u></p>	<p>PEM Auditor revised to PEM Audit Committee consistent with the proposal above. Global change was made throughout this Manual revising the PEM Auditor to PEM Audit Committee.</p> <p>The proposed new section (Purpose) provides the general objectives of the Manual, as revised.</p> <p>The Metering Services Provider Audit as proposed to be included in the WESM Rules, as part of the audits to be undertaken by the PEM Audit Committee, have already been included in this portion.</p>		

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>(c) Establish effective procedures and audit processes when the PEM Auditor is requested to assess compliance or identify problems in the implementation or application of the WESM Rules regarding generation scheduling, dispatch, price setting and settlement;</p> <p>(d) Clarify the different types of audits that may be requested from the PEM Auditor, including special audits of a WESM Member, the System Operator or the Market</p>	<p><u>Services Providers</u>, as well as to ensure compliance and non-discrimination in applying the WESM Rules, <u>the Retail Rules and its Market Manuals</u>;</p> <p><u>c)</u> (c) Establish effective procedures and audit processes when the PEM Auditor <u>Audit Committee</u> is requested to assess compliance or identify problems in the implementation or application of the WESM Rules regarding generation scheduling, dispatch, price setting and settlement;</p>			

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>Operator when requested by the PEM Board or in the assessment or investigation of an alleged breach;</p> <p>(e) Clarify the rights and responsibilities of the PEM Auditor in proposing amendments to the WESM Rules when identifying, through audit processes, problems in the design or implementation or application of the WESM Rules, or in submitting reviews to amendments to the WESM Rules;</p>	<p><u>d)</u> (d) Clarify the different types of audits that may be requested from the PEM <u>Audit Committee</u> Auditor, including special audits of a WESM Member, <u>a Metering Services Provider</u>, the System Operator or the Market Operator when requested by the PEM Board or in the assessment or investigation of an alleged breach;</p> <p><u>e)</u> (e) Clarify the rights and responsibilities of the PEM <u>Audit Committee</u> Auditor in proposing amendments to the WESM Rules, <u>the Retail Rules or its Market Manuals</u></p>			



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>(f) Establish the role of the PEM Auditor in relation to metering arrangements; and</p> <p>(g) Establish the rights and mechanisms for the PEM Auditor to contract external independent expert auditor support and the mechanisms for field audits.</p>	<p>when identifying, through audit processes, problems in the design or implementation or application of the WESM Rules, <u>the Retail Rules or its Market Manuals.</u> or in submitting reviews to amendments to the WESM Rules;</p> <p>f) (f) Establish the role of the PEM <u>Audit Committee</u> Auditor in relation to <u>the review of metering installations and</u> arrangements; and</p> <p>g) g) Establish the rights and mechanisms for the PEM <u>Audit Committee</u> Auditor to contract external independent expert</p>			



C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			auditor support and the mechanisms for field audits.		<p>g) Establish the rights and mechanisms for the PEM <u>Audit Committee</u> Auditor to contract external independent expert auditor support <u>engage qualified team of auditors</u> and the mechanisms for field audits.</p>	To provide options for the engagement of auditors consistent with the proposed revisions in PEM Audit Manual.

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>1.1.3 The PEM Auditor may identify non-compliance conducts or conditions during an audit process. In such cases, the PEM Auditor should submit a non-compliance complaint to the Enforcement and Compliance Officer (ECO).</p> <p>1This Market Manual contains a descriptive summary of the WESM Rules in relation to the PEM Auditor and WESM audits. This Manual provides for the objectives, scope and procedures of the audits of the Market Operator and the spot market, or specific audits of WESM Members requested to the PEM Auditor, and in general the functions of the PEM Auditor in auditing compliance with the WES M Rules.</p>	<p>1.1.3 The PEM Auditor may identify non-compliance conducts or conditions during an audit process. In such cases, the PEM Auditor should submit a non-compliance complaint to the Enforcement and Compliance Officer (ECO).</p> <p><u>1.2.2</u> 1.1 Purpose This Market Manual contains a descriptive summary of the WESM Rules in relation to the PEM Auditor and WESM audits. This Market Manual provides for the objectives, scope and <u>the</u> procedures <u>for the conduct</u> of the audits of the Market Operator and the spot market, <u>and Metering Services</u></p>	<p>Reorganization of the manual. The deleted provision was transferred to Section 3 - Responsibilities.</p> <p>Clarifies what the Manual covers.</p>	-	-



C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<p><u>Providers</u> or specific audits of WESM Members requested of the PEM <u>Audit Committee</u> Auditor. It also covers the characteristics of the audit processes and use of expert auditors by the PEM Auditor, and the system for reporting the results and recommendations of such audits.</p> <p><u>1.2.3 This Manual also defines the responsibilities and the functions of the PEM Audit Committee pursuant to the relevant provisions of the WESM Rules and the Retail</u></p>			

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<u>Rules and its Market Manuals.</u>			
		1.1.4 For the purpose of this Manual, any act, omission, conduct or behavior and the like contrary to or in non-compliance with the WESM Rules, including its Market Manuals, the WESM Objectives, rules and regulations, regarding the WESM Rules, shall be considered a breach.	1.1.4 For the purpose of this Manual, any act, omission, conduct or behavior and the like contrary to or in non-compliance with the WESM Rules, including its Market Manuals, the WESM Objectives, rules and regulations, regarding the WESM Rules, shall be considered a breach.	The deleted provision was transferred to proposed Section 1.3.4 (Scope).	-	-
		1.1.5 Upon the request of the Enforcement and Compliance Officer (ECO) or the PEM Board to assist in the assessment or investigation of an alleged breach, the PEM Auditor shall carry out or coordinate and supervise the required audits, inform the audit findings and give its opinions in relation to the alleged breach. The procedures and processes	1.1.5 Upon the request of the Enforcement and Compliance Officer (ECO) or the PEM Board to assist in the assessment or investigation of an alleged breach, the PEM Auditor shall carry out or coordinate and supervise the required audits, inform the audit findings and give its opinions in relation to the alleged breach. The procedures and processes	The provisions in this section were deleted and transferred to appropriate sections of the PEM Audit Manual. The first part as revised was transferred to Section 3.1.2 (Responsibilities).	-	-



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		described in this Manual do not cover the details of assisting or auditing in the assessment or investigation process of an alleged breach, as they are covered in the Compliance and Enforcement Market Manual. However, this Manual covers the interactions between the PEM Auditor, the ECO and the PEM Board in relation to alleged breaches.	described in this Manual do not cover the details of assisting or auditing in the assessment or investigation process of an alleged breach, as they are covered in the Compliance and Enforcement Market Manual. However, this Manual covers the interactions between the PEM Auditor, the ECO and the PEM Board in relation to alleged breaches.	The last sentence was transferred to Section 1.3.3 (Scope).		
		<p>1.2 Scope</p> <p>1.2.1 This Manual covers all related activities and procedures in relation to the PEM Auditor, audits of the spot market and the Market Operator and special audits of WESM Members. This includes the following:</p>	<p>1.3.1 1.2.1 Scope</p> <p>1.3.1 1.2.1 This Manual covers all related activities and procedures in relation to the PEM Auditor Audit Committee audits of the spot market and the Market Operator, the Metering Services Providers and special audits of WESM Members. This includes the following:</p>	Scope of Audit specifically included the audit of the the Metering Services Providers per provisions of the WESM Rules as proposed to be revised.		



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>(a) A description of the functions, reports and responsibilities of the PEM Auditor;</p> <p>(b) Requisites and qualifications of the PEM Auditor or any expert auditor used, to ensure independence, adequate expertise and transparency of audits;</p> <p>(c) Access rights to the audit reports, proposed recommendations by external auditors and the final recommendations of the PEM Auditor;</p> <p>(d) Review of implementation and results of audit recommendations;</p>	<p>a) (a)A description of the functions, reports and responsibilities of the PEM Audit Committee Auditor;</p> <p>(b) — Requisites and qualifications of the PEM Auditor or any expert auditor used, to ensure independence, adequate expertise and transparency of audits;</p> <p>b) (c)Access rights to the audit reports, proposed recommendations by Independent Auditors and the final recommendations of the PEM Audit Committee Auditor;</p>	<p>This Manual no longer contains the requisite qualifications to be a PEM Audit Committee member as the Guidelines Governing the Constitution of PEM Board Committees already sufficiently cover these.</p>	<p>b) (c)Access rights to the audit reports, proposed recommendations by external auditors and the final</p>	<p>The auditors will not be limited to Independent Auditor, consistent with the proposed revisions in PEM Audit Manual.</p>

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>(e) Procedures, general methodology and scope of an audit and the audit results;</p> <p>(f) Interaction between the PEM Board and the ECO or the PEM Board when requested an assessment or audit related to an investigation of an alleged breach;</p> <p>(g) Procedures and criteria for the PEM Auditor to assess the efficiency, validity and justification of new software or modifications to existing software of the Market Operator;</p>	<p>c) (d)—Review of implementation and results of audit recommendations;</p> <p>d) (e)Procedures, general methodology and scope of an audit and the audit results;</p> <p>e) (f)—Interaction between the PEM <u>Audit Committee</u> Board and the <u>Enforcement and Compliance Office</u> (ECO) or the PEM Board when requested an assessment or audit related to an investigation of an alleged breach;</p> <p>f) (g)Procedures and criteria for the PEM <u>Audit Committee</u> Auditor to assess the</p>		<p>recommendations of the PEM <u>Audit Committee</u> Auditor;</p>	



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		(h) A description of interactions between the PEM Auditor and the PEM Board, and the rules change process, in relation to results and recommendations of the audits, amendments proposed to the WESM Rules, or in submitting results of special audits requested by the PEM Board.	<p>efficiency, validity and justification of new software or modifications to existing software of the Market Operator;</p> <p>g) (h)A description of interactions between the PEM Auditor <u>Audit Committee</u> and the PEM Board, and the <u>R</u>ules <u>C</u>hange <u>Committee</u> process, in relation to the results and recommendations of the audits, <u>leading to proposals for the amendments of the proposed to the WESM Rules, the Retail Rules, or its Market Manuals.</u> in submitting results of special audits requested by the PEM Board.</p>			



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		1.2.2 This Manual provides for a streamlined process for an annual audit of the spot market, conducted together with the Market Operator audit.	1.3.2—1.2.2 This Manual provides for a streamlined process for the an annual periodic audit of the spot market and conducted together with the Market Operator, audit and the Metering Services Providers.	Added the Metering Services Providers consistent with above. Audits shall cover all periods, based on the timeline set by the PAC and in consultation with the auditee.	1.3.2 1.2.2— This Manual provides for a streamlined process for the an annual audit of the spot market and conducted together with the Market Operator, audit the Metering Services Providers, and the Central Registration Body.	The frequency of audit is specified in Sections 5.2.1, 5.4.4, and 5.5.1. To include audit of the Central Registration Body.
			<u>1.3.3 This Manual also covers the interaction between the PEM Audit Committee, the ECO and the PEM Board in relation to any request by the ECO or the PEM Board for the PEM Audit Committee to assist, through its audits, in the assessment or investigation of an alleged breach.</u>	Lifted from the last sentence of Section 1.1.5 (Issue 2.0) with some revisions	-	-
			<u>1.3.4 For the purpose of this Manual, any act, omission, conduct or behavior and the like contrary to or not in compliance with the</u>	Lifted from Section 1.1.4 (Issue 2.0) with some revisions	-	-



C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<u>WESM Rules and the Retail Rules including its Market Manuals shall be considered a breach.</u>			
		1.3 Review and Updates	1.3 Review and Updates		-	-
		1.3.1 The PEM Board, with the assistance of the PEM Auditor, shall maintain this Manual under review, to identify any need for updates and amendments.	1.1.1 1.3.1 The PEM Board, with the assistance of the PEM Auditor, shall maintain this Manual under review, to identify any need for updates and amendments.	The responsibility to review and update the manual was included under the Section 3.1.9 (Responsibility).	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		1.1.2 1.3.2 Amendment to the provisions of this Manual requires the approval of the PEM Board. After each such approval, the amended Manual shall be published in the Market Information Website. Subject to the Manual of Procedures on Changes to the WESM Rules, the approval of the PEM Board shall specify the date when the amended Manual becomes effective. However, no such amendment and/or change to this Manual shall be retroactively applied.	1.3.2 Amendment to the provisions of this Manual requires the approval of the PEM Board. After each such approval, the amended Manual shall be published in the Market Information Website. Subject to the Manual of Procedures on Changes to the WESM Rules, the approval of the PEM Board shall specify the date when the amended Manual becomes effective. However, no such amendment and/or change to this Manual shall be retroactively applied.	The procedures in amending a Market Manual, including the PEM Audit Manual is covered in the Rules Change Manual and thus suggested to no longer be included in the PEM Audit Manual. The proposed Section 8 (Amendment and Effectivity of the Manual) also indicates this.	-	-

		<p>1.1.3 1.3.3 Amendment proposals to this Manual may arise from</p> <p>1.1.4</p> <p>1.1.5 (a) The PEM Board, upon its own initiative or upon a recommendation by other PEM Committees;</p> <p>1.1.6 (b) A WESM Member, the Market Operator or any party affected by the operations of this Manual; and</p> <p>1.1.7 (c) The PEM Auditor in view of:</p> <p>1.1.8i. Audit experiences, problems or other issues that arise in the implementation and application of this Manual; or</p>	<p>1.3.3 Amendment proposals to this Manual may arise from</p> <p>(a) The PEM Board, upon its own initiative or upon a recommendation by other PEM Committees;</p> <p>(b) A WESM Member, the Market Operator or any party affected by the operations of this Manual; and</p> <p>(c) The PEM Auditor in view of:</p> <p>i. Audit experiences, problems or other issues that arise in the implementation and application of this Manual; or</p> <p>ii. Amendments to the WESM Rules or other Applicable</p>	<p>The reasons for amending any Market Manual are already included in the Rules Change Manual and thus suggested to no longer be included in the PEM Audit Manual.</p>	-	-
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C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>1.1.9ii. Amendments to the WESM Rules or other Applicable Law, Rules and Regulations; or</p> <p>1.1.10 iii. Conflict of interpretation ; or</p> <p>1.1.11 iv. Provisions or parts of this Manual being annulled or declared invalid.</p>	<p>Law, Rules and Regulations; or</p> <p>iii. Conflict of interpretation; or</p> <p>iv. Provisions or parts of this Manual being annulled or declared invalid.</p>			



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		1.1.12 1.3.4 Amendment proposals shall be submitted, reviewed and approved in accordance with the procedures in the Rules Change Manual.	1.3.4 Amendment proposals shall be submitted, reviewed and approved in accordance with the procedures in the Rules Change Manual.	These provisions are already part of the Rules Change Manual.	-	-
		1.1.13 1.3.5 The responsibility for drafting the amendments occasioned and approved by the above-described circumstances shall lie with – 1.1.14 1.1.15 (a) The Rules Change Committee regarding amendments to this Manual that are required or otherwise attributable to amendments to the WESM Rules or other	1.3.5 The responsibility for drafting the amendments occasioned and approved by the above-described circumstances shall lie with – (a) The Rules Change Committee regarding amendments to this Manual that are required or otherwise attributable to amendments to the WESM Rules or other <u>Regulations; or</u>	These provisions are already part of the Rules Change Manual.	-	-



C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>Applicable Law, Rules and Regulations; or</p> <p>1.1.16</p> <p>1.1.17 (b) The PEM Auditor in all other amendments provided however that the PEM Auditor may request the assistance of the Rules Change Committee.</p>	<p>(b) The PEM Auditor in all other amendments provided however that the PEM Auditor may request the assistance of the Rules Change Committee.</p>			
Definitions, Interpretation and Construction	2	<p>2.1 Definitions</p> <p>Unless otherwise defined in this Manual, terms and acronyms used in this Manual shall have the same definition as that in the WESM Rules.</p>	<p>2.1 Definitions</p> <p>Unless otherwise defined in this Manual, terms and acronyms used in this Manual shall have the same definition as that in the WESM Rules.</p>	The items deleted are either already defined in the WESM Rules, are already not applicable, or not used in the Manual because of the proposed general changes.	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
				The terms retained are commonly used terms in the Manual.		
		<ul style="list-style-type: none"> Act means the Republic Act No. 9136 also known as the Electric Power Industry Reform Act (EPIRA), as they may be issued or modified by competent authorities from time to time. 	<ul style="list-style-type: none"> Act means the Republic Act No. 9136 also known as the Electric Power Industry Reform Act (EPIRA), as they may be issued or modified by competent authorities from time to time. 		-	-
		<ul style="list-style-type: none"> Applicable Law, Rules and Regulations shall include the EPIRA and its Implementing Rules and Regulations, the Philippine Grid Code, the Philippine Distribution Code, the WESM Rules and Market Manuals, the Competition Rules, and such other codes, rules, regulations, issuances related to the WESM, 	<ul style="list-style-type: none"> Applicable Law, Rules and Regulations shall include the EPIRA and its Implementing Rules and Regulations, the Philippine Grid Code, the Philippine Distribution Code, the WESM Rules and Market Manuals, the Competition Rules, and such other codes, rules, regulations, issuances related to the WESM, as 		-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		as they may be issued or modified by competent authorities from time to time.	they may be issued or modified by competent authorities from time to time.			
		<ul style="list-style-type: none"> Audit Committee refers to a group of experts selected by the PEM Auditor to act as auditors and support the audit functions in the WESM. 	<ul style="list-style-type: none"> Audit Committee refers to a group of experts selected by the PEM Auditor to act as auditors and support the audit functions in the WESM. 		-	-
		<ul style="list-style-type: none"> Audit Report means the report of the PEM Auditor or the Audit Committee that presents audit results and recommendations. 	<ul style="list-style-type: none"> Audit Report means <u>refers to</u> the report of the PEM Auditor or the Audit Committee or the <u>Independent Auditor</u> that presents the audit results and recommendations. 		<ul style="list-style-type: none"> Audit Report means <u>refers to</u> the report of the PEM Auditor or the Audit Committee or the <u>auditors</u> that presents the audit results and recommendations. 	The auditors will not be limited to Independent Auditor, consistent with the proposed revisions in PEM Audit Manual.
		<ul style="list-style-type: none"> DOE refers to the Department of Energy, the government agency created pursuant to Republic Act No. 7638. 	<ul style="list-style-type: none"> DOE refers to the Department of Energy, the government agency created pursuant to Republic Act No. 7638. 		-	-
		<ul style="list-style-type: none"> Enforcement and Compliance Officer 	<ul style="list-style-type: none"> Enforcement and Compliance Officer 		-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		(ECO) refers to an officer of the PEMC in charge of the compliance and enforcement functions and responsibilities as established in the WESM Rules, and in charge of the corresponding procedures established in the Compliance and Enforcement Market Manual.	(ECO) refers to an officer of the PEMC in charge of the compliance and enforcement functions and responsibilities as established in the WESM Rules, and in charge of the corresponding procedures established in the Compliance and Enforcement Market Manual.			
		<ul style="list-style-type: none"> ERC refers to the Energy Regulatory Commission, the independent quasi-judicial regulatory body created by the EPIRA. 	<ul style="list-style-type: none"> ERC refers to the Energy Regulatory Commission, the independent quasi-judicial regulatory body created by the EPIRA. 		-	-
		NEW			<ul style="list-style-type: none"> <u>Independent Auditor refers to the third party entity with adequate expertise, organized to conduct market audits or special audits of the</u> 	To define the term independent Auditor while this was proposed to be deleted in the WESM Rules

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
					<u>processes and the systems of the WESM, review of the Metering Service Providers (MSPs) and metering installation and arrangement, and audit of the Central Registration Body.</u>	and transferred here in the PEM Audit Manual.
		<ul style="list-style-type: none"> Independent means a person that is considered as independent of the Philippine electric power industry, in accordance with the criteria set forth in WESM Rule 1.4.2.7. 	<ul style="list-style-type: none"> Independent means a person that is considered as independent of the Philippine electric power industry, in accordance with the criteria set forth in <u>the</u> WESM Rules. 1.4.2.7. 	In anticipation that the provision defining independent will be reflected in another clause.	-	-
		<ul style="list-style-type: none"> Investigation means an inquiry conducted by the ECO or conducted by the MSC upon request by the ECO to verify compliance with the WESM Rules, pursuant to the 	<ul style="list-style-type: none"> Investigation means an inquiry conducted by the ECO or conducted by the MSC upon request by the ECO to verify compliance with the WESM Rules, pursuant to the 		-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		Compliance and Enforcement Market Manual.	Compliance and Enforcement Market Manual.			
		<ul style="list-style-type: none"> Market Manual means a manual of specific procedures, systems and protocols for the implementation of the WESM Rules and for the PEM Committees and the ECO. 	<ul style="list-style-type: none"> Market Manual means a manual of specific procedures, systems and protocols for the implementation of the WESM Rules and for the PEM Committees and the ECO. 		-	-
		<ul style="list-style-type: none"> Market Manual Website means the website that the PEM Board assigns for the publication of the Market Manuals and that can be accessed by WESM members. 	<ul style="list-style-type: none"> Market Manual Website means the website that the PEM Board assigns for the publication of the Market Manuals and that can be accessed by WESM members. 		-	-
		<ul style="list-style-type: none"> Manual refers to this PEM Audits Market Manual. 	<ul style="list-style-type: none"> Manual refers to this PEM Audits Market Manual. 		-	-
		<ul style="list-style-type: none"> Market Information Website means the website for the 	<ul style="list-style-type: none"> Market Information Website means the website for the 		-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		publication of information and results of the WESM established in accordance with the WESM Rules.	publication of information and results of the WESM established in accordance with the WESM Rules.			
		<ul style="list-style-type: none"> Market Surveillance Committee (MSC) refers to the PEM Committee appointed by the PEM Board to monitor and report on activities in the spot market in accordance with the Market Surveillance Market Manual. 	<ul style="list-style-type: none"> Market Surveillance Committee (MSC) refers to the PEM Committee appointed by the PEM Board to monitor and report on activities in the spot market in accordance with the Market Surveillance Market Manual. 		-	-
		<ul style="list-style-type: none"> Metering Services Provider refers to a person or entity authorized by the ERC to provide metering services and registered with the Market Operator in that capacity in accordance 	<ul style="list-style-type: none"> Metering Services Provider refers to a person or entity authorized by the ERC to provide metering services and registered with the Market Operator in that capacity in accordance 		-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		with clause 2.3.6 of the WESM Rules.	with clause 2.3.6 of the WESM Rules.			
		<ul style="list-style-type: none"> PEM Auditor refers to the auditor appointed by the PEM Board as defined in the WESM Rules and tasked to undertake the functions and activities set out in this Manual. 	<ul style="list-style-type: none"> PEM Auditor refers to the auditor appointed by the PEM Board as defined in the WESM Rules and tasked to undertake the functions and activities set out in this Manual. 		-	-
		<ul style="list-style-type: none"> PEM Board refers to the Board of Directors of the PEMC that is responsible for governing the WESM. 	<ul style="list-style-type: none"> PEM Board refers to the Board of Directors of the PEMC that is responsible for governing the WESM. 		-	-
		<ul style="list-style-type: none"> PEM Committee refers to a Committee duly provided for under the WESM Rules and such other committees created by the PEM Board from time to time be, including for purposes of this Manual, the PEM Auditor, the Technical 	<ul style="list-style-type: none"> PEM Committee refers to a Committee duly provided for under the WESM Rules and such other committees created by the PEM Board from time to time be, including for purposes of this Manual, the PEM Auditor, the Technical 		-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		Committee and the MSC.	Committee and the MSC.			
		<ul style="list-style-type: none"> PEMC refers to the Philippine Electricity Market Corporation, a non-stock, non-profit public-private partnership that governs the wholesale electricity spot market (WESM). 	<ul style="list-style-type: none"> PEMC refers to the Philippine Electricity Market Corporation, a non-stock, non-profit public-private partnership that governs the wholesale electricity spot market (WESM). 		-	-
		<ul style="list-style-type: none"> PEMC Charter refers to the Articles of Incorporation and By-Laws of the PEMC, as approved by the Securities and Exchange Commission on 18 November 2003, and as they may be amended from time to time. 	<ul style="list-style-type: none"> PEMC Charter refers to the Articles of Incorporation and By-Laws of the PEMC, as approved by the Securities and Exchange Commission on 18 November 2003, and as they may be amended from time to time 		-	-
		<ul style="list-style-type: none"> Rules denote the WESM Rules. 	<ul style="list-style-type: none"> Rules denote the WESM Rules. 			
		<ul style="list-style-type: none"> Rules Change Committee refers to the 	<ul style="list-style-type: none"> Rules Change Committee refers to the 		-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		committee established by WESM Rule 8.2 to review and propose amendments to the WESM Rules.	committee established by WESM Rule 8.2 to review and propose amendments to the WESM Rules.			
		<ul style="list-style-type: none"> Selection Committee refers to the Committee composed of at least three (3) members of the PEM Board, one of whom should be an Independent PEM Board director, which is tasked to review and evaluate the qualifications of all persons nominated to any PEM Committee requiring appointment by the PEM Board. 	<ul style="list-style-type: none"> Selection Committee refers to the Committee composed of at least three (3) members of the PEM Board, one of whom should be an Independent PEM Board director, which is tasked to review and evaluate the qualifications of all persons nominated to any PEM Committee requiring appointment by the PEM Board. 		-	-
		<ul style="list-style-type: none"> Technical Committee refers to the group of persons appointed by the PEM Board to monitor and review technical matters under 	<ul style="list-style-type: none"> Technical Committee refers to the group of persons appointed by the PEM Board to monitor and review technical matters under 			

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		and in relation to the WESM Rules, the Grid Code and Distribution Code, in accordance with WESM Rule 1.7;	and in relation to the WESM Rules, the Grid Code and Distribution Code, in accordance with WESM Rule 1.7;			
		<ul style="list-style-type: none"> Trading Participant is a person or entity registered with the Market Operator in accordance with WESM Rule 2.3.3 as either a customer or a generation company. 	<ul style="list-style-type: none"> Trading Participant is a person or entity registered with the Market Operator in accordance with WESM Rule 2.3.3 as either a customer or a generation company. 		-	-
		<ul style="list-style-type: none"> WESM Objectives refers to the objectives of the spot market as defined in WESM Rule 1.2.5. 	<ul style="list-style-type: none"> WESM Objectives refers to the objectives of the spot market as defined in WESM Rule 1.2.5. 		-	-
		<ul style="list-style-type: none"> WESM Member means a person who is registered with the Market Operator in accordance with WESM Rules 2.3 and 2.4, and that includes Trading Participants, 	<ul style="list-style-type: none"> WESM Member means a person who is registered with the Market Operator in accordance with WESM Rules 2.3 and 2.4, and that includes Trading Participants, 			



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		Metering Services Providers, Network Service Providers, Ancillary Services Providers and the System Operator.	Metering Services Providers, Network Service Providers, Ancillary Services Providers and the System Operator.			
Interpretation and Construction	2.2.8	2.2.8 The provisions in this Manual, the WESM Rules and other Market Manuals shall be read, construed and interpreted in such a manner as to harmonize and reconcile each and every provision thereof. In the event of inconsistency, the WESM Rules shall prevail.	2.2.8 The provisions in this Manual, the WESM Rules, <u>the Retail Rules</u> and other Market Manuals shall be read, construed and interpreted in such a manner as to harmonize and reconcile each and every provision thereof. In the event of inconsistency, the WESM Rules <u>or the Retail Rules, whichever is applicable</u> shall prevail.	Revised to include the Retail Rules.	-	-
		2.2.10 If part of a provision of this Manual be invalidated or nullified by any court or authority of competent jurisdiction, but the rest of such provision would remain valid if part of the wording were deleted,	2.2.10 If part of a provision of this Manual <u>should</u> be invalidated or nullified by any court or authority of competent jurisdiction, but the rest of such provision would remain valid if part of the wording were deleted,	Clerical edit	-	-



C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		the provision shall apply with such minimum modification as may be: (a) Necessary to make it valid and effective; and (b) Most closely achieves the result of the original wording but without affecting the meaning or validity of any other provision of this Manual.	the provision shall apply with such minimum modification as may be: a) (a) Necessary to make it valid and effective; and b) (b) Most closely achieves the result of the original wording but without affecting the meaning or validity of any other provision of this Manual.			
The PEM Auditor	3	3. The PEM Auditor	3. The PEM Audit Committee Auditor		-	-
Responsibilities		3.1.1 The main responsibility of the PEM Auditor is to conduct, on his own or through appointment of auditors, and to coordinate and supervise effective and independent audits of the operation of the spot market and of the Market Operator, in order to reinforce Trading Participants' confidence in the transparency and	3.1.1 Pursuant to WESM Rules Clause 1.5.2, The main responsibility of the PEM Auditor Audit Committee is to shall oversee the conduct, on his own or through appointment of auditors, and to coordinate and supervise of effective and independent audits of the operation of the spot	There is no need to indicate in this sentence the qualification that the audit may be through the engagement of external auditors, noting that this is an administrative function of PEMC. Lays out the main responsibility of the PEM Audit Committee to	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		adequacy of the operation of the WESM.	market and of the Market Operator, <u>and the Metering Services Providers in accordance with the processes discussed in this Manual and provide recommendations consistent with the WESM Objectives,</u> in order to reinforce <u>the</u> Trading Participants' confidence in the transparency and adequacy of the operation of the WESM <u>and the Retail Market.</u>	conduct the audit of the MO and the MSPs.		
		3.1.2 To support and facilitate assessments or investigations of an alleged breach to the WESM Rules and when requested by the ECO, the PEM Auditor may conduct specific audits on WESM Members, the System Operator or the Market Operator pursuant	3.1.2 To <u>The PEM Audit Committee shall</u> support and facilitate <u>the</u> assessments or investigations of an alleged breach to <u>of</u> the WESM Rules, <u>the Retail Rules or its Market Manuals,</u> and when <u>whenever</u> requested by the ECO or the PEM	The provision was rephrased for clarity. Last paragraph was lifted from Section 1.1.5 (Issue 2.0)	-	-



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		to compliance with standards, systems and procedures established in the WESM Rules.	Board. <u>In this regard</u> , the PEM—Auditor <u>Audit Committee</u> it may <u>initiate the</u> conduct <u>of</u> specific audits of WESM Members, <u>Metering Service Providers</u> , the System Operator or the Market Operator pursuant to compliance—with <u>the</u> standards, systems and procedures established in the WESM Rules, <u>the Retail Rules or its Market Manuals</u> . <u>The PEM Audit Committee shall coordinate and supervise the required audits, inform the PEM Board and/or the ECO of its audit findings and give its opinion in relation to the alleged breach.</u>			
		3.1.3 In the performance of its responsibilities, the PEM Auditor shall endeavor to conduct audits	3.1.3 In the performance of its responsibilities, the PEM <u>Audit Committee</u> Auditor shall endeavor to	Revised - The alignment with WESM Objectives is already mentioned in Section 3.1.1,	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		and make recommendations consistent with - (a) The WESM Objectives; (b) The development of the WESM in a manner that is sustainable, competitive, efficient, transparent and reliable; (c) Non discrimination; (d) Consistency and transparency; and (e) Efficient and effective systems, software and working processes.	conduct audits and <u>provide</u> its make recommendations consistent with - (a) The WESM Objectives; a) (b) The development of the WESM <u>and the Retail Market</u> in a manner that is sustainable, competitive, efficient, transparent and reliable; (c) Non discrimination; b) (d) Consistency and transparency; and c) (e) Efficient and effective systems, software and working processes.	emphasizing the responsibility of the PAC to recommend consistent with the WESM Objectives. Letter c is already part of WESM Objectives – that a level playing field exists among WESM Participants		
		3.1.4 The PEM Auditor shall observe all provisions of the WESM Rules, its Market Manuals and the	3.1.4 The PEM Auditor <u>Audit Committee</u> shall observe all provisions of the WESM Rules, <u>the</u>	The provision was rephrased for clarity.		

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		PEMC Charter that are applicable to its functions and responsibilities, as well as any standard of conduct or conflict of interest guidelines prescribed by the PEM Board by resolution.	<u>Retail Rules and its Market Manuals</u> and the PEMC Charter that are applicable to its functions and responsibilities, as well as any standard of conduct or, conflict of interest guidelines prescribed by the PEM Board. by resolution.			
		3.6.1 The PEM Auditor shall implement effective data management on audit processes and shall organize, maintain and review audit results, findings and the implementation of audit recommendations	3.1.5 3.6.4 The <u>PEM Audit Committee</u> Auditor shall implement effective data management on <u>of its</u> audit processes and shall organize, maintain and review audit results, findings and the implementation of audit recommendations.	Lifted from Section 3.6.1 and revised and transferred to appropriate sections of the Manual	-	-
		3.6.2 The PEM Auditor shall ensure adequate follow up of each audit recommendation, and shall verify, in relation to problems and issues identified in an audit,	<u>3.1.6</u> 3.6.2 The <u>PEM Audit Committee</u> Auditor shall ensure adequate follow up of each <u>all</u> audit recommendations, and shall verify, in relation to problems and issues	Lifted from Section 3.6.2 with some revisions. This is to provide basis for the current practice of the PAC in reviewing the audit results, managing the audit processes and	-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		whether the recommendations were implemented and, if so, whether they were successful in achieving the desired outcomes and solving the identified problems.	identified in an audit, whether the <u>action plans to address the audit findings and</u> recommendations <u>were</u> where implemented. <u>Likewise, the PEM Audit Committee shall assess if the action plans addressed the audit findings and achieved</u> and, if so, whether they were successful in achieving the desired outcomes and solving <u>solved</u> the identified problems.	providing assessment to the audit action plans being implemented by auditees.		
		3.6.3 The PEM Auditor shall implement a formal mechanism for tracking the development of deficiencies identified by audits, and the ways in which these deficiencies are being corrected.	<u>3.1.7</u> 3.6.3 The PEM <u>Audit Committee</u> Auditor shall implement a formal mechanism <u>to track the</u> for tracking the development of deficiencies identified by audits, and the ways in which these deficiencies are being corrected. <u>status of action plans committed</u>	Lifted from Section 3.6.3 with revisions for clarity	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<u>to address deficiencies identified in the audits.</u>			
		<p>3.6.4 The PEM Auditor shall implement for each audit a post-implementation review to ensure that appropriate emphasis is given to the audit findings and that the relevant parties are implementing the recommendations. In particular, the PEM Auditor shall include the following as part of the scope of work of each audit, viz.:</p> <p>1.1.18</p> <p>(a) The review of the measures implemented and actions taken in view of the recommendations of the previous similar audit;</p> <p>(a)</p> <p>(b) Comments on the adequacy of the</p>	<p>3.1.8 3.6.4 The PEM Audit Committee shall implement for each audit <u>conducted</u> a post-implementation review to ensure that appropriate <u>attention</u> emphasis is given to the audit findings and that the <u>concerned</u> relevant parties are implementing <u>the action plans committed to address the audit findings</u> recommendations. In particular, the PEM <u>Audit Committee</u> Auditor— shall include the following as part of the scope of work of each audit, viz.:</p> <p>a) (a) The review of the measures implemented and actions taken in view of the</p>	Lifted from Section 3.6.4 with minor revisions	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>measures implemented and actions taken in view of the findings and recommendations of the previous audit; and</p> <p>(b)</p> <p>(c) Further recommendations, if a problem found in the previous audit continues to be unsolved or if the party was unable to put in place the enhancements recommended in the previous audit.</p>	<p>recommendations made for the same type of audit conducted previously;</p> <p>b) (b) Comments on the adequacy of the measures implemented and actions taken in view of the findings and recommendations of the previous audit; and</p> <p>c) (c) Further recommendations, if a problem<u>s</u> found in the previous audit continues to be unsolved or if the party was unable to put in place the enhancements recommended in the previous audit.</p>			

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		1.3.1 The PEM Board, with the assistance of the PEM Auditor, shall maintain this Manual under review, to identify any need for updates and amendments.	3.1.9 1.3.1 —The PEM Board, Audit Committee with the assistance of the PEM Auditor, shall maintain this Manual under review this Manual annually , to identify any need for updates and amendments.	Lifted from Section 1.3.1 as revised	-	-
		3.1.5 The PEM Board, through the President of the PEMC, shall exercise administrative supervision over the PEM Auditor. As such, the President shall exercise the following functions: (a) Monitor the performance of the PEM Auditor, including the Audit Committee; (b) Provide recommendation on any adjustments of honoraria that may be received by the PEM Auditor, including the Audit Committee;	3.1.5 The PEM Board, through the President of the PEMC, shall exercise administrative supervision over the PEM Auditor. As such, the President shall exercise the following functions: (a) Monitor the performance of the PEM Auditor, including the Audit Committee; (b) Provide recommendation on any adjustments of honoraria that may be received by the PEM Auditor, including the Audit Committee;	Deleted since these provisions are already in the Guidelines Governing the Constitution of the PEM Board Committees.	-	-



C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		(c) Recommend the termination and removal of the PEM Auditor or member of the Audit Committee.	(c) Recommend the termination and removal of the PEM Auditor or member of the Audit Committee.			
Scope of Work and Functions		3.2.1 The PEM Auditor has the following scope of work and specific functions:	3.2.1 The PEM Audit Committee Auditor has the following scope of work and specific functions:	Global Change on the name of the Committee	-	-
		(a) Administer and ensure the effective implementation and operation of the audit provisions of this Manual;	a) (a) Administer and ensure the effective implementation and operation of the audit provisions of this Manual;		-	-
		(b) Review the adequacy and test any new, upgraded or modified software of the Market Operator for the WESM or provided to WESM Members for their own use;	b) (b) Review the adequacy and test any new, upgraded or modified software of the Market Operator for the WESM or provided to WESM Members for their own use;		-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<u>c) Test and check any new items or new versions of market-related software used by the Central Registration Body or provided by the Central Registration Body for use by retail market participants;</u>	To include software used by the CRB for the retail market	-	-
		(c) Ensure effective and independent audits of the spot market and of the Market Operator, particularly but not limited to: (i) The audit of the generation scheduling and dispatch process, price calculation, market settlement; and (ii) The audit of any other procedures, processes,	<u>d) (e) Conduct</u> Ensure effective and independent market audits of the spot market and of the Market Operator, particularly but not limited to: <u>i (i)</u> The audit of the generation scheduling and dispatch process, price calculation, market settlement; and <u>ii (ii)</u> The audit of any other	To cover all audits and reviews of systems, procedures, processes, persons, or other matters relevant to the WESM		



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		persons, systems or other matters relevant to the WESM and the implementation of the WESM Rules;	procedures, processes, persons, systems or other matters relevant to the WESM and the implementation of the WESM Rules;			
			<u>e) Conduct an audit of the Central Registration Body and the systems, processes and procedures and other matters relevant to the operations of the Central Registration Body and the performance of its functions.</u>	To cover all audits and reviews of systems, procedures, processes, persons, or other matters relevant to the retail market	-	-
		(d) Review or audit specific procedures, standards, facilities or systems related to generation scheduling, dispatch,	<u>f) (d)</u> Review or audit specific procedures, standards, facilities or systems related to generation scheduling, dispatch,	Renumbering	-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		prices and settlement at the request of the PEM Board, either to assess adequacy of such matters, procedures or processes, or to audit compliance;	prices and settlement at the request of the PEM Board, either to assess adequacy of such matters, procedures or processes, or to audit compliance;			
		e) During an investigation of an alleged breach, and upon the request of the ECO, assess or audit compliance by a WESM Member, the System Operator or the Market Operator on systems or procedures in relation to generation scheduling, dispatch and settlement, or other systems and procedures established in the WESM Rules;	g) (e) During an investigation of an alleged breach, and upon the request of the ECO <u>or the PEM Board</u> , assess or audit compliance by a WESM Member, <u>Metering Services Provider/s</u> , the System Operator or the Market Operator on systems or procedures in relation to generation scheduling, dispatch and settlement, or other systems and procedures	To include the PEM Board in the parties who may request compliance audits To include MSPs in the parties who may be audited for compliance to the WESM Rules or Retail Rules	--	

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			established in the WESM Rules <u>or</u> <u>Retail Rules</u> ;			
		(f) Submit written proposals of changes to the WESM Rules concerning generation scheduling, central dispatch, settlement and other matters covered in its auditing activities, if the PEM Auditor detects deficiencies as a result of an audit or review process, or other test or check performed in the course of its duties;	h) (f) Submit written proposals of for changes to the WESM Rules, <u>the Retail Rules and applicable manuals</u> concerning generation scheduling, central dispatch, settlement and other matters covered in its auditing activities, if the PEM Auditor <u>Audit Committee identifies</u> deficiencies as a result of an audit or review process, or other tests or checks performed in the course of its duties;	Global Change on the name of the Committee Included in scope the Retail Rules and applicable manuals	-	-
		(g) Select and propose, experts or expert teams to be contracted as special external auditors for	i) (g) Participate in the process for the Selection of <u>Independent Auditors</u> and propose, experts or	Consistent with current practice of engaging external auditors who will conduct independent audits	-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		specific and specialized audits;	expert teams to be contracted as special external auditors for specific and specialized audits;			
		(h) Prepare audit reports with the main audit findings and the recommendations to be implemented, and see that the reports are published in the Market Information Website;	j) (h) Prepare audit reports containing with the main audit findings and the recommendations to be implemented, and see ensure that the reports are published in the Market Information PEMC Website;	For clarity	-	-
		(i) Maintain data, reports and other information related to the development and results of the audit processes; and,	k) (i) Maintain data, reports and other information related to the development and results of the audit processes; and,	Renumbering	-	-
		(j) Conduct audit of market assessment system to determine if the system is producing outcomes	l) (j) Conduct an audit of the market assessment system to determine if the system is producing	Renumbering and clerical revision		

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		consistent with the WESM Rules and the WESM objectives.	outcomes consistent with the WESM Rules and the WESM objectives.			
		3.2.2 In performing its audit work, the PEM Auditor may request to contract, subject to the PEM Board approval, independent persons or teams with adequate expertise to act as auditors in specific and specialized audits.	3.2.2 In performing its audit work, the PEM Auditor Audit Committee may request to contract, subject to the PEM Board approval, independent persons or teams Independent Auditors with adequate expertise to act as auditors for in specific and specialized audits.	Global Change on the name of the Committee The approval of the PEM Board on contracting the engagement of external auditors will only be necessary if the amount falls under their approving authority. Said levels of approving authorities are provided in the PEMC's Manual of approvals	3.2.2 In performing its audit work, the PEM Auditor Audit Committee may request to contract, engage the services of qualified team of auditors subject to the PEM Board approval, independent persons or teams with adequate expertise to act as auditors in specific and specialized audits.	To provide options for the engagement of auditors consistent with the proposed revisions in PEM Audit Manual.
		3.3 Selection and Appointment	3.3 Selection and Appointment	The provisions in this section are already in the Guidelines for the Constitution of PEM Committees and thus were no longer included in this manual.	-	-
		3.3.1 The PEM Board shall select and appoint a	3.3.1 The PEM Board shall select and appoint a		-	-



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		person with the qualifications and requisites established in this Manual to perform the mandate of the PEM Auditor.	person with the qualifications and requisites established in this Manual to perform the mandate of the PEM Auditor.			
		3.3.2 Selections shall be made at least one month before the expiration of the term of the PEM Auditor or within one month after a vacancy has occurred in the position of PEM Auditor. PEM Board shall publish in a newspaper of general circulation and post in the Market Information Website a notice calling for the submission of qualified nominees. Any person or entity making such nomination must submit a nomination form as prescribed by the PEM Board.	3.3.2 Selections shall be made at least one month before the expiration of the term of the PEM Auditor or within one month after a vacancy has occurred in the position of PEM Auditor. PEM Board shall publish in a newspaper of general circulation and post in the Market Information Website a notice calling for the submission of qualified nominees. Any person or entity making such nomination must submit a nomination form as prescribed by the PEM Board.		-	-
		3.3.3 The Selection Committee shall review the persons nominated and	3.3.3 The Selection Committee shall review the persons nominated and		-	-



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		request from those that it considers compliant with the qualifications and requisites, the submission of an expression of interest with their qualifications and experience.	request from those that it considers compliant with the qualifications and requisites, the submission of an expression of interest with their qualifications and experience.			
		3.3.4 The Selection Committee will review the submissions received and select the person best qualified and complies with the independence requisites. In determining the list of nominees, the Selection Committee shall consider foreign professionals only if such professional is known to be an outstanding expert or specialist in the particular field and that the services of such foreigner is urgently necessary either for lack of local experts or if his or her service will promote the advancement of the WESM.	3.3.4 The Selection Committee will review the submissions received and select the person best qualified and complies with the independence requisites. In determining the list of nominees, the Selection Committee shall consider foreign professionals only if such professional is known to be an outstanding expert or specialist in the particular field and that the services of such foreigner is urgently necessary either for lack of local experts or if his or her service will promote the		-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			advancement of the WESM.			
		3.3.5 Upon receipt of the list of qualified nominees from the Selection Committee, the PEM Board shall post in the Market Information Website and make available to all WESM Members the list of nominees	3.3.5 Upon receipt of the list of qualified nominees from the Selection Committee, the PEM Board shall post in the Market Information Website and make available to all WESM Members the list of nominees.		-	-
		3.3.6 The PEM Board shall, by resolution, approve and confirm the PEM Auditor recommended by the Selection Committee from among the list of qualified nominees.	3.3.6 The PEM Board shall, by resolution, approve and confirm the PEM Auditor recommended by the Selection Committee from among the list of qualified nominees.		-	-
		3.4 Qualifications and Disqualifications	3.4 Qualifications and Disqualifications		-	-
		3.4.1 To be a PEM Auditor, a person must fulfill the following requisites and possess the	3.4.1 To be a PEM Auditor, a person must fulfill the following requisites and possess the following qualifications:		-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>following qualifications:</p> <p>(a) Be a natural person;</p> <p>(b) Be of legal age;</p> <p>(c) Be of sound mind;</p> <p>(d) Be at least a college graduate, provided that this qualification shall not apply to those with at least ten (10) years of relevant experience in their field of expertise;</p> <p>(e) Have an understanding of the processes and types of software involved in generation scheduling and centralized economic security</p>	<p>(a) Be a natural person;</p> <p>(b) Be of legal age;</p> <p>(c) Be of sound mind;</p> <p>(d) Be at least a college graduate, provided that this qualification shall not apply to those with at least ten (10) years of relevant experience in their field of expertise;</p> <p>(e) Have an understanding of the processes and types of software involved in generation scheduling and centralized economic security</p>			



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		constrained dispatch in power systems; (f) Have an understanding of the electricity industry in Philippines, the WESM Rules, and of the settlement requirements in the WESM, at least possessing the capacity to quickly acquire such an understanding; (g) Be Independent; and (h) Be objective, without any interference or undue influence from the Market Operator, System Operator or any WESM Member.	constrained dispatch in power systems; (f) Have an understanding of the electricity industry in Philippines, the WESM Rules, and of the settlement requirements in the WESM, at least possessing the capacity to quickly acquire such an understanding; (g) Be Independent; and (h) Be objective, without any interference or undue influence from the Market Operator, System			

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			Operator or any WESM Member.			
		<p>3.4.2 In addition to the qualification requirements in the previous paragraph, the PEM Auditor must not be and not have been:</p> <p>(a) Convicted by final judgment of an offense involving moral turpitude or any fraudulent act or transgression;</p> <p>(b) Found with finality by a court of competent jurisdiction or a quasi-judicial body to have willfully violated, or aided, abetted, counseled, induced or procured the violation of any Applicable Law, Rules and Regulations;</p>	<p>3.4.2 In addition to the qualification requirements in the previous paragraph, the PEM Auditor must not be and not have been:</p> <p>(a) Convicted by final judgment of an offense involving moral turpitude or any fraudulent act or transgression;</p> <p>(b) Found with finality by a court of competent jurisdiction or a quasi-judicial body to have willfully violated, or aided, abetted, counseled, induced or procured the violation of any Applicable Law, Rules and Regulations;</p>		-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>(c) Judicially declared to be insolvent;</p> <p>(d) Found guilty by final judgment by a foreign court or equivalent regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;</p> <p>(e) Convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years.</p>	<p>(c) Judicially declared to be insolvent;</p> <p>(d) Found guilty by final judgment by a foreign court or equivalent regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;</p> <p>(e) Convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years.</p>			
		3.4.3 Prior to being appointed as PEM Auditor, the person must provide the PEM Board a signed declaration that the person fully complies with the	3.4.3 Prior to being appointed as PEM Auditor, the person must provide the PEM Board a signed declaration that the person		-	-



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		independence requisites established in this Manual and has no conflict with any of the parties covered in this Manual when he assumes the position as a member of the MSC.	fully complies with the independence requisites established in this Manual and has no conflict with any of the parties covered in this Manual when he assumes the position as a member of the MSC.			
		3.5. Term of Appointment	3.5. Term of Appointment		-	-
		<p>3.5.1 The PEM Auditor shall be appointed for a fixed term of five (5) years and shall be eligible for re-appointment for one additional fixed term of up to five (5) years.</p> <p>3.5.2 The PEM Board may terminate the appointment of the PEM Auditor prior to the end of its term in the following cases:</p> <p>(a) The PEM Auditor ceases to meet the qualifications and</p>	<p>3.5.1 The PEM Auditor shall be appointed for a fixed term of five (5) years and shall be eligible for re-appointment for one additional fixed term of up to five (5) years.</p> <p>3.5.2 The PEM Board may terminate the appointment of the PEM Auditor prior to the end of its term in the following cases:</p> <p>(a) The PEM Auditor ceases to meet the</p>		-	-



C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>requisites established in this Manual.</p> <p>(b) The PEM Auditor becomes disqualified in accordance to the disqualification conditions in this Manual.</p> <p>(c) The PEM Auditor fails to perform its duties and responsibilities in accordance with this Manual or he acts contrary to the principles and objectives of the WESM.</p> <p>For purposes of this provision, the PEM Board shall constitute an ad hoc committee of three (3) persons,</p>	<p>qualifications and requisites established in this Manual.</p> <p>(b) The PEM Auditor becomes disqualified in accordance to the disqualification conditions in this Manual.</p> <p>(c) The PEM Auditor fails to perform its duties and responsibilities in accordance with this Manual or he acts contrary to the principles and objectives of the WESM.</p>			

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		composed of the President of PEMC, an Independent Director, and one member from other committees not belonging to the Audit Committee or Technical Committee. The ad hoc committee shall determine and evaluate whether there is sufficient ground to terminate the PEM Auditor's appointment. A determination made by the ad hoc group finding insufficient grounds for termination shall be final. However, if the ad hoc group finds that there is sufficient ground to seek the termination of the PEM Auditor, the same shall be confirmed by a majority vote of the PEM Board constituting a quorum.	For purposes of this provision, the PEM Board shall constitute an ad hoc committee of three (3) persons, composed of the President of PEMC, an Independent Director, and one member from other committees not belonging to the Audit Committee or Technical Committee. The ad hoc committee shall determine and evaluate whether there is sufficient ground to terminate the PEM Auditor's appointment. A determination made by the ad hoc group finding insufficient grounds for termination shall be final. However, if the ad hoc group finds that there is sufficient ground to seek the termination of the PEM			



C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			Auditor, the same shall be confirmed by a majority vote of the PEM Board constituting a quorum.			
		<p>3.5.3 The PEM Auditor shall cease to hold office if the said person</p> <p>(a) Resigns prior to the end of its appointment period, or no longer complying with the required qualifications and other requisites, or other personal reasons; or</p> <p>(b) Becomes incapable of performing his duties as stated in this Manual; or</p> <p>(c) Dies.</p>	<p>3.5.3 The PEM Auditor shall cease to hold office if the said person</p> <p>(a) Resigns prior to the end of its appointment period, or no longer complying with the required qualifications and other requisites, or other personal reasons; or</p> <p>(b) Becomes incapable of performing his duties as stated in this Manual; or</p> <p>(c) Dies.</p>		-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		3.5.4 For impending vacancy of the PEM Auditor, the PEM Board, through the Selection Committee, shall select a replacement sufficiently in advance to enable the replacement to be available in time. The replacement must meet the qualifications and requisites set forth in this Manual. If the replacement has not been appointed in time, the PEM Board may appoint an officer-in-charge to discharge the functions of the PEM Auditor in a transitory capacity until a permanent and qualifying replacement has been appointed.	3.5.4 For impending vacancy of the PEM Auditor, the PEM Board, through the Selection Committee, shall select a replacement sufficiently in advance to enable the replacement to be available in time. The replacement must meet the qualifications and requisites set forth in this Manual. If the replacement has not been appointed in time, the PEM Board may appoint an officer-in-charge to discharge the functions of the PEM Auditor in a transitory capacity until a permanent and qualifying replacement has been appointed.		-	-
		3.6 Data Management and On-going Review	3.6 Data Management and On-going Review	The contents of this provision have been transferred to Section 3.1 (PEM Audit Committee)	-	-



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		3.6.1 The PEM Auditor shall implement effective data management on audit processes and shall organize, maintain and review audit results, findings and the implementation of audit recommendations.	3.6.1 The PEM Auditor shall implement effective data management on audit processes and shall organize, maintain and review audit results, findings and the implementation of audit recommendations.	Transferred to 3.1.5 with revisions		
		3.6.2 The PEM Auditor shall ensure adequate follow up of each audit recommendation, and shall verify, in relation to problems and issues identified in an audit, whether the recommendations were implemented and, if so, whether they were successful in achieving the desired outcomes and solving the identified problems.	3.6.2 The PEM Auditor shall ensure adequate follow up of each audit recommendation, and shall verify, in relation to problems and issues identified in an audit, whether the recommendations were implemented and, if so, whether they were successful in achieving the desired outcomes and solving the identified problems.	Transferred to 3.1.6 with revisions	-	-
		3.6.3 The PEM Auditor shall implement a formal mechanism for tracking the	3.6.3 The PEM Auditor shall implement a formal mechanism for tracking the	Transferred to 3.1.7 with some revisions	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		development of deficiencies identified by audits, and the ways in which these deficiencies are being corrected.	development of deficiencies identified by audits, and the ways in which these deficiencies are being corrected.			
		3.6.4 The PEM Auditor shall implement for each audit a post-implementation review to ensure that appropriate emphasis is given to the audit findings and that the relevant parties are implementing the recommendations. In particular, the PEM Auditor shall include the following as part of the scope of work of each audit, viz.: (a) The review of the measures implemented and actions taken in view of the recommendations of the previous similar audit;	3.6.4 The PEM Auditor shall implement for each audit a post-implementation review to ensure that appropriate emphasis is given to the audit findings and that the relevant parties are implementing the recommendations. In particular, the PEM Auditor shall include the following as part of the scope of work of each audit, viz.: (a) The review of the measures implemented and actions taken in view of the recommendations of the previous similar audit;	Transferred to 3.1.8 with some revisions	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>(b) Comments on the adequacy of the measures implemented and actions taken in view of the findings and recommendations of the previous audit; and</p> <p>(c) Further recommendations, if a problem found in the previous audit continues to be unsolved or if the party was unable to put in place the enhancements recommended in the previous audit.</p>	<p>(b) Comments on the adequacy of the measures implemented and actions taken in view of the findings and recommendations of the previous audit; and</p> <p>(c) Further recommendations, if a problem found in the previous audit continues to be unsolved or if the party was unable to put in place the enhancements recommended in the previous audit.</p>			
		3.7 Reports	3.3 3.7 Reports	Renumbering		
		3.7.1 The PEM Auditor shall present the results of	3.3.1 3.7.1 The PEM <u>Audit Committee</u> Auditor	Allows the PEM Audit Committee a more	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		audits, assessments and reviews in the following reports: (a) At the end of each audit, an Audit Report, including an executive summary summing up the outcomes of the audit, main finding and the recommendations; (b) Rules Review Reports; (c) Software Review Reports; (d) After the annual assessment of metering arrangements, a Metering Arrangements Report; and	shall submit an <u>Audit Report, to the PEM Board within thirty (30) calendar days after an audit is finalized.</u> present the results of audits, assessments and reviews in the following reports: (a) At the end of each audit, an Audit Report, including an executive summary summing up the outcomes of the audit, main finding and the recommendations; (b) Rules Review Reports; (c) Software Review Reports; (d) After the annual assessment of metering	reasonable time within which to submit its Audit Report to the PEM Board.		

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		(e) Compliance Assessment Reports, on the assessment or investigation of alleged breaches.	arrangements, — a Metering Arrangements Report; and (e) Compliance Assessment Reports, — on — the assessment — or investigation — of alleged breaches.			
		3.7.2 Within fifteen (15) days after an audit is finalized by the PEM Auditor or by a designated expert or expert team contracted to act as auditor(s), the PEM Auditor shall prepare and submit to the PEM Board an Audit Report, containing – (a) An executive summary that provides a concise description of the audit process, its	3.3.2 3.7.2 Within fifteen (15) days after an audit is finalized by the PEM Auditor or by a designated expert or expert team contracted to act as auditor(s), the PEM Auditor shall prepare and submit to the PEM Board an <u>The Audit Report to be submitted to the PEM Board shall contain the following:</u> containing – <u>a)</u> (a) An executive summary	Timeline as revised was moved to the earlier section.		

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>results and recommendations;</p> <p>(b) A description of the scope and nature of the audit, and the parties audited;</p> <p>(c) If external expert auditors were used, the name of the experts or expert team, the description of its relevant expertise and the report prepared by the expert;</p> <p>(a) The description of the audit process and outcomes; and</p> <p>(b) The main findings and recommendations.</p> <p>It is hereby provided that all information or data included</p>	<p>that provides a concise description of the audit process, its results and recommendations;</p> <p>b) (b) A description of the scope and nature of the audit, and the parties audited;</p> <p>c) (c) If external expert auditors were used, the name of the experts or expert team, the description of its relevant expertise and the report prepared by the expert;</p>		<p>c) (c) If external expert auditors were used, the name of the auditors experts or expert team of auditors, the description of its</p>	<p>The auditors will not be limited to external experts, consistent with the proposed revisions in PEM Audit Manual.</p>

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		in the Audit Report will take into consideration the confidentiality practices established in this Manual and the WESM Rules.	<p>d) (d) The description of the audit process and outcomes; and</p> <p>e) (e) The main findings and recommendations.</p> <p>It is hereby provided that All information or data included in the Audit Report will take into consideration the confidentiality practices established in this Manual and the WESM Rules.</p>		relevant expertise and the report prepared by the expert auditors ;	
		3.7.3 The PEM Board shall review each Audit Report. Not later than fifteen (15) days after the next PEM Board meeting following the receipt of the report, the PEM Board shall inform the PEM Auditor if any recommendation is considered inadequate and should not be implemented.	<u>3.3.3-3.7.3 The PEM Audit Committee shall submit the results of the audit conducted to the PEM Board, for its information. A copy of said report shall be provided to the following:</u>	<p>Clarifies that the PEM Board presentation on the report is only for information purposes.</p> <p>Submission of Audit Reports to the PEM Board for information ensures the</p>		



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<p>a) <u>WESM Governance Committees;</u></p> <p>b) <u>Department of Energy; and</u></p> <p>c) <u>Energy Regulatory Commission.</u></p> <p>The PEM Board shall review each Audit Report. Not later than fifteen (15) days after the next PEM Board meeting following the receipt of the report, the PEM Board shall inform the PEM Auditor if any recommendation is considered inadequate and should not be implemented.</p>	independence of market audits.		
		3.7.4 Within five (5) business days after receiving from the PEM Board its review on the audit recommendations, the PEM Auditor shall prepare a revised Audit Report and publish it in the	3.3.4.3.7.4 Within <u>fifteen (15)</u> five (5) business <u>working</u> days after <u>its presentation to the PEM Board,</u> receiving from the PEM Board its review on the audit recommendations, the	Removes the responsibility of the PEM Board to review the audit recommendations given that the Audit Report is for information purposes only. Also clarifies that what is to be published in		



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>Market Information Website. The Audit Report shall include:</p> <p>(a) A description of the scope and nature of the audit, indicating parties audited and experts contracted, if any;</p> <p>(b) A summarized description of the audit process and main findings; and</p> <p>(c) The audit results and recommendations to be implemented.</p>	<p>PEM <u>Audit Committee Auditor</u> shall prepare a <u>public version of the revised</u> Audit Report and publish it <u>the same</u> in the <u>Market Information PEMC</u> Website. The Audit Report <u>to be published</u> shall include:</p> <p><u>a)</u> (a) A description of the scope and nature of the audit, indicating parties audited and experts contracted, if any;</p> <p><u>b)</u> (b) A summarized description of the audit process and main findings; and</p> <p><u>c)</u> (c) The audit results and recommendations to be implemented.</p>	<p>the PEMC Website is a public version of the report</p>	<p><u>a)</u> (a) A description of the scope and nature of the audit, indicating parties audited and experts contracted <u>auditors engaged</u>, if any;</p>	<p>The auditors will not be limited to external experts, consistent with the proposed revisions in PEM Audit Manual.</p>

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<u>No information or data that qualifies as confidential shall be included in the Audit Report for publication.</u>			
		3.7.5 It is hereby provided that no information or data that qualifies as confidential shall be included in the Audit Report.	3.7.5 It is hereby provided that no information or data that qualifies as confidential shall be included in the Audit Report.	Already included in the above section	-	-
		3.7.6 Any WESM Member, the Market Operator, the DOE or the ERC may request for copies of the complete Audit Report, provided that the version provided as a copy shall not include information that qualifies as confidential in accordance with this Manual, with the exemptions to confidentiality provisions established in the WESM Rules.	3.3.5 3.7.6 Any WESM Member, the Market Operator, the DOE or the ERC may request for copies of the complete Audit Report, provided that the version provided as a copy shall not include information that qualifies as confidential in accordance with this Manual, with the exemptions to confidentiality provisions established in the WESM Rules.	Renumbering		

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		3.7.7 After the end of a review of the WESM Rules requested by the PEM Board or the Rules Change Committee, the PEM Auditor shall prepare a Rules Review Report and shall send it to:	3.7.7 After the end of a review of the WESM Rules requested by the PEM Board or the Rules Change Committee, the PEM Auditor shall prepare a Rules Review Report and shall send it to:	This is no longer necessary as any recommendation for a rules change is already included in the recommendations in the audit reports. Copies of the reports are likewise provided to all WESM Governance Committees including the Rules Change Committee.	-	-
		(a) The PEM Board; (b) The Rules Change Committee; and (c) DOE.	(a) The PEM Board; (b) The Rules Change Committee; and (c) DOE.			
		3.7.8 After finalizing an assessment or audit requested by the ECO in the course of an assessment or investigation of an alleged breach, the PEM Auditor shall prepare and send to the ECO a Compliance Assessment Report.	3.7.8 3.3.6 After finalizing an assessment or audit requested by the ECO in the course of an assessment or investigation of an alleged breach, the PEM Audit Committee Auditor shall prepare and send to the ECO a its Compliance Assessment Report. A copy of the report shall also be furnished the	Same rationale as proposed Section 3.3.3.	-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<u>PEM Board for its information.</u>			
		<p>3.7.9 The PEM Auditor shall prepare and submit to the PEM Board monthly Audit Assessment Reports, which shall contain:</p> <p>(a) A list of the audits in process and the stage of each audit still not finalized;</p> <p>(b) A summarized description of the scope, main finding and recommendations of the audits, assessment and reviews finalized during the month;</p> <p>(c) The developments and implementation</p>	<p><u>3.3.7</u> 3.7.9 The PEM <u>Audit Committee</u> Auditor shall prepare and submit to the PEM Board monthly <u>Quarterly</u> Audit Assessment Reports, which shall contain:</p> <p>(a) A list of the audits in <u>progress</u> process and the stage of each audit still not finalized;</p> <p>(b) A summarized description of the scope, main finding and recommendations of the audits, assessment and reviews finalized during the month;</p>	<p>The frequency of submission of the Audit Assessment Report is revised to allow for a more reasonable timeline for the PEM Audit Committee to the submit an assessment report as contents as inputs to the report, specifically updates on action plans committed are sourced from auditees.</p>	-	-



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		of the audit recommendations; and (d) Any recommendation that may arise from the experiences in audit procedures established in this Manual or otherwise observed.	(c) <u>An update on the</u> The developments and implementation of the audit recommendations and <u>committed action plans;</u> and (d) Any recommendation that may arise from the experiences in <u>the</u> audits <u>conducted.</u> procedures established in this Manual or otherwise observed.			
		NEW	<u>3.3.8 No later than three (3) months after the end of the calendar year, the PEM Audit Committee shall submit to the PEM Board its Annual Report, which sets out the accomplishments of the Committee during the</u>	Added the submission of the Annual Report in the Manual, as currently being practised.	-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<u>subject year and the proposed Work Plan for the coming year.</u>			
		NEW	<u>3.3.8 The PEM Audit Committee shall publish its Annual Report in the PEMC Website.</u>	Included the publication requirement	<u>3.3.9 The PEM Audit Committee shall publish its Annual Report in the PEMC Website.</u>	Correction in the numbering
Expert Support	4	Expert Support	<u>4. Expert Support Engagement of Independent Auditors</u>	To make it clear that the Chapter is about the engagement of an external auditors and not just expert support	<u>4. Expert Support Engagement of Qualified Auditors</u>	To provide options for the engagement of auditors
Scope		4.1.1. To ensure sufficient and adequate expertise, the PEM Auditor may, subject to the PEM Board approval, engage the services of independent persons or teams or companies with special expertise, to act as: (a) Experts for field audits of metering	<u>4.1 To ensure sufficient and adequate expertise, Pursuant to WESM Rules Clause 5.2.6.4, and Clause 1.5.1 of the Retail Rules, the PEM Auditor Audit Committee may, subject to the PEM Board approval may engage the services of independent persons or teams or companies an Independent Auditor, special expertise, to act as in the following:</u>	Identifies the audits in scope in the introductory portion of the chapter	<u>4.1 To ensure sufficient and adequate expertise, Pursuant to WESM Rules Clause 5.2.6.4, and Clause 1.5.1 of the Retail Rules, the PEM Auditor Audit Committee may, subject to the PEM Board approval may engage the services of independent persons or teams or companies of qualified team of</u>	To provide options for the engagement of auditors. The PAC may also engage the services of PEMC's internal audit team.

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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>equipment or processes;</p> <p>(b) Experts for the audit and/or certification of the Market Operator software; and</p> <p>(c) Expert teams or companies for the audit of the WESM and the processes and systems in relation to generation scheduling, dispatch and settlement of the Market Operator to assess adequacy and verify compliance with the WESM Rules.</p>	<p>a) (a) Experts for field audits of Metering Services Providers, and metering equipment, installations or and processes;</p> <p>b) (b) Experts for the audit and/or certification of the Market Operator software;</p> <p>c) (c) Expert teams or companies for the audit of the WESM and the market processes and systems in relation to generation scheduling, dispatch and settlement of the</p>		<p>auditors, special expertise, to act as in the following:</p> <p>xx</p>	

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<p>Market Operator to assess adequacy and verify compliance with the WESM Rules;</p> <p>d) <u>audit of the Central Registration Body and the systems, processes and procedures and other matters relevant to the operation of the Central Registration Body and the performance of its functions as set forth in these Retail Rules;</u></p> <p>e) <u>Testing and checking any new items or new versions of</u></p>			



C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<p><u>market-related software used by the Central Registration Body or provided by the Central Registration Body for use by WESM members;</u></p> <p>f) <u>audit as may be requested in accordance with the Market Surveillance Compliance and Enforcement Manual; and</u></p> <p>g) <u>other audits as may be requested by the PEM Board.</u></p>		<p><u>xx</u></p> <p><u>The PEM Audit Committee may engage the services of Independent Auditors or the internal audit unit of the Governance Arm. The internal audit unit of the Governance Arm must</u></p>	



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
					<p><u>have the sufficient and adequate expertise, certifications, and resources for the conduct of applicable audits and have completed the required capacity building and training.</u></p> <p><u>The PEM Audit Committee shall define the guidelines in engaging the services of the Independent Auditors and the internal audit unit of the Governance Arm for the conduct of applicable audits.</u></p>	<p>The guidelines in engaging the services of the internal audit unit of the Governance Arm will be like the Market Surveillance Committee's (MSC) Catalogue of Market Monitoring Indices (CMMDI) and Catalogue of Retail Market Monitoring Indices (CRMMDI).</p>
		4.1.2. The PEM Auditor shall endeavor to maximize the use of the Technical Committee as expert auditors in audits where they have the relevant expertise and subject to compliance with the independence provisions	4.2 The PEM Audit Committee Auditor shall endeavor to maximize the use of the members of the Technical Committee as technical experts or resource persons auditors in relevant audit activities audits that the	Revision to clarify that the Technical Committee members will not be tapped as auditors but tapped for their expertise on technical matters, as may be needed, (e.g. TWG) This is being clarified for reasons of	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		and qualifications established in this Manual.	<u>PEM Audit Committee oversees,</u> audits where they have the relevant expertise, and subject to compliance with the independence provisions and qualifications established in this Manual. <u>by the WESM Rules.</u>	practicality and availability, because like the PEM Audit Committee, the Technical Committee members are not full time employees of PEMC,		
		4.1.3. For the purpose of providing indicative references, the PEM Auditor shall prepare before the beginning of each year an estimated budget for external auditors describing: a) Specialised audits that may be required during the year and their estimated duration; and b) Estimated cost of external auditors	4.1.3. For the purpose of providing indicative references, the PEM Auditor shall prepare before the beginning of each year an estimated budget for external auditors describing: a) Specialised audits that may be required during the year and their estimated duration; and b) Estimated cost of external auditors for	Deleted this provision since this is an administrative function of the Department assisting the PAC.	-	-

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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		for the identified specialized audits.	the identified specialized audits.			
		4.2 Pool of Experts and Audit Committee	4.2 Pool of Experts and Audit Committee	<p>This section is no longer applicable given the engagement of the external auditor.</p> <p>The PAC shall no longer create a pool of experts which will include the Technical Committee, which is not really feasible given the scope of the audits to be conducted but shall instead engage an external auditor, subject to the selection process employed by PEMC with the assistance provided by the PAC Secretariat.</p>	-	-
		4.2.1 The PEM Auditor shall nominate and organize a pool of independent experts for audits.	4.2.1 The PEM Auditor shall nominate and organize a pool of independent experts for audits.	Deleted consistent with above		

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>4.2.2 The pool of experts shall include:</p> <p>(a) Persons selected from the Technical Committee with specialized technical expertise; and</p> <p>(b) Not less than two (2) and not more than five (5) experts with adequate and proven expertise, to form an Audit Committee.</p>	<p>4.2.2 The pool of experts shall include:</p> <p>(a) Persons selected from the Technical Committee with specialized technical expertise; and</p> <p>(b) Not less than two (2) and not more than five (5) experts with adequate and proven expertise, to form an Audit Committee.</p>	Deleted consistent with above	-	-
		<p>4.2.3 When the PEM Auditor requires expert auditors, it shall prioritize the use of members of the Technical Committee that have been pre-selected to be part of the approved pool of experts, provided that</p> <p>(a) The member of the Technical Committee has the</p>	<p>4.2.3 When the PEM Auditor requires expert auditors, it shall prioritize the use of members of the Technical Committee that have been pre-selected to be part of the approved pool of experts, provided that</p> <p>(a) The member of the Technical Committee has the</p>	Deleted consistent with above	-	-



C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>necessary expertise relevant to the specific audit and is independent from the party or parties to be audited; and</p> <p>(b) The person can reject being designated as an auditor due to insufficient time or other work obligations within the Technical Committee.</p>	<p>necessary expertise relevant to the specific audit and is independent from the party or parties to be audited; and</p> <p>(b) The person can reject being designated as an auditor due to insufficient time or other work obligations within the Technical Committee.</p>			
		4.2.4 In making appointments to the pool of experts and the Audit Committee, the PEM Auditor and the PEM Board shall endeavor to nominate and appoint persons with different relevant experience and knowledge to beget combined	4.2.4 In making appointments to the pool of experts and the Audit Committee, the PEM Auditor and the PEM Board shall endeavor to nominate and appoint persons with different relevant experience and knowledge to beget combined	Deleted consistent with above		

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		expertise adequate to cover the different types of audits specified in this Manual.	expertise adequate to cover the different types of audits specified in this Manual.			
		4.3 Technical Committee	4.3 Technical Committee		-	-
		4.3.1 The PEM Auditor may request the PEM Board to use persons from the Technical Committee to audit – (a) Technical matters relating to the operation of the spot market; (b) Information technology; (c) Metering technology and data; and (d) Any other matter of a	4.3.1 The PEM Auditor may request the PEM Board to use persons from the Technical Committee to audit – (a) Technical matters relating to the operation of the spot market; (b) Information technology; (c) Metering technology and data; and (d) Any other matter of a technical nature in relation	Deleted consistent with above	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		technical nature in relation to the WESM and the WESM Rules.	to the WESM and the WESM Rules.			
		4.3.2 A member of the Technical Committee may be selected and included by the PEM Auditor in the pool of auditors available to be designated by the PEM Auditor as expert auditors, provided that the person shall possess relevant expertise for the audits under the responsibility of the PEM Auditor in accordance to this Manual; Provided further that the PEM Board may reject the inclusion of a member of the Technical Committee in the pool of auditors if in its opinion such person does not have adequate knowledge or sufficient expertise.	4.3.2 A member of the Technical Committee may be selected and included by the PEM Auditor in the pool of auditors available to be designated by the PEM Auditor as expert auditors, provided that the person shall possess relevant expertise for the audits under the responsibility of the PEM Auditor in accordance to this Manual; Provided further that the PEM Board may reject the inclusion of a member of the Technical Committee in the pool of auditors if in its opinion such person does not have adequate knowledge or sufficient expertise.	Deleted consistent with above	-	-
		4.3.3 Each member of the Technical Committee	4.3.3 Each member of the Technical Committee	Deleted consistent with above	-	-



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		included in the pool of auditors that form the Audit Committee shall enter into a confidentiality undertaking, the terms of which shall be prescribed by the PEM Board.	included in the pool of auditors that form the Audit Committee shall enter into a confidentiality undertaking, the terms of which shall be prescribed by the PEM Board.			
		4.4 Selection and Appointment of the Audit Committee	4.4 Selection and Appointment of the Audit Committee	Deleted since the provisions on the selection of the members of the PEM Audit Committee are already in the Guidelines Governing the Constitution of the PEM Board Committees.	-	-
		4.4.1 To be a member of the Audit Committee, a person must meet the same qualifications and not have or had the disqualifications as the ones established in this Manual for the PEM Auditor.	4.4.1 To be a member of the Audit Committee, a person must meet the same qualifications and not have or had the disqualifications as the ones established in this Manual for the PEM Auditor.		-	-
		4.4.2 For the selection and appointment of the	4.4.2 For the selection and appointment of the		-	-



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		members of the Audit Committee, the PEM Auditor shall submit to the Selection Committee the names, qualifications and experience of the candidates. Additionally, the Selection Committee may call for qualified persons to submit their expression of interest and their relevant experience.	members of the Audit Committee, the PEM Auditor shall submit to the Selection Committee the names, qualifications and experience of the candidates. Additionally, the Selection Committee may call for qualified persons to submit their expression of interest and their relevant experience.			
		4.4.3 The Selection Committee shall review each expert proposed for the Audit Committee and the PEM Board, by resolution, shall select and appoint the members in accordance with the procedure established in this Manual.	4.4.3 The Selection Committee shall review each expert proposed for the Audit Committee and the PEM Board, by resolution, shall select and appoint the members in accordance with the procedure established in this Manual.		-	-
		4.4.4 Each member shall be appointed for a period of three (3) years, and then eligible for re-appointment. The member shall cease office prior to the end of its	4.4.4 Each member shall be appointed for a period of three (3) years, and then eligible for re-appointment. The member shall cease office prior to the end of its		-	-



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>appointment period if the person –</p> <p>(a) Dies or resigns;</p> <p>(b) Fails to discharge the obligations of his or her office or is removed for cause as determined by an ad hoc committee of three (3) persons, composed of the PEMC President, an Independent Director, and a member of another Committee not belonging to the Audit Committee, in the same manner as established in Section 3.5.2 of this Manual;</p> <p>(c) No longer meets the qualification requirements</p>	<p>appointment period if the person –</p> <p>(a) Dies or resigns;</p> <p>(b) Fails to discharge the obligations of his or her office or is removed for cause as determined by an ad hoc committee of three (3) persons, composed of the PEMC President, an Independent Director, and a member of another Committee not belonging to the Audit Committee, in the same manner as established in Section 3.5.2 of this Manual;</p> <p>(c) No longer meets the qualification requirements</p>			



C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		established in this Manual; or (d) Becomes disqualified under the disqualification conditions established in this Manual.	established in this Manual; or (d) Becomes disqualified under the disqualification conditions established in this Manual.			
		4.5 Terms of Reference to Contract External Auditors	4.5 Terms of Reference to Contract External Auditors			
		4.5.1 The PEM Auditor may request to contract external experts for a specialized audit if – (a) The PEM Auditor is unable to conduct the audit itself; and (b) The expertise available in the Technical Committee is insufficient or inadequate; and	4.5.1 The PEM Auditor may request to contract external experts for a specialized audit if – (a) The PEM Auditor is unable to conduct the audit itself; and (b) The expertise available in the Technical Committee is insufficient or inadequate; and		-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		(c) The expertise available in the Audit Committee is insufficient or inadequate	(c) The expertise available in the Audit Committee is insufficient or inadequate			
		4.5.2 In each instance where the PEM Auditor requires external and independent experts for specialized audits, the PEM Auditor shall prepare terms of reference for the audit work, describing the scope of work, timeframe and deliverables. The terms of reference shall also describe the mechanism to evaluate proposals and determine the winner that will be contracted as independent external auditor.	4.3 4.5.2 <u>The engagement of an Independent Auditor by the PEM Audit Committee shall be approved according to the established guidelines of PEMC.</u> In each instance where the PEM <u>Audit Committee</u> Auditor requires external and independent experts for its specialized audits, the PEM <u>Audit Committee</u> Auditor shall prepare <u>the</u> terms of reference for the audit work, describing the scope of work, timeframe and deliverables. The terms of reference shall also describe the mechanism to evaluate proposals and determine the winner that	Revised to consider the internal processes of PEMC as contracting party for the Audits to be conducted by PAC	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			will be contracted as independent external auditor.			
		4.5.3 The PEM Board shall review the proposed terms of references and may request clarifications or additional information from the PEM Auditor. The PEM Board may propose changes to the proposed terms of reference before approving the same.	4.5.3 The PEM Board shall review the proposed terms of references and may request clarifications or additional information from the PEM Auditor. The PEM Board may propose changes to the proposed terms of reference before approving the same.	Deleted – This is an administrative task within PEMC and does not need to be approved by the PEM Board. This is also considering that the audits are those as required by the Rules	-	-
		4.6 External Expert Short List	4.6 External Expert Short List		-	-
		4.6.1 To contract an external expert or expert team for a specific audit work, the PEM Auditor shall short list a minimum of three (3) experts or expert teams, based on their independence, expertise and experiences in similar audits. In its short-listing, the PEM Auditor shall ensure that the experts are	4.6.1 To contract an external expert or expert team for a specific audit work, the PEM Auditor shall short list a minimum of three (3) experts or expert teams, based on their independence, expertise and experiences in similar audits. In its short-listing, the PEM Auditor shall ensure that the experts are	Deleted, since these are administrative process that shall be done by the PEMC with the assistance of the PAC Secretariat in consultation with the PAC	-	-



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		totally independent from the parties to be audited.	totally independent from the parties to be audited.			
		4.6.2 If the PEM Auditor has a pool of external auditors approved by the PEM Board, the short list shall be first selected from this pool. If the PEM Auditor does not have an approved pool of experts or if the experts available in the pool are inadequate or insufficient for the required short list, the PEM Auditor may include experts that are not in the pool approved by the PEM Board.	4.6.2 If the PEM Auditor has a pool of external auditors approved by the PEM Board, the short list shall be first selected from this pool. If the PEM Auditor does not have an approved pool of experts or if the experts available in the pool are inadequate or insufficient for the required short list, the PEM Auditor may include experts that are not in the pool approved by the PEM Board.	This is deleted since the function of the pool of external auditors is already being undertaken by the external auditor. The creation of the pool is thus no longer needed.	-	-
		4.7 Proposal to Contract External Auditors	4.7 Proposal to Contract External Auditors	This process is deleted as the engagement of external auditors will be subject to the approval of the appropriate approving authorities of PEMC.	-	-
		4.7.1 The PEM Auditor shall request the PEM Board approval of the short	4.7.1 The PEM Auditor shall request the PEM Board approval of the short		-	-



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		list and audit work by external experts, submitting a report with –	list and audit work by external experts, submitting a report with –			
		(a) The description of the scope of the audit work required, in particular the type of audit and type of special expertise;	(a) The description of the scope of the audit work required, in particular the type of audit and type of special expertise;			
		(b) The reason(s) why external expertise is needed and the criteria for evaluation;	(b) The reason(s) why external expertise is needed and the criteria for evaluation;			
		(c) The proposed terms of reference including methodological approach; and	(c) The proposed terms of reference including methodological approach; and			
		(d) The short list of experts or expert team or company proposed, including their qualifications, relevant previous experiences and compliance with	(d) The short list of experts or expert team or company proposed, including their qualifications, relevant previous experiences			

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		independence provisions.	and compliance with independence provisions.			
		4.7.2 The PEM Board shall review the request to contract external auditors, the terms or references and the proposed short list. It may request clarifications or additional information from the PEM Auditor, or conduct a special meeting to review the terms of reference. The PEM Board may reject one or more of the short listed experts if in the PEM Board opinion the proposed expert does not have adequate expertise or does not comply with the required independence. If the PEM Board has any objection to the proposal, not later than fifteen (15) days after the next PEM Board meeting following receipt of the request from the PEM Auditor, the PEM	4.7.2 The PEM Board shall review the request to contract external auditors, the terms or references and the proposed short list. It may request clarifications or additional information from the PEM Auditor, or conduct a special meeting to review the terms of reference. The PEM Board may reject one or more of the short listed experts if in the PEM Board opinion the proposed expert does not have adequate expertise or does not comply with the required independence. If the PEM Board has any objection to the proposal, not later than fifteen (15) days after the next PEM Board meeting following receipt of the request from the PEM Auditor, the PEM		-	-



C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		Board shall inform the PEM Auditor – (a) If any of the short listed experts has been rejected and the reason(s) for the rejection; and (b) Revisions proposed to the terms of reference.	Board shall inform the PEM Auditor – (a) If any of the short listed experts has been rejected and the reason(s) for the rejection; and (b) Revisions proposed to the terms of reference.			
		4.7.3 If, within the timeframe specified in Section 4.7.2, the PEM Board does not send to the PEM Auditor any objections to the short list or revisions to the terms of reference, the PEM Auditor shall continue with the contracting process.	4.7.3 If, within the timeframe specified in Section 4.7.2, the PEM Board does not send to the PEM Auditor any objections to the short list or revisions to the terms of reference, the PEM Auditor shall continue with the contracting process.	Consistent with proposed changes above	-	-
		4.7.4 If, within the timeframe specified in Section 4.7.3, the PEM Board informs that one or more experts are rejected and the remaining short list	4.7.4 If, within the timeframe specified in Section 4.7.3, the PEM Board informs that one or more experts are rejected and the remaining short list	This is proposed to be deleted as the duty to determine the eligibility of bidders should be within the responsibilities	-	-



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		is composed of less than three (3) candidates, the PEM Auditor shall submit to the PEM Board other independent experts to ensure that the short list includes at least three alternatives, unless the PEM Board approves that, due to the nature and special characteristics of the audit, it will be difficult to obtain a short list of three and authorizes a shorter list of experts.	is composed of less than three (3) candidates, the PEM Auditor shall submit to the PEM Board other independent experts to ensure that the short list includes at least three alternatives, unless the PEM Board approves that, due to the nature and special characteristics of the audit, it will be difficult to obtain a short list of three and authorizes a shorter list of experts.	of the PEMC unit undertaking this function, in consultation with the requesting party.		
		4.8 Selection of External Expert Auditors 4.8.1 Once the short list has been approved and the terms of reference revised, as necessary, the PEM Auditor shall send a request for proposals to each expert, expert team or expert company short listed. Each expert shall submit its technical	4.8 Selection of External Expert Auditors 4.8.1 Once the short list has been approved and the terms of reference revised, as necessary, the PEM Auditor shall send a request for proposals to each expert, expert team or expert company short listed. Each expert shall submit its technical	This is proposed to be deleted as the administrative process has been shifted to the Administrative Services of PEMC in charge of the bidding/selection process	-	-



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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		proposal, which shall contain its methodological approach, and its financial proposal.	proposal, which shall contain its methodological approach, and its financial proposal.			
		<p>4.8.2 The PEM Auditor shall review the proposals received and submit a report to the PEM Board recommending the expert to be contracted. The report shall describe:</p> <p>(a) The list of experts that submitted proposals;</p> <p>(b) For each expert, its qualifications and experiences presented, summary and review of the methodological approach, and requested costs and remuneration in their financial proposal; and</p>	<p>4.8.2 The PEM Auditor shall review the proposals received and submit a report to the PEM Board recommending the expert to be contracted. The report shall describe:</p> <p>(a) The list of experts that submitted proposals;</p> <p>(b) For each expert, its qualifications and experiences presented, summary and review of the methodological approach, and requested costs and remuneration in their financial proposal; and</p>	The approval by the PEM Board of the short listing is proposed to be deleted. This is an administrative task of PEMC and the Board is supposed to be high-level policy making body.	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		(c) The outcome of the reviews, indicating the external auditor recommended to be contracted in view of the evaluation mechanism included in the terms of reference.	(c) The outcome of the reviews, indicating the external auditor recommended to be contracted in view of the evaluation mechanism included in the terms of reference.			
		4.8.3 The PEM Board shall review the proposed selection and may request clarifications or further information from the PEM Auditor in relation to the proposals or conduct a meeting with the PEM Auditor to review the evaluation. Not later than fifteen (15) days after the next PEM Board following receipt of the review of proposals prepared by the PEM Auditor, the PEM Board shall approve the independent expert to be	4.8.3 The PEM Board shall review the proposed selection and may request clarifications or further information from the PEM Auditor in relation to the proposals or conduct a meeting with the PEM Auditor to review the evaluation. Not later than fifteen (15) days after the next PEM Board following receipt of the review of proposals prepared by the PEM Auditor, the PEM Board shall approve the independent expert to be	This is deleted as this function is administrative in nature and it is recognized that the PEM Board is a high-level policy making body.	-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		contracted for the special audit.	contracted for the special audit.			
Market Audit General Characteristics	7	7.1. General Characteristics	5.1 7.4 General Characteristics <u>Guidelines for the Conduct of Audits</u>		-	-
Market Audit General Characteristics	7.1.1	1.1.19 Audits of the spot market and the Market Operator shall be conducted or supervised and coordinated by the PEM Auditor. 1.1.20	5.1.1 7.1.4 <u>All audits as enumerated under Section 5 of this Manual</u> the spot market and the Market Operator shall be conducted or supervised and coordinated by the PEM Auditor. <u>Audit Committee.</u>	Transferred from Section 7.1.1 with revisions	5.1.1 7.1.4 <u>All audits as enumerated under Section 5 of this Manual</u> the spot market and the Market Operator shall be conducted or supervised and coordinated by the PEM Auditor. <u>Audit Committee.</u>	Consistent with DOE position that the conduct of audit should be a primary responsibility of the PAC and that the conduct of audit by an independent third party should remain an option for the PAC depending on the scope and difficulty of the audit.
Market Audit General Characteristics	7.1.2	Each spot market and Market Operator audit should include the following: 1.1.21	5.1.2 7.1.2 Each spot market and Market Operator audit <u>supervised and coordinated by the PEM Audit Committee</u>	Transferred from Section 7.1.2 with revisions	5.1.2 7.1.2 Each spot market and Market Operator audit <u>should shall</u> include the following:	Consistent with DOE position that the conduct of audit should be a primary responsibility of the PAC and that the

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>(a) Terms of reference with a list of tasks, covering the processes, information and systems to be audited;</p> <p>(a)</p> <p>(b) An audit process within a specified timeframe;</p> <p>(b)</p> <p>(c) An audit report, describing</p> <p>(i) The audit process;</p> <p>(ii) Main findings, highlighting areas where there are non-compliance with the WESM Rules; and</p> <p>(iii) Conclusions and recommendations.</p>	<p>should <u>shall</u> include the following:</p> <p><u>a)</u> (a) Terms of reference with a list of tasks, covering the processes, information and systems to be audited;</p> <p><u>b)</u> (b) An audit process within a specified timeframe;</p> <p><u>c)</u> (c) An audit report, describing</p> <p><u>i</u> (i) The audit process;</p> <p><u>ii</u> (ii) Main findings, highlighting areas where there are non-compliances with the WESM Rules, <u>Retail Rules or Market Manuals</u>; and</p>			<p>conduct of audit by an independent third party should remain an option for the PAC depending on the scope and difficulty of the audit.</p>

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			iii (iii) Conclusions and recommendations.			
Market Audit General Characteristics	(new)	N/A	5.1.3 The PEM Audit Committee, in consultation with the Auditee shall prepare the terms of reference for the audit to be conducted.		-	-
7- Market Audit Annual Audit of the Spot Market Operator	7.2.4	1.1.22 The PEM Auditor shall submit to the PEM Board for review the proposed standard terms of reference of the annual audit. Within fifteen (15) days after the next PEM Board meeting, the PEM Board shall send its comments and observations. The PEM Auditor shall take into consideration the comments and observations received and	7.2.4The PEM Auditor shall submit to the PEM Board for review the proposed standard terms of reference of the annual audit. Within fifteen (15) days after the next PEM Board meeting, the PEM Board shall send its comments and observations. The PEM Auditor shall take into consideration the comments and observations received and revise the terms of reference accordingly.	Lifted from Section 7.2.4 with revisions	-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		revise the terms of reference accordingly. The standard terms of reference for the annual audit shall be published in the Market Information Website.	<u>5.1.4 The terms of reference for all audits shall be published in the Market Information PEMC Website for comments of WESM Participants and interested parties. The PEM Audit Committee shall take into consideration the comments and observations received and revise the terms of reference accordingly as applicable.</u>			
7- Market Audit Annual Audit of the Spot Market Operator	(NEW)	N/A	<u>5.1.5 In order to streamline the audit process and avoid unnecessary duplications, where possible, the PEM Audit Committee shall coordinate with the Auditee on the scope of the audit to be conducted.</u>	To effectively manage audit activities and avoid duplications	-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
Types of Audits	5.1	5.1.1 The PEM Auditor shall conduct annual audits of the spot market and of the Market Operator in accordance with the process discussed in this Manual.	5.2 5.1 Types of Audits 5.1.1 The PEM Auditor shall conduct annual audits of the spot market and of the Market Operator in accordance with the process discussed in this Manual.	.	-	-
Annual Audit of the Spot Market and the Market Operator	7.2		<u>5.2 7.2 Audit of the Spot Market and the Market Operator</u>	Lifted from Section 7.2 of Issue 2.0	-	-
Annual Audit of the Spot Market and the Market Operator	7.2.1	Each year and not later than the end of October, the PEM Auditor shall conduct an audit of the spot market, including settlement of the markets administered by the Market Operator, generation scheduling, dispatch, price calculation, and any procedures and working processes used by the Market Operator in performing those functions in the WESM.	<u>5.2.1 7.2.4</u> Each year and not later than the end of October, the PEM Auditor <u>Audit Committee</u> shall conduct an audit of the spot market, including settlement of the markets administered by the Market Operator, generation scheduling, dispatch, price calculation, and any <u>other</u> procedures and working processes used by the	Lifted from Section 7.2.1 with some revisions. Considering that the length of audit sometimes extends, the end of October timeline is no longer feasible.	Each year and not later than the end of October, the PEM Auditor shall conduct an audit of the spot market, including settlement of the markets administered by the Market Operator, generation scheduling, dispatch, price calculation, and any procedures and working processes used by the Market Operator in	Consistent with the DOE position, the proposed revisions aimed to define in the PEM Audit Manual the frequency of audit.



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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			Market Operator in performing those functions in the WESM.		<p>performing those functions in the WESM.</p> <p>5.2.1 The PEM Audit Committee shall conduct periodic audits at least once at interval not exceeding three years from the last audit considering the results of past audits that indicate that the Market Operator has demonstrated an acceptable level of maturity in its compliance with the WESM rules and related standards.</p> <p>After the first three (3) audits of a particular system or process, the PAC may consider reducing the frequency of the periodic audits based on the Market Operator's compliance maturity level. The PAC deems a</p>	



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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
					system or process to be mature when it has consistently exhibit no or minimal audit findings for the past three (3) audits and whose impact do not pose significant operational, legal or market risks.	
Annual Audit of the Spot Market and the Market Operator	7.2.2	The general objectives of the annual audit of the spot market and the Market Operator are to: (a) Assess procedures and working processes in the Market Operator; (b) Assess the usefulness and appropriateness of systems settlement system, data management and other procedures and working processes used by the Market	<u>5.2.2</u> 7.2.2 The general objectives of the annual <u>periodic</u> audit of the spot market and the Market Operator are to: <u>a)</u> (a) Assess <u>the</u> procedures and working processes <u>of</u> in the Market Operator; <u>b)</u> (b) Assess the usefulness and appropriateness of systems <u>the</u> settlement system, data management and other procedures and working processes used by <u>of</u> the Market	Lifted from Section 7.2.2 with some revisions.	<u>5.2.2</u> 7.2.2 The general objectives of the annual audit of the spot market and the Market Operator are to:	The frequency of audit is already provided in the proposed revisions in Section 5.2.1 above.

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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>Operator to administer the WESM, in order to:</p> <p>(i) Identify appropriate steps and measures to help the Market Operator effectively and efficiently perform its responsibilities in time and form in accordance with the WESM Rules;</p> <p>(ii) Review that the Market Operator practices and work processes ensure the necessary transparency, independence, predictability and non-discrimination, and are in</p>	<p>Operator to administer the WESM, in order to:</p> <p><u>i.</u> (i) Identify appropriate steps and measures to help the Market Operator effectively and efficiently perform its responsibilities in time and form in accordance with the WESM Rules <u>and its Market Manuals</u>;</p> <p><u>ii.</u> (ii) Review the Market Operator's practices and work processes to ensure the necessary transparency, independence, predictability and non-discrimination, and are <u>are in</u> compliance with the WESM Rules and</p>			



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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		compliance with the WESM Rules and best international practices; and (iii) Assess if the systems, calculations, information flows and data management protect accuracy and quality of the data and results in generation scheduling, dispatch, prices and settlement, as well as if internal controls exist and are sufficient to guarantee security and confidentiality where appropriate,	best international practices; and iii. (iii) Assess if the systems, calculations, information flows and data management protect accuracy and quality of the data and results in <u>non-discriminatory</u> generation scheduling, dispatch, prices and settlement, as well as <u>evaluate</u> if internal controls exist and are sufficient to guarantee security and confidentiality where appropriate. proposing recommendations to improve the			



C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>proposing recommendations to improve the procedures to collect and process the information and the controls of quality and security of data in the WESM.</p> <p>(c) Assess the usefulness and appropriateness of the interfaces and exchange of information between the System Operator and the Market Operator in relation to generation scheduling, constraints and dispatch; and</p>	<p>procedures to collect and process the information and the controls of quality and security of data in the WESM.</p> <p><u>c)</u> (e) Assess the usefulness and appropriateness of the interfaces and exchange of information between the System Operator and the Market Operator in relation to generation scheduling, constraints and dispatch; and</p> <p><u>d)</u> (d) Review compliance by the Market Operator with the WESM Rules, <u>its Market Manuals, and among other things, the Market Operator's</u></p>			



C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		(d) Review compliance by the Market Operator with the WESM Rules.	<u>compliance with the scheduling and central dispatch procedures under the WESM Rules and applicable Market Manuals and the feasibility and adequacy of the scheduling and central dispatch procedures; and</u> e) <u>Recommend improvements in the spot market and the operation of the Market Operator where necessary.</u>			
Annual Audit of the Spot Market and the Market Operator	7.1.3	The following criteria shall be used to assess the spot market and the Market Operator: (a) Clear accountability for performance	5.2.3 7.1.3 The following criteria shall be used to assess the spot market and the Market Operator: a) (a) Clear accountability <u>in</u> for the performance of	Lifted from Section 7.1.3 of Issue 2.0, as revised	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>of Market Operator functions and responsibilities;</p> <p>(b) Adequacy - in terms of number and training of staff - to perform assigned tasks and systems used;</p> <p>(c) Efficiency of processes (e.g. time response);</p> <p>(d) Accuracy of tasks (e.g. numbers of errors in</p>	<p>Market Operator functions and responsibilities;</p> <p>b) (b) Adequacy in terms of number and training of staff of trained staff to perform the assigned tasks and use the systems;</p> <p>c) (c) Efficiency of processes (e.g. time response);</p> <p>d) (d) Accuracy of tasks (e.g. numbers of errors in settlement statements);</p> <p>e) (—e) Compliance with the WESM</p>			



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>settlement statements);</p> <p>(e) Compliance with the WESM Rules;</p> <p>(f) Degree to which processes are in alignment with the WESM Rules and its Market Manuals; and</p> <p>(g) Quality of the service measured in frequency and level of complaints</p>	<p>Rules <u>and its Market Manuals</u>;</p> <p>f) (f) Degree to which processes are in alignment of processes with the WESM Rules and its Market Manuals; and</p> <p>g) (g) Quality of the service measured in terms of frequency and level of complaints and disputes.</p>			



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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		and disputes.				
Annual Audit of the Spot Market and the Market Operator	7.1.4	<p>In order to streamline the audit process and avoid unnecessary duplications, where possible –</p> <p>(a) The PEM Auditor and the Market Operator shall agree an annual audit of the spot market; and</p> <p>(b) The spot market audit and the annual Market Operator audit shall be conducted together under the supervision</p>	<p>5.2.4 7.1.4 In order to streamline the audit process and avoid unnecessary duplications, where possible, - (a) the PEM Audit Committee Auditor and the Market Operator shall agree coordinate with the Market Operator on the scope an annual of the audit of the spot market.; and (b) The spot market audit and the annual Market Operator audit shall be conducted together under the supervision and responsibility of the PEM Auditor.</p>	Lifted from Section 7.1.4 of Issue 2.0 with revisions.	-	-

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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		and responsibility of the PEM Auditor.				
Annual Audit of the Spot Market and the Market Operator	7.2.3	The PEM Auditor, with the assistance of the Market Operator, shall prepare standard terms of reference for the annual audit of the spot market and the Market Operator covering the general scope described in the previous paragraph. The standard terms of reference shall include the following tasks: (a) Verify that each and all software of the Market Operator has valid audit certificates; (b) Review the calculations and allocations performed to determine energy for the settlement calculations	5.2.5-7.2.3 The PEM <u>Audit Committee</u> Auditor with the assistance of the Market Operator, shall prepare <u>the</u> standard terms of reference for the <u>annual periodic</u> audit of the spot market and the Market Operator covering the general scope described <u>in Section 5.2.2</u> . the previous paragraph. The standard terms of reference shall include the following tasks: <u>a) (a) Verification</u> Verify that each and all software of the Market Operator, have valid audit certificates and all market-related software that have been modified or newly-deployed by	Lifted from Section 7.2.3 , with revisions	5.2.5 7.2.3 The PEM <u>Audit Committee</u> Auditor with the assistance of the Market Operator, shall prepare <u>the</u> standard terms of reference for the <u>annual</u> audit of the spot market and the Market Operator covering the general scope described <u>in Section 5.2.2</u> . the previous paragraph. The standard terms of reference shall include the following tasks:	The frequency of audit is already provided in the proposed revisions in Section 5.2.1 above.



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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>in each trading point and for each Trading Participant, and the adequacy of the metering systems;</p> <p>(c) Review the calculations and allocations performed in the settlement process, and the adequacy and usefulness of the settlement systems;</p> <p>(d) Review and assess the billing and settlement system;</p> <p>(e) Review and assess the procedures, processes and systems for generation scheduling and dispatch, including management of submission and validation of bids and offers as well as the</p>	<p><u>the Market Operator for the WESM comply with the WESM Rules and Market Manuals;</u></p> <p><u>b)</u> (b) Review <u>of</u> the calculations and allocations performed to determine energy for the settlement calculations in each trading point and for each Trading Participant, and the adequacy of the metering systems;</p> <p><u>c)</u> (c) Review <u>of</u> the calculations and allocations performed in the settlement process, and the adequacy and usefulness of the settlement systems;</p> <p><u>d)</u> (d) Review and assessment <u>of</u> the</p>			

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		adequacy and usefulness of the coordination arrangements and systems with the System Operator; (f) Review and assess the processes for software management and data protection; (g) Review that, in all the above matters, the Market Operator is in compliance with the WESM Rules and propose enhancements in processes to achieve best international practices; and (h) Except for the first audit, review the measures and actions taken by the Market	billing and settlement system; <u>e)</u> (e) Review and <u>assessment of</u> the procedures, processes and systems for generation scheduling and dispatch, including management of submission and validation of bids and offers as well as the adequacy and usefulness of the coordination arrangements and systems <u>of</u> with the System Operator; <u>f)</u> (f) —Review and <u>assessment of</u> the processes for software management and data protection; <u>g)</u> (g) —Review <u>of the</u> that, in all the above matters, Market Operator's is in			



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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		Operator in view of the findings and recommendations of the previous audit, and assess the adequacy and effective results of such measures and actions.	<p>compliance with the WESM Rules and <u>Market Manuals and</u> propose <u>as necessary, recommendations</u> for enhancements in processes to achieve best international practices; and</p> <p><u>h) Review of the market assessment system administered by the Market Assessment Group, and any procedures used by the Market Assessment Group in the collection, validation and processing of market monitoring data, and calculation of monitoring indices; and</u></p>			

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			i) (h) Except for the first audit, review <u>of</u> the measures and actions taken by the Market Operator in view of the findings and recommendations of the previous audit, and <u>assessment of</u> the adequacy and effective results of such measures and actions.			
Software of the Market Operator	10	Software of the Market Operator	5.3 40.— <u>Audit</u> of the Software of the Market Operator	Lifted from Section 10 of Issue 2.0	-	-
10.1 Objective	10.1.1	The Market Operator shall not implement a new software or associated system, or modify an existing software or its associated system for generation scheduling, dispatch or settlement or price calculation relevant to the WESM without –	5.3.1 40.1.1 The Market Operator shall not implement a new software or associated system, or modify an existing software or its associated system for generation scheduling, dispatch or settlement or price calculation relevant to the WESM without –	Lifted from Section 10.1.1 of Issue 2.0 PAC was added as recipient of prior notice to ensure that all new or modifications to software used for market operations are monitored and tracked for future audit.	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>(a) Prior notice to all WESM Members and the PEM Board; and</p> <p>(b) Undergoing the ICT Change Management Process.</p> <p>All new software or modifications to existing software implemented through the ICT Change Management Process shall be subject to post audit and/or certification within one year from deployment. The ICT Change Management process is instituted by the Market Operator to ensure proper and timely review, approval, and monitoring of all activities on all stages of the change management process.</p>	<p>a) (a) Prior notice to all WESM Members, <u>PEM Audit Committee,</u> and the PEM Board, <u>the DOE and the ERC;</u> and</p> <p>b) (b) Undergoing the ICT Change Management Process <u>instituted by the Market Operator in accordance to WESM Rules Clause 5.2.6.2.</u></p> <p>All new software or modifications to existing software implemented through the ICT Change Management Process shall be subject to post audit and/or certification within one year from deployment. The ICT Change Management process is instituted by the Market Operator to ensure proper</p>			



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			and timely review, approval, and monitoring of all activities on all stages of the change management process.			
10.1 Objective	10.1.1	The Market Operator shall not implement a new software or associated system, or modify an existing software or its associated system for generation scheduling, dispatch or settlement or price calculation relevant to the WESM without – (a) Prior notice to all WESM Members and the PEM Board; and (b) Undergoing the ICT Change Management Process.	5.3.2 10.1.1 The Market Operator shall not implement a new software or associated system, or modify an existing software or its associated system for generation scheduling, dispatch or settlement or price calculation relevant to the WESM without – (a) Prior notice to all WESM Members and the PEM Board; and Undergoing the ICT Change Management Process. All new software or modifications to existing	Lifted from last paragraph of Section 10.1.1 of Issue 2.0 The timing of the post audits on new or modified software shall be subject to the determination of the PAC in consideration of funds availability, market developments, and audit activities.	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		All new software or modifications to existing software implemented through the ICT Change Management Process shall be subject to post audit and/or certification within one year from deployment. The ICT Change Management process is instituted by the Market Operator to ensure proper and timely review, approval, and monitoring of all activities on all stages of the change management process.	software <u>shall be</u> implemented through the ICT Change Management Process and <u>shall be</u> subject to post audit and/or certification within one year from deployment. The ICT Change Management Process is instituted by the Market Operator to ensure proper and timely review, approval, and monitoring of all activities on all stages of the change management process.			
10.2 Software for the WESM	10.2.1	If the Market Operator wants to implement a new software for generation scheduling, dispatch, price calculation or settlement, or modify or replace an existing one, the Market Operator shall send a report to the PEM Auditor describing –	5.3.3 10.2.1 If the Market Operator wants to implement a new software for generation scheduling, dispatch, price calculation or settlement, or modify or replace an existing one, the Market Operator shall send a report to the PEM Audit Committee Auditor describing –	Lifted from Section 10..2.1 of Issue 2.0	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>(a) The software to be implemented (a new software) or the software to be modified;</p> <p>(b) If an existing software is going to be modified or replaced, a description of –</p> <p>(i) The reasons that justify the change, including any problem or shortfall identified in the existing software, if any;</p> <p>(ii) Expected improvements, particularly in relation to transparency, efficiency, data processing and response time;</p>	<p>a) (a) The software to be implemented (a new software) or the software to be modified;</p> <p>b) (b) If an existing software is going to be modified or replaced, a description of –</p> <p>i. (i) The reasons that justify the change, including any problem or shortfall identified in the existing software, if any;</p> <p>ii. (ii) Expected improvements, particularly in relation to transparency, efficiency, data processing and response time; and</p> <p>iii. (iii) The scope of the proposed modification or, if the existing</p>			

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>(iii) The scope of the proposed modification or, if the existing software is going to be replaced, the description of the new software and main differences with the existing one;</p> <p>(c) If a new software is going to be implemented, a description of -</p> <p>(i) The reasons that justify the new software, particularly the expected improvements in efficiency, data processing and response time;</p> <p>(ii) The description of the new software;</p>	<p>software is going to be replaced, the description of the new software and main differences with the existing one.</p> <p><u>c)-(e)</u> If a new software is going to be implemented, a description of -</p> <p><u>i.-(i)</u> The reasons that justify the new software, particularly the expected improvements in efficiency, data processing and response time;</p> <p><u>ii.-(ii)</u> The description of the new software;</p> <p><u>iii.-(iii)</u> The description of the tests performed and results that prove that the software has been sufficiently and adequately tested in trial mode, produces</p>			

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>(iii) The description of the tests performed and results that prove that the software has been sufficiently and adequately tested in trial mode, produces accurate results and is ready for implementation;</p> <p>(d) Findings and details thereof, proving that the modified or new software will be in full compliance with the WESM Rules.</p>	<p>accurate results and is ready for implementation; and</p> <p>iv. (d) Findings and details thereof, proving that the modified or new software will be in full compliance with the WESM Rules.</p>			
NEW	NEW	N/A	<p><u>5.3.4 As part of the software review, the following information shall be submitted to the PEM Audit Committee:</u></p> <p><u>a) list of all software that have been implemented and modified within</u></p>	This is to ensure that all software changes are reviewed	-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<u>the covered audit period; and</u> b) <u>documentation of all the tests performed and results that prove that the software has been sufficiently and adequately tested in trial mode, produces accurate results and is ready for implementation.</u>			
10.2 Software for the WESM	10.2.2	The PEM Auditor shall review the report of the Market Operator and may request clarifications and further information. In particular, the PEM Auditor may organize a meeting with the relevant staff of the Market Operator to discuss the characteristics, any limitation or potential problem, and other	5.3.5 <u>10.2.2</u> The PEM Audit Committee Auditor shall review the report of the Market Operator and may request clarifications and further information. In particular, the PEM Audit Committee Auditor may organize a meeting with the relevant staff of the Market Operator to discuss the characteristics, any	Lifted from Section 10.2.2 of Issue 2.0 with minor edits	-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		conditions of the software that may impact predictability, transparency or compliance with the WESM Rules.	limitation or potential problem, and other conditions of the software that may impact predictability, transparency or compliance with the WESM Rules.			
10.2 Software for the WESM	10.2.3	The review of the PEM Auditor shall encompass testing of the software to verify accuracy of results and compliance with all requirement and procedures established in the WESM Rules. The PEM Auditor shall request a series of test runs of the software to verify that it works properly, even in special conditions. Alternatively, the PEM Auditor may request the contracting of an external expert to test and certify the software.	5.3.6 10.2.3 The review of <u>the software of the Marker Operator</u> the PEM Auditor shall encompass <u>the</u> testing of the software to verify accuracy of results and compliance with all <u>the</u> requirements and procedures established in the WESM Rules. The <u>PEM Audit Committee</u> Auditor shall request a series of test runs of the software to verify that it works properly, even in special conditions. Alternatively, the PEM Audit Committee may request the contracting of an external	Lifted from Section 10.2.3 of Issue 2.0 with minor edits. The engagement of external experts through engagement of external auditors has already been mentioned in earlier parts of this manual and thus deleted in this section.	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
10.2 Software for the WESM	10.2.4	After finalizing the review and tests, as applicable, and based on the information gathered and, if an external expert was used, the report with the review and recommendations of the expert, the PEM Auditor shall prepare and submit to the Market Operator and the PEM Board a Software Review Report. The outcome of the review and recommendation shall indicate – (a) If the software is ready for implementation and in compliance with the WESM Rules and the objectives; or	expert to test and certify the software. 5.3.7 10.2.4 After finalizing the review and tests, as applicable and based on the information gathered and, if an external expert was used, the report with the review and recommendations of the expert, the PEM Audit Committee Auditor shall prepare and submit to the Market Operator and the PEM Board a Software Review Report. The outcome of the review and recommendation shall indicate – a) (a) If the software is ready for implementation and in compliance with the WESM Rules and the WESM objectives; or b) (b) Recommendations	Lifted from Section 10.2.4 of Issue 2.0 with revisions consistent with the above deleting the mention of external auditors.	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		(b) Recommendations on measures or changes prior to implementing the software, to ensure full compliance with the WESM Rules and its objectives.	on measures or changes prior to implementing the software, to ensure full compliance with the WESM Rules and the <u>WESM</u> objectives.			
10.4 Software for the WESM Members	10.4.3	Once the PEM Auditor considers that the software is accurate and ready for use, the PEM Auditor will prepare and submit to the Market Operator a Software Review Report approving the software, with copy thereof furnished to the PEM Board. The Market Operator shall publish the approval in the Market Information Website and advertise the new software or the change to the existing software when ready for use by WESM Members.	5.3.8-10.4.3 Once the PEM <u>Audit Committee</u> Auditor considers <u>determines</u> that the software is accurate and ready for use, the PEM <u>Audit Committee</u> Auditor will prepare and submit to the Market Operator a Software Review Report approving the software, with copy thereof furnished to the PEM Board. <u>For software ready for use by WESM Members,</u> the Market Operator shall publish the approval <u>of the new software or the change to the existing software</u> in the Market Information	Lifted from Section 10.4.3 with revisions	-	-



C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			Website and advertise the new software or the change to the existing software when ready for the information of use by the WESM Members.			
10.3 Settlement Software	10.3.2	In any dispute in relation to settlement calculations, a certificate of such auditor that the settlement software is consistent with the WESM Rules shall be evidence that the charges or payments shown in a settlement statement have been calculated by a method consistent with the WESM Rules.	5.3.9 10.3.2 In any dispute in relation to settlement calculations, a certificate The certification issued by the of such Independent Auditor that the settlement software is consistent with the WESM Rules shall be serve as evidence that the charges or payments shown in a settlement statement have been calculated by a method consistent with the WESM Rules.	Lifted from Section 10.3.2 of Issue 2.0	5.3.9 10.3.2 In any dispute in relation to settlement calculations, a certificate The certification issued by the of such auditor that the settlement software is consistent with the WESM Rules shall be serve as evidence that the charges or payments shown in a settlement statement have been calculated by a method consistent with the WESM Rules.	The auditors will not be limited to Independent Auditor, consistent with the proposed revisions in PEM Audit Manual.
11 Metering Review	11	Metering Review	5.4 11. Review of Metering Installations and Arrangements METERING REVIEW		-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
11.1 Metering Review	11.1.1	In accordance with the Grid Code, the Metering Services Providers have the responsibility to supply, install, connect, own, test, calibrate, place in service, operate, check, and maintain the metering system for settlement, ensuring the accuracy and traceability of calibration and test results. Additionally, each Metering Services Provider shall take all reasonable steps to prevent unauthorized interference with the metering equipment.	5.4.1 11.1.1 In accordance with the Philippine Grid Code and the Philippine Distribution Code , the Metering Services Providers, both in the WESM and the Retail Market , have the responsibility to supply, install, connect, own, test, calibrate, place in service, operate, check, and maintain the metering system for settlement, ensuring the accuracy and traceability of calibration and test results. Additionally, each Metering Services Provider shall take all reasonable steps to prevent unauthorized interference with the metering equipment.	Lifted from Section 11.1.1 of Issue 2.0 with revisions to include the Philippine Distribution Code as basis	-	-
11.1 Metering Review	11.1.2	As established in the Grid Code, a User shall have the right to request an audit of the settlement data related to its account and the right	5.4.2 11.1.2 As established in both the Philippine Grid Code and the Philippine Distribution Code , a User shall have the right to	Lifted from Section 11 of Issue 2.0 with revisions to include the Philippine	-	-



C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		to choose an independent third party qualified to perform the audit. In such cases, the System Operator, Metering Services Providers and Market Operator shall cooperate in the auditing process.	request an audit of the settlement data related to its account and the right to choose an independent third party qualified to perform the audit. In such cases, the System Operator, Metering Services Providers and Market Operator shall cooperate in the auditing process.	Distribution Code as basis		
11.2 Scope and Objectives	11.2.1	The general objective of the PEM Auditor metering review is to assess the adequacy of the metering standards and security systems and processes in the WESM.	<u>5.4.3</u> 11.2.1 The general objective of the PEM Auditor metering review <u>Review of Metering Installations and Arrangements</u> is to assess the adequacy of the metering standards and security systems and processes in the WESM <u>and in the Retail Market.</u>	The metering review is renamed Metering Arrangements Review (MAR) is renamed Review of Metering Installations and Arrangements to distinguish it from the MAR – the Market Assessment Report prepared by the MAG. The audit of metering arrangements in the Retail Market was also	-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
				included in this PEM Audit Manual.		
NEW	NEW	N/A	<u>5.4.4 The PEM Audit Committee in consultation with the Market Operator and Metering Service Providers (MSP) shall review the security arrangements and requirements of metering installations periodically or as often as necessary.</u>	The frequency of audit is in accordance with WESM Rules Clause 4.5.5.4.	<u>5.4.4 The PEM Audit Committee in consultation with the Market Operator and Metering Service Providers (MSP) shall review the security arrangements and requirements of metering installations.</u> <u>The PEM Audit Committee shall conduct periodic audits at least once at interval not exceeding three years from the last audit considering the results of past audits that indicate that the Metering Service Providers have demonstrated an acceptable level of maturity in its compliance</u>	Consistent with the DOE position, the proposed revisions aimed to define in the PEM Audit Manual the frequency of audit.

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
					<p>with the WESM rules and related standards.</p> <p>After the first three (3) audits of a particular system or process, the PAC may consider reducing the frequency of the periodic audits based on the Metering Service Providers' compliance maturity level. The PAC deems a system or process to be mature when it has consistently exhibit no or minimal audit findings for the past three (3) audits and whose impact do not pose significant operational, legal or market risks.</p>	
11.4 Audit of Metering Arrangement	11.4.1	When the annual metering arrangements review includes audits, as approved by the PEM	5.4.5 11.4.1 When the annual metering arrangements review includes audits, as	Lifted from Section 11.4.1 of Issue 2.0, with revisions	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
s and Compliance		<p>Board, the PEM Auditor, supported by the Technical Committee, shall conduct an audit regarding,</p> <p>(a) Compliance with requirements of metering installations;</p> <p>(b) Compliance with security arrangements associated to metering systems and processes; and</p> <p>(c) Adequacy of security arrangements by the</p>	<p>approved by the PEM Board, the <u>The PEM Audit Committee,</u> Auditor supported by the Technical Committee, shall conduct an audit regarding the following:</p> <p>a) (a) Compliance with the requirements of metering installations;</p> <p>b) (b) Compliance with the security arrangements associated to metering systems and processes; and</p> <p>c) (c) Adequacy of security arrangements by the Market Operator and work procedures by Metering Services Providers.</p>			

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		Market Operator and work procedures by Metering Services Providers.				
11.4 Audit of Metering Arrangements and Compliance	11.4.2	To audit compliance, the PEM Auditor shall select a sample of metering sites, where at least thirty percent (30%) of which shall correspond to the metering points with largest volume within the WESM, where metering errors or inadequacy can create the biggest impact and volume error in the WESM.	5.4.6 11.4.2 To audit compliance, the PEM Auditor shall select a sample of metering sites, where at least thirty percent (30%) of which shall correspond to the metering points with largest volume within the WESM, where metering errors or inadequacy can create the biggest impact and volume error in the WESM. <u>The PEM Audit Committee, Auditor in consultation with the Technical Committee,</u> shall select a sample of metering sites where at least thirty percent (30%) of which shall correspond to the metering points with largest volume within the WESM, where metering errors or inadequacy can create the biggest impact and volume error in the WESM.	Lifted from Section 11.4.2 with revisions to include the consultation of the PAC with the TC	-	-
(NEW)	(NEW)	N/A	5.5 Audit of the Central Registration Body		-	-
(NEW)	(NEW)	N/A	5.5.1 Each year, the PEM Audit Committee shall	Pursuant to WESM Rules Clause 1.4.3.1	5.5.1 The PEM Audit Committee shall conduct	Consistent with the DOE position, the



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<u>conduct an audit of the Central Registration Body (CRB) and its systems, processes and procedures and other matters relevant to the operation of the Central Registration Body.</u>		<u>an audit of the Central Registration Body (CRB) and its systems, processes and procedures and other matters relevant to the operation of the Central Registration Body.</u> <u>The PEM Audit Committee shall conduct periodic audits at least once at interval not exceeding three years from the last audit considering the results of past audits that indicate that the Central Registration Body has demonstrated an acceptable level of maturity in its compliance with the WESM rules and related standards.</u> <u>After the first three (3) audits of a particular</u>	proposed revisions aimed to define in the PEM Audit Manual the frequency of audit.



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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
					system or process, the PAC may consider reducing the frequency of the periodic audits based on the Central Registration Body's compliance maturity level. The PAC deems a system or process to be mature when it has consistently exhibit no or minimal audit findings for the past three (3) audits and whose impact do not pose significant operational, legal or market risks.	
		NEW	<p><u>5.5.2 The general objectives of the periodic audit of the Central Registration Body are to:</u></p> <p><u>a) Assess the procedures and working processes of the Central Registration Body;</u></p>	Patterned after Section 5.2.2 above applied to the audit of the Market Operator	<p><u>5.5.2 The general objectives of the audit of the Central Registration Body are to:</u></p> <p><u>a) Assess the procedures and working processes of the Central Registration Body;</u></p>	The frequency of audit is already provided in the proposed revisions in Section 5.5.1 above.



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<p><u>b) Assess the usefulness and appropriateness of the systems, data management and other procedures and working processes of the Central Registration Body to administer the Retail Market in order to:</u></p> <p><u>i. Identify appropriate steps and measures to help the Central Registration Body effectively and efficiently perform its responsibilities in time and form in accordance with the Retail Rules and its Market Manuals;</u></p> <p><u>ii. Review that the Central Registration Body's practices and work processes to ensure the necessary transparency,</u></p>		<p><u>b) Assess the usefulness and appropriateness of the systems, data management and other procedures and working processes of the Central Registration Body to administer the Retail Market in order to:</u></p> <p><u>i. Identify appropriate steps and measures to help the Central Registration Body effectively and efficiently perform its responsibilities in time and form in accordance with the Retail Rules and its Market Manuals;</u></p> <p><u>ii. Review that the Central Registration Body's practices and work processes to ensure the necessary</u></p>	

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<u>independence, predictability and non-discrimination, and compliance with the Retail Rules and best international practices; and</u> iii. <u>Assess if the systems, calculations, information flows and data management protect accuracy and quality of the data and results are non-discriminatory as well as evaluate if internal controls exist and are sufficient to guarantee security and confidentiality where appropriate.</u> c) <u>Review compliance by the Central Registration Body with the Retail Rules</u>		<u>transparency, independence, predictability and non-discrimination, and compliance with the Retail Rules and best international practices; and</u> iii. <u>Assess if the systems, calculations, information flows and data management protect accuracy and quality of the data and results are non-discriminatory as well as evaluate if internal controls exist and are sufficient to guarantee security and confidentiality where appropriate.</u> c) <u>Review compliance by the Central Registration Body</u>	

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<u>and its Market Manuals; and</u> <u>d) Recommend improvements in the retail market and the operation of the Central Registration Body, where necessary.</u>		<u>with the Retail Rules and its Market Manuals; and</u> <u>d) Recommend improvements in the retail market and the operation of the Central Registration Body, where necessary.</u>	
(NEW)	(NEW)		<u>5.5.3 The following criteria shall be used to assess the Central Registration Body:</u> <u>a) Clear accountability in the performance of the Central Registration Body's functions and responsibilities;</u> <u>b) Adequacy of trained staff to perform the assigned tasks and use the systems;</u>	The provision is similar to Section 5.2.3 above	-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<u>c) Efficiency of processes (e.g. time response);</u> <u>d) Accuracy of tasks (e.g. numbers of errors in settlement statements);</u> <u>e) Compliance with the Retail Rules and its Market Manuals;</u> <u>f) Alignment of processes with the Retail Rules and its Market Manuals; and</u> <u>g) Quality of the service measured in terms of frequency and level of complaints.</u>			
(NEW)	(NEW)		<u>5.5.4 In order to streamline the audit process and avoid unnecessary duplications, where possible, the PEM Audit Committee shall</u>	The provision is patterned after Section 5.2.4 above	-	-



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<u>coordinate with the Central Registration Body on the scope of the audit of the market.</u>			
(NEW)	(NEW)		<p><u>5.5.5 The PEM Audit Committee with the assistance of the Central Registration Body, shall prepare the standard terms of reference for the periodic audit of the Central Registration Body covering the general scope described in the previous paragraph. The standard terms of reference shall include the following tasks:</u></p> <p><u>a) Review of the systems, processes and procedures of the Central Registration Body and other matters relevant to the</u></p>	The provision is patterned after Section 5.2.5 above	<p><u>5.5.5 The PEM Audit Committee with the assistance of the Central Registration Body, shall prepare the standard terms of reference for the audit of the Central Registration Body covering the general scope described in the previous paragraph. The standard terms of reference shall include the following tasks:</u></p> <p><u>a) Review of the systems, processes and procedures of the Central Registration Body and other matters relevant to the operation of the</u></p>	The frequency of audit is already provided in the proposed revisions in Section 5.5.1 above.

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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<u>operation of the Central Registration Body and the performance of its functions as set out in the Retail Rules.</u> b) <u>Test and check any new items or new versions of market-related software used by the Central Registration Body or provided by the Central Registration Body for use by WESM Members.</u> c) <u>Review of the calculations and allocations performed to determine energy for the settlement calculations in each trading point and for each Trading Participant;</u>		<u>Central Registration Body and the performance of its functions as set out in the Retail Rules.</u> b) <u>Test and check any new items or new versions of market-related software used by the Central Registration Body or provided by the Central Registration Body for use by WESM Members.</u> c) <u>Review of the calculations and allocations performed to determine energy for the settlement calculations in each trading point and for each Trading Participant;</u>	



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<u>d) Review and assessment of the processes for software management and data protection; and</u> <u>e) Review of the Central Registration Body's compliance with the WESM Rules, Retail Rules and relevant Market Manuals and as necessary, recommendations for enhancements in processes to achieve best international practices.</u>		<u>d) Review and assessment of the processes for software management and data protection; and</u> <u>e) Review of the Central Registration Body's compliance with the WESM Rules, Retail Rules and relevant Market Manuals and as necessary, recommendations for enhancements in processes to achieve best international practices.</u>	
(NEW)	(NEW)		<u>5.6 Audit as Requested by the Enforcement and Compliance Office</u>		-	-
12 Compliance	12.1.2	In performing the ECO's functions in assessing or investigating an alleged	<u>5.6.1</u> 12.1.2 In performing the ECO's functions in assessing or investigating	Lifted from Sections 5.1.2 and 12.1.2 of Issue 2.0 with revisions	-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
With WESM Rules		breach pursuant to the Compliance and Enforcement Market Manual, the ECO may request the PEM Auditor to assess or audit a WESM Member, the System Operator or the Market Operator in relation to compliance with specific rules or standards or procedures in relation to generation scheduling, dispatch, bidding, prices and settlement, as established by the WESM Rules. The ECO shall inform the party or parties in alleged breach the matters that have been derived to the PEM Auditor for assessment or audit.	an alleged breach pursuant to the Compliance and Enforcement Market Manual. <u>If requested by the ECO or the Market Surveillance Committee</u> may request the PEM Auditor <u>Audit Committee</u> may to assess or audit a WESM Member, a Metering Services Provider, the System Operator or the Market Operator in relation to compliance with specific rules or standards or procedures in relation to generation scheduling, dispatch, bidding, prices and settlement, as established by the WESM Rules. The ECO shall inform the party or parties <u>to be audited</u> in alleged breach <u>on the conduct of an audit and the specific type of audit to be conducted, the facilities, processes, systems or</u>			



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<u>information to be audited.</u> the matters that have been derived to the PEM Auditor for assessment or audit.			
5.1 Types of Audit	5.1.2	If requested by the ECO in the course of an assessment or investigation of an alleged breach, the PEM Auditor may conduct specific audits of: (a) WESM Members' facilities, processes and/or information provided to the Market Operator; or (b) Specific systems and processes in the System Operator; or (c) Specific systems and processes in the Market Operator in relation to generation scheduling,	<u>5.6.2</u> 5.1.2 If requested by the ECO in the course of an assessment or investigation of an alleged breach, the <u>The PEM Auditor Audit Committee</u> may conduct specific audits of: <u>a)</u> (a) WESM Members' facilities, processes and/or information provided to the Market Operator/ <u>Central Registration Body</u> ; or <u>b)</u> (b) Specific systems and processes <u>of</u> in the System Operator/ <u>Central Registration Body</u> ; or <u>c)</u> (c) Specific systems and processes <u>of</u> in the	Section 5.1.2 of Issue 2.0 with revisions was transferred this section , with revisions.	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		constraints, bids and offers, dispatch, price calculation and settlement. The ECO will inform the party to be audited via email that the PEM Auditor will be conducting an audit and the specific type of audit, facilities, processes, systems or information to be audited.	Market Operator/ <u>Central Registration Body</u> in relation to generation scheduling, constraints, bids and offers, dispatch, price calculation and settlement.			
12 Compliance With WESM Rules	12.1.3	When the investigation of an alleged breach has been referred to the MSC, the MSC may recommend an audit by the PEM Auditor. In such case, the ECO shall request and coordinate with the PEM Auditor the required audit, as established in the previous paragraph.	5.6.3 12.1.3 When the investigation of an alleged breach has been referred to the MSC, the MSC may recommend an audit by the PEM Auditor. In such case, the ECO shall request and coordinate with the PEM Audit Committee Auditor on the required audit, as established in the previous paragraph.	Lifted from Section 12.1.3 of Issue 2.0 with revisions	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
12 Compliance With WESM Rules	12.1.4	Under confidentiality obligation, the ECO shall provide the PEM Auditor all the required information and data to assess the alleged breach or to identify the details to be audited.	5.6.4 12.1.4 Under confidentiality obligation, the ECO shall provide the PEM Audit Committee Auditor all the required information and data to assess the alleged breach or to identify the details to be audited.	Lifted from Section 12.1.4 of Issue 2.0 with minor revisions	-	-
12 Compliance With WESM Rules	12.1.5	The party in alleged breach has the obligation to cooperate with the PEM Auditor in the assessment or audit process, providing all the relevant data and other information requested by the PEM Auditor and allowing the necessary tests and audits.	5.6.5 12.1.5 The party in alleged breach has the obligation to cooperate with the PEM Audit Committee Auditor in the assessment or audit process, providing all the relevant data and other information requested by the PEM Audit Committee Auditor and allowing the necessary tests and audits.	Lifted from Section 12.1.5 of Issue 2.0 with minor revisions	-	-
12 Compliance With WESM Rules	12.1.3	In case the party objects to submitting the data or information requested by the PEM Auditor, the PEM Auditor shall request the MSC to request such data	5.6.6 12.1.6 In case the party being audited objects to submitting the data or information requested by the PEM Audit Committee , Auditor	Lifted from Section 12.1.6 of Issue 2.0 with minor revisions	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		and information, and the MSC then shall provide it to the PEM Auditor within the established confidentiality provisions. If the party does not provide the data and information requested to the MSC, it shall be considered a breach to the WESM Rules.	the PEM Audit Committee Auditor shall ask request the MSC to request such data and information, and the MSC then shall then provide it to the PEM Audit Committee Auditor within the established confidentiality provisions. If the party does not provide the data and information requested by to the MSC, it shall be considered a breach of to the WESM Rules.			
12 Compliance With WESM Rules	12.1.3	In all cases, the party is obliged to allow and facilitate the tests and audits requested by the PEM Auditor, provided that the PEM Auditor shall give an advance notice of not less than five (5) business days for any test or audit required, including a description of the scope and details of the test and audit. Not allowing the test	5.6.7 12.1.7 In all cases, the party is obliged to allow and facilitate the tests and audits requested by the PEM Audit Committee Auditor , provided that the PEM Audit Committee Auditor shall give an advance notice of not less than fifteen (15) five (5) business days for any test or audit required, including a description of the scope	Lifted from Section 12.1.7 of Issue 2.0 with minor revisions	-	-



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		or audits requested by the PEM Auditor shall be considered a breach.	and details of the test and audit. Not allowing the test or audits requested by the PEM Audit Committee Auditor shall be considered a breach.			
		5.1.2 If requested by the ECO in the course of an assessment or investigation of an alleged breach, the PEM Auditor may conduct specific audits of: (a) WESM Members' facilities, processes and/or information provided to the Market Operator; or (b) Specific systems and processes in the System Operator; or (c) Specific systems and processes in the Market Operator in relation to generation scheduling,	5.1.2 If requested by the ECO in the course of an assessment or investigation of an alleged breach, the PEM Auditor may conduct specific audits of: (a) WESM Members' facilities, processes and/or information provided to the Market Operator; or (b) Specific systems and processes in the System Operator; or (c) Specific systems and processes in the Market Operator in relation to generation scheduling, constraints, bids and offers, dispatch, price	Deleted. This provision was included under Section 5.6.2	-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		constraints, bids and offers, dispatch, price calculation and settlement. The ECO will inform the party to be audited via email that the PEM Auditor will be conducting an audit and the specific type of audit, facilities, processes, systems or information to be audited.	calculation and settlement. The ECO will inform the party to be audited via email that the PEM Auditor will be conducting an audit and the specific type of audit, facilities, processes, systems or information to be audited.			
		5.1.3 On technical matters related to the WESM Rules, the PEM Auditor shall use, whenever possible and adequate, members of the Technical Committee as auditors.	5.1.3 On technical matters related to the WESM Rules, the PEM Auditor shall use, whenever possible and adequate, members of the Technical Committee as auditors.	Deleted, This provision was already included under Section 4.1.2	-	-
		5.2 Audit Process 5.2.1 The PEM Auditor shall comply with the following steps when commencing and conducting an audit: (a) The PEM Auditor will inform the party to be	5.8 5.2 Audit Process 5.8.1 5.2.1 The PEM Auditor Audit Committee shall comply with the following steps when commencing and conducting an audit:	Lifted from Section 5.2.1 with revisions	5.7 5.2 Audit Process 5.7.1 5.2.1 The PEM Auditor Audit Committee shall comply with the following steps when commencing and conducting an audit:	Numbering correction

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>audited at least five (5) business days ahead of the proposed date to initiate the audit. In this notification, the PEM Auditor will describe;</p> <p>(i) The criteria, standard, rules or requirements the PEM Auditor will assess during the audit;</p> <p>(ii) The length of time that the PEM Auditor reasonably believes will be required for the audit;</p> <p>(iii) The information and data required, together with the format and deadlines for providing it to the PEM Auditor.</p>	<p>(a) The <u>PEM Auditor shall</u> will inform the party to be audited at least <u>fifteen (15)</u> five (5) business days ahead of the proposed date <u>of the audit.</u> to initiate the audit. In this notification, the PEM Auditor will describe <u>the following information will also be included:</u></p> <p><u>a).</u> (i) The criteria, standards, rules or requirements <u>that the</u> PEM Auditor will <u>be</u> assessed during the audit;</p> <p><u>b).</u> (ii) The length of time that the PEM <u>Audit Committee</u> Auditor reasonably</p>		<p>(a) The <u>PEM Auditor shall</u> will inform the party to be audited at least <u>fifteen (15)</u> five (5) business days ahead of the proposed date <u>of the audit.</u> to initiate the audit. In this notification, the PEM Auditor will describe <u>the following information will also be included:</u></p> <p><u>a).</u> (i) The criteria, standards, rules or requirements <u>that the</u> PEM Auditor will <u>be</u> assessed during the audit;</p> <p><u>b).</u> (ii) The length of time that the PEM <u>Audit Committee</u> Auditor reasonably</p>	

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		(b) As necessary, the PEM Auditor may designate a field auditor, from the Technical Committee or an external expert auditor(s) in accordance with this Manual. In such case, the PEM Auditor will inform the name of the designated auditor(s) to the party to be audited.	believes will be required for the audit; <u>c) (iii) The information and data required, together with the format and deadlines for <u>its submission</u>; and providing it to the PEM Auditor</u> <u>(b) iv The names of the auditors who shall be conducting the audit .As necessary, the PEM Auditor may designate a field auditor, from the Technical Committee or an external expert auditor(s) in accordance with this Manual. In such case, the</u>		believes will be required for the audit; <u>c) (iii) The information and data required, together with the format and deadlines for <u>its submission</u>; and providing it to the PEM Auditor</u> <u>(b) iv The names of the auditors who shall be conducting the audit .As necessary, the PEM Auditor may designate a field auditor, from the Technical Committee or an external expert auditor(s) in accordance with this Manual. In such case, the</u>	

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			PEM Auditor will inform the name of the designated auditor(s) to the party to be audited.			
		5.3 Audit Results	5.3 Audit Results		-	-
		5.3.1 The PEM Auditor or the designated auditor(s), as applicable, shall carry out the tests, collection of data and other information, review of documents, processes and other adequate arrangements to assess and verify the standards, requirements and compliance with the WESM Rules, as applicable.	5.8.2 5.3.1__The PEM Audit Committee Auditor through or—the its designated Independent Auditor(s) shall carry out the tests, collection of data and other information, review of documents, processes and other adequate arrangements to assess and verify the standards, requirements and compliance with the WESM Rules, Retail Rules and its Market Manuals as applicable.	Lifted from Section 5.3.1 Issue 2, with revisions	5.7.2 5.3.1__The PEM Audit Committee Auditor through or—the its designated auditor(s), as applicable, shall carry out the tests, collection of data and other information, review of documents, processes and other adequate arrangements to assess and verify the standards, requirements and compliance with the WESM Rules, Retail Rules and its Market Manuals as applicable.	The auditors will not be limited to external experts, consistent with the proposed revisions in PEM Audit Manual. Numbering correction
6.1 Field Auditors	6.1.1	The PEM Auditor may assign staff from the Technical Committee or	5.8.3 6.1.1 —The PEM Auditor may assign staff from—the Technical	Lifted from Section 6.1.1 of Issue 2 as revised	5.7.3 6.1.1 —The PEM Auditor may assign staff from—the Technical	Numbering correction

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		independent experts, with extensive background on the matters to be audited, for field audits of facilities or systems. In addition to technical tests and verifications, the field audit may include review of working processes and compliance of such processes by the relevant staff.	Committee or independent experts, with extensive background on matters to be audited for <u>As necessary, field audits of facilities or systems shall be undertaken, which may include</u> In addition to technical tests and verifications and review of working processes and compliance of such processes by relevant staff.		Committee or independent experts, with extensive background on matters to be audited for <u>As necessary, field audits of facilities or systems shall be undertaken, which may include</u> In addition to technical tests and verifications and review of working processes and compliance of such processes by relevant staff.	
6.2 Field Audit Methodology	6.2.1	The field audit process shall comply with the following steps: (a) The field auditor shall be advised by the PEM Auditor of the sites and facilities to be audited, the scope of the audit, details of the tests and results to be obtained.	<u>5.8.4</u> 6.2.4 The field audit shall comply with the following steps: <u>a)</u> (a) The field auditor shall be advised by the <u>PEM Audit Committee shall advise the auditor</u> of the facilities to be audited, the scope of the audit, the details of the tests <u>to be conducted</u> and results to be obtained;	Lifted from Section 6.2.1 of Issue 2 as revised	<u>5.7.4</u> 6.2.4 The field audit shall comply with the following steps: <u>a)</u> (a) The field auditor shall be advised by the <u>PEM Audit Committee shall advise the auditor</u> of the facilities to be audited, the scope of the audit, the details of the tests <u>to be conducted</u> and results to be obtained;	Numbering correction

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>(b) The party to be audited (the one who is responsible for the facilities to be audited) shall be informed of the audit and the name of the field auditor by the PEM Auditor at least five (5) business days prior to the initiation of the audit.</p> <p>(c) The field auditor shall contact the party to be audited and inform both the party to be audited and the PEM Auditor of the proposed timetable and work plan. The party to be audited may request changes to the timetable for valid reasons, but in no case cause a delay</p>	<p><u>b) (b) The PEM Audit Committee shall inform</u> the party to be audited <u>(the one who is responsible for the facilities to be audited)</u> shall be informed of the audit and the name of the field auditor by the PEM Auditor at least fifteen (15) five (5) days prior to the <u>schedule</u> initiation of the audit;</p> <p><u>c) (c) The field auditor shall</u> contact the party to be audited and inform both the party to be audited and the PEM <u>Audit Committee</u> Auditor of the proposed timetable and work plan. The party to be audited may request changes to the timetable for valid reasons, but in no case cause a delay greater than five (5) business days to the audit.;</p>		<p><u>b) (b) The PEM Audit Committee shall inform</u> the party to be audited <u>(the one who is responsible for the facilities to be audited)</u> shall be informed of the audit and the name of the field auditor by the PEM Auditor at least fifteen (15) five (5) days prior to the <u>schedule</u> initiation of the audit;</p> <p><u>c) (c) The field auditor shall</u> contact the party to be audited and inform both the party to be audited and the PEM <u>Audit Committee</u> Auditor of the proposed timetable and work plan. The party to be audited may request changes to the timetable for valid reasons, but in no case cause a delay greater than five (5) business days to the audit.;</p>	



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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>greater than five (5) business days to the audit.</p> <p>(d) The field auditor and the party to be audited shall meet in an office to review drawings, data sheets and any security or safety issues.</p> <p>(e) The field auditor shall visit the site and perform the planned tests on facilities and/or collect the required data. Staff of the party audited may be present.</p> <p>(f) The field auditor may ask for the PEM Auditor to request data and other information from the</p>	<p>(d) The field auditor and the party to be audited shall meet in an office to review drawing, data sheets and any security or safety issues.</p> <p>d) (e) The field auditor shall visit the site and perform the planned tests on facilities and or collect the required data. Staff of the party may be audited;</p> <p>e) (f) The field auditor may ask the PEM <u>Audit Committee</u> Auditor to request data and other information from the System Operator and the Market Operator as applicable, to compare the data obtained in the tests or audits from the data submitted to the System Operator or the Market Operator by the party audited;</p> <p>f) (g) The field auditor shall conduct and end of audit</p>		<p>(d) The field auditor and the party to be audited shall meet in an office to review drawing, data sheets and any security or safety issues.</p> <p>d) (e) The field auditor shall visit the site and perform the planned tests on facilities and or collect the required data. Staff of the party may be audited;</p> <p>e) (f) The field auditor may ask the PEM <u>Audit Committee</u> Auditor to request data and other information from the System Operator and the Market Operator as applicable, to compare the data obtained in the tests or audits from the data submitted to the System Operator or the Market Operator by the party audited;</p> <p>h) (g) The field auditor shall conduct and end of audit</p>	

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>System Operator and the Market Operator, as applicable, to compare the data obtained in the tests or audits from the data submitted to the System Operator or the Market Operator by the party audited.</p> <p>(g) The field auditor shall conduct an end of audit meeting with the party audited, to explain the first preliminary audit findings.</p> <p>(h) The field auditor shall submit its report to the PEM Auditor.</p>	<p>meeting with the party audited to explain the first preliminary findings; <u>and</u> <u>g)</u> (h) The field auditor shall submit is report to the PEM <u>Audit Committee</u> Auditor.</p>		<p>meeting with the party audited to explain the first preliminary findings; <u>and</u> <u>(h)</u> The field auditor shall submit is report to the PEM <u>Audit Committee</u> Auditor.</p>	
(NEW)	(NEW)		<u>5.8.5 The PEM Audit Committee shall review the report and recommendations</u>		<u>5.7.5 The PEM Audit Committee shall review the report and recommendations</u>	The auditors will not be limited to Independent Auditor, consistent with the proposed

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<u>submitted by the Independent Auditor, and send the same to the Auditees for comment.</u>		<u>submitted by the auditor, and send the same to the Auditees for comment.</u>	revisions in PEM Audit Manual. Numbering correction
(NEW)	(NEW)		<u>5.8.6 The Auditees shall review the draft final report, and provide comments or request clarifications, as necessary. The PEM Audit Committee shall review the comments and observations received from the Auditees and facilitate revisions on the draft final report, as applicable.</u>		<u>5.7.6 The Auditees shall review the draft final report, and provide comments or request clarifications, as necessary. The PEM Audit Committee shall review the comments and observations received from the Auditees and facilitate revisions on the draft final report, as applicable.</u>	Numbering correction
5.3 Audit Results	5.3	Audit Results	<u>5.9</u> 5-3 Audit Results		<u>5.8</u> 5-3 Audit Results	-
5.3 Audit Results	5.3.2	5.3.2 The PEM Auditor or the designated auditor(s), as applicable, shall prepare an Audit Report with the audit results, identifying and describing the following: (a) Main findings;	<u>5.9.1-5.3.2</u> The PEM Auditor <u>Audit Committee</u> or the <u>its</u> designated <u>Independent</u> Auditor(s), as applicable, shall prepare an Audit Report with the audit results, identifying		<u>5.8.1-5.3.2</u> The PEM Auditor <u>Audit Committee</u> or the <u>its</u> designated <u>auditor(s)</u> , as applicable, shall prepare an Audit Report with the audit	The auditors will not be limited to Independent Auditor, consistent with the proposed revisions in PEM Audit Manual.

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>(b) Conditions that correspond to non compliance: For each condition in non compliance, it shall differentiate the level of non-compliance as follows:</p> <p>(i) Critical non-compliance: A non-compliance which results in failure to provide services or results in time, or to calculate information in accordance to the WESM Rules, or to provide data in the format and/or to the accuracy required, and which results in a breach.</p> <p>(ii) Major non-compliance: An occurrence,</p>	<p>and describing the following:</p> <p>a) (a) Main findings;</p> <p>b) (b) Conditions that correspond to non-compliance. For each condition in non compliance, it shall differentiate the level of non-compliance as follows:</p> <p>(i) Critical non-compliance: A non-compliance which results in failure to provide services or results in time, or to calculate information in accordance to the WESM Rules, or to provide data in the format and/or to the accuracy required, and</p>		<p>results, identifying and describing the following:</p> <p>xx</p>	Numbering correction

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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>practice or deficiency in a system or process, which has the potential to escalate to a level at which it would become a critical non-compliance.</p> <p>(iii) Incidental non-compliance: A condition or situation that does not qualify as critical or major, and which typically is associated with a lack of attention to detail, or lack of adequate staff training that leads to unnecessary mistakes.</p>	<p>which results in a breach.</p> <p>(ii) Major non-compliance: An occurrence, practice or deficiency in a system or process, which has the potential to escalate to a level at which it would become a critical non-compliance.</p> <p>(iii) Incidental non-compliance: A condition or situation that does not qualify as critical or major, and which typically is associated with a lack of attention to detail, or lack of adequate staff training that</p>			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>(c) Practices or processes or systems that should be enhanced, describing the recommended enhancements; and</p> <p>(d) Other recommendations to solve or address problems or non-compliance, or other issues such as quality control, best practices and staff adequacy.</p>	<p>leads to unnecessary mistakes.</p> <p>f) (c) Practices or processes or systems that should be enhanced, describing the recommended enhancements; and</p> <p>g) <u>Recommendations for rules change if necessary; and</u></p> <p>h) (d) Other recommendations to solve or address problems or non-compliance, or other issues</p>			



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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			such as quality control, best practices and staff adequacy.			
5.3 Audit Results	5.3.3	5.3.3 At the end of an audit, any designated auditor shall send its Audit Report to the PEM Auditor. If the audit involves more than one auditor, the PEM Auditor shall prepare a consolidated Audit Report summarizing the combined findings and recommendations of the auditors together with its own views and recommendations, when applicable.	5.9.2 5.3.3 <u>The Independent Auditor shall submit all deliverables and</u> At the end of an audit, any designated auditor shall send its Audit Report to the PEM Auditor <u>Audit Committee for review and acceptance.</u> If the audit involves more than one auditor, the PEM Auditor shall prepare a consolidated Audit Report summarizing the combined findings and recommendations of the auditors together with its own views and recommendations, when applicable.		5.8.2 5.3.3 <u>The auditor shall submit all deliverables and</u> At the end of an audit, any designated auditor shall send its Audit Report to the PEM Auditor <u>Audit Committee for review and acceptance.</u> If the audit involves more than one auditor, the PEM Auditor shall prepare a consolidated Audit Report summarizing the combined findings and recommendations of the auditors together with its own views and recommendations, when applicable.	The auditors will not be limited to Independent Auditor, consistent with the proposed revisions in PEM Audit Manual. Numbering correction
		5.3.4 At the end of the audit, the PEM Auditor shall	5.9.3 5.3.4 At the end of the audit, <u>as applicable,</u>		5.8.3 5.3.4 At the end of the audit, <u>as applicable,</u>	Numbering correction

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		send to the entity that requested the audit the Audit Report with the audit findings, recommendation and proposed actions including the period within which the entity will comply with the Audit Report. The PEM Auditor shall also send copy of the report to the party audited.	the PEM <u>Audit Committee Auditor</u> shall send to the entity that requested the audit the Audit Report, with the audit findings, recommendations and proposed actions. including the period within which the entity will comply with the Audit Report. The PEM <u>Audit Committee Auditor</u> shall also send copy of the report to the party audited.		the PEM <u>Audit Committee Auditor</u> shall send to the entity that requested the audit the Audit Report, with the audit findings, recommendations and proposed actions. including the period within which the entity will comply with the Audit Report. The PEM <u>Audit Committee Auditor</u> shall also send copy of the report to the party audited.	
5.4 Audit Cost	5.4.1	5.4 Audit Cost 5.4.1 The Market Operator shall pay the cost of the periodic market audits and software audits of the Market Operator.	5.10 5.4 Audit Cost <u>5.10.1</u> 5.4.1 <u>PEMC shall shoulder the</u> The Market Operator shall pay the cost of the periodic audits <u>conducted by the PEM Audit Committee.</u> and software audits of the Market Operator.		5.9 5.4 Audit Cost <u>5.9.1</u> 5.4.1 <u>PEMC shall shoulder the</u> The Market Operator shall pay the cost of the periodic audits <u>conducted by the PEM Audit Committee.</u> and software audits of the Market Operator.	Numbering correction
5.4 Audit Cost	5.4.2	5.4.2 The cost of a special audit shall be paid by the party that requested the audit, unless the audit was	5.10.2 5.4.2 The cost of a special audit shall be paid by the party that requested the audit, unless the audit		5.9.2 5.4.2 The cost of a special audit shall be paid by the party that requested the audit, unless the audit	Numbering correction

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		requested to verify compliance and the audit findings show non-compliance, in which case the party or parties in non-compliance shall pay the cost of the audit.	was requested to verify compliance and the audit findings show non-compliance, in which case the party or parties in non-compliance shall pay the cost of the audit.		was requested to verify compliance and the audit findings show non-compliance, in which case the party or parties in non-compliance shall pay the cost of the audit.	
Field Audits	6	6.1 Field Auditors	6.1 Field Auditors	Proposed to be deleted – field audits have been included in the Section on Audit Process	-	-
Field Audits	6.1.1	6.1.1 The PEM Auditor may assign staff from the Technical Committee or independent experts, with extensive background on the matters to be audited, for field audits of facilities or systems. In addition to technical tests and verifications, the field audit may include review of working processes and compliance of such processes by the relevant staff.	6.1.1 The PEM Auditor may assign staff from the Technical Committee or independent experts, with extensive background on the matters to be audited, for field audits of facilities or systems. In addition to technical tests and verifications, the field audit may include review of working processes and compliance of such processes by the relevant staff.	Proposed to be deleted – field audits have been included under 5.8.3	-	-



C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
Field Audits	6.1.2	6.1.2 Each designated field auditor shall prepare and send to the PEM Auditor a formal audit report.	6.1.2 Each designated field auditor shall prepare and send to the PEM Auditor a formal audit report.	Proposed to be deleted – field audits are covered in the portion on Audit Process	-	-
Field Audits	6.1.3	6.1.3 To help facilitate a consistent approach to reporting by different field auditors and between different audit cycles, the PEM Auditor shall prepare a standard format for reporting by field auditors on specific audits.	6.1.3 To help facilitate a consistent approach to reporting by different field auditors and between different audit cycles, the PEM Auditor shall prepare a standard format for reporting by field auditors on specific audits.	Proposed to be deleted	-	-
Field Audits	6.1.4	6.1.4 The PEM Auditor shall prepare a consolidated Field Audit Report and submit it to the PEM Board, with an Executive Summary summarizing the main outcomes and findings of the different field audits, the level and statistics of non-compliance, and the recommendations.	6.1.4 The PEM Auditor shall prepare a consolidated Field Audit Report and submit it to the PEM Board, with an Executive Summary summarizing the main outcomes and findings of the different field audits, the level and statistics of non-compliance, and the recommendations.	Proposed to be deleted – already included under Section 5.8.4	-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		6.2 Field Audit Methodology	6.2 Field Audit Methodology	Proposed to be deleted – field audits are part of section on Audit process , Section 5.8	-	-
		6.2.1 The field audit process shall comply with the following steps: (a) The field auditor shall be advised by the PEM Auditor of the sites and facilities to be audited, the scope of the audit, details of the tests and results to be obtained. (b) The party to be audited (the one who is responsible for the facilities to be audited) shall be informed of the audit and the name of the field auditor by the PEM Auditor at least five (5) business days prior to the initiation of the audit.	6.2.1 The field audit process shall comply with the following steps: (a) The field auditor shall be advised by the PEM Auditor of the sites and facilities to be audited, the scope of the audit, details of the tests and results to be obtained. (b) The party to be audited (the one who is responsible for the facilities to be audited) shall be informed of the audit and the name of the field auditor by the PEM Auditor at least five (5) business days prior to the initiation of the audit. (c) The field auditor shall contact the party to be audited and inform	Proposed to be deleted – field audits are covered the Section on Audit Process – Section 5.8.4	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>(c) The field auditor shall contact the party to be audited and inform both the party to be audited and the PEM Auditor of the proposed timetable and work plan. The party to be audited may request changes to the timetable for valid reasons, but in no case cause a delay greater than five (5) business days to the audit.</p> <p>(d) The field auditor and the party to be audited shall meet in an office to review drawings, data sheets and any security or safety issues.</p> <p>(e) The field auditor shall visit the site and perform the planned</p>	<p>both the party to be audited and the PEM Auditor of the proposed timetable and work plan. The party to be audited may request changes to the timetable for valid reasons, but in no case cause a delay greater than five (5) business days to the audit.</p> <p>(d) The field auditor and the party to be audited shall meet in an office to review drawings, data sheets and any security or safety issues.</p> <p>(e) The field auditor shall visit the site and perform the planned tests on facilities and/or collect the required data. Staff of</p>			



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>tests on facilities and/or collect the required data. Staff of the party audited may be present.</p> <p>(f) The field auditor may ask for the PEM Auditor to request data and other information from the System Operator and the Market Operator, as applicable, to compare the data obtained in the tests or audits from the data submitted to the System Operator or the Market Operator by the party audited.</p> <p>(g) The field auditor shall conduct an end of audit meeting with the party audited, to explain the first</p>	<p>the party audited may be present.</p> <p>(f) The field auditor may ask for the PEM Auditor to request data and other information from the System Operator and the Market Operator, as applicable, to compare the data obtained in the tests or audits from the data submitted to the System Operator or the Market Operator by the party audited.</p> <p>(g) The field auditor shall conduct an end of audit meeting with the party audited, to explain the first preliminary audit findings.</p>			

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		preliminary audit findings.	(h) The field auditor shall submit its report to the PEM Auditor.			
		(h) The field auditor shall submit its report to the PEM Auditor.				
Market Audit	7	Market Audit	Market Audit		-	-
		7.1 General Characteristics	7.1 General Characteristics		-	-
		7.1.1 Audits of the spot market and the Market Operator shall be conducted or supervised and coordinated by the PEM Auditor.	7.1.1 Audits of the spot market and the Market Operator shall be conducted or supervised and coordinated by the PEM Auditor.	The responsibility of the PEM Audit Committee to supervise the audits was already included in Section 5.1.1	-	-
		7.1.2 Each spot market and Market Operator audit should include the following: (a) Terms of reference with a list of tasks, covering the processes, information and systems to be audited; (b) An audit process within a specified timeframe;	7.1.2 Each spot market and Market Operator audit should include the following: (a) Terms of reference with a list of tasks, covering the processes, information and systems to be audited; (b) An audit process within a specified timeframe;	Transferred to 5.1.2	-	-



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		(c) An audit report, describing (i) The audit process; (ii) Main findings, highlighting areas where there are non-compliance with the WESM Rules; and (iii) Conclusions and recommendations.	(c) An audit report, describing (i) The audit process; (ii) Main findings, highlighting areas where there are non-compliance with the WESM Rules; and (iii) Conclusions and recommendations.			
		7.1.3 The following criteria shall be used to assess the spot market and the Market Operator: (a) Clear accountability for performance of Market Operator functions and responsibilities; (b) Adequacy - in terms of number and training of staff - to perform assigned tasks and systems used; (c) Efficiency of processes (e.g. time response); (d) Accuracy of tasks (e.g. numbers of errors in	7.1.3 The following criteria shall be used to assess the spot market and the Market Operator: (a) Clear accountability for performance of Market Operator functions and responsibilities; (b) Adequacy - in terms of number and training of staff - to perform assigned tasks and systems used;	Transferred to Section 5.2.3 with revisions	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		settlement statements); (e) Compliance with the WESM Rules; (f) Degree to which processes are in alignment with the WESM Rules and its Market Manuals; and (g) Quality of the service measured in frequency and level of complaints and disputes.	(c) Efficiency of processes (e.g. time response); (d) Accuracy of tasks (e.g. numbers of errors in settlement statements); (e) Compliance with the WESM Rules; (f) Degree to which processes are in alignment with the WESM Rules and its Market Manuals; and (g) Quality of the service measured in frequency and level of complaints and disputes.			
		7.1.4 In order to streamline the audit process and avoid unnecessary duplications, where possible – (a) The PEM Auditor and the Market Operator shall agree an annual	7.1.4 In order to streamline the audit process and avoid unnecessary duplications, where possible – (a) The PEM Auditor and the Market Operator shall agree an annual	Transferred to Section 5.2.4 with revisions	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		audit of the spot market; and (b) The spot market audit and the annual Market Operator audit shall be conducted together under the supervision and responsibility of the PEM Auditor.	audit of the spot market; and (b) The spot market audit and the annual Market Operator audit shall be conducted together under the supervision and responsibility of the PEM Auditor.			
		7.2 Annual Audit of the Spot Market and the Market Operator	7.2 Annual Audit of the Spot Market and the Market Operator	Transferred to Section 5.2.2		
		7.2.1 Each year and not later than the end of October, the PEM Auditor shall conduct an audit of the spot market, including settlement of the markets administered by the Market Operator, generation scheduling, dispatch, price calculation, and any procedures and working processes used by the Market Operator in	7.2.1 Each year and not later than the end of October, the PEM Auditor shall conduct an audit of the spot market, including settlement of the markets administered by the Market Operator, generation scheduling, dispatch, price calculation, and any procedures and working processes used by the Market Operator in	Transferred to Section 5.2.1 with revisions	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		performing those functions in the WESM.	performing those functions in the WESM.			
		7.2.2 The general objectives of the annual audit of the spot market and the Market Operator are to: (a) Assess procedures and working processes in the Market Operator; (b) Assess the usefulness and appropriateness of systems settlement system, data management and other procedures and working processes used by the Market Operator to administer the WESM, in order to: (i) Identify appropriate steps and measures to help the Market Operator	7.2.2 The general objectives of the annual audit of the spot market and the Market Operator are to: (a) Assess procedures and working processes in the Market Operator; (b) Assess the usefulness and appropriateness of systems settlement system, data management and other procedures and working processes used by the Market Operator to administer the WESM, in order to: (i) Identify appropriate steps and measures to help the Market Operator effectively and efficiently perform its responsibilities in time and form in	Transferred to Section 5.2.2 with revisions	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		effectively and efficiently perform its responsibilities in time and form in accordance with the WESM Rules; (ii) Review that the Market Operator practices and work processes ensure the necessary transparency, independence, predictability and non-discrimination, and are in compliance with the WESM Rules and best international practices; and (iii) Assess if the systems, calculations, information flows and data management protect accuracy and	accordance with the WESM Rules; (ii) Review that the Market Operator practices and work processes ensure the necessary transparency, independence, predictability and non-discrimination, and are in compliance with the WESM Rules and best international practices; and (iii) Assess if the systems, calculations, information flows and data management protect accuracy and			

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>quality of the data and results in generation scheduling, dispatch, prices and settlement, as well as if internal controls exist and are sufficient to guarantee security and confidentiality where appropriate, proposing recommendations to improve the procedures to collect and process the information and the controls of quality and security of data in the WESM.</p> <p>(c) Assess the usefulness and appropriateness of the interfaces and exchange of information between the System Operator and the Market Operator in relation to</p>	<p>settlement, as well as if internal controls exist and are sufficient to guarantee security and confidentiality where appropriate, proposing recommendations to improve the procedures to collect and process the information and the controls of quality and security of data in the WESM.</p> <p>(c) Assess the usefulness and appropriateness of the interfaces and exchange of information between the System Operator and the Market Operator in relation to generation scheduling, constraints and dispatch; and</p>			

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		generation scheduling, constraints and dispatch; and (d) Review compliance by the Market Operator with the WESM Rules.	(d) Review compliance by the Market Operator with the WESM Rules.			
		7.2.3 The PEM Auditor, with the assistance of the Market Operator, shall prepare standard terms of reference for the annual audit of the spot market and the Market Operator covering the general scope described in the previous paragraph. The standard terms of reference shall include the following tasks: (a) Verify that each and all software of the Market Operator has valid audit certificates; (b) Review the calculations and allocations performed to determine energy for	7.2.3 The PEM Auditor, with the assistance of the Market Operator, shall prepare standard terms of reference for the annual audit of the spot market and the Market Operator covering the general scope described in the previous paragraph. The standard terms of reference shall include the following tasks: (a) Verify that each and all software of the Market Operator has valid audit certificates; (b) Review the calculations and allocations performed to determine energy for	Transferred to Section 5.2.5 with revisions	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>the settlement calculations in each trading point and for each Trading Participant, and the adequacy of the metering systems;</p> <p>(c) Review the calculations and allocations performed in the settlement process, and the adequacy and usefulness of the settlement systems;</p> <p>(d) Review and assess the billing and settlement system;</p> <p>(e) Review and assess the procedures, processes and systems for generation scheduling and dispatch, including management of submission and validation of bids and</p>	<p>the settlement calculations in each trading point and for each Trading Participant, and the adequacy of the metering systems;</p> <p>(c) Review the calculations and allocations performed in the settlement process, and the adequacy and usefulness of the settlement systems;</p> <p>(d) Review and assess the billing and settlement system;</p> <p>(e) Review and assess the procedures, processes and systems for generation scheduling and dispatch, including management of submission and validation of bids and</p>			

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>offers as well as the adequacy and usefulness of the coordination arrangements and systems with the System Operator;</p> <p>(f) Review and assess the processes for software management and data protection;</p> <p>(g) Review that, in all the above matters, the Market Operator is in compliance with the WESM Rules and propose enhancements in processes to achieve best international practices; and</p> <p>(h) Except for the first audit, review the measures and actions taken by the Market Operator in view of the findings and recommendations of the</p>	<p>offers as well as the adequacy and usefulness of the coordination arrangements and systems with the System Operator;</p> <p>(f) Review and assess the processes for software management and data protection;</p> <p>(g) Review that, in all the above matters, the Market Operator is in compliance with the WESM Rules and propose enhancements in processes to achieve best international practices; and</p> <p>(h) Except for the first audit, review the measures and actions taken by the Market Operator in view of the findings and recommendations of the</p>			

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		previous audit, and assess the adequacy and effective results of such measures and actions.	previous audit, and assess the adequacy and effective results of such measures and actions.			
		7.2.4 The PEM Auditor shall submit to the PEM Board for review the proposed standard terms of reference of the annual audit. Within fifteen (15) days after the next PEM Board meeting, the PEM Board shall send its comments and observations. The PEM Auditor shall take into consideration the comments and observations received and revise the terms of reference accordingly. The standard terms of reference for the annual audit shall be published in the Market Information Website.	7.2.4 The PEM Auditor shall submit to the PEM Board for review the proposed standard terms of reference of the annual audit. Within fifteen (15) days after the next PEM Board meeting, the PEM Board shall send its comments and observations. The PEM Auditor shall take into consideration the comments and observations received and revise the terms of reference accordingly. The standard terms of reference for the annual audit shall be published in the Market Information Website.	Transferred to Section 5.1.3 as revised	-	-
		7.2.5 In view of the experience of the PEM	7.2.5 In view of the experience of the PEM	Proposed to be deleted, the terms of reference	-	-



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		Auditor in conducting audits and problems or other issues that may require auditing of the Market Operator, the PEM Auditor from time to time may revise the standard terms of reference of the Market Operator annual audit.	Auditor in conducting audits and problems or other issues that may require auditing of the Market Operator, the PEM Auditor from time to time may revise the standard terms of reference of the Market Operator annual audit.	are not always standard and may vary according to the items proposed to be audited which may be different from previous audits conducted		
		7.2.6 When necessary at the discretion and opinion of the PEM Auditor, the PEM Auditor shall request to contract an independent and qualified team to carry out all or part of the audit.	7.2.6 When necessary at the discretion and opinion of the PEM Auditor, the PEM Auditor shall request to contract an independent and qualified team to carry out all or part of the audit.	Proposed to be deleted – already covered in earlier sections of the manual on the authority to engage external auditors	-	-
		7.2.7 During the audit process, the PEM Auditor will be the coordinator with the contracted expert team and will be entitled to receive a copy of all reports and findings. Once the audit has finished and the experts submitted their final reports and recommendations, the	7.2.7 During the audit process, the PEM Auditor will be the coordinator with the contracted expert team and will be entitled to receive a copy of all reports and findings. Once the audit has finished and the experts submitted their final reports and recommendations, the	Deleted as this has been sufficiently covered in the earlier provisions of the manual	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		PEM Auditor shall review the report and recommendations, to prepare and send to the Market Operator a preliminary Annual Audit Report, which shall include: (a) A summarized description of the audit process conducted by the auditor(s); (b) For each task or matter audited, general review and findings by the auditor(s); (c) Recommendations of the PEM Auditor in view of assessment and recommendations by the expert audit team, identifying any recommendation by such auditor(s) that the PEM Auditor has rejected and the reason(s) for the rejection; and	PEM Auditor shall review the report and recommendations, to prepare and send to the Market Operator a preliminary Annual Audit Report, which shall include: (a) A summarized description of the audit process conducted by the auditor(s); (b) For each task or matter audited, general review and findings by the auditor(s); (c) Recommendations of the PEM Auditor in view of assessment and recommendations by the expert audit team, identifying any recommendation by such auditor(s) that the PEM Auditor has rejected and the reason(s) for the rejection; and			



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		(d) As an Annex, the final report of the expert auditors.	(d) As an Annex, the final report of the expert auditors.			
		7.2.8 The Market Operator shall review the preliminary report, and may make observations or request clarifications or corrections. The PEM Auditor shall review the comments and observations received from the Market Operator, revise the preliminary report as necessary and prepare the final Annual Audit Report and send it to: (a) The Market Operator; (b) The PEM Board; (c) DOE; and (d) The ERC.	7.2.8 The Market Operator shall review the preliminary report, and may make observations or request clarifications or corrections. The PEM Auditor shall review the comments and observations received from the Market Operator, revise the preliminary report as necessary and prepare the final Annual Audit Report and send it to: (a) The Market Operator; (b) The PEM Board; (c) DOE; and (d) The ERC.	Deleted as this has been sufficiently covered in the earlier provisions of the manual	-	-
		7.2.9 The final Annual Audit Report shall be published in the Market Information Website to be made available to WESM	7.2.9 The final Annual Audit Report shall be published in the Market Information Website to be made available to WESM	Deleted as this has been sufficiently covered in the earlier provisions of the manual	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		Members and the System Operator.	Members and the System Operator.			
Audit of the Market Assessment System	8	8.1. Each year or at such other regular period as may be determined by the PEM Board, the PEM Auditor shall conduct an audit of the market assessment system administered by the Market Assessment Group, and any procedures and working processes used by the Market Assessment Group in the collection, validation and processing of market monitoring data, and calculation of monitoring indices.	8.1. Each year or at such other regular period as may be determined by the PEM Board, the PEM Auditor shall conduct an audit of the market assessment system administered by the Market Assessment Group, and any procedures and working processes used by the Market Assessment Group in the collection, validation and processing of market monitoring data, and calculation of monitoring indices	Deleted as this has been included under Section 5.2.2.6	-	-
		8.1.1 The Market Assessment Group shall provide assistance to the PEM Auditor in the formulation of the standard terms of reference in the selection of expert team to audit the Market Assessment System	8.1.1 The Market Assessment Group shall provide assistance to the PEM Auditor in the formulation of the standard terms of reference in the selection of expert team to audit the Market Assessment System	This is an inherent in the PAC's processes to solicit the assistance of the MAG which assists the PAC and concerned auditees in the terms of reference to determine what is in the scope of the audit.	-	-



C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		including the processes and procedures of the Market Assessment Group.	including the processes and procedures of the Market Assessment Group.			
Review of WESM Rules	9	9.1 Technical Matters	9.1. Technical Matters	Suggest that this Section be deleted. The provisions in this section relate more to the review of the current rules relating to technical matters with a view to recommending changes to address unintended effects of distortion in the operation of the WESM caused by current technical provisions. This function is now a function of the Rules Review unit of the MAG.	-	-
		9.1.1 At the same time as the annual audit, the PEM Auditor shall request the Technical Committee a review of technical matters covered in the WESM Rules and their adequacy to	9.1.1 At the same time as part of the annual audit, the PEM Audit shall request the Technical Committee a review of technical matters covered in the WESM Rules and their adequacy to	Deleted consistent with the above	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		achieve the WESM Objectives.	achieve the WESM Objectives.			
		9.1.2 Within fifteen (15) days from the receipt of the request, the Technical Committee shall prepare and submit to the PEM Auditor, with copy furnished to the PEM Board and the Rules Change Committee, a Technical Review Report with its review, observations and recommendations on technical matters in the WESM Rules, and any proposed amendments, if any, are required in view of:	<p>9.1. Within fifteen (15) days from the receipt of the request, the Technical Committee shall prepare and submit to the PEM Auditor with copy furnished to the PEM Board and the Rules Change Committee, a Technical Review Report, observations and recommendations on technical matters in the WESM Rules, and any proposed amendments, if any, are required in view of:</p> <p>(a) Unintended effects or distortions in the operation of the WESM caused by the current technical provisions;</p> <p>(b) New technologies and improving the efficiency and the effectiveness of the</p>	Deleted consistent with the above	-	-



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		effectiveness of the operation of the spot market or metering arrangements; and (c) Improving or enhancing the prospects for the achievement of the WESM Objectives.	operation of the spot market or metering arrangements; and (c) Improving or enhancing the prospects for the achievement of the WESM Objectives.			
		9.1.3 Any proposal for amendment to the WESM Rules shall be sent to the PEM Board using the standard form and including the content prescribed in the Rules Change Manual.	9.1.3 Any proposal for amendment to the WESM Rules shall be sent to the PEM Board using the standard form and including the content prescribed in the Rules Change Manual.	Proposed to be deleted since this process is part of the Rules Change Manual.	-	-
		9.2 Annual Audit of Generation Scheduling and Dispatch Rules	9.2 Annual Audit of Generation Scheduling and Dispatch Rules	Proposed to be deleted, this is already part of the audit of the spot market and the Market Operator	-	-
		9.2.1 As part of the annual audit, the PEM Auditor shall review – (a) The Market Operator's compliance with the scheduling and central dispatch procedures under the WESM	9.2.1 As part of the annual audit, the PEM Auditor shall review – (a) The Market Operator's compliance with the scheduling and central dispatch procedures under the WESM	Proposed to be relocated to Section 5.2.2.5 under the portion on the review of the spot market and the Market Operator.	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		Rules, in view of the processes, practices and staff of the Market Operator; and (b) The feasibility and adequacy of the scheduling and central dispatch procedures, software and systems prescribed or under the WESM Rules in light of the current conditions in the Philippines electricity industry and new development in technologies, dispatch methodologies and software.	Rules, in view of the processes, practices and staff of the Market Operator; and (b) The feasibility and adequacy of the scheduling and central dispatch procedures, software and systems prescribed or under the WESM Rules in light of the current conditions in the Philippines electricity industry and new development in technologies, dispatch methodologies and software.	Deleted - the task of reviewing the feasibility and adequacy of the scheduling and central dispatch procedures, software and systems prescribed under the WESM Rules is more a function for Rules Change Process. Such review will result to a change in the Rules.		
		9.2.2 Subject to PEM Board approval in accordance with the procedures established in this Manual, the PEM Auditor may contract a team of qualified experts to review and give their opinion on the adequacy of	9.2.2 Subject to PEM Board approval in accordance with the procedures established in this Manual, the PEM Auditor may contract a team of qualified experts to review and give their opinion on the adequacy of	Proposed to be deleted – the engagement of the external auditor has been covered in earlier sections of the PEM Audit Manual.	-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		the procedures and criteria established in the WESM Rules in relation to generation scheduling and central dispatch.	the procedures and criteria established in the WESM Rules in relation to generation scheduling and central dispatch.			
		9.2.3 As a result of the annual audit of the spot market and the Market Operator, the PEM Auditor shall indicate in the corresponding Annual Audit Report its opinion (or the opinion of external experts contracted for the audit) on the adequacy of the WESM Rules in relation to generation scheduling and centralized dispatch, and when necessary recommend amendments to the WESM Rules.	9.2.3 As a result of the annual audit of the spot market and the Market Operator, the PEM Auditor shall indicate in the corresponding Annual Audit Report its opinion (or the opinion of external experts contracted for the audit) on the adequacy of the WESM Rules in relation to generation scheduling and centralized dispatch, and when necessary recommend amendments to the WESM Rules.	This is the output of Rules Review.		
		9.2.4 At least once every two years or in case of any material problem or disputes in relation to the dispatch and generation scheduling in the WESM, the PEM Auditor shall	9.2.4. At least once every two years or in case of any material problem or disputes in relation to the dispatch and generation scheduling in the WESM, the PEM Auditor shall	Deleted consistent with the above	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		appoint a team or company of external auditors expert in dispatch and generation scheduling software, rules and procedures in competitive wholesale electricity markets and centralized economic security constrained dispatch, to audit the Market Operator software, procedures and processes and to recommend enhancements both in the processes and systems used by the Market Operator and in the related WESM Rules, as necessary. The results and recommendations of this special audit shall be included in the Annual Audit Report.	appoint a team or company of external auditors expert in dispatch and generation scheduling software, rules and procedures in competitive wholesale electricity markets and centralized economic security constrained dispatch, to audit the Market Operator software, procedures and processes and to recommend enhancements both in the processes and systems used by the Market Operator and in the related WESM Rules, as necessary. The results and recommendations of this special audit shall be included in the Annual Audit Report.			
		9.2.5 Any change recommended or observation to the WESM Rules presented in the Annual Audit Report shall	9.2.5 Any change recommended or observation to the WESM Rules	Deleted consistent with the above	-	-



C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		be submitted by the PEM Auditor to (a) The PEM Board; (b) DOE; and (c) The Rules Change Committee.	presented in the Annual Audit Report shall be submitted by the PEM Auditor to (a) The PEM Board; (b) DOE; and (c) The Rules Change Committee.			
		9.3 Special Review of Generation Scheduling and Dispatch Rules 9.3.1 The PEM Board may, from time to time, request the PEM Auditor to review and assess specific WESM Rules and procedures in relation to generation scheduling, dispatch, price calculation methodology and settlement, within a specified deadline but never shorter than fifteen (15) days. The PEM Auditor may request an extension if it considers that	9.3 Special Review of Generation Scheduling and Dispatch Rules 9.3.1. The PEM Board may, from time to time, request the PEM Auditor to review and assess specific WESM Rules and procedures in relation to generation scheduling, dispatch, price calculation methodology and settlement, within a specified deadline but never shorter than fifteen (15) days. The	Deleted consistent with the above	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		the assessment requires a longer review period.	PEM may request an extension if it considers that the assessment requires a longer review period			
		9.3.2 Within the period specified or the extension approved, as applicable, the PEM Auditor shall submit to the PEM Board a Rules Review Report with its review, opinion and recommendations, including any recommended amendments to the corresponding WESM Rules. Any proposal to amend the WESM Rules shall be sent by the PEM Auditor to the PEM Board using the standard form and including the content prescribed in the Rules Change Manual.	9.3.2 Within the period specified or the extension approved, as applicable, the PEM Auditor shall submit to the PEM Board a Rules Review Report with its review, opinion and recommendations, including any recommended amendments to the corresponding WESM Rules. Any proposal to amend the WESM Rules shall be sent by the PEM Auditor to the PEM Board using the standard form and including the content prescribed in the Rules Change Manual.	Deleted consistent with the above	-	-
		9.3.3 If, in the opinion of the PEM Auditor, a more in	9.3.3 If, in the opinion of the PEM Auditor a more in	Deleted consistent with the above		

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		depth review would be necessary, it may recommend to the PEM Board in its report: (a) The contracting external independent experts; or (b) The review by the Technical Committee; or (c) A special audit by the PEM Auditor on the implementation and procedures of the Market Operator in relation to the specific WESM Rules reviewed.	depth review would be necessary, it may recommend to the PEM Board in its report: (a) The contracting external independent experts; or (b) The review by the Technical Committee; or (c) A special audit by the PEM Auditor on the implementation and procedures of the Market Operator in relation to the specific WESM Rules reviewed			
Software of the Market Operator	10	10.1 Objective	10.1 Objective		-	-
		10.1.1 The Market Operator shall not implement a new software or associated system, or modify an existing software or its associated system for generation scheduling, dispatch or settlement or	10.1.1 The Market Operator shall not implement a new software or associated system, or modify an existing software or its associated system for generation scheduling, dispatch or settlement or	Transferred to Section 5.3.1 with revisions	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		price calculation relevant to the WESM without – (a) Prior notice to all WESM Members and the PEM Board; and (b) Undergoing the ICT Change Management Process. All new software or modifications to existing software implemented through the ICT Change Management Process shall be subject to post audit and/or certification within one year from deployment. The ICT Change Management process is instituted by the Market Operator to ensure proper and timely review, approval, and monitoring of all activities on all stages of the change management process.	price calculation relevant to the WESM without – (a) Prior notice to all WESM Members and the PEM Board; and (b) Undergoing the ICT Change Management Process. All new software or modifications to existing software implemented through the ICT Change Management Process shall be subject to post audit and/or certification within one year from deployment. The ICT Change Management process is instituted by the Market Operator to ensure proper and timely review, approval, and monitoring of all activities on all stages of the change management process.			
		10.2 Software for the WESM	10.2 Software for the WESM	Transferred to Section 10.27 with revisions	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>10.2.1 If the Market Operator wants to implement a new software for generation scheduling, dispatch, price calculation or settlement, or modify or replace an existing one, the Market Operator shall send a report to the PEM Auditor describing –</p> <p>(a) The software to be implemented (a new software) or the software to be modified;</p> <p>(b) If an existing software is going to be modified or replaced, a description of –</p> <p>(i) The reasons that justify the change, including any problem or shortfall identified in the existing software, if any;</p>	<p>10.2.1 If the Market Operator wants to implement a new software for generation scheduling, dispatch, price calculation or settlement, or modify or replace an existing one, the Market Operator shall send a report to the PEM Auditor describing –</p> <p>(a) The software to be implemented (a new software) or the software to be modified;</p> <p>(b) If an existing software is going to be modified or replaced, a description of –</p> <p>(i) The reasons that justify the change, including any problem or shortfall identified in the existing software, if any;</p> <p>(ii) Expected improvements,</p>	Transferred to Section 5.7.3	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>(ii) Expected improvements, particularly in relation to transparency, efficiency, data processing and response time;</p> <p>(iii) The scope of the proposed modification or, if the existing software is going to be replaced, the description of the new software and main differences with the existing one;</p> <p>(c) If a new software is going to be implemented, a description of -</p> <p>(i) The reasons that justify the new software, particularly the</p>	<p>particularly in relation to transparency, efficiency, data processing and response time;</p> <p>(iii) The scope of the proposed modification or, if the existing software is going to be replaced, the description of the new software and main differences with the existing one;</p> <p>(c) If a new software is going to be implemented, a description of -</p> <p>(i) The reasons that justify the new software, particularly the</p>			



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<p>expected improvements in efficiency, data processing and response time;</p> <p>(ii) The description of the new software;</p> <p>(iii) The description of the tests performed and results that prove that the software has been sufficiently and adequately tested in trial mode, produces accurate results and is ready for implementation;</p> <p>(d) Findings and details thereof, proving that the modified or new software will be in full compliance with the WESM Rules.</p>	<p>(ii) The description of the new software;</p> <p>(iii) The description of the tests performed and results that prove that the software has been sufficiently and adequately tested in trial mode, produces accurate results and is ready for implementation;</p> <p>(d) Findings and details thereof, proving that the modified or new software will be in full compliance with the WESM Rules.</p>			
		10.2.2 The PEM Auditor shall review the report of the Market Operator and	10.2.2 The PEM Auditor shall review the report of the Market Operator and	Transferred to Section 5.7.5	-	-

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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		may request clarifications and further information. In particular, the PEM Auditor may organize a meeting with the relevant staff of the Market Operator to discuss the characteristics, any limitation or potential problem, and other conditions of the software that may impact predictability, transparency or compliance with the WESM Rules.	may request clarifications and further information. In particular, the PEM Auditor may organize a meeting with the relevant staff of the Market Operator to discuss the characteristics, any limitation or potential problem, and other conditions of the software that may impact predictability, transparency or compliance with the WESM Rules.			
		10.2.3 The review of the PEM Auditor shall encompass testing of the software to verify accuracy of results and compliance with all requirement and procedures established in the WESM Rules. The PEM Auditor shall request a series of test runs of the software to verify that it works properly, even in special conditions. Alternatively, the PEM	10.2.3 The review of the PEM Auditor shall encompass testing of the software to verify accuracy of results and compliance with all requirement and procedures established in the WESM Rules. The PEM Auditor shall request a series of test runs of the software to verify that it works properly, even in special conditions. Alternatively, the PEM	Transferred to Section 5.7.6	-	-



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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		Auditor may request the contracting of an external expert to test and certify the software.	Auditor may request the contracting of an external expert to test and certify the software.			
		10.2.4 After finalizing the review and tests, as applicable and based on the information gathered and, if an external expert was used, the report with the review and recommendations of the expert, the PEM Auditor shall prepare and submit to the Market Operator and the PEM Board a Software Review Report. The outcome of the review and recommendation shall indicate – (a) If the software is ready for implementation and in compliance with the WESM Rules and the objectives; or (b) Recommendations on measures or changes	10.2.4 After finalizing the review and tests, as applicable and based on the information gathered and, if an external expert was used, the report with the review and recommendations of the expert, the PEM Auditor shall prepare and submit to the Market Operator and the PEM Board a Software Review Report. The outcome of the review and recommendation shall indicate – (a) If the software is ready for implementation and in compliance with the WESM Rules and the objectives; or (b) Recommendations on measures or changes	Transferred to Section 5.7.7	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		prior to implementing the software, to ensure full compliance with the WESM Rules and its objectives.	prior to implementing the software, to ensure full compliance with the WESM Rules and its objectives.			
		10.3 Settlement Software 10.3.1 Each year during the month of June or prior to implementation of any modification to the existing settlement software, an independent auditor competent to carry out such type of audit, shall audit the settlement software to determine its consistency with the WESM Rules.	10.3 Settlement Software 10.3.1 Each year during the month of June or prior to implementation of any modification to the existing settlement software, an independent auditor competent to carry out such type of audit, shall audit the settlement software to determine its consistency with the WESM Rules.		-	-
		10.3.2 In any dispute in relation to settlement calculations, a certificate of such auditor that the settlement software is consistent with the WESM Rules shall be evidence that the charges or payments shown in a settlement statement have been calculated by a	10.3.2 In any dispute in relation to settlement calculations, a certificate of such auditor that the settlement software is consistent with the WESM Rules shall be evidence that the charges or payments shown in a settlement statement have been calculated by a	Transferred to Section 5.7.9 with revisions	-	-



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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		method consistent with the WESM Rules.	method consistent with the WESM Rules.			
		10.4 Software for WESM Members	10.4 Software for WESM Members	Deleted as this is covered in general under software for the spot market and the Market Operator	-	-
		10.4.1 Prior to implementing a new software to be used by WESM Members, or modifying or replacing an existing one, the Market Operator shall send a report to the PEM Auditor describing – (a) The software to be implemented (a new software) or the software to be modified, and the expected usage by WESM Members; (b) Expected improvements for WESM Members, particularly in relation	10.4.1 Prior to implementing a new software to be used by WESM Members, or modifying or replacing an existing one, the Market Operator shall send a report to the PEM Auditor describing – (a) The software to be implemented (a new software) or the software to be modified, and the expected usage by WESM Members; (b) Expected improvements for WESM Members, particularly in relation	Deleted as this is redundant- already mentioned under Section 5.7.3	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		to accuracy, efficiency and consistency; (c) The description of the tests performed and results proving that the software has been sufficiently and adequately tested and is ready to be used by WESM Members; and (d) A description and details showing that the software calculations are accurate and in full compliance with the WESM Rules.	to accuracy, efficiency and consistency; (c) The description of the tests performed and results proving that the software has been sufficiently and adequately tested and is ready to be used by WESM Members; and (d) A description and details showing that the software calculations are accurate and in full compliance with the WESM Rules.			
		10.4.2 The PEM Auditor will review the report of the Market Operator and may request clarifications and further information. The PEM Auditor shall request a series of test runs to verify accuracy of results and that it works properly even in special conditions. With the	10.4.2 The PEM Auditor will review the report of the Market Operator and may request clarifications and further information. The PEM Auditor shall request a series of test runs to verify accuracy of results and that it works properly even in special conditions. With the		-	-



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		results of these tests, the Market Operator shall correct the software, if necessary.	results of these tests, the Market Operator shall correct the software, if necessary.			
		10.4.3 Once the PEM Auditor considers that the software is accurate and ready for use, the PEM Auditor will prepare and submit to the Market Operator a Software Review Report approving the software, with copy thereof furnished to the PEM Board. The Market Operator shall publish the approval in the Market Information Website and advertise the new software or the change to the existing software when ready for use by WESM Members.	10.4.3 Once the PEM Auditor considers that the software is accurate and ready for use, the PEM Auditor will prepare and submit to the Market Operator a Software Review Report approving the software, with copy thereof furnished to the PEM Board. The Market Operator shall publish the approval in the Market Information Website and advertise the new software or the change to the existing software when ready for use by WESM Members.		-	-
Metering Review	11	11.1 Background	11.1 Background		-	-
		11.1.1 In accordance with the Grid Code, the Metering Services Providers have	11.1.1 In accordance with the Grid Code, the Metering Services Providers have		-	-



C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		the responsibility to supply, install, connect, own, test, calibrate, place in service, operate, check, and maintain the metering system for settlement, ensuring the accuracy and traceability of calibration and test results. Additionally, each Metering Services Provider shall take all reasonable steps to prevent unauthorized interference with the metering equipment.	the responsibility to supply, install, connect, own, test, calibrate, place in service, operate, check, and maintain the metering system for settlement, ensuring the accuracy and traceability of calibration and test results. Additionally, each Metering Services Provider shall take all reasonable steps to prevent unauthorized interference with the metering equipment.			
		11.1.2 As established in the Grid Code, a User shall have the right to request an audit of the settlement data related to its account and the right to choose an independent third party qualified to perform the audit. In such cases, the System Operator, Metering Services Providers and Market Operator shall	11.1.2 As established in the Grid Code, a User shall have the right to request an audit of the settlement data related to its account and the right to choose an independent third party qualified to perform the audit. In such cases, the System Operator, Metering Services Providers and Market Operator shall		-	-

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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		cooperate in the auditing process.	cooperate in the auditing process.			
		11.2 Scope and Objectives	11.2 Scope and Objectives			
		11.2.1 The general objective of the PEM Auditor metering review is to assess the adequacy of the metering standards and security systems and processes in the WESM.	11.2.1 The general objective of the PEM Auditor metering review is to assess the adequacy of the metering standards and security systems and processes in the WESM.		-	-
		11.2.2 Every year, the PEM Auditor shall review the security arrangements and requirement of metering installations. If considered necessary and convenient, the PEM Auditor may request the PEM Board approval of metering audits as part of the review process.	11.2.2 Every year, the PEM Auditor shall review the security arrangements and requirement of metering installations. If considered necessary and convenient, the PEM Auditor may request the PEM Board approval of metering audits as part of the review process.		-	-
		11.3 Consultation on Metering Arrangements	11.3 Consultation on Metering Arrangements		-	-
		11.3.1 Each year before the month of November, the PEM Auditor shall organize a consultation	11.3.1 Each year before the month of November, the PEM Auditor shall organize a consultation process with	Transferred to Section 5.7.9 with revisions	-	-



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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		process with the Market Operator, Trading Participants, the Technical Committee and all Metering Services Providers in relation to metering arrangements in the WESM. The PEM Auditor shall publish in the Market Information Website a request for the Market Operator, Trading Participants and Metering Services Providers to submit to the PEM Auditor during the next fifteen (15) days their comments and recommendations regarding – (a) Standards and requirements of metering installations; (b) Adequacy of work procedures of Metering Services Providers; and	the Market Operator, Trading Participants, the Technical Committee and all Metering Services Providers in relation to metering arrangements in the WESM. The PEM Auditor shall publish in the Market Information Website a request for the Market Operator, Trading Participants and Metering Services Providers to submit to the PEM Auditor during the next fifteen (15) days their comments and recommendations regarding – (a) Standards and requirements of metering installations; (b) Adequacy of work procedures of Metering Services Providers; and			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		(c) Security arrangements associated to metering systems and processes.	(c) Security arrangements associated to metering systems and processes.			
		11.4 Audit of Metering Arrangements and Compliance	11.4 Audit of Metering Arrangements and Compliance		-	-
		11.4.1 When the annual metering arrangements review includes audits, as approved by the PEM Board, the PEM Auditor, supported by the Technical Committee, shall conduct an audit regarding, (a) Compliance with requirements of metering installations; (b) Compliance with security arrangements associated to metering systems and processes; and (c) Adequacy of security arrangements by the Market Operator and work procedures by	11.4.1 When the annual metering arrangements review includes audits, as approved by the PEM Board, the PEM Auditor, supported by the Technical Committee, shall conduct an audit regarding, (a) Compliance with requirements of metering installations; (b) Compliance with security arrangements associated to metering systems and processes; and (c) Adequacy of security arrangements by		-	-

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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		Metering Services Providers.	the Market Operator and work procedures by Metering Services Providers.			
		11.4.2 To audit compliance, the PEM Auditor shall select a sample of metering sites, where at least thirty percent (30%) of which shall correspond to the metering points with largest volume within the WESM, where metering errors or inadequacy can create the biggest impact and volume error in the WESM.	11.4.2 To audit compliance, the PEM Auditor shall select a sample of metering sites, where at least thirty percent (30%) of which shall correspond to the metering points with largest volume within the WESM, where metering errors or inadequacy can create the biggest impact and volume error in the WESM.		-	-
		11.4.3 The PEM Auditor shall designate staff of the Technical Committee as field auditors to perform compliance tests on the security processes and metering installations standards.	11.4.3 The PEM Auditor shall designate staff of the Technical Committee as field auditors to perform compliance tests on the security processes and metering installations standards.		-	-
		11.5 Review of Metering Arrangements	11.5 Review of Metering Arrangements		-	-



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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		11.5.1 The PEM Auditor shall review the adequacy and quality of the security arrangements taking into consideration – (a) Best practices in other competitive electricity markets; (b) Available technology; and (c) Comments and recommendations received during the consultation process.	11.5.1 The PEM Auditor shall review the adequacy and quality of the security arrangements taking into consideration – (a) Best practices in other competitive electricity markets; (b) Available technology; and (c) Comments and recommendations received during the consultation process.		-	-
		11.5.2 The PEM Auditor shall review the adequacy and compliance with the requirements of metering installations taking into consideration – (a) Available metering technology and its costs; (b) Practices in other competitive electricity markets to have adequate metering installations that are	11.5.2 The PEM Auditor shall review the adequacy and compliance with the requirements of metering installations taking into consideration – (a) Available metering technology and its costs; (b) Practices in other competitive electricity markets to have adequate metering installations that are		-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		not unnecessarily costly; and (c) Comments and recommendations received during the consultation process.	not unnecessarily costly; and (c) Comments and recommendations received during the consultation process.			
		11.5.3 If the review process includes audits of metering systems and arrangements, the PEM Auditor shall also take into consideration findings and results of the field auditors.	11.5.3 If the review process includes audits of metering systems and arrangements, the PEM Auditor shall also take into consideration findings and results of the field auditors.		-	-
		11.5.4 Before the end of November, the PEM Auditor shall prepare a Metering Arrangements Report with its review and recommendations. The report shall include, as Annexes, the following: (a) The PEM Auditor recommendations; (b) If the review process included audits of metering systems and arrangements, the main finding and	11.5.4 Before the end of November, the PEM Auditor shall prepare a Metering Arrangements Report with its review and recommendations. The report shall include, as Annexes, the following: (a) The PEM Auditor recommendations; (b) If the review process included audits of metering systems and		-	-

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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		recommendations of the field auditors; and (c) The summary of the comments and recommendations received during the consultation process, identifying the party or parties that sent each type of comment or recommendation and, in case the observation or recommendation was rejected by the PEM Auditor, the reason for the rejection.	arrangements, the main finding and recommendations of the field auditors; and (c) The summary of the comments and recommendations received during the consultation process, identifying the party or parties that sent each type of comment or recommendation and, in case the observation or recommendation was rejected by the PEM Auditor, the reason for the rejection.			
		11.5.5 The PEM Auditor shall send the Metering Arrangements Report to the PEM Board and the Market Operator, for publication in the Market Information Website.	11.5.5 The PEM Auditor shall send the Metering Arrangements Report to the PEM Board and the Market Operator, for publication in the Market Information Website.		-	-
Compliance With WESM Rules	12	12.1.1 As established in the Compliance and Enforcement Market Manual, assessment of	12.1.1 As established in the Compliance and Enforcement Market Manual, assessment of		-	-



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		alleged breaches shall be a responsibility of the ECO, and Investigations of an alleged breach shall be conducted either by the ECO or the MSC. The PEM Auditor shall not be assigned the responsibility of carrying out an Investigation. However, if requested by the ECO, the PEM Auditor may support the Investigation of an alleged breach by providing opinion or conducting audits, including findings and recommendations.	alleged breaches shall be a responsibility of the ECO, and Investigations of an alleged breach shall be conducted either by the ECO or the MSC. The PEM Auditor shall not be assigned the responsibility of carrying out an Investigation. However, if requested by the ECO, the PEM Auditor may support the Investigation of an alleged breach by providing opinion or conducting audits, including findings and recommendations.			
		12.1.2 In performing the ECO's functions in assessing or investigating an alleged breach pursuant to the Compliance and Enforcement Market Manual, the ECO may request the PEM Auditor to assess or audit a WESM Member, the System Operator or the Market	12.1.2 In performing the ECO's functions in assessing or investigating an alleged breach pursuant to the Compliance and Enforcement Market Manual, the ECO may request the PEM Auditor to assess or audit a WESM Member, the System Operator or the Market		-	-



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Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		Operator in relation to compliance with specific rules or standards or procedures in relation to generation scheduling, dispatch, bidding, prices and settlement, as established by the WESM Rules. The ECO shall inform the party or parties in alleged breach the matters that have been derived to the PEM Auditor for assessment or audit.	Operator in relation to compliance with specific rules or standards or procedures in relation to generation scheduling, dispatch, bidding, prices and settlement, as established by the WESM Rules. The ECO shall inform the party or parties in alleged breach the matters that have been derived to the PEM Auditor for assessment or audit.			
		12.1.3 When the investigation of an alleged breach has been referred to the MSC, the MSC may recommend an audit by the PEM Auditor. In such case, the ECO shall request and coordinate with the PEM Auditor the required audit, as established in the previous paragraph.	12.1.3 When the investigation of an alleged breach has been referred to the MSC, the MSC may recommend an audit by the PEM Auditor. In such case, the ECO shall request and coordinate with the PEM Auditor the required audit, as established in the previous paragraph.		-	-
		12.1.4 Under confidentiality obligation, the ECO shall provide the	12.1.4 Under confidentiality obligation, the ECO shall provide the		-	-



C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		PEM Auditor all the required information and data to assess the alleged breach or to identify the details to be audited.	PEM Auditor all the required information and data to assess the alleged breach or to identify the details to be audited.			
		12.1.5 The party in alleged breach has the obligation to cooperate with the PEM Auditor in the assessment or audit process, providing all the relevant data and other information requested by the PEM Auditor and allowing the necessary tests and audits.	12.1.5 The party in alleged breach has the obligation to cooperate with the PEM Auditor in the assessment or audit process, providing all the relevant data and other information requested by the PEM Auditor and allowing the necessary tests and audits.		-	-
		12.1.6 In case the party objects to submitting the data or information requested by the PEM Auditor, the PEM Auditor shall request the MSC to request such data and information, and the MSC then shall provide it to the PEM Auditor within the established confidentiality provisions. If the party does not provide the data and	12.1.6 In case the party objects to submitting the data or information requested by the PEM Auditor, the PEM Auditor shall request the MSC to request such data and information, and the MSC then shall provide it to the PEM Auditor within the established confidentiality provisions. If the party does not provide the data and		-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		information requested to the MSC, it shall be considered a breach to the WESM Rules.	information requested to the MSC, it shall be considered a breach to the WESM Rules.			
		12.1.7 In all cases, the party is obliged to allow and facilitate the tests and audits requested by the PEM Auditor, provided that the PEM Auditor shall give an advance notice of not less than five (5) business days for any test or audit required, including a description of the scope and details of the test and audit. Not allowing the test or audits requested by the PEM Auditor shall be considered a breach.	12.1.7 In all cases, the party is obliged to allow and facilitate the tests and audits requested by the PEM Auditor, provided that the PEM Auditor shall give an advance notice of not less than five (5) business days for any test or audit required, including a description of the scope and details of the test and audit. Not allowing the test or audits requested by the PEM Auditor shall be considered a breach.		-	-
Data and Information	13	13.1 The System Operator 13.1.1 The System Operator shall ensure an audit trail of documentation that is fully adequate to substantiate and reconstruct all relevant	13. 6 Data and Information 13.1 The System Operator <u>6.1</u> 13.1.1 The System Operator shall ensure an audit trail of documentation that is fully adequate to substantiate and		-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		actions performed. For data and documents related to the WESM Rules and this Manual, such audit trail shall be maintained for a period of at least seven (7) years, unless specified otherwise in the WESM Rules or other Applicable Law, Rules and Regulations.	reconstruct all relevant actions performed. For data and documents related to the WESM Rules and this Manual, such audit trail shall be maintained for a period of at least seven (7) years, unless specified otherwise in the WESM Rules or other Applicable Law, Rules and Regulations.			
		13.1.2 The System Operator shall provide the PEM Auditor or auditors designated by the PEM Auditor, all the information required for auditing purposes, within the timeframe and format as may be required by the PEM Auditor or designated auditors.	6.2 13.1.2 The System Operator shall provide the PEM Auditor <u>Audit Committee</u> or auditors designated by the PEM Auditor <u>Audit Committee</u> , all the information required for auditing purposes, within the timeframe and format as may be required by the PEM Auditor or designated auditors.		-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		13.1.3 The System Operator shall retain the information provided by WESM Members and the Market Operator, and the data calculated and reports prepared in the planning and operation of the system, for the period and in accordance to the conditions established in the WESM Rules and the Grid Code. The storing of such information shall be appropriate for reasonable access as may be required for auditing purposes.	6.3 13.1.3 The System Operator shall retain the information provided by WESM Members and the Market Operator, and the data calculated and reports prepared in the planning and operation of the system, for the period and in accordance to the conditions established in the WESM Rules and the Grid Code. The storing of such information shall be appropriate for reasonable access as may be required for auditing purposes.		-	-
		13.2 The Market Operator 13.2.1 The Market Operator shall ensure an adequate audit trail of documentation to	13.2 The Market Operator 6.4 13.2.1 The Market Operator shall ensure an adequate audit trail of documentation to substantiate and		-	-



C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		substantiate and reconstruct all relevant actions performed. For data and documents related to the WESM Rules and this Manual, such audit trail shall be maintained for a period of at least seven (7) years, unless specified otherwise in the WESM Rules or other Applicable Law, Rules and Regulations.	reconstruct all relevant actions performed. For data and documents related to the WESM Rules and this Manual, such audit trail shall be maintained for a period of at least seven (7) years, unless specified otherwise in the WESM Rules or other Applicable Law, Rules and Regulations.			
		13.2.2 The Market Operator shall provide the PEM Auditor or auditors designated by the PEM Auditor all the information required for auditing purposes, within the timeframe and format as the PEM Auditor or designated auditors may require.	6.5 13.2.2 The Market Operator shall provide the PEM Auditor Audit Committee or auditors designated by the PEM Auditor Audit Committee , all the information required for auditing purposes, within the timeframe and format required as the		-	-

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			PEM Auditor or designated auditors may require.			
		13.2.3 The Market Operator shall retain information provided by the System Operator, and other WESM Members, and the data calculated and reports prepared in generation scheduling, dispatch and administration of the WESM and its settlement system, in accordance with the WESM Rules. The storing of such information shall be appropriate for reasonable access as may be required for auditing purposes of the WESM and the Market Operator.	6.6 13.2.3 The Market Operator shall retain information provided by the System Operator, and other WESM Members, and the data calculated and reports prepared in generation scheduling, dispatch and administration of the WESM and its settlement system, in accordance with the WESM Rules. The storing of such information shall be appropriate for reasonable access as may be required for auditing purposes of the WESM and the Market Operator.		-	-
		13.3 Obligations of a Party Audited 13.3.1 A party audited shall submit in a timely manner the complete data, documents and other	13.3 Obligations of a Party Audited 6.7 13.3.4 A party audited shall submit in a timely manner the complete data, documents			

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		information requested by the PEM Auditor or an auditor (field auditor or expert auditor) designated by the PEM Auditor in accordance with this Manual.	and other information requested by the PEM Auditor <u>Audit Committee</u> or an auditor (field auditor or expert auditor) designated by the PEM Auditor <u>its designated auditor</u> in accordance with this Manual.			
		13.3.2 When a party is notified that an audit will be conducted, the party shall cooperate with the audit and shall provide the PEMC staff or other experts designated as auditors, access to the facilities, systems and information to be audited.	6.8-13.3 13.3 When a party is notified that an audit will be conducted, the party shall cooperate with the audit and shall provide the PEMC staff or other experts designated as auditors, access to the facilities, systems and information to be audited.		-	-
		13.4 The PEM Auditor 13.4.1 The PEM Auditor shall not disclose any information obtained in carrying out its functions and responsibilities, or any finding and recommendations resulting	13.4 The PEM Auditor 6.9-13.4.4 13.4.4 The PEM Auditor <u>Audit Committee</u> shall not disclose any information obtained in carrying out its functions and responsibilities, or any finding and			

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		from an audit process, except as provided in this Manual and the WESM Rules.	recommendations resulting from an audit process, except as provided in this Manual and <u>in</u> the WESM Rules and the Retail Rules.			
		13.4.2 The PEM Auditor shall not use any information, be it confidential or not, obtained in carrying out its functions and responsibilities for other purposes that those established in this Manual and the WESM Rules.	6.10-13.4.2 The PEM Auditor Audit Committee shall not use any information, be it confidential or not, obtained in carrying out its functions and responsibilities for other purposes that than those established in this Manual and <u>in</u> the WESM Rules and in the Retail Rules.		-	-
		13.5 Confidentiality 13.5.1 When applicable in accordance to the confidentiality provision in the WESM Rules and this Manual, information submitted to the PEM Auditor will be designated and marked as	13.5 Confidentiality 6.11-13.5.1 When applicable in accordance with to the confidentiality provisions in the WESM Rules, the Retail Rules and this Manual, information submitted to the PEM Auditor Audit			

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		"Confidential" and will be administered with measures considered by the PEM Auditor as necessary and reasonable to protect the confidentiality.	<u>Committee</u> will be designated and marked as "Confidential" and will be administered with measures considered by the PEM Auditor <u>Audit Committee</u> as necessary and reasonable to protect the confidentiality			
		13.5.2 A party providing any document or other information in the course of an audit may request that the document or information be designated as confidential, if such document or information qualifies as confidential according to the confidentiality provisions in the WESM Rules. The PEM Auditor shall assess the confidentiality claim and, at its own discretion, determine the validity of the request. If the PEM Auditor agrees that the document or information qualifies as	6.12-13.5.2 13.5.2 A party providing any document or other information in the course of an audit may request that the document or information be designated as confidential, if such document or information qualifies as confidential according to the confidentiality provisions in the WESM Rules. The PEM Auditor <u>Audit Committee</u> shall assess the confidentiality claim and, at its own discretion, determine the validity of the request. If the PEM Auditor <u>Audit</u>		-	-



C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		confidential, the document or information will be designated and marked as "Confidential".	Committee agrees that the document or information qualifies as confidential, the document or information will be designated and marked as "Confidential".			
		13.5.3 The PEM Auditor and each member of the Audit Committee, Technical Committee and other external auditors shall enter into a confidentiality agreement with the entity providing the information, the terms of which shall be prescribed by the PEM Board. 6.1.13	6.13-13.5.3 The PEM Auditor and each member of the Audit Committee , the Technical Committee and other Independent external Auditors, as applicable , shall enter into a confidentiality agreement with the entity providing the information, as necessary . the terms of which shall be prescribed by the PEM Board.		6.13-13.5.3 The PEM Auditor and each member of the Audit Committee , the Technical Committee and other external auditors, as applicable , shall enter into a confidentiality agreement with the entity providing the information, as necessary . the terms of which shall be prescribed by the PEM Board.	The auditors will not be limited to external experts, consistent with the proposed revisions in PEM Audit Manual.
Limitation of Liability and Indemnification	14	14. LIMITATION OF LIABILITY AND INDEMNIFICATION	14. 7. LIMITATION OF LIABILITY AND INDEMNIFICATION		-	-
		14.1.1 In performing its audit and review functions and responsibilities as	7.1 14.1.4 In performing its audit and review functions and responsibilities as	With minor edits on the name of the Committee	-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		contained in this Manual, the PEM Auditor and any member of the Audit Committee or the Technical Committee shall not be personally liable for any loss or damage suffered or incurred by a WESM Member, the System Operator, the Market Operator or any other person as a consequence of any act or omission of those persons in the performance of their functions unless the PEM Auditor or the member of the Audit Committee or the Technical Committee, as the case may be, acted with malice, manifest partiality, bad faith, gross incompetence or gross negligence.	contained in this Manual, <u>the members of the</u> PEM Auditor <u>Audit Committee</u> and any member of the Audit Committee or the Technical Committee shall not be personally liable for any loss or damage suffered or incurred by a WESM Member, the System Operator, <u>the Metering Services Providers</u> , Market Operator or any other person as a consequence of any act or omission of those persons in the performance of their functions unless the <u>member of the</u> PEM Auditor or the member of the Audit Committee or the Technical Committee member, as the case may be, acted with malice, manifest partiality, bad faith, gross incompetence or gross negligence.	and inclusion of the audit of MSPs		

C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		14.1.2 Except for liability arising out of conduct involving malice, manifest partiality, bad faith, gross incompetence or gross negligence, if the PEM Auditor or a member of the Audit Committee or the Technical Committee is made liable to pay any amount for loss or damage suffered or incurred by any person or entity as a consequence of any of its acts or omissions in the performance of its duties, the PEMC shall indemnify said persons through an indemnification process to be developed by the PEM Board. Said indemnification shall cover: (a) The full amount adjudged; and (b) The costs and expenses incurred by the PEM Auditor and the member of the Audit	7.2— 14.1.2 Except for liability arising out of conduct involving malice, manifest partiality, bad faith, gross incompetence or gross negligence, if <u>any member of</u> the PEM Auditor or a member of the <u>Audit Committee</u> or the Technical Committee is made liable to pay any amount for loss or damage suffered or incurred by any person or entity as a consequence of any of its acts or omissions in the performance of its duties, the PEMC shall indemnify said persons through an indemnification process to be developed by the PEM Board. Said indemnification shall cover: <u>a)</u> (a) The full amount adjudged; and <u>b)</u> (b) The costs and expenses incurred by the PEM Auditor and the		-	-



C. Proposed Amendments to the PEM Audit Market Manual ⁴						
Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		Committee or the Technical Committee, as applicable, in defending itself in the related proceeding(s).	member of the <u>Audit Committee</u> or the Technical Committee, as applicable, in defending itself in the related proceeding(s).			
	NEW		<u>8 Amendment and Effectivity of the Manual</u> <u>8.1 Any amendment to this Manual shall be approved by the DOE, following the procedures for changes to Market Manuals set out in the WESM Rules and in the relevant Market Manual.</u>	Included the provision normally part of any Manual	-	-
	NEW		<u>8.2 This Market Manual, as it may be amended from time to time, shall be published in the PEMC website.</u> <u>This Market Manual or any amendment thereto shall become effective upon approval of the DOE in accordance with</u>		-	-

C. Proposed Amendments to the PEM Audit Market Manual⁴

Title	Section	Original Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
			<u>WESM Rules 8.6.4. The date of the effectivity shall be indicated in this document.</u>			

D. Proposed Amendments to Retail Rules⁵

Title	Section	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
Audit	1.4.3.1	The PEM Auditor shall: a) Conduct the audit of the Central Registration Body and the systems, processes and procedures and other matters relevant to the operations of the Central Registration Body and the performance of its functions as set forth in these Retail Rules; and	The PEM Auditor <u>Audit Committee</u> shall: a) <u>Oversee the</u> Conduct <u>of</u> the audit of the Central Registration Body and the systems, processes and procedures and other matters relevant to the operations of the Central Registration Body and the performance of its functions as set forth in these Retail Rules; and	Global change adopting PEM Audit Committee The Guidelines Governing the Constitution of the PEM Board Committees, already refer to PEM Audit Committee (PAC) – one of the PEM Committees headed by the PEM Auditor to perform duties in accordance with the WESM Rules composed of three (3)	a) Conduct the audit of the Central Registration Body and the systems, processes and procedures and other matters relevant to the operations of the Central Registration Body and the performance of its functions as set forth in these Retail Rules; and	Consistent with DOE position that the conduct of audit should be a primary responsibility of the PAC and that the conduct of audit by an independent third party should remain an option for the PAC depending on the scope and

⁵ Please refer to **the highlighted portions** in reviewing the revised proposed amendments, as applicable.

D. Proposed Amendments to Retail Rules ⁵						
Title	Section	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		b) Test and check any new items or new versions of market-related software used by the Central Registration Body or provided by the Central Registration Body for use by WESM members.	b) Test and check any new items or new versions of market-related software used by the Central Registration Body or provided by the Central Registration Body for use by WESM m <u>M</u> embers.	<p>members, headed by the PEM Auditor.</p> <p>Currently, the committee in charge of audits is already referred to as the PEM Audit Committee headed by a Chairperson. Although in the said Guidelines, reference is made to a PEM Auditor as the head of the PAC, the term is no longer being used to refer to the Chair of the PAC.</p> <p>It is intended that this change be reflected in the WESM Rules, in the Retail Rules as well as in the Guidelines above mentioned and the PEM Audit Manual for clarity.</p>		difficulty of the audit.

D. Proposed Amendments to Retail Rules ⁵						
Title	Section	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
Audit	1.4.3.2	The PEM Auditor shall perform the functions stated in clause 1.4.3.1 in accordance with Chapter 1 of the WESM Rules and relevant Market manuals.	The PEM Auditor Audit Committee shall perform the functions stated in clause 1.4.3.1 in accordance with Chapter 1 of the WESM Rules and relevant Market m Manuals.	Global change adopting PEM Audit Committee	-	-
Rights of Access to Metering Data	4.5.3.0	The only entities entitled to have either direct or remote access to metering data on a read only basis from the metering database or the metering register in relation to a metering point are: 4.5.3.1 xxx ... 4.5.3.10 The PEM Auditor; ...	The only entities entitled to have either direct or remote access to metering data on a read only basis from the metering database or the metering register in relation to a metering point are: 4.5.3.1 xxx ... 4.5.3.10 The PEM Auditor Audit Committee ; ...	Global change adopting PEM Audit Committee	-	-
Audit of Metering Arrangements	4.8.1	The PEM Auditor shall conduct review and audit of the metering arrangements and compliance of the Retail Metering Services Providers and the Central	The PEM Auditor Audit Committee shall the oversee the conduct of the review and audit of the metering arrangements and compliance of Retail	Global change adopting PEM Audit Committee The proposed change is consistent with the proposed change in the	The PEM Auditor Audit Committee shall conduct the review and audit of the metering arrangements and compliance of Retail Metering Services	Consistent with DOE position that the conduct of audit should be a primary responsibility of the PAC and that the

D. Proposed Amendments to Retail Rules ⁵						
Title	Section	Provision	Proposed Amendment	Rationale	Revised Proposed Amendment	Rationale
		<i>Registration Body</i> annually or for such other period as determined by the PEM Board	Metering Services Providers and the Central Registration Body <u>to the requirements of the Retail Rules, its applicable Manuals and other relevant laws and issuances. The said review shall be conducted annually periodically</u> or for such other period as determined by the PEM Audit Committee.	WESM Rules Clause 4.5.5.4 (proposed). Market audits are conducted in consideration to the Manual of Approvals of PEMC. However, all market audit activities are determined and planned by the PEM Audit Committee.	Providers and the Central Registration Body <u>to the requirements of the Retail Rules, its applicable Manuals and other relevant laws and issuances. The said review shall be conducted annually periodically</u> or for such other period as determined by the PEM Audit Committee.	conduct of audit by an independent third party should remain an option for the PAC depending on the scope and difficulty of the audit. The frequency of review and audit will be specified in the proposed revisions in the PEM Audit Manual.