



Market Surveillance Committee 2021 Annual Report

January to December 2021

MARCH 2022

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

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I. INTRODUCTION

The Market Surveillance Committee (MSC) submits this Annual Report which outlines the accomplishments of the Committee and the activities it has undertaken for the period of January to December 2021. Annex A of the Report also provides the MSC's planned activities for the year 2022.

Pursuant to its mandate under Section 1.6.2 of the WESM Rules and Section 3.1 of the Market Surveillance Manual¹, the MSC carried out its functions and responsibilities throughout the year amidst the threats brought about by the continued effect of the Corona Virus Pandemic in the country which started since March 2020.

Accordingly, the MSC, with the PEMC – Market Assessment Group (MAG) and Enforcement and Compliance Office (ECO) as its primary support units, accomplished during the year its monitoring and analysis of trading participants' activities and market outcomes, as well as its role in compliance and enforcement prior to its transfer to the newly constituted Compliance Committee effective November 2021. To perform said functions, the MSC conducted a total of thirteen (13) meetings² for the year 2021, all of which were conducted via online platforms, following the community quarantine restrictions that were implemented since 15 March 2020. The MSC has likewise communicated through email and other online platforms, to deliberate on various market issues and topics.

In summary, the MSC accomplished the following activities through the assistance of MAG and ECO:

	Activities
Monitor activities conducted by WESM Participants through submission of special / ad hoc reports	<ul style="list-style-type: none"> Generator Portfolio Analysis Issues Paper on the RCOA Market which led to a series of dialogues and consultation meetings with the RCOA stakeholders Survey Paper on the Competition Framework in Other Jurisdictions Simulation of Yellow and Red Alerts by which the MSC has taken note the resulting recommendation wherein it will be more prudent to exclude T&C capacity from the supply profile Review of Grid Operation Program (GOP) Revisions which led to a request for clarification with the System Operator on the noted discrepancies
Preparation of periodic reports	<ul style="list-style-type: none"> Market Assessment Reports (monthly, seasonal, and annual) Interesting Pricing Events Reports Over-riding Constraints Reports (monthly and annual) Retail Market Assessment Reports (quarterly and annual) Market Intervention / Suspension Reports
Assistance to investigate / gather evidence for suspected breaches of WESM Rules	<ul style="list-style-type: none"> Compliance Monitoring and Assessment Reports Review of Request for Investigation Investigation Reports
Review/Propose amendments to the WESM Rules / Manuals	<ul style="list-style-type: none"> Review of Promulgated WESM Industry Code of Ethics Review of Proposed Revisions to the Catalogue of Market Monitoring Data and Indices Review of Proposed Penalty / Sanctions in relation to violation of expired testing and commissioning status

¹ The DOE approved the Market Surveillance Manual Issue 1.0 effective 23 October 2021

² The MSC completed a total of twelve (12) Regular Meetings and one (1) Special Meeting during the year 2021.

	Activities
	<ul style="list-style-type: none"> ○ Review of Proposed Filtering Mechanism for the Compliance Post Evaluation Monitoring System
Coordination meetings with WGCs and other Agencies	<ul style="list-style-type: none"> ○ Department of Energy – Discussion on Green Energy Option Program ○ Energy Regulatory Commission – Conduct of Courtesy Call ○ WESM-Technical Committee – Discussion on the MSC Study Requests ○ WESM-PEM Audit Committee – Discussion on the proposed review / audit of the NGCP-SO ○ Independent Electricity Market Operator of the Philippines – Discussion on Market Intervention Events, High Price Analysis report, Enhanced WESM Design and Operations updates, nodal monitoring, Financial Transmission Rights, Impact of Cebu-Negros Congestion, WESM Data availability concerns and Confidentiality of Look Ahead Offers ○ National Grid Corporation of the Philippines – Discussion on Market Intervention Events, Outage Adjustments, Supply Adequacy during Summer months, GOP outlook, and updates on Transmission Development projects
Other Activities	<ul style="list-style-type: none"> ○ Participation to Annual General Membership Meeting and WESM Compliance Officer (WCO) Summit

II. ACTIVITIES ON MARKET MONITORING AND ASSESSMENT

2.1. Assessment of Market Outcomes in the Wholesale Electricity Spot Market

2.1.1. Review of Market Assessment Reports

Market Assessment Reports (MARs) are prepared for the purpose of the Committee's monitoring and assessing the efficiency and competitiveness of the WESM under different timescales and market conditions. The MARs provide an assessment of market behavior and the analysis of market monitoring indices, which are based on the monitoring data collected primarily from the Market Operator (MO) and the System Operator (SO).

In accordance with Section 3.3 of Market Surveillance Manual³, the MSC submitted the following MARs

- a) Nine (9) Monthly Monitoring Reports, comprised of the MSC's Monthly Accomplishment Report, and the Monthly Market Assessment Report (MMAR), covering the billing months of November 2020 to July 2021;
- b) Two (2) Seasonal Market Assessment Report⁴ covering the Rainy season of 2020 and Cool Dry season of 2021;
- c) Annual Market Assessment Report covering the period 26 December 2019 to 25 December 2020.

Highlights of the Monthly MARs were presented by the MSC during monthly PEM Board Meetings. MARs are likewise regularly furnished to the Department of Energy (DOE) and Energy Regulatory Commission (ERC) for information and reference, and accordingly published in the PEMC website⁵.

On 26 June 2021, the Enhanced WESM Design and Operations (EWDO) has commenced which led into transitioning the market from 1-hour dispatch to a much shorter dispatch interval of 5 minutes. The start of the transition into a new system led to various data and procedural concerns especially between the Independent Electricity Market Operator of the Philippines (IEMOP) to Philippine Electricity Market Corporation (PEMC). The MSC was apprised of the concerns and issues experienced by its support unit, the MAG, which resulted in the delayed processing of data for the MARs for July to December 2021. To address the identified concerns and issues, the MSC conducted a series of meetings with the representatives from IEMOP and PEMC. The series of meetings led to the establishment of communication channels to centralize the communication and data

³ Previously under Section 7.3 of the Market Surveillance, Compliance and Enforcement Manual before it was replaced by the Market Surveillance Manual Issue 1.0 effective 23 October 2021

⁴ The seasonality reports shall cover the following: a) Cool Dry Season from 26 November to 25 February; b) Hot Dry Season from 26 February to 25 May; and c) Rainy Season (from 26 May to 25 November).

⁵ Link: <https://www.wesm.ph/market-outcomes/market-assessment-reports>

management. With this, the data provisions and procedural concerns were slowly being resolved which led to the submission of reports.

2.1.2. Review of Interesting Pricing Events

Consistent with the MSC-approved seasonality thresholds for spot price indices, the MSC reviewed Interesting Pricing Events (IPEs) that were observed during the year. The upper and lower thresholds for IPEs were determined based on the level of supply margin considering the seasonality. IPEs are triggered when the Generator Weighted Average Price (GWAP) is beyond the said thresholds.

For the May 2021 billing month, the MSC noted a total of thirteen (13) IPEs for peak hours and ten (10) IPEs for the off-peak hours, all breaching the upper thresholds. It was observed that the monthly average supply margin recorded for May 2021 was the lowest since January 2020. In addition, no change was observed in the offer pattern among the price setting plants and other generating units during the period under review. However, the offer pattern of generators showed that there was an increase on average offered prices for coal, hydroelectric, and natural gas plants.

Meanwhile for the June 2021 billing month, eleven (11) IPEs for peak hours and five (5) IPEs for off-peak hours, all breaching the upper thresholds of the rainy season were noted. Analysis of the IPEs showed that all interesting pricing events that occurred for the said billing month breached the threshold for supply margins below 100 MW. Furthermore, sudden increase in demand combined with the fluctuations in the supply are found to be the cause of thin supply margins. In the analysis, the high level of capacity not offered also plays a huge role for the supply margin situation. On the other hand, analysis of offer patterns showed an increase in offer price for some price-setting plants and were also found to have exhibited bid-splitting behavior.

For the purpose of the MSC's monitoring, bid splitting is defined as an offer strategy when a generating unit offers majority or almost its entire capacity at lower prices, while simultaneously bidding a small portion of its capacity distinctly close or equal to the market offer price cap.

Similar with the MARs, the Interesting Pricing Events Reports (IPERs) are regularly furnished to the DOE and ERC, for information and reference

2.1.3. Review of Over-riding Constraints

2.1.3.1. Review of Monthly Monitoring Report on Over-riding Constraints

In accordance with Section 5.5 of the Market Surveillance Manual⁶, the MSC monitored the over-riding constraints imposed by the National Grid Corporation of the Philippines – System Operator (NGCP-SO) on generators and the N-1 contingency requirements⁷.

For the year in review, the MSC deliberated upon eight (8) Monthly Monitoring Reports on Over-riding Constraints covering the billing months 25 November 2020 to 25 July 2021.

In summary, majority of the imposition of over-riding events during the period were categorized as non-security limit events, mainly due to the conduct of testing and commissioning (T&C). The month-on-month comparison of the number of over-riding events imposed per generator resource type is shown below:

	Dec 2020	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021
	1-hour Market							5-minute Market
No. of Over-riding events	6,100	5,756	5,915	5,495	5,163	5,335	5,597	62,621
<i>Battery Energy Storage</i>	29	0	2	0	0	0	0	9
<i>Biomass</i>	2,993	3,047	3,102	2,868	2,345	2,517	2,087	23,049
<i>Coal</i>	420	90	253	254	323	674	216	161
<i>Geothermal</i>	2	2	114	35	8	1	56	905
<i>Hydro</i>	788	567	341	123	159	105	585	8,041
<i>Natural Gas</i>	84	177	90	90	39	62	73	1,728
<i>Oil-based</i>	64	110	66	291	47	54	8	752
<i>Solar</i>	1,720	1,763	1,947	1,834	2,242	1,922	2,572	27,976
<i>Wind</i>	0	0	0	24	0	0	0	0

Table 1 | Summary of Over-riding Events – December 2020 to July 2021

2.1.3.2. Review of Annual Monitoring Report on Over-riding Constraints

In 2021, the MSC also reviewed the result of the highlights of the Annual Report in the Monitoring of Over-Riding Constraints for billing year 2020.

T&C was observed to be the main reason for the imposition of over-riding constraints across the billing months of 2020, with several plants undergoing prolonged T&C, in excess of the two (2) month-allowable period, as prescribed under the ERC Resolution No. 16, series of 2014.

The Annual Monitoring Report on Over-Riding Constraints was submitted for the information of the PEM Board.

⁶ Previously under Section 11.5 of the Market Surveillance, Compliance and Enforcement Manual before it was replaced by the Market Surveillance Manual Issue 1.0 effective 23 October 2021

⁷ The monitoring of the over-riding constraints on generators is done on a per generator trading node per trading interval. A constraint imposed on a generator trading node on a particular trading interval is considered as one (1) **over-riding event**. The monitoring of the over-riding constraints is based on the data and information provided by MO (i.e., real time market results and MMS-input files on security limits) and SO (i.e. SO Data for Market Monitoring).

2.1.3.3. Monitoring of Plants under Testing and Commissioning

The MSC has been regularly monitoring the testing and commissioning (T&C) of plants and has observed the prolonged conduct of T&C of plants in the WESM as early as 2015⁸. Issues arising from the MSC's monitoring and analysis of the over-riding constraints imposed on generators have likewise been continuously deliberated throughout the years.

For many years, the MSC had been sending letters of inquiries to generator-TPs which were observed to have gone beyond the 2-month allowable period, to inquire on the reasons for their prolonged conduct of T&C. However, the MSC has shifted its focus since 2020 to its regular coordination with the IEMOP on the status and progress for plants on prolonged T&C. In its formal request to IEMOP, the MSC was provided with regular updates every 2nd week of the month on the status of plants on T&C which were consistently discussed during its regular meetings.

2.1.4. Review of Market Intervention and Suspension Events for 2021

Pursuant to its mandate under the WESM Rules and the Market Surveillance Manual to review market intervention (MI) and market suspension (MS) events, the MSC complied with requirements of the Rules and undertook review activities for events declared during the covered period and subsequently prepared its Review Reports on the SO and MO-initiated MI events for 2021.

Following its thorough review and pursuant to its mandate under the WESM Rules, the Market Surveillance Manual, and PEM Board Resolution No. 2011-62, the MSC submitted on 17 February 2021 the following MSC Review Reports, for consideration of the PEM Board:

- SO-Initiated MI events covering the period October 2019 – January 2020 (MSC MI Review Report No. 2021-01), and
- MI and MS events from 12 to 13 November 2020 (MSC MS Review Report No. 2021-01).

Both reports discussed the sequence of events leading to the declaration of MI/MS, as well as the MSC's analysis and conclusion/s on the procedures and actions taken by the parties involved, relative to their responsibilities and the requirements provided for under the WESM Rules and Dispatch Protocol Manual.

In addition to the foregoing review reports, there were also a series of MI Events recorded from the 2nd quarter to 4th quarter of 2021. To further discuss and confirm the reason, as well as the procedures undertaken during the events, the MSC conducted several coordination meetings with the MO and SO.

Highlights of the MSC's review and actions taken for the MI events occurred from Q2 to Q4 2021 were as follows:

⁸ Prolonged Testing and Commissioning: beyond the maximum 2-month period allowed under the ERC Resolution No. 16, Series of 2014 on the Revised Rules for the Issuance of Certificates of Compliance for Generation Companies, Qualified End-Users and Entities with Self-Generation Facilities

- The reasons and grounds cited by the MO and the SO in their respective declarations of MIs as well as the actions taken by both entities were investigated on whether these are in compliance with the requirements prescribed under the WESM Rules and relevant Manuals.
- Request the Technical Committee (TC) to review the SO criteria in the determination/calculation of available capacity and the subsequent declaration of red and yellow alerts, noting the inclusion of the capacity of T&C plant - one (1) large coal plant in the SO's declared available capacity for May 2021. In the TC's formal response to the MSC, it acknowledges that the situation with the aforementioned large coal plant is extraordinary primarily because of its large capacity and posits that the inclusion of committed available capacity of T&C plants, even if it results in declaration of MI, should be viewed as an opportunity for the market to learn the effect of additional large capacities in the grid's reliability.
- For August 2021 MIs, MSC requested the NGCP-SO to submit the following: (1) significant Incident Reports (SIRs) corresponding to the MIs, and (2) grid map (geo map) so that the location of the facilities affected can be seen easily. Furthermore, SO was requested to regularly provide the MSC with the above materials as annexes to their MI reports.
- Noted the correction from the MO's presentation that the relevant MI events were declared by the SO due to the significantly high number of open breaker status in the Visayas.
- The revised reports for May and June 2021 incorporating the assessment and the additional comments and suggestions by the Committee on the above-mentioned MI events will be resubmitted by MAG for the final review and approval of the body prior to the submission of the same to the PEM Board for information

Effective November 2021, new members of the MSC were appointed. For the information and better appreciation of the new members, the MI events which occurred in May, June, August, and September 2021 were presented on 18 November 2021.

Relative to the SO-initiated MI events on 13 September 2021, the MSC requested PEMC-MAG to further review and verify the tagging of the concerned MI if their investigation for 02 October 2021 MI on the observed should be SO-initiated or MO-initiated. The said clarification will enable MSC to properly reflect the incident in the Review Report which is for submission to the PEM Board. Following the discussion, the MSC likewise sought for a copy of the result of generation imbalance during the period, for the Committee's reference in drafting its review report.

The MSC agreed to further enhance its own Review Report, giving out specific instructions for the MAG to consider in its draft. The MSC then requested MAG to make the necessary revisions for the MSC's review and approval.

2.1.5. Conduct of Analysis on the WESM Generator Portfolio for 2020

Pursuant to the WESM Rules and the Market Surveillance Manual, MARs are prepared for the purpose of monitoring and assessing the efficiency and competitiveness of the WESM under different timescales and market conditions. To further expound the analysis being conducted

regularly, the MSC likewise reviewed the result of the Generator Portfolio Analysis which provides for an overview of the structure and competition in the WESM for the period of 26 November 2019 to 25 November 2020 through the assessment of the market share, trading behavior, and spot exposure of major participant groups.

While the year 2020 was marked by unusual events which affected the market outcomes and trading behavior of the participants, the aforementioned report aims to provide for the results and trends in the portfolio-level behavior of the major participant groups in the WESM. Major participant grouping of the generators was based on the information obtained through research using General Information Sheets (GIS) from the Securities and Exchange Commission (SEC), Philippine Competition Commission (PCC) decisions, and Corporate Annual Reports, among others.

The Generator Portfolio Analysis report was submitted for the information of the DOE and ERC on 23 December 2021.

2.1.6. Monitoring and Review of the Grid Operating Program (GOP)

One of the major factors affecting the market outcomes noted by the MSC was the occurrence of several outages (planned and unplanned) throughout the billing year of 2021. With the continuous effort of the MSC to monitor the behavior of the participants, the Committee also reviewed the Grid Operating Program (GOP) as provided by the NGCP.

For the information and discussion of the MSC, MAG presented its monitoring of the GOP Revisions, and the comparison of the quarterly data with the SO's Daily Operations Report (DOR)⁹ which are received daily by MAG through email and FTP. The MSC observed the differences / discrepancies between the SO's GOP from the outage monitoring data, maintained and updated by MAG, based on the agency's DOR. With this, the Committee agreed to request for clarification on the discrepancies whereby the SO formally replied and explained through its letter to the Committee that the correct comparison of the GOP Revision 2 will be reflected on the 3rd Quarter DOR data.

2.1.7. Review of the WESM Industry Code of Ethics as Promulgated by DOE

As the proponent of the WESM Industry Code of Ethics (WICOE), the MSC reviewed the comparative table on the DOE-promulgated WICOE vis-à-vis the proposed version submitted by the Committee.

An opinion was raised regarding a certain provision, to wit: *"Board of Directors, Board Committees, management, officers, employees and staff, or agents, and their successors (of the WESM entities)"* as covered by the WICOE under *Section 1 on Applicability*. It was agreed that this is a significant change from the submitted version of the MSC as the intention for including such phrase is to make the WICOE expressly applicable to all, and not only to the institutions or principals, i.e., WESM members and participants, the MO, WESM Governance Arm, the PEM Board, and the WESM Governance Committee.

⁹ DOR is being used as basis in the daily updating of the outage data in the MAG's database

The MSC then requested clarification from the DOE on the matter through its letter dated 29 April 2021. In its response to the MSC, the DOE clarified through its letter that Section 7 of the subject Circular ‘clearly interprets that the WICOE shall also be applicable to the officers and staff of the aforementioned WESM entities’. The MSC noted the DOE’s clarification with thanks.

2.1.8. Review of Survey Paper on the Competition Framework in Other Jurisdictions

In preparation for the upcoming engagement of a third-party consultant for the development of monitoring framework and parameters for Anti-Competitive Behavior (ACB) in the WESM, the MSC discussed the highlights of the Survey Paper on the Competition Framework in Other Jurisdictions. The electricity markets surveyed by MAG for this purpose were as follows: National Electricity Market of Singapore, Australia’s National Electricity Market, New Zealand Electricity Market, Midcontinent Independent System Operator, Electric Reliability Council of Texas, Alberta Electric System Operator, Ontario Independent Electricity System Operator, and electricity markets in Europe – France, including the Epex Spot, which is the sub-market for the short term power trading between Germany, France, Austria and Switzerland. In addition, the study further reviewed the current structure of competition in the Philippines which includes the existing rules / laws, penalty / sanctions, mitigating measures, and other procedures / programs implemented.

The MSC approved the said study and formally submitted the result of the study to the PEM Board. Likewise, the same was submitted to the DOE and ERC for information.

2.1.9. Review of the Catalogue of Market Monitoring Data and Indices

The MSC discussed the proposed amendments to the Catalogue of Market Monitoring Data and Indices (CMMDI) Issue 1 including the additional indices which further aim to monitor unusual market outcomes and provide enhancements to the current list of monitoring data and indices. The proposed amendments takes-off from the previous discussions by the Committee which seek to revisit the indices in light of the market enhancements brought about by the EWDO.

After due deliberation, the MSC approved the revisions to the Catalogue of Market Monitoring Data and Indices (CMMDI), as recommended by MAG, as well as the resolution adopting the amendments and promulgating the same. The said revised CMMDI will serve as a guide to the Committee in analyzing the monitoring data and other information being collected in connection with its surveillance function in the market. Furthermore, the Catalogue was published in the PEMC website on 29 October 2021, for the information of the public and the stakeholders.

2.1.10. Simulation of Yellow and Red Alerts

As part of its monitoring and assessment, the MSC studied the result of the simulation conducted by MAG on the impact of T&C capacity to the declaration of yellow and red alerts by the NGCP-SO.

Results of the simulation showed that excluding the T&C capacities from the total scheduled capacity reduced the number of intervals under normal condition by 3.4 percent, with 98 of the total 2,865 intervals falling under yellow alert status. Meanwhile, only one (1) interval fell under red alert status from being on yellow alert when the T&C capacities were excluded from the total scheduled capacities during the subject intervals.

The MSC noted the simulation results and the resulting recommendation that it will be more prudent to exclude T&C capacity from the supply profile to present a more realistic forecast. As such, the resulting margin without the T&C capacity will be given more consideration in the planning. It was agreed that this will be subject to further discussion by the MSC.

2.1.11. Review of Proposed Penalty and Sanctions for the Violation / Breach during the Expired Testing and Commissioning Status of Plants

The DOE promulgated the Department Circular DC2021-06-0013 which provides, among others, the procedures to be followed by generating facilities before, during, and after the conduct of T&C. The Circular also provides the timelines for allowable T&C period consistent with the ERC Resolution No. 16, Series of 2014. With this, the MSC agreed that certain penalty and sanctions have to be in place to enforce the strict compliance of participants with the provisions of the circular.

Considering the foregoing, the MSC discussed the MAG and ECO's initial proposed penalty or sanctions for the violation / breach of plants during their expired testing and commissioning status in consideration of the 1) non-compliance with the 2-month T&C without cause; and 2) non-compliance with the OMW RTD schedule. The said proposal was in relation to the Committee's initiative to review and proposed amendments to the rules to incorporate possible penalty and sanctions against power plants who violated the provisions of the DOE DC2021-06-0013.

The MSC provided its comments and inputs to the proposed penalty mechanism and emphasized the need to conduct further study on the matter especially for the basis of the imposition of the same. The MSC was likewise informed of the comments and suggestions made by the Compliance Committee and the ongoing efforts of PEMC to undertake a study for the schedule of penalties for the discussed breach.

2.1.12. MSC Study Requests to PEMC-Technical Committee

2.1.12.1. Appropriateness of Metering Configurations

On 2020, the MSC requested the assistance of the TC to assess the impact of different metering configurations and the appropriateness of the procedures in-place in deriving the settlement

quantities for generation nodes. In its formal response provided to the MSC on March 2021, the TC provided its observations as well as their recommendations on the matter. In view of the same, the MSC consulted and requested the opinions and responses of both the MO and SO.

The responses provided as regards the observations and recommendations of the TC were duly reviewed by the MSC. Following the TC recommendation, the MSC will continue to monitor occurrences of snapshot error data in the market. Highlights of the responses were as follows:

- The determination of connection point locations is based on the ERC Resolution No. 23, Series of 2016 specially on Annex B which provides standard grid interconnection variants.
- Agreement on PEMC-TC's recommendation that WESM meters should be co-located with the Market Trading Node (MTN) where the RTU is also installed which is also consistent with the DOE DC2018-05-0015's definition of MTN.
- Recommended to have consistent metering installations at the Connection Point of each plant as well as per generating resource.
- Post-processing of metered quantities and sophisticated calculations cannot be avoided entirely due to facility configuration which exists in Philippine Grid Code.
- Issuances of Meter Trouble Reports were based on the validation categories under the WESM Manual on Metering Standards and Procedures.

2.1.12.2. SO-initiated Market Intervention Events

The MSC further sought the expertise of the TC to (1) review the SO criteria for the determination / calculation of available capacity and for the subsequent declaration of the red and yellow alerts, (2) review of SO's test completion and acceptance procedure on plants which underwent testing and commissioning, and (3) review of the adequacy and clarity of some provisions in the WESM rules relative to the SO-initiated MI events on grounds of Emergency / Threat to System Security.

Relative to the foregoing, the MSC duly considered the initial insights and key points raised by TC as well as its review on the procedures, criteria, and rules with regard to the SO-initiated MI events:

- Inclusion in the available capacity of one large coal plant under Testing & Commissioning in the total capacity was an unusual case.
- SO's responsibility should stop at the declaration of Grid Supply status.

The MSC thanked the TC through a formal letter for their valuable inputs in relation to the study request.

2.1.13. Conduct of Meetings with the Independent Electricity Market Operator of the Philippines (IEMOP)

2.1.13.1. Discussion on High Price Analysis Report

In view of the high prices observed for March 2021, IEMOP joined the meeting hosted by the MSC with MAG to discuss its High Price Analysis Report for the March 2021 billing month. It was noted that this Report is submitted by IEMOP to the MSC for the first time.

The MSC noted that the report provided by the IEMOP while also noting MAG's established reporting on high prices through its Market Trigger Reports (MTRs) and Interesting Pricing Events Reports (IPERs), as well as the MARs. The MSC then requested MAG to coordinate with IEMOP on its spot price monitoring and discuss possible ways forward in terms of its reporting to the Committee.

Furthermore, the MSC requested MAG to study and develop a proposal on market triggers for outages, similar to market triggers on price spikes, such that, a cap shall be established where at that level, further analysis shall be made and reported to the MSC.

2.1.13.2. Discussion on the Enhanced WESM Design and Operations Updates

With the commencement of the EWDO on 26 June 2021, IEMOP was requested to present to the MSC the Market Performance Updates under the new market.

Some of the clarifications raised and discussed by the MSC were as follows:

- inquiry on the benchmarks or indicators used by IEMOP in coming up with its performance report
- further clarification on the report regarding inaccurate and incomplete metered quantities (MQ)

The IEMOP highlighted the significance of the timely submission of quantities by trading participants under the 5-minute market since settlement amounts are no longer dependent on Ex-Ante Quantities (EAQ) unlike in the case during the 1-hour market. It was further expounded that there is a delay in the timely submission of MQ and this affected the settlement calculations. The MSC commented that a study on the matter at a later time would be necessary, including a study if the imposition of sanctions or penalties may be warranted.

At the end of the meeting, the MSC requested MAG and ECO to continue its monitoring and assessment of the WESM despite the relaxation of penalty impositions during the first three (3) months of implementation of the EWDO.

2.1.13.3. Discussion on Nodal Monitoring

The MSC continued its coordination with the IEMOP as regards the MSC Study on the noted unusual Total Trading Amount (TTA) of a certain electric cooperative. As requested, it also noted the update from the IEMOP on its submitted action plan in October 2020 on the following: a)

recognition between IEMOP and NGCP-SO that the non-updating snapshot data is an infrastructure issue, b) IEMOP's ways forward on the limited modelling and non-updating system snapshot, and c) update on similar cases.

2.1.13.4. Discussion on Impact of Cebu-Negros Congestion due to Damaged Submarine Cable

In view of the reported price spike in the Visayas grid, the MSC convened a meeting with IEMOP to discuss the impact of the Cebu-Negros Congestion due to Damaged Submarine Cable which resulted to the power rate spike in the subject area.

As requested by the MSC, PEMC-MAG presented the rules and mechanism regarding Line Rental (LR) as well as the revisions made on the LR calculation under the EWDO. The MSC has taken note the below short-term, medium-term, and long-term solutions for the issue, following the series of meetings by the concerned agencies on the matter.

Short-Term	Medium-Term	Long-Term
<p>ERC ordered the following in relation to the incidental charges:</p> <ul style="list-style-type: none"> • Halt the collection from customers, of congestion charges, and other applicable charges, including but not limited to line rentals attributable to the incident • Congestion charges and other applicable charges attributable to the incident which were already collected shall be refunded to the customers • Defer the payment of congestion and other related charges to generation companies affected by the incident 	<p>Consider putting the affected area under a PSM pricing scheme until such time the cable repair is completed</p>	<p>Develop a more responsive and adequate capable grid with alternative routes</p>

During the conducted meeting, representatives from IEMOP also presented their assessment on the impact of the Cebu-Negros congestion caused by the damaged submarine cables which the MSC has taken note of upon conclusion of the presentation.

2.1.13.5. Discussion on FTR Module of the MMS

The MSC organized a meeting with the MO to provide a brief and walk-through on the Financial Transmission Rights (FTR) Module in the new Market Management System (MMS).

In relation to the activities pertaining to FTRs, the MSC was apprised that it is included in PEMC's roadmap on the market developments as well as in the line-up of activities by the MO. With the noted efforts of both entities towards the operation of the FTRs, the Committee requested PEMC to closely collaborate with IEMOP on this and to regularly provide updates on the development or progress of the said activities.

2.1.13.6. Discussion on WESM Data Availability Concerns

The MSC, as one of the governance committees of the WESM, is tasked by the WESM rules and Market Surveillance Manual Issue 1.0 to undertake market monitoring and assessment activities, and to submit corresponding reports providing for its analyses to the appropriate bodies. However, the Committee was apprised by MAG of the issues pertaining to the completeness and accuracy of data transmitted by IEMOP to PEMC, and subsequent procedural changes concerning the data in MAG processes, which prevented the Committee's timely analyses required by the Rules and Manuals.

Considering the foregoing, the Committee invited IEMOP for a discussion to resolve the matter which occurred on 18 November 2021. Following the discussion, several clarificatory matters were agreed to be further resolved between PEMC and IEMOP, in order for the reports to be submitted in compliance with the requirements of the Market Rules and Manuals.

2.1.13.7. Discussion on the Confidentiality of Look-Ahead Offers

In January 2021, the MSC discussed the Legal Opinion on the MAG proposal regarding the automation of the real-time monitoring of generation offers, which include the notification to trading participants of their possible breach of the Must-Offer Rule (MOR) using the look-ahead offers in the DAP.

Likewise, the MSC discussed the ERC directive as contained in its Decision on the Price Determination Methodology, which states in part: "In view thereof, the Commission hereby directs PEMC to monitor and ensure the TPs' submission of forecasted offers considering that this will help generate accurate look-ahead projections and real-time schedules that will guide the TPs."

After the discussion, the MSC requested MAG to continue the review of its proposed monitoring of look-ahead projections, in coordination with PEMC-Legal, and update the MSC of its recommendations. ECO likewise planned to check on the appropriate enforcement proceedings and actions with respect to the submission of look-ahead offers under the EWDO.

During its February 2021 Meeting, the MSC was updated on the continuing discussion by MAG on the topic. It was discussed that while the real-time monitoring of look-ahead offers may no longer be feasible due to budget constraints, MAG will nevertheless ensure compliance with the directive of the ERC to monitor the submission by generator-TPs of look-ahead offers. Additionally, the MSC has taken note that the IEMOP had already agreed to continue providing MAG with access on the look-ahead offer data consistent with the ERC directive.

2.1.14. Conduct of Meetings with the National Grid Corporation of the Philippines – System Operator (NGCP-SO)

2.1.14.1. Discussion on Outage Adjustments

The MSC convened a meeting with the NGCP-System Operator (SO) to discuss the following: (a) Adjustments on Generator Planned Outages, and (b) Transmission Line Outages for 2021.

The MSC noted the NGCP-SO's presentation and discussion on the Planned Outages for Year 2021. It was observed that the presentation did not include information on transmission line outages for 2021, as requested by the MSC. Nevertheless, the SO presented the procedure and timelines in the preparation and revision of the Grid Operating and Maintenance Program (GOMP) as well as its power supply assessment for CY 2021, considering generator outages.

Further, the MSC also noted the NGCP-SO statement that they will be providing the MSC with a copy of the scheduled maintenance program and the corresponding adjustments for its transmission lines as contained in the quarterly revisions of the GOMP.

2.1.14.2. Discussion on Supply Adequacy in the Summer Months and Parameters in the Declaration of Market Intervention

In preparation of possible power interruptions mainly during the summer months, the MSC conducted a meeting to discuss two concerns with NGCP: 1) Supply adequacy / Power situation outlook for the summer months, and 2) parameters in the declaration of market intervention.

After the discussion, the MSC agreed to: a) commence a review / study on the need for a standard or a set of criteria in the adjustment of outage schedules in the GOMP; b) review of the WESM rules to clarify current definitions on the grounds for MI declaration; c) conduct a study on the actual status of the power system, including the impact of the inclusion of plants on T&C in the NGCP-SO Power Outlooks, and d) correct in the MAG reports the reference to manual load dropping (MLD) as reason for the declaration of MI since MLD is not the reason for the MI, but the measure/action undertaken by SO to address the issue on supply inefficiency.

2.1.14.3. Review of GOP Outlook for Q4 2021

The MSC invited the NGCP-SO for a discussion of its GOP Outlook for Q4 2021, considering the scenario of the SPEX Malampaya turnaround in October 2021, including the adjustments in the Preventive Maintenance Schedule (PMS) of major plants.

Following the SO's presentation, the MSC has taken note that in compliance with DOE Circular DC2021-06-0013, the NGCP-SO will be excluding all T&C plants without the ERC's Certificate of Compliance (COC) from the SO's capability profile/power outlook effective 17 September 2021.

2.1.14.4. Discussion on Transmission Development Projects

With the invitation from the MSC, the representatives of NGCP-SO presented, for the Committee's information and reference, the relevant updates on the three (3) major Visayas transmission line projects, namely the Cebu-Negros-Panay transmission backbone, Cebu-Bohol Interconnection Project, and Mindanao-Visayas Interconnection project, which will be completed until the year 2023 and which intends to, among others, address the congestion in the Visayas region causing significant effects in the market outcomes. The provided information was noted by the Committee.

2.1.15. Conduct of Meeting/s with the Other PEMC Departments and Agencies

2.1.15.1. Discussion with the Renewable Energy Management Bureau (REMB) and PEMC-Corporate Planning and Communications

The MSC requested to meet with the Renewable Energy Management Bureau (REMB) of the DOE for a discussion on the fundamentals and updates on the DOE's Green Energy Option Program (GEOP). The MSC is keen to understand the GEOP after its meeting with the RCOA Stakeholders which have expressed interest in this program.

After discussion, the MSC also met with the PEMC-Corporate Planning and Communications (CPC) for a discussion on the Renewable Energy Market (REM) as another key mechanism in the Renewable Energy Act of 2008.

The MSC agreed to further review the REM Rules in its next Meetings for better appreciation of the REM framework and mechanism. In particular, the MSC will review the compliance and assessment aspect of the REM Governance Structure as well as the REM pricing mechanism.

2.1.16. Conduct of Meeting/s with other WESM Governance Committees

2.1.16.1. Meeting with PEMC Technical Committee

The MSC requested for a meeting with the TC to discuss the TC's request for the MSC to conduct a study / assessment on how the proposed Distribution System Operator (DSO) – Managed Model for Mindanao may affect competition in the generation sector.

The MSC took note of the details of the TC-proposed DSO for Mindanao and agreed to study the proposal by the formation of Technical Working Group (TWG).

2.1.16.2. Meeting with PEMC PEM Audit Committee

The MSC held a meeting with the PEM Audit Committee (PAC) on 15 July 2021, for a discussion on the proposed review / audit of the NGCP-SO processes and/or systems which affect the operation of the WESM. The said meeting was requested in view of the ERC's comments on the possible inclusion of SO's audit in the ERC-PEMC Protocol.

The MSC expressed interest in this endeavor relative to its own surveillance experience and activities.

2.1.17. Assessment of the Retail and Open Access (RCOA) Market

2.1.17.1. RCOA Monitoring Reports

Pursuant to the Catalogue of Retail Market Monitoring Data and Indices (CRMMDI) Section 3.1.2, the MSC monitored and assessed the performance of the Retail Market, as contained in the Retail Market Assessment Report. In accordance with Section 7.3 of the MSCEM Manual and Section 3.1 of the Catalogue of Retail Market Monitoring Data and Indices (CRMMDI), the MSC submitted to the PEM Board the following:

- Four (4) quarterly Retail Market Monitoring Reports (RMMR), covering the Fourth Quarter of 2020 to Third Quarter of 2021; and
- Annual Retail Market Monitoring Report (ARMMR), covering the period 26 December 2019 to 25 December 2020.

The Retail Market Monitoring Report contains the Retail Market Assessment Report, which discusses the outcome of monitoring indices and provides indications on how the retail market performed during the period in review and how it fared in comparison with the performance of the previous periods.

During the year, the MSC regularly presented to the PEM Board the highlights of its assessment of the RCOA Market. The reports were also furnished to the DOE and ERC for information and reference, and were published in the PEMC website¹⁰.

2.1.17.2. Issues Paper on the Philippine RCOA Market

The MSC deliberated upon the Issues Paper on the Philippine Retail Competition and Open Access (RCOA) Market, as presented by MAG.

The MSC further touched-upon the recommendations articulated in the Issues Paper, resulting from MAG's extensive review of retail markets in other jurisdictions as well as the stakeholder consultation series that was launched by the MSC to gather collective inputs from the Retail Electricity Suppliers (RES), Contestable Customers, and the ERC.

Recommendations that were approved by the MSC for inclusion in the RCOA Issues Paper are as follows:

1. Empowerment of the Consumer
 - Formation of a Consumer Group/Association
 - Provide information to consumers to boost awareness of the goings-on and updates in the market
 - Provision of Consumer Rights to its data to effectively choose.
2. Enhancement of the consumer portal – buyyourelectricity.com
3. Proper Implementation of the Enhancements to Retail Rules to Reduce Barriers to Entry in the RCOA
4. Enhancement of Rules on Retail Supply Contracts
 - Remove/reduce/cap exit/termination fees, subject to exemptions
 - Shorten RSCs up to six (6) months
 - Prohibit saves and win-backs
5. Provision of Inactive Consumers List to Suppliers
6. Strict Implementation and compliance with ERC and DOE Issuances
7. Enhancement of RES licensing rules
8. Adoption of Aggregation in the RCOA Market
9. Use of Vertical Integration as Market Index
10. Revision of the following issuances to incorporate the enhancements:
 - Rules for the Integration of Retail Competition in the WESM;
 - Retail Market Manual on Market Transaction Procedures;
 - Catalogue of Retail Market Monitoring Indices; and
 - DOE Issuances and ERC Rules on Switching, RES Licensing, Retail Supply Contracts.

The RCOA Issues Paper was presented to the PEM Board in its January 2021 Meeting, and was also submitted to the DOE and ERC, and was published in the PEMC website.

¹⁰ Link: <https://www.wesm.ph/market-outcomes/retail-market-assessment-reports>

2.1.17.3. Series of Consultation with RCOA Stakeholders

As part of the activities to supply the necessary details in the study conducted by the MSC for the RCOA Market, inputs from the RCOA stakeholders (Retail Electricity Suppliers Association [RESA], the ERC Contestable Market Division, and the officers and representatives of the various Contestable Customers [CC]) were gathered and carefully considered in the Study after the completion of the MSC Dialogue Series in the year 2020, where it was also agreed that the MSC shall present the results of the Study to the RCOA stakeholders.

Upon conclusion of the study, the MSC presented the results of its Issues Paper / Study on the Philippine RCOA Market to the RESA on 27 May 2021, and to the RCOA CC on 08 June 2021. Representatives from the DOE and the IEMOP were likewise invited by the MSC in both events.

The MSC RCOA Issues Paper was submitted to the DOE and ERC in February 2021, providing for the following:

- Review of the implementation and current performance of the RCOA Market,
- Benchmarking of best practices in other jurisdictions; and
- Recommendations for the enhancement of the RCOA market.

The MSC reviewed and approved the documentation of the activities related to the RCOA Issues Papers as follows:

- Presentation of paper with RESA
- Presentation of paper with CC
- Dialogue with RESA
- Dialogue with CCs

III. ACTIVITIES ON ENFORCEMENT AND COMPLIANCE

3.1. Review of Compliance Monitoring and Assessment Reports (CMAR) and Issuance of Requests for Investigation (RFIs)

Pursuant to Section 8.2.3 of the MSCEM Manual¹¹, the MSC conducted its monthly review of the Compliance Monitoring and Assessment Reports (CMARs) as submitted by the Enforcement and Compliance Office (ECO). The CMAR is a result of the daily compliance monitoring activities by the ECO after assessing the generator-TPs' compliance with the RTD schedule and MOR. The ECO's monitoring activity was carried-out by issuing Daily Compliance Notices to the generator-TPs which are initially flagged for possible non-compliance, and by validating and assessing the generator-TPs' explanations

¹¹ Effective 23 October 2021, the MSCEM Manual was split into two manuals – Market Surveillance Manual and Enforcement and Compliance Manual

in the Significant Event Report Form and Dispatch Discrepancy Report Form, supporting documents, and other market data or reports from the MO and SO.

For the year 2021, the MSC completed its review of ECO CMARs covering the billing months of November 2020 to August 2021.

The corresponding requests for investigation (RFIs) were consequently endorsed by the MSC for the appropriate action of ECO,¹² relative to the possible non-compliances of generator-trading participants (TPs) with the Must-Offer-Rule (MOR), Nomination of Loading Levels and Projected Outputs (NOM), and Real-Time-Dispatch (RTD) schedule/instruction.

In total, the MSC submitted 36 requests for investigation, 14 of which were requests for possible non-compliance with the MOR, another one (1) on the possible non-compliance with the rule on nomination of loading levels, and the remaining 21 were requests for possible non-compliance with the RTD schedule. The number of requests for investigation corresponds to the number of ECO cases investigated by the ECO for the corresponding billing month.

The monthly number of requests for investigation submitted by the MSC to the PEM Board/ECO during the period in review is shown in the Figure below.

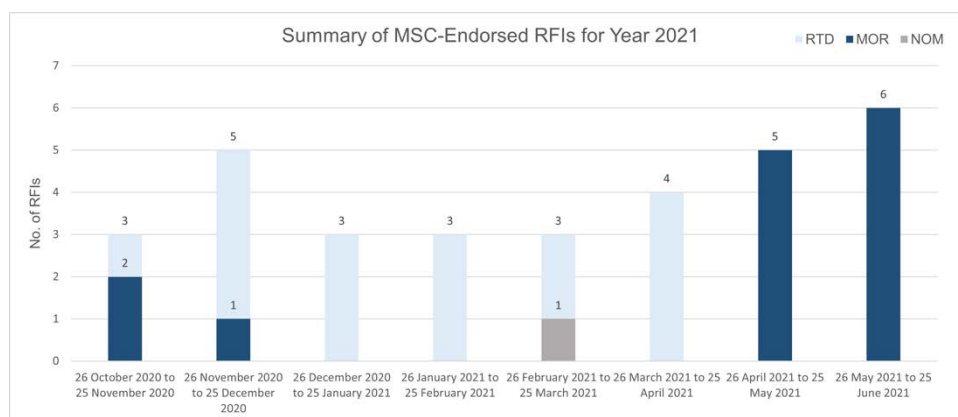


Figure 1 | Summary of Requests for Investigation (RFIs) Submitted by the MSC

The ECO apprised the MSC that they are continuing to issue Compliance Monitoring and Assessment Report (CMAR) to generator-trading participants. It was further explained that the ECO shall continue to issue Compliance Monitoring and Assessment Reports (CMAR) to generator-trading participants with penalties as computed by the CPEMS. However, participants were advised to disregard the computed penalties in view of the exemption provided by the DOE DC2021-06-0015.

3.2. Review of ECO Investigation Reports

¹² Section 7.3.4 (d) of the Market Surveillance, Enforcement and Compliance Market (MSCM) Manual, and PEM Board Resolution No. 2019-10-02

In accordance with Section 6.2.1(f) and 10.7 of the MSCEM Manual¹³, the MSC reviewed on a monthly basis, the ECO Investigation Reports with respect to: (a) the ECO's compliance with the procedures set forth in the MSCEM for the conduct of investigation, and (b) the validity and completeness of the data and documents upon which factual findings are based.

In summary, the MSC completed its review of 53 ECO Investigation Reports during the covered period, all of which were duly submitted and accordingly approved by the PEM Board.

3.3. Review of Motion for Reconsideration

The MSC was apprised on the investigation result concerning one (1) power plant which was reported to the PEM Board for final disposition last April 2021. On the same meeting, the PEM board resolved to adopt the recommendation of the MSC and was subsequently ratified by the Board. With this, ECO proceeded with the issuance of Notice of PEM Board action. However, the concerned power plant wrote a letter for reconsideration of the case addressed to PEMC President.

After the deliberation of the concern, the MSC agreed to follow the previous procedure and seek clearance from the PEM Board before proceeding with the review of the case. This was included in the agenda of the November Board Meeting. The Board resolved to adopt the recommendation of MSC, i.e., for ECO to proceed with the review of the report and provide updates thereon once completed.

3.4. Letter to DOE on the Utilization of Penalties

The MSC discussed the draft letter to DOE reiterating the Committee's position as regards the utilization of collected penalties. It was discussed that the penalty amounts collected by PEMC are treated as a reduction from the Market Fees pursuant to a decision of the ***ERC in Case No. 2013-137 RC: In the Matter of the Application for the Approval of the Level of Market Transaction Fees for the Calendar Year 2014 for the Philippine Wholesale Electricity Market Corporation (WESM)***.

The MSC agreed to reiterate through a formal writing, its view that allowing the use of penalties as additional budget support, which in effect would have meant the reduction of market fees assessed for generators, defeats the purpose of the penalty since it would benefit the same erring WESM generator Participants that violated the WESM Rules.

The MSC further agreed to include in the draft letter, its recommendations on how the collected penalties should be utilized, as contained in its proposed amendments to the WESM Penalty Manual Issue 2, which is currently under review of the DOE. The MSC recommendations on penalty utilization are as follows:

- Primarily for projects that directly redound to the benefit of electricity consumers;
- Training and education of WESM Members;

¹³ Effective 23 October 2021, the MSCEM Manual was split into two manuals – Market Surveillance Manual and Enforcement and Compliance Manual

- Conduct of Technical Studies or research to support market development, rules change proposals, and other market studies and the publication of the results of these; and
- Development and acquisition of information technology systems to support enforcement and compliance, market and assessment and surveillance in the WESM

The DOE, in its letter-reply to MSC dated 15 June 2021 expressed its intent to stand its position to ultimately flow back the collected penalty to the electricity end-users including interests. The said position of the DOE was reflected in the WESM Penalty Manual which became effective on 23 October 2021.

3.5. Update on the Re-classification of Bakun HEP

During the covered billing year, the MSC discussed the reclassification of Bakun HEP from Scheduled to Must-Dispatch Generating Unit in the WESM effective 30 December 2020 and noted that Bakun HEPP is thenceforth being monitored for compliance as a Must Dispatch generating unit.

3.6. Proposed Criteria in Determining the High Compliance Rating for Non-Scheduled Generating Units

To further encourage compliance of the generators with the Market Rules and Manuals, the MSC deliberated on the ECO's Proposed Criteria in Determining the High Compliance Rating for Non-Scheduled Generating Units, in addition to the established criteria for the scheduled, priority, and must dispatch generating units

The MSC took note of the guiding principles for the ECO proposal as follows: (a) recognition of the distinct obligations of non-scheduled generating units, (b) commitment to nominate available loading levels and compliance with dispatch schedules, and (c) embodiment of the culture of compliance.

After discussion, the MSC approved the ECO proposed criteria, as presented.

3.7. Compliance Update on Accepted Offers for Settlement

The MSC discussed the ECO's compliance update on three (3) generator-TPs with accepted Offers for Settlement and agreed to update the PEM Board on the same.

Accordingly, the MSC included this update in its report during the May 2021 PEM Board Meeting.

3.8. Review and Live Demo of ECO's Compliance Post Evaluation Monitoring System (CPEMS)

The MSC reviewed the utilization of the Compliance Post-Evaluation Monitoring System (CPEMS) which has been commissioned and has been used by the ECO since the commercial operation of the Enhanced WESM Design and Operations (EWDO) on 26 June 2021.

It was noted that the automation of the penalty impositions through the CPEMS follows the MSC recommendation sometime in 2018 on the automation of the WESM penalty impositions. For the information and better appreciation of the Committee, ECO offered a live demo on the functionalities of the said CPEMS.

There being no matters left for discussion on the implementation of the automated mechanism, the MSC thanked the ECO for the demo.

3.9. Review of Proposed Filtering Mechanism on the CPEMS

The ECO presented for the MSC's consideration the proposed filtering mechanism on the CPEMS. It was explained that some of the probable breaches being monitored may already be filtered-out for pre-determined justifiable reasons. It was indicated that this can further streamline the compliance monitoring process and help the ECO focus more on the substantial non-compliances that are flagged.

The MSC reviewed and approved the ECO's proposed filtering mechanism on the CPEMS for both the MOR and the Dispatch Conformance Standards, as earlier submitted by ECO.

IV. OTHER ACTIVITIES AND ACCOMPLISHMENTS

4.1. Review of Various Department Circulars and Issuances

The MSC regularly reviewed various proposed amendments, DCs, and/or Resolutions pertaining to the Committee's mandates and responsibilities to ensure that compliances and its monitoring / assessment activities are still updated. With this, the MSC reviewed the following issuances:

- DC2021-06-0012, Further Amendments to the WR, Retail Rules and Related Manuals re RCOA

The MSC noted the amendments introduced by the subject Circular in terms of Optional WESM Registration, full Retail Market Registry, Reduced Switching Procedures Timeframe, Meter Data Recording on an Interval Basis, as well as the responsibilities given to PEMC.

In addition, the Committee took note of the rationale behind the above amendments, i.e., to reduce participation requirements and processing, to improve ease of transition from captive to competitive retail market, to increase participation of Contestable Customers in choosing a Supplier and to minimize the switching cost for the RCOA Contestable Customers.

- DC2021-06-0013, Amendments to the WESM Rules on the General Framework on Test & Commissioning

The MSC was apprised of the additional responsibilities given to PEMC under said DC2021-06-001. Pursuant to this, the Committee agreed to consider this matter in the penalty system under the WESM Penalty Manual, as well as in the compliance monitoring process of the ECO. The MSC requested ECO and MAG to come up with a recommendation relative to matter.

- Supreme Court Decision (GR 228588) on the implementation of the Retail Competition and Open Access (RCOA) market in the Philippines

The MSC has taken note the summary of discussions on the events which transpired in the Supreme Court Decision which involved consolidated Petitions from electricity end users and electric cooperatives seeking to declare DOE DC2015-06-0010 and ERC Resolution Nos. 5, 10, 11, and 28, all series of 2016, unconstitutional for usurping legislative authority, violating the right of due process, equal protection clause, and non-impairment clause, as well as being an unreasonable exercise of police power.

Essentially, the current operation of the RCOA market having the nature of voluntary participation of the Contestable Customers was affirmed by the Supreme Court.

- ERC Resolution No. 10, Series of 2020 “Adopting the Interim Reliability Performance Indices and Equivalent Outage Days per Year of Generating Units”

The MSC has taken note of the interim reliability performance indices per technology as outlined in the subject ERC Resolution. The MSC likewise noted the input on the ECO’s role to verify compliance with the MOR / check the validity of the report on outage or deration.

The MSC also noted the presentation from MAG on the actual outage data vis-à-vis the allowable outage days prescribed in the ERC Resolution. The MSC thereafter agreed to request MAG to monitor on a daily basis: (a) the issuances and announcements of the DOE, ERC and other related agencies, and (b) news reports and opinion columns insofar as these relate to or impact on the power industry and the WESM

4.2. Participation in the PEMC Annual General Membership Meeting

The MSC joined the online conduct of the PEMC Annual General Membership Meeting (AGMM) held on 21 July 2021. MSC Chairman Francis V. Mapile participated as resource person, sharing with the PEMC membership the highlights of the MSC activities and accomplishments for 15 years on market monitoring and assessment, enforcement and compliance, and policy development.

4.3. Participation in the WESM Compliance Officers (WCO) Summit

The MSC participated in the preparation and actual conduct of the WESM Compliance Officers (WCO) Summit, which was held online on 23 to 24 September 2021.

Further, MSC Chairman Francis V. Mapile delivered his Closing Remarks during the WCO Summit, and congratulated the top performers in the Compliance and Metering Service Providers (MSP) Ratings. Chairman Mapile also discussed briefly how the MSC had taken part in the design and formulation of the compliance monitoring and assessment process. He expressed the hope that as the market ushers-in the new market environment under the EWDO and with the coming-in of the Compliance Committee, the WCOs/WEOs shall carry with them the “culture of compliance” as they have done and committed to do so. He further thanked the WESM Compliance Officers and the Enforcement Officers in taking steps to foster the compliance of their respective organizations, while also ensuring that the MSC will continue to support the efforts undertaken by PEMC in instilling the importance of compliance and effective governance.

4.4. Conduct of Courtesy Call to the Energy Regulatory Commission (ERC)

The MSC paid a courtesy call to the ERC in June 2021 and discussed with the Commission en banc the MSC mandate, duties, and responsibilities. The Committee likewise participated in the discussion on the proposed ERC-PEMC Protocol, which was scheduled in furtherance of PEMC meeting with the ERC.

4.5. Publication of MSC Quarterly Reports

The MSC regularly publishes its Quarterly Accomplishment Report to apprise stakeholders of its activities and accomplishments for the Quarter. For the year 2021, the MSC has published four (4) Quarterly Accomplishment Reports which may be downloaded in the PEMC website¹⁴.

4.6. Information on the Constitution of the Compliance Committee and Review of MSC Responsibilities

The MSC was apprised of the PEM Board action regarding the constitution of the Compliance Committee (CC), pursuant to DOE Circular No. 2020-10-0021 dated October 22, 2020.

Correspondingly, the MSC then reviewed the applicable WESM Rules Provisions, as amended by DOE Circular No. 2020-010-0021, on the MSC and the CC, as follows: (a) Formation of Committees, (b) Support Units, (c) Appointment, and (d) Responsibilities.

Upon review of the responsibilities of the MSC and the CC, the MSC agreed that while the responsibility to review investigation reports on breaches to the WESM Rules is transferred from the MSC to the CC, the MSC’s surveillance mandate remains extensive and wide-ranging. The MSC likewise touched-upon the MSC’s mandate to review the WESM penalty scheme / design and whether this should be retained

¹⁴ <https://www.wesm.ph/market-governance/market-surveillance/msc-reports-and-work-plans>

as part of the MSC's responsibilities or transferred to the CC. One of the arguments that were taken into consideration is the opinion that the MSC should carry-on with this mandate considering the MSC's market assessment experience, which would enable the Committee to make recommendations based on its commercial and technical expertise. Meanwhile, it was pointed out that the CC will be reviewing possible non-compliances as contained in ECO Investigation Reports, and will recommend the appropriate penalty for the breach, based on its technical expertise.

4.7. Review of Internal Rules and Conduct of Briefing for New MSC Members

The MSC started its review of the MSC Internal Rules Issue 3, to incorporate amendments that will reflect the changes and updates as regards the transfer of the enforcement and compliance related activities to the Compliance Committee such as the deletion of transferred responsibilities and also to incorporate the clerical and minor revisions for related revisions for clarity and brevity (e.g., reflection of new MSC Manual title).

The Committee was likewise provided with a brief information on, among others, the functions and responsibilities of the body as embodied in the relevant Market Rules and Manuals.

V. MEMBERSHIP

From January to October 2021, the MSC was composed of the following experts in the fields of electrical engineering, economics, and law:

- 1) Engr. Francis V. Mapile (Chairperson)
- 2) Dr. Peter Lee U
- 3) Atty. Doroteo B. Aguila
- 4) Prof. Fernando Martin Y. Roxas (expiration of membership on 27 November 2021)
- 5) *(Vacant position)*

By virtue of appointment by the PEM Board effective November 2021, the following new instated members of the MSC are as follows:

- 1) Atty. Doroteo B. Aguila (Chairperson)
- 2) Engr. Arthur N. Escalante (effective 29 November 2021)
- 3) Engr. Christian M. Orias
- 4) Engr. Ferdinand P. Villareal
- 5) Engr. Peter L. Wallace

VI. RESPONSIBILITIES

As set out in Section 1.6.2 of the WESM Rules, the responsibilities of the MSC are as follows:

1. Monitor activities conducted by WESM Participants in the spot market;
2. Prepare periodic reports, which outline the following:
 - a) Activities of WESM Participants in the spot market;
 - b) Matters concerning the operation of the spot market.
3. Assist the PEM Board or the ECO to investigate and gather evidence of:
 - a) unusual or suspicious behavior or activities of WESM members in the spot market; and
 - b) suspected or alleged breaches of the WESM Rules by WESM members; and
4. Propose amendments to the WESM Rules as necessary to: i) improve the efficiency and the effectiveness of the operation of the WESM; and ii) to improve or enhance the prospects for the achievement of the WESM objectives;
5. Assist the RCC in relation to its assessment of proposals to amend the WESM Rules.

In addition, the MSC is tasked under Section 3.1 of the Market Surveillance Manual¹⁵ to perform the following responsibilities:

1. Monitor activities conducted by WESM Participants in the spot market;
2. Prepare and submit monthly monitoring reports, quarterly retail market monitoring reports, annual reports to the PEM Board, the DOE and the ERC;
3. Prepare and submit special market reports as may be directed by the PEM Board, DOE, or ERC;
4. Review an event of market intervention or market suspension, as defined under Chapter 6 of the WESM Rules, and prepare the corresponding Market Intervention or Market Suspension Report to be submitted to the PEM Board;
5. Propose amendments to the WESM Rules;
6. Upon request, assist the Rules Change Committee in reviewing proposed amendments to the WESM Rules and Market Manuals, and make recommendations on the expected impact and necessity of the amendment proposal;
7. Annually review and propose changes, as appropriate, to the WESM Penalty Manual.

VII. MSC WORK PLAN FOR 2022

Annex A provides details of the MSC's program of activities for 2022, consistent with the PEMC Corporate Strategic Plan.

¹⁵ Previously under Section 6.2.1 of the Market Surveillance, Compliance and Enforcement Manual before it was being replaced by the Market Surveillance Manual effective 23 October 2021

SUBMITTED BY:

Approved by:

THE MARKET SURVEILLANCE COMMITTEE
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ARTHUR N. ESCALANTE
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