



# Market Surveillance Committee Quarterly Accomplishment Report

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**January to March 2022**

**APRIL 2022**

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

## TABLE OF CONTENTS

<b>I. INTRODUCTION.....</b>	<b>3</b>
<b>II. ACCOMPLISHMENTS.....</b>	<b>3</b>
<b>1. ACTIVITIES ON MARKET MONITORING AND ASSESSMENT .....</b>	<b>3</b>
<b>1.1. MONITORING AND ASSESSMENT OF MARKET OUTCOMES IN THE WESM .....</b>	<b>3</b>
1.1.1. <i>Monthly Market Assessment Reports .....</i>	<i>4</i>
1.1.2. <i>Assessment of Over-Riding Constraints.....</i>	<i>4</i>
1.1.3. <i>Review of Proposed Penalty and Sanctions for the Violation / Breach during the Expired Testing and Commissioning Status of Plants .....</i>	<i>5</i>
1.1.4. <i>Review of Market Intervention / Suspension Events in December 2021, January 2022, February 2022 .....</i>	<i>6</i>
1.1.5. <i>Discussion on the Request for Study on the Possible Effects to the Market of Shortening of the period of the trigger for Secondary Price Cap.....</i>	<i>7</i>
1.1.6. <i>Discussion on the Ways Forward for the Annual Review of Market Trigger and Supply Margin Price Index Thresholds.....</i>	<i>7</i>
1.1.7. <i>Review of Draft Terms of Reference for the Engagement of 3rd Party Consultant on the Development of Monitoring Framework and Parameters for the Anti-Competitive Behavior (ACB) in the WESM .....</i>	<i>7</i>
<b>1.2. MONITORING AND ASSESSMENT OF THE RETAIL COMPETITION AND OPEN ACCESS (RCOA) MARKET.....</b>	<b>8</b>
1.2.1. <i>Retail Market Assessment Report for Q4 2021 .....</i>	<i>8</i>
<b>1.3. EXTERNAL MEETINGS AND COORDINATION INITIATIVES.....</b>	<b>9</b>
1.3.1. <i>Meeting with IEMOP-MO and NGCP-SO to Review Market Intervention Events .....</i>	<i>9</i>
1.3.2. <i>Discussion with the Market Operator, System Operator and DOE Representatives on the Power Situation Outlook for 2022.....</i>	<i>10</i>
<b>2. OTHER ACTIVITIES .....</b>	<b>10</b>

## I. Introduction

Pursuant to Section 1.6.2 of the WESM Rules and Section 3.1 of the Market Surveillance Manual Issue 1<sup>1</sup>, the Market Surveillance Committee (MSC) carried-out its mandate in the monitoring and assessment of market outcomes in the WESM and the Retail Market<sup>2</sup> with the PEMC-Market Assessment Group (MAG) as its primary support unit.

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

For the duration of the covered period, the MSC continued to conduct online meetings, following the National Government's implementation of quarantine measures during the COVID-19 Pandemic. Accordingly, during the 1<sup>st</sup> quarter of 2022, the MSC conducted three (3) regular and two (2) special<sup>3</sup> meetings, which were all held online.

Accomplishments of the MSC during the covered period are outlined in the succeeding sections of this Report.

## II. Accomplishments

### 1. Activities on Market Monitoring and Assessment

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

Pursuant to Market Surveillance Manual Section 3.1 (b)<sup>4</sup>, the MSC continued its monitoring and assessment of market outcomes, as well as the bidding behavior, of generator-trading participants (TPs).

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

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<sup>1</sup> Effective 23 October 2021

<sup>2</sup> Section 1.5.1, Retail Rules: *The provisions of Chapter 1 of the WESM Rules shall apply with respect to the governance of the integration of retail competition in the WESM, the operations of the Central Registration Body, and the participation and transactions in the WESM of Suppliers and Contestable Customers.*

<sup>3</sup> MSC (Regular) Meeting No. 2022-01 held on 13 January 2022; MSC (Special) Meeting No.2022-02 held on 20 January 2022; MSC (Regular) Meeting No. 2022-03 held on 17 February 2022; MSC (Special) Meeting No. 2022-04 held on 28 February 2022; and MSC (Regular) Meeting No. 2022-05 held on 17 March 2022.

<sup>4</sup> MSM Section 3.1(b): *The MSC shall have following responsibilities: (a) xxx; (b) prepare and submit monthly monitoring reports, quarterly retail market monitoring reports, annual reports; xxx*

### 1.1.1. Monthly Market Assessment Reports

During the quarter, the MSC assessed WESM results for the billing months of September 2021 to February 2022, as discussed in the Monthly Market Assessment Reports prepared by MAG and reviewed by the MSC.

Billing Month	MSC Observation Highlights
September & October 2021	Monthly average price rose from PHP3,417/MWh in September 2021 to PHP6,196/MWh in October 2021. Correspondingly, the MSC noted the impositions of Secondary Price Cap with a total of 725 intervals and market intervention event with 1 interval affecting the Luzon and 4 intervals affecting the Visayas. In addition, SPEX Malampaya's 20-day scheduled maintenance was extended for 3 more days until 25 October 2021 as repair was affected by the Tropical Depression Maring. With the relaxation of Covid Alert level, there was a recorded power demand increase in October, but the level of effective supply was maintained.
November & December 2021	Level of demand in November continuously increase. The resumption of SPEX Malampaya's operation led to an increase in the effective supply, low average outage capacity, and subsequently decline in market prices. The MSC further noted that more imposition of secondary price cap (SPC) and administered prices (AP) in December than November was due to the devastation of Typhoon Odette and also led to a decrease in the level of demand in December. Monthly average price increased from PHP4,944/MWh in November to PHP6,249/MWh in December.
January & February 2022	The Ilijan and San Gabriel units were derated due to the SPEX Malampaya's gas restriction for January and February billing months. The average WESM prices in January recorded an increase due to high level of plant outages and deration of natural gas plants while a decrease was noted for February due to improvements on the outage capacities. The increase in the impositions of SPC in Luzon and AP in Visayas is still related with the effects of Typhoon Odette, increased derations and outage capacities, and line constraints in January. Meanwhile, prevalent normal pricing conditions in relation to normalization of market operations and condition towards February. Monthly average price decreased from PHP6,984/MWh in January to PHP5,946/MWh in February.

Monthly market assessment reports are prepared upon availability of the processed data which is currently affected by the data and procedural concerns between the Independent Electricity Market Operator of the Philippines (IEMOP) and PEMC.

### 1.1.2. Assessment of Over-Riding Constraints

Similar with the MAR, the monitoring of over-riding constraints since July 2021 is likewise affected by the data and procedural concerns between IEMOP to PEMC since the

launching of the EWDO on 26 June 2021. Nevertheless, reports are prepared as soon as the processed data are made available.

Pursuant to MSCEM Section 3.1 (b)<sup>5</sup>, the MSC reviewed the assessment results on the over-riding constraints imposed on generator-TPs for the period 26 August to 25 December 2021. Some assessment highlights are as follows:

- All events were categorized under non-security limit, mainly related to the conduct of testing and commissioning (T&C).
- For the 1<sup>st</sup> three months of the EWDO, majority of the over-riding constraints were imposed on Solar and Biomass plants mainly due to the conduct of T&C, which is a similar trend with the previous months under 1-hour market. However, a decrease in the impositions on renewable plants under prolonged T&C was observed since October 2021 billing month mainly due to the Department of Energy (DOE) Department Circular (DC) 2021-06-0013 which provides that plants are authorized to conduct T&C for only 2 months plus 1 month extension, should there be reasonable cause.
- Majority of the non-security limit events were due to T&C involving plants in which some were provided with approved extension to conduct T&C.

The MSC was apprised of the conducted several meetings with IEMOP to identify and resolve the issues as to the reason of prolonged T&C period of the monitored plants. The Committee likewise discussed the updates provided by the IEMOP, upon the MSC's request, on the status of plants on T&C.

The reports were duly published in the PEMC website for information.

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

The MSC discussed the proposed penalty framework and the proposed amendments to the 1) Registration, Suspension and De-Registration Criteria and Procedures manual and 2) WESM Penalty Manual Issue 1.0, to incorporate the provisions of the DOE DC 2021-06-0013 on the guidelines pertaining to the conduct of T&C of plants. The penalty framework and proposed amendments were mainly to provide a strict enforcement to the participants to mitigate any possible non-compliance with the prescribed 2-month T&C period without cause, and non-compliance with the OMW RTD schedule as provided by the circular.

The MSC provided its comments and revisions to the proposed amendments and penalty framework for further review and revisions of the MAG and Enforcement and Compliance Office (ECO) prior to finalization and requesting comments from the stakeholder through the Rules Change Committee. Unlike the other rules amendments proposal, the

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<sup>5</sup> MSM Section 3.1(b) *The MSC shall have following responsibilities: (a) xxx; (i) Review Over-Riding Constraints; xxx*

amendments to the WESM Penalty Manual will be deliberated by the MSC for submission to the DOE.

#### 1.1.4. Review of Market Intervention / Suspension Events in December 2021, January 2022, February 2022

The MSC discussed the results of MAG's assessment on the market intervention and suspension events occurred in December 2021, January 2022, and February 2022 in consideration with the information gathered from the National Grid Corporation of the Philippines (NGCP)-System Operator (SO) and the IEMOP. The summary of reason for the noted events were as follows:

Type	Initiated / Declared by	Date	Interval/s	Region Affected	Reason
MI	MO	16 Dec 2021	19 intervals	Luzon, Visayas, and Mindanao	Non-generation of RTD schedules due to market system power flow divergence
MS	ERC	16 Dec 2021 to 17 Jan 2022	9,114 intervals	Visayas	Multiple generator and line tripping during the passage of Typhoon Odette
MS	ERC	16 Dec 2021 to 10 Feb 2022	25,257 intervals	Bohol	Due to the damaged 138kV Maasin-Ubay Line
MI	MO	20 Feb 2022	1 interval	Luzon, Visayas, and Mindanao	Database error that resulted to non-publishing of market results

The Committee has taken note that the market intervention (MI) event occurred on 16 December 2021 due to Market Management System (MMS) failure to produce RTD results brought about by the devastating effects of the Typhoon Odette in the demand and accuracy of real-time information of the Visayas Grid.

Following the initial discussion last 17 February 2022, the MSC reviewed and discussed the facts and summary of assessment conducted by MAG on the Market Suspension (MS) events which occurred from 16 December 2021 to 17 January 2022 with the retention of suspension on Bohol Island until 10 February 2022, based on the submission of the MO and SO. As previously discussed, the said event was mainly due to multiple tripping of generators and transmission lines during the onslaught of the Typhoon Odette.

Aside from the MS event, the MSC likewise discussed the MI event on 20 February 2022 mainly due to database error that resulted to non-publishing of market results. With this, the MSC requested MAG to inquire with MO as regards steps undertaken or to be undertaken to mitigate the occurrence of the issues resulting to MI.

#### **1.1.5. Discussion on the Request for Study on the Possible Effects to the Market of Shortening of the period of the trigger for Secondary Price Cap**

The MSC was apprised of the DOE's directive to conduct a study on the possible effects to the market of shortening the trigger period for the SPC imposition. The said DOE request is in light of the observations of frequent SPC imposition in the market as the WESM transitioned to the 5-minute dispatch.

With this, the MSC discussed the study conducted by MAG for the MSC on the frequent imposition of SPC mainly to 1) review the trading participants' offer pattern in light of the continuing imposition of the SPC recently promulgated by the Energy Regulatory Commission (ERC); and 2) to provide recommendations on whether the current SPC needs to be revised in light of its potential impact to generation prices being imposed on consumers and to investment decisions of investors in power generation.

Upon deliberation of the body, the Committee identified the prevailing factors which affect the frequent imposition of SPC since the commencement of the EWDO and implementation of the new parameters of SPC. The result of the study was submitted by the MSC to the DOE on 04 March 2022.

#### **1.1.6. Discussion on the Ways Forward for the Annual Review of Market Trigger and Supply Margin Price Index Thresholds**

The MSC deliberated the simulation conducted by MAG using the 1-hour and 5-minute WESM data to derive the proposed thresholds for the price spike, sustained high price, and supply margin price index. The MSC has taken note on the methodology used to derive the thresholds and to address the issues observed in the data. After due deliberation, the MSC approved MAG's recommendation to update the thresholds wherein the deliberation was documented formally through a Resolution signed by the members.

#### **1.1.7. Review of Draft Terms of Reference for the Engagement of 3rd Party Consultant on the Development of Monitoring Framework and Parameters for the Anti-Competitive Behavior (ACB) in the WESM**

The MSC discussed the contents of the draft Terms of Reference (TOR) for the engagement of a 3<sup>rd</sup> party consultant in developing the monitoring framework and parameters for the Anti-Competitive Behavior (ACB) in the WESM.

The Committee has recommended for PEMC-MAG to consult various agencies concerning the ACB matters throughout the duration of the study. To avoid possible conflict with regards to the jurisdiction to other industry of the Philippine Competition Commission (PCC), it was agreed to clarify in the scope that the monitoring framework and parameters to be developed will be for the electricity industry only. In addition, the coverage of the

activities for the consultant shall include provision of recommendation as to whether or not the ACB definitions and related provisions should be written in the WESM rules. The content of the TOR was duly consulted to the ERC for further comments and enhancements.

## **1.2. Monitoring and Assessment of the Retail Competition and Open Access (RCOA) Market**

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

### **1.2.1. Retail Market Assessment Report for Q4 2021**

The MSC reviewed the Retail Market Assessment Report on the RCOA Market covering the billing period 26 September to 25 December 2021, as submitted by MAG (MAG-RMAR-2021-04). Some highlights of the Report are as follows:

- The RCOA Market registered an additional 87 Contestable Customers (CC) this period equivalent to a 5% increase coming from the 3rd quarter of 2021, thereby raising the total tally of registered Contestable Customers (CCs) in the market to 1,837. This increase in the registration activities was largely due to the ERC's implementation of the RCOA phase III which lowered the contestability threshold level down to 500kW to 749kW starting 26 February 2021.
- By region, it is noted that 88% of the total registrants are from Luzon, while the remaining 12% are from the Visayas. By industry type, 53% of the registrants are the commercial customers while 47% are industrial customers.
- The MERALCO Group remained the top entity on both measures (number of engaged CCs and total consumption) at 38%. Other groups recorded minimal changes in shares, both in terms of CCs engaged, and total consumption. The Ayala group outnumbered the San Miguel group in terms of engaged CC (8% difference). Despite this, the San Miguel group still ended up with a higher share of CC consumption (double) indicating its clientele's relatively larger scale business over the other.
- The market generally saw a slight decrease in consumption compared to the previous quarter, but a rather significant increase compared to the previous year. The decrease in the consumption in the fourth quarter is mainly because of the

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

Typhoon Odette which devastated the Visayas grid on the month of December, causing the dip in consumption for the captive customers.

- Calculations based on the Herfindahl-Hirschman Index (HHI) indicated a concentrated market based on the number of CCs and CC consumption.

The RMMR for Q4 2021 was approved by the MSC to the submitted to the PEM Board, the DOE and the ERC and published in the PEMC website.

### 1.3. External Meetings and Coordination Initiatives

#### 1.3.1. Meeting with IEMOP-MO and NGCP-SO to Review Market Intervention Events

With the invitation from the MSC, the IEMOP and NGCP participated in the discussion related to the occurrence of following MI events from July to December 2021.

Duration	Source of MI	Region/s Affected	Reason
28 June 2021, 1340H	MMS Software	Luzon, Visayas, Mindanao	Software-related error. Data population to market applications
21 Aug 2021, 0000H to 0630H	Power System Operations	Visayas	Partial System Blackout
21 Aug 2021, 1250H – 1255H	MMS Software	Luzon, Visayas, Mindanao	Unresponsive database server due to multiple de-committed processes
24 Aug 2021, 2345H 25 Aug 2021, 0040H	MMS Software	Luzon, Visayas, Mindanao	Market run failure due to software defect where there is multiple nomination processed in same dispatch interval
04 Sept 2021, 2345H	MMS Software	Luzon, Visayas, Mindanao	Software-related error. Long duration of MPI transfer
13 Sept 2021, 1515H – 1525	Erroneous real-time data	Visayas	Significantly high number of open breaker status in Visayas after switching to back to updated eDNA ICCP data source
02 October 2021, 0950H – 1100H, 1630H – 1715H	Power System Operations	Visayas	Total Blackout in Bohol
05 October 2021, 0600H – 2050H	Power System Operations	Visayas	Multiple line tripping and plant outages in Negros and Panay Sub grids
16 December 2021, 2215H – 2345H	MMS Power Flow Divergence	Luzon, Mindanao	RTD market run failure

### **1.3.2. Discussion with the Market Operator, System Operator and DOE Representatives on the Power Situation Outlook for 2022**

With the invitation from the MSC, the representatives from the IEMOP, NGCP, and the DOE participated in the discussion related to the power situation outlook for the summer months of 2022. The said meeting was conducted in line with the growing concern on the possible insufficiency of electricity supply which may occur in summer especially during the election period in May 2022. The NGCP apprised the MSC on their simulations using the Forced Outage Rates on different time frames. The Committee was likewise informed of the prohibition for outage schedules 1 week before and after the elections and that prior coordination shall be necessary for rescheduling of outages.

## **2. Other Activities**

### **2.1. Review of Proposed Committee Work Plan for 2022**

The MSC reviewed and commented on the proposed activities of the Committee for the year 2022, which includes the timely submission and publication of reports as required by the rules and manuals, development of monitoring framework for ACB, and series of market studies. The Committee was also apprised of the list of market studies and engagement to be conducted for 2023 to 2024.

With no further edits and comments, the MSC approved the revised work plan for incorporation in the Annual Committee report for 2021 and work plan for 2022 submitted to the PEM Board on 31 March 2022.

The MSC is composed of five (5) members, namely Atty. Doroteo B. Aguila (as MSC Chairman), Engr. Arthur N. Escalante, Engr. Christian M. Orias, Engr. Ferdinand P. Villareal, and Engr. Peter L. Wallace.