



# **Market Surveillance Committee Quarterly Accomplishment Report**

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**01 July to 30 September 2023**

## **OCTOBER 2023**

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

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## 1.0 Introduction

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

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

For the duration of the covered period, the MSC transitioned to a hybrid setup in conducting its meetings, where at least once every quarter, the meeting will be held physically at the PEMC Office, while the rest shall be conducted through online platforms (e.g., Microsoft Teams or Zoom). Accordingly, during the 3<sup>rd</sup> quarter of 2023, the MSC conducted the following regular and special meetings:

- Regular Meeting No. 2023-08 held on 13 July 2023 (Online via Zoom)
- Regular Meeting No. 2023-09 held on 17 August 2023 (Hybrid<sup>2</sup>)
- Regular Meeting No. 2023-10 held on 14 September 2023 (Online via Zoom)
- Special Meeting No. 2023-11 held on 28 September 2023 (Online via Zoom)

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

## 2.0 Activities on Market Monitoring and Assessment

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

#### 2.1.1 Monitoring and Assessment of Market Outcomes in the WESM

Pursuant to its mandate under Section 3.1 (b)<sup>3</sup> of the MSM, the MSC continued with 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

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

<sup>2</sup> With attendees present at the PEMC Office and via Zoom

<sup>3</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*

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).

### 2.1.1.1 Monthly Market Assessment Reports

During the quarter, the MSC assessed WESM results for the billing periods of June 2023 to August 2023, as discussed in the Monthly Market Assessment highlights prepared by MAG. The highlights of which are as follows:

Billing Period	MSC Assessment Highlights
June 2023	<p>For Luzon and Visayas, it was noted that the average system demand decreased, from 12,250 MW to 11,834 MW, towards the end of the month attributed to the onset of rainy season. The effective supply likewise decreased, from 13,382 MW to 13,203 MW, due to the effects of, among others, ramp limited capacities of plants. Despite this, an increase in the supply margin, from 622 MW to 775 MW was observed during the covered period which caused the WESM average price to decrease from PHP8,430/MWh to PHP6,337/MWh.</p> <p>Meanwhile, prices in the Mindanao region have dropped significantly from PHP5,922/MWh to PHP3,157/MWh. Additionally, the average system demand has decreased from 1,891 MW to 1,807 MW, mainly due to the start of the rainy season. Despite an increase in offered capacities from 3,097 MW to 3,336 MW, the effective supply still decreased from 2,192 MW to 2,122 MW.</p>
July 2023	<p>For Luzon and Visayas regions, the average system demand decreased, from 11,834 MW to 11,564 MW towards the end of the month attributed to the onset of rainy season. The drop in the capacity offered from 13,670 MW to 13,454 MW, led to the decrease in effective supply from 13,203 MW to 12,805 MW. As a result, the WESM average price decreased from PHP6,337/MWh to PHP5,333/MWh with a corresponding increase in the supply margin at 833 MW from 775 MW from last billing period.</p> <p>For the updates on the market outcomes in WESM Mindanao, higher prices were observed from PHP3,157/MWh to PHP3,607/MWh. In addition, the average system demand remained relatively the same with the average value of 1,807 MW. The observed decline in the available capacities from 3,336 MW to 3,206 MW was noted to have likewise affected the effective supply from 2,122 MW to 2,112 MW.</p>
August 2023	<p>The average system demand in Luzon and Visayas experienced a slight decline, dropping from 11,564 MW to 11,531 MW, which was attributed to the rainy season. Additionally, there was an observed increase in the available capacity from 13,454 MW to 13,909 MW. Despite this, the effective supply still decreased from 12,805 MW to 12,695, which resulted in the supply margin to decrease from 833 MW to 726 MW. Also, an observation of a slight increase in the WESM average price from PHP5,333/MWh to PHP5,346/MWh was noted during the billing period.</p>

Billing Period	MSC Assessment Highlights
	In Mindanao, higher prices in the region from PHP3,607/MWh to PHP4,607/MWh was observed during the covered billing period. In addition, the average system demand increased from 1,807 MW to 1,840 MW and an observed decline in offered capacities from 3,206 MW to 3,019 MW was likewise noted due to the increase in capacities on outage during the period. Despite this, the effective supply still increased from 2,112 MW to 2,222 MW.

MARs are prepared upon availability of the processed and validated data which are still affected by the data and procedural concerns encountered by PEMC.

### 2.1.1.2 Annual Market Assessment Report for 2022

The MSC assessed the market outcomes for the period of 26 November 2021 to 25 November 2022. The assessment was divided into three (3) seasons namely, Cool Dry Season, Hot Dry Season, and Rainy Season. Highlights of the assessment were as follows:

Cool Dry Season (26 November 2021 to 25 February 2022):

- Damaged transmission lines in Visayas region were noted, brought about by the onslaught of Typhoon Odette, which resulted in the declaration of Market Suspension from 16 December 2021 to 10 February 2022<sup>4</sup> in the region.
- Unusual high level of market prices persisted driven by narrow supply margin attributed mainly to the high level of capacities on outage and ramp limited capacities.
- Significant increase in the frequency of issuance of Secondary Price Cap (SPC) in the Luzon region, from 1,765 total intervals in 2021 to 23,142 total intervals in 2022 – this was likewise affected by the shift in the trading intervals from 1 hour to 5 minute.

Hot Dry Season (26 February to 25 May 2022):

- High level of capacities on outage persisted at the onset of the summer season.
- The diminished supply margin resulted from the combination of high demand and a lower effective supply, which was affected by a significant increase in outages, leading to elevated market prices.

Rainy Season (26 May to 25 November 2022):

- Major tripping of transmission lines were observed including –
  - Tripping of the 230kV Hermosa-BCCPP lines 1 and 2 that caused grid disturbances on 18 June 2022;

<sup>4</sup> Market suspension was lifted on 17 January 2022 for Visayas excluding Bohol, while Bohol continued to be on market suspension until 10 February 2022

- Damaged Negros-Panay submarine cable on 06 July 2022 at 0655h;
- Tripping of the Bolo-Nagsaag 500kV line on 12 September 2022; and
- Various Transmission Lines in Luzon were down after the onslaught of Typhoon Karding on 26 September 2022.
- There was also an observed unusual increase in the issuance of SPC due to persistent high prices in the market.
- Persistent high prices in September and October 2022 were attributable to the Russia-Ukraine war, affecting the offer behavior of Coal and Natural gas power plants, among others.

## 2.1.2 Review of Over-riding Constraints

Pursuant to MSM Section 3.1 (b.iii)<sup>5</sup>, the MSC reviewed the assessment results on the over-riding constraints which provides for a summary of impositions from the System Operator (SO) on generator-TPs for the billing year 2022 (26 December 2021 to 25 December 2022) and the March to May 2023 billing periods.

### 2.1.2.1 Monthly Over-riding Constraints

#### **Luzon & Visayas**

- Majority of the events were categorized under non-security limit, mainly related to the conduct of testing and commissioning (T&C).
- The noted security limit impositions were mainly for the designation of generators as Must-Run Units (MRUs) to address thermal limits of lines / equipment. There was a total of 290 events imposed during the three (3) billing periods.
- The increase experienced during the July 2023 billing period was mainly related to the commencement of commissioning tests of Hydro power plants and Battery Energy Storage System (BESS), as well as the extension of Provisional Certificate of Approval to Connect (PCATC).

#### **Mindanao**

- Similar with the previous quarter, majority of the events were imposed as MRU to address system voltage requirements of the grid.
- There was an observed decrease in MRU impositions due to plants previously running as MRU that started offering its capacity to the market.

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

The Committee likewise discussed the recent updates from IEMOP on the status of plants under T&C. The complete and approved reports were duly published on the PEMC website for information.

### 2.1.2.2 Annual Over-riding Constraints for 2022 Billing Period

The MSC assessed the results of the monitoring activities for over-riding constraints during the billing year 26 December 2021 to 25 December 2022. The following are the highlights of the discussion:

- A total of 321,144 OC events were recorded for the period covered, majority of which were imposed on Luzon plants. Ninety-eight percent (98%) of which were non-security limits or attributed to plants under commissioning tests or commercial and regulatory requirements.
- Various factors were observed that resulted in the changes in the number of impositions on a month-on-month comparison, which are as follows:
  - Increase due to commissioning test impositions.
  - Decrease due to expiration of commissioning test periods of plants or the eventual commercial operation of plants.
  - Increase in commercial and regulatory requirement tests.
- Most of the impositions were accounted to commissioning tests of plants, which were imposed 70% of the time during the billing period.
- MRU impositions were also noted during the 2<sup>nd</sup> and 4<sup>th</sup> quarter of the covered period to address the real power balancing and frequency control in the Luzon grid.
- In terms of the simulated impact of OC in the market using unconstrained solutions, a slight increase in the supply may be observed during the noted impositions resulting in a decrease of available supply. However, this observation may not reflect the true condition of the market due to the distortion of the resulting market prices, effectively risking the market's stability in the long term.

### 2.1.3 Market Trigger and Interesting Pricing Events

On a regular basis, the MSC was apprised on the summary of facts and observations on the market triggers monitored for a particular billing period in consideration of the thresholds used for the monitoring activities, as reviewed and revised by the Committee. The highlights of the reports were as follows:

Billing Period	Luzon & Visayas Highlights	Mindanao Highlights
June 2023	<b>16 days</b> out of the 31-day observation had <b>192 price spike events (66 in off peak and 126 in peak)</b> that mostly occurred on <b>Mondays</b> and <b>Wednesdays</b> .	<b>4 days</b> out of the 31-day observation had <b>17 price spike events (1 in off peak and 16 in peak)</b> that mostly occurred on <b>Tuesdays</b> .



Billing Period	Luzon & Visayas Highlights	Mindanao Highlights
	There were 286 <b>intervals</b> imposed with <b>secondary price cap</b> while <b>151 intervals</b> were noted to have had <b>interesting pricing events</b> .	There was <b>no secondary price cap</b> imposed during the billing period reviewed
July 2023	<p><b>11 days</b> out of the 30-day observation had <b>104 price spike events (53 in off peak and 51 in peak)</b> that mostly occurred on <b>Tuesdays</b>.</p> <p>There were <b>143 intervals</b> imposed with <b>secondary price cap</b> while <b>88 intervals</b> were noted to have had <b>interesting pricing events</b>.</p>	<p><b>8 days</b> out of the 30-day observation had <b>14 price spike events (3 in off peak and 11 in peak)</b> that mostly occurred on <b>Wednesdays and Fridays</b>.</p> <p>There were <b>no intervals</b> imposed with <b>secondary price cap</b> and <b>interesting pricing events</b>.</p>
August 2023	<p><b>22 days</b> out of the 31-day observation had <b>123 price spike events (61 in off peak and 62 in peak)</b> that mostly occurred on <b>Tuesdays</b>.</p> <p>There were <b>no intervals</b> imposed with <b>secondary price cap</b> and <b>interesting pricing events</b>.</p>	<p><b>11 days</b> out of the 31-day observation had <b>129 price spike events (4 in off peak and 125 in peak)</b> that mostly occurred on <b>Fridays</b>.</p> <p>There were <b>no intervals</b> imposed with <b>secondary price cap</b> and <b>interesting pricing events</b>.</p>

#### 2.1.4 Review of Market Monitoring Trigger and Interesting Pricing Events Thresholds

As part of its activity for 2023, as well as the efforts to ensure that the thresholds utilized in its regular monitoring are reflective of the market's true condition, the MSC reviewed the results of simulations conducted by MAD, which was requested by the Committee to determine whether the existing thresholds have to be updated or should be retained. The activity was initially scheduled for Q1 2023; however, the Committee deemed it appropriate to extend the deadline of approval until Q2 2023 to undertake additional simulations.

During the deliberation, it was noted that the year 2022 encountered several significant incidents that affected the resulting prices in the WESM for every season:

- Hot Dry Season – relatively low prices were noted following the National Elections in May 2022, where the National Government mandated the power plants to move their respective planned outages to latter part of the year to minimize the outages before, during, and after elections;
- Rainy Season – presence of high prices and outage of two (2) units of Natural gas power plants with 600 MW, respectively; and
- Cool Dry Season – presence of high prices, outage of some Natural gas power plants during rainy season, and effects of global coal and oil prices brought about by unforeseen circumstances.



In view of the above incidents, the resulting thresholds (for all proposed methodology) showed that the latter part of the year had much higher resulting thresholds than the Hot Dry Season this is despite the increase in the demand was experienced attributable to the surge in electricity consumption brought about by the summer season and is contrary to the expected result which only further establishes the peculiarity of the resulting market outcomes for 2022. With this, the Committee agreed to retain the thresholds as approved last 2022.

## 2.1.5 Review of Market Intervention Events

The MSC discussed the results of MAD's assessment on Market Intervention (MI) events which occurred in June to August 2023 in consideration of the available information provided on the submitted reports and supporting documents by either the National Grid Corporation of the Philippines – System Operator (NGCP-SO) or the Independent Electricity Market operator of the Philippines – Market Operator (IEMOP-MO).

The summary of the incidents is provided in the table below, which were all found to be justified:

Initiated by	Date	Intervals	Region/s Affected	Classification	Reason
MO	13 June 2023	1355h – 1400h (2 intervals)	Visayas	Threat to System Security	Implementation of Manual Load Dropping (MLD) to prevent overloading of Cebu – Mandaue 138 kV Line 1
MO	04 August 2023	1605h – 1645h (9 intervals)	Luzon, Visayas, and Mindanao	Force Majeure	Failure in the publication of the Market Results in the Market Operator Archive Repository (MOAR)

The corresponding review reports which detailed the MSC's assessment and recommendations on the abovementioned MI events were duly presented and submitted to the PEM Board, for approval and submission to the Department of Energy (DOE) and Energy Regulatory Commission (ERC) <sup>6</sup>.

## 2.2 Assessment of the Retail Market (Retail and Open Access or RCOA and Green Energy Option Program or GEOP)

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

<sup>6</sup> Market Surveillance Manual Issue 1.0 Sections 5.3.6 and 5.3.7.

During the covered period, the MSC reviewed the Retail Market Assessment Report on the RCOA and GEOP for the 26 March 2023 to 25 June 2023 billing period, as submitted by MAG. Some highlights of the report are as follows:

### **2.2.1 Q2 2023 Retail Market Assessment Report**

#### **RCOA**

- There were fourteen (14) recorded initial switches and seven (7) cessations yielding to an additional seven (7) registered Contestable Customers (CCs) when compared to 2023-Q1 and is equivalent to a 0.36% increase, thereby raising the total tally of registered CCs in the market to 1,950.
- 33 out of 39 registered Retail Electricity Supplier (RES), 3 out of 15 Local RES, and 1 out of 25 Supplier of Last Resort (SoLR) have active contracts with CCs.
- On a per participant grouping, the calculations based on Herfindahl-Hirschman Index (HHI) indicated that Q2 2023 remained a concentrated market in terms of number of CCs engaged and energy consumptions served. On a per Retail Electricity Supplier (RES) basis, the HHI was recorded to be a moderately concentrated market.

#### **GEOP**

- There were eight (8) additional recorded initial switches to the market during the period in review, equivalent to a 16% increase from previous quarter.
- By region, the majority (72%) of GEOP End-users are located in Luzon, while the remaining 28% are Visayas-based.
- There were 17 registered RE suppliers and 12 Supplier of Last Resort (SoLR).

The MSC likewise noted the activities currently undertaken by the RCOA Technical Working Group (TWG) which envisions, among others, a streamlined process in participation to the RCOA.

The Quarterly Retail Market Assessment Reports were approved by the MSC, submitted to the PEM Board, the DOE, and the ERC, and were likewise published on the PEMC website.

## **3.0 Coordination with Various Agencies and Entities**

### **3.1 Meeting with Market Operator (MO)**

#### **3.1.1 Discussion on Conditions for Issuance of Pricing Error Notice (PEN)**

In light of the Department of Energy (DOE) directive for the Market Surveillance Committee (MSC) to review the Wholesale Electricity Spot Market (WESM) Penalty Manual for a possible amendment to address concerns related to Pricing Error Notices (PEN), the Committee has initiated its activities by inviting representatives from both the Market Operator (MO) and System Operator (SO) for a discussion. The purpose of the discussion was to deliberate on the circumstances and justifications for the recorded issuances of PEN, as well as to seek clarifications and response to inquiries of the Committee on the matter.

After a series of coordination and discussion, the MSC agreed to conduct a more comprehensive review of the Market Rules with respect to the issuance of PEN, in compliance with the directives of the DOE.

### **3.2 Meeting with Technical Committee and One (1) Luzon Distribution Utility regarding the Distribution System Operator (DSO) Study**

The MSC was apprised of the discussion held with the Technical Committee (TC) and one (1) Luzon Distribution Utility related to its Distribution System Operator (DSO) study. The highlights of the discussion are listed below:

- Clarificatory matters were discussed as regards the timeline and responsibilities of involved entities once the DSO has been implemented.
- Concerns on the procurement of ancillary services and feasibility of DSO in certain regions.
- Methodology as to how the DSO implementation would impact the current market setup.

## **4.0 Proposed Amendments to WESM Rules and Market Manuals**

### **4.1 Proposed Amendments related to the Market Intervention / Market Suspension Procedures**

In view of the proposal submitted by the MSC, the Committee deliberated the submitted comments provided to the Rules Change Committee (RCC) by the National Grid Corporation of the Philippines (NGCP), Department of Energy (DOE), and Millenium Energy Inc. - Panasia Energy Inc. (MEI-PEI) particularly on the suggested enhancements to the MI/MS procedures.

Additionally, the MSC deliberated and reached a consensus on the recommended responses to the received comments from the aforementioned entities. Lastly, the MSC was briefed on the RCC's concerns and further clarifications concerning the proposed amendments specifically on the delineation between the declaration of MI events by the MO and SO as well as the categorization of software related MI to force majeure. After the deliberation, the Committee approved the proposed response to address these concerns, with the inclusion of further inputs for submission to the RCC.

## 4.2 Proposed Amendments to the WESM Penalty Manual

- **On Maximum Available Capacity**

In view of the MSC's proposal to the WESM Rules and the Dispatch Protocol Manual relating to the use of Maximum Available Capacity, the Committee discussed the resulting additional revisions to the WESM Penalty Manual as discussed and noted by the RCC. It was noted that the proposed amendments will affect only one provision of the Penalty Manual, to reflect global change in the term "Maximum Available Capacity" with "available capacity" to clarify and differentiate it from the same term found in the Philippine Grid Code (PGC).

Pursuant to the responsibilities outlined in the WESM Penalty Manual, the Committee's role relative to penalties in the WESM includes the review and deliberation of proposed amendments for submission to the DOE. This is in consultation with WESM Members, RCC, and the PEM Board. Following the deliberation of the Committee, the MSC approved the proposed amendment and requested MAG to promptly draft the MSC Resolution and transmit it to the DOE.

- **On Collection and Utilization of Penalties**

The MSC was apprised on the proposed changes to the Penalty Manual which aims to streamline the process in offsetting the penalty amounts from the settlement amounts which may be done through the settlement procedures undertaken by the MO. This discussion was prompted by audit findings and recommendations related to penalty imposition, leading to PEMC's proposal to amend the manual.

During the meeting, a summary of the proposal was discussed, with the presence of the DOE representatives to provide clarifications, if any. Following careful considerations, the MSC provisionally approved the proposed rules change, subject to a detailed review of the actual wording in the WESM Penalty Manual and the affected Market Manuals.

## 5.0 Other Activities and Accomplishments

### 5.1 Participation in the Public Consultations conducted by the Department of Energy (DOE)

The MSC participated in the following public consultations on Various Draft Department Circulars Adopting Further Amendments to the WESM Rules and Market Manuals which includes the MSC proposal related to Maximum Available Capacity held in the month of August.

- Amending Certain Provision of DC No. 2021-06-0013 on the Framework Governing the Test and Commissioning of Embedded Generators
- Proposed Amendments to the WESM Rules and Various Manuals regarding Maximum Available Capacity
- Proposed Amendments to the WESM Rules and FAS Manual on matters relating to Enforcement Proceedings and Actions

- Proposed Amendments to the WESM Rules and Various Manuals on Dispatch Protocol regarding Enhancements and Updating of the System Operator's Re-dispatching, Reporting, and Market Intervention/Suspension Procedures
- Proposed Amendments to the WESM Rules and Registration Manual regarding Preferential Dispatch of Renewable Energy Generating Units
- Proposed Amendments to the WESM Manual on Dispute Resolution regarding Disputes under the Retail Rules

## **5.2 Discussion on the Results of MSC's Request for Investigation on Observed Discrepancy to Submitted Report**

In the course of its monitoring and assessment, the MSC noted discrepancies in the submitted report by a WESM Member in relation to a notable event in May 2023 which were used as reference in the Committee's reporting, as prescribed by the WESM Rules and the relevant Market Manuals.

In view of this, the Committee sought the assistance of the Enforcement Compliance Office (ECO) to initiate an investigation into a possible violation of a Market Manual, specifically regarding the accuracy and completeness of the information provided to the MSC. The result of the investigation was essential to serve as a reference for the MSC's subsequent actions on the matter.

The outcome of the investigation request was discussed within the Committee on 13 July 2023. Following this discussion, the MSC requested the ECO to reevaluate the details of the case and to place greater emphasis on investigating the WESM member's adherence to the WESM Rules and the relevant Market Manuals.

## **5.3 Updates in the Status of the 2023 MSC Work Plan**

In relation to the committed activities for the year 2023, the MSC was apprised on the updates of the completed, on-going, and status of activities under preparatory stage as reflected in the Committee's work plan for 2023. In addition, the Committee noted the activities which requires extension of timelines following the additional instructions and discussions to be undertaken by MAG.

## **5.4 Discussion in the Changes to the MSC Reports**

In view of the continuing efforts to improve the contents of its assessment report for the public and WESM stakeholders, the MSC deliberated on and subsequently approved the modifications proposed for the regular market assessment and over-riding constraints reports. Specifically, the proposal intends to change the frequency of both reports from a monthly submission to a quarterly one. Moreover, instead of monthly reports, key market highlights will be summarized and presented to the MSC on a monthly basis and will likewise be made available for the consumption of the general public.

Finally, the MSC discussed and approved the proposed revisions to the structure and format of the abovementioned monthly highlights, as well as the proposed quarterly reports.

## **5.5 Review of MSC Internal Rules**

In accordance with its responsibility to periodically review their Internal Rules on an annual basis or as needed, the MSC discussed the suggested amendments / changes primarily centered around the Committee's operations and the monthly mandated meetings, as stipulated in the applicable Market Manuals.

The proposed amendments were approved by the Committee through a Resolution documenting the changes thereto.

## **5.6 Discussion on Anti-competitive Behavior (ACB) Monitoring and Assessment**

In continuation of the Committee's efforts in developing a monitoring framework and parameters for effective detection of ACB, the MSC discussed the proposed processes and thresholds for ACB monitoring, as well as some other concerns during its August 2023 meeting. After the deliberation, a series of simulations will be conducted to determine the appropriate thresholds and if there are exemptions to be implemented in the course of undertaking monitoring activities.

## **5.7 Discussion on the Call for Comments on the Draft Terms of Reference for Market Design and Operation Review (MDOR)**

As part of PEMC's committed activities for 2023, the scope of work for the MDOR project was discussed with the MSC for their input and comments. During the discussion, the MSC noted that conducting a review of the effectiveness for the first 2 years of the Enhanced WESM Design and Operations (EWDO) implementation might be too early. With only 2 years into operations, the question on whether the EWDO is effective or not might be premature because it may take more than 2 years, maybe even 5-10 years, for the effectiveness of the 5-minute market to be realized.

After due deliberation, the MSC suggested setting the proper expectations of the project and the result of the measures to be used in evaluating the effectiveness of the EWDO.

## **5.8 Discussion on the Call for Comments on the draft Department Circular entitled "Prescribing the Policy Framework on the Development of Natural Gas Power Generation Facilities in the Luzon Main Grid in Support to Energy Transition"**

The MSC discussed the context of the subject draft DOE Department Circular (DOE DC), along with its objectives, purpose, and salient provisions. The same was published for comments of various stakeholders.

The aim of the said circular is to guarantee the efficient distribution of locally sourced natural gas to ensure a stable and reasonably priced supply of electrical power. It likewise seeks to promote the growth of the natural gas industry, establish a clear and competitive playing field for all stakeholders involved in natural gas, facilitate fair and timely investments in new or supplementary natural gas facilities, and guarantee a sufficient and reasonably priced electricity supply.

After the discussion, the MSC noted the information and will undertake a further review of the DOE DC.

## **5.9 Discussion for the Hosting and Attendance to an Energy Intermarket Surveillance Meeting**

The MSC was apprised on the details of PEMC's hosting of an Energy Intermarket Surveillance Meeting in April 2024 with attendees from various jurisdictions. It was emphasized that the attendance of the Committee is highly encouraged, as various surveillance and monitoring organizations will be attending the said event.

Subsequent to discussions regarding the hosting of the said Meeting, the MSC was informed that the 2023 Meeting held in Canada, from September 17 to 19, 2023, will tackle the Committee's impending Study on the Economic Impact of Market Intervention/Suspension to gather insights and information as to the experience of other jurisdictions in the subject matter. The Committee subsequently approved the proposed presentation and acknowledged PEMC's role in hosting the meeting in April 2023.

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