



PEM Audit Committee 2023 Annual Report

January to December 2023

March 2024

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

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EXECUTIVE SUMMARY

The PEM Audit Committee (PAC) maintains its responsibility to ensure transparency and effectiveness in the Wholesale Electricity Spot Market (WESM) operations. It conducts or oversees independent audits of the market, Market Operator (MO) and Central Registration Body (CRB). Additionally, the PAC reviews security arrangements for the WESM and Retail metering installations in consultation with Metering Services Providers (MSP).

Qualified independent individuals or entities, supervised by the PAC, are engaged by the Philippine Electricity Market Corporation (PEMC) to serve as Independent Auditors, ensuring expertise, objectivity and adequacy in the auditing process.

In 2023, the PAC supervised the following audits:

- Independent audit of Net Settlement Surplus/Net Settlement Deficit (NSS/NSD) for the period 26 March to 25 December 2021
- 4th Review of Metering Installations and Arrangements (RMIA)
- 8th Audit of Market Operations and Market Monitoring and Assessment
- Audit of Market System Enhancements to Implement Reserve Market

In addition to conducting independent audits of the MO and MSPs, the PAC also monitors the performance of the MO, in accordance with the Market Operator Performance Standards (MOPS) Issue 2.0 approved by the DOE on 20 June 2022, as well as the performance of the MSPs, in accordance with the MSP Performance Standards outlined in the Market Manual on Metering Standards and Procedures.

This Annual Report covers the activities undertaken and accomplished by the PAC for the year 2023 and presents the planned activities of the PAC for the year 2024.

1. 2023 ACCOMPLISHMENT

1.1. Audit Projects

The PAC oversees independent audits of:

- The MO and the CRB, including their systems, processes, procedures, and performance according to the Market Rules and Manuals;
- The RE Registrar, including their systems, processes, procedures, and performance according to the RE Market Rules and Manuals;
- New market-related software versions provided by the MO or CRB for WESM members;
- Security arrangements and requirement for WESM and Retail metering installations in consultation with MSP; and
- Any other relevant procedures, individuals, systems, or matters related to the spot market.

Sections 1.1.1 to 1.1.4 provide information on the audit projects supervised by the PAC during the covered period.

1.1.1. Independent Audit of Net Settlement Surplus/Net Settlement Deficit (NSS/NSD)

The PAC continued its oversight of the NSS/NSD Audit as mandated by Article VII, Section 2 of the Energy Regulatory Commission (ERC) Resolution No. 07 Series of 2019, or the 2019 NSS Rules.

This audit aims to evaluate the MO's adherence to the Market Rules and Manuals, as well as directives from the ERC conveyed through communications, orders, and issuances. It also assesses relevant controls, identified any deficiencies, and verifies the effectiveness of these controls in preventing, detecting, and correcting errors within the NSS/NSD.

Following the closing meeting of the NSS/NSD Audit for the period 26 November 2019 to 25 March 2021 (NSS/NSD Audit for Q1 2021) on 26 August 2022, the PAC proceeded with the NSS/NSD Audit for the subsequent three quarters covering the period 26 March to 25 December 2021 (NSS/NSD Audit for Q2 to

Q4 2021) in September 2022. Roxas Cruz Tagle & Co. (RCT) served as the Independent Auditor for this audit project under the supervision of the PAC.

Due to substantial delays in completing the project and RCT's failure to meet the PAC-approved timeline for audit deliverables, the PAC initially recommended to the PEMC Management on 26 July 2023, to terminate PEMC's audit services contract with RCT. Nevertheless, the PAC recommended allowing RCT to finish the NSS/NSD Audit for Q2 2021 and submit the final audit report on or before 30 September 2023, while the NSS/NSD Audit for Q3 and Q4 2021 will be included in the next audit of NSS/NSD.

Accordingly, the PEMC Management issued a termination notice to the RCT on 27 July 2023, to become effective 15 calendar days after RCT's acknowledgement of receipt.

On 31 July 2023, RCT requested for an extension to complete the NSS/NSD Audit for Q3 to Q4 2021 by the same deadline of 30 September 2023, coinciding with the completion of NSS/NSD Audit for Q2 2021.

Upon due deliberation, the PAC agreed to allow RCT to finish the NSS/NSD Audit for Q3 and Q4 2021 on "all or nothing" basis, i.e., RCT will only be paid for the Q3 and Q4 2021 quarter audits amounting to the final milestone payment, if the quality of the final audit report submitted on or before 30 September 2023 is acceptable to the PAC.

Considering PAC's recommendation to allow the RCT request, the PEMC granted RCT's extension request in its letter dated 18 August 2023.

Subsequently, RCT submitted the draft audit report for PAC's review on 29 September 2023, outlining the findings as follows:

- Calculation of NSS/NSD and its allocation, corresponding VAT: No exception was noted between the results of RCT and IEMOP calculations.

- Billing and collection: No exception was noted in the final trading amounts billed to market participants.
- IT General Controls (ITGC) Review: The control gaps identified were already addressed by IEMOP.

The NSS/NSD Audit for Q2 to Q4 2021 concluded with the issuance of PAC Certificate of Acceptance of the final reports on 20 November 2023.

Meanwhile, the procurement activities to engage an Independent Auditor for the NSS/NSD Audit covering the period 26 December 2021 to 25 December 2023 (NSS/NSD Audit for CY 2022-2023) have begun. The Request for Proposal was issued to interested bidders on 01 December 2023, followed by a Pre-bid Conference on 18 December 2023.

The NSS/NSD Audit for CY 2022-2023 is scheduled to start in March 2024, contingent upon the timely completion of the activities for the procurement of the Independent Auditor.

1.1.2. 4th Review of Metering Installations and Arrangements (RMIA)

After receiving approval from the PEM Board on 23 November 2022, regarding the revised Terms of Reference (TOR) and the selection of a new Independent Auditor, PEMC Management moved forward by directly contracting Alliance of Power and Energy Xponents, Inc. (APEX) to handle the 4th RMIA under the supervision of the PAC.

The TOR was amended to extend the audit period from 26 June 2016 - 25 December 2019, to 26 June 2016 – 25 June 2022, ensuring that the review and outcomes remain current.

The table below provides the timeline of activities and deliverables of the 4th RMIA:

| Timeline | Activities/Deliverables | | | | | | | | | | | | | | | | | | | | | | | |
|------------------------|---|--------------------------------|--|--------|-----------------|--------------|-----------------------|--------------|--------------|------------------------|--------------|----------------|-----------------------|----------------|-------------------|------------------------|-------------------|-----------------|-----------------------|-----------------|------------------|-----------------------|------------------|--------------------------------|
| 06 March 2023 | Kickoff meeting | | | | | | | | | | | | | | | | | | | | | | | |
| 17 March 2023 | APEX submission of the draft Inception Report | | | | | | | | | | | | | | | | | | | | | | | |
| 05 May 2023 | Coordination meeting with Auditees and APEX to discuss the comments to the draft Inception Report | | | | | | | | | | | | | | | | | | | | | | | |
| 11 May 2023 | PAC approval of the final Inception Report | | | | | | | | | | | | | | | | | | | | | | | |
| 15 May 2023 | Start of audit proper and onsite inspection | | | | | | | | | | | | | | | | | | | | | | | |
| June – December 2023 | <p>Progress Reporting</p> <table border="1" data-bbox="432 860 1278 1677"> <thead> <tr> <th data-bbox="432 860 703 934">Report</th> <th data-bbox="703 860 999 934">APEX submission</th> <th data-bbox="999 860 1278 934">PAC approval</th> </tr> </thead> <tbody> <tr> <td data-bbox="432 934 703 1055">First Progress Report</td> <td data-bbox="703 934 999 1055">01 June 2023</td> <td data-bbox="999 934 1278 1055">03 July 2023</td> </tr> <tr> <td data-bbox="432 1055 703 1176">Second Progress Report</td> <td data-bbox="703 1055 999 1176">07 July 2023</td> <td data-bbox="999 1055 1278 1176">01 August 2023</td> </tr> <tr> <td data-bbox="432 1176 703 1301">Third Progress Report</td> <td data-bbox="703 1176 999 1301">07 August 2023</td> <td data-bbox="999 1176 1278 1301">04 September 2023</td> </tr> <tr> <td data-bbox="432 1301 703 1426">Fourth Progress Report</td> <td data-bbox="703 1301 999 1426">08 September 2023</td> <td data-bbox="999 1301 1278 1426">23 October 2023</td> </tr> <tr> <td data-bbox="432 1426 703 1552">Fifth Progress Report</td> <td data-bbox="703 1426 999 1552">20 October 2023</td> <td data-bbox="999 1426 1278 1552">12 December 2023</td> </tr> <tr> <td data-bbox="432 1552 703 1677">Sixth Progress Report</td> <td data-bbox="703 1552 999 1677">14 November 2023</td> <td data-bbox="999 1552 1278 1677"><i>Still undergoing review</i></td> </tr> </tbody> </table> | | | Report | APEX submission | PAC approval | First Progress Report | 01 June 2023 | 03 July 2023 | Second Progress Report | 07 July 2023 | 01 August 2023 | Third Progress Report | 07 August 2023 | 04 September 2023 | Fourth Progress Report | 08 September 2023 | 23 October 2023 | Fifth Progress Report | 20 October 2023 | 12 December 2023 | Sixth Progress Report | 14 November 2023 | <i>Still undergoing review</i> |
| Report | APEX submission | PAC approval | | | | | | | | | | | | | | | | | | | | | | |
| First Progress Report | 01 June 2023 | 03 July 2023 | | | | | | | | | | | | | | | | | | | | | | |
| Second Progress Report | 07 July 2023 | 01 August 2023 | | | | | | | | | | | | | | | | | | | | | | |
| Third Progress Report | 07 August 2023 | 04 September 2023 | | | | | | | | | | | | | | | | | | | | | | |
| Fourth Progress Report | 08 September 2023 | 23 October 2023 | | | | | | | | | | | | | | | | | | | | | | |
| Fifth Progress Report | 20 October 2023 | 12 December 2023 | | | | | | | | | | | | | | | | | | | | | | |
| Sixth Progress Report | 14 November 2023 | <i>Still undergoing review</i> | | | | | | | | | | | | | | | | | | | | | | |
| 20 September 2023 | Completion of all office audits and onsite inspections of MSPs | | | | | | | | | | | | | | | | | | | | | | | |
| 11 December 2023 | APEX request to extend the completion of the audit from December 2023 to February 2024 citing the following reasons: | | | | | | | | | | | | | | | | | | | | | | | |

| Timeline | Activities/Deliverables |
|----------|--|
| | <ul style="list-style-type: none"> ○ Only 11 out of 58 audited MSPs have submitted Management Responses (MRs) and Action Plans. Anticipating submission of MRs or Action Plans by the remaining 47 MSPs, especially post-holidays, APEX will require time to incorporate these into the individual reports ○ Allotting review time for APEX to address MRs of MSPs in addition to the PAC's review for each individual report ○ Preparation time for the closing meeting per MSP ○ Allocation of adequate time to prepare for the presentation of audit results and recommendations to the PEM Board and ERC |

The audit is expected to be completed in February 2024.

1.1.3. 8th Market Operations Audit

The PAC supervised the 8th Audit of Market Operations and Market Monitoring and Assessment (8th MO Audit) handled by RSM Australia (RSM), the Independent Auditor engaged for this purpose.

The audit covers the period 26 December 2019 to 25 June 2021 under the one-hour market and 26 June 2021 to 25 June 2022 under the 5-minute market, to review compliance with the WESM Rules, Market Manuals and Internal Business Procedures (IBPs).

The scope of the audit includes compliance with the relevant market Rules and Procedures and/or software and systems, as follows:

Area 1- Market Operations Audit

- Task 1.1 – Market Software and Systems Review

- Task 1.2 – Process and Compliance Review
- Task 1.3 – Bid to Bill Analysis

Area 2- Market Monitoring and Assessment Review

- Task 2.1 – Procedure/Process and Compliance Review

The table below provides the timeline of activities and deliverables of the audit project:

| Timeline | Activities/ Deliverables | | | | | | | | | | | | | | | | | |
|--------------------------|---|----------------|--|--------|----------------|--------------|-----------------------|-------------|-------------|------------------------|-------------|--------------|-----------------------|--------------|--------------|------------------------|----------------|----------------|
| 20 February 2023 | Kickoff meeting | | | | | | | | | | | | | | | | | |
| 21 February 2023 | Start of walkthrough meetings | | | | | | | | | | | | | | | | | |
| March to April 2023 | Inception Phase <ul style="list-style-type: none"> • RSM submitted the draft Inception Report on 28 March 2023. • PAC approved the final Inception Report on 28 April 2023. | | | | | | | | | | | | | | | | | |
| April 2023 | <ul style="list-style-type: none"> • Audit proper started on 10 April 2023 • Fieldwork started on 27 April 2023. | | | | | | | | | | | | | | | | | |
| May 2023 – December 2023 | Progress Reporting <table border="1" data-bbox="469 1431 1289 2000"> <thead> <tr> <th>Report</th> <th>RSM submission</th> <th>PAC approval</th> </tr> </thead> <tbody> <tr> <td>First Progress Report</td> <td>02 May 2023</td> <td>10 May 2023</td> </tr> <tr> <td>Second Progress Report</td> <td>25 May 2023</td> <td>14 June 2023</td> </tr> <tr> <td>Third Progress Report</td> <td>27 June 2023</td> <td>12 July 2023</td> </tr> <tr> <td>Fourth Progress Report</td> <td>03 August 2023</td> <td>09 August 2023</td> </tr> </tbody> </table> | | | Report | RSM submission | PAC approval | First Progress Report | 02 May 2023 | 10 May 2023 | Second Progress Report | 25 May 2023 | 14 June 2023 | Third Progress Report | 27 June 2023 | 12 July 2023 | Fourth Progress Report | 03 August 2023 | 09 August 2023 |
| Report | RSM submission | PAC approval | | | | | | | | | | | | | | | | |
| First Progress Report | 02 May 2023 | 10 May 2023 | | | | | | | | | | | | | | | | |
| Second Progress Report | 25 May 2023 | 14 June 2023 | | | | | | | | | | | | | | | | |
| Third Progress Report | 27 June 2023 | 12 July 2023 | | | | | | | | | | | | | | | | |
| Fourth Progress Report | 03 August 2023 | 09 August 2023 | | | | | | | | | | | | | | | | |

| Timeline | Activities/ Deliverables | | | | | | | | | | | | | | | | | | |
|---------------------------|---|------------------------|--------------------------------|--|---------------------------|--------------|------------------------|--------------|----------------|--------------|-------------------|-------------------|---------------|-----------------|-----------------|---------------|------------------|------------------|--------------|
| | Fifth Progress Report | 01 September 2023 | 06 September 2023 | | | | | | | | | | | | | | | | |
| | Last Progress Report | 02 October 2023 | 04 October 2023 | | | | | | | | | | | | | | | | |
| | Draft Final Audit Report | 11 December 2023 | <i>Still undergoing review</i> | | | | | | | | | | | | | | | | |
| July 2023 – November 2023 | <p data-bbox="448 723 772 757">Change in Audit Timeline</p> <ul data-bbox="448 831 1453 1160" style="list-style-type: none"> <li data-bbox="448 831 1453 958">• On 11 July 2023, RSM requested an extension for delivering the audit reports, citing significant delays in receiving the requested documents from the Auditee. <li data-bbox="448 1032 1453 1160">• Additional requests for extension have been made by RSM due to delayed and/or inadequate provision of requested/ appropriate documents by the Auditee. The revised audit timelines are as follows: <table border="1" data-bbox="517 1234 1286 1637"> <thead> <tr> <th data-bbox="517 1234 775 1335">RSM request for extension</th> <th data-bbox="775 1234 1031 1335">PAC approval</th> <th data-bbox="1031 1234 1286 1335">Revised Audit Timeline</th> </tr> </thead> <tbody> <tr> <td data-bbox="517 1335 775 1386">24 July 2023</td> <td data-bbox="775 1335 1031 1386">02 August 2023</td> <td data-bbox="1031 1335 1286 1386">October 2023</td> </tr> <tr> <td data-bbox="517 1386 775 1487">05 September 2023</td> <td data-bbox="775 1386 1031 1487">06 September 2023</td> <td data-bbox="1031 1386 1286 1487">November 2023</td> </tr> <tr> <td data-bbox="517 1487 775 1538">10 October 2023</td> <td data-bbox="775 1487 1031 1538">18 October 2023</td> <td data-bbox="1031 1487 1286 1538">November 2023</td> </tr> <tr> <td data-bbox="517 1538 775 1637">09 November 2023</td> <td data-bbox="775 1538 1031 1637">29 November 2023</td> <td data-bbox="1031 1538 1286 1637">January 2024</td> </tr> </tbody> </table> | | | | RSM request for extension | PAC approval | Revised Audit Timeline | 24 July 2023 | 02 August 2023 | October 2023 | 05 September 2023 | 06 September 2023 | November 2023 | 10 October 2023 | 18 October 2023 | November 2023 | 09 November 2023 | 29 November 2023 | January 2024 |
| RSM request for extension | PAC approval | Revised Audit Timeline | | | | | | | | | | | | | | | | | |
| 24 July 2023 | 02 August 2023 | October 2023 | | | | | | | | | | | | | | | | | |
| 05 September 2023 | 06 September 2023 | November 2023 | | | | | | | | | | | | | | | | | |
| 10 October 2023 | 18 October 2023 | November 2023 | | | | | | | | | | | | | | | | | |
| 09 November 2023 | 29 November 2023 | January 2024 | | | | | | | | | | | | | | | | | |

As the draft Final Audit Report is still undergoing review, the target completion of the audit project is February 2024.

1.1.4. Audit of Market System Enhancement to Implement Reserve Market

The PAC supervised the audit of Market System Enhancement for Reserve Market implementation handled by Intelligent Energy System Pty. Ltd (IES), the Independent Auditor engaged for this purpose.

The audit was conducted to assess compliance of the market systems enhancements against DOE Department Circular DC2019-12-0018 ¹and DC2021-03-0009², Market Rules and Manuals, Request for Changes, and any associated business requirements for the following Components:

1. Component 1 – Central Registration and Settlement System (CRSS) Enhancements for Reserves Market Implementation
2. Component 2 – Market Management System (MMS) Enhancements for Reserves Market Implementation
3. Component 3 – IT Change Management Process Review

In addition, software certificates for Component 1 and Component 2 will be issued based on the result of the audit.

The table below provides the timeline of activities and deliverables of the audit project.

| Timeline | Activities/ Deliverables |
|--------------|---|
| 03 July 2023 | Kickoff meeting |
| July 2023 | Inception Phase <ul style="list-style-type: none"> • IES submission of draft Inception Report on 17 July 2023 • PAC acceptance/approval of Final Inception Report on 09 August 2023 |

¹ Adopting a General Framework Governing the Provision and Utilization of Ancillary Services in the Grid dated 04 December 2019

² Adopting a General Framework Governing the Operationalization of the Reserve Market in the Wholesale Electricity Spot Market and Providing Further Policies to Supplement DC2019-12-0018 dated 27 March 2021

| Timeline | Activities/ Deliverables |
|-----------------------------------|--|
| August 2023 | <p data-bbox="467 374 632 405">Audit Proper</p> <ul style="list-style-type: none"> <li data-bbox="467 450 1050 481">• Start of the audit proper on 14 August 2023 <li data-bbox="467 501 1353 577">• Conduct of preliminary/walkthrough meetings, witness testing, and submission of initial data requests |
| September 2023 - December 2023 | <ul style="list-style-type: none"> <li data-bbox="467 607 970 638">• IES submission of Progress Reports: <ul style="list-style-type: none"> <li data-bbox="499 705 1098 736">○ First Progress Report - 06 September 2023 <li data-bbox="499 750 1145 781">○ Second Progress Report – 28 September 2023 <li data-bbox="499 795 1106 826">○ Third Progress Report – 07 November 2023 <li data-bbox="499 840 1125 871">○ Fourth Progress Report – 06 December 2023 <li data-bbox="467 943 1401 1115">• IES submission of final Audit Report for Component 3 – IT Change Management Process Review (specific to Component 1A - AS <i>Provider/ AS Buyer Registration</i> and 1B - <i>Single Buyer</i>) on 09 October 2023 <li data-bbox="467 1189 1380 1265">• IES submission of revised Audit Report for MMS Component <i>MMS-1 MPI Testing</i> on 19 December 2023 <li data-bbox="467 1339 1396 1415">• PAC approval of Audit Report for CRSS Component <i>1A- AS Provider/ AS Buyer Registration</i> and <i>1B – Single Buyer</i> on 23 December 2023 <p data-bbox="448 1509 772 1541">Change in Audit Timeline</p> <ul style="list-style-type: none"> <li data-bbox="467 1585 1455 1713">• On 06 September 2023, IES submitted the revised timeline due to delay in provision of outstanding data/documents by Auditee, which the PAC approved on 11 September 2023 <li data-bbox="467 1809 1428 1886">• The revised timeline has been further extended due to the same reason. The revised audit timelines are as follows: |

| Timeline | Activities/ Deliverables | | | |
|----------|--------------------------|---------------------------|---------------------------------|------------------------|
| | | IES request for extension | PAC approval | Revised Audit Timeline |
| | | 13 October 2023 | 20 October 2023 | December 2023 |
| | | 14 November 2023 | 29 November 2023 | December 2023 |
| | | 13 December 2023 | <i>Note: For PAC discussion</i> | January 2024 |

1.2. Auditee Action Plan Monitoring

The PAC continuously monitored the updates on the development and implementation of Auditee action plans to address the audit recommendations of the completed audits, including updates on the audits in progress during the period.

These updates are incorporated in the Audit Assessment Report (AAR) which provides the list of market audits supervised by the PAC and the stage of each audit, summarized description of the audit scope, main findings and recommendations, assessment, and reviews finalized during the period in review.

The quarterly PAC AAR were submitted to the PEM Board on the following dates:

- PAC AAR for Q4 2022 – 30 January 2023
- PAC AAR for Q1 2023 – 30 April 2023
- PAC AAR for Q2 2023 – 31 July 2023
- PAC AAR for Q3 2023 – 31 October 2023

1.3. MO Performance Monitoring

In accordance with the WESM Rules and Market Operator Performance Standards (MOPS)³ approved by the DOE, the PAC reviewed and approved three (3) quarterly status reports and the annual report on the results of the MO performance monitoring in 2023.

The PAC presented the quarterly status reports during the regular meetings of the PEM Board, for approval, as shown in the table below.

| Report | Covered Period | PAC Approval | Presentation and Approval to PEM Board |
|--|------------------------------------|---------------------|---|
| 1st MO Performance Status Report | 26 September – 25 December 2022 | 17 February 2023 | 24 February 2023 |
| 2 nd MO Performance Status Report | 26 September 2021 to 25 March 2023 | 29 May 2023 | 31 May 2023 |
| 3 rd MO Performance Status Report | 26 September 2021 to 25 June 2023 | 16 August 2023 | 30 August 2023 |
| | | | |

The Quarterly MO Performance Reports were submitted to the DOE for information.

Meanwhile, the Annual MO Performance Report covering the period 26 September 2021 to 25 September 2023 was approved by the PAC on 21 November 2023 and presented to the PEM Board on 22 November 2023.

The PEM Board remanded the Annual Report in view of IEMOP's request to reconsider their rating which was lower compared to the previous year. This was because the Market Intervention event that occurred on

³ MOPS Issue 2.0 was promulgated on 20 June 2022

23 September 2023 was attributed to IEMOP based on the initial evaluation of the Market Surveillance Committee (MSC).

Taking into account the result of the MSC's reassessment of the subject Market Intervention event, in consultation with the Technical Committee (TC), the PAC revised the Annual MO Performance Report and endorsed the same to the PEM Board on 11 December 2023.

Accordingly, the Report was approved by the PEM Board on 22 December 2023 and transmitted to DOE and ERC on 04 January 2024 for information. The [Annual Report](#) is published in the PEMC website.

1.4. MSP Performance Monitoring

The MSP performance monitoring is in accordance with Section 9 of the WESM Manual on Metering Standards and Procedures and Section 8 of the Retail Manual on Metering Standards and Procedures. The performance of MSPs is computed monthly, semi-annually, and annually and rated against the standards for two (2) performance indicators: 1) Service Delivery, and 2) Customer Satisfaction.

The Monthly and Annual Performance Ratings are used as reference for the Review of Metering Installation and Arrangements in gauging the compliance of MSPs in terms of its obligations in managing data particularly with regard to meter data delivery and integrity, and timely resolution of MTRs.

Starting from the August 2023 billing period, the MSP performance reports/ratings are submitted to the PAC for approval, considering that the MSP performance monitoring function supplements the mandate of the PAC to conduct regular Review of Metering Installation and Arrangements.

The monthly MSP ratings were issued to the MSPs on the following dates:

| Billing Month | Date of Issuance to MSPs |
|---------------|--------------------------|
| December 2022 | 23 January 2023 |

| | |
|----------------|-------------------|
| January 2023 | 25 February 2023 |
| February 2023 | 31 March 2023 |
| March 2023 | 28 April 2023 |
| April 2023 | 24 May 2023 |
| May 2023 | 25 June 2023 |
| June 2023 | 31 July 2023 |
| July 2023 | 30 August 2023 |
| August 2023 | 30 September 2023 |
| September 2023 | 31 October 2023 |
| October 2023 | 01 December 2023 |
| November 2023 | 29 December 2023 |

1.5. PAC Internal Rules

In accordance with the provisions under the PAC Internal Rules, the PAC reviewed its Internal Rules Issue 3.0 and adopted pertinent amendments, the highlights of which are as follows:

1. Changed the term “PEM Board Committees” to “WESM Governance Committees”, consistent with the changes to the Guidelines Governing the Constitution of the WESM Governance Committees Issues 5.0 which became effective date on 08 January 2023;
2. Updated Section III - Committee Meetings:
 - To specify that meetings may be held onsite or hybrid; and
 - To add a new provision stating that if a PAC member has already accumulated three (3) absences in regular meetings without prior notice, the Secretariat shall duly notify the PEM Board Chairperson of such absences for appropriate action;
3. Deleted the provision that the Secretariat shall seek consent from the respective PAC members for each instance that the electronic signature shall be affixed. Digital versions of PAC documents requiring signatures will be electronically signed using a cloud-based e-signature platform, e.g. Adobe Sign. Meanwhile, printed copies of PAC documents that require physical wet ink signatures will be signed either in person or sent via courier for the wet signature process; and

4. Incorporated other clerical and minor revisions for clarity.

The PAC approved and adopted the PAC Internal Rules Issue 4.0 through its resolution dated 04 October 2023, thereby amending Issue 3.0.

1.6. PAC's Guidelines in Engaging Services of Auditors for Market Audits

The PEM Audit Manual Section 4.1 provides that the PAC may engage the services of Independent Auditors or the internal audit unit of the Governance Arm. Moreover, the PAC shall define the guidelines in engaging the services of the Independent Auditors and the internal audit unit of the Governance Arm for the conduct of applicable audits.

In accordance with this, the PAC developed and deliberated on the proposed Guidelines in Engaging Services of Auditors for Market Audits ("Guidelines") during its regular meetings held on 08 March 2023 and 10 May 2023.

The proposed Guidelines and discussion paper were formally transmitted to the Rules Change Committee (RCC) and PEM Board for comments on 24 May 2023. The PAC likewise presented the proposed Guidelines during the RCC meeting held on 23 June 2023, at which comments were received.

During its regular meeting held on 12 July 2023, the PAC reviewed and discussed the comments received from the RCC and accordingly revised and finalized the proposed Guidelines. Having received no comment from the PEM Board on the proposed Guidelines, the PAC transmitted to the PEM Board, for its information, the proposed Guidelines once the same was approved by the PAC.

The PEM Audit Committee approved and adopted the proposed Guidelines in Engaging Services of Auditors for Market Audits through its resolution dated 12 July 2023.

1.7. Meetings and Participation to WESM Events

As provided in the PAC Internal Rules, regular meetings of the PAC are held at least once a month and may be rescheduled as necessary. The PAC may also call for a special meeting at any time as may be practicable, especially in the events of urgent request/s for an audit/review or finalization of audit/review findings and recommendations.

The PAC was able to conduct all regular meetings for 2023 with all the committee members present in the meetings. The PAC also participated in the following WESM Events:

- 13-15 September 2023 - Onsite inspections for the Review of Metering Installation and Arrangements (RMIA)
- 14 November 2023 - WESM Compliance Officer Conferment and Annual Compliance Award
- 15 December 2023 – WESM Governance Committee Dinner

2. 2024 COMMITTEE WORK PLAN

The table below provides details of the PAC's program of activities for CY 2024 consistent with the PEMC's Corporate Strategic Plan 2024-2026.

| ACTIVITY | | PAC RESPONSIBILITY AND OUTPUT | Q1 2024 | Q2 2024 | Q3 2024 | Q4 2024 |
|--|--|---|---------|---------|---------|---------|
| 1 | Conduct audit projects: | Oversee audit project activities, present audit results, PAC Audit Report and software certificates | | | | |
| | 1.1 4 th RMIA | | | | | |
| | 1.2. 8 th MO Audit | | | | | |
| | 1.2 Audit of market systems enhancements to implement Reserve Market | | | | | |
| | 1.3. 5 th RMIA by Q4 2024 – Q3 2025 | | | | | |
| | 1.4. RE Registrar Audit ⁴ | | | | | |
| | 1.5. PREMS Enhancements Audit ⁴ | | | | | |
| | 1.6. NSS/NSD audit for CY 2022-2023 | | | | | |
| | 1.7. Audit of new or enhanced IEMOP systems | | | | | |
| 1.8. Audit of new or enhanced PEMC systems | | | | | | |

⁴ Through PEMC-Internal Audit Department

| ACTIVITY | | PAC RESPONSIBILITY AND OUTPUT | Q1 2024 | Q2 2024 | Q3 2024 | Q4 2024 |
|----------|---|---|---------|---------|---------|---------|
| 2 | Address PEMC-related findings and recommendations during Market Operations Audits based on prescribed timelines | Monitor Auditee action plans to address audit findings and recommendations Quarterly PAC Audit Assessment Report | | | | |
| 3 | Update the MO Performance Framework <ul style="list-style-type: none"> Methodology for Updating MOPS Revised MOPS | Comments and recommendations to draft methodology for updating MOPS PAC proposed revised MOPS | | | | |
| 4 | Submit MO Performance Reports to the PEM Board, DOE and ERC based on prescribed timelines | Monitoring of MO performance Annual and quarterly MO Performance Reports | | | | |

| ACTIVITY | | PAC RESPONSIBILITY AND OUTPUT | Q1 2024 | Q2 2024 | Q3 2024 | Q4 2024 |
|----------|---|---|---------|---------|---------|---------|
| 5 | Submit MSP Performance Reports to the PEM Board, DOE and ERC based on prescribed timelines | Monitoring of MSP performance Semi-annual, Annual and monthly MSP Performance Reports | | | | |
| 7 | Submit Rules Change Proposals | Proposed amendments to Market Rules and Manuals, as may be applicable | | | | |
| 8 | Submit Comments to the following as requested or required within specified timelines: <ul style="list-style-type: none"> • RCC Rule Change Proposals • DOE Circulars • ERC Issuances | Comments/recommendations to rules change proposals, draft DOE circulars and draft ERC issuances, as necessary | | | | |

3. MEMBERSHIP

The PAC is composed of the following members:

Chairperson: Mr. Francisco Leodegario R. Castro, Jr

Member: Mr. Rossano C. Luga

Ms. Concepcion I. Tanglao

Mr. Castro, Jr. was appointed as the PAC chairperson effective 29 March 2023 and Ms. Tanglao was appointed as the new member effective 19 May 2023.

As its primary support unit, the Market Assessment Group (MAG) provides both technical as well as administrative support to the PAC in performing its functions and obligations under the WESM Rules and applicable WESM Manuals.

4. RESPONSIBILITIES

Pursuant to WESM Rules Clause 1.5.2, the responsibilities of the PEM Auditor⁵ are as follows:

- a. Conduct audits of the procedures, persons, systems of the MO and the MSPs as they are relevant to the spot market;
- b. Test and check any new items or versions of software provided by the MO for use by WESM members;
- c. Review any procedures and practices which are covered by the WESM Rules at the direction of the PEM Board;

⁵ Pursuant to the Guidelines Governing the Constitution of PEM Committees, the PEM Auditor was already changed to constitute as PEM Audit Committee (PAC). The WESM Rules, PEM Audit Market Manual Issue 2.0 and Retail Market Manual are currently being revised in harmony with the existing guidelines.

- d. Recommend changes to the WESM Rules and relevant Market Manuals where deficiencies have been identified as a consequence of an audit, review, test, check or other form of review; and
- e. Publish in the Governance Arm Website the results of any findings and recommendations under Clause 5.2.6

The PEM Auditor's main responsibility is summarized in the PEM Audit Market Manual Section 3.1, which states that it shall conduct, on its own or through an appointment of auditor, and to coordinate and supervise effective and independent audits of the operation of the spot market and of the MO, in order to reinforce Trading Participants' confidence in the transparency and adequacy of the operation of the WESM. Moreover, Section 11.2.2 of the same manual provides that the PEM Auditor shall review the security arrangements and requirements of metering installations.

In addition to conducting independent audits of the MO and MSPs, the PAC also monitors the performance of the MO, in accordance with Clause 1.3.2 of the WESM Rules and Clause 1.4.2 of the Retail Rules and the Market Operator Performance Standards (MOPS) that was approved by the DOE on 20 June 2022. Similarly, the PAC monitors the performance of the MSPs, in accordance with the MSP Performance Standards outlined in the Market Manual on Metering Standards and Procedures.

THE PEM AUDIT COMMITTEE

Submitted by:

(signed)

FRANCISCO LEODEGARIO R. CASTRO JR.
Chairperson

(signed)

CONCEPCION I. TANGLAO
Member

(signed)

ROSSANO C. LUGA
Member