



PEM Audit Committee 2024 Annual Report

January to December 2024

March 2025

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

Document Information Classification: Public

The information contained in this document is based on data that are subject to continuous verification by the Philippine Electricity Market Corporation (PEMC). The same information is subject to change as updated figures come in.

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FOREWORD

The PEM Audit Committee (PAC) had a productive year in 2024. While there were minor adjustments along the way, the PAC was able to accomplish most planned activities in the 2024 work plan without significant challenges.

The PAC successfully completed three (3) market audit projects, which are the 8th Audit of Market Operations and Market Monitoring and Assessment, the 1st Audit of Renewable Energy (RE) Registrar Operations, and the Audit of Market System Enhancements to Implement Reserve Market.

The 8th Audit of Market Operations and Market Monitoring and Assessment ensured the compliance with the Market Rules and Manuals of the Independent Electricity Market Operator of the Philippines (IEMOP) as the Market Operator (MO) and Central Registration Body (CRB).

The 1st Audit of RE Registrar Operations was likewise completed in time for the anticipated full commercial operations of the RE Market on 26 December 2024. This audit evaluated the RE Registrar's processes and compliance with the RE Market Rules and Manuals, while also verifying the conformance of the Philippine Renewable Energy Market Systems (PREMS) enhancements.

The implementation of the co-optimized Energy and Reserves Market necessitated the Audit of Market System Enhancements to Implement Reserve Market. The completion of this audit confirmed that the market system enhancements and the tool of the MO were implemented correctly in accordance with the Market Rules and Manuals, relevant circulars and issuances, and tools/systems specifications.

In addition to conducting independent market audits, the PAC also monitors the performance of the MO and the Metering Services Providers (MSP). Relative to this responsibility, the PAC began its review of the framework and performance measures used to evaluate the MO. The review includes the assessment of the existing MO Performance Standards (MOPS) in view of the MO's performance starting the implementation of the enhanced Wholesale Electricity Spot Market (WESM) design and operations, and subsequent integration of Mindanao in the WESM.

This Annual Report also presents the planned activities of the PAC for the year 2025 giving insights to its vision and direction in fulfilling its mandate, while addressing key challenges and opportunities for the upcoming year.

The PAC extends its sincere gratitude to the PEMC management and all stakeholders involved in the activities of the PAC for their unwavering support and cooperation. This support was invaluable in the completion of its activities in 2024 and will be even more crucial in driving the success of the initiatives planned for the year ahead.

The PEM Audit Committee



Francisco Leodegario R. Castro, Jr.
Chairperson



Rossano C. Luga
Member



Concepcion I. Tanglao
Member

1. 2024 ACCOMPLISHMENT

1.1. Conduct of Market Audits

The PAC maintains its responsibility to ensure transparency and effectiveness in the WESM and the Renewable Energy Market (REM) operations through the conduct of independent audits of the markets, MO, CRB, and the Renewable Energy Registrar (RER). Additionally, the PAC reviews security arrangements for the WESM and Retail metering installations in consultation with MSPs.

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

Table 1 Summary of Market Audits

Audit Project	Audit Period	Status
1 st Audit of Renewable Energy Registrar Operations		Completed
• Process and Compliance Review	05 Feb 2020 to 31 May 2024	
• Audit of the PREMS Enhancements	01 Jan 2022 to 31 May 2024	
Audit of Market Systems Enhancements to Implement Reserve	N/A	Completed
Independent Audit of Net Settlement Surplus/ Net Settlement Deficit	26 Dec 2021 to 25 Dec 2023	In progress (audit phase) Target completion: Q2 2025
8 th Market Operations Audit	26 Dec 2019 to 25 Jun 2022	Completed
9 th Market Operations Audit	26 Jun 2022 to 25 Dec 2024	Upcoming Target commencement: Q2 2025
4 th Review of Metering Installations and Arrangements (RMIA)	26 Jun 2016 to 25 Jun 2022	In progress (final phase) Target completion: Q1 2025

1st Audit of Renewable Energy Registrar Operations

As outlined in the Philippine Energy Plan 2023-2050¹, one of the goals of the energy sector is to chart a transformative direction toward a clean energy future, with the REM playing a crucial role. The REM is designed to foster compliance with the Renewable Portfolio Standards (RPS), which require power industry participants to source a certain percentage of their energy from renewable sources. The REM is administered and operated by the RE Registrar.

¹ [Philippine Energy Plan 2023 – 2050 Volume II](#)

In accordance with the provisions under the RE Market Rules, PEM Audit Manual and PAC Guidelines in Engaging Services of Auditors for Market Audits, the PAC engaged the PEMC - Independent Audit Department (IAD) to conduct the 1st Audit of RE Registrar Operations to ensure the effectiveness of the administration and operation of the REM by the RE Registrar. The Auditee was PEMC, as the RE Registrar, represented by the Market Assessment Department – Market Development Division.

The audit project started with the Opening Meeting held on 04 July 2024. The Closing Meeting, which marked the conclusion of the audit, was held on 12 November 2024 in time for the anticipated full commercial operations of the REM on 26 December 2024.

This audit covered Task 1: Process and Compliance Review for the period of 05 February 2020 to 31 May 2024 and Task 2: Audit of the PREMS Enhancements for the period 01 January 2022 to 31 May 2024.

The Process and Compliance Review evaluated the RE Registrar's process and compliance with relevant laws, rules, and regulations. This task was performed in two (2) stages:

- Stage 1 – Documentation Review, during which PEMC-IAD evaluated relevant rules, documents, procedural outputs, report, technical requirements, project contracts, test documents, and prior audit findings. This was completed on 02 August 2024.
- Stage 2 – Site Assessment, during which PEMC-IAD conducted interviews, verified records, and tested the functionality of PREMS enhancements with the Auditees based on the test cases. This was completed on 28 August 2024.

The PREMS Enhancements Audit verified the conformance of the PREMS enhancements with the REM Rules and Manuals. Furthermore, it assessed the ability of the PREMS to produce reliable outputs in terms of availability, accuracy, and completeness. This task commenced on 03 September 2024 and was completed on 17 September 2024. A site inspection of the PREMS Hardware and Software Assets was also conducted in IEMOP's Office on 12 September 2024. It may be noted that the PREMS asset was effectively transferred from PEMC to IEMOP premises on 31 May 2024.

Upon conclusion of the audit, nine (9) findings and six (6) recommendations were identified for Task 1 and two (2) findings and two (2) recommendations were identified for Task 2. Overall, it was observed that the PEMC complied with its duties, responsibilities, and obligations as the RE Registrar pursuant to the REM Rules. However, the identified audit findings need to be addressed by the RE Registrar to ensure full

compliance with the REM Rules requirements and regulations. Meanwhile, the audit recommendations were focused on enhancing RE Registrar processes and procedures, and ensuring PREMS improved user experience, and data integrity.

The PAC submitted its PAC Audit Report to the PEM Board on 10 December 2024. The audit results and recommendations were presented to the PEM Board on 26 February 2025.

Audit of Market System Enhancements to Implement Reserve Market

One of the key initiatives of the Department of Energy (DOE) in 2024 was to implement the co-optimization of the energy and reserves in the WESM. The aim is to achieve optimal schedules and prices for energy and reserve requirements fostering competition and affordability while ensuring grid security and stability. Accordingly, the implementation of the co-optimized Energy and Reserves Market necessitated the Audit of Market System Enhancements to Implement Reserve Market.

This audit project already started in July 2023 and was conducted per phase. Considering the dependency of the audit timeline on the readiness for audit of the system enhancements, the audit continued until its completion in October 2024. This audit was handled by Intelligent Energy System Pty. Ltd (IES), the Independent Auditor engaged to conduct this audit.

The audit assessed the compliance of the IEMOP's market systems enhancements against DOE Department Circular DC2019-12-0018² and DC2021-03-0009³, Market Rules and Manuals, Request for Changes, and any associated business requirements for the following Components:

1. Central Registration and Settlement System (CRSS) Enhancements
2. Market Management System (MMS) Enhancements
3. External Tool to Generate Merit Order Table (MOT)
4. Software Change Management Review

Upon completion of the audit of necessary enhancements and tool, software certificates were issued confirming that the market system enhancements and the tool of the IEMOP were implemented correctly in accordance with the Market Rules and Manuals, relevant circulars and issuances, and tools/systems

² Adopting a General Framework Governing the Provision and Utilization of Ancillary Services in the Grid dated 04 December 2019

³ 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

specifications. The corresponding reports and software certificates for market systems enhancements and tool required for the commercial launch of the Co-optimized Energy and Reserve Market were likewise filed with the Energy Regulatory Commission (ERC) on 04 March 2024, 12 April 2024, and 21 January 2025⁴ in compliance with the readiness requirement.

Table 2 Approval of CRSS Enhancements Audit Reports and Software Certificates

CRSS Enhancements	Audit Report	Software Certificate
AS Provider/ AS Buyer Registration	23 Dec 2023	01 Feb 2024
Single Buyer Registration	23 Dec 2023	01 Feb 2024
Additional functionalities	23 Apr 2024	29 May 2024

Table 3 Approval of MMS Enhancements Audit Reports and Software Certificates

MMS Enhancements	Audit Report	Software Certificate
Market Participant Interface Testing on Inclusion of Control Modes	12 Feb 2024	01 Feb 2024
Changes to Merit Order Table	20 Oct 2024	10 Oct 2024
Changes to CSV File sent to the System Operator	24 Apr 2024	24 Apr 2024
Changes to Market Dispatch Optimization Model	09 May 2024	08 May 2024

Table 4 Approval of Audit Reports and Software Certificates for Other Audit Components

Component	Audit Report	Software Certificate
IT Change Management Review	16 Feb 2024	N/A
External Tool to Generate MOT	16 May 2024	14 May 2024

The audit findings and results were presented to the PEM Board on 27 November 2024. The consolidated version of PAC Audit Report on the Audit of Market Systems Enhancements and Tool to Implement the Co-optimized Energy and Reserve Market⁵ was published on the PEMC website on 30 January 2025.

⁴ The audit was conducted per tasks and as soon as each task was completed, the reports and software certificates were immediately filed with the ERC.

⁵ Website link: [PAC Audit Report on the Audit of Market Systems Enhancements and Tool to Implement the Co-optimized Energy and Reserve Market](#)

Independent Audit of Net Settlement Surplus/Net Settlement Deficit (NSS/NSD) CY 2022-2023

In compliance with the ERC Resolution No. 07, Series of 2019⁶, the PAC supervised the quarterly NSS/NSD Audit covering the period 26 December 2021 to 25 December 2023. This audit is being undertaken by Landicho Abela & Company (LACO), the Independent Auditor engaged to conduct the audit. The audit includes checking the reportorial requirements of the IEMOP consistent with Article VII – Section 1 of the mentioned Resolution, actual calculation of NSS/NSD and its allocation, corresponding Value Added Tax and interest amount, as well as the actual billing and collection performed by IEMOP.

The audit project started with a Kickoff Meeting held on 02 May 2024. Subsequently, Walkthrough Meetings were conducted to discuss details on 1) actual calculation of NSS/NSD and its allocation, including the systems used for such calculation; and 2) actual billing and collection processes and systems on the 2nd to 3rd week of May 2024.

IEMOP required a Non-Disclosure Agreement (NDA) which was finalized and signed on 19 July 2024, following several discussions among the concerned parties, i.e., LACO, PEMC and IEMOP. The extended time allotted for the review and finalization of the NDA resulted to the adjustment of the target audit project completion from Q4 2024 to Q1 2025.

LACO submitted the first draft of the Inception Report on 24 May 2024 and the revised version on 15 August 2024 incorporating inputs from PAC and IEMOP as well as the approved new timeline. The PAC then approved the final Inception Report on 17 August 2024, and the audit proper started in September 2024 following IEMOP's provision of the complete raw data needed for the conduct of audit on 23 September 2024.

As of December 2024, the overall project status was at 51%. LACO is currently in the process of validating extensive data covering the 2-year audit period.

The audit is expected to be completed in Q2 2025.

8th Market Operations Audit

The PAC completed the remaining activities for the 8th Audit of Market Operations and Market Monitoring and Assessment (8th MO Audit) for the period 26 December 2019 to 25 June 2022, handled by the Independent Auditor RSM Australia (RSM).

⁶ A Resolution Adopting Amendments to the Rules for the Distribution of Net Settlement Surplus (NSS)

The audit covered the specified WESM and Retail Contestability and Open Access (RCOA) activities of the IEMOP as required by the Market Rules and Manuals, assessed its operational processes, and evaluated the effectiveness of its settlement systems and data management. The audit also assessed the adequacy of processes used by the Governance Arm in monitoring the market and evaluating the performance of the MO.

The reportorial requirements were the only remaining activities for the 8th MO Audit in 2024 as the audit proper was completed in 2023. The draft Final Audit Report was submitted on 11 December 2023. However, approval of the report was deferred following IEMOP's request in January 2024 for additional time to review and provide further inputs/responses to the audit findings.

The 8th Market Operations Audit concluded with the issuance of PAC Certificate of Acceptance of the final reports on 28 February 2024 and the Closing Meeting held on 07 March 2024. The PAC also provided a copy of the said report to IEMOP on 18 March 2024.

The PAC submitted its [Audit Report on the 8th MO Audit](#) to the PEM Board on 13 May 2024. A copy of the said Report was also provided to the DOE and ERC on 13 May 2024. The said Audit Report was published on the PEMC website on 15 May 2024, for the information of all Market Participants.

9th Market Operations Audit

The PAC commenced with the preparatory audit activities for the conduct of the 9th Audit of Market Operations covering the period 26 June 2022 to 25 December 2024.

The PAC approved the draft Terms of Reference (TOR) which provides the audit work including the scope of work, timeframe and deliverables, list of tasks and processes, information and systems to be audited, on 11 November 2024. The draft TOR was transmitted to the DOE and ERC on 15 November 2024 and published on the PEMC website for comments on 13 November 2024.

The PAC received comments on the draft TOR from the Market Surveillance Committee (MSC) and the Energy Regulatory Commission (ERC) on 28 November 2024 and 03 December 2024, respectively. Subsequently, the revised TOR, incorporating the comments received from the MSC and ERC, was presented to the PEM Board on 10 December 2024. During the same meeting, the PEM Board approved the TOR and the engagement of an Independent Auditor to conduct the 9th MO Audit.

Following the PEM Board's approval, PEMC facilitated the approval of documentary requirements needed for the start of the procurement phase scheduled from the 1st week of January 2025 to 2nd week of March 2025. Subject to successful negotiation with the highest rank bidder in the last stage of procurement phase, the Audit is expected to take place from the 4th week of March 2025 until the 1st week of November 2025.

4th Review of Metering Installations and Arrangements (RMIA)

The PAC continued to supervise the remaining activities for the 4th RMIA Audit covering the period 26 June 2016 to 25 June 2022, which is being handled by the Alliance of Power and Energy Xponents, Inc. (APEX).

The audit is conducted pursuant to WESM Rules Clause 4.5.5.4 and Retail Rules Clause 4.8 which direct the review of security arrangements and requirement of metering installations with the requirements of the WESM Rules, Retail Rules, its applicable Market Manuals, and other relevant laws and issuances.

The original timeline for APEX's submission of all audit deliverables was on 31 December 2023. This target timeline was revised twice in the first half of 2024 due to several issues encountered by APEX in the course of revising and finalizing the voluminous MSP Individual Reports. The PAC has approved these revised timelines and eventually issued a final directive to APEX on 26 June 2024 to submit all the remaining audit deliverables by 31 July 2024.

In compliance with the PAC's directive to submit all the remaining audit deliverables within the final extension date, APEX submitted to PAC on 31 July 2024 all the required reports, i.e., 58 MSP Individual Reports, 1 Market Operator Report and 1 Holistic Report. Said submission includes revised Individual Reports based on the initial review and comments of PAC.

As part of the review and finalization of the submitted Individual Reports, the PAC conducted the following Closing Meetings with the MSPs per request:

- PELCO3MSP – 13 June 2024
- PELCO2MSP – 04 July 2024
- PELCO1MSP, TRLCO2MSP, CEDCMSP – 29 August 2024
- NGCPMSP, MRLCOMSP – 21 October 2024

As of December 2024, the PAC reviewed and/or finalized 40 out of 59 Individual Reports. The completion

of review and finalization of the remaining Individual Reports and 1 Holistic Report is expected by Q1 of 2025.

1.2. Auditee Action Plan Monitoring

The PAC closely monitored the progress of auditees' action plans to address the audit recommendations from completed audits, while also keeping track of the audits still in progress during the period.

These updates are incorporated in the PAC Audit Assessment Report (AAR), which provides an overview of the market audits supervised by the PAC. The PAC AAR includes a summary of the audit scope, main findings and recommendations finalized during the period.

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

- PAC AAR for Q4 2023 – 25 January 2024
- PAC AAR for Q1 2024 – 26 April 2024
- PAC AAR for Q2 2024 – 15 July 2024
- PAC AAR for Q3 2024 – 29 October 2024

1.3. MSP Performance Monitoring

The PAC monitors the performance of MSPs in accordance with the Market Manuals on Metering Standards and Procedures. The PAC reviews the results of regular performance evaluation of MSPs which are rated against two (2) performance indicators: 1) Service Delivery and 2) Customer Satisfaction.

The MSP service delivery ratings are issued to the MSPs for review and confirmation every billing month. Once confirmed by the MSPs, the results of the monthly performance monitoring are published on the PEMC website. Meanwhile, the customer satisfaction ratings are determined through the issuance of customer satisfaction survey forms every six months:

- For the period January to June 2024 on 01 July 2024; and
- For the period July to December 2024 on 06 January 2025.

Thereafter, the MSP annual performance rating is prepared by averaging the monthly MSP performance ratings and customer satisfaction ratings from the two (2) semi-annual surveys. The PAC submitted the [2023 Annual MSP Performance Report](#) to the PEM Board on 04 April 2024 which was published on the PEMC website the following day. On the other hand, the PAC submitted the 2024 Semi-Annual MSP Performance Report to the PEM Board on 02 October 2024, and to the ERC and DOE on 03 October 2024.

The PAC uses the results of MSP performance monitoring as supplementary references for the Review of Metering Installation and Arrangements to assess the compliance of MSPs. These performance monitoring results help gauge how well MSPs meet their obligations, particularly in managing data, ensuring the timely meter data delivery, data integrity, and timely resolution of Meter Trouble Reports.

On another note, the commercial operations of Retail Competition and Open Access (RCOA) in Mindanao commenced on 26 March 2024 in line with the Department of Energy Circular Department Circular DC 2024-03-0009⁷. This significant milestone marked the beginning of a more competitive electricity market in the region. As a result, Distribution Utilities and Electric Cooperatives in Mindanao that served as the default MSPs for Contestable Customers within their franchise, have now been registered as retail MSPs, aligning with the new regulatory framework. This transition is expected to foster greater market efficiency and provide consumers with more choices and competitive pricing in the electricity market.

1.4. MO Performance Monitoring

The PAC monitors the performance of the Independent Market Operator of the Philippines (IEMOP) in accordance with the WESM Rules and Market Operator Performance Standards (MOPS) Issue 2.0. The PAC reviews and assesses the results of regular performance evaluation to ensure the Market Operator's (MO) compliance to the MOPS and its continuous improvement.

Throughout the reporting period, the PAC submitted three (3) quarterly status reports and an annual report, each containing the results of monitoring and assessment of the MO's performance.

The PAC also presented the results to the PEM Board on the following dates:

- 1st MO Performance Status Report for the period 26 September to 25 December 2023 – 28 February

⁷ DOE Circular DC2024-03-0009: Declaring the Commercial Operations Date of Retail Competition and Open Access (RCOA) and Green Energy Option Program (GEOP) in Mindanao)

2024

- 2nd MO Performance Status Report for the period 26 September 2023 to 25 March 2024 – 29 May 2024
- 3rd MO Performance Status Report for the period 26 September 2023 to 25 June 2024 – 28 August 2024
- Annual MO Performance Report for the period 26 September 2023 to 25 September 2024 – 27 November 2024

A copy of the quarterly status reports and annual report are provided to the DOE and ERC for information.

For wider access and transparency, the [Annual Report](#) is also made available to the public via the PEMC website on 28 November 2024.

1.5. Review of MO Performance Framework

The Market Operator Performance Standards (MOPS) provide an indication of the Market Operator and Central Registration Body's performance with respect to their responsibilities under the EPIRA, the WESM Rules and Retail Rules, Philippine Grid Code, and with regard to the achievement of objectives of the EPIRA, the WESM and Retail Electricity Market. The MO Performance Standards describe the targets and criteria pertaining to the identified performance categories, and the developed performance metrics serve as the monitoring guide for the Governance Arm, DOE, and ERC, in the assessment of the Market Operator's performance, as well as its functions as the Central Registration Body. The MO Performance Standards also serve as a guide for the Market Operator, to be able to identify the areas in relation to its services to stakeholders which need improvements or enhancements.

In compliance with the Department Circular DC2022-07-0029⁸, the PAC commenced the review of the MO Performance Standards following the 2-year implementation of the enhanced WESM design and operations, and the 1-year integration of Mindanao in the WESM. Assessment of the adequacy of the MOPS will ensure that the performance standards provide an accurate indication of the MO's performance.

The initial phase of this review involved a comprehensive assessment of the existing performance standards, laying the groundwork for the initial proposed changes. This phase includes the following key activities:

⁸DOE Circular DC2022-07-0029: Providing Policies for the Market Operator Performance Standards

- In-depth examination of data, performance metrics, and historical records to identify trends, performance gaps, and compliance levels
- Extensive review of related literature to ensure that performance standards are benchmarked against industry best practices
- Integration of previous study completed in 2020 as baseline for analysis, taking into account the feedback previously gathered and addressing the same to ensure continuity.

Following the initial phase of the review, the proposed MO Performance Monitoring Framework utilized the Balanced Scorecard structure. This framework is adopted to reduce the number of metrics and highlight important factors, as well as to cover key areas in performance. The proposal identified four (4) key perspectives that the framework will focus on:

- Stakeholder – All entities in the WESM are treated as its 'customer', reflecting the value each stakeholder expects to obtain from active participation
- Process – Critical activities that must be performed well to deliver value to stakeholders and allow objectives to be achieved
- Enabler – Reflects the diverse capabilities required for successful implementation
- Outcome – Measurable benefits that the WESM intends to achieve

Further insights were gathered during consultations with various PEMC departments from June to August 2024, and with IEMOP on 19 December 2024.

During the consultation conducted with IEMOP regarding the MO Performance Standards Review and the initial proposal, IEMOP conveyed their concerns about the Balanced Scorecard approach and expressed a preference for a different direction. Specifically, they suggested focusing more on the operational metrics and refining the existing MO Performance Standards to align with changes in the Rules and additional directives. The IEMOP also expressed their willingness to participate in the review process by proposing coordination meetings with representatives from their side to collaborate on the review of the MO Performance Standards.

In light of the feedback provided, the proposal will be revisited and revised accordingly. Consequently, the target completion of the study was adjusted to Q3 2025.

1.6. Review of PAC Internal Rules

Since its inception in 2008, the PAC has adopted its Internal Rules to guide its members on their responsibilities, conduct of meetings, duties of the PAC and the PAC Secretariat, and the administrative procedures to efficiently and effectively facilitate the disposition of PAC's mandate under the Market Rules and Manuals. Over the years, these guidelines have evolved with regular revisions to refine and improve their effectiveness.

In October 2024, the PAC reviewed its Internal Rules Issue 4.0 and adopted pertinent amendments, the highlights of which are as follows:

1. Introduced changes on provisions related to Committee meetings to reflect the current PAC meeting schedule and procedure of approval of Committee minutes;
2. Consolidated and harmonized provisions on voting and Committee decisions, with the additional provisions to ensure that:
 - Email exchanges are formally recognized as valid records of the Committee's deliberation and decision;
 - Decisions made during the absence of a member, or a vacant position are fully representative of the Committee's collective agreement by requiring a unanimous vote from all present members; and
 - Flexibility in the voting process is provided, allowing members to cast their vote through any official communication platform such that all members, regardless of location, can participate in the decision-making process;
3. Updated section on responsibilities of the Chairperson, Members, and Secretariat to establish and ensure adherence to the timelines for document review and reflect the current PAC process; and
4. Incorporated other clerical and minor revisions for clarity.

The PAC adopted the PAC Internal Rules Issue 5.0 which was officially approved through a resolution passed on 10 December 2024, thereby superseding Issue 4.0.

1.7. Meetings and Participation in WESM Events

In keeping with the guidelines set forth in the PAC Internal Rules, meetings are held regularly at least once a month with the flexibility to be rescheduled as the need arises. Additionally, the PAC may convene special meetings at any time, particularly when urgent matters such as audit request, reviews, or the finalization of findings and recommendations, demand immediate attention.

Throughout the year 2024, the PAC remained dedicated and engaged, conducting all scheduled meetings with full attendance from all members. The PAC also actively participated in the following WESM Events:

- 19 June 2024 – Annual General Membership Meeting (AGMM)
- 04 September 2024 – Market Participants' Townhall (MPT) and Electricity Market Exchanges (EMX)
- 24 October 2024 – WESM Compliance Officer Conferment and Annual Compliance Award

2. 2025 COMMITTEE WORK PLAN

The table below provides details of the PAC's program of activities for CY 2025.

Activity	PAC Responsibility and Output	2025			
		Q1	Q2	Q3	Q4
Conduct audit projects:					
• 4 th RMIA ⁹	Oversee audit project activities, present audit results, PAC Audit Report and software certificates				
• NSS/NSD audit for CY 2022-2023 ⁹					
• 5 th RMIA ¹⁰					
• 9 th MO Audit & NSS/NSD Audit for CY 2024					
• 2 nd RER Operations Audit ¹⁰					
• 1 st Audit of Mandated Participants ¹⁰					
• Audit of new/enhanced IEMOP systems					
Submit Audit Assessment Report to PEM Board	Monitor Auditee action plans to address audit findings and recommendations, Quarterly PAC Audit Assessment Report				

⁹ Carried-over activity from 2024 Work Plan

¹⁰ Preparatory activities (preparation of TOR, procurement)

Activity	PAC Responsibility and Output	2025			
		Q1	Q2	Q3	Q4
Review of MO Performance Standards	Comments and recommendations to revised MOPS, PAC proposed revised MOPS				
Develop SO Performance Standards	Comments and recommendations to draft SOPS, PAC proposed SOPS				
Submit MO Performance Reports to PEM Board, DOE and ERC	Monitor MO performance, Annual and quarterly MO Performance Reports				
Submit MSP Performance Reports to PEM Board, DOE and ERC	Monitor MSP performance, Semi-annual, Annual and monthly MSP Performance Reports				
Submit Rules Change Proposals	Proposed amendments to Market Rules and Manuals, as necessary				
Review of PAC Internal Rules	Revised PAC Internal Rules, as necessary				
Submit Comments to RCC Rule Change Proposals, DOE Circulars or 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:	Francisco Leodegario R. Castro, Jr
Member:	Rossano C. Luga
	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. Mr. Castro, Jr. and Mr. Luga's membership were renewed, effective 01 November 2024.

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

- WESM Rules Clause 1.5.2. The PEM Audit Committee shall:
 - 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;
 - 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
- REM Rules Clause 6.2.1.2. The PEM Audit Committee shall:
 - a. Conduct annual audits of the RE Registrar pursuant to REM Rules Clause 6.2.3;
 - b. Review any procedures and practices which are covered by the REM Rules and REM Manuals at the direction of the RGC; and
 - c. Recommend any changes to the REM Rules and REM Manuals where the PEM Audit

Committee detects deficiencies as a consequence of an audit, review test check or some other form of review.

- REM Rules Clause 6.2.2.1. The PEM Audit Committee shall also ensure that software specified in REM Rules Clause 6.2.2.2 shall have been certified as correctly implementing the intent of the REM Rules by an independent reviewer appointed pursuant to Clause 6.2.1.3:
 - a. No later than one (1) year from its deployment for commercial purposes; and
 - b. If any changes to the software or software specification have been made, before the change is deployed.
- REM Rules Clause 6.2.4.1. The PEM Audit Committee shall annually audit:
 - a. The Metered Quantity provided by Mandated Participants in support of their RE Certificate Issuance applications under Clause 3.1.8; and
 - b. The Metering Installations associated with the Metered Quantity.
- In addition to conducting independent audits in the WESM and REM, the PAC also monitors the performance of the MO in accordance with the WESM Rules Clause 1.3.2 and Retail Rules Clause 1.4.2 and the Market Operator Performance Standards (MOPS) Issue 2.0.
- Similarly, the PAC monitors the performance of the MSPs in accordance with the MSP Performance Standards outlined in Section 9 of the WESM Manual on Metering Standards and Procedures and Section 8 of the Retail manual on Metering Standards and Procedures.

THE PEM AUDIT COMMITTEE

(signed)

FRANCISCO LEODEGARIO R. CASTRO JR.

Chairperson

(signed)

CONCEPCION I. TANGLAO

Member

(signed)

ROSSANO C. LUGA

Member