



Compliance Committee 2024 Annual Report

January 2024 to December 2024

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This Report is prepared by the
Philippine Electricity Market Corporation –
Enforcement and Compliance Office
for the WESM Compliance Committee

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1.0 INTRODUCTION

The Compliance Committee (CC) is a WESM Governance Committee (WGC) constituted on 22 October 2020 by virtue of Department of Energy (DOE) Circular 2020-10-0021 and appointed upon the start of the Enhanced WESM Design Operations (EWDO). Pursuant to its mandate under Sections 1.4.6 and 1.8 of the WESM Rules, the CC assumes the responsibility of supervising the conduct of enforcement and compliance proceedings. This includes the review of the compliance-related results and the investigation reports of the Enforcement and Compliance Department (ECD) for alleged breaches of the WESM Rules by WESM Participants, the Market Operator (MO), and the System Operator (SO), which functions were formerly handled by the Market Surveillance Committee (MSC).

Through the assistance of the ECD, the CC was able to advocate for key proposals relating to WCO Certification in line with the Committee's goal of fostering a culture of compliance and achieving the objectives of the Philippine Electricity Market Corporation (PEMC) as the Governance Arm. Aside from the regular monitoring requirements, the CC envisions the proactive involvement of trading participants in ECD-related activities such as trainings through the WCO Certification Program, which will promote continuous quality enhancement in the performance of compliance-related functions.

2.0 CC RESPONSIBILITIES AND MEMBERSHIP

2.1 Responsibilities

The Compliance Committee shall, from time to time, as necessary and as appropriate, or whenever the Governance Arm, through the PEM Board, directs the:

- (a) Review of reports from the investigations of breaches of the WESM Rules and Market Manuals carried out by the ECD and, based on the results of such investigations, decide on the outcomes of the investigations and recommend the imposition of applicable sanctions or penalties if warranted;
- (b) Review and monitoring of compliance of the ECD with the reportorial requirements pursuant to the WESM Rules, Market Manuals, and other applicable laws, rules, regulations, or issuances;
- (c) Review and monitoring of compliance of the Market Operator and the System Operator with their obligations pursuant to the WESM Rules and Market Manuals or any coordination or operating agreements, or protocols, which may be established that governs the performance of their functions and obligations under the WESM Rules and Market Manuals.
- (d) Proposal of possible amendments to the WESM Rules or Market Manuals in accordance with Chapter 8 with a view of:
 - (i) Improving the efficiency and effectiveness of the operator of the WESM; and
 - (ii) Improving or enhancing the prospects for the achievement of the WESM objectives

- (e) Assist the Rules Change Committee in its assessment of proposals to amend the WESM Rules or Market Manuals under Chapter 8.

2.2 Membership

Pursuant to Section 10.1 of the WESM Manual on Guidelines Governing the Constitution of the PEM Board Committees Issue 4.0, the CC shall consist of at least three (3) members, all of whom shall be independent, with at least one member being a lawyer. In accordance with this provision, the CC is composed of the following:

Composition	PEM Board-Appointed Member/Representative	Date of Appointment
Three (3) Independent Members; at least one (1) lawyer	Dr. Peter Lee U	2 nd term <ul style="list-style-type: none"> November 2021 to present – Chairperson
	Atty. Alejandro C. Dueñas II	2 nd term <ul style="list-style-type: none"> November 2021 to present – Member
	Atty. Doroteo B. Aguila	1 st term <ul style="list-style-type: none"> November 2024 to present – Member

3.0 CC ACCOMPLISHMENTS FOR 2024

3.1 Review of the Investigation Reports

The CC is authorized to review reports of investigations of breaches of the WESM Rules and Market Manuals under Section 4.2.1 of the Enforcement and Compliance Manual. It also recommends to the PEM Board the appropriate sanctions and penalties based on the findings of the ECD.

The CC is responsible for reviewing the investigation results and reports provided by the ECD and recommending the appropriate sanctions and penalties to the PEM Board based on the ECD's investigative findings. Additionally, the CC is informed of the Resolution on Requests for Reconsideration as part of its oversight role.

The details of the reviewed Investigation Reports (IRs) and Case Review Reports (CRRs) for the year 2024 are as follows:

Description	No. of IRs	No. of Cases
Number of Completed IRs endorsed to the CC for Deliberation	1	13
Number of Completed CRRs endorsed to the CC for Deliberation	2	4
Number of endorsed Resolutions for PEM Board's reconsideration	2	4
Total number of IRs/CRRs with Penalties imposed	2	4

It is important to note that investigations can be initiated by the ECO either through a Request for Investigation (RFI) or on its own initiative (*motu proprio*). In 2024, no WESM Member, Market Operator (MO), or System Operator (SO) submitted an RFI to the ECO. However, the ECO independently initiated 13 cases, which were subsequently endorsed to the CC after the ECO's investigation was concluded.

In summary, the CC deliberated on three (3) ECD IRs and CRRs, comprising 17 cases during their regular monthly meetings (January-December 2024). Two (2) of these completed and closed reports were resolved, endorsed, and presented to the PEM Board during the latter's regular board meetings. The said cases were approved by the PEM Board pursuant to Clause 7.2.5.2 of the WESM Rules.

Furthermore, the CC received five (5) appeal memorandum on ECD's resolution on requests for reconsideration in the year 2024.

3.2 Compliance Monitoring Activities

Beginning January 2022, with the effectivity of the WESM Penalty Manual 1.0 on 23 October 2021, the ECD has been authorized under Clause 7.2.5.2 (a) of the WESM Rules to impose sanctions and penalties upon any subject WESM Member based on the results of the Compliance Monitoring and Assessment (CMA) activity.

The said activity of the ECD of regularly monitoring the compliance of the generator-trading participants with the Offered Capacity Compliance (OCC), Dispatch Conformance Standards (DCS), Forecast Accuracy Standards (FAS), and Look Ahead Submission Monitoring (LAS).

Following the resumption of the Reserve Market on 05 August 2024, the Reserve Offer Capacity Compliance (ROCC) and Reserve Conformance Standards (RCS) were also incorporated into ECS's monitoring activities and oversight function of the Committee.

In accordance with Section 4.15 of the Penalty Manual and Section 10.3.1 of the Enforcement and Compliance Manual, the ECD is mandated to provide a monthly summary report to the CC, detailing the results of the compliance monitoring activities it conducts.

3.2.1 Offered Capacity Compliance (OCC) and Dispatch Conformance Standards (DCS) Monitoring Activities

The CC conducts monthly reviews of the Compliance Monitoring and Assessment Reports (CMAR) submitted by the ECD. The CMAR is the result of the CMA performed by the ECD daily. In accordance with Section 10.3.1 of the Enforcement and Compliance Manual, the ECD shall submit the results of the CMA to the CC monthly.

In 2024, the CC completed its review of CMARs, which included the corresponding penalties and sanctions for the billing periods from December 2023 to November 2024 for the OCC and November 2023 to October 2024 for the DCS.

Some notable events raised and discussed by the CC with ECD during its review are as follows:

- Seeking expert opinion from appropriate PEMC specialists regarding the CC's role in monitoring the compliance of the National Grid Corporation of the Philippines (NGCP) or the SO as a WESM member, and the ongoing study of the Market Service Provider (MSP).
- Suggestions for improving the presentation of data on the Consolidated CMAR (CONCMAR) to enhance clarity and appreciation of the reports.
- The possibility of penalties for WESM Compliance or Enforcement Officers (WCOs or WEOs) for failing to coordinate with the ECD when it comes to compliance.
- Analyzing the impact of hydroelectric power plant unavailability on the country's power supply during the El Niño season.

- Assessing the influence of Power Supply Agreements (PSAs) on the OCC obligations of Trading Participants (TPs).
- Securing updates on special reports on the nationwide 16-25 April 2024 Red and Yellow Grid Alerts and the role of the ECD in investigating the TPs and the SO in connection with the 02-05 January 2024 Panay blackout.
- Addressing instances where the TPs were found in breach due to their failure to submit the required explanations/justifications and supporting documents corresponding to their non-compliance flagging.
- Addressing issues of nonresponsive TPs despite multiple notices or letters regarding remedial measures.
- The urgency of implementing timely penalty collections, especially given the rising number of penalties imposed on the TPs. It was emphasized that addressing this issue promptly is crucial to prevent the TPs from perceiving penalties as insignificant.

The comments and inputs of the CC were noted by the ECD and incorporated in its OCC and DCS monitoring as part of the process's continuing improvement.

3.2.2 Forecast Accuracy Standards (FAS) Activities

As part of the oversight function of the CC on the compliance monitoring activities and in accordance with Sections 4.4.1 and 4.4.2 of the FAS Manual 2.1, the ECD also submitted and presented to the Committee the consolidated monthly and annual FAS reports containing the status of compliances of must dispatch generating units (MDGUs) with the FAS.

For the year 2024, the CC completed its review of Forecast Accuracy Standard Results (FASR) covering the billing months of October 2023 to September 2024.

Below are the subjects or areas of concerns that were raised and evaluated by the Committee during the regular meetings:

- The CC noted a significant improvement in the FAS compliance status updates reported by the ECD regarding the Mean Absolute Percentage Error (MAPE) and the Percentile95 (PERC95) results of 2024, compared to previous years. However, the CC also observed that one (1) solar facility, which had been registered in the WESM since 2016, continued to show poor performance. The CC instructed the ECD to send a letter to the said Generator to bring this matter to their attention and address its continuing non-compliance.

- To remind the MDGUs that any occurrence of a breach will result in corresponding penalties and sanctions, particularly for plants with recurring breaches from previous years.
- The comments and inputs of the CC were noted and addressed by the ECD. This also helped the ECD improve its monitoring process.

3.2.3 Look Ahead Submissions (LAS) Monitoring

As requested by the Department of Energy (DOE), the ECD conducted close monitoring of the day-ahead submissions by generators and TPs in accordance with Clause 3.5.11 of the WESM Rules and Section 4.4 of the Dispatch Protocol.

For the year 2024, the CC completed its review of Look Ahead Submission Monitoring Reports which covered the billing months of December 2023 – October 2024.

Below are the subjects or areas of concerns that were raised and evaluated by the Committee during the regular meetings:

- Clarifications on the flagging based on the discrepancy between real time dispatch (RTD) Offers and day-ahead projection (DAP) Offers.
- Comments and suggestions on the ECD's proposed LAS parameter updates.
- Clarification on the imposition of penalty and sanctions for LAS.
- Study the impact, if any, of both over-projection and under-projection of available capacities and the gravity of implications.
- Noted the advantages and disadvantages of both positive and negative discrepancies. Positive discrepancies indicate that the actual supply is higher than what was projected, showing adequate supply, whereas negative discrepancies suggest a potential supply shortage.

The comments and inputs of the CC were noted and addressed by the ECD. This also helped the ECD improve its monitoring process.

3.2.4 Reserve Offered Capacity Compliance (ROCC) Monitoring

On the resumption of the Reserve Market Commercial Operations on 05 August 2024, the ECD successfully implemented the robust monitoring of the Reserve Offer Capacity Compliance (ROCC). This CMA activity ensured that all certified and registered Ancillary Services Providers (ASPs) participating in the Reserve Market adhere to the submission of

reserve offers requirement/guidelines established in the Ancillary Services Monitoring (ASM) Manual.

- The CC noted a diverse participation among ASPs across all regions, with Luzon leading in certification for different reserve types:
 - Contingency Reserves (CR)
 - Regulating Reserves (RR), and
 - Dispatchable Reserves (DR)
- The Committee observed that ASPs, while certified for multiple reserve types, are currently limited to submitting offers for only one (1) type of reserve, pursuant to the Supplemental Operating Guidelines (SOG) from the DOE when it declared the resumption of the Reserve Market's commercial operations.
- During the first 20 days of the Reserve Market's commercial operations (5-25 August 2024 or the August billing period), the ECD reported to the CC a total of 505,004 intervals flagged for possible non-compliance with the ROCC, with 31.03% identified as breaches. By the September billing period, the flagged intervals increased to 613,929, yet the percentage of breaches decreased to 19.2%. This positive trend suggested an improvement in the compliance efforts of the ASPs.
- The Committee found that in August, 68.97% of flagged intervals were justified, primarily due to outages and operational constraints. By September 2024, the explanations provided for flagged intervals showed improvement, with 80.8% deemed valid. Similar to August 2024, major reasons included outages and resource constraints. Inadequate explanations and lack of proper documentation contributed to the breach findings.

3.2.5 Reserve Conformance Standards (RCS) Monitoring

The results of ECD's compliance monitoring of the RCS – which are essential criteria/metrics designed to ensure that the ASPs meet specific performance and reliability standards when providing ancillary services, depending on mode of operation – were presented to the CC.

Below are the subjects or areas of concerns that were raised and evaluated by the Committee during the regular meetings:

- In August 2024 billing period, a total of 505,857 frequency-driven events (FDEs) were recorded, encompassing both small and large frequency deviations. In September 2024, the billing period, the number of observed FDEs increased to 545,000. These

events serve as critical triggers for ancillary service responses, including Governor Control Mode (GCM), Automatic Generation Control (AGC), and SO instructions.

- The distribution of FDEs in August revealed that RR addressed 48% of the events, while the CR and the DR each accounted for approximately 27% each. In September, the distribution shifted slightly, with the RR accounting for 40.04% of the total identified FDEs, followed by the DR at 37.65%, and the CR addressing 22.31%. This underscored the vital role of Reserves in managing/arresting frequency deviation.
- In August and September 2024 billing periods, a total of 83,727 and 107,553 intervals were flagged for possible non-compliance with the RCS, respectively. Following the initial assessment and subsequent reassessment, the final justified findings were 52,700 for August and 64,517 for September.
- In August 2024, justified intervals were primarily attributed to Data Validation, Compliant – RCS (DR), and Technical Constraints; in September 2024, justified intervals were mainly due to Technical Constraints, Compliant – RCS (DR), and SO Re-Dispatch Instruction, with a significant reduction in Data Validation issues. ECD's data validation involved re-validating flagging parameters to ensure accurate compliance monitoring. It included re-running the flagging tool to the nearest hundredths, confirming that minor deviations in system frequency should not trigger unnecessary flagging for possible non-compliance. This process aimed to enhance the accuracy of assessments and reduce erroneous flagging.
- The CC emphasized the importance of proactive coordination between the ASPs and the SO in the provision of ancillary services, as well as with the ECD in addressing flagged possible non-compliance with the RCS. Additionally, the CC recommended that the ECD continually provide compliance training and information campaigns to support the ASPs in meeting the RCS.

3.3 WCO Certification and Registration Activities

The WCO Certification and Registration Manual was issued by the DOE through Department Circular DC2021-12-0041. This program aims to establish competency standards for all WESM Compliance Officers (WCOs) to foster continuous quality improvement in their compliance-related duties.

Pursuant to Section 2.1.3 of the WCO Certification and Registration Manual, the WESM Governance Arm shall establish the competency standard and registration, subject to the review of the Compliance Committee.

For the year 2024, the CC reviewed and approved the following Annual WCO Certification Program submitted by the two (2) Training Service Providers (TSPs) – the Philippine Electricity Market Corporation (PEMC) and Independent Electricity Market Operator of the Philippines (IEMOP):

- Two (2) versions of the certification program for the 2023-2024 curriculum from the IEMOP-TSP
- Five (5) versions for 2024-2025 curriculum of the certification program from the PEMC-TSP.

Additionally, the CC approved one (1) version each for the 2023-2024 and 2024-2025 curricula of the certification program from the IEMOP-TSP for the 1st compliance period.

The course offering approved by the Compliance Committee are as follows:

Training Service Provider	Course Offering
PEMC	Reserve Market Compliance
	Dispute Resolution Administration
	Electricity Market Exchanges (EMX) 2024
	Metering Service Provider (MSP) Performance Obligations and Monitoring
	WCO Certification Fundamentals
	WESM Governance Fundamentals
	WESM Governance Committee Processes
	Orientation on Market Compliances
	Compliance Post-Evaluation Monitoring Systems (CPEMS) Hands-On
	Market Monitoring Indices and Reports
	Compliance Obligations in the WESM
	WESM Penalty Mechanism
	Forecast Accuracy Standards Compliance
	Compliance Rating
	IEMOP
Retail Market Training	
Advanced WESM Training on Pricing and Settlement	
Advanced WESM Training on Trading Operations	
WESM 101, System Demo, and BIR Ruling Implementation	

3.4 Participation in the WCO Summit and WCO Conferment and Annual Compliance Awards (WCACA) 2024

In line with its commitment to promoting the culture of compliance and setting the gold standard, the CC attended and actively participated in the WCO Summit 2024 and WCACA, held together in a single event on 24 October 2024 at the Bai Hotel Cebu City.

During the event, the CC delivered a toast as well as the program's closing remarks, emphasizing everyone's significant contributions towards enforcement and compliance activities over the past months. The remarks also underscored the CC's role in strengthening the culture of compliance among all WESM Members.

During the Summit, the CC conferred 137 Certified WCOs who had successfully completed the required 36 units of the WCO Certification Program.

The CC also presented the awards to the Top Performing Must Dispatch Generating Units (MDGUs), Metering Service Providers (MSPs) and the Annual Compliance Awards to Top-Performing Generators.

3.5 Attendance to PEMC Membership Meetings and Other Market Participants' Events

The CC attended and actively participated in the following events organized by PEMC and other stakeholders:

1. PEMC Annual General Membership Meeting (AGMM) 2024 on 19 June 2024.
2. Market Participants Townhall and Electricity Market Exchanges (EMX) held on 04 September 2024
3. WCO Certification and Annual Compliance Awards and WCO Summit 2024 on 24 October 2024.

4.0 ON-GOING ACTIVITIES AND STUDIES

In addition to the regular monitoring and review responsibilities of the CC, the other on-going activities and studies of the CC include the following:

1. Study on the governance of the Metering Service Providers (MSPs)
2. Study on the Battery Energy Storage Systems (BESS), including plants with Hybrid Systems

5.0 2024 CC WORK PLAN

Annex A provides details of the program of activities of the Committee for 2025 consistent with PEMC's Corporate Strategic Plan for 2022-2025, approved by the PEM Board on 25 January 2023.


19 March 2025, Pasig City.

Submitted by:

COMPLIANCE COMMITTEE


PETER LEE U
Chairperson


ALEJANDRE C. DUENAS II
Member


DOROTEO B. AGUILA
Member












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Final Audit Report

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