Market Surveillance Committee 2025 Annual Report

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Philippine Electricity Market Corporation –
Market Assessment Group for the
Market Surveillance Committee

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EXECUTIVE SUMMARY

The Market Surveillance Committee (MSC) 2025 Annual Report outlines the accomplishments of the Committee and the activities it undertook for the period of January to December 2025. Annex A of the Report provides for the MSC's planned activities for the year 2026.

Pursuant to its mandate under Section 1.6.2 of the WESM Rules and Section 3.1 of the Market Surveillance Manual (MSM), the MSC carried out its functions and responsibilities throughout the year. Accordingly, the MSC, with the PEMC – Market Assessment Group (MAG) as its primary support unit, accomplished monitoring and analysis of trading participants' activities and market outcomes during the year. To perform these functions, the MSC conducted a total of twelve (12) meetings, nine (9) of which were conducted via online platforms as agreed by the Committee, while the remaining three (3) meetings were held physically at the PEMC office. The MSC likewise communicated through email and other online platforms to deliberate on various market issues and topics.

In summary, the MSC accomplished the following activities through the assistance of MAG:

Activities	
Discussion of periodic market reports and unusual Market Outcomes	○ Market Assessment Reports (monthly, quarterly, and annual) ○ Over-riding Constraints Reports (monthly, quarterly, and annual) ○ Retail Market Assessment Reports (monthly, quarterly and annual) ○ Review Reports on Market Intervention and Suspension Events ○ Notable Market Outcome Reports (upon occurrence)
Monitor activities conducted by WESM Participants through submission of special / ad hoc reports and market studies	○ Assessment of the Distribution Utilities (DUs) Participation in the WESM ○ Initial Presentation for Generator Portfolio Analysis (2021 to 2024) ○ Generator Outage Study ○ Reserve Market Assessment ○ Proposed Study on the Behavior of Ramp Rate Submission of Trading Participants ○ UNOPS-ETP and PEMC Project: Enhancing the Spot Market to Attract Investments to Renewables ○ Assessment on the Visayas Dispatchable Reserve Market Outcomes and Participants' Behavior
Review of Market Catalogues and Indices	○ Thresholds for the Monitoring of Market Trigger and Interesting Pricing Events ○ Catalogue of Market Monitoring Data and Indices (CMMDI) ○ Catalogue of Retail Market Monitoring Data and Indices (CRMMDI)
Review / Submit proposed amendments to the WESM Rules / Manuals	○ Review and submit comments / inputs to the Call for Comments on the proposed amendments and other issuances / drafts. ○ Proposed General Amendments to the WESM Manual on Ancillary Services Monitoring on Matters regarding the Reserve

Activities	
	Conformance Standards and Related Enforcement Actions ○ Proposed Amendments to the WESM Rules and Market Manuals on the Procedures for Rules Changes to the WESM Penalty Manual and Enhancement of Market Surveillance Committee Processes ○ Proposed Amendment on Price Determination Methodology (PDM) and Billing and Settlement Manual (BSM) regarding Administered Price and Additional Compensation ○ Discussion on the DOE Decision on the Proposed Amendments to the WESM Penalty Manual
Coordination meetings with other Agencies & Entities	○ Meeting with the DOE re 2025 Power Situation and Outlook ○ Meeting with MO and SO for the Market Intervention Events ○ Meeting with MO • Overview of the Reserve Market ○ Meeting with SO • NGCP's response to the Inquiry on the UPS Maintenance and Procurement Process • Clarifications of the MSC on MRU, Extended PCATC, and Variances on RTD and Actual Generation ○ Meeting with WESM Governance Committee • Coordination with the WESM Technical Committee (TC) Regarding the DOE Directive on the Conduct of Technical Study on Testing and Commissioning • Meeting with the Technical Committee on the result of its Study on the Islanding Situation in the WESM Leading to Market Intervention and Suspension
Other Activities	○ Discussion on the Request for Information to ERC for the Market Participant Portfolio ○ Discussion on the Corporate Strategic Plan Review for 2025 ○ Discussion on the Activities related to the Development of Enhanced Monitoring Tool ○ Review of 2024 MSC Annual Report and the Proposed MSC 2025 Work Plan ○ Attendance and Participation in the 2025 Market Participants' Townhall (MPT) and Electricity Market Exchanges (EMX) ○ Discussion on Various Department Circulars, Issuances, and Energy Regulatory Commission (ERC) Resolutions

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1.0 2025 ACCOMPLISHMENTS

1.1 ACTIVITIES ON MARKET MONITORING AND ASSESSMENT

1.1.1 Assessment of Market Outcomes in the Wholesale Electricity Spot Market

1.1.1.1 Market Assessment Reports

Market Assessment Reports (MARs) are prepared pursuant to the Committee's mandate of monitoring and assessing the efficiency and competitiveness of the WESM under different timescales and market conditions. The MARs provide an assessment of market behavior and analyze market monitoring indices, which are based on monitoring data regularly collected and validated primarily from the Market Operator (MO) and the System Operator (SO).

In accordance with Section 3.1 of the Market Surveillance Manual, the MSC submitted the following MARs:

a) Twelve (12) Monthly Monitoring Reports, comprised of the MSC's Monthly Accomplishment Report and the Monthly Market Statistics[1], covering the billing months from October 2024 to October 2025;
b) Four (4) Quarterly Reports covering the fourth quarter of 2024 to third quarter of 2025; and
c) One (1) Annual Market Assessment Report covering the period from 26 December 2023 to 25 December 2024.

Highlights of the monthly report were regularly submitted by the MSC to the PEM Board. These were likewise regularly furnished to the Department of Energy (DOE) and the Energy Regulatory Commission (ERC), for information and reference, and are published on the PEMC website[2].

1.1.1.2 Over-riding Constraints Reports

In accordance with Section 5.5 of the Market Surveillance Manual, the MSC monitored the over-riding constraints imposed by the National Grid Corporation of the Philippines – SO (NGCP-SO) on generators[3].

For the covered period, the MSC deliberated upon Monitoring Reports on Over-riding Constraints covering the billing period from 26 December 2024 to 25 June 2025.

[1] Also known as the Monthly Market Assessment Report
[2] https://www.wesm.ph/market-outcomes/market-assessment-reports
[3] The monitoring of the over-riding constraints on generators is done on a per generator trading node per trading interval. A constraint imposed on a generator trading node on a particular trading interval is considered as one (1) over-riding event. The monitoring of the over-riding constraints is based on the data and information provided by MO (i.e., real time market results and MMS-input files on security limits) and SO (i.e., SO Data for Market Monitoring).

In summary, the majority of the over-riding events imposed were categorized as non-security limit events. Most of the observed impositions for the year were due to the commissioning tests of new plants. In accordance with Section 3.1 of the Market Surveillance Manual, the MSC submitted the following Over-riding Constraints Statistics (OCS):

a) Nine (9) monthly monitoring of over-riding constraints, covering the billing months from October 2024 to June 2025;
b) Three (3) Quarterly Reports covering the fourth quarter of 2024 to second quarter of 2025; and
c) One (1) Annual Over-riding Constraints Report covering the 2024 billing periods.

Similar with the MMS, OCS are regularly submitted to the PEM Board, DOE, and the ERC, for information and reference, and are published accordingly on the PEMC website[4]. The highlights of notable events covering the October 2024 to June 2025 billing periods were as follows:

- Majority of over-riding constraint (OC) events which were imposed to Luzon plants, most of which were non-security limits, attributed to either plants undergoing commissioning tests or complying with commercial and regulatory requirements.
- Examining the performance of the market in terms of the number of impositions implemented using the same period from last year, a significant increase in the impositions related to the conduct of commissioning tests were noted which were either related to the entry of new plants to the market or those with extended commissioning tests.
- Overall, renewable energy plants continue to accumulate the greatest number of impositions during the covered period.
- Multiple extensions to the Provisional Certificate of Approval to Connect (PCATC) were granted to various plants allowing them to proceed with commissioning tests more than the prescribed period under the DOE DC2021-06-0013[5].

1.1.1.2.1 Discussion on the Market Impact of Over-riding Constraints

The MSC reviewed the results of previous simulations assessing the market impact of OC impositions. Two conditions were tested: (1) removal of all OC-covered capacities, and (2) removal of all except those under testing and commissioning.

Condition 1 was found to lack sufficient basis, as most OCs involved testing and commissioning, particularly from RE plants, are expected to contribute positively to market supply. Even if RE plants were removed and treated as commercially operating, they would still be preferential plants occupying a place in the merit order of dispatch, thereby having no effect on market outcomes. Meanwhile, Condition 2 revealed minimal to no market impact, with most affected offers still clearing below prevailing market prices.

[4] https://www.wesm.ph/market-outcomes/over-riding-constraints-report
[5] Adopting a General Framework Governing the Test and Commissioning of Generation Facilities for Ensuring Readiness to Deliver Energy to the Grid or Distribution Network

The percentage statistics presented also support the minimal impact of OC on the total registered capacity in the market, showing a breakdown by plant types categorized as scheduled, non-scheduled, and must-dispatch.

Given these findings, the MSC proposed shifting from monthly to quarterly OC monitoring reports, with immediate reporting reserved for significant events or impacts.

1.1.1.3 Notable Market Outcome Reports

The MSC was regularly briefed on the summary of facts and observations regarding market triggers noted during the covered period. Monitoring market triggers is aligned with the mandate provided under Section 3.1.2 of the Catalogue of Market Triggers. The reports are being submitted to the DOE and ERC, for information and reference. Highlights of the reports are as follows:

Billing Period	# of Price Spikes		Total Day/s with Spikes	Hour/s with Most No. of Events
	Peak	Off Peak		
December 2024	41	17	11 out of 30	1800h
January 2025	38	1	4 out of 31	2200h
February 2025	*No reported price spikes*			
March 2025	95	28	9 out of 28	1900h
April 2025	49	32	8 out of 31	2100h
May 2025	33	1	2 out of 30	1900h
June 2025	34	18	4 out of 31	2100h
July 2025	41	4	7 out of 30	1900h
August 2025	165	28	16 out of 31	1900h
September 2025	26	1	9 out of 31	1900h
October 2025	187	41	23 out of 30	1900h
November 2025	155	19	13 out of 31	1800h

1.1.1.4 Review Reports on Market Intervention Events

In accordance with Sections 3.1 (d) and 5.3.1 of the MSM Issue 1.0, the MSC conducted a review on the occurrence of MI events as declared by either the SO, for grid-related events, or the MO, for market-related events, and subsequently prepared its Review Reports.

The recorded MI events were mainly due to the following reasons:

Type	Date	Intervals	Classification	Region/s Affected[6]	Reasons
Market system-	17 August 2024	1 interval (0815h)	Force Majeure	LVM	Failure to generate Real-Time Dispatch (RTD)

[6] L – Luzon, V – Visayas, M – Mindanao

Type	Date	Intervals	Classification	Region/s Affected[6]	Reasons
related intervention					solution caused by insufficient information on transmission equipment outages related to the isolation of Calbayog Substation.
	10 April 2025	8 intervals (1155h – 1230h)	Force Majeure	LVM	Failure to generate RTD schedule due to network connection problems
	11 June 2025	11 intervals (2310h – 2400h)	Force Majeure	LVM	Failure in Market Participant Interface (MPI) bid data transfers, resulting in incomplete transfer of offers and nominations which disrupted the RTD, Hour-Ahead Projection (HAP), and Base Application (BAPP) pre-processing that led to a core dump, subsequently preventing successful market run execution.
	14 June 2025	11 intervals (2310h – 2400h)	Force Majeure	LVM	
	16 September 2025	8 intervals (0725h – 0800h) 1 interval (0920h) 1 interval (0935h)	Business Continuity Plan (BCP)	LVM	Failure of the Market Management System or MMS to generate RTD results following the switchover of the MMS from the main site to the backup site.
	19 September 2025	4 intervals (0720h – 0735h) 3 intervals (1115h – 1125h)	BCP	LVM	Failure of the MMS to generate RTD results following the system switchover downtime from the main site to the backup site.
	01 October 2025	3 intervals (0300h – 0310h)	Force Majeure	LM	Failure to generate RTD results
	09 October 2025	1 interval (1700h) 2 intervals (1755h – 1800h)	Force Majeure	LVM	Failure to generate RTD schedules

Type	Date	Intervals	Classification	Region/s Affected[7]	Reasons
Grid Security-related intervention	13 November 2024	19 intervals (1535h-1705h)	Force Majeure	V	Unimplementable RTD schedule due to the down state of the Visayas Inter-Control Center Communications Protocol (ICCP) data source
	08 February 2025	14 intervals (1740h-1845h)	Force Majeure	V	Unimplementable RTD schedule caused by the down state of the Visayas-ICCP data source
	30 September - 01 October 2025	255 intervals (2205h – 1915h)	Emergency condition or threat to system security	V	Multiple tripping of transmission lines and generators
	10 October 2025	7 intervals (0945h – 1015h)	Emergency condition or threat to system security	M	Unimplementable RTD Schedule due to magnitude 7.6 earthquake that struck Davao Oriental area
		13 intervals (1450h – 1550h)		V	MLD implementation to prevent overloading of Cebu-Mandaue 138kV Line 2
	15 October 2025	13 intervals (1015h – 1115h)	Emergency condition or threat to system security	V	MLD implementation to prevent overloading of Compostela SS 100MVA TR2
		19 intervals (1330h – 1700h)	Emergency condition or threat to system security	V	MLD implementation to prevent overloading of Cebu - Mandaue 138kV L2

During the period covered, the MSC conducted a series of coordination meetings with both the MO and the SO to gather further information and address additional inquiries raised by the Committee. These efforts were undertaken to support the completion of its assessment of the Market Intervention events that occurred in abovementioned reports.

Following these discussions, the MSC requested additional information and documentation to serve as supporting references for its assessment.

1.1.1.5 Review Report on Market Suspension Events

[7] Ibid.

Similar with the Market Intervention events, the WESM Rules[8] and relevant Market Manuals[9] mandate the MSC to conduct and prepare a report on its assessment on the occurrence of Market Suspension (MS) events particularly on the following:

a) The adequacy of the relevant provisions of the WESM Rules relevant to the event and its proposed amendments, if any;
b) The appropriateness of actions taken by the System Operator and/or the Market Operator in relation to the event;
c) The impact and possible costs incurred by WESM Members as a consequence of the event; and
d) Any finding of potential fault of any WESM Participant including a preliminary recommendation for further evaluation by the PEM Audit Committee (PAC).

During the covered period, the MSC conducted an assessment of the events that transpired on the following dates:

Date	Classification	Intervals	Region/s Affected	Reasons
01-02 October 2025	Natural Calamity	316 intervals (0145h – 0405h)	Bohol Sub-Grid	Earthquake which caused multiple line tripping
		498 intervals (0145h – 1910h)	Leyte-Samar Sub-Grid	Earthquake which caused multiple line tripping

1.1.2 Assessment of the Retail Market

1.1.2.1 Retail Market Assessment Reports

Pursuant to the Catalogue of Retail Market Monitoring Data and Indices (CRMMDI) Section 3.1.2, the MSC monitored and assessed the performance of the Retail Market, as contained in the Retail Market Assessment Report. In accordance with Sections 3.1 (b), 4.3.8 (b), and 4.3.8 (c) of the MSM Manual, and Section 3.1 of the CRMMDI, the MSC submitted to the PEM Board the following:

- Ten (10) monthly Retail Market Assessment Reports (RMAR), covering the January to October 2024 billing period;
- Four (4) quarterly Retail Market Assessment Reports, covering the Fourth Quarter of 2023 to Third Quarter of 2024; and
- Annual Retail Market Assessment Report, covering the period 26 December 2022 to 25 December 2023.

The RMAR discusses the outcomes of monitoring indices and provides indications on how the retail market (both the Competitive Retail Electricity Market or CREM[10] and Green Energy

[8] WESM Rules Clause 6.10.2
[9] Market Surveillance Manual Issue 1.0 Section 5.4 and Dispatch Protocol Manual Issue 22.1 Section 16.10.2
[10] Retail Competition and Open Access or RCOA

Option Program or GEOP) performed during the period in review and how it faired in comparison with the performance of the previous periods. During the year, the MSC regularly submits to the PEM Board the highlights of its assessment of the Retail Market. The reports were also furnished to the DOE and ERC, for information and reference, and are published in the PEMC website[11].

1.2 COORDINATION WITH VARIOUS AGENCIES AND ENTITIES

1.2.1 Meeting with the Market Operator (MO)

1.2.2 Meeting with the System Operator (SO)

1.2.2.1 Meeting with the NGCP in relation to the Clarifications of the MSC

The MSC invited the representatives of the NGCP on 07 August 2025 for a discussion to gather further information and clarification on 1) imposition of OC for MRU, 2) extensions of PCATC for plants under commissioning, 3) deviations between RTD and actual generation, and 4) clarifications on the additional supporting documents related to 08 February 2025 MI event.

To address the issue of repeated PCATC extensions, the MSC proposed that NGCP conduct internal monitoring and assessment of plants prior to approving extension requests. This matter will also be raised with the DOE and ERC.

On the matter regarding observed RTD and actual generation discrepancies, the MSC discussed assessing the economic impact of such deviations and setting thresholds or criteria before coordinating with the involved generators.

1.2.3 Meeting with the Department of Energy

1.2.3.1 2025 Power Situation and Outlook

As requested by the MSC, the DOE representative presented the 2025 power outlook, highlighting committed power projects, associated transmission projects, and reserve profiles for Luzon, Visayas, and Mindanao.

The Committee was appraised of the details of the committed power projects for 2025, including 5,614 MW of capacity in Luzon, 952 MW in Visayas, and 232 MW in Mindanao, along with additional battery energy storage capacities for each region. The associated transmission projects were also highlighted, which were expected to be completed in 2025, such as the South Luzon and Visayas substation upgrading project, the Taguig 500 kV substation project, the Cebu – Lapu-Lapu 230kV transmission line project, and other critical projects supporting the new power capacities.

[11] https://www.wesm.ph/market-outcomes/retail-market-assessment-reports

Further, the reserve profiles for Luzon, Visayas, and Mindanao were presented, indicating that no yellow or red alerts are expected in 2025, even during peak demand periods, such as summer and the election period.

The MSC likewise raised its observations about the persistent low-voltage issues in Mindanao which are further exacerbated by the high demand in the Zamboanga area. The DOE assured the MSC of continuous coordination with NGCP to find solutions related to these issues, including interim measures.

Additionally, the MSC was informed that there was an influx of applications to the DOE and ongoing policy preparations to encourage development.

1.2.4 Meeting with WESM Governance Committee

1.2.4.1 Coordination with the WESM Technical Committee (TC) Regarding the DOE Directive on the Conduct of Technical Study on Testing and Commissioning

The MSC discussed the Technical Committee's position on the matter as relayed during the coordination meeting on 05 February 2025 and TC letter dated 10 February 2025.

After deliberation, the Committee wrote a letter to DOE acknowledging the directive and outlining steps undertaken by the MSC, including the results of its coordination with the Technical Committee and the recommendations, as previously submitted, and the policy provisions for monitoring of the implementation.

1.2.4.2 Coordination with the Technical Committee on the result of its Study on the Islanding Situation in the WESM Leading to Market Intervention and Suspension

In view of the MSC's previous request, the Technical Committee (TC) presented to the Committee the result of its study in relation to islanding in the WESM which led to initiation of the MI and Market Suspension (MS). The study likewise contained the TC's observations on the process flow of both the SO and MO.

The TC emphasized the need for clearer parameters in declaring MI and MS, noting that security breaches may not automatically warrant such actions. It was highlighted that only an unimplementable RTD, as determined by SO, should justify the declaration of MI. Furthermore, the MSC recommended exploring whether grounds apart from the unimplementable RTD that may also be considered valid triggers for MI.

Following the discussion, the MSC recognize the importance of reviewing the current procedures regarding MI attribution and the reasons for declaration of MI apart from unimplementable RTD.

1.3 PROPOSED AMENDMENTS TO THE WESM RULES AND OTHER MANUALS

1.3.1 Review and/or Submit Comments to Proposed Amendments to the WESM Rules and Market Manuals

1.3.1.1 Proposed General Amendments to the WESM Manual on Ancillary Services Monitoring on Matters regarding the Reserve Conformance Standards and Related Enforcement Actions

As a background, the MSC recalled its submitted comments to the proposed general amendments on the ancillary services monitoring manual (ASMM), especially on the reserve conformance standards and other related enforcement actions. However, the Rules Change Committee (RCC) informed the Committee about the second set of amendments which superseded the first proposal and invited the Committee to submit comments.

There were no major changes noted from the previous proposal and the technical parameters of the proposal, including response accuracy in governor control mode, were introduced based on SO's feedback during the consultation meetings with the RCC. During its review, the MSC deems it appropriate that their previous comments are still applicable and agreed to resubmit the same.

1.3.1.2 Review of the Proposed Amendment on Price Determination Methodology (PDM) and Billing and Settlement Manual (BSM) regarding Administered Price and Additional Compensation

In connection with the study concluded in 2024 by the Committee on the economic impact of Market Intervention and Suspension in the WESM, the MSC included as part of its activities for 2025, to introduce the following proposed amendments to the relevant provisions of the Rules and Market Manuals.

- Amendments to the methodology employed in determining the Administered Price to provide a clear explanation of how the administered prices were derived, including the historical data and intervals considered.

- Amendments to the Billing and Settlement, particularly on the criteria for generators to be eligible for filing of additional compensation.

In view of the initial proposed amendments to be introduced, the MSC deliberated the results of the initial simulations to evaluate how the Administered Price (AP) will be calculated based on the proposed methodologies tailored to account the number of affected trading intervals during MI. After the discussion, the Committee agreed to conduct further simulations and study the impact of the revised calculations.

1.3.1.3 Discussion on the Proposed Amendment on the Biling and Settlement Manual (BSM) regarding Bilateral Contract Quantity (BCQ) Redeclaration

The MSC was informed on the status of activities related to the Committee's activity to initiate proposed amendment on the BSM regarding BCQ redeclaration. It was highlighted in the discussion that the MO is also targeting to introduce revisions to the manual specifically on Sections 9.1.10 to 9.1.12, based on the previous discussion with the RCOA Technical Working Group (TWG).

The proposed amendment stems from a major issue affecting RE suppliers, specifically the inconsistency in data from Metering Service Providers (MSPs), which includes the following concerns:

- RE suppliers incur spot exposures due to mismatches between BCQ declarations based on Daily MQs and subsequent adjustments in the Monthly MQ, resulting in discrepancies and unintended spot market exposures
- Some RE suppliers rely on historical energy consumption data when daily MQ data is unavailable

To ensure compliance, the Committee agreed on the importance of clearly defining the timeline for notifying RE suppliers and for the redeclaration or rectification of any variances in their bilateral contract declarations.

1.3.2 Proposed Amendments to the WESM Penalty Manual

1.3.2.1 Discussion on the DOE Decision on the Proposed Amendments to the WESM Penalty Manual

In relation to the DOE Decision received on 14 April 2025, the Committee discussed the highlights of the disapproval of the DOE on the proposed amendments on the WESM Penalty Manual, which aims to:

- Transfer of responsibility to collect penalty from MO to PEMC
- Utilization of Penalty
- Change in Timeline for implementation of Enforcement actions
- Transfer of provisions / section on Request for Reconsideration and Appeal from Penalty to Enforcement and Compliance Manual
- Minor and clerical corrections

In view of the abovementioned Decision, the MSC attended the scheduled meeting between PEMC and MO with the DOE to discuss the concerns related to the decision and the related provisions of the Ancillary Service Manual (ASM).

1.3.2.2 MSC Proposed Amendments to WESM Rules and Market Manuals regarding the Penalty-related Rules Changes

In relation to the proposed amendments submitted of the MSC to the RCC, the Committee presented the summary of the proposal After the deliberation, the RCC approved the publication of the proposed amendment in the PEMC website on 25 June 2025 with deadline for the submission of comments until 05 Aug 2025. Highlights of the proposal are as follows:

- Clarification of MSC's procedure for review of Rules Changes to the Penalty-related Provisions
    - While the WESM Penalty Manual provides guidance on the process that each proposed amendment undergoes—from deliberation to the commenting of various entities required by the WESM Rules, including WESM Members—clear procedures to be followed by the proponent and even the MSC in the performance of its mandate are yet to be established.
- Enhancement of MSC processes
    - Given the evolving nature and needs of the WESM and the Retail Market, and the continuous learning that comes from the operations and experiences of the Committee, enhancements and clarifications to its procedures and its outputs are necessary

The MSC further deliberated the comments received from stakeholders, wherein a line-by-line discussion of the consolidated feedback was conducted to address the comments. Most of the comments primarily sought clarification on the MSC's mandate to oversee proposed amendments to the WESM Penalty Manual, a responsibility assigned to the Committee since 2006. Upon deliberation, the MSC the proposed responses were submitted to the RCC.

The Committee was informed that, during the 251st Regular RCC Meeting held on 17 October 2025, the RCC recommended that the MSC re-word the proposed changes to include a separate sub-section outlining the MSC's process under Chapter 8 of the WESM Rules. The revisions included the removal of certain provisions in the WESM Rules from the original proposal and the addition / revision provisions in response to the comments received from RCC.

After further deliberations, the MSC transmitted the revisions to the initially transmitted proposal for consideration of the RCC.

1.4 OTHER ACTIVITIES AND ACCOMPLISHMENTS

1.4.1 Market Studies

1.4.1.1 Assessment of the Distribution Utilities (DUs) Participation in the WESM

The MSC was apprised on the initial assessment of the DUs and Electric Cooperatives' (ECs) participation in the WESM. This study will identify limitations and provide recommendations for compliance, leading to a more stable and efficient performance of their mandates.

During the presentation, some of the identified issues were as follows:

- The implementation of RCOA in Mindanao, launched by the DOE on 26 March 2024, may result in stranded capacities in Power Supply Agreements (PSAs). Key recommendations to address this include reallocating contracts, establishing carve-out provisions, and coordinating with the ERC to ensure a smooth transition and mitigate financial impacts.

- High spot exposures among DUs and ECs were observed starting in 2024, with unsuccessful Competitive Selection Processes (CSPs) identified as a major factor. Recommendations include simplifying the CSP process, granting exemptions for Embedded Generation (EG), RE sources, implementing demand aggregation, and reviewing the Bilateral Contract Quantity declaration process.

- Compliance with the Renewable Portfolio Standards (RPS), which accounts for 2.52% of the total demand in 2024, is required. Recommendations include contracting with RE resources, encouraging net-metering and distributed energy resources, and utilizing the Renewable Energy Market (REM) for compliance certificates.

In terms of ensuring the distribution network efficiency and stability, recommendations include exploring Battery Energy Storage System (BESS) for regulation, utilizing Distributed Energy Resources (DERs) to improve voltage stability, and implementing net-metering solutions. It was noted that the DUs are allowed to own DERs up to 10 MW and suggested exploring the BESS. Also, it was recommended including the information dissemination in the study to inform potential participants.

In terms of ownership and profit allocation of Renewable Energy Certificates (REC), it was explained to the MSC that both DUs and generators can own RECs, potentially benefiting end-users. This raised concerns to the MSC regarding safeguards to prevent undue advantage on RECs, which is one target issue to be addressed in the study.

After deliberation, the MSC approved the content of the study and was later published on the PEMC website.

1.4.1.2 Initial Presentation for Generator Portfolio Analysis (2021 to 2024)

The MSC discussed the initial observations and issues encountered for the conduct of generator portfolio analysis covering the period of 2021 to 2024.

The analysis aims to update the portfolio mapping in the WESM by identifying the current ownership and affiliations of power plants, analyzing major generation portfolios to understand key market players and the influence of dominant portfolios, assessing the overall market

structure and competition, and providing recommendations, as necessary, to the DOE and ERC.

Several concerns were raised including the availability of updated company information to account for the latest details on the ownership and affiliations. Several suggestions were made to address the identified issues including requesting assistance of several agencies for the availability of the data needed such as ERC, the Market Participants themselves, and the MO.

1.4.1.3 Generator Outage Study

As part of its planned activities for 2025, the MSC reviewed the results of the Generator Outage Study, including key findings on generator reliability performance and the outcomes of the survival analysis.

For the Reliability Performance Indexes, the following were observed:

- Planned Outage Factor (POF)
  - Oil, Natural Gas, and Biofuel plants particularly middle-aged and new units generally performed better, registering fewer exceedances compared with other technologies.
  - Coal (middle-aged and new units) and Hydro (old and middle-aged units) plants recorded the least exceedances across several years.
  - In assessing exceedances, the study compared each unit's scheduled maintenance under the GOMP with its actual maintenance performance. Results indicate that exceedances were largely driven by unit-level maintenance duration overruns as well as by technology and age characteristics.

- Unplanned Outage Factor (UOF)
  - Oil and Biofuel plants performed better, recording minimal exceedances compared with other plant types.
  - Geothermal plants, especially old and middle-aged units in the Visayas region, performed the least, with exceedances attributed to maintenance and equipment-related issues.

The Kaplan-Meier Survival Curve Analysis resulted in the following observations:

- Across the five-year period, technologies varied in their operational survival performance, with some consistently operating longer after maintenance than others.
- Across the 2021-2025 period, Geothermal, Hydro, and Oil units consistently demonstrated stronger post-maintenance operational reliability, as reflected in their comparatively longer survival durations compared to other technologies.
- Coal, and Biofuel plants repeatedly showed earlier declines in survival curves, indicating shorter operational intervals before experiencing forced outages.

After the discussion, the Committee noted the Generator Outage Study as presented, subject to incorporation of the Committee's comments on determining possible impact and potential adjustments to corresponding penalties for plants exceeding the allowable outage for a year,

and additional analysis to evaluate generator behavior when outages are delayed in compliance with DOE Department Circular restricting planned outages during summer.

1.4.1.4 Reserve Market Assessment

As part of its activities for 2025, the MSC reviewed the results of the reserve market assessment from August 2024–October 2025. The highlights of it were as follows:

- Reserve adequacy is maintained across all regions from August 2024 to October 2025, as scheduled reserves are generally aligned with reserve requirements in all months and categories. Supply margins are observed to be sufficient, and no persistent shortfall in delivery is indicated.
- Battery storage leads regulation services in Luzon and Mindanao and supports regulation in the Visayas, underscoring its growing role in system balancing. Coal plants remain the main providers of contingency reserves across all regions. Oil-based generators supply most dispatchable reserves—especially in the Visayas and Mindanao—and also continue to contribute to regulation in the Visayas. Hydro resources participate across multiple products but their role is shrinking, particularly in Luzon and Mindanao, while natural gas units in Luzon add flexibility by supplying all reserve types.
- Reserve prices are observed to rise as reserve margins shrink and spot dependence increases, with a clear hierarchy in terms of price: Regulation> Contingency > Dispatchable.
    - Prices in Luzon remain at intermediate levels, with Dispatchable Reserve clearing at PHP 1,493/MWh under 36% BCQ and significant spot exposure, while Contingency Reserve settles at PHP 3,157/MWh with 55% BCQ. Regulation prices stay elevated at PHP 7,635/MWh despite 70% BCQ because regulation margins are thin, causing scarcity to persist even with higher contract coverage.
    - In the Visayas, prices are the highest across all products, as Dispatchable Reserve reaches PHP 5,011/MWh under just 5% BCQ and almost full spot reliance, Contingency Reserve hits PHP 8,320/MWh, and Regulation Reserve (RU/RD) spikes to PHP 22,016–22,689/MWh due to tight availability and only modest surplus over requirements.
    - In Mindanao, prices vary widely: Dispatchable Reserve is cheapest at PHP 114/MWh because of ample margin and 97% BCQ, Contingency Reserve is moderate at PHP 1,570/MWh with 83% BCQ, but Regulation Reserve remains high at PHP 16,309–16,424/MWh because absolute headroom is limited, showing that capability scarcity—rather than low contracting—continues to drive regulation prices.
- The decline in energy spot market prices is not explained solely by the commercial operation of the reserve market. While the reserve market may contribute to price moderation, its impact is interrelated with broader market conditions.

After deliberation, the MSC approved the Reserve Market Assessment covering the August 2024 to October 2025.

1.4.1.5 Discussion on the Proposed Study on the Behavior of Ramp Rate Submission of Trading Participants

The MSC discussed the proposed study on the behavior of ramp rate submissions, which revealed that many generating units submit ramp rates lower than their registered capabilities.

As discussed, the Committee has taken note that the study may also contribute to identifying potential anti-competitive behavior (ACB) and should incorporate strengthened regulatory monitoring, compliance criteria, and audit mechanisms. The importance of a forward-looking approach was likewise highlighted, encouraging the MO to assess ramp rates across the entire one hour instead of focusing solely on 5-minute trading intervals.

1.4.1.6 Discussion on the UNOPS-ETP and PEMC Project: Enhancing the Spot Market to Attract Investments to Renewables

The MSC was informed on the results of the study conducted in collaboration with the United Nations Office for Project Services–Energy Transition Partnership (UNOPS-ETP). The study focused on reviewing WESM price mitigation measures and assessing the impact of increased renewable energy participation on spot market trends.

The consultant presented three modelled scenarios used for reviewing the current primary and secondary price caps in the WESM:

<table>
<tr><th>Assumption</th><th>Scenario 1
(Status Quo)</th><th>Scenario 2
(Proposed SPC Amendment)</th><th>Scenario 3
(Optimal MPC)</th></tr>
<tr><td>Primary price cap</td><td>Current price settings applied to the generator offers.

Price Cap: 32,000 PHP/MWh
Price Floor: -10,000 PHP/MWh</td><td>Current price settings applied to the generator offers.

Price Cap: 32,000 PHP/MWh
Price Floor: -10,000 PHP/MWh</td><td>Determine optimal MPC (up to a maximum of 64,000 PHP/MWh consistent with original design) to ensure adequate cost recovery.

Price Cap: Optimal
Price Floor: -10,000 PHP/MWh</td></tr>
<tr><td>Secondary price cap (SPC)</td><td>Retain price cap settings:
SPC: 6,245 PHP/MWh
CPT period: 3 days
CPT threshold: 9,000 PHP/MWh</td><td colspan="2">Adjusted price cap settings:
Base SPC: 9,852.6 PHP/MWh
CPT period: 7 days
CPT threshold: 13,657.38 PHP/MWh</td></tr>
<tr><td>Other: Supply and demand outlook, fuel costs, bids, capex, etc</td><td colspan="3">Held constant across scenarios. Gas/liquified natural gas fuel costs are based on WB futures up until 2026, and remain flat until 2030</td></tr>
</table>

The Committee has taken note the key findings, as presented during the dissemination event on 01 December 2025.

1.4.1.7 Assessment on the Visayas Dispatchable Reserve Market Outcomes

The MSC noted the result of the assessment on the Visayas Dispatchable Reserve (DR) market outcomes.

Upon deliberation, the MSC approved on the submission by the MAD of a discussion paper detailing the assessment results.

1.4.2 Review of Market Catalogues and Indices

1.4.2.1 Review on Updating of Thresholds for the Monitoring of Market Trigger and Interesting Pricing Events

As part of the regular activities of the MSC for the year, the MSC reviewed and discussed the results of the simulation conducted to establish a revised threshold for determining price triggers in the market in consideration of the recent updates in the system.

The result showed that the current methodology might not be applicable for the purpose of determining a more dynamic threshold. The Committee then agreed to introduce a revision to the methodology to consider the natural characteristics and dynamics of the market prices, as well as its interaction with the other variables. The result of the Committee's simulation to update the market trigger and interesting pricing event thresholds was presented to the ERC on 01 July 2025.

In view of the discussion of the thresholds with the ERC, the MSC, with the assistance of MAD, reviewed the results of additional simulations for updating the market trigger thresholds. Simulations were conducted using both the current threshold and the proposed threshold, with results indicating a comparable number of observed price spikes under both scenarios.

Upon deliberation, the Committee approved the proposed next step to continue monitoring price spikes using the proposed thresholds for about three months.

1.4.2.2 Review of Catalogue of Market Monitoring Data and Indices

The MSC conducted an initial review on the Catalogue of Market Monitoring Data and Indices (CMMDI) which was mainly for the possible improvement of indices used in the current reports reviewed and approved by the Committee.

Upon series of deliberations, the Committee agreed with the inclusion of some metrics in the latest CMMDI to evaluate the combined market share of the top four or eight largest market participants in order to assess the concentration of the market. Also, the MSC recommended changes to the current indices such as aggregating the pivotal supplier per market participant group for the system pivotal suppliers. Further changes to the said catalogue,

along with the matrix of indices that will be incorporated, will form part of the 2026 Work Plan.

1.4.2.3 Discussion on the Proposed Amendment regarding Catalogue of Retail Market Monitoring Data and Indices (CRMMDI)

As part of its activities for 2025, the MSC discussed the summary of the proposed amendments identified to the CRMMDI to reflect the following:

- Alignment with related provisions of the updated version/s of the Market Manuals
- Updated definition of terms to include the descriptions of the new programs such as GEOP and RAP, and to algin terminologies across the three retail market programs through the use of generalized terms
- Revision of the frequency of the review of the catalogue from periodic to annual to ensure consistency with other market manuals
- Inclusion of the term 'As Necessary' in the frequency of the review to provide flexibility for additional reviews when warranted by market conditions
- Introduction of the new metrics for supplier structure and retail activity—already utilized in published reports

During its deliberation, the MSC raised additional suggestions to incorporate a weighted component for retail rates and estimated savings, and to provide additional rationalization for the adoption of new indices to serve as clear guidelines on the analysis and assessment to be used by the Committee. Similar with CMMDI, further changes to the said catalogue, along with the matrix of indices that will be incorporated, will form part of the 2026 Work Plan.

1.4.3 Discussion on the Request for Information to ERC for the Market Participant Portfolio

In relation to the MSC's initiative to conduct analysis on the generator portfolio, the MSC requested the ERC through a formal letter seeking reconsideration of the Committee's previous request for Market Participant Portfolio data.

The letter emphasized the potential risks of data inaccuracy should PEMC undertake its own corporate mapping and the financial implications to PEMC in case it proceeds with the recommended referencing to the Securities and Exchanges Commission (SEC).

To address any possible confidentiality concerns, the MSC considered alternatives such as redacting sensitive information in the reports. It was also reiterated that only the ERC and DOE, as intended recipients, would have access to unredacted data.

1.4.4 Discussion on Various Department Circulars, Issuances, and Energy Regulatory Commission (ERC) Resolutions

The MSC regularly reviewed various proposed amendments, department circulars, and/or resolutions pertaining to Committee's mandates and responsibilities to ensure its compliance with the same. This activity involved the following issuances:

- *Call for Comments to the Proposed Amendments regarding Validation Process of Reported Discrepancies in the Dispatch Instruction Report*

  The MSC was apprised on the summarized proposal from the NGCP regarding the WESM Manual on Dispatch Protocol Issue 22.1, which aims to address the lack of a revalidation process for discrepancy claims submitted by the SO to the MO, by including a provision for revalidating these claims and granting the SO an additional seven (7) working days to complete the process.

  The MSC noted that the proposed amendment should include a timeline for the MO's procedure to review discrepancies reported by generators. Additionally, the Committee recommended a three-day review period before submission to the SO. Hence, the Secretariat will draft the comments of the MSC to be submitted to the RCC.

- **Framework for the Integration of Nuclear Energy in the Clean Energy Scenario (CES) under the Philippine Energy Plan (PEP) 2023 – 2050**

  No comments or clarifications were raised by the Committee.

- **Adopting a General Framework Governing the Establishment of a Capacity Market in the Philippines**

  No comments or clarifications were raised by the Committee.

- **Discussion on the Call for Comments for the Proposed General Amendments to various WESM Manuals on the option to use the Final Metered Quantity (MQ) data as the basis for the Final Bilateral Contract Quantity (BCQ) of a Fully Contracted Generation Company**

  The MSC noted the highlights of the proposed amendments and agreed to recommend that Jobin-SQM Inc.'s (JSI's) proposal be revised to allow customers to determine the capacity to be covered by Bilateral Contract Quantity (BCQ), particularly for GEOP transactions flagged as non-compliant with the DOE Department Circular due to spot exposures arising from discrepancies between daily and monthly Metered Quantity (MQ).

  Following the discussion, the MSC agreed to submit comments in relation to the proposal of JSI to the RCC, subject to finalization of the wording of the comments.

- **ERC Resolution on Lowering of Contestability Threshold in the Retail Market to 100kW**

  The MSC was informed of the recently approved ERC resolution for lowering the contestability threshold in the retail market to 100 kW. Changes in end-user participation across the retail market programs are anticipated once the new threshold takes effect on 26 June 2026. Further, these developments will be continuously monitored, and the Committee will be updated as new information becomes available.

  An initial analysis was presented based on the latest ERC Retail Market Report. The MSC has taken note on the possible changes in customer behavior under the new threshold, as well as its implications for CREM and GEOP participation. It was further clarified that the data on customers within the 100–499 kW range is not yet available, and that eligible GEOP customers may choose to participate in CREM, depending on their preference.

  After the discussion, the Committee noted the lowering of contestability threshold in retail market to 100kW.

1.4.5 Discussion on the Corporate Strategic Plan Review for 2025

The MSC discussed and submitted its comments to PEMC's corporate strategic plan. Further, the Committee has noted the alignment of the proposed MSC work plan with the following presented and discussed corporate objectives:

- Goal 1: Provide a Reliable and Transparent WESM and REM Through Effective and Efficient Governance
- Goal 2: Support Initiatives and Programs for the Energy Sector through Compliance with Policy and Regulatory Directives
- Goal 3: Achieve Organizational Excellence and Operational Efficiency

1.4.6 Discussion on the Activities related to the Development of Enhanced Monitoring Tool

The MSC was apprised of the updates on the development of the enhanced monitoring tool. They were likewise informed that the engagement with a third-party consultant for the development of the enhanced monitoring framework and parameters was completed, with the final report accepted in 2023.

Concerns regarding integration with the current market system were addressed with clarification that the enhanced monitoring framework developed are suitable for PEMC's needs and WESM design.

As agreed, the MSC will be updated from time to time on the developments of the enhanced monitoring tool.

1.4.7 Review of 2024 MSC Annual Report and the Proposed MSC 2025 Work Plan

In consideration of the 2025 Committee Work Plan, the MSC was apprised on the status of its 2024 activities highlighting completed activities, ongoing initiatives, and those to be carried over to 2025. The Committee's accomplishments for 2024, including the following:

- Submission of periodic market reports and unusual market outcomes;
- Monitoring activities conducted by WESM participants through submission of special / ad hoc reports and market studies;
- Review and submission of proposed amendments to the WESM Rules / Manuals;
- Conduct of coordination meetings with other Agencies and Entities.

The proposed MSC Work Plan for 2025 was discussed which includes the Committee's regular activities, market studies, and the proposed amendments to be authored by the Committee. Proposed changes to the target completion date of some activities slated for the year which require pre-requisite activities were highlighted for the Committee's consideration.

The approved MSC Work Plan for 2025 was submitted to the PEM Board for information along with the MSC Annual Report which are both published on the PEMC website.

1.4.8 Attendance and Participation to the 2025 Market Participants' Townhall (MPT) and Electricity Market Exchanges (EMX)

The MSC attended and participated in the recently concluded 2025 Market Participants' Townhall and Electricity Market Exchanges on 21 March 2025 at the Wack Wack Golf and Country Club.

2.0 MEMBERSHIP

The MSC is composed of the following experts in the fields of electrical engineering, information technology, law, and economics:

1) Engr. Arthur N. Escalante
2) Engr. Christian M. Orias
3) Dr. Justin Ranier S. Chan
4) Engr. Ferdinand P. Villareal
5) Atty. Jose Frederick F. Fernando (transferred to Compliance Committee effective 01 November 2025)
6) Atty. Doroteo B. Aguila (newly-appointed member effective 01 November 2025)

3.0 RESPONSIBILITIES

As set out in Section 1.6.2 of the WESM Rules, the responsibilities of the MSC are as follows:

1. Monitor activities conducted by WESM Participants in the spot market;
2. Prepare periodic reports, which outline:
    a) Activities of WESM Participants in the spot market;
    b) Apparent or suspected incidents of ACB by any WESM Participant; and
    c) Matters concerning the operation of the spot market.
3. Propose amendments to the WESM Rules as necessary to:
    a) Improve the efficiency and the effectiveness of the operation of the WESM; and
    b) Enhance the prospects for the achievement of the WESM objectives; and
4. Assist the RCC in relation to its assessment of proposals to amend the WESM Rules under Chapter 8.

In addition, the MSC is tasked under Section 3.1 of the Market Surveillance Manual to perform the following responsibilities:

1. Prepare and submit monthly monitoring reports, quarterly retail market monitoring reports, annual reports to the PEM Board, the DOE and the ERC;
2. Prepare and submit special market reports as may be directed by the PEM Board, DOE, or ERC;
3. Review an event of market intervention or market suspension, as defined under Chapter 6 of the WESM Rules, and prepare the corresponding Market Intervention or Market Suspension Report to be submitted to the PEM Board;
4. Propose amendments to the WESM Rules and other Market Manuals in accordance with Chapter 8;
5. Upon request, assist the RCC in reviewing proposed amendments to the WESM Rules and Market Manuals, and make recommendations on the expected impact and necessity of the amendment proposal; and
6. Annually review and propose changes, as appropriate, to the WESM Penalty Manual.

4.0 MSC WORK PLAN FOR 2026

Annex B provides for the details of the MSC's program of activities for 2026, consistent with the PEMC Corporate Strategic Plan.

SUBMITTED BY:

Approved by:

THE MARKET SURVEILLANCE COMMITTEE

[redacted]

ARTHUR N. ESCALANTE
Chairperson

[redacted]

CHRISTIAN M. ORIAS
Member

[redacted]

FERDINAND P. VILLAREAL
Member

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DOROTEO B. AGUILA
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JUSTIN RANIER S. CHAN
Member