

# **Market Surveillance Committee 2014 Annual Report**

March 2014

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## A. 2014 ACCOMPLISHMENTS

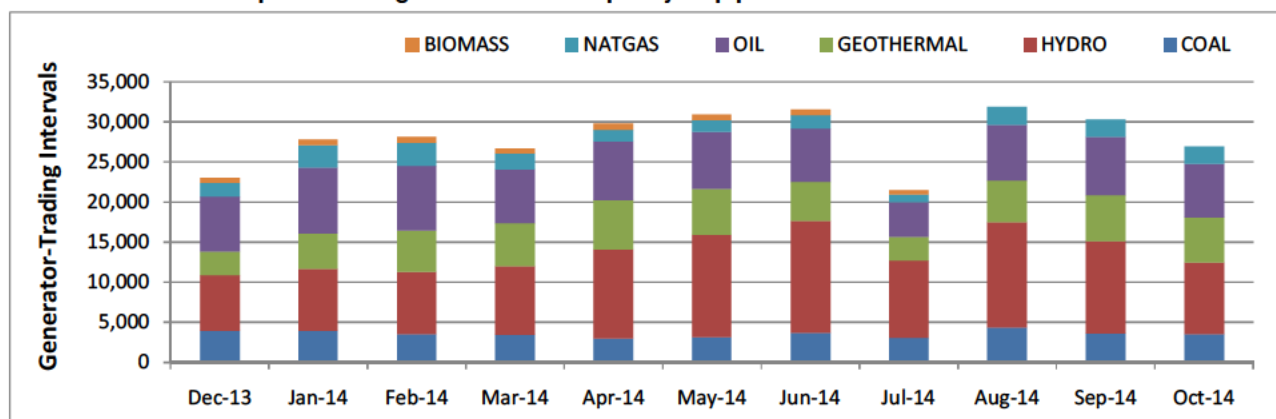
### 1. Monitoring, Reporting and Evaluation of Compliances by Trading Participants with the WESM Rules

As part of its continuing task to monitor compliance by WESM members with the WESM Rules, the Market Surveillance Committee (MSC) regularly reviews the Market Assessment Groups (MAG) Monthly Compliance Reports. The said reports contain the list of generator-trading participants in Luzon and Visayas, and the number of trading intervals with capacity gap and deviations from the real-time-dispatch (RTD) schedule/instruction.

For the period covered, the MSC reviewed and evaluated the said Reports during the MSC's monthly meeting called for the purpose. On the basis of this review, the MSC found possible non-compliances with the Must-Offer Rule (MOR) and Real-time Dispatch (RTD) covering the billing months from December 2013 to October 2014, and thereafter submitted 982 Requests for Investigation (RFIs) to the Philippine Electricity Market (PEM) Board.

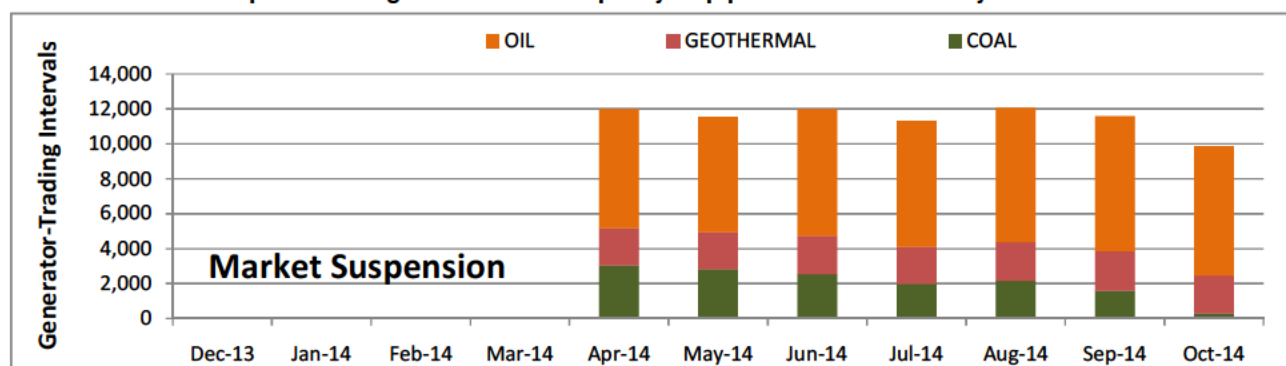
For the period 26 December 2013 to 25 October 2014, the MSC observed 308,543 total trading intervals with capacity gap per resource for Luzon, while 80,358 total trading intervals for Visayas. The breakdown of these trading intervals according to resource type per month for Luzon and Visayas are presented in the following graphs:

**Graph 1: Trading intervals with Capacity Gap per Resource for Luzon**



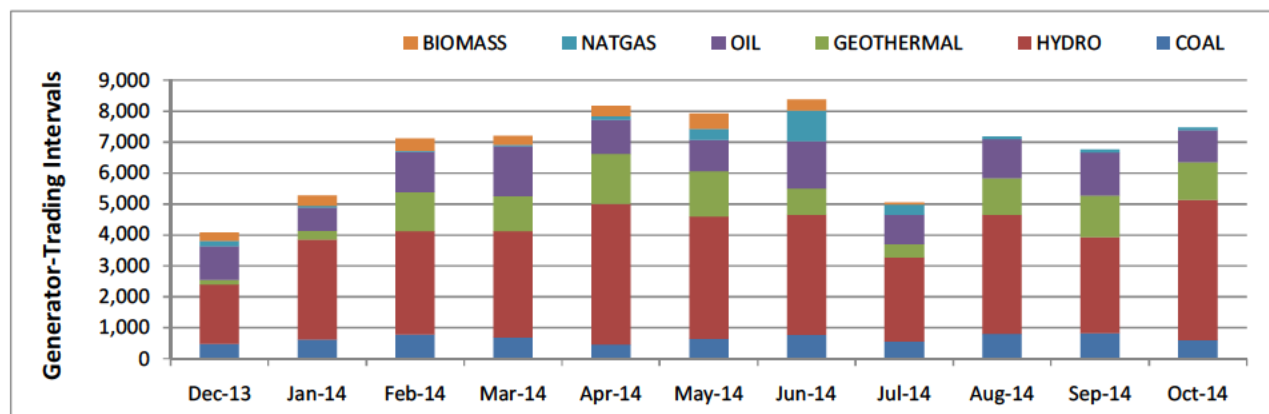
**Table 1: Summary of Trading intervals with Capacity Gap per Resource for Luzon**

Resources Type	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
COAL	4,027	3,920	3,519	3,665	3,587	3,603	2,996	2,640	3,346	3,288	3,207
HYDRO	6,957	7,711	7,748	8,568	11,086	12,784	13,977	9,692	13,173	11,472	8,876
GEOTHERMAL	3,022	4,447	5,184	5,323	6,178	5,716	4,799	2,917	5,172	5,812	5,646
OIL	6,703	8,170	8,112	6,486	6,736	6,638	7,415	4,767	7,935	7,552	7,056
NATGAS	1,705	2,817	2,861	2,016	1,444	1,438	1,679	961	2,247	2,141	2,164
BIOMASS	600	744	744	672	744	713	742	483	0	0	0
<b>TOTAL</b>	<b>23,014</b>	<b>27,809</b>	<b>28,168</b>	<b>26,730</b>	<b>29,775</b>	<b>30,892</b>	<b>31,608</b>	<b>21,460</b>	<b>31,873</b>	<b>30,265</b>	<b>26,949</b>

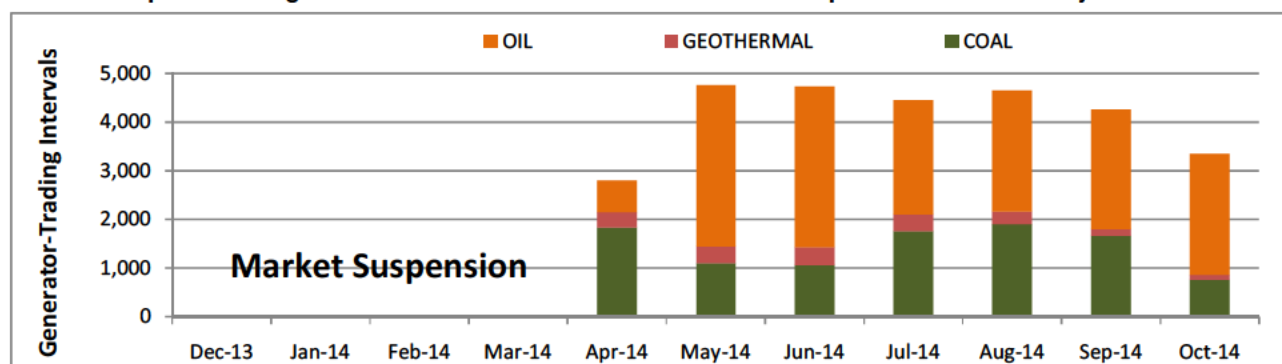
**Graph 2: Trading intervals with Capacity Gap per Resource for Visayas**

**Table 2: Summary Trading intervals with Capacity Gap per Resource for Visayas**

Resources Type	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
COAL	0	0	0	0	3,043	2,821	2,540	1,969	2,157	1,596	289
GEOTHERMAL	0	0	0	0	2,130	2,149	2,201	2,155	2,207	2,264	2,160
OIL	0	0	0	0	6,795	6,564	7,266	7,205	7,703	7,726	7,418
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,968</b>	<b>11,534</b>	<b>12,007</b>	<b>11,329</b>	<b>12,067</b>	<b>11,586</b>	<b>9,867</b>

For the period 26 December 2013 to 25 October 2014, the MSC observed 74,644 total resource - trading intervals with deviation exceeding the +/-3% dispatch tolerance limit for Luzon, while 28,985 for Visayas. The breakdown of these trading intervals according to resource type per month for Luzon and Visayas are presented in the following graphs:

**Graph 3: Trading intervals with Deviation on the RTD Schedule per Resource for Luzon**

**Table 3: Summary of Trading intervals with Deviation on the RTD Schedule for per Resource Luzon**

Resources Type	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
COAL	575	856	649	800	492	683	1,176	738	958	1,160	1,067
HYDRO	1,923	3,217	3,345	3,437	4,534	3,952	3,886	2,690	3,839	3,089	4,545
GEOTHERMAL	154	299	1,242	1,143	1,622	1,474	824	442	1,174	1,338	1,204
OIL	1,000	518	1,442	1,483	1,060	973	1,148	785	1,125	1,072	570
NATGAS	152	62	42	54	131	353	987	327	85	118	94
BIOMASS	282	324	397	280	341	496	354	62	0	0	0
<b>TOTAL</b>	<b>4,086</b>	<b>5,276</b>	<b>7,117</b>	<b>7,197</b>	<b>8,180</b>	<b>7,931</b>	<b>8,375</b>	<b>5,044</b>	<b>7,181</b>	<b>6,777</b>	<b>7,480</b>

**Graph 4: Trading intervals with Deviation on the RTD Schedule per Resource for Visayas**


**Table 4: Trading intervals with Deviation on the RTD Schedule per Resource for Visayas**

Resources Type	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
COAL	0	0	0	0	1,839	1,098	1,059	1,759	1,902	1,664	757
GEOHERMAL	0	0	0	0	314	341	374	340	261	140	110
OIL	0	0	0	0	650	3,315	3,301	2,347	2,486	2,447	2,481
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,803</b>	<b>4,754</b>	<b>4,734</b>	<b>4,446</b>	<b>4,649</b>	<b>4,251</b>	<b>3,348</b>

In the course of the MSC's monitoring of TPs' compliances with the WESM rules on the submission of offers and based on the MSC's review of previous investigation reports submitted by the ECO to the MSC involving possible non-compliances with the WESM rules particularly on the submission of offers, the MSC, on 25 June 2014, concurred to invite the cogeneration plants to further review and understand its operation and technical limitations.

On 18 July 2014, the MSC invited Petron Corporation representatives for the discussion of the technical constraints of Petron Power Plant in its submission of offers.

Also, on 14 October 2014, the MSC invited the Asia Pacific Energy Corporation (APEC) and Green Future Innovations Inc (GFII) representatives for a discussion of their plants technical constraints in its submission of offers.

The three cogeneration plants presented to the MSC an overview of its operations and its technical constraints as cogeneration plants in complying with the Must Offer Rule. During said presentation, Petron explained that the primary purpose of the plant is to supply high and medium pressure steam and power to the Petron Bataan Refinery. Providing excess power to the grid is only a secondary purpose of the Refinery Solid-Fuel Fired Boiler (RSFFB) Power Plant.

In this regard, upon the MSC's request, Petron Corporation agreed to submit a study containing its proposal to the MSC on how to address the situation of Petron and other similarly-situated plants.

## **2. Submission of MSC Monthly Monitoring Reports**

Pursuant to Clause 1.6.2 of WESM Rules and Section 7.3.7 of the MSCEMM, the MSC continuously monitors the market activities conducted by the WESM participants in the spot market. The MSC submitted to the PEM Board twelve (12) monthly Market Monitoring Reports (MMR) covering the billing months October 2013 to October 2014. As part of its monitoring, the MSC reviewed the monthly Market Assessment Reports (MAR) submitted and presented by the MAG for the period 26 October 2013 to 25 October 2014.

The MAR, which forms Part II of the MSC Monthly Monitoring Report, provides an assessment of the development of market behavior covering the period under review, including the evolution and analysis of the monitoring indices as contained in the Catalogue of Market Monitoring Data and Indices.

### ***3. Submission of 2013 MSC Annual Report and Annual Market Assessment Report***

On 17 March 2014, the MSC submitted to the PEM Board its 2013 Annual Report detailing in said report the MSC's accomplishments for the year 2013.

On 16 September 2014, the MSC reviewed and deliberated on the Annual Market Assessment Report covering the period 26 December 2012 to 25 December 2013 as submitted by the MAG. The same was submitted to the PEM Board on 26 September 2014.

### ***4. Review of Market Situation on Malampaya Gas Facility Maintenance***

The MSC reviewed the MAG Report on the market situation during the Malampaya Shutdown.

The maintenance of the Malampaya Natural Gas Plant for a 30-day period from 11 November 2013 to 10 December 2013 where the supply of natural gas to three (3) natural gas-fired power plants in Luzon, the Ilijan, Sta. Rita and San Lorenzo was totally discontinued. During the said period, the NatGas plants were running on alternate fuel, thus all NatGas plants had limited capability.

The following summarizes the report submitted to the PEM Board on 05 February 2014:

- a. Tight supply condition relative to demand, even cases of under generation, persisted during the November and December 2013 billing months due to supply constraints;
  - o High level of capacity on outage due to major power plant outages by coal and natural gas plants
  - o Prevailing high level of capacity not offered in the market
- b. High frequency of market clearing prices reaching the P62,000/MWh offer price cap with oil-based power plants as the marginal generators;
- c. The market continued to be moderately concentrated;

- d. Pivotal suppliers existed with significant opportunity to exercise market power even during off-peak period; and
- e. There was a high level of spot exposure by WESM Customers during the period.

In its report and as presented to the PEM Board, the MSC put forth the following recommendations:

- a. Grid Operations Outage Review & Reliability Assessment
  - 1) Implement the Energy Regulatory Commission (ERC) Resolution No. 17 Series 2013, governing the Monitoring of Reliability Performance of Generating Units and Transmission System
- b. Public Access to Information
  - 1) Information on the annual maintenance schedule of power plants (Grid Operating Maintenance Program), transmission and Malampaya facility should be made available to the public
- c. Encourage demand side bidding to allow buyers to respond to any changes in price or market condition
- d. Implementation of reserve market to optimize the scheduling and pricing of energy and reserves

#### **5. Meeting with Office of the Congressman Reynaldo V. Umali**

On 14 February 2015, the Office of the Congressman Reynaldo V. Umali requested for a meeting with the MSC as well as with the MAG in relation to the price spikes that occurred during the Malampaya shutdown during the November and December 2013 billing periods. Aside from the said concern, the said Office inquired from the MSC and the MAG about the WESM governance structure, roles and responsibilities of the PEM Board, WESM Committees, MAG and Enforcement and Compliance Office (ECO).

During the meeting, the MSC presented its mandate in accordance with the WESM Rules and the Market Surveillance, Compliance and Enforcement Market Manual, the ERC-PEMC Protocol and the MSC's market monitoring process flowchart.



**6. Review of Report on Extreme Negative Price Event**

On 14 October 2014 and 11 November 2014, the MSC reviewed the Report on Extreme Negative Price Event as presented by the MAG.

It was noted that during the maintenance shutdown of the Luzon-Leyte HVDC scheduled on 16 August to 24 September 2014, negative prices were recorded in the Visayas region during off-peak hours reaching as low as PhP-99,999/MWh. The extreme negative prices were recorded on 14 to 24 September 2014, affecting a total of 32 trading intervals.

On 02 December 2014, the MSC submitted a report to the ERC which included the following recommendations:

- a. Revisit the recommendations on establishing and implementing a market floor price under the WESM Design Study and PEMC's Market Studies on WESM Price Cap and Floor Price and Mitigating Measures
- b. There is a need for the generators and customers to strengthen their coordination regarding their bilateral contract declarations for their mutual benefit.
- c. There is a need for the DUs to review the appropriateness of their bilateral contract quantities with respect to their demand requirements and their responsibilities to supply electricity in the least cost manner to their captive customers.
- d. It is suggested that the approval of the Proposed WESM Rules Change on the Provision of Minimum and Maximum Ramp Rates and Ramping Capability Curves of Generating Units be fast-tracked.

**7. Review of the MSC Internal Rules - Procedure in the Monitoring, Reporting and Evaluation of Trading Participants (TP) Compliance with the Must Offer Rule and Real Time Dispatch Schedule**

In view of the PEM Board's directive to streamline the process of monitoring, reporting and evaluation of TPs' compliance with the MOR and RTD Schedule, the MSC agreed on 05 February 2015 to revise its internal process.

On 03 March 2014 and 08 April 2014, the MSC reviewed its Internal Rules particularly the procedure in monitoring TPs' compliance with the MOR and RTD schedule.

On 05 May 2014, the MSC agreed to revise its Internal Rules, foregoing the need to request explanations from concerned TPs.

## **8. Compliance with ERC Resolution No. 17, Series of 2014**

### ***a. Coordination Meeting with the Grid Management Committee***

On 14 January 2014, the MSC invited the Grid Management Committee (GMC) for a meeting to discuss the new outage classifications and definitions contained in ERC Resolution No. 17, Series of 2013, 13, *A Resolution Adopting and Approving the Rules and Procedures to Govern the Monitoring of Reliability Performance of Generating Units and the Transmission System*, and the reports to be submitted to the GMC regarding outages as specified in Article IV of the said Resolution.

The MSC noted the need to adopt the new outage classification and definition based on the ERC Resolution No. 17 in the MSC's monthly monitoring.

Following the explanations of the GMC, the MSC recommended the following:

- 1) For the System Operator (SO), being the source of information on outages used as reference by the MSC in its monitoring and assessment, to already adopt the new outage classifications and definitions;
- 2) For ERC/GMC to immediately impose the adoption of the Resolution for all industry participants particularly the Generators and the SO, which suggestion the GMC accordingly noted;
- 3) Harmonization of the definition of terms in the WESM Rules & Manuals, PGC, PDC, etc.;
- 4) GMC to furnish the MSC through the PEMC-MAG with the reports regularly submitted by the Generators and the SO for the MSC's reference in Market monitoring.

### ***b. Coordination with NGCP-System Operator and Trading Participants***

On 20 December 2013, the MSC submitted a letter to the National Grid Corporation of the Philippines (NGCP) - System Operator (SO) reminding it on the adoption of the new outage classifications as set forth in the ERC Resolution No. 17, Series of 2013 in its Daily Operations Reports, with the intent of the MSC to likewise adopt and incorporate the new outage classification in its Monthly Market Assessment Reports being submitted to the PEM Board and ERC.

On 14 February 2014, the NGCP-SO responded that the SO had already raised its concern on some of the provisions in the resolution particularly on who will classify the generator outages and derations as the SO explained that its dispatches would not be able to provide prompt sub-classifications.

In view of the above, on 16 May 2014 the MSC submitted a letter to the Trading Participants reminding them to already adopt ERC Resolution No. 17, Series of 2013 in order for the SO and MSC to incorporate the new outage classifications under the said resolution in its reports.

***c. Coordination Meeting with the ERC***

On 08 August 2014, the MSC was invited to the ERC-MAG-ECO coordination meeting together with the GMC for a meeting with regard to the implementation of the ERC Resolution No. 17, Series of 2013, particularly on the relevant provisions in the said resolution regarding the reporting requirements of generators and the SO. During the meeting, the following were discussed: a) the monitoring of GMC on the generators' compliance with the ERC resolution requiring the submission of Significant Events and Weekly Event Reports to the ERC through GMC; and b) the technical limitation and constraints of GMC in establishing benchmarks and parameters in computing the reliability performance indices and standards.

**9. Filing of Request for Investigation of Alleged Breaches of the WESM Rules**

In 2014, the MSC regularly reviewed the monthly Compliance Monitoring Reports submitted and presented by the MAG. After evaluation and due deliberation, the MSC resolved the submission to the PEM Board of Requests for Investigation (RFI) of possible non-compliances with the submission of offers and RTD schedule / instruction.

The MSC submitted a total of 982 RFIs covering the December 2013 to October 2014 billing period. The summary is as follows:

**Table No. 5 Summary of Number of RFIs submitted to the PEM Board**

No.	Billing Period	Date Submitted to the PEM Board	No. of RFIs for Poss.NC w/ MOR	No. of RFIs for NC w/ Poss. RTD Schedule	Total No. of RFIs per Month
1	December 2013	5-Feb-14	34	33	67
2	January 2014	24-Feb-14	33	31	64
3	February 2014	24-Mar-14	34	32	66
4	March 2014	25-Apr-14	32	34	66
5	April 2014	6-Jun-14	53	53	106
6	May 2014	11-Jul-14	54	51	105
7	June 2014	22-Aug-14	53	51	104
8	July 2014	30-Sep-14	53	49	102
9	August 2014	28-Oct-14	52	52	104
10	September 2014	2-Dec-14	52	51	103
11	October 2014	7-Jan-15	47	48	95
<b>Total</b>			<b>497</b>	<b>485</b>	<b>982</b>

## 10. Review of ECO Investigation Reports

Pursuant to Section 10.7 of the MSCEMM, for the year in review, the MSC completed its review of a total of 36 ECO Investigation Reports submitted by the PEMC-Enforcement and Compliance Office (ECO). Thirty four (34) of these cases involved non compliances with the WESM Rules on the submission of offers during the November and December 2013 billing periods, during the time when the Malampaya Natural Gas Plant was on maintenance.

The investigations were conducted by ECO based on the Requests for Investigation submitted by the MSC to the PEM Board, as well as pursuant to the ERC order dated on 03 March 2014 issued in ERC Case No. 2014-21MC, instructing the PEMC to investigate possible breaches of the WESM Rules during the November and December 2013 billing periods.

The MSC thereafter reviewed the submitted ECO Investigation reports based on the following: (a) compliance by the ECO with the procedures set forth in the MSCEMM for the conduct of Investigation; and (b) validity and completeness of the data and documents upon which the factual findings are based. The MSC then presented the results of its review of these 36 cases to the PEM Board as well as its recommendations relative to the cases reviewed.

**11. Participation in Review Panel Meetings**

Requests for consideration were submitted by several parties on the results of ten (10) investigation cases completed by the PEMC-ECO, specifically on the findings and the corresponding sanctions imposed by the PEM Board. These 10 ECO cases were part of the 34 ECO Investigation Reports submitted by the ECO which covered non compliances with the WESM Rules on the Submission of Offers during the November and December 2013 billing periods.

The MSC was invited to attend the Review Panel Meetings on 13, 14, 16 & 21 October 2014 and 13 November 2014, having been designated as resource persons.

The Review Panel together with the MSC reviewed the Trading Participants requests for reconsideration of the PEM Board's decision imposing penalties for breach of the Must-Offer Rule.

**12. Review of Over-Riding Constraints**

The MSC regularly reviewed the Monthly Monitoring Report on Over-Riding Constraints prepared and submitted by the Market Assessment Group. During the year, the MSC was able to review the Monthly Reports for November 2013 to October 2014 billing periods.

**a. Discussion of Over-riding Constraints with NGCP-System Operator and National Transmission Corporation (TransCo)**

On 18 July 2014, the MSC conducted a meeting with the NGCP-System Operator and the National Transmission Corporation (TransCo) to present the MSC's observations relative to the over-riding constraints covering the billing period of March, April and May 2014.

The MSC and SO discussed various topics such as security limit imposition on generators due to line/equipment outage, selection of MRU for Malaya Thermal Power Plant, security limit imposition on GMCP on 13 May 2014 and monitoring of reliability performance of generating units and transmission lines.

**b. Review of Over-riding Constraints imposed on GMCP**

Upon the request of GN Power Mariveles Coal Plant Ltd. Co. (GMCP), the MSC reviewed the over-riding constraints particularly the security limit imposed on GMCP -

Mariveles Coal Fired Power Plant (CFPP) generating units 1 and 2 by the System Operator on 13 May 2014.

On 25 June 2014, the MSC held a meeting to discuss the request of the GMCP to review the security limit imposed on the 2 units of GMCP which were only dispatched at 200 MW on 13 May 2014 for 3 consecutive trading intervals.

The body, on 18 July 2014, invited the National Grid Corporation (NGCP) - System Operator (SO) for a meeting for the discussion of the incident. During the meeting, the committee requested for SO's Technical Report on the incident containing the details on its decision and justification of imposing security limit on the two (2) units of GMCP-Mariveles CFPP on the said date.

On 08 October 2014, the MSC received the SO's technical report relative to the above-mentioned matter. The technical report was reviewed and deliberated by the MSC on 14 October 2014.

On 01 December 2014, the MSC conducted a meeting with the System Operator for the discussion of the technical report.

The review of the MSC of the Over-riding Constraint imposed on NGCP is still ongoing.

**c. *Review of Over-riding Constraints - N-1 Contingency***

On 03 March 2014, in the course of the MSC's review of the Report on Over-riding Constraints Report for the February 2014 billing period, the MSC noted the frequent imposition of N-1 contingency on transmission lines and transformers.

In this regard, the MSC requested for the Technical Committee's (TC) assistance in the conduct of a technical review on the impact of said imposition of N-1 contingency to the delivery of power.

**13. Review of Proposed Catalogue on Retail Market Monitoring Data and Indices**

**a. *Stakeholders' Engagement Workshop***

The MSC conducted a Stakeholders' Engagement Workshop on 08 April 2014 at PEMC with Contestable Customers to solicit comments/inputs from the CCs on the proposed Catalogue of Retail Market Monitoring Indices, to provide an update on the

market trends and performance of the retail market and solicit feedback and learn from the CCs experiences under the competitive retail market structure.

The said catalogue will be used to monitor and assess the performance of the retail market activities of the RCOA participants and to ensure effective functioning or overall efficiency of the integrated WESM and retail market.

During said forum, the CCs related some of their concerns and issues regarding their participation in the Retail Market and some comments regarding the monitoring indices for the Retail Market. The salient points are as follows:

- CCs with load demand of 5 MW and below experienced difficulties in finding a RES;
- CCs with 10 MW and above load demand with low load factor also cited their problem in finding a RES;
- RES with affiliated CCs, that intended to supply solely for itself, are experiencing difficulties in complying with ERC Resolution No. 22, Series of 2013, Article II, Section 5 (e) which provides that they may only sell 50% of its total capacity to all its end-user affiliates. Due to this resolution, it had to buy another 50% from generation companies and market it to other CCs;
- The back-up/replacement power is way too high than the contracted price;
- RES cannot apply the VAT exemption for PEZA- registered locators;
- CCs requested access to information regarding RES prices;
- CCs inquired about the power downtime if they are under a DU's franchise and the DU did not pay the GenCos for certain reasons.

On 05 May 2014, the MSC conducted a review of Contestable Customers inputs during Stakeholders Engagement Workshop on. The MSC decided to submit a special report to PEMC to address other concerns correspondingly.

On 18 June 2014, the MSC submitted its report to PEMC regarding the Result of the Stakeholders Engagement Workshop that was conducted on 08 April 2014 with Contestable Customers (CCs) and relevant industry associations. The MSC recommended its inputs be considered in developing the program for Retail Market Participants Update.



***b. Public Consultation on the Proposed Catalogue of Retail Market Monitoring Data and Indices***

On 18 July 2014, the MSC presented the proposed catalogue of Retail Market Data and Indices as well as the monitoring results to solicit comments and inputs from retail market participants during the Retail Market Participants Meeting at Crowne Plaza, ADB Ave., Pasig City.

- **WESM Lecture Series**

On 18 March 2014, the MSC conducted a lecture on the *Market Monitoring Indices* used by the MSC in its monitoring of the WESM, as part of the WESM Lecture Series spearheaded by the PEMC Corporate Planning and Communications. The lecture was held at the Crowne Plaza Manila Galleria, Ortigas Ave. Corner, Asian Development Bank Ave., Quezon City with WESM Participants as attendees to the said affair. The WESM Lecture Series is part of the continuous efforts of the PEMC to regularly update and disseminate information to WESM participants.

- **Second Quarter Meeting of Subcommittee on Power - Regional Development Council**

On 06 June 2014, the MSC, as one of the invited speakers in the second quarter meeting of Subcommittee on Power-Regional Development Council Central Visayas Region at Pope Francis Boot Camp Academy, Carcar, Cebu City, discussed the Market Surveillance Committee functions and activities. The other topics on the said event were report on the status of rehabilitation of Yolanda-damaged power facilities and procurement of ancillary services briefed by NGCP.

- **Reserve Market Training**

On 19 March 2014, the MSC attended the Reserve Market Training conducted by PEMC Corporate Planning and Communications at PEMC Training Room2 and 3, 9<sup>th</sup> floor, Robinson s Equitable Tower, ADB Ave., Ortigas Center, Pasig City.

- **Market Participants' Meeting**

On 18 July 2014, the MSC participated in the Retail Market Participants' Meeting at Crowne Plaza, ADB Ave., Pasig City, during which the MSC presented the proposed catalogue of Retail Market Data and Indices as well as the monitoring results to solicit comments and inputs from retail market participants.



On 22 August 2014, the MSC attended the 8th Annual WESM Annual Participants' Meetings held at 2F Grand Ballroom, InterContinental Manila in Makati City during which an MSC Member presented in behalf of WESM Committee Members the WESM governance updates for year 2013.

Also, on 10 October 2014, the MSC again participated as a resource speaker during the Market Participants' Update in South Palms Resort, Panglao, Bohol, presenting in behalf of WESM Committee Members the WESM governance updates for the third quarter of 2014.

## B. 2015 WORK PLAN

The following are the MSC activities lined-up for year 2015.

Item	Activity	2015 Target	Deliverables
	<b><i>Carried-over Activities from Year 2014</i></b>		
1.	Continuous monitoring of non-scheduled and intermittent generators' compliance to the WESM Rules	2 <sup>nd</sup> Quarter	Procedure in monitoring, reporting and evaluating the compliance of non-scheduled and intermittent generators to the WESM Rules.
2.	Review of Monthly Significant Variations Report  <i>Note: The TOD development of monthly generation of Significant Variations Report on-going</i>	2 <sup>nd</sup> Quarter	The TOD to develop the monthly generation of Significant Variations Report before the MSC review.
3.	Review of TC's Technical Study on Impact of N-1 Contingency to the delivery of power	2 <sup>nd</sup> Quarter	Awaiting the TC's Technical Final Report
4.	Review of Retail Market Monitoring and Assessment Report	2 <sup>nd</sup> Quarter	On-going consultation to the PEM Board.  MSC's approval of the Catalogue on Retail Market Monitoring Indices after consultation to the PEM Board
5.	Development of a Reporting Template for MI Events and Market Suspension Events	2 <sup>nd</sup> Quarter	reporting template for future MI and Market Suspension reports

6.	Review the Cogeneration Plants' Technical Study on its operation and technical constraints in complying with the submission of offers as set out in the WESM Rules	As applicable	Awaiting submission of Petron's Technical Study
Item	Activity	2015 Target	Deliverables
<b>Regular Reportorial Functions</b>			
1.	Review of Various RCC Proposed Amendments to the WESM Rules and Market Manuals	As applicable	Inputs to RCC on WESM Rules/Manuals
2.	Review and Update of the Catalogue of Market Monitoring Data and Indices	As Needed	Amendments to the Market Monitoring Data and Indices
3.	Review of Monthly Monitoring Report on Over-riding Constraints (OCR)	Per MSC Regular Meeting	MSC Report to PEM Board three weeks after end of billing month (Summary)/Quarterly assessment and recommendation
4.	Submission of the Market Intervention Report (MIR) to PEM Board	As applicable	MIR to PEM Board
5.	Submission of Market Suspension Report (MSR) to PEM Board	As applicable	MSC Market Suspension Report
6.	Submission of the MSC Monthly Monitoring Report (MMR) to PEM Board	Per MSC Regular Meeting	MSC Monthly MMR to PEM Board
	a. Approval of Monthly Accomplishment Report		
	b. Approval of the Market Assessment Highlights/Report		
7.	Submission of the MSC Annual Report to PEM Board	1 <sup>st</sup> Quarter	Annual MSC accomplishment report to the PEM Board

8.	Review of the Market Surveillance Compliance and Enforcement Manual	As Needed	Proposed Amendments to the RCC
9.	Submission to PEM Board of the MSC Review of Non-Compliance Report (RNCR)	As applicable	MSC RNCR to PEM Board not later than one month after receipt of RNCR from ECO
10.	Submission to PEM Board of the MSC Review of the ECO Investigation Report (RIR)	Per MSCEMM	MSC RIR to PEM Board per WESM Rule 10.7.9
11.	<i>Compliance Activities</i>		
12.	Monitoring and Evaluation of Trading Participants Compliance with the Must-Offer-Rule and RTD Schedule/ Review of MAG Monthly Compliance Report	Within Approved Timeline in the Assessment Process	Monthly Reports on Generators Trading Participants' Compliance with MOR and RTD Schedule
13	Submission to PEM Board of the Request for Investigation (RFI)	Per MSCEMM	RFI to PEM Board after completion of review and evaluation of TP responses
	<b>Others</b>		
1	Participation in PEM Board Activities	As applicable	The MSC participation in PEM Board activities includes the presentations of its review of ECO Investigation Reports, its submission of Market Intervention Reports and other reports to the Board Review Committee and the PEM Board.
2	Conduct of Joint Studies with Other Governance Committees	As applicable	Coordination meetings conducted among Governance Committees; Paper output for the purpose of specific studies

## **C. MEMBERSHIP**

The Market Surveillance Committee ( MSC ) is composed of the following members:

Chairman: Engr. Francis V. Mapile  
Members: Atty. Bernarda C. Lavisores  
Ms. Eulina M. Valdezco  
Dr. Peter Lee U  
Engr. Jose Mari T. Bigornia

Atty. Bernarda C. Lavisores has been a member of the MSC since 27 April 2007. All the other members, Engr. Francis V. Mapile, Ms. Eulina M. Valdezco and Dr. Peter Lee U, were re-appointed to their respective positions on 01 July 2013<sup>1</sup> with the addition of a new member, Engr. Jose Mari T. Bigornia.

The Department of Energy (DOE) representative sits as resource person in the MSC by virtue of PEM Board Resolution No. 2009-49 issued on October 28, 2009 which allowed DOE Representative to sit as resource person in all PEM Board Committees and Subcommittees to provide assistance or directions on any policy concern, that any or all issues are being dealt with in accordance with the purpose of the EPIRA, its implementing Rules and the WESM Rules and/or to facilitate energy issues affecting the Market and the power industry as a whole.

In accordance with Section 1.4.7.1 of the WESM Rules, the PEMC - Market Assessment Group (MAG) serves as the primary support unit of the WESM Governance Committees, which include, among others, the MSC.

## **D. RESPONSIBILITIES**

The responsibilities of the MSC are set out in Section 1.6.2 of the WESM Rules, to wit:

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 anti-competitive behaviour by any WESM Participant; and
  - c. Matters concerning the operation of the spot market.
3. Assist the PEM Board or the Enforcement and Compliance Officer to investigate and gather evidence of:
  - a. unusual or suspicious behavior or activities of WESM members in the spot market;
  - b. suspected or alleged breaches of the WESM Rules by WESM members; and
  - c. suspected or alleged anti-competitive behavior;

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<sup>1</sup> Reference Document: PEM Board Resolution No.

4. Propose amendments to the WESM Rules as necessary to: i) improve the efficiency and the effectiveness of the operation of the WESM; and ii) to improve or enhance the prospects for the achievement of the WESM objectives;
5. Assist the Rules Change Committee in relation to its assessment of proposals to amend the WESM Rules.

In addition, the MSC is tasked under Section 6.2.1 of the Market Surveillance, Compliance and Enforcement Market Manual ( MSCEMM ) to perform the following responsibilities:

1. Define the monitoring data and indices necessary to effectively carry out its market surveillance function;
2. Review market monitoring indices and Market Assessment Report prepared by the Market Assessment Group;
3. Submit Monthly Market Surveillance Reports and Annual Reports;
4. Identify acts or omissions which constitute breaches, abuse of market power and anti-competitive behavior and initiate an investigation;
5. Review the Non-Compliance Report prepared by the ECO pursuant to the review of a Non Compliance Notice and submit its review to the PEM Board;
6. Review Investigation Reports prepared by the ECO pursuant to an Investigation of an alleged Breach, abuse of market power or Anti-Competitive Behavior, and submit its review to the PEM Board;
7. Monitor the design and efficiency of the WESM Rules and propose amendments thereto;
8. Investigate an event of Intervention or Market Suspension and prepare the corresponding Intervention Report or Market Suspension Report to be submitted to the PEM Board;
9. Review Over-Riding Constraints;
10. Recommend mitigation measures, in accordance with Section 12 of the MSCEMM on matters under Investigation;
11. Review of the significant variations reports.


The MSC deliberated on a number of compliance matters and monitored participants in line with its mandate to primarily monitor and assess the trading activity in the WESM to ensure market efficiency and fair competition. The MSC conducted nineteen (17) meetings<sup>2</sup> during the period covered.


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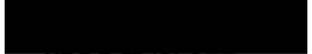
<sup>2</sup> At any time and as may be practicable, the MSC may conduct meetings more than once a month.


Submitted by:


**THE MARKET SURVEILLANCE COMMITTEE:**

  
**Francis V. Mapile**  
Chairman

  
**Eulinia M. Valdezco**  
Member

  
**Bernarda G. Lavisores**  
Member

  
**Peter Lee U**  
Member

  
**Jose Mari T. Bigornia**  
Member