

MSC-ANREP-2015

# Market Surveillance Committee 2015 Annual Report

January 2015 to December 2015

Market Assessment Group  
3-9-2016

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## A. 2015 ACCOMPLISHMENTS

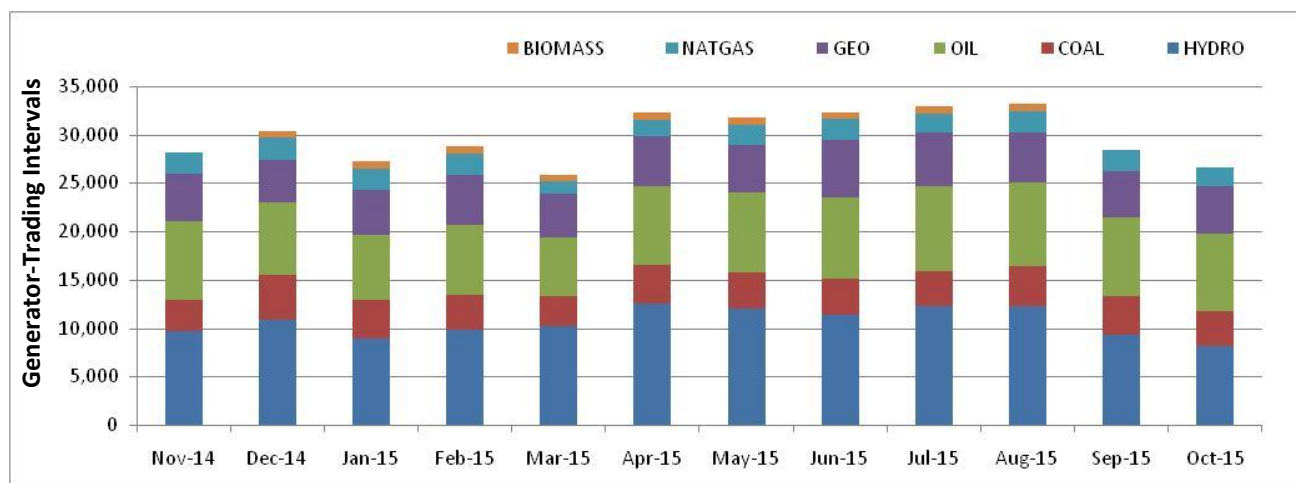
### 1. Monitoring, Reporting and Evaluation of Compliances by Trading Participants with the WESM Rules

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 twelve billing months from November 2014 to October 2015, and thereafter submitted 1,264 Requests for Investigation (RFIs) to the Philippine Electricity Market (PEM) Board.

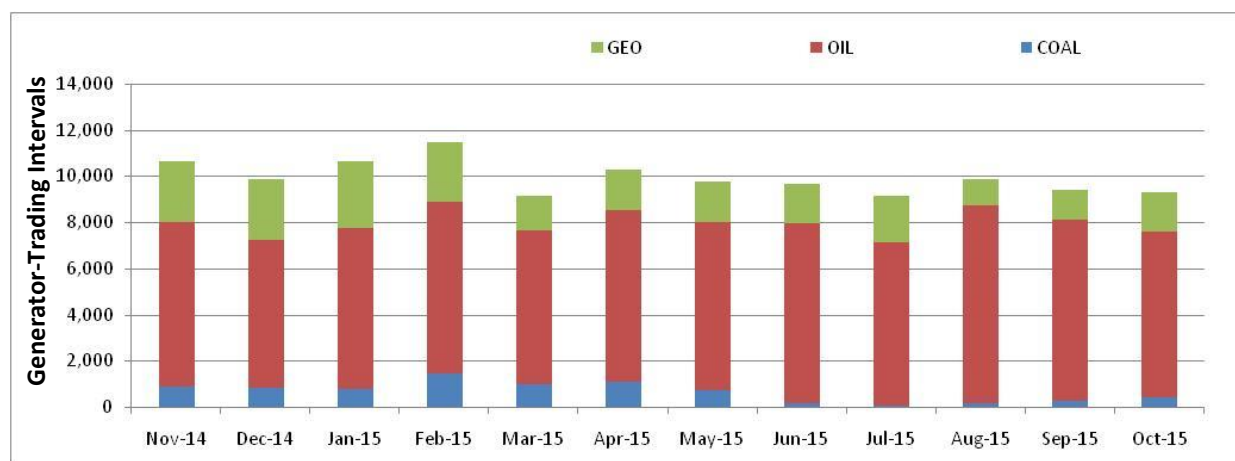
For the period 26 October 2014 to 25 October 2015, the MSC observed 357,857 total trading intervals with capacity gap per resource for Luzon, and 119,098 total trading intervals for Visayas. The breakdown of these trading intervals according to resource type per month for Luzon and Visayas is presented 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**

RESOURCE	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	TOTAL
HYDRO	9,714	10,836	8,855	9,793	10,172	12,468	12,007	11,321	12,215	12,294	9,237	8,103	127,015
COAL	3,198	4,623	4,066	3,688	3,068	4,079	3,756	3,854	3,610	4,089	4,020	3,657	45,708
OIL	8,147	7,522	6,744	7,192	6,153	8,119	8,200	8,392	8,840	8,634	8,145	7,936	94,024
GEO	4,912	4,371	4,658	5,098	4,485	5,215	5,025	5,925	5,543	5,172	4,855	4,913	60,172
NATGAS	2,196	2,292	2,162	2,283	1,251	1,644	2,072	2,102	2,009	2,220	2,195	1,972	24,398
BIOMASS	0	719	743	742	668	744	720	742	719	743	0	0	6,540
<b>TOTAL</b>	<b>28,167</b>	<b>30,363</b>	<b>27,228</b>	<b>28,796</b>	<b>25,797</b>	<b>32,269</b>	<b>31,780</b>	<b>32,336</b>	<b>32,936</b>	<b>33,152</b>	<b>28,452</b>	<b>26,581</b>	<b>357,857</b>

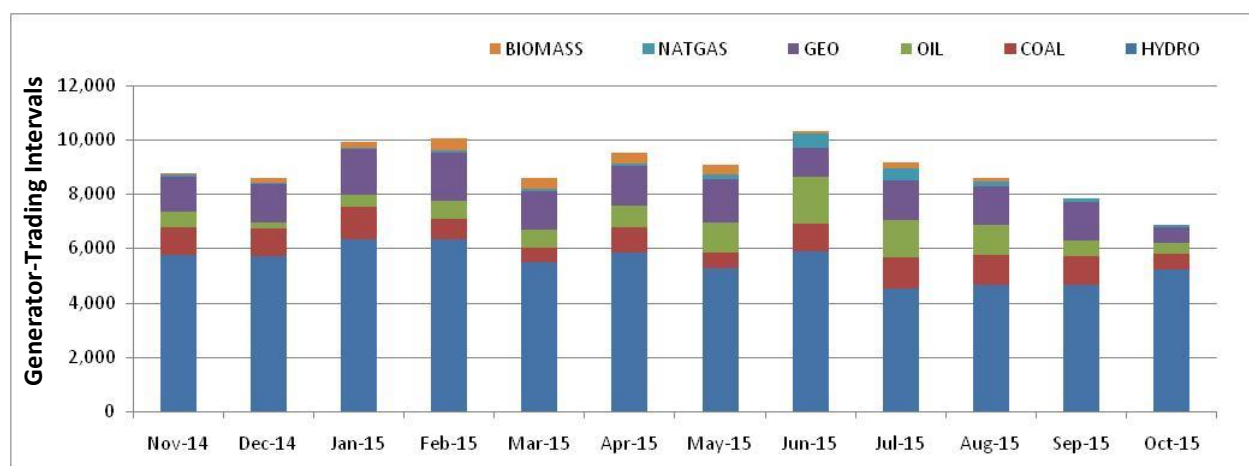
**Graph 2: Trading intervals with Capacity Gap per Resource for Visayas**

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

RESOURCE	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	TOTAL
COAL	885	813	778	1,451	990	1,077	701	176	38	166	264	416	7,755
OIL	7,124	6,438	6,946	7,437	6,680	7,448	7,300	7,793	7,111	8,546	7,859	7,162	87,844
GEO	2,624	2,608	2,920	2,563	1,472	1,777	1,739	1,697	1,974	1,139	1,254	1,732	23,499
<b>TOTAL</b>	<b>10,633</b>	<b>9,859</b>	<b>10,644</b>	<b>11,451</b>	<b>9,142</b>	<b>10,302</b>	<b>9,740</b>	<b>9,666</b>	<b>9,123</b>	<b>9,851</b>	<b>9,377</b>	<b>9,310</b>	<b>119,098</b>

As seen in table 1, the highest capacity was recorded in August 2015 mainly due to the large capacity gap from hydro plants (35.5 percent) followed by oil-based plants (26.3 percent), geothermal plants (16.8 percent), coal plants (12.3 percent), natural gas plants (6.8 percent) and biomass plants (1.8 percent). For the period 26 November 2014 to 25 October

2015, the MSC observed 107,301 total resource - trading intervals with deviation exceeding the  $\pm 3\%$  dispatch tolerance limit for Luzon, and 22,654 for Visayas. The breakdown of these trading intervals according to resource type per month for Luzon and Visayas is presented in the following graphs:

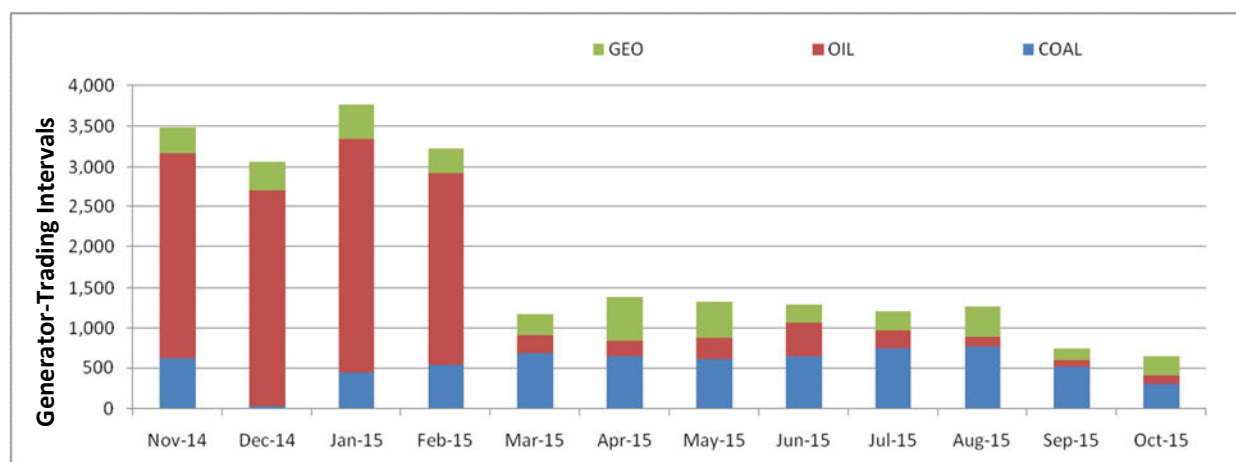
**Graph 3: Trading Intervals with Deviation on the RTD Schedule per Resource for Luzon**



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

RESOURCE	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	TOTAL
HYDRO	5,751	5,713	6,310	6,352	5,500	5,858	5,270	5,872	4,519	4,649	4,635	5,217	65,646
COAL	1,042	996	1,212	734	537	936	578	1,017	1,151	1,117	1,072	598	10,990
OIL	578	255	441	655	662	768	1,109	1,748	1,370	1,111	585	395	9,677
GEO	1,262	1,411	1,698	1,783	1,384	1,490	1,590	1,053	1,461	1,412	1,429	559	16,532
NATGAS	85	51	47	63	87	71	161	559	455	158	118	77	1,932
BIOMASS	44	153	204	464	442	392	389	53	222	161	0	0	2,524
<b>TOTAL</b>	<b>8,762</b>	<b>8,579</b>	<b>9,912</b>	<b>10,051</b>	<b>8,612</b>	<b>9,515</b>	<b>9,097</b>	<b>10,302</b>	<b>9,178</b>	<b>8,608</b>	<b>7,839</b>	<b>6,846</b>	<b>107,301</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**

RESOURCE	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	TOTAL
COAL	630	38	444	547	682	644	613	645	748	765	525	302	6,583
OIL	2,542	2,669	2,906	2,381	241	197	255	424	237	135	82	113	12,182
GEO	318	355	429	302	262	555	462	233	226	377	132	238	3,889
<b>TOTAL</b>	<b>3,490</b>	<b>3,062</b>	<b>3,779</b>	<b>3,230</b>	<b>1,185</b>	<b>1,396</b>	<b>1,330</b>	<b>1,302</b>	<b>1,211</b>	<b>1,277</b>	<b>739</b>	<b>653</b>	<b>22,654</b>

On 10 March 2015, the MSC, upon Petron Corporation's request, met with Petron's representatives to clarify the MSC's recommendation for Petron to submit a Technical Study on Petron Cogeneration Plant's technical constraints in complying with the Must-Offer Rule (MOR) as discussed during the initial meeting held between the MSC and Petron on 18 July 2014. During the said meeting in March 2015, the MSC advised Petron to submit proposed amendments to the WESM Rules and other relevant Market Manuals to address its issues and in consideration of the unique set up of a cogeneration plant.

### **Monitoring of Non-Scheduled Generating Units**

On 18 May 2015, the MSC conducted a meeting with the System Operator (SO) to discuss the impact of intermittent renewable generating plants on the security and reliability of the grid. It was noted that as of May 2015, additional intermittent renewable generating plants have not had any significant impact on the security and reliability of the grid. However, the SO informed the MSC that security limits are being imposed on several generators due to the limited capacity of transmission lines and transformers. SO stated that the plan of

increasing the capacity of transmission lines and transformers has already been included in the NGCP's Transmission Development Plan.

On 14 October 2015, the MSC commenced with its monitoring of the submission of target loading levels by non-scheduled generators for the period June to September 2015. During this meeting, the MSC discussed the various issues and considerations relative to the compliance monitoring of non-scheduled generating units on their submission of loading levels.

During its meetings held on 22 October 2015, the MSC reviewed the compliance of non-scheduled generating units to the submission of loading levels covering the billing period of October 2015. It was noted that only 3 generators complied 100% of the time with the submission of schedule of loading level for the entire billing period, while 11 generators partially complied ranging 33% to 97% of the time. The other 10 generators did not comply with the requirement for the entire billing period.

## **2. Review of Monthly Market Assessment Reports and Submission of MSC Monthly Monitoring Reports**

Pursuant to Clause 1.6.2 of WESM Rules and Section 7.3.7 of the MSC-EMM, the MSC continuously monitors the market activities conducted by the WESM participants in the spot market. As part of its reportorial requirement under the MSC-EMM, the MSC submitted to the PEM Board twelve (12) monthly Market Monitoring Reports (MMR) covering the billing months November 2014 to October 2015. Upon due deliberation, the MSC also submitted twelve (12) monthly MARs to the ERC and DOE covering the billing months November 2014 to October 2015.

The monthly MAR, submitted by the MAG forms Part II of the MSC Monthly Monitoring Report, which 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. The MAR likewise submitted by the MSC to the ERC and DOE, highlighting market developments and issues for the ERC and DOE's consideration.

### **Meetings of Capacities on Outages and Capacities not Offered**

On 02 February 2015, the MSC together with the Grid Management Committee (GMC) were invited by the ERC for a discussion of the capacities on outage and not offered in the WESM in 2014, and concerns related to the reliability performance of the generators. The

said meeting was triggered by the submission of the MSC to the ERC of its review of the Market Assessment Report for October 2014 on 13 January 2015.

On 15 June 2015, the MSC conducted a meeting with the Philippine Independent Power Producers Association Inc. (PIPPA) and the Grid Management Committee (GMC) to discuss the factors affecting supply particularly the capacities on outage and capacities not offered. During the said meeting, self-reporting of the outage events was strongly recommended, as well as the compliance by generators with the ERC Resolution No. 17, Series of 2013, *A Resolution Adopting and Approving the Rules and Procedures to Govern the Monitoring of Reliability Performance of Generating Units and the Transmission System*, particularly the submission of reports to the GMC regarding outages as specified in Article IV of the said Resolution.

### **3. Submission of 2014 MSC Annual Report and Annual Market Assessment Report**

On 31 March 2015, the MSC submitted to the PEM Board its 2014 Annual Report detailing in said report the MSC's accomplishments for the year 2014 and its work plan for the year 2015.

On 13 July 2015, the MSC reviewed and deliberated the Annual Market Assessment Report covering the period 26 December 2013 to 25 December 2014 as submitted by the MAG. The same was finalized and submitted to the PEM Board on 11 September 2015.

### **4. Filing of Requests for Investigation of Alleged Breaches of the WESM Rules**

After evaluation and due deliberation of Monthly Reports on TPs' Compliance with the MOR and RTD Schedule being submitted and presented by the MAG, 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 1,264 RFIs covering the November 2014 to October 2015 billing period. The summary is as follows:



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

Billing Period	Date Submitted to the PEM Board	No. of RFIs for Possible NC with MOR	No. of RFIs for Possible NC with RTD	Total No. of RFIs per Month
November 2014	27-Jan-15	52	50	102
December 2014	17-Mar-15	50	50	100
January 2015	14-Apr-15	54	50	104
February 2015	25-Apr-15	55	52	107
March 2015	6-May-15	56	53	109
April 2015	22-Jun-15	56	52	108
May 2015	24-Jul-15	58	52	110
June 2015	27-Aug-15	55	51	106
July 2015	23-Sep-15	56	55	111
August 2015	15-Oct-15	59	55	114
September 2015	20-Nov-15	51	47	98
October 2015	7-Dec-15	46	49	95
<b>TOTAL</b>		<b>648</b>	<b>616</b>	<b>1,264</b>

## 5. Review of ECO Investigation Reports

Pursuant to Section 6.2.1 (i) of the Market Surveillance, Compliance and Enforcement Market (MSC) Manual, the MSC is tasked to review the Investigation Reports prepared by the PEMC-Enforcement and Compliance Office (ECO) with respect to the following:

- Compliance by the ECO with the procedures set forth in the Market Surveillance Compliance and Enforcement Market Manual for the conduct of Investigation; and
- Validity and completeness of the data and documents upon which the factual findings are based.

The MSC completed its review of a total of twenty seven (27) consolidated ECO Investigation Reports covering 74 cases, and presented the same to the PEM Board during its meeting held on 18 June 2015 and 10 December 2015. The 74 cases involved 48 cases for possible non-compliances with the MOR and 26 cases for possible non-compliances with the RTD Schedule. The summary is as follows:

**Table No. 6 Summary of Reviewed Investigation Reports**

Date Presented to the PEM Board	No. of Investigation Reports	No. of Cases	
18 June 2015	14	32	28 - MOR 4 - RTD
10 December 2015	13	42	20 - MOR 22 - RTD
<b>TOTAL</b>	<b>27</b>	<b>74</b>	<b>48 - MOR 26 - RTD</b>

The MSC's recommendations for the adoption of ECO's recommendations, as well as the MSC's additional recommendations relative to the reviewed cases and the imposition of financial penalties and other sanctions as applicable, were approved by the PEM Board.

The said MSC additional recommendations were as follows:

- (a) Institutionalize a reporting system that will address concerns on relaying re-dispatch instructions and documentation at the same time;
- (b) Adopt business processes and template (business protocol) for accurate reporting by TPs to SO on outages;
- (c) PEMC to request ERC to require full compliance to ERC Resolution No. 17, Series of 2013, and imposition of corresponding facilities for non-compliance, as necessary;
- (d) PEMC to institutionalize Compliance Programs to include but not limited to the duties, responsibilities, and accountabilities of WESM Compliance Officers, Traders, Generators and/or Plant Operators;
- (e) PEMC to pursue the implementation of the certification program for Traders;
- (f) PEMC to establish a certification program for WESM Compliance Officers;
- (g) PEMC to pursue the enhancement of the MPI in monitoring the MOR by providing:
  - o Warning signs on screen for offers below the maximum available capacity without providing a valid reason;
  - o Read-only access to generators and/or plant operators;
  - o Other options as may be applicable.
- (h) PEMC to establish in the WESM website the list of TPs that committed breach of the WESM Rules including the final results, penalties and recommendations in the investigation.

## **6. 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 twelve (12) Monthly Reports covering the billing period October 2014 to November 2015 billing periods.

In the course of its review, the MSC noted the frequency of commissioning tests being conducted by the generating plants. On 3 March 2015 and 21 April 2015, the MSC submitted letters to the ERC informing the Commission of the matter and further furnishing the ERC of the list of plants which have exceeded the maximum period of two (2) months for conduct of commissioning tests of new generation facilities as provided in ERC Resolution No. 16, Series of 2014, *A Resolution Adopting the 2014 Revised Rules for the Issuance of Certificate of Compliance (COCs) for Generation Companies, Qualified End-Users and Entities with Self-Generation Facilities*.

### **a. Meeting with NGCP-System Operator**

On 18 May 2015, the MSC conducted a meeting with the NGCP-System Operator to discuss and clarify the MSC's observations with regard to the SO Market Monitoring Reports. The said reports are the basis of the Monthly Report on Over-riding Constraints being reviewed by the MSC.

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

As a follow through for the MSC's review of the over-riding constraints imposed on GMCP by the System Operator in 2014, on 20 January 2015, the MSC invited the Market Operator to discuss its views on the incident. The MSC also requested the MO for a simulation re-creating the incident. On 10 March 2015, the MSC deliberated the simulation as presented by the MO.

On 21 July 2015, the MSC submitted its review report to GMCP copy-furnished the PEM Board, PEMC President, National Grid Corporation of the Philippines (NGCP) President and ERC Commissioners.

## **7. Review of TC Study re Impact of N-1 Contingency Imposed on Transmission Lines and Substation Transformers to the Delivery of Power**

Relative to the MSC's request for the Technical Committee (TC) to conduct a study on the impact of N-1 contingency imposed on transmission lines and substation transformers,

specifically the Manila-Dona Imelda and Manila-Muntinlupa 230 kV transmission lines within Meralco and Dona Imelda, Dolores, Quezon, Zapote, Dasmarinas and San Jose transformers (1, 2, 3 and 5), to the delivery of power, the MSC reviewed the study submitted by the TC on 15 May 2015 and discussed the same with the TC on 18 June 2015.

On 07 September 2015, the MSC submitted a letter to the DOE informing it of the frequent imposition of N-1 contingency on the above-mentioned transmission lines and substation transformers. The MSC recommended the inclusion of Meralco Network Model in the MO's Market Network Model to mitigate the issuance of Pricing Error Notices due to N-1 Constraint Violation Coefficients (CVC) in agreement with the TC's statement in its study that a suitable RTD is easier to produce while complying with the N-1 contingency if the MNM can capture the power flows within the Meralco's meshed subtransmission.

## **8. Finalization of Catalogue on Retail Market Monitoring Data and Indices**

On 16 February 2015, the MSC reviewed the comments received from the Department of Energy, SN Aboitiz Power, and the Philippine Electricity Market Corporation on the proposed Catalogue on Retail Market Monitoring Data and Indices and after duly deliberating on the received comments, agreed to further revise the said Proposed Catalogue on Retail Market Monitoring Data and Indices.

The Catalogue on Retail Market Monitoring Data and Indices was developed as a guide in monitoring and assessing the performance of the retail market and the activities conducted by the retail market participants with the end view of ensuring the effective functioning or overall efficiency of the integrated *WESM* and retail market.

The MSC submitted the draft catalogue to the ERC and PEM Board for consultation purposes on 18 August 2014 and 05 June 2015, respectively. On 18 February 2015, the MSC presented the draft catalogue to ERC Commissioners Alfredo J. Non and Atty. Gloria Victoria Yap Taruc. The ERC Commissioners discussed their inputs with regard to the draft catalogue for MSC's consideration.

On 18 May 2015, the MSC further reviewed the draft Catalogue on Retail Market Monitoring Data and Indices incorporating the applicable comments that were submitted by different parties.

Finally, on 15 June 2015, the MSC resolved to approve and adopt the draft Proposed Catalogue on Retail Market Monitoring Data and Indices, subject to periodic review, as a guide in monitoring and assessing the performance of the retail market.

## **9. Submission of Comments on the Proposed Amendments to the WESM Rules and Market Manuals**

### ***a. Proposed Amendments to the Dispatch Protocol Manual***

On 10 March 2015, the MSC discussed the Proposed Amendments to Dispatch Protocol Manual particularly on the Dispatch Tolerance limit as submitted by the SN Aboitiz Power (SNAP) to the Rules Change Committee (RCC) in response to the RCC's invitation to interested parties to comment on the said proposed amendments. After due deliberation, the MSC concurred to submit its comment on the same to RCC.

On 23 March 2015, the MSC submitted its comments to the RCC on the above-mentioned topic.

### ***b. Proposed Amendments to the WESM Rules and the MRU-MSU and APDM Manuals***

On 21 May 2015, the MSC submitted its comments on the Aboitiz Power Corporation's (APC) Proposed Amendments to the WESM Rules and Billing and Settlement Manual in relation to harmonization of Bureau of Internal Revenue requirements for claiming deductible expenses. Also, the MSC commented on the APC's proposed amendments to the WESM Rules, Management on Must-Run and Must-Stop nits Manual and Administered Price Determination Methodology Manual which involves setting of a timeline for the filing of claims to ensure transparency in the settlement process and efficient operation of the WESM.

## **10. Review of MSC EMM and Financial Penalty Manual**

### **a. Financial Penalty Manual**

On 10 March 2015, the MSC revisited its proposed Automatic Penalty Scheme (APS) and updated the process flow incorporating the PEM Board directive in 2014 which effectively amended the MSC's monitoring, evaluation and reporting of TPs' compliances with the MOR and RTD Schedule.

On 17 August 2015, the MSC continued its deliberation on the process flow, Frequently Asked Questions (FAQs) and other relevant documents. However, on 10 December 2015, the MSC deferred crafting its own proposed amendments to the

Financial Penalty Manual as the Committee was informed that the PEMC-ECO has already submitted a discussion paper to the DOE relative to new Enforcement and Compliance Manual and amended Financial Penalty Manual.

In light of the above, the MSC agreed to craft its own proposed amendments to the Market Surveillance, Enforcement and Compliance Manual while awaiting the result of DOE's directive on the ECO's discussion paper.

b. Market Surveillance, Enforcement and Compliance Manual (MSCEMM)

On 14 September 2015, during the MSC Meeting No. 2015-11, the MSC agreed to propose the deletion from the list of its responsibilities the review of significant variations reports as well as propose applicable rules regarding Motions for Reconsideration (MR) in the MSCEMM.

On 14 October 2015, the MSC agreed to revive the MSC subcommittee to review the MSCEMM.

On 26 November 2015, the MSC Subcommittee initially reviewed and discussed the MSCEMM. During the meeting, the Subcommittee agreed to consider the proposed ECO Manual submitted to the Department of Energy in its review of the MSCEMM.

On 10 December 2015, the MSC conducted a meeting to discuss its 2016 MSC Work Plan. It was agreed that one of the activities to be carried-over to 2015 was the submission of the Proposed Amendments to the MSCEMM, which deliverable will be the Market Surveillance Manual.

## **11. Review of Proposed New Market Monitoring Indices**

Pursuant to Section 7.2.2 of the MSCEM Manual, the MSC is tasked to develop and adopt monitoring indices to analyze the monitoring data in the WESM. Further, the same section provides that the MSC will continue to elaborate and improve on the list of monitoring indices based on experience in the actual application, the results and developments of the WESM, and developments in international practices. Section 7.2.2.6 of the same Manual also provides that in updating the monitoring indices, the MSC may receive recommendations from the PEM Board and other interested parties.

The same Manual states that the monitoring indices will be an assessment tool of the MSC to identify conditions that may require further assessment or investigation. The monitoring indices itself will not determine definitively the existence of abuse of market power.

The MSC's objective was to (a) evaluate the applicability in the WESM of the proposed new market monitoring indices; and (b) recommend the inclusion of the new market monitoring indices in the Catalogue of Market Monitoring Data and Indices.

On 14 September 2015, the MSC started its review of possible new market monitoring indices which may be relevant and applicable in the WESM. The MSC discussed the first two proposed new market monitoring indices, the Competitive HHI (CHHI) and Gaming Incentive Index, presented by MAG for the MSC adoption.

On 14 October 2015, the MSC discussed the supply margin analysis and noted the recommendation to incorporate the supply margin analysis as supplemental trigger in the WESM. The MSC proceeded to draft the timeline and process flow for the inclusion of the proposed new monitoring indices. Further, the MSC is set to further discuss the remaining proposed new monitoring indices in its next meeting.

## **12. Review of Retail Market Monitoring Report**

The MSC is mandated under Section 1.6.2 of the WESM Rules to monitor activities conducted by WESM participants, including the Contestable Customers.

On 13 July 2015, the MSC reviewed and deliberated the Retail Market Monitoring Report (RMMR) covering the billing period 26 June 2013 - 25 December 2014. The same was transmitted to the PEM Board on 11 September 2015. On 30 October 2015, the MSC submitted the second RMMR covering the billing period 26 December 2014 - 25 June 2015 to the PEM Board.

### **2nd Retail Market Participants Forum**

On 21 July 2015, the MSC presented the Retail Market Assessment Highlights covering the billing period 26 July 2014 to 25 June 2014 during the 2nd Retail Market Participants Forum held at Marco Polo Ortigas, Meralco Avenue, Ortigas Center, Pasig City.

The assessment highlights cover the market performance, market structure and retail activity in the Retail Competition and Open Access (RCOA) during the above-mentioned billing periods.



**13. MSC Planning Session**

On 10 December 2015, the MSC conducted its planning session to discuss its 2016 Work Plan. Details of the said work plan are listed in Item B.



## B. 2016 WORK PLAN

The following are the MSC activities lined-up for year 2016.

Item	Activity	2016 Target	Deliverables
<b><i>Carried-over Activities from Year 2015</i></b>			
1.	Continuous monitoring of non-scheduled and intermittent generators' compliance to the WESM Rules	1 <sup>st</sup> Quarter	Procedure in monitoring, reporting and evaluating the compliance of non-scheduled and intermittent generators to the WESM Rules.
2.	Submission of Proposed Amendments to Market Surveillance, Compliance and Enforcement Market Manual (MSCEMM)  Submission of comments to the new ECO Manual upon submission of the ECO	2 <sup>nd</sup> Quarter	Revised MSC Manual to the RCC  Comments to the new ECO Manual after meeting with the ECO
3.	Review the Financial Penalty Manual (FPM)	2 <sup>nd</sup> Quarter	Amendments to the FPM
4.	Formulate a procedure in the MSC's review of Market Intervention and Market Suspension	1 <sup>st</sup> Quarter	Procedure in the review of market intervention and market suspension
5.	Continuous monitoring of recommendations submitted to the PEM Board, ERC, DOE and other parties	1st Quarter	Status Report of MSC Recommendations with respective agencies/parties
Item	Activity	2016 Target	Deliverables
<b><i>Regular Reportorial Functions</i></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 Review of the Monthly Monitoring Report on Over-riding Constraints (OCR)  Quarterly Report to PEM Board on the MSC Review of Monthly Monitoring of Over-riding Constraints together with the MSC's observations and recommendations as applicable.
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  MSC MMAR to Department of Energy (DOE) and Energy Regulatory Commission (ERC)
	a. Approval of Monthly Accomplishment Report		
	b. Approval of the Market Assessment Highlights/Report		
7.	Submission of the MSC Retail Market Monitoring Report (RMMR) to PEM Board	Quarterly	MSC RMMR to PEM Board, DOE and ERC
8.	Submission of the MSC Annual Report to PEM Board	1 <sup>st</sup> Quarter	Annual MSC accomplishment report to the PEM Board
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 MSC EMM, and upon submission by	MSC RIR to PEM Board per WESM Rule 10.7.9

		ECO of its investigation report	
	<i>Compliance Activities</i>		
11.	Monitoring and Evaluation of Trading Participants Compliance with the Must-Offer-Rule and RTD Schedule/ Review of MAG Monthly Compliance Report	Within Approved Timelines in the Assessment Process	Monthly Reports on Generators Trading Participants' Compliance with MOR and RTD Schedule
12.	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:       Ms. Eulinia M. Valdezco  
                     Dr. Peter Lee U  
                     Engr. Jose Mari T. Bigornia  
                     Atty. Doroteo B. Aguila

Atty. Bernarda C. Lavisores served as member of the MSC from 27 April 2007 until her resignation on 30 June 2015. All the other incumbent 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 for a new term. In addition, a new member, Engr. Jose Mari T. Bigornia was appointed on 01 July 2013. On 01 August 2015, Atty. Doroteo B. Aguila was appointed as the last MSC member for the lone vacant seat in the MSC.

The Department of Energy (DOE) representatives sit as resource persons in the MSC by virtue of PEM Board Resolution No. 2009-49 issued on October 28, 2009 which allowed DOE Representatives to sit as resource persons in all PEM Board Committees and Subcommittees to provide assistance or directions on any policy concern, any or all issues that are being dealt with in accordance with the purpose of the EPIRA, its implementing Rules and the WESM Rules and/or to facilitate discussion of 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 the following:
  - a. Activities of WESM Participants in the spot market;
  - b. 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; and

- b. suspected or alleged breaches of the WESM Rules by WESM members; and
- 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 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 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 fifteen (15) meetings<sup>1</sup> during the period covered.


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<sup>1</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

  
Member

  
**Jose Mari T. Bigornia**  
Member

  
**Peter Lee U**  
Member

  
**Doroteo B. Aguila**  
Member