

MSC-ANREP-2016

# Market Surveillance Committee 2016 Annual Report

January 2016 to December 2016

This Report is prepared by the Philippine Electricity Market Corporation-Market Assessment Group for the Market Surveillance Committee.

February 2017

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The Market Surveillance Committee (MSC) submits this Annual Report covering the MSC's accomplishments for the year 2016. This report also presents the proposed activities of the MSC for the year 2017.

The Market Assessment Group (MAG) provides both technical as well as administrative support to the MSC in performing its functions and obligations under the WESM Rules and applicable WESM Manuals.

## **I. 2016 ACCOMPLISHMENTS**

### **A. Review of Market Assessment Reports**

#### **A.1. Monthly Market Assessment Reports for November 2015 – October 2016**

As provided for under Section 7.3. of the Market Surveillance, Compliance and Enforcement Market (MSCM) Manual, the MSC reviewed and deliberated twelve (12) Monthly Market Assessment Reports, submitted by the Market Assessment Group (MAG), for the billing months of November 2015 to October 2016.

The Monthly Market Assessment Report provides an assessment of the development of market behavior covering the period under review, including the development and analysis of the monitoring indices as contained in the Catalogue of Market Monitoring Data and Indices.

The MSC also prepared the MSC Monthly Monitoring Reports for the covered billing months. The MSC Monthly Monitoring Report contains the MSC's Monthly Accomplishment Report (Part 1), which outlines the accomplishments and activities of the MSC for the covered period, and the Monthly Market Assessment Report (Part 2), which the MSC reviews and approved for submission as Part 2 of the Monthly Monitoring Report.

After due deliberation during the MSC's meetings, the MSC approved and subsequently submitted a total of twelve (12) MSC Monthly Monitoring Reports covering the billing months of November 2015 to October 2016, to the Philippine Electricity Market (PEM) Board, Energy Regulatory Commission (ERC) and Department of Energy (DOE), for their information and reference.

After the transmittal of the MSC Monthly Monitoring Reports to the PEM Board, the Monthly Market Assessment Reports, as reviewed and approved by the MC were subsequently published in the PEMC market information website for the information of WESM Participants.

## **A.2. 2015 Annual Market Assessment Report**

The MSC reviewed and deliberated the Annual Market Assessment Report covering the period 26 December 2014 to 25 December 2015, submitted by the MAG. After due deliberation, the MSC approved and subsequently submitted the 2015 Annual Market Assessment Report to the PEM Board, ERC and DOE on 08 August 2016, for their information and reference. The 2015 Annual Market Assessment Report was also published in the PEMC market information website.

Some observations highlighted in the 2015 Annual Market Assessment Report are the trends in outage capacity and in capacity not offered<sup>1</sup>. The Report further discussed the unplanned outages<sup>2</sup> which contributed to the high level of outage capacity.

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<sup>1</sup> Capacity not offered is calculated as the registered capacity less offered capacity. It also includes the capacity of plants still on testing and commissioning.

<sup>2</sup> Unplanned Outage is comprised of forced outage and maintenance, based on the Daily Operations Report by NGCP-SO, which adopted the revised outage classification of ERC through its Resolution No. 17, s.2013 "Adopting and Approving the Rules and Procedures to Govern the Monitoring of Reliability Performance of Generating Units and Transmission System".

The MSC has relayed to the ERC its concern on the high capacity not offered by generating plants due to occurrences of outages and other technical reasons, considering that the monitoring of generating plant's outages and system reliability is under the mandate of the Grid Management Committee (GMC) pursuant to ERC Resolution 17, Series of 2013<sup>3</sup>.

On 22 July 2016, the ERC held a meeting, with the GMC, DOE, PEMC and MSC in attendance, to discuss, among others, the above matters and propose measures and actions to address the same. As a way forward, the GMC committed to set the Reliability Performance Standards and release the same by December 2016.

**A.3. Assessment Report on Red and Yellow Alert Issuances for the Period July 25 – 31, 2016**

On 03 August 2016, the MSC received a letter from the ERC with regard to the recurring yellow and red alert status of the Luzon Grid, declared by the System Operator during the period July 25 – 31, 2016, due to the lack of power supply brought about by the unscheduled outages of several major power plants. In said letter, the Philippine Electricity Market Corporation (PEMC), through the MSC, was requested to:

- a. Submit a report on the bidding activities of the participants in the WESM, focusing on the plants which have gone on forced outage and the marginal plants in intervals with high prices during the period July 25 – 31, 2016; and
- b. Identify acts of omissions which may have constituted breaches of the WESM rules, abuse of market power or anti-competitive behavior during the said period.

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<sup>3</sup> ERC Resolution 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*

The ERC also requested the MSC to submit the report within ten (10) days from receipt of the letter.

On 11 August 2016, the MSC conducted a special meeting to review and discuss the Assessment Report on Yellow/Red Alert Issuances as prepared by the MAG. After due deliberation, the MSC agreed to submit the following recommendations to the ERC:

- a. the ERC, through the GMC, to look into the validity of the persistently high level of forced outages, particularly during the yellow and red alert events;
- b. the GMC to develop Reliability Performance Standards which will be used in monitoring the performance of generators;
- c. the generators should be required to provide mitigating measures in the event of unplanned outages;
- d. the Grid Operating and Maintenance Program (GOMP) should be reviewed and approved by the Department of Energy (DOE) and/or Energy Regulatory Commission (ERC) to ensure proper outage planning and scheduling;
- e. review the NGCP-SO's processes, particularly the formulation of the GOMP, contracting of reserves, and the issuance of yellow and red alert notices, be conducted;
- f. review the existing mechanisms to encourage the participation of additional ancillary services providers in the market;
- g. implementation of the reserve market to ensure the efficient scheduling and dispatch of energy and reserve providers;
- h. pursue the integration of the MERALCO network in the market network model to mitigate the frequent occurrences of pricing errors due to contingency violation; and
- i. conduct a regular review of the effectiveness of the existing mitigating measures to take into account the evolving market environment;

In addition to the above recommendations, the MSC also deemed that the parameters for identifying acts or omissions which may have constituted market power abuse and anti-competitive behavior needed to be established and corresponding guidelines be published.

After due deliberation, the MSC approved and subsequently adopted the Assessment Report in full. The Assessment Report on Yellow/Red Alert Issuances was thereafter submitted by the MSC to the ERC, through PEMC, on 15 August 2016.

Following the submission of its Assessment Report to the ERC, the MSC sent a follow-up letter on 28 November 2016, in relation to its recommendations in the said Report. In its letter, the MSC further sought the ERC's guidance in defining the parameters for identifying acts or omissions which may have constituted market power abuse and anti-competitive behavior.

## **B. Review of Retail Market Assessment Reports**

### **B.1. Quarterly Retail Market Assessment Reports for Q4 2015 and Q1 to Q3 2016**

Pursuant to Section 3.1 of the Catalogue of Retail Market Monitoring Data and Indices, the MSC reviewed and deliberated four (4) quarterly Retail Market Assessment Reports, submitted by the MAG, covering the fourth quarter of 2015 to third quarter of 2016.

The quarterly Retail Market Assessment Report discusses the outcome of monitoring indices as set out in the Catalogue of Retail Market Monitoring Data and Indices. Said indices also provide indications on the development of the retail market from the time of its integration into the WESM.

The MSC thereafter submitted the Retail Market Monitoring Reports for the said quarters, attaching the quarterly Retail Market Assessment Reports, which the MSC reviewed and adopted during the discussion of the said reports in its Committee meetings.



After due deliberation, the MSC approved and submitted the four (4) quarterly Retail Market Monitoring Reports for Q1 2015, Q1 2016, Q2 2016 and Q3 2016, to the PEM Board, ERC and DOE, for their information and reference.

After the transmittal of the Retail Market Monitoring Reports to the PEM Board, the quarterly Retail Market Assessment Reports were published in the market information website.

## **B.2. 2015 Annual Retail Market Assessment Report**

The MSC reviewed and deliberated the Annual Retail Market Assessment Report covering the period 26 December 2014 to 25 December 2015, prepared by the MAG. After due deliberation, the MSC approved and subsequently submitted the 2015 Annual Retail Market Assessment Report to the PEM Board, ERC and DOE on 06 May 2016, for their information and reference. The 2015 Annual Retail Market Assessment Report was also published in the PEMC market information website.

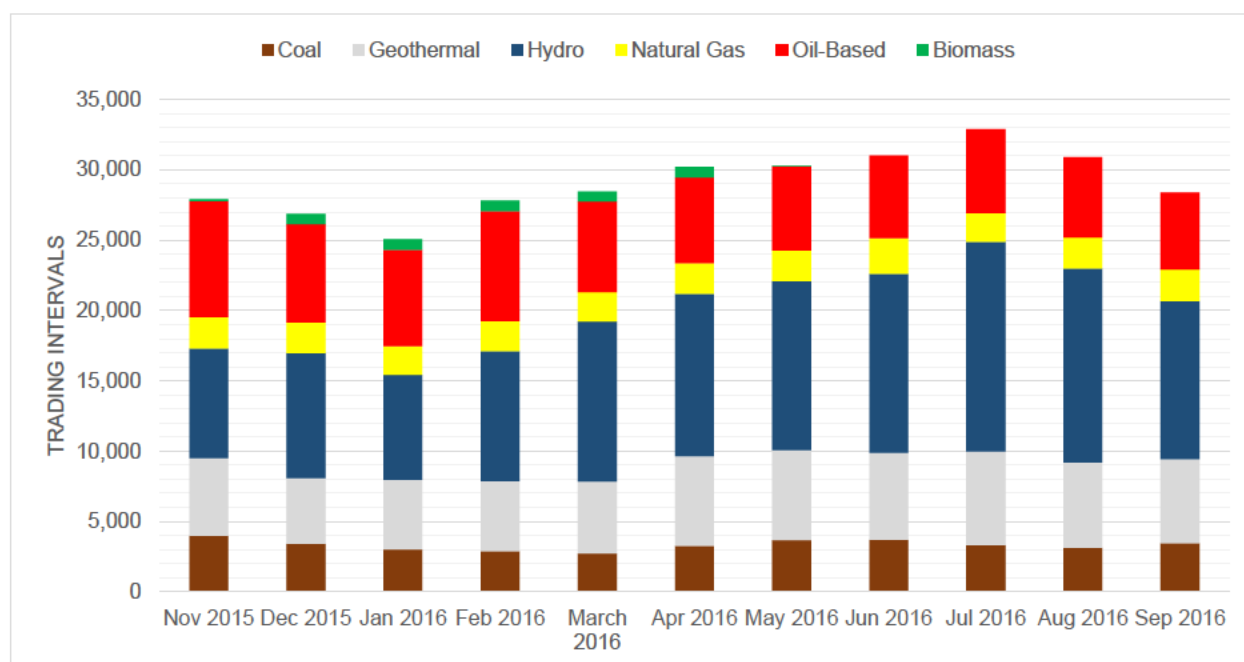
## **C. Review of Compliance Monitoring Reports**

### **C.1. Compliance to Must-Offer Rule and Real Time Dispatch Schedule of Trading Participants with Scheduled Generating Units for November 2015 to September 2016**

In the course of routine monitoring of compliance by trading participants with the WESM Rules, the MSC regularly reviews the compliance with the must-offer rule (MOR) and real time dispatch (RTD) schedule, of trading participants with scheduled generators in Luzon and Visayas, as contained in the monthly monitoring reports submitted by the MAG. The said reports contain the list of trading participants in Luzon and Visayas, and the number of trading intervals with capacity gaps and deviations from the RTD schedule.

For the billing months of November 2015 to September 2016, the MSC observed 319,796 total trading intervals with capacity gap per resource for Luzon, and 108,598 for Visayas. The monthly breakdown of these trading intervals is presented in Figures C.1-1 and C.1-2, as follows:

**Figure C.1-1 | Trading Intervals with Capacity Gap, per Resource, Luzon**

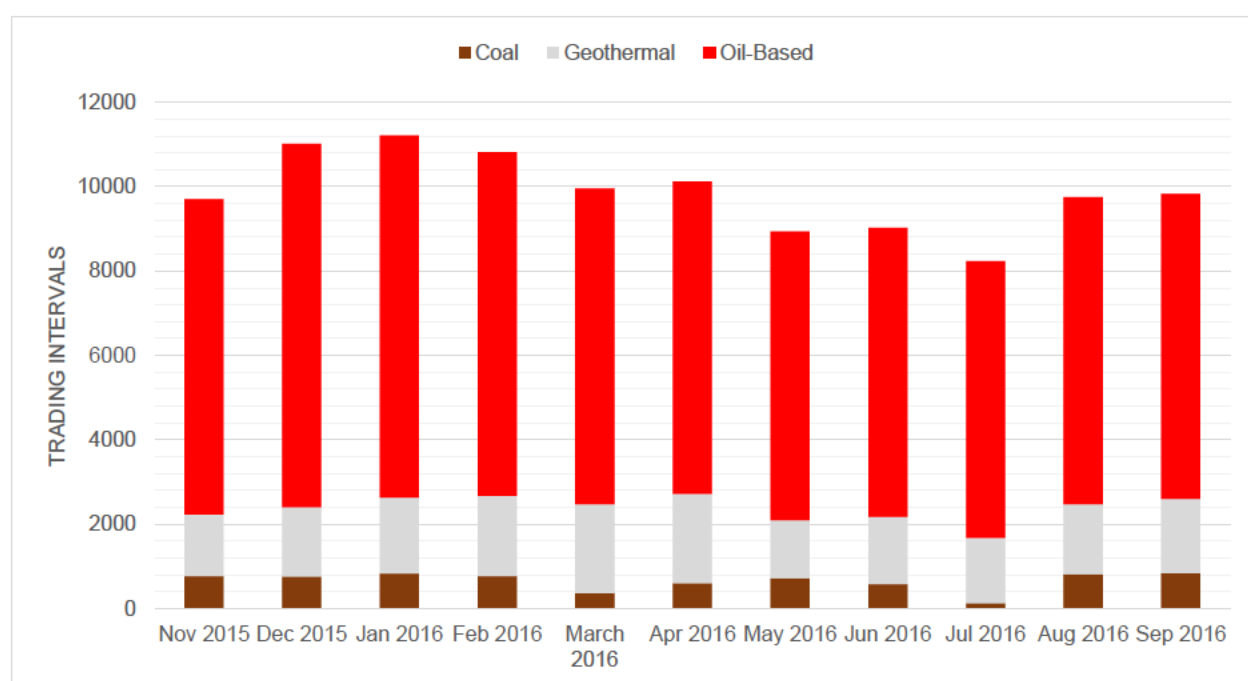


**Table C.1-1 | Summary of Trading Intervals with Capacity Gap, Luzon**

Plant Type	Nov 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	Jun 2016	Jul 2016	Aug 2016	Sep 2016	Total
Coal	3,985	3,418	2,993	2,898	2,722	3,285	3,669	3,705	3,322	3,132	3,448	36,577
Geothermal	5,529	4,651	4,964	4,962	5,121	6,367	6,412	6,177	6,659	6,046	5,998	62,886
Hydro	7,770	8,907	7,460	9,252	11,383	11,524	12,015	12,726	14,906	13,796	11,208	120,947
Natural Gas	2,223	2,184	2,050	2,122	2,079	2,190	2,173	2,524	2,022	2,207	2,241	24,015
Oil-Based	8,267	6,977	6,855	7,840	6,447	6,103	5,968	5,903	5,983	5,717	5,497	71,557

Plant Type	Nov 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	Jun 2016	Jul 2016	Aug 2016	Sep 2016	Total
Biomass <sup>4</sup>	141	719	737	743	695	731	48	-	-	-	-	3,814
<b>Total</b>	<b>27,915</b>	<b>26,856</b>	<b>25,059</b>	<b>27,817</b>	<b>28,447</b>	<b>30,200</b>	<b>30,285</b>	<b>31,035</b>	<b>32,892</b>	<b>30,898</b>	<b>28,392</b>	<b>319,796</b>

**Figure C.1-2 | Trading intervals with Capacity Gap, per Resource, Visayas**



**Table C.1-2 | Summary of Trading Intervals with Capacity Gap, Visayas**

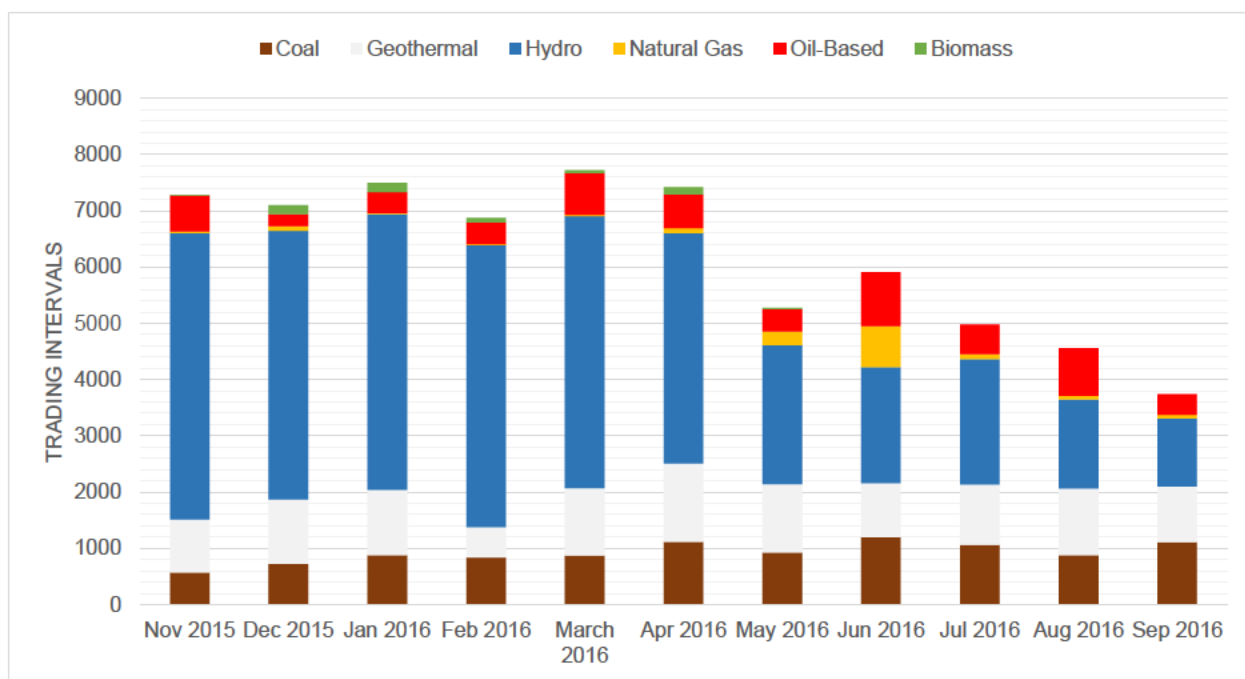
Plant Type	Nov 2015	Dec 2015	Jan 2016	Feb 2016	March 2016	Apr 2016	May 2016	Jun 2016	Jul 2016	Aug 2016	Sep 2016	Total
Coal	766	760	832	761	365	603	719	571	127	815	838	7,157
Geothermal	1463	1645	1794	1917	2113	2118	1381	1607	1549	1656	1760	19,003
Oil-Based	7478	8611	8589	8132	7477	7401	6836	6848	6555	7279	7232	82,438
<b>Total</b>	<b>9,707</b>	<b>11,016</b>	<b>11,215</b>	<b>10,810</b>	<b>9,955</b>	<b>10,122</b>	<b>8,936</b>	<b>9,026</b>	<b>8,231</b>	<b>9,750</b>	<b>9,830</b>	<b>108,598</b>

<sup>4</sup> During the period covered, there was an ongoing change in registration of biomass plants from scheduled to priority dispatch generating units.

As seen in Tables C.1-1 and C.1-2, the highest total trading intervals with capacity gap in Luzon was recorded in July 2016, mainly due to the large capacity gap from hydro plants (45.32%), followed by geothermal plants (20.25%), oil-based plants (18.19%), coal plants (10.10%) and natural gas plants (6.15%). On the other hand, the highest total trading intervals with capacity gap in Visayas was recorded in January 2016, mainly due to the large capacity gap from oil-based plants (79.64%), followed by geothermal plants (18.82%) and coal plants (1.54%).

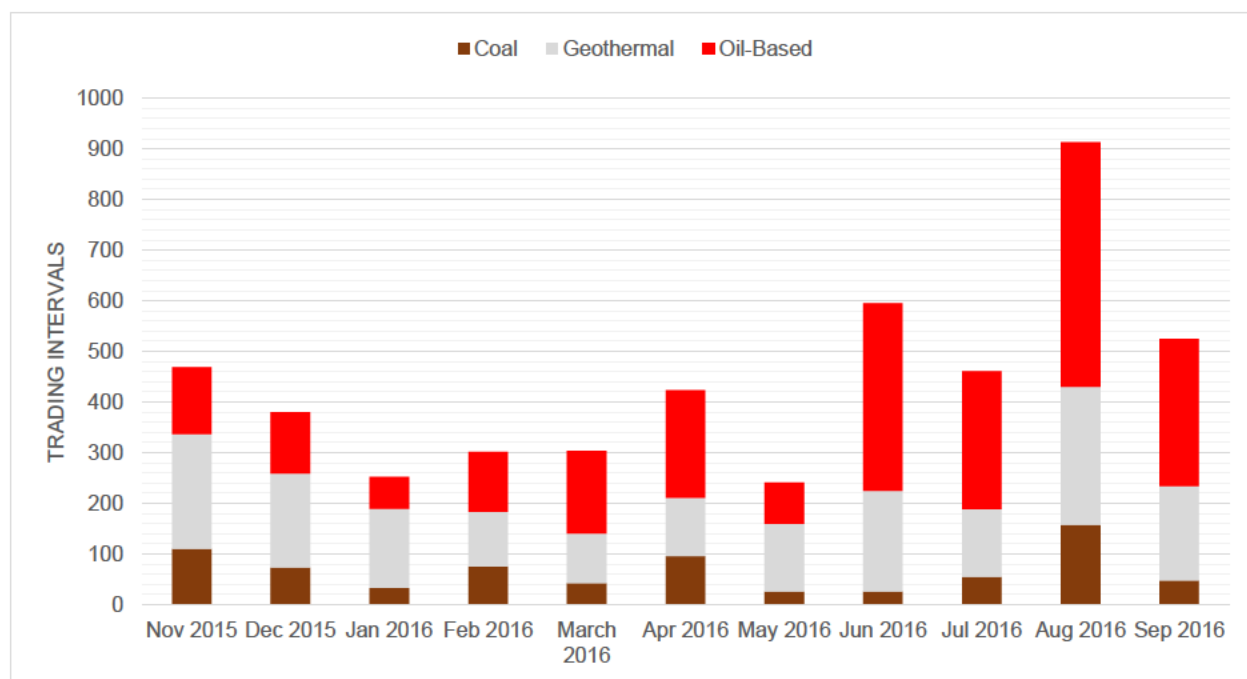
The noticeable decrease in the number of trading intervals with capacity gap for biomass, was due to the change in the registration of biomass plants during the period. Effectively after the May 2016 billing month, all biomass plants were classified from scheduled to priority dispatch generating units and hence, will not be covered by the must offer rule requirement.

As regards the deviations to RTD schedule, the MSC observed 68,359 total trading intervals with deviation exceeding the  $\pm 3\%$  dispatch tolerance limit for Luzon, and 4,865 for Visayas. The monthly breakdown of these trading intervals is presented in Figures C.1-3 and C.1-4, as follows:

**Figure C.1-3 | Trading Intervals with Deviation on the RTD Schedule, per Resource, Luzon**

**Table C.1-3 | Summary of Trading Intervals with Deviation on the RTD Schedule, Luzon**

Plant Type	Nov 2015	Dec 2015	Jan 2016	Feb 2016	March 2016	Apr 2016	May 2016	Jun 2016	Jul 2016	Aug 2016	Sep 2016	Total
Coal	569	724	882	837	873	1111	928	1201	1061	880	1107	10,173
Geothermal	943	1148	1156	541	1195	1394	1211	958	1071	1183	992	11,792
Hydro	5090	4770	4901	5009	4837	4095	2471	2061	2228	1579	1208	38,249
Natural Gas	30	88	15	22	24	88	244	730	93	69	63	1,466
Oil-Based	640	208	375	379	735	600	395	959	520	849	372	6,032
Biomass <sup>5</sup>	11	162	169	86	57	135	27					647
<b>Total</b>	<b>7,283</b>	<b>7,100</b>	<b>7,498</b>	<b>6,874</b>	<b>7,721</b>	<b>7,423</b>	<b>5,276</b>	<b>5,909</b>	<b>4,973</b>	<b>4,560</b>	<b>3,742</b>	<b>68,359</b>

<sup>5</sup> Ibid.

**Figure C.1-4 | Trading Intervals with Deviation on the RTD Schedule, per Resource, Visayas**

**Table C.1-4 | Summary of Trading Intervals with Deviation on the RTD Schedule, Visayas**

Plant Type	Nov 2015	Dec 2015	Jan 2016	Feb 2016	March 2016	Apr 2016	May 2016	Jun 2016	Jul 2016	Aug 2016	Sep 2016	Total
Coal	110	73	33	75	42	95	26	26	55	157	47	739
Geothermal	227	186	156	108	98	116	134	199	133	273	187	1,817
Oil-Based	132	121	63	119	164	212	81	370	273	483	291	2,309
<b>Total</b>	<b>469</b>	<b>380</b>	<b>252</b>	<b>302</b>	<b>304</b>	<b>423</b>	<b>241</b>	<b>595</b>	<b>461</b>	<b>913</b>	<b>525</b>	<b>4,865</b>

As seen in Tables C.1-3 and C.1-4, the highest total trading intervals with deviation exceeding the  $\pm 3\%$  dispatch tolerance limit in Luzon was recorded in March 2016, mainly due to the high deviations from hydro plants (44.80%), followed by geothermal plants (21.54%), coal (21.34%), oil-based (10.46%) and natural gas plants (1.87%). In Visayas, the highest total trading intervals with deviation exceeding the  $\pm 3\%$  dispatch tolerance limit was recorded in

August 2016, mainly due to oil-based plants (59.22%), followed by geothermal plants (28.85%) and coal plants (11.93%).

## **C.2. Compliance to Real Time Dispatch Schedule of Trading Participants with Priority Dispatch Generating Units for May 2016 to September 2016**

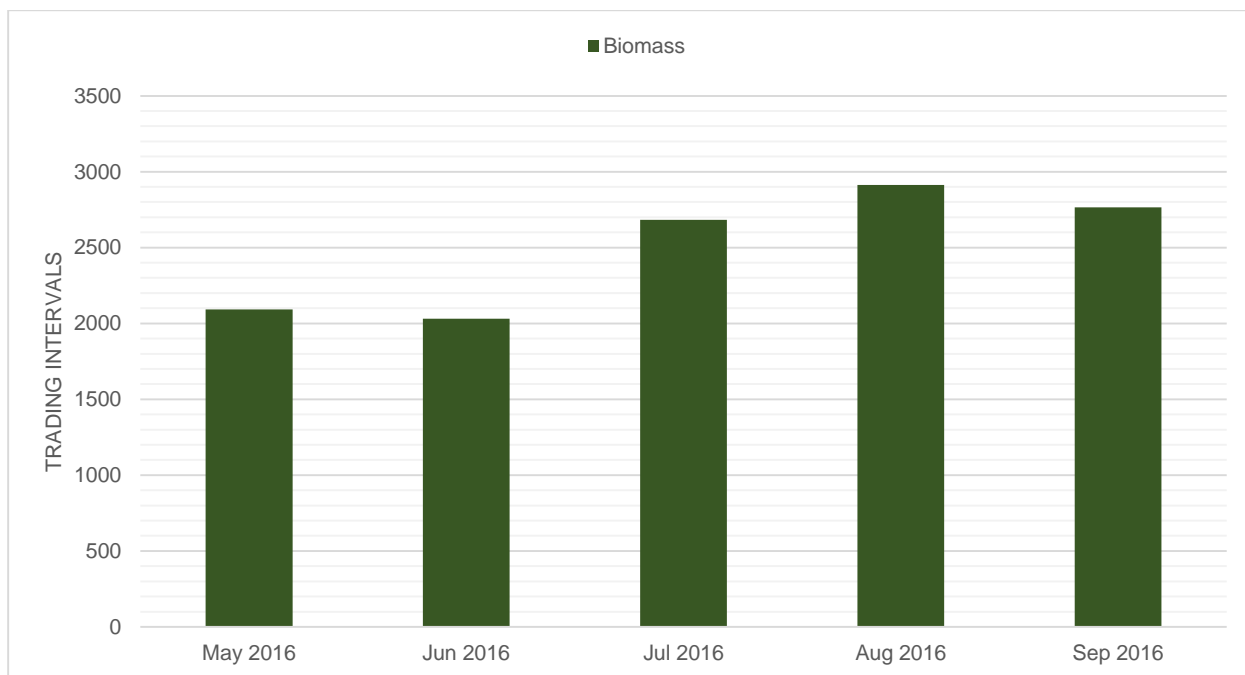
Aside from monitoring the compliance to the WESM Rules of trading participants with scheduled generating units, the MSC also reviewed the activities of trading participants with priority dispatch generating units in terms of their compliance with the RTD schedule, as contained in the monthly monitoring reports submitted by the MAG. Pursuant to the WESM Rules, all priority dispatch generating units are required to follow the dispatch schedule issued by the Market Operator unless otherwise instructed by the System Operator<sup>6</sup>, and shall follow all instructions from the System Operator in accordance with the Philippine Grid Code, the WESM Rules and pertinent Manuals.

For the billing months of May 2016 to September 2016<sup>7</sup>, the MSC observed that six (6) trading participants with priority dispatch generating units (biomass) had total deviations between the RTD schedule and actual dispatch exceeding the  $\pm 3\%$  tolerance limit in 12,483 trading intervals. The monthly breakdown of these trading intervals is presented in Figure C.2-5, as follows:

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<sup>6</sup> WESM Rules Clause 2.3.1.8, 3.8.3.2, 3.8.4.1, 3.8.7.1, 3.8.3.

<sup>7</sup> Effectively after the May 2016 billing month, all biomass plants have changed its registration from scheduled to priority dispatch generating units.

**Figure C.2-5 | Trading Intervals with Deviation on the RTD Schedule, Priority Dispatch Generating Units**

**Table C.2-5 | Summary of Trading Intervals with Deviation on the RTD Schedule, Priority Dispatch**

Plant Type	May 2016	Jun 2016	Jul 2016	Aug 2016	Sep 2016	Total
Biomass	2092	2031	2682	2913	2765	12,483

As seen in Table C.2-5, the highest total number of trading intervals with deviations exceeding the  $\pm 3\%$  dispatch tolerance limit was recorded in August 2016 at 2,913.



### C.3. Monitoring of Submission of Nomination of Loading Level and Projected Output of Trading Participants with Non-scheduled, Must-Dispatch and Priority Dispatch Generating Units for December 2015 to October 2016

The MSC reviewed the compliance of trading participants with non-scheduled, must-dispatch and priority dispatch generating units with their submission of nomination of loading level and projected output, as contained in the monthly monitoring reports submitted by the MAG. Pursuant to the WESM Rules, all non-scheduled generating units are required to submit a nomination of loading level, while must-dispatch and priority dispatch generating units are required to submit their projected output, for each trading interval<sup>8</sup>.

As of 25 October 2016, a total of sixty-eight (68) generating units have registered with the market, forty-six (46) of which are must-dispatch, eight (8) are priority-dispatch and fourteen of which (14) are non-scheduled generating units. Table C.3-6 shows the summary of registered must-dispatch, priority dispatch and non-scheduled generating units as of the period covered.

**Table C.3-6 | Summary of Registered Non-scheduled, Must-Dispatch and Priority Dispatch Generating Units, October 2016 (by Registration Category)**

	By Registration Category	Capacity, in MW	% Share	No. of Resource Nodes	% Share
<b>Luzon</b>	Must-Dispatch	648	47.02%	32	47.06%
	Priority Dispatch	68	4.92%	6	8.82%
	NonScheduled	32	2.33%	5	7.35%
<b>Sub-Total, Luz</b>	<b>Total</b>	<b>748</b>	<b>54.27%</b>	<b>43</b>	<b>63.24%</b>
<b>Visayas</b>	Must-Dispatch	511	37.07%	14	20.59%
	Priority Dispatch	52	3.77%	2	2.94%
	NonScheduled	67	4.89%	9	13.24%
<b>Sub-Total, Vis</b>	<b>Total</b>	<b>630</b>	<b>45.73%</b>	<b>25</b>	<b>36.76%</b>
<b>Total, Luz-Vis</b>		<b>1,378</b>	<b>100.00%</b>	<b>68</b>	<b>100.00%</b>

<sup>8</sup> WESM Rules Clause 3.5.5.4, 3.5.5.5, 3.5.11.2, 3.5.11.3.

Of the 68 generating units that registered, solar plants have the highest number of resources that registered at thirty-five (35), followed by biomass plants at fifteen (15).

Also, of these generating units, thirty-three (33) are still undergoing test and commissioning, thus only thirty-five (35) were monitored for their submission of nomination of loading level and projected output<sup>9</sup> as of the period covered. It must be noted that solar plants are expected to be in operation only during day time, hence, the submission of their projected output was observed only from 0600H to 1800H.

### **C.3.1. Coordination with PEMC - Enforcement and Compliance Office**

In 2015, the MSC agreed to continue monitoring the compliance in the WESM Rules on the submission of nomination of loading level and projected output, of trading participants with non-scheduled, must-dispatch and priority dispatch generating units, in the meantime that there are still no specific rules stating whether said generating units will be included in the issuance of the requests for investigation (RFI), in case of failure to comply with the said WESM Rules<sup>10</sup>.

In its letter dated 08 September 2016, the MSC formally requested the recommendation of the Enforcement and Compliance (ECO) on the interim penalties for breaches of the WESM Rules of trading participants with non-scheduled, must-dispatch and priority dispatch generating units, noting that the ECO has initiated the review of the financial penalty provisions in the Financial Penalty Manual.

The ECO subsequently provided its recommendations for the interim penalties to be applied to breach pertaining to non-scheduled, must-dispatch and priority dispatch

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<sup>9</sup> Monitoring excludes outages and trading intervals under market intervention / suspension.

<sup>10</sup> The MSC started its monitoring of the compliance of trading participants with non-scheduled, must-dispatch and priority dispatch generating units, in their submission of nomination of loading level and projected output, in October 2015. (Ref. [MSC-ANREP-2015](#))

generating units. In its letter to the MSC, the ECO informed that the recommended penalty levels follow the same framework as that which the ECO will eventually propose as a revision to the Financial Penalty Manual.

### **C.3.2. Coordination with PEMC – Corporate Planning and Communications**

In the course of its monitoring, the MSC observed that a number of the trading participants with must-dispatch and priority dispatch generators do not comply with the WESM Rules Sec. 3.5.5<sup>11</sup>. To draw the attention of the concerned trading participants to the said provisions, the MSC issued an advisory on 09 June 2016, through the WESM Info, and sent letters on 01 July 2016, to the concerned trading participants for their guidance.

Subsequently, trading participants have started communicating with the MSC raising their issues and concerns on the matter. The MSC noted that it could not proceed with the implementation of the WESM Rules on the submission of nomination of loading level and projected output due to the constraints raised by the trading participants.

On 23 August 2016, the MSC transmitted a letter to PEMC recommending the conduct of a regular training/re-training for all trading participants with non-scheduled, must-dispatch and priority dispatch generators. The MSC deemed that the concerned trading participants

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<sup>11</sup> **“Section 3.5.5 Generation Offers and Data**

**3.5.5.4** *Each Non-Scheduled Generation Company shall submit a standing nomination of loading levels for each of its non-scheduled generating units for each trading interval in each trading day of the week in accordance with the timetable. The standing nomination of loading levels shall apply until revised or updated by the Non-Scheduled Generation Company.*

**3.5.5.5** *Generation Companies shall provide to the Market Operator and the System Operator standing projected outputs in respect of their must dispatch generating units and priority dispatch generating units for each trading interval in each trading day of the week in accordance with the relevant Market Manuals and provisions of the Grid Code. The standing projected outputs shall apply until revised or updated by the relevant Generation Company.”*

**3.5.5.6** *A Trading Participant who fails to submit projected outputs for its must dispatch generating unit or priority dispatch generating unit as provided under Clause 3.5.5.5 may be liable for sanctions imposed under Clause 7.2.*

needed further training and information with regard to relevant provisions that they need to comply with.

On the matter of compliance, the MSC also opined that for the trading participants to be able to comply with the WESM Rules, the WESM Compliance Officer (WCO) should be well-informed and trained about its roles and responsibilities and about the relevant WESM Rules that the trading participants need to comply with. Noting this, the MSC recommended the conduct of separate training program for WCOs (See related discussions in Section **I.2**).

#### **D. Issuance of Requests for Investigation**

On the basis of its review of the monthly monitoring reports on the compliance of trading participants to the MOR and RTD schedule (See related discussions in Sections **C.1** and **C.2**), the MSC found possible non-compliances with the MOR and RTD schedule covering the billing months of November 2015 to September 2016, and thereafter submitted RFIs to the PEM Board. Among the trading participants included in the RFIs are those with priority dispatch generating units for their possible non-compliance with the RTD schedule.

Effective 26 September 2016, the MSC started evaluating the Significant Event Reports required to be submitted by trading participants under the WESM Compliance Bulletin 6.0 (See related discussions in Section **J.1**). The evaluation of the Significant Event Reports is part of the revised MSC Compliance Monitoring Process, under which prior to the issuances of RFIs, all Significant Event Reports detailing information on a significant event that resulted in the possible non-compliance to the MOR of a trading participant, would have to be evaluated first.

In total, the MSC submitted 1,165 RFIs covering the billing months of November 2015 to September 2016. The summary of RFIs submitted to the PEM Board is shown in Table D-7 below.

**Table D-7 | Summary of RFIs submitted to the PEM Board**

Billing Month	Date Submitted to the PEM Board	No. of RFIs for Possible Non-Compliance with MOR	No. of RFIs for Possible Non-Compliance with RTD	Total No. Of RFIs per Month
November 2015	28-Jan-16	53	49	102
December 2015	29-Feb-16	53	48	101
January 2016	29-Mar-16	49	47	96
February 2016	16-May-16	53	47	100
March 2016	7-Jun-16	54	53	107
April 2016	22-Jun-16	59	54	113
May 2016	2-Aug-16	49	54	103
June 2016	31-Aug-16	52	55	107
July 2016	11-Oct-16	54	53	107
August 2016	4-Nov-16 & 8-Dec-16	56	61	117
September 2016	8-Dec-16	56	56	112
<b>TOTAL</b>		<b>588</b>	<b>577</b>	<b>1165</b>

## E. Review of Over-riding Constraints

The MSC regularly reviews the monthly monitoring report on over-riding constraints, submitted by the MAG. Said report details the results of the monitoring of over-riding constraints imposed by the System Operator on generators and the N-1 contingency requirements. It also contains a month-on-month comparison of the number of generators and number of over-riding events<sup>12</sup> imposed per generator resource type. During the period covered, the MSC reviewed twelve (12) monthly reports covering the billing period 26 October 2015 to 25 October 2016.

<sup>12</sup> 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 **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 the course of its monitoring, the MSC has observed that the highest percentage of over-riding events imposed were related to the conduct of test and commissioning of various plants, particularly those which recently registered in the WESM.

The MSC also noted and identified issues relative to the conduct of test and commissioning of these new generating plants, particularly several new generating facilities continue to conduct test and commissioning beyond the maximum two-month period required under Section 2 (iii) of the ERC Resolution No. 16, Series of 2014<sup>13</sup>. The identified issues were elevated by the MSC to the ERC for their information (See related discussions in Section J.3).

#### **F. Review of ECO Investigation Reports**

Pursuant to Section 6.2.1 (i) of the MSCEMM, the MSC is tasked to review the Investigation Reports prepared by the ECO with respect to 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 completed its review of a total of nine (9) consolidated ECO Investigation Reports covering twenty-nine (29) cases. The 29 cases involved fifteen (15) cases for possible non-compliances with the MOR and fourteen (14) cases for possible non-compliances with the RTD Schedule.

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<sup>13</sup> ERC Resolution No.16, Series of 2014 *A Resolution Adopting the 2014 Revised Rules for the Issuance Of Certificates Of Compliance (COCs) for Generation Companies, Qualified End-Users and Entities with Self-Generation Facilities*

The MSC thereafter presented the results of its review during the PEM Board meeting held on 01 March 2016. The PEM Board adopted the MSC conclusions and recommendations for the adoption of ECO's recommendations including the imposition of financial penalties for the involved trading participants that committed breach of the applicable WESM Rules, with the exception on the publication of specific information on the penalized participants.

As of December 2016, the MSC is in the process of reviewing eight (8) ECO Investigation Reports for possible non-compliance to MOR and eight (8) ECO Investigation Reports for possible non-compliance to RTD schedule. The sixteen (16) consolidated ECO Investigation Reports cover the fifty-two (52) ECO cases that corresponds with the 52 RFIs issued by the MSC for the various billing months from December 2013 to November 2015.

#### **G. Review of Market Intervention Events**

Pursuant to Section 6.2.1 (h) of the MSCEMM, the MSC is tasked to investigate an event of market intervention or market suspension and prepare the corresponding market intervention report or market suspension report to be submitted to the PEM Board.

An MSC subcommittee was created and tasked to review and revisit its internal process of reviewing the market intervention events in accordance with the MSCEMM to institutionalize the same.,

On 23 May 2016, the MSC subcommittee commenced its review of the market intervention events. Taking into consideration the subcommittee's discussion to propose a procedure in the review of market intervention events, the MSC subsequently reviewed and revised the proposed flowchart and procedure for the review of market intervention events, prepared by the MAG, to include the (a) timeline for the preparation and submission of the MSC Reports; and (b) requirement to furnish copies of the MSC Reports to DOE and ERC. The proposed flowchart and procedure were subsequently approved by the MSC.

In December 2016, the MSC started its review of the MO-initiated market intervention (MI) event that occurred on 05 November at 2000H and the SO-initiated market intervention event that occurred on 15 November 2016 at 2000-2300H, in accordance with the approved procedures.

As part of its fact-finding process, the MSC conducted a meeting with representative(s) from PEMC-TOD, held on 12 January 2017, to further discuss the abovementioned market intervention events. The representatives from PEMC-TOD presented additional details on the market intervention events, which the MSC noted. Following the presentation, the MSC also invited representatives from the System Operator for a meeting scheduled on 07 February 2017 to conduct further fact-finding on the said market intervention events. The MSC will be completing its report on the review of market intervention events after gathering all the relevant information and finalizing its discussions on the same.

## **H. Review of Proposed Amendments to the WESM Rules and Manuals**

### **H.1. Proposed Amendments to the Dispatch Protocol Manual Issue 11.0**

The MSC reviewed the RCC's proposed amendments to the WESM Manual on Dispatch Protocol Issue 11.0 regarding dispatch tolerance standards and co-generation facilities.

The MSC deemed that the dispatch tolerance limit be reviewed by the System Operator in consultation with the Market Operator and/or the Market Operator in consultation with the System Operator. In addition, the MSC requested for the technical basis in coming up with the proposed dispatch tolerance limit applied to scheduled and priority dispatch generating units.

The MSC finalized its comments on the proposed amendment and transmitted the same to the RCC on 11 May 2016.



## **H.2. Proposed Amendments to WESM Manual on Metering Standards and Procedures**

The MSC reviewed and discussed the RCC's proposed amendments to the WESM Manual on Metering Standards and Procedures in relation to the following concerns raised by the PEM Board:

- a. that pertinent provisions relating to Retail Competition and Open Access such as "distribution revenue meter" (e.g. Section 2.4.2) be deleted if the proposal intends to be applicable only to the WESM;
- b. whether or not it is mandatory to have a backup meter for all WESM participants; and
- c. the cost impact of the metering equipment required by the proposal (i.e., who shall bear the cost, etc.)

The proposed amendments was a consolidation of the previous proposals on the WESM Manual on Metering Standards and Procedures Issue 9.0, which were submitted by PEMC and the TC in 2014. In consideration of the above information the MSC recommended that: (i) the cost of the installation of the backup meters should not be passed on to customers; and (ii) the reference for settlement, i.e. whether the main meter or backup meter, should be made clear in the rules.

## **I. Submission of Proposed Amendments to the WESM Rules and Manuals**

### **I.1. Review of the Market Surveillance, Compliance and Enforcement Market Manual**

Pursuant to its mandate as provided in the WESM Rules, the MSC initiated the review of the MSCEMM Issue 3.0 through the constitution of a subcommittee. The review was envisioned to focus on the provisions related to market monitoring, assessment and surveillance in conjunction and close reference to the proposed new WESM Enforcement and Compliance Manual as drafted by ECO.

The review started in October 2015 with the MAG providing a comprehensive working document which were progressively discussed in subcommittee meetings held on January 14 and 27, February 27, March 10 and April 20, 2016.

On March 17 and June 15, 2016, the MSC subcommittee conducted coordination meetings with the ECO to request inputs and to discuss the strategy on the submission of the proposed amendments. Following the agreements during the coordination meetings, the MSC furnished the ECO a copy of the proposed Market Surveillance Manual, for the ECO's review and comments. The MSC also agreed to proceed with the joint submission of the proposed Market Surveillance Manual and WESM Enforcement and Compliance Manual.

The MSC subcommittee subsequently conducted meetings on October 7 and 12, 2016 to further review its proposed Market Surveillance Manual. The same was presented to the MSC during its regular meeting on 25 October 2016. During the said meeting, the MSC also discussed the proposed WESM Enforcement and Compliance Manual and provided inputs and additional revisions on the same. The MSC subcommittee conducted another meeting with the ECO, held on 04 November 2016, to discuss the MSC's inputs and revisions in the proposed WESM Enforcement and Compliance Manual.

On 16 November 2016, the MSC approved the ECO's proposed WESM Enforcement and Compliance Manual, to be jointly submitted with PEMC, as well as its proposed Market Surveillance Manual, as endorsed by the MSC subcommittee for submission to the RCC.

As an overview, the MSCEMM was proposed to be amended to enhance the MSC's processes pertaining to: (a) market monitoring, assessment and surveillance; and (b) enforcement and compliance, as well as to harmonize the same with the ERC-PEMC Protocol, specifically on matters regarding the investigation of anti-competitive behavior.

The provisions in the MSCEMM pertaining to enforcement and compliance were consolidated into the proposed WESM Enforcement and Compliance Manual while the provisions on market monitoring, assessment and surveillance were retained, with proposed amendments introduced as applicable. The title of the Manual was thereafter changed to *Market Surveillance Manual*.

The proposal was accompanied by the proposed changes to the WESM Rules in order to align the provisions in said Rules and the proposed Market Surveillance Manual.

The proposed WESM Enforcement and Compliance Manual and Market Surveillance Manual were transmitted to the RCC on 06 December 2016 and 29 December 2016 respectively. Presentation to the RCC was scheduled on 13 January 2017.

## **I.2. Review of the Roles and Responsibilities of WESM Compliance Officers**

The MSC observed that there were trading participants that do not designate WCOs, effectively violating the WESM Rules Sec. 7.2.9.1<sup>14</sup>, which requires the designation of WCO. The MSC also took note of the roles and responsibilities of WCOs, among which is to liaise

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<sup>14</sup> WESM Rules 7.2.9.1 *Each WESM Member, the Market Operator, the System Operation, Metering Service Provider and any other WESM Providers shall designate a Compliance Officer in their respective organizations.*

between the MSC and/or other parties and the concerned trading participant. The MSC opined that for the trading participants to be able to comply with the WESM Rules, the WCO should be well-informed and trained about its roles and responsibilities and about the relevant WESM Rules that the trading participants need to comply with (See related discussions in Section **C.3**).

On 15 June 2016, the MSC conducted a coordination meeting with the ECO to discuss the issues observed by the MSC with regard to the compliance of trading participants to the WESM Rules, particularly on the requirement to designate a WCO.

Following the discussion, the MSC finalized its recommendations prescribing minimum qualifications for a WCO seeing that currently, there are no provisions on the same in the WESM Rules. The letter incorporating the MSC recommendations on the qualification of designated WCOs was transmitted to the DOE on 17 June 2016.

On 23 August 2016, the MSC also transmitted to the ECO its proposed amendments to the WESM Rules on the qualification of designated WCOs, for the ECO's reference. In its letter, the MSC recommended that the ECO already include the proposed amendments on WCO qualification in the proposed new WESM Enforcement and Compliance Manual.

The MSC received a letter dated 23 September 2016 in which the DOE specifically recommended that the MSC's proposed amendments to the WESM Rules on the qualification of designated WCO be further reviewed. In reply to the DOE, it was informed that the MSC together with the ECO, already reviewed the said proposed amendments and have in effect included provisions on the same in the proposed new WESM Enforcement and Compliance Manual, submitted to the RCC in December 2016.

### **I.3. Review of Rules on Outages**

As an offshoot of its discussion on the high level of outage capacity during the review of its market assessment reports, the MSC created a subcommittee on the review of rules on outages. The first meeting was held on 26 October 2016 with MAG providing a consolidated listing of relevant provisions in all WESM Rules, Market Manuals and other Issuances that are specific on outages

The MSC subcommittee reviewed these existing and applicable rules on outages under the WESM Rules, relevant Market Manuals, Philippine Grid and Distribution Codes, and other relevant issuances and circulars, with the view to provide recommendations to the DOE as necessary.

In the course of its review, the MSC subcommittee noted some observations, particularly on the Grid Operating and Maintenance Programs required under the Philippine Grid Code (PGC). During its meeting on 14 November 2016, the MSC subcommittee finalized its recommendations to the DOE, as follows:

- a. Designation of a body that shall be vested with the mandate and authority to:
  - i. Approve the Grid Operating and Maintenance Programs including the outage and maintenance plans/programs submitted by individual generators. In practice, the NGCP submits to the DOE the GOP in accordance with the DOE Circular No. 2010-03-0003<sup>15</sup>;
  - ii. Monitor the compliance of generators to their respective operating and maintenance plans/programs; and

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<sup>15</sup> DOE 2010-03-0003 Department Circular directing all power generation companies, the transmission service provider, and all distribution utilities to ensure adequate and reliable electric power supply in the country.

Section 3.3 provides that NGCP shall submit to the DOE for consideration the GOMP.

- iii. Impose penalties for non-compliances to the Grid Operating and Maintenance Programs without sufficient justification. The MSC observed that the DOE Circular No. DC 2010-03-0003 provides for a formation and implementation of an “enforcement and penalty mechanism” but there are no clear provisions yet that specify the same; and
- b. Mandatory submission of outage and maintenance plans/programs by the generators to the said authorized body and submission of justification, in case of deviation from the approved plans/programs<sup>16</sup>.

During its regular meeting held on 16 November 2016, the MSC subcommittee presented its recommendations which the MSC subsequently approved. The letter incorporating the MSC recommendations was transmitted to the DOE on 17 January 2017.

## **J. Other Activities**

### **J.1. Revisions to the MSC Compliance Monitoring Process**

On 18 March 2016, the ECO issued the WESM Compliance Bulletin 6.0<sup>17</sup>, which provides the procedures for the submission of the Significant Event Report required of the trading participants under WESM Rules Clause 3.5.11.7, and the description of the Significant Event

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<sup>16</sup> DOE 2010-03-003 Department Circular directing all power Generation Companies, the Transmission Service Provider, and all Distribution Utilities to ensure adequate and reliable electric power supply in the country.

Section 6 provides that the DOE, in consultation with the ERC, shall formulate and implement enforcement and penalty mechanism in cases of non-compliance to this Circular by the Generation Companies, Distribution Utilities and NGCP. For the purpose of monitoring and assessing the overall reliability performance of the Grid and the Grid user facilities, a Grid Reliability Task Force to undertake the necessary studies and policy recommendation to the DOE and ERC shall be created which members and specific task shall be defined in separate Circular.

<sup>17</sup> A revised version, the WESM Compliance Bulletin 6.1, was also issued on 30 June 2016. The revision provides details on the electronic facility that will be used for submission of the report in accordance with the procedures set out in the said Bulletin.

Notice and the Significant Event Report Form required to be submitted to comply with the reportorial requirements under said Rule.

Following the issuance of the said Bulletin, the MSC revised its Compliance Monitoring Process to consider in its monitoring process the Significant Event Report submitted by trading participants, in accordance with the procedures and requirements set in the Bulletin (See related discussions in Section D).

On 09 September 2016, an advisory was posted through the WESM Info, enjoining all trading participants to comply with the Bulletin beginning the billing period of 26 September to 25 October 2016. The MSC commenced its evaluation of the Significant Events Report following the posting of the advisory, for information of the trading participants.

## **J.2. Participation in the WESM Open House**

On 06 October 2016, the MSC participated as one of the resource speakers during the WESM Open House attended by WESM Participants. The MSC presented the revisions in its Compliance Monitoring Process (See related discussions in Section J.1), in consideration of the submission of SERs pursuant to the WESM Compliance Bulletin 6.0.

## **J.3. Discussion on Test and Commissioning**

In the course of exercising its mandated monitoring functions under the WESM Rules and the MSC-EMM, the MSC has noted and identified issues relative to the conduct of test and commissioning of new generating facilities.

The MSC has observed that several new generating facilities continue to conduct test and commissioning beyond the maximum two-month period required under Section 2 (iii) of the ERC Resolution No. 16, Series of 2014<sup>18</sup>.

This concern has been highlighted by the MSC in its submission to the ERC of the MMAR for the billing period 26 November to 25 December 2014, and during the discussions in the meetings with the GMC and the ERC (See related discussions in Section E).

On 20 July 2016, the MSC attended the meeting called by the Grid Management Committee (GMC) to discuss and clarify the concerns raised by the MSC in its various letters to the GMC regarding the ERC Resolution No.16, Series of 2014<sup>19</sup>. The MSC also attended the meeting called by the ERC on 22 July 2016. During the said meeting, it was clarified by ERC that although the ERC Resolution No.16, Series of 2014 provides for the two-month duration for test and commissioning, on a case to case basis, the ERC may allow plants to extend their test and commissioning after requesting extension from the ERC.

In its letter to the ERC dated 28 November 2016, the MSC noted that the duration of testing and commissioning would depend on the type of generation facility. The MSC thus recommended that specific guidelines, be established, setting the allowable timeframe for any extension depending on the type of facility.

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<sup>18</sup> ERC Resolution No.16, Series of 2014 *A Resolution Adopting the 2014 Revised Rules for the Issuance Of Certificates Of Compliance (COCs) for Generation Companies, Qualified End-Users and Entities with Self-Generation Facilities*

<sup>19</sup> Ibid.



## II. 2017 WORK PLAN

The following are the MSC activities lined-up for year 2017.

### A. Carried-over Activities from Year 2016

Item	Activity	2017 Target	Deliverables
1.	Review of Proposed Penalty Manual <sup>20</sup>	(Per timeline of submission of proposed Penalty Manual)	Final Draft of the Amended Penalty Manual
2.	Review of the MSC Internal Rules Issue 2.0	March 2017	MSC Resolution Adopting the Revised MSC Internal Rules Issue 2.0

<sup>20</sup> Proposed Market Surveillance Manual, Section 3.1.1 (h)

## B. New Activities

Item	Activity	2017 Target	Deliverables
3.	Consolidation of the significant highlights in the relevant MSC Monthly Reports into a Quarterly Report	Within one (1) month after the applicable period	Publication of the Quarterly MSC Report in the PEMC Market Information website
4.	Development of FAQs on the MSC activities	March 2017	Publication of the FAQs in the PEMC Market Information website
5.	Conduct of Study defining Anti-Competitive Behavior	4Q 2017	Final recommendation to the concerned government agencies

## C. Regular Reportorial Functions

Item	Activity	2017 Target	Deliverables
6.	Review of Various Proposed Amendments to the WESM Rules and Market Manuals <sup>21</sup>	(Per RCC's timeline of publication for comments)	Final Comments and/or Proposed Recommendations on the proposed amendments to WESM Rules and Market Manuals to the RCC, as applicable

<sup>21</sup> Proposed Market Surveillance Manual, Section 3.1.1 (g)

Item	Activity	2017 Target	Deliverables
7.	Review of the following:  a. Catalogue of Market Monitoring Data and Indices Issue 1.0 <sup>22</sup> ; and  b. Catalogue of Retail Market Monitoring Data and Indices Issue 1.0 <sup>23</sup> .	3Q 2017  4Q 2017	Proposed Amendments to the (a) Catalogue of Market Monitoring Data and Indices Issue 1.0; and (b) Catalogue of Retail Market Monitoring Data and Indices Issue 1.0, as needed
8.	Review and Approval of Market Assessment Report <sup>24</sup> as prepared and submitted by MAG	Monthly/ Annual	Monthly MSC Market Monitoring Report/ Annual Market Assessment Report for transmittal to the PEM Board, DOE and ERC <sup>25</sup>
9.	Review and Approval of Retail Market Assessment Report <sup>26</sup> as prepared and submitted by MAG	Quarterly/ Annual	Quarterly MSC Retail Market Monitoring Report/ annual Retail Market Assessment Report for transmittal to the PEM Board, DOE and ERC <sup>27</sup>
10.	Review of Monthly Monitoring Report on Over-riding Constraints <sup>28</sup>	Quarterly	Quarterly Report on the MSC Review of Monthly Monitoring of Over-riding Constraints, to PEM Board, as applicable
11.	Review of Market Intervention (MI) or Market Suspension (MS) Events <sup>29</sup>	Based on the existing procedures	MSC Review Report of MI events (Market Intervention Report) or MS events (Market Suspension Report ) to the PEM Board, as applicable <sup>30</sup>

<sup>22</sup> Catalogue of Market Monitoring Data and Indices Issue 1.0, Section 1.3; Proposed Market Surveillance Manual, Section 3.1.1 (a)

<sup>23</sup> Catalogue of Retail Market Monitoring Data and Indices Issue 1.0, Section 5.3; Proposed Market Surveillance Manual, Section 3.1.1 (a)

<sup>24</sup> Proposed Market Surveillance Manual, Section 3.1.1 (b)(i)

<sup>25</sup> Proposed Market Surveillance Manual, Section 3.1.1 (c)

<sup>26</sup> Proposed Market Surveillance Manual, Section 3.1.1 (b)(ii)

<sup>27</sup> Proposed Market Surveillance Manual, Section 3.1.1 (c)

<sup>28</sup> Proposed Market Surveillance Manual, Section 3.1.1 (b)(iii)

<sup>29</sup> WESM Rules Clause 6.9.4 & 6.9.5; Proposed Market Surveillance Manual, Section 3.1.1 (f)

<sup>30</sup> Proposed Market Surveillance Manual, Section 3.1.1 (f)

Item	Activity	2017 Target	Deliverables
12.	Review of MSC Annual Report	1 <sup>st</sup> Quarter	Annual MSC accomplishment report to the PEM Board
13.	Review of the ECO Investigation Report (IR)	(Per timeline of submission of ECO IR to MSC)	MSC Review Report of ECO IRs to PEM Board

#### D. Compliance Activities

Item	Activity	2017 Target	Deliverables
14.	Review of Monthly Report on Generator Trading Participants' Compliance with the Must-Offer-Rule and RTD Schedule <sup>31</sup>	Monthly	Requests for Investigation (RFIs) to the PEM Board
15.	Review of Monthly Monitoring Report on the Submission of Nomination of Loading Levels and Projected Output <sup>32</sup>	Monthly	MSC Recommendation/s following its discussion during MSC Regular meetings, if any, and as applicable

<sup>31</sup> Until such time that the monitoring function is taken over by ECO as part of the changes in the WESM Enforcement and Compliance Processes

<sup>32</sup> Until such time that the monitoring function is taken over by ECO as part of the changes in the WESM Enforcement and Compliance Structure and Processes

### E. Other Activities

Item	Activity	2017 Target	Deliverables
16.	Participation in PEM Board Activities	(Per PEM Board's timeline)	Presentations of Reports to the Board Review Committee and the PEM Board
17.	Participation in Market Participants' Update, Open House, etc.	(Per CPC timeline)	Participation as resource speaker, if required
18.	Conduct of Joint Studies with Other Governance Committees	As needed	Joint Report of Specific Study Conducted

### **III. MEMBERSHIP**

For 2016, the members of the Market Surveillance Committee (“MSC”) were as follows:

1. Engr. Francis V. Mapile (Chairperson)
2. Ms. Eulinia M. Valdezco
3. Dr. Peter Lee U
4. Engr. Jose Mari T. Bigornia
5. Atty. Doroteo B. Aguila

Engr. Francis V. Mapile, Ms. Eulinia M. Valdezco, Dr. Peter Lee U and Engr. Jose Mari T. Bigornia were re-appointed to their respective positions on 01 July 2016. The re-appointment of Engr. Mapile, Ms. Valdezco and Dr. U will be their third term with the MSC, since being first appointed to the MSC on 01 July 2010. Atty. Doroteo B. Aguila was appointed as MSC member on 01 August 2015.

### **IV. 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 thirteen (13) meetings<sup>33</sup> during the period covered.


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<sup>33</sup> At any time and as may be practicable, the MSC may conduct meetings more than once a month.




**Submitted By:**


**Market Surveillance Committee**

  
**Francis V. Mapile**


Chairperson

  
**Eulinia M. Valdezco**


Member

  
**Peter Lee U**

Member

  
**Jose Mari T. Bigornia**

Member

  
**Doroteo B. Aguila**

Member