



MARKET SURVEILLANCE COMMITTEE

Quarterly Accomplishment Report

April to June 2019

JULY 2019

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



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I. Introduction

Pursuant to Clause 1.6.2 of the WESM Rules, the Market Surveillance Committee (MSC) monitors the activities of the WESM Participants in the spot market. Accordingly, the MSC conducts regular monthly meetings to deliberate on various topics and issues, following its responsibilities under the WESM Rules and the Market Surveillance Compliance and Enforcement (MSCEM) Manual. The MSC regularly communicates with its members and the MSC Secretariat through email and other means, to further discuss matters of concern to the Committee.

During the Second Quarter of 2019, the MSC conducted three (3) regular monthly meetings and two (2) special meetings¹. The MSC's accomplishments for the covered period are outlined in the succeeding section of this report.

II. Accomplishments

A. Monitored and Assessed Market Outcomes in the WESM

Pursuant to MSCEM Section 6.2.1 (b)², the MSC monitored and assessed market outcomes, trends, and drivers, as well as the bidding behavior of generator-trading participants (TPs).

The MSC assessed the results of WESM operations for the billing months of February to April 2019. Market prices were particularly higher in April, averaging at PhP7,315/MWh. The high market prices were driven by the seasonal increase in demand during the summer month of April, coupled with high outage capacity. Frequent issuances of yellow and red alerts were likewise observed in April, as well as SO-initiated market interventions. The sustained high prices during the April billing month resulted in the imposition of the secondary price cap which was last imposed in September 2014.

Correspondingly, three (3) Monthly Market Assessment Highlights (MMAH) covering the February to April 2019 billing months, were reviewed and approved by the MSC, and submitted to the PEM Board, the ERC and the DOE, and correspondingly, published in the PEMC website.

¹ MSC (Regular) Meeting No. 2019-05 held on 12 April 2019; MSC (Regular) Meeting No. 2019-06 held on 09 May 2019; MSC (Special) Meeting No. 2019-07 held on 20 May 2019; MSC (Regular) Meeting No. 2019-08 held on 13 June 2019; and MSC (Special) Meeting No. 2019-09 held on 26 June 2019.

² MSCEM Section 6.2.1(b) *The MSC shall have following responsibilities: (a) xxx; (b) Review market monitoring indices and Market Assessment Report prepared by the Market Assessment Group; xxx*

Furthermore, the MSC presented on 29 May 2019 for the PEM Board's information the Special Market Assessment Report for the April 2019 billing month.

B. Monitored and Assessed the Performance of the Retail Market

Pursuant to the Catalogue of Retail Market Monitoring Data and Indices (CMMDI) Section 3.1.2³, the MSC monitored the performance of the retail market and deliberated upon the Annual Retail Market Assessment Report covering the period 26 December 2017 to 25 December 2018 (MAG-ARMAR-2018), as submitted by the MAG on 12 April 2019; and the Quarterly Retail Market Assessment Report (MAG-RMAR-2019-01), as submitted by the MAG on 29 March 2019.

As set forth in the Catalogue of Retail Market Monitoring Data and Indices, the Retail Market Assessment Report discusses the results of monitoring indices and provides indications on how the retail market performed during the period in review and how it fared with the previous billing year/quarter's performance.

C. Review of Interesting Pricing Events

The MSC deliberated upon interesting pricing events from February to April 2019. The Interesting Pricing Event Report as prepared by the MAG provides an in-depth analysis of intervals determined to have price outliers, also known as "interesting pricing events"⁴. The determination of the interesting pricing events was based on the methodology approved by the MSC.

- Four (4) interesting pricing events were observed on 04 February, from 1600H to 1900H. These were attributable to the forced outages of a major coal plant simultaneous with the planned outages of hydro plants Kalayaan units 3 and 4 during the same period.
- On the other hand, the March billing month recorded 20 interesting pricing events on 01 March (1600H, 1900H and 2000H), 04 March (1400H, 1500H, 1600H, 1900H, 2000H), 05 March (1600H to 2100H), 07 March (1600H), 08 March (1000H to 1400H), and 22 March (1400H, 1600H).

³ CRMMDI Section 3.1.2 *The Market Surveillance Committee shall have the following responsibilities: 3.1.1 xxx; 3.1.2. Review the retail market monitoring indices and reports submitted by the Market Assessment Group. Xxx*

⁴ Price outlier refers to an interval where market price breached the reference price threshold, established based on the historical relationship of market prices and supply margin.

These were primarily due to the forced outages of major coal plants and the increasing demand requirement during the billing month.

- Significant increase in the number of interesting pricing events was observed in April, with 59 interesting pricing events recorded during the billing month, driven by high demand and the forced outages of major generating plants. In particular, high outage capacity due to the 6.1 magnitude earthquake in Luzon influenced the 24 interesting pricing events from 22 to 24 April.

D. Assessment of Over-Riding Constraints

Pursuant to MSCEM Section 6.2.1 (i)⁵, the MSC assessed the over-riding constraints imposed by the System Operator on generators for the billing months of November and December 2018, and January 2019.

The MSC analyzed the over-riding constraints imposed on generators for the period 26 January to 25 February 2019. For this billing month, a total of 3,964 over-riding events (9.1% lower than previous month's 4,363 events) were imposed on 28 Luzon generators and 17 Visayas generators by the NGCP-SO. Meanwhile, for the March 2019 billing month, a total of 5,018 over-riding events (26.6% higher than the 3,964 events in February) were imposed on 25 Luzon generators and 9 Visayas generators by the NGCP-SO. In April, a total of 4,906 over-riding events (2.2% lower than previous month's 5,018 events) were imposed on 36 Luzon generators and 14 Visayas generators by the NGCP-SO.

The MSC continued its deliberation on issues arising from the prolonged conduct of testing and commissioning among generator-TPs, and resolved to write letters of inquiries to the generator-TPs, and also to accordingly inform the concerns/issues arising from prolonged testing and commissioning, with the Regulator or the Market Operator, as applicable.

E. Review of Market Intervention Events

The MSC met with IEMOP representatives on 09 May 2019, to discuss the MO-initiated market intervention (MI) events on 27 March 2019 at 2100H, on 15 April 2019 at 1300H and on 19 April 2019 at 0400H.

⁵ MSCEM Section 6.2.1(i) *The MSC shall have following responsibilities: (a) xxx; (i) Review Over-Riding Constraints; xxx*

Following the WESM Rules and the MSCEM Manual Issue 3.0, the MSC submitted its Review Reports on the subject MI events to the PEMC Board, the DOE and ERC on 25 June 2019.

The MSC likewise made an initial review of the SO-initiated MI events in April 2019, and agreed to write a letter to the National Grid Corporation of the Philippines – Systems Operations (NGCP-SO) to request further details on said events.

F. Analysis of High Prices in March and April 2019

The MSC deliberated upon the high prices that were observed in the market on 04 to 08 March 2019, as contained in the presentation prepared by the MAG. The MSC approved the presentation for submission to the DOE.

Further, on 24 April 2019, the MSC presented to the PEMC Board the result of its analysis of the high prices from 10 to 15 April 2019.

The MSC likewise joined the PEMC delegation in attending the meeting called by the ERC on 16 April 2019 to discuss the said high spot prices.

G. Review of Compliance Monitoring and Assessment

Compliances of Generator-Trading Participants (TP) with the Real Time Dispatch (RTD) schedule, the Must Offer Rule (MOR) and the rule on the Nomination of Loading Levels and Projected Output (NOM) for the billing months of February to April 2019 were deliberated upon by the MSC, as contained in the Compliance Monitoring and Assessment Report (CMAR) prepared by the Enforcement and Compliance Office (ECO).

The CMAR is a result of the daily compliance monitoring activities by the ECO after assessing the generator-TPs' compliance with the RTD schedule and MOR. The ECO's monitoring activity was carried out by issuing Daily Compliance Notices to the generator-TPs that are initially flagged for possible non-compliance, and by validating and assessing the generator-TPs' explanations in the Significant Event Report Form and Dispatch Discrepancy Report Form, supporting documents, and other market data or reports from the MO and SO.

Following the review of the CMAR, the MSC submitted to the PEM Board the following requests for investigations (RFIs) for possible non-compliances with

RTD, MOR and NOM: 23 RFIs in February 2019; 11 RFIs in March 2019; and 15 RFIs during the April billing month.

H. Review of ECO Investigation Cases

Pursuant to the WESM Rules and the MSCEM Manual, Investigation Reports prepared by the ECO pursuant to an investigation of an alleged breach of the WESM Rules are submitted to the MSC for review with respect to: (a) compliance by the ECO with the procedure, and (b) validity and completeness of data and documents upon which the factual findings are based.

During the covered period, the MSC completed its deliberations on a total of six (6) consolidated ECO Investigation Reports, comprising the following seven (7) ECO cases: one (1) MOR case, five (5) RTD cases, and one (1) Nomination of Loading Level (NLL) case, covering the October 2018 to November 2018 billing months.

The MSC submitted its recommendations to the PEMC Board on 13 June 2019.

I. Meeting with NGCP-SO re: Data Validation Issues on ECO Investigation Cases

The MSC invited NGCP-SO representatives to a meeting on 09 May 2019, to discuss the data validation concerns raised by the ECO relative to investigation cases.

Representatives from the NGCP-SO and the ECO mutually agreed on ways forward to address the specific issues that were raised during the meeting.

J. Deliberation on the Submitted Comments to the DOE regarding the Proposed MSC Manual and the Proposed Penalty Manual

The MSC discussed through email and during several meetings the consolidated comments received by the DOE on the subject proposed Manuals.

One of the issues discussed was the proposal that appeal cases regarding the abuse of discretion on the part of ECO, shall be filed with the MSC. After its deliberation on the matter, the MSC agreed with the general comments of the DOE.

K. Deliberation on the Proposed WESM Industry Code of Ethics

The MSC thoroughly discussed the Proposed WESM Industry Code of Ethics (WICOE) in several email exchanges and during the MSC Meeting held on 20 May 2019. The MSC then agreed to submit the proposal to public consultation before the same is elevated to the DOE.

The Proposal is currently published in the PEMC website and is open for comments until 31 July 2019.

L. Review of the Catalogue of Market Monitoring Data and Indices (CMMDI)

The MSC conducted an initial review of the CMMDI Issue 1.0 and went-over the highlights of the proposed revisions to the CMMDI, as discussed by the MAG. The proposed revisions included the proposed additional monitoring indices, as well as revisions for consistency with the WESM design on the 5-minute dispatch interval.

M. Deliberation on the Study of Offer Pattern

The MSC reviewed the Study on Offer Pattern, with the objective of establishing an index on offers that will determine the offer behavior of generator-trading participants, as well as the change in their offers.

After its deliberation on the matter, the MSC approved the proposed methodology on the Offer Pattern Index, for inclusion in the proposed amendments on the CMMDI.

N. Deliberation on the Proposed Revisions on the Market Monitoring Triggers

The MSC reviewed the methodology in the determination of market monitoring triggers, and agreed to adopt the changes being proposed on the reference price levels, following the result of the simulation presented by the MAG. The changes will form part of the proposed amendments to the CMMDI.

O. Deliberation on the Proposed Revisions on Interesting Pricing Events

The MSC also deliberated upon the proposed revisions on interesting pricing events. Considering the results of the simulation presented by the MAG, the MSC agreed to the proposed changes in the upper and lower price thresholds in the determination of interesting pricing events, and the corresponding changes in the supply margin range. The MSC also agreed to include the supply margin analysis as one of the market monitoring triggers, to be included in the proposed amendments to the CMMDI.

P. Meeting with NGCP-SO regarding the Samboan-Amlan Line Congestion

The MSC held a meeting with representatives of the NGCP Visayas System Operations (VSO), to seek clarification on the frequent congestion at the Samboan-Amlan Transmission Line.

The NGCP-SO discussed the ongoing development on the Cebu-Negros-Panay 230kV Backbone project, to address the frequent the issue, and confirmed that the target completion for the same is on December 2020.

Q. Training on Ancillary Services with the NGCP-SO

The MSC invited the NGCP-SO to conduct a Training on Ancillary Services (A/S) on 13 June 2019 with MAG and ECO, the purpose of which is to better understand the A/S activities being implemented by the NGCP-SO, since these are included in the MAG's market monitoring, as well as the ECO's compliance monitoring activities.