



# Market Surveillance Committee 2019 Annual Report

January 2019 to December 2019

**MARCH 2020**

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

**PEMC** *Go*

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The Market Surveillance Committee (MSC) submits this Annual Report covering the MSC's accomplishments for the year 2019. This report also presents the planned activities of the MSC for the year 2020.

As its primary support unit, 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. ACCOMPLISHMENTS ON MARKET MONITORING AND ASSESSMENT**

### **A. Assessment of Market Outcomes in the WESM**

#### **A.1. Market Assessment Reports**

In accordance with Section 7.3 of the Market Surveillance, Compliance and Enforcement Manual (MSEEM), the MSC submitted to the PEM Board the following reports:

- a) Twelve (12) Monthly Monitoring Reports, comprised of the MSC's Monthly Accomplishment Report, and the Monthly Market Assessment Report, covering the billing months of November 2018 to October 2019;
- b) Three (3) Quarterly Market Assessment Reports covering the first, second and third quarters of billing year 2019;
- c) Annual Market Assessment Report covering the period 26 December 2017 to 25 December 2018.

The Market Assessment Report provides an assessment of the results of the integrated Luzon and Visayas operations of the Wholesale Electricity Spot Market (WESM), for the purpose of monitoring and assessing the efficiency and competitiveness of the WESM under different time-scales and market conditions. The Reports include an assessment of market behavior, including the analysis of the market monitoring indices, which are based on the market monitoring data that are collected primarily from the Market Operator (MO) and the System Operator (SO).

The MSC presented to the PEM Board the result of its assessment on the following: (a) Market Assessment Annual Trends covering billing years 2014 to 2018, on 27 February 2019, and (b) Market Assessment Highlights covering the 1st Half of 2019 (26 December 2018 to 25 June 2019) on 25 September 2019.

Further, the Monthly and Annual Market Assessment Reports are regularly furnished to the ERC and DOE for its reference and published in the PEMC website<sup>1</sup>.

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<sup>1</sup> Link: <https://www.wesm.ph/market-outcomes/market-assessment-reports>

## **A.2. Analysis on the High Market Prices in March and April 2019**

The MSC submitted/presented Market Assessment Reports to the PEM Board, the DOE and the ERC, relative to the spike in market prices during the March and April 2019 billing months. The MSC reviewed the assessment of MAG on the supply conditions, outage incidents, offer behavior and settlement data, relative to the price spikes in March and April.

Following the directive from the Department of Energy (DOE) for the MSC to conduct an immediate evaluation of market outcomes relative to the WESM price spikes on 4-8 March 2019, the MSC deliberated upon the high prices that were observed in the market on the said trading dates, during its April regular meeting. The Special Market Assessment Report on the March 2019 price spikes was submitted to the DOE on 12 April 2019.

Meanwhile, the MSC also deliberated upon the Special Market Assessment Report for April 2019 and presented to the PEMC Board on 24 April 2019 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.

## **A.3. Review of High Market Prices in November 2019**

The MSC deliberated upon the spot prices in November 2019, particularly as regards the price spike events on November 22, 25-26, 2019, with prices clearing as high as PhP32,000/MWh at 1800H.

The MSC assessed that the price spike events were attributed to the high level of outage since the previous week, the unique trend of demand and supply at 1800H where demand dramatically ramps-up while supply decreases, and the change in the profile of the supply curve.

Upon due deliberation, the MSC agreed to study the subject events further, by taking a closer look at the offer behavior of identified trading participants (TPs).

## **A.4. Interesting Pricing Events Report**

The MSC reviewed the interesting pricing events covering billing months October 2018 to October 2019, during its monthly meetings. Interesting pricing events refer to intervals determined to have price outliers based on the relationship of the market price and supply margin<sup>2</sup>. The relation between market price and supply margin is a

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<sup>2</sup> Supply margin is defined as the difference between the system effective supply and the sum of the system demand and the reserve schedules.

monitoring metric used to identify an unusual market outcome that can be subject to further analysis.

For the subject billing months, a total of 210 trading intervals were found to have interesting pricing events (IPEs). The billing months of April and June recorded the highest number of IPEs that were observed in 59 and 40 trading intervals, respectively.

In terms of quarterly comparison, the highest number of IPEs were noted during the second quarter of 2019, recording a total of 111 IPEs. It is worth noting that during this period (second quarter of 2019), 274 trading intervals were pegged at the secondary price cap level<sup>3</sup>, due to the high prices that prevailed during the period.

The MSC assessed that forced outages consistently drove the occurrence of IPEs throughout the subject period.

The succeeding figures below provide the quarterly summary of interesting pricing events from October 2018 to October 2019, as taken-up and discussed by the MSC.

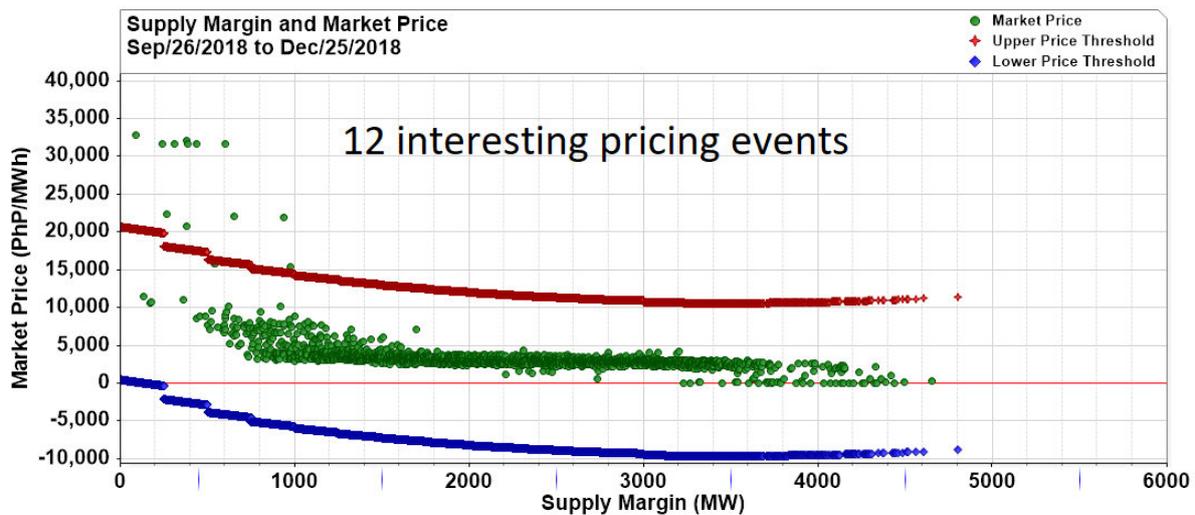


Figure 1 | Interesting Pricing Events, October to December 2018

<sup>3</sup> The secondary cap, as of latest revision in ERC Resolution No. 4 Series of 2017 – A Resolution Adopting Amendments to the Pre-emptive Mitigating Measure in the Wholesale Electricity Spot Market, amounting to PhP6,245/MWh is imposed upon breach of the Generator Weighted Average Price (GWAP) over a rolling 120-hour period on the threshold amounting to PhP9,000/MWh.

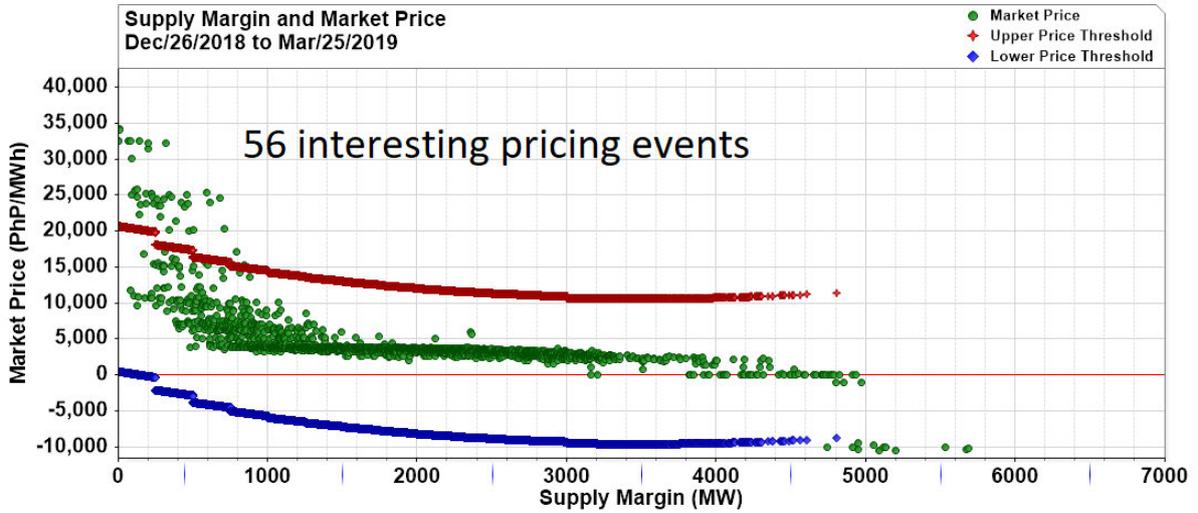


Figure 2 | Interesting Pricing Events, January to March 2019

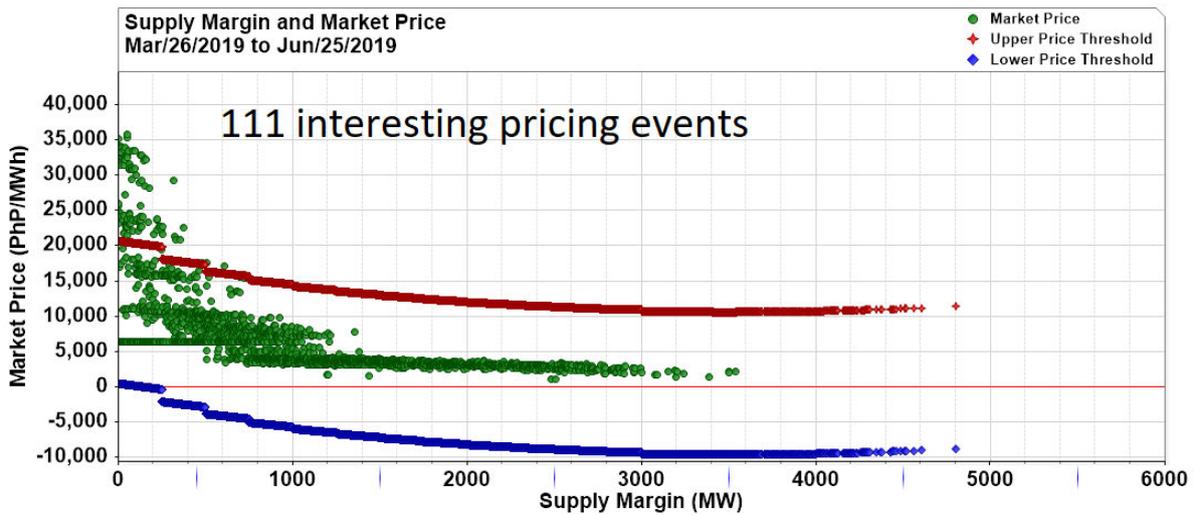


Figure 3 | Interesting Pricing Events, April to June 2019

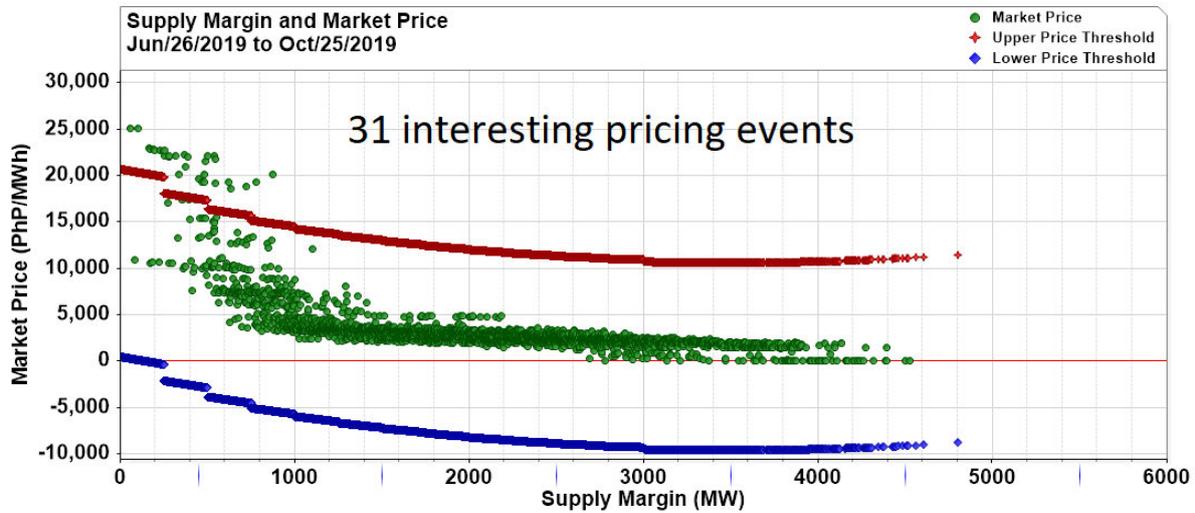


Figure 4 | Interesting Pricing Events, July to October 2019

### B. Assessment of Over-Riding Constraints

In accordance with Section 6.2.1(i) and 11.5 of the MSCEM, the MSC monitored the over-riding constraints imposed by the System Operator on generators and the N-1 contingency requirements<sup>5</sup>.

During the period covered, the MSC reviewed thirteen (13) Monthly Monitoring Reports on Over-riding Constraints covering the billing period 26 November 2018 to 25 November 2019. The month-on-month comparison of the number of generators and number of over-riding events imposed per generator resource type is shown in Table 1 below:

	Nov 2018	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Total
No. of Generators	27	53	63	45	34	50	40	35	52	33	39	39	31	541
No. of Over-riding Events	4,183	3,791	4,363	3,964	5,018	4,906	4,858	4,596	6,968	6,058	6,841	5,989	6,543	68,078
Battery Energy Storage	0	15	0	6	0	0	0	0	0	0	0	0	0	21
Biomass	744	720	908	806	1,868	1,040	717	738	733	743	910	1,125	1,463	12,515
Coal	923	1,143	669	1,191	1,321	1,478	1,798	1,113	2,287	1,644	1,713	1,020	808	17,108
Geothermal	1	15	0	16	40	47	0	15	65	2	5	0	0	206
Hydro	651	152	454	57	176	53	101	130	808	973	1,449	1,236	1,556	7,796
Natural Gas	47	49	247	74	41	19	15	81	213	85	54	70	54	1,049
Oil-based	56	49	370	79	10	558	202	134	203	13	165	106	155	2,100
Solar	1,761	1,648	1,715	1,735	1,562	1,711	2,025	2,385	2,659	2,598	2,545	2,432	2,507	27,283
Wind	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Table 1 | Summary of Over-riding Events – November 2018 to November 2019

<sup>5</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).

The MSC's assessment of the over-riding events during the period is summed-up as follows:

- The total number of over-riding events reached 68,078 events during the twelve-month period, lower by 18 percent when compared with the previous year's 82,577 over-riding events.
- Similar with the previous year, solar plants contributed to the bulk of over-riding events (27,283 events) from the total impositions during the period covered. Coal plants came next (17,108 events) and then followed by biomass plants (12,515 events).
- All impositions on solar plants and biomass plants, and majority of impositions on coal plants, were on account of non-security related events due to testing and commissioning. The remaining events were due to commercial and regulatory tests (i.e. performance tests, ancillary tests and generating unit limitation).
- The number of imposition of over-riding events significantly decreased during December 2018 billing month and February 2019 following a 15 percent increase recorded in January. The decrease was about 9 percent when compared with the January 2019 billing month.
- The decrease in the over-riding events observed in February was followed by a continuous increase in the number of impositions from March to December 2019 of up to 6,543 events. Said increase was about 65 percent when compared with the February 2019 billing month.
- The December 2018 billing month by far recorded the lowest number of over-riding constraints imposed during the period in review.

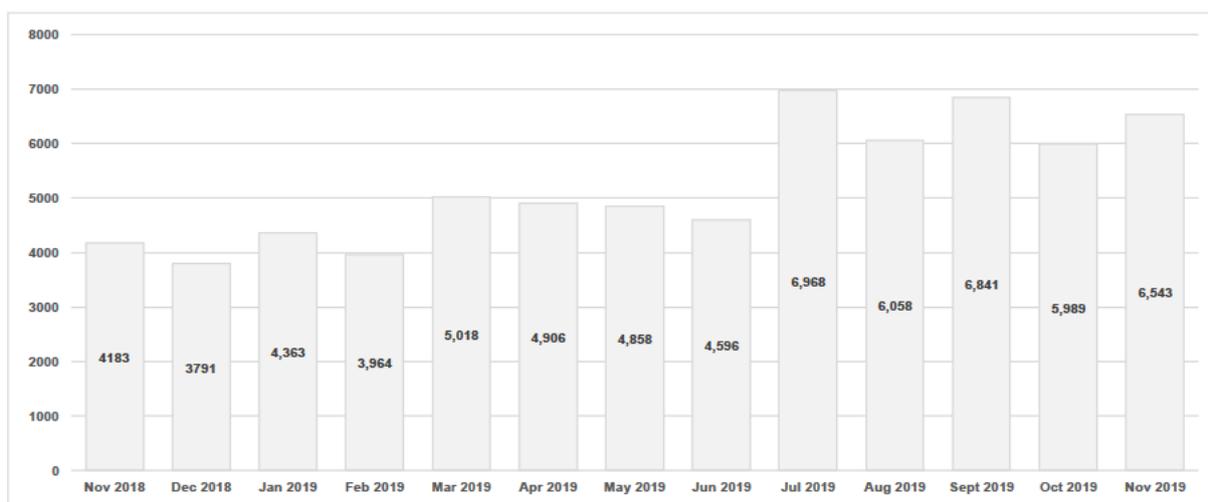


Figure 5 | Over-riding Events Imposed in November 2018 to November 2019

### **C.1. Monitoring of Prolonged Conduct of Testing and Commissioning**

The MSC continued with its deliberation on issues relative to the prolonged testing and commissioning (T&C) of plants beyond the maximum two (2)-month period allowed under the ERC Resolution No. 16, Series of 2014<sup>6</sup>.

As part of its due diligence, the MSC continued sending letters of inquiries, as well as follow-up letters, to generator-TPs observed to have gone beyond the 2-month allowable period, to clarify the reason for their prolonged conduct of T&C. The ERC is furnished with a copy of these letters, for information and reference. Throughout the year, the MSC regularly reviewed the responses of plants, and coordinated the same with the Independent Electricity Market Operator of the Philippines (IEMOP)-Stakeholders Services Division (SSD), as well as the Enforcement and Compliance Office (ECO), as necessary.

It is noteworthy that the MSC has been monitoring TPs on prolonged T&C since 2015, as an issue arising from its monitoring and analysis of over-riding constraints on generators. The MSC presented to the PEM Board on 31 October 2019 its recommendation on the prolonged T&C of generator-TPs in the WESM, consistent with the requirements under the WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures Issue 4.

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

Pursuant to its mandate under the WESM Rules and the MSCEM Manual to review market intervention (MI) and market suspension (MS) events, the MSC reviewed MI events that were declared throughout the year 2019.

The summary of MI events during the year is shown in the succeeding Figure and Table below.

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<sup>6</sup> Resolution No. 16, Series of 2014 entitled 2014 Revised Rules for the Issuance of Certificates of Compliance for Generation Companies, Qualified End-Users and Entities with Self-Generation Facilities

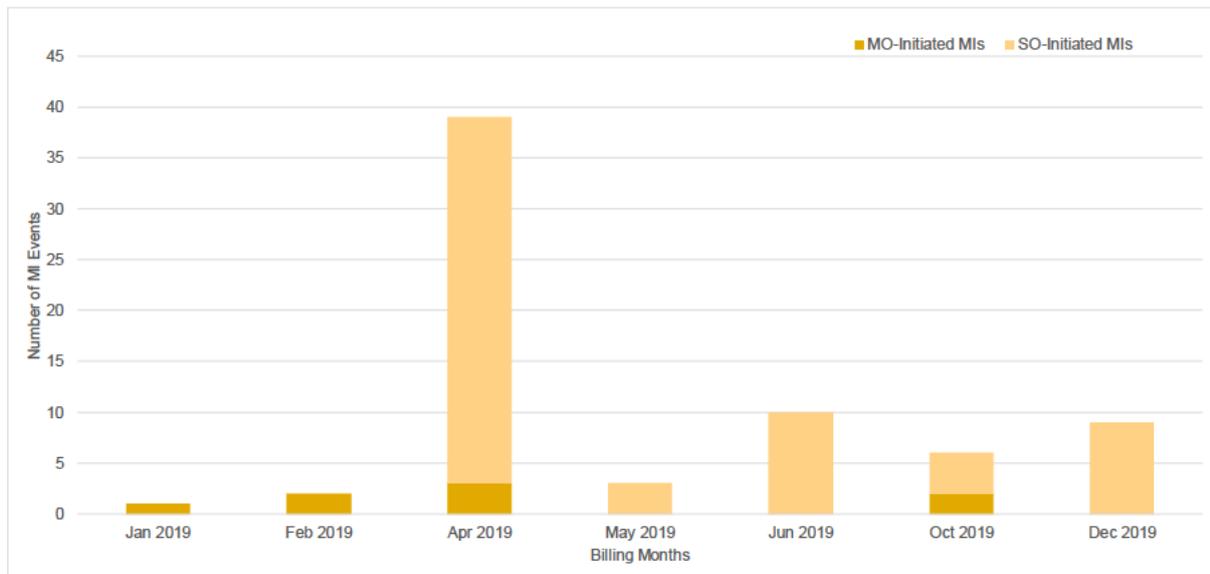


Figure 6 | Summary of Market Intervention Events - 2019

MI Initiated by	Region Affected	Classification	Jan 2019	Feb 2019	Apr 2019	May 2019	Jun 2019	Oct 2019	Dec 2019	Total
MO	Luzon	Force Majeure		1						1
	Luz-Vis	Force Majeure	1	1	3			2		7
	Total - MO-Initiated MI Events		1	2	3	0	0	2	0	8
SO	Luzon	Emergency/Security Event			30	3	10			43
	Luzon	Natural Calamities			6					6
	Visayas	Emergency/Security Event						4		4
	Visayas	Force Majeure							9	9
Total - SO-Initiated MI Events					36	3	10	4	9	62
Total			1	2	39	3	10	6	9	70

Table 2 | Summary of 2019 Market Intervention Events by Classification

In the course of its review of MI events, the MSC met with the IEMOP to discuss the Market Operator (MO)-initiated MI events, as follows:

- On 13 February 2019, the MSC reviewed the system-wide market intervention was declared by the MO on 24 January 2019 (0200H) and 29 January 2019 (1000H) due to un-implementable RTD schedule, categorized as force majeure under the WESM Rules. The MI events occurred following the recurrence of the *Error in Linear Programming (LP)<sup>7</sup> Solution* in the Market Management System (MMS).
- On 06 March 2019, the MSC reviewed the MI declared for the Luzon grid by the MO on 09 February 2019 at 1800H, due to un-implementable RTD schedule, categorized as force majeure under the WESM Rules. The MSC concluded that the MI was attributable to the incorrect input to the Load Predictor (LDP), resulting to inappropriate LDP values.

<sup>7</sup> LP refers to Linear Programming, which is the optimization methodology being used by the MMS

- On 09 May 2019, the MSC reviewed the system-wide MI declared by the MO on 27 March 2019 at 2100H due to force majeure, resulting to no Real-Time Dispatch (RTD) schedule. No RTD schedule was generated for the RTD run at 2100H of 27 March 2019 on account of database software error.

The MSC also reviewed the system-wide MI that was declared by the MO on 15 April 2019 at 1500H due to force majeure, resulting to no RTD schedule. The MI was due to the error in the LP Solution of the MMS.

- On 14 November 2019, the MSC reviewed the MO-initiated MI events on 24 October 2019 from 0400H to 0500H. The subject MIs were declared due to MMS Stoppage categorized as Force Majeure under the WESM Rules.

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 17 April 2019, 23 April 2019, and 25 June 2019.

The MSC likewise made an initial review of the System Operator (SO)-initiated MI events in April 2019. On 12 September 2019, the MSC met with representatives of the Luzon-System Operations (LSO), which presented an overview of its internal procedure on Manual Load Dropping (MLD). The meeting was held at the request of the MSC, following its observation that that majority of the SO-initiated MI events in 2019 were on account of MLD. The MSC requested the NGCP-LSO to provide detailed information on the SO-initiated MIs in 2019, to assist the MSC in its review of MI events. Further, the MSC requested the NGCP-SO to regularly provide the MSC with a copy of its MI Reports, for the MSC's timely review of SO-initiated MIs.

#### **D. Assessment of the Retail Market**

In accordance with Section 7.3 of the Market Surveillance, Compliance and Enforcement Manual (MSCEM) and Section 3.1 of the Catalogue of Retail Market Monitoring Data and Indices, the MSC submitted to the PEM Board the following:

- a) Four (4) quarterly Retail Market Monitoring Reports, covering the fourth quarter of 2018 to third quarter of 2019; and
- b) Annual Retail Market Monitoring Report, covering the period 26 December 2017 to 25 December 2018.

The Retail Market Monitoring Report contains the Retail Market Assessment Report, which discusses the outcome of monitoring indices and provides indications on how the retail market performed during the period in review and how it fared with the performance during the previous period.

During the year, the MSC presented to the PEM Board its assessment of the retail market on the following: (a) highlights of the Retail Market Assessment Report for the third quarter of 2018 on 30 January 2019; (b) highlights of the Annual Retail Market Assessment Report covering billing year 2018 on 24 April 2019; and (c) highlights of Retail Market Assessment Reports from 26 December 2018 to 25 September 2019 (first quarter to third quarter of 2019) on 11 December 2019.

The reports were also furnished to the ERC and DOE for reference, and published in the PEMC website<sup>8</sup>.

#### **E. Review of the Study on the Mindanao Market**

The MSC discussed the result of the MAG's market assessment report on Mindanao during its July 2019 monthly meeting. The initial assessment included an analysis on the region's supply and demand, and market concentration.

After its deliberation on the matter, the MSC approved the Mindanao market assessment report for submission to the PEM Board.

#### **F. Deliberation on the Competitiveness Study on Reserves**

On September 12, 2019, the MSC reviewed the initial result of the MAG's competitiveness assessment on reserves, to determine the competitive landscape of the reserve market. The ongoing study is consistent with PEMC's thrust on the co-optimization of energy and reserves.

The MSC continued its discussion on the Study during its November 2019 Meeting, and noted the result of the MAG-NGCP Meeting on the subject. The MSC reviewed the comments of the NGCP-SO on the initial results of the Study, and thereafter agreed to request further data from the NGCP-SO to reflect its most recent contracts on ancillary services.

#### **G. Proposed Amendments to Catalogue of Market Monitoring Data and Indices (CMMDI) Issue 1**

The MSC proposed amendments to the Catalogue of Market Monitoring Data and Indices Issue 1.0 during the year. The proposal is the result of the MSC's review of the CMMDI in several meetings beginning June 2019. The objective of the proposed amendments is to introduce additional indices on the spot price indices and the generator offer indices, as well as to incorporate updates and revisions to align with the implementation of the 5-minute dispatch interval, and the proposed Market Surveillance Manual Issue 4.0, which is currently being reviewed by the Department of Energy (DOE).

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<sup>8</sup> Link: <https://www.wesm.ph/market-outcomes/retail-market-assessment-reports>

The MSC published its proposed amendments to the CMMDI on 29 October 2019. Further, the MSC sought inputs and comments from the Rules Change Committee (RCC) and the PEM Board during its meetings on 18 October 2019, and 30 October 2019, respectively. Comments from the RCC, the PEM Board, as well as those received online were deliberated upon by the MSC in its November 2019 Meeting.

As provided for in Section 1.3 of the Catalogue of Market Monitoring Data and Indices Issue 1 (CMMDI 1), and Section 7.2.2.5 of the MSCEMM Issue 3, the MSC can add, remove, or otherwise modify monitoring indices as it deems necessary, and to select the monitoring indices it considers appropriate and useful. The MSCEMM provides that the MSC may receive recommendations from the PEM Board, and other interested parties, in updating the monitoring indices<sup>9</sup>.

### **G.1. Deliberation on the Study on Offer Pattern**

The MSC reviewed the Study on Offer Pattern on 13 June 2019, 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.

As deliberated upon by the MSC, the current procedure for the monitoring of offer pattern involves identifying the change in offers (increase or decrease) within a corresponding price range. The price range resolution is in increments of Php5,000/MWH. The MSC agreed that this process is limited considering that the change in offers within the same price range could not be identified.

The MSC noted that the proposed new method will quantify the amount and evaluate the change in offers and if the same is within or outside the reference levels based on historical data of each generator.

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.

### **G.2. Deliberation on the Updated Thresholds for Spot Price Indices**

On 26 June 2019, the MSC reviewed the proposed market monitoring triggers, as revised, and agreed to adopt the changes being proposed on the reference price levels, following the result of the simulation presented by the MAG.

The MSC likewise 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.

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<sup>9</sup> Section 1.3, CMMDI Issue 1, and Section 7.2.2.6, MSCEM Manual Issue 3

### **G.3. Review of the Result of MAG's Simulation on the Seasonality Thresholds for Spot Price Indices**

The MSC opened another round of discussion regarding the updated thresholds for spot price indices, in response to the comments received by the MSC from the PEM Board on 30 October 2019, relative to the proposed amendments to the CMMDI Issue 1. Consequently, in December 2019, the MSC deliberated upon the result of the MAG's simulation using seasonality in determining the thresholds of the following spot price indices: Price Spike, Sustained High Price and Interesting Pricing Event (Supply Margin Analysis).

The MSC agreed to await further inputs from PEMC in finalizing the amendments to the CMMDI.

#### **H. Proposed WESM Industry Code of Ethics**

The MSC reviewed the PEMC-proposed WESM Industry Code of Ethics (WICOE), which was previously submitted to the DOE in 2011. The MSC thoroughly discussed the Proposed WICOE in several email exchanges and during the MSC Meeting held on 20 May 2019, and agreed to incorporate revisions to the draft. The MSC then published the proposed in the PEMC website in June 2019, to solicit comments and inputs from stakeholders and the general public.

On 10 July 2019, the MSC reviewed the consolidated comments received by the MAG upon publication of the proposed WICOE. The MSC agreed to conduct further review on the Code of Ethics in other jurisdictions particularly on possible penalties/sanctions for non-compliance of the Code.

#### **I. Conduct of Meetings with the Independent Electricity Market Operator of the Philippines (IEMOP)**

On top of the MSC-IEMOP meetings regarding the review of market intervention events, the MSC also convened other meetings with IEMOP representatives on identified market issues. These are discussed below.

##### **I.1. Discussion regarding Line Rental (LR)**

The MSC called representatives from the IEMOP to a meeting on 13 February 2019 to discuss the issues on line rental and cross-grid transactions in the market.

The MSC agreed that the issue on line rental does not only pertain to the correctness of LR calculations, but also on the need to call the attention of the NGCP-SO to improve/upgrade transmission facilities in order to minimize congestion. The MSC agreed to look into the Market Operator study on the Financial Transmission Rights (FTRs) in the WESM.

## **I.2. Discussion on Financial Transmission Rights (FTRs)**

As a result of the MSC-IEMOP Meeting on Line Rental, the MSC called representatives from the IEMOP to another meeting on 14 March 2019 to discuss the financial transmission rights (FTRs) in the WESM.

The MSC has taken note that FTRs are financial instruments aimed to mitigate the congestion cost. Nevertheless, the MSC agreed that other options may also be explored in addressing the market issues brought about by congestion.

## **J. Conduct of Meetings with the National Grid Corporation of the Philippines (NGCP)-System Operator (SO)**

Similarly, the MSC convened meetings with the NGCP-SO on market issues and concerns relative to transmission and ancillary services.

### **J.1. Discussion on 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.

### **J.2. Advanced Training on Ancillary Services (A/S)**

The MSC invited the NGCP-SO to conduct a Training on Ancillary Services (A/S) on 13 June 2019 with MAG and the Enforcement and Compliance Office (ECO). The Training was requested by the MSC to cover advance topics that will be helpful with the MAG's market monitoring and ECO's compliance monitoring activities. The topics discussed included the following: definition of A/S terminologies, A/S dispatch implementation, A/S accreditation, procurement and settlement processes.

The MSC also requested for a copy of the NGCP-SO's complete list of A/S providers in Luzon and Visayas, and the type of contracted A/S for each.

## **K. Initial Deliberation on the Proposed Framework on Anti-Competitive Behavior (ACB)**

On 11 December 2019, the MSC reviewed the frameworks in the detection and monitoring of Anti-Competitive Behavior (ACB) in other electricity markets. This is in preparation for the MSC's work plan on the development of indices related to the monitoring of anti-competitive behavior (ACB) in the WESM.

Other electricity markets that were looked-into by the MSC are as follows: (a) Southeast Asia: Philippines, Singapore; (b) Oceania: Australia, New Zealand; (c) North America: Alberta, PJM, Texas; and (d) Europe: France, UK.

## **II. ACCOMPLISHMENTS ON ENFORCEMENT AND COMPLIANCE**

### **A. Monthly Review of Compliance Monitoring and Assessment Reports (CMAR) and Issuance of Requests for Investigation (RFIs)**

The MSC conducted its monthly review of the Compliance Monitoring and Assessment Reports (CMARs) as submitted by the Enforcement and Compliance Office (ECO), pursuant to Section 8.2.3 of the MSC-EM Manual. For the year 2019, the MSC completed its review of ECO CMARs covering the billing months of November 2018 to October 2019.

In the course of the MSC's review, the MSC found possible non-compliances of generator-trading participants (TPs) with the Must-Offer-Rule (MOR) and Nomination of Loading Levels and Projected Outputs (NOM), and Real-Time-Dispatch (RTD) schedule/instruction. The MSC thereafter submitted the corresponding requests for investigation (RFIs) to the PEM Board and ECO<sup>10</sup>.

In total, the MSC submitted 209 requests for investigation, 70 of which were requests for possible non-compliance with the MOR, another 17 on the possible non-compliance with the rule on nomination of loading levels, and the remaining 122 were requests for possible non-compliance with the RTD schedule. The number of requests for investigation corresponds to the number of ECO cases investigated by the ECO for the corresponding billing month.

The monthly number of requests for investigation submitted by the MSC to the PEM Board/ECO during the period in review is shown in Figure 3.

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<sup>10</sup> Section 7.3.4 (d) of the Market Surveillance, Enforcement and Compliance Market (MSC-EM) Manual, and PEM Board Resolution No. 2019-10-02

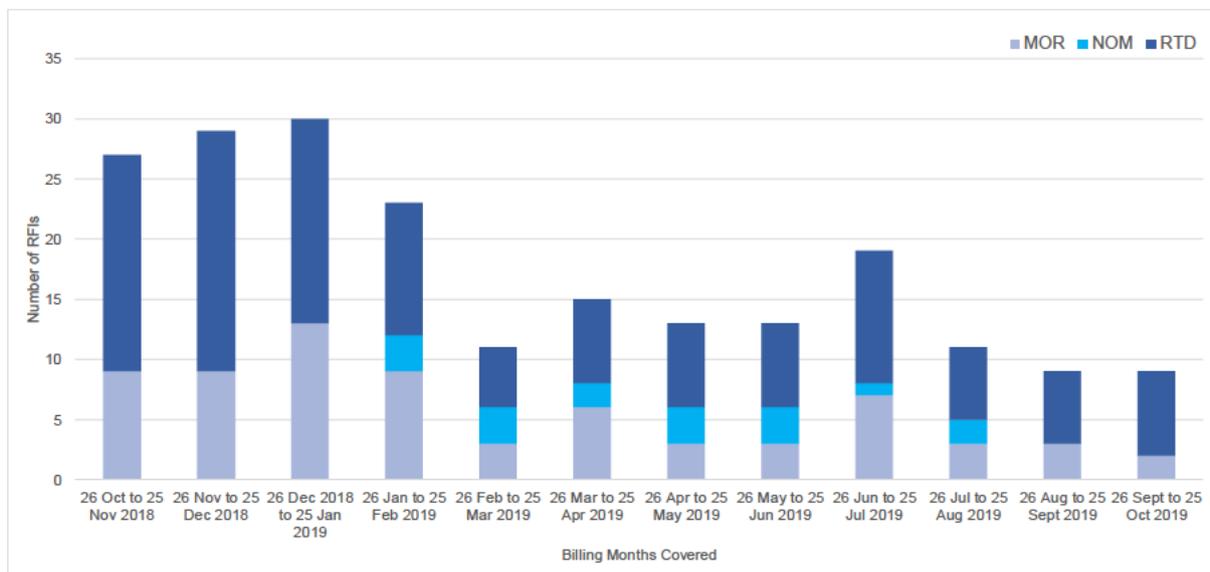


Figure 7 | Summary of Requests for Investigation (RFIs) Submitted by the MSC

MSC Monthly Meeting	Covered Billing Month	MOR	NOM	RTD	Total
Jan 2019	26 Oct to 25 Nov 2018	9		18	27
Feb 2019	26 Nov to 25 Dec 2018	9		20	29
Mar 2019	26 Dec 2018 to 25 Jan 2019	13		17	30
Apr 2019	26 Jan to 25 Feb 2019	9	3	11	23
May 2019	26 Feb to 25 Mar 2019	3	3	5	11
Jun 2019	26 Mar to 25 Apr 2019	6	2	7	15
Jul 2019	26 Apr to 25 May 2019	3	3	7	13
Aug 2019	26 May to 25 Jun 2019	3	3	7	13
Sep 2019	26 Jun to 25 Jul 2019	7	1	11	19
Oct 2019	26 Jul to 25 Aug 2019	3	2	6	11
Nov 2019	26 Aug to 25 Sept 2019	3		6	9
Dec 2019	26 Sept to 25 Oct 2019	2		7	9
Total		70	17	122	209

Table 3 | Summary of Monthly RFIs Submitted by the MSC

## B. Review Reports on ECO Investigation

In accordance with Section 6.2.1(f) and 10.7 of the MSCEM Manual, the MSC reviewed the Investigation Reports submitted by the ECO, with respect to: (a) the ECO's compliance with the procedures set forth in the MSCEM for the conduct of investigation, and (b) the validity and completeness of the data and documents upon which factual findings are based.

In summary, the MSC completed its review of the following ECO Investigation Reports during the covered period:

- During its 06 March 2019, the MSC deliberated upon a total of 11 consolidated ECO Investigation Reports on possible non-compliance with the MOR and RTD, consisting of 94 ECO cases, 33 of which are cases on the Must-Offer-Rule (MOR) while 61 are cases on RTD, for the period December 2013 to December 2017 to October 2018.
- On 09 May 2019, the MSC completed its deliberations on a total of six (6) consolidated ECO Investigation Reports, comprising of 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 to the PEM Board its Review Report on the above cases on 13 June 2019.
- On 10 July 2019, the MSC completed its review of nine (9) consolidated ECO Investigation Reports. The ECO IRs were cases on possible non-compliance with the Must-Offer-Rule (MOR), and Real-Time Dispatch (RTD) Schedule, involving nine (9) generator-TPs, covering the period June to December 2014, December 2015 to December 2017, and September 2018 to December 2018. The MSC Review Report on the consolidated ECO IRs were submitted to the PEM Board on 15 August.
- Beginning Q4 of 2019, the MSC agreed to deliberate upon completed ECO investigation reports on a monthly basis. This resulted in the Committee's monthly submission to the PEM Board of its recommendations on the ECO IRs. During this period, the MSC completed its review of 18 consolidated ECO Investigation Reports on non-compliances with the Must-Offer-Rule (MOR), Nomination of Loading Levels and Projected Output (NOM) and Real-Time Dispatch (RTD) Schedule. 15 of these cases were submitted to the PEM Board by the MSC in October and November 2019, respectively.

### **C. Deliberation on Submitted Motions for Reconsideration**

The MSC deliberated upon the Motions for Reconsideration and additional evidence that were submitted relative to 2014 ECO investigation cases during the MSC meetings held in March 2019. Pursuant thereto, the MSC convened representatives from two (2) generator-trading participants to separate conferences to discuss their respective cases.

After due deliberation, the MSC submitted its recommendations for the consideration of the PEMC Board.

#### **D. Historical Review of the Status of Non-Compliance Cases**

During its meeting on 14 November 2019, the MSC conducted a review of the status of all non-compliance cases, and likewise reviewed the practices that had been observed both by the ECO and the MSC, in the conduct of investigation and review of investigation reports.

#### **E. Approval of the Offer for Settlement Guidelines**

On 10 January 2019, the MSC continued with its deliberation of the Proposed Guidelines on Offer for Settlement.

During this meeting, upon thorough deliberation, the MSC approved the Offer for Settlement Guidelines, and likewise approved the Offer for Settlement Form template. The MSC further approved the ECO's request to present these in the WESM Compliance Officers (WCO) Summit on 24 January 2019.

#### **F. Deliberation on Submitted Offer for Settlement**

During its October to December 2019 meetings, the MSC received and deliberated upon an Offer for Settlement submitted by a generator-TP, and duly-acted on the same, following the MSC's Guidelines on Offer for Settlement.

#### **G. Conduct of Meetings with Stakeholders**

The MSC, together with the ECO, conducted two (2) separate meetings in October and November 2019, with two (2) generator-TPs to discuss its non-compliance cases with the WESM Rules.

In both meetings, the generator-TP presented their justification on the non-compliance, and discussed with the MSC and ECO the mitigating measures that were put in place.

### **III. OTHER MATTERS / ACCOMPLISHMENTS**

#### **A. Proposed Amendments to the Market Surveillance Manual and the WESM Penalty Manual**

The MSC continued to participate in the ongoing review by the DOE of the proposed amendments to the Market Surveillance Manual and the WESM Penalty Manual. In October 2019, the MSC submitted to the DOE its Comment on the DOE's Final Review of the Proposed Penalty Manual.

## **B. Continuing Discussion on Policy Developments**

The MSC also discussed policy developments in its meeting. During its 14 November 2019 meeting, the following policy developments were reviewed by the MSC, as presented by MAG: (1) ERC Resolution No. 07 Series of 2019 entitled “A Resolution Adopting Amendments to the Rules for the Distribution of Net Settlement Surplus”, (2) ongoing ERC review processes on the following: (a) Amendments to the Pre-emptive Mitigating Measure in the WESM (Secondary Price Cap); (b) Revised Rules for the Issuance of COCs for Generation Companies and Entities with Self-Generation Facilities including Distributed Energy Resources (DERs), and (3) DOE’s ongoing policy review on testing and commissioning.

The MSC agreed to submit its comments for consolidation with the PEMC comments, on the DOE’s ongoing policy review on testing and commissioning.

Also, in December 2019 Meeting, the MSC deliberated upon the Draft DOE Circular Providing Guidelines on the Planned Outage Schedules of Power Plants and Transmission Facilities, and GOMP Publication, and agreed to submit the MSC’s comments to PEMC, for consolidation with PEMC’s comment on the draft DOE Circular.

The MSC was of the opinion that there is a need to include PEMC in the consultation process for the GOMP, to consider market issues and possible implications in the market prices of planned outages. The MSC agreed to submit its comments to PEMC for submission to DOE.

## **C. Participation in the WESM Compliance Officers Summit Event**

MSC members were all present during the WESM Compliance Officers (WCO) Summit Event at Novotel, Araneta Center, Cubao on 24 January 2019.

Furthermore, MSC Chairman Francis V. Mapile participated as resource person during the workshop breakout sessions which included as a topic for discussion the compliance with the submission of nomination of loading level and projected output and compliance with the forecast accuracy standards.

## **D. Participation in Public Consultations**

The MSC, through Dr. Peter Lee U and Atty. Doroteo B. Aguila, presented the highlights of the proposed Penalty Manual in the Luzon and Visayas Public Consultations, held on 17 January in Pasig City, and on 24 January in Cebu City, respectively. The activity was conducted to seek inputs and recommendation from the public on the proposed amendments.

#### **E. Consultation on Embedded Generation in Mindanao**

The MSC participated in the PEMC Consultation on Embedded Generation in Mindanao on 14 August 2019. The MSC Chairman presented the result of the MSC's assessment of the Mindanao Market in terms of demand and supply, capacity mix, and market concentration.

#### **F. Participation in the PEMC Strategic Planning and Review of the MSC Work Plan**

The MSC participated in the PEMC Corporate Strategic Planning Workshop for CY2020 held on 19 September 2019.

Correspondingly, the MSC updated its Work Plan for 2019-2021 to reflect the directions agreed upon during the PEMC Strategic Planning.

### **IV. MSC WORK PLAN**

Annex A provides details of the MSC's program of activities for 2020, consistent with the PEMC's Corporate Strategic Plan.

### **V. MEMBERSHIP**

For 2019, the members of the MSC were as follows:

- 1) Engr. Francis V. Mapile (Chairperson)
- 2) Ms. Eulinia M. Valdezco
- 3) Dr. Peter Lee U
- 4) Atty. Doroteo B. Aguila
- 5) Prof. Fernando Martin Y. Roxas

### **VI. 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 ECO 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 RCC 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 MSCEM 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 MAG;
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 MSCEM 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>11</sup> during the period covered.

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<sup>11</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**  
Chairperson



**Peter Lee**  
Member



**Doroteo B. Aguilera**  
Member



**Fernando Martin Y. Roxas**  
Member