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**ORCP-WR-RR-WM-18-08**

**REQUEST FOR AMENDMENTS OR CHANGES TO THE MARKET MANUALS**

Proposals made only under this prescribed form shall be accepted and considered as submitted:

This request for amendments to the WESM Rules can be submitted to:

**PEM Board**

Attention: **PEM Committee Secretariat**

Philippine Electricity Market Corporation

18/F Robinsons Equitable Tower

ADB Avenue, Ortigas Center

Pasig City, 1605 Philippines

Email address: rcc@wesm.ph

Fax Number: (+632) 395-2704

1. **Proposer’s Information**

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| Name | **PEM Audit Committee/Felixberto U. Bustos Jr.** |
| Designation | Chairman |
| Company | Philippine Electricity Market Corporation |
| Company Address | 18/F Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City |
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1. **Market Manual Amendments Information**

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| Title of WESM Manual being commented:  PEM Audit Manual Issue 2.0  Nature of Request (please indicate with **x**)  Addition  Alteration  Deletion  Clarification  Clerical Correction |

| **Title** | **Chapter** | **Provision** | **Proposed Amendment** | **Rationale** |
| --- | --- | --- | --- | --- |
| Introduction | 1 | 1.1 Purpose  This Market Manual contains a descriptive summary of the WESM Rules in relation to the PEM Auditor and WESM audits. This Manual provides for the objectives, scope and procedures of the audits of the Market Operator and the spot market, or specific audits of WESM Members requested to the PEM Auditor, and in general the functions of the PEM Auditor in auditing compliance with the WESM Rules. It also covers the characteristics of the audit processes and use of expert auditors by the PEM Auditor, and the system for reporting the results and recommendations of such audits. | 1.1 ~~Purpose~~ **Background**  ~~1.1.1This Market Manual contains a descriptive summary of the WESM Rules in relation to the PEM Auditor and WESM audits. This Manual provides for the objectives, scope and procedures of the audits of the Market Operator and the spot market, or specific audits of WESM Members requested to the PEM Auditor, and in general the functions of the PEM Auditor in auditing compliance with the WESM Rules. It also covers the characteristics of the audit processes and use of expert auditors by the PEM Auditor, and the system for reporting the results and recommendations of such audits.~~  **1.1.1 The Wholesale Electricity Spot Market Rules (the “WESM Rules” or the “Rules”), under Clause 1.4.6 provides for the formation of a PEM Audit Committee that shall oversee the conduct of audits, by independent auditors, of the operation of the spot market, the Market Operator, System Operator, and Metering Service Providers.**  **1.1.2 This Manual is developed in accordance with Clauses 1.5.2 and 5.2.6.2 of the WESM Rules, and Clause 1.4.3.1 and 4.8.1 of the Retails Rules which mandate the PEM Audit Committee to oversee the following:**   1. **Conduct of audits of the procedures, persons and systems of the Market Operator, Metering Services Providers and the System Operator as they relate to the operation of the spot market;** 2. **Test and check any new items or versions of software provided by the Market Operator for the use of WESM Members;** 3. **Review the calculations and allocations performed by the metering and settlement systems, the billing and information systems, the scheduling and dispatch processes, and the ICT Change Management Procedure of the Market Operator;** 4. **Review the Market Operator’s compliance with the WESM Rules, its Market Manuals and other relevant laws and issuances;** 5. **Review any procedures and practices which are covered by the WESM Rules at the direction of the PEM Board;** 6. **Recommend changes to the WESM Rules, Retail Rules and relevant Market Manuals where deficiencies have been identified as a consequence of an audit, review, test, check or other forms of review;** 7. **Publish in the PEMC website the results of any finding and recommendation under Clause 5.2.6 of the WESM Rules;** 8. **Conduct the audit of the Central Registration Body and the systems, processes and procedures and other matters relevant to the operation of the Central Registration Body and the performance of its functions as set forth under Clause 1.4.3.1 in the Retail Rules;** 9. **Test and check any new item or new version of market-related software used by the Central Registration Body or provided by the Central Registration Body for use by WESM Members; and** 10. **Conduct of the review and audit of the metering arrangements and compliance of Retail Metering Services Providers and the Central Registration Body to the requirements of the Retail Rules, its applicable Market Manuals and other relevant laws and issuances**. | The proposed changes intend to:   1. Fine tune the responsibilities of the PEM Audit Committee to oversight functions, while maintaining its responsibility in the conduct of timely, fair and independent market audits.        1. Require the conduct of audits of the System Operator (SO) and Metering Service Providers (MSPs), which are consistent with the power and duty of the PEM Board under WESM Rules Clause 1.4.5.2.   Pricing and settlement outputs in the WESM are reliant on the integrity and accuracy of data being provided by the SO and MSPs.    The correct provision to be referenced is Clause 1.5.2 instead of Clause 1.5 which enumerates the responsibilities of the Auditor. |
|  |  | 1.1.2 The general objectives of this Manual are the following:  (a) Establish the requisites and mechanisms to ensure the independence and transparency of the PEM Auditor and WESM audits;  (b) Establish the requisites and mechanisms to ensure independent and effective audits of the spot market and of the Market Operator, as well as to ensure compliance and non discrimination in applying the WESM Rules;  (c) Establish effective procedures and audit processes when the PEM Auditor is requested to assess compliance or identify problems in the implementation or application of the WESM Rules regarding generation scheduling, dispatch, price setting and settlement;  (d) Clarify the different types of audits that may be requested from the PEM Auditor, including special audits of a WESM Member, the System Operator or the Market Operator when requested by the PEM Board or in the assessment or investigation of an alleged breach;  (e) Clarify the rights and responsibilities of the PEM Auditor in proposing amendments to the WESM Rules when identifying, through audit processes, problems in the design or implementation or application of the WESM Rules, or in submitting reviews to amendments to the WESM Rules;  (f) Establish the role of the PEM Auditor in relation to metering arrangements; and  (g) Establish the rights and mechanisms for the PEM Auditor to contract external independent expert auditor support and the mechanisms for field audits. | * 1. **Purpose**   **1.2.1** ~~1.1.2~~ The general objectives of this Manual are the following:   1. ~~(a)~~Establish the requisites and mechanisms to ensure the independence and transparency of the PEM **Audit Committee** ~~Auditor~~ and the ~~WESM~~  audits **and reviews it administers.** 2. ~~(b)~~Establish the requisites and mechanisms to ensure independent and effective audits of the spot market and of the Market Operator, **the Metering Services Providers and the System Operator,** as well as to ensure compliance and non discrimination in applying the WESM Rules**, the Retail Rules and its Market Manuals**; 3. ~~(c)~~Establish effective procedures and audit processes when the PEM **Audit Committee** ~~Auditor~~ is requested to assess compliance or identify problems in the implementation or application of the WESM Rules regarding generation scheduling, dispatch, price setting and settlement; 4. ~~(d)~~Clarify the different types of audits that may be requested from the PEM **Audit Committee** ~~Auditor,~~ including special audits of a WESM Member, **a Metering Services Provider**, the System Operator or the Market Operator when requested by the PEM Board or in the assessment or investigation of an alleged breach; 5. ~~(e)~~Clarify the rights and responsibilities of the PEM **Audit Committee** ~~Auditor~~ in proposing amendments to the WESM Rules, **the Retail Rules or its Market Manuals** when identifying, through audit processes, problems in the design or implementation or application of the WESM Rules, **the Retail Rules or its Market Manuals.** ~~or in submitting reviews to amendments to the WESM Rules;~~ 6. ~~(f)~~ Establish the role of the PEM **Audit Committee** ~~Auditor~~ in relation to **the review of**  metering **installations and** arrangements; and 7. ~~g)~~Establish the rights and mechanisms for the PEM **Audit Committee** ~~Auditor~~ to contract external independent expert auditor support and the mechanisms for field audits. | PEM Auditor revised to PEM Audit Committee consistent with the proposal above. Global change was made throughout this Manual revising the PEM Auditor to PEM Audit Committee.  The proposed new section (Purpose) provides the general objectives of the Manual, as revised.  The System Operator Audit and the Metering Services Provider Audits as proposed to be included in the WESM Rules, as part of the audits to be undertaken by the PEM Audit Committee, have already been included in this portion. |
|  |  | 1.1.3 The PEM Auditor may identify non-compliance conducts or conditions during an audit process. In such cases, the PEM Auditor should submit a non-compliance complaint to the Enforcement and Compliance Officer (ECO).  1This Market Manual contains a descriptive summary of the WESM Rules in relation to the PEM Auditor and WESM audits. This Manual provides for the objectives, scope and procedures of the audits of the Market Operator and the spot market, or specific audits of WESM Members requested to the PEM Auditor, and in general the functions of the PEM Auditor in auditing compliance with the WES M Rules. | ~~1.1.3 The PEM Auditor may identify non-compliance conducts or conditions during an audit process. In such cases, the PEM Auditor should submit a non-compliance complaint to the Enforcement and Compliance Officer (ECO).~~   * + 1. ~~1.1 Purpose This Market Manual contains a descriptive summary of the WESM Rules in relation to the PEM Auditor and WESM audits.~~ This ~~Market~~ Manual provides ~~for~~ the objectives, scope and **the** procedures **for the conduct** of the audits of the Market Operator and the spot market, **the System Operator** **and Metering Services Providers** or specific audits of WESM Members requested of the PEM **Audit Committee** ~~Auditor. It also covers the characteristics of the audit processes and use of expert auditors by the PEM Auditor, and the system for reporting the results and recommendations of such audits.~~     2. **This Manual also defines the responsibilities and the functions of the PEM Audit Committee pursuant to the relevant provisions of the WESM Rules and the Retail Rules and its Market Manuals.** | Reorganization of the manual The deleted provision was transferred to Section 3 - Responsibilities.  Clarifies what the Manual covers. |
|  |  | 1.1.4 For the purpose of this Manual, any act, omission, conduct or behavior and the like contrary to or in non-compliance with the WESM Rules, including its Market Manuals, the WESM Objectives, rules and regulations, regarding the WESM Rules, shall be considered a breach. | ~~1.1.4 For the purpose of this Manual, any act, omission, conduct or behavior and the like contrary to or in non-compliance with the WESM Rules, including its Market Manuals, the WESM Objectives, rules and regulations, regarding the WESM Rules, shall be considered a breach.~~ | The deleted provision was transferred to proposed Section 1.3.4 (Scope). |
|  |  | 1.1.5 Upon the request of the Enforcement and Compliance Officer (ECO) or the PEM Board to assist in the assessment or investigation of an alleged breach, the PEM Auditor shall carry out or coordinate and supervise the required audits, inform the audit findings and give its opinions in relation to the alleged breach. The procedures and processes described in this Manual do not cover the details of assisting or auditing in the assessment or investigation process of an alleged breach, as they are covered in the Compliance and Enforcement Market Manual. However, this Manual covers the interactions between the PEM Auditor, the ECO and the PEM Board in relation to alleged breaches. | ~~1.1.5 Upon the request of the Enforcement and Compliance Officer (ECO) or the PEM Board to assist in the assessment or investigation of an alleged breach, the PEM Auditor shall carry out or coordinate and supervise the required audits, inform the audit findings and give its opinions in relation to the alleged breach. The procedures and processes described in this Manual do not cover the details of assisting or auditing in the assessment or investigation process of an alleged breach, as they are covered in the Compliance and Enforcement Market Manual. However, this Manual covers the interactions between the PEM Auditor, the ECO and the PEM Board in relation to alleged breaches.~~ | The provisions in this section were deleted and transferred to appropriate sections of the PEM Audit Manual.  The first part as revised was transferred to Section 3.1.2 (Responsibilities).  The last sentence was transferred to Section 1.3.3 (Scope). |
|  |  | 1.2 Scope  1.2.1 This Manual covers all related activities and procedures in relation to the PEM Auditor, audits of the spot market and the Market Operator and special audits of WESM Members. This includes the following:  (a) A description of the functions, reports and responsibilities of the PEM Auditor;  (b) Requisites and qualifications of the PEM Auditor or any expert auditor used, to ensure independence, adequate expertise and transparency of audits;  (c) Access rights to the audit reports, proposed recommendations by external auditors and the final recommendations of the PEM Auditor;  (d) Review of implementation and results of audit recommendations;  (e) Procedures, general methodology and scope of an audit and the audit results;  (f) Interaction between the PEM Board and the ECO or the PEM Board when requested an assessment or audit related to an investigation of an alleged breach;  **(**g) Procedures and criteria for the PEM Auditor to assess the efficiency, validity and justification of new software or modifications to existing software of the Market Operator;  (h) A description of interactions between the PEM Auditor and the PEM Board, and the rules change process, in relation to results and recommendations of the audits, amendments proposed to the WESM Rules, or in submitting results of special audits requested by the PEM Board. | **1.3** ~~1.2~~ Scope  **1.3.1** ~~1.2.1~~ This Manual covers all related activities and procedures in relation to the PEM ~~Auditor~~ **Audit Committee** audit~~s~~ of the spot market and the Market Operator, the **System Operator**, **the Metering Services Providers** and special audits of WESM Members. This includes the following:   1. ~~(a)~~A description of the functions, reports and responsibilities of the PEM **Audit Committee** ~~Auditor~~;   ~~(b)~~  ~~Requisites and qualifications of the PEM Auditor or any expert auditor used, to ensure independence, adequate expertise and transparency of audits;~~   1. ~~(c~~)Access rights to the audit reports, proposed recommendations by external auditors and the final recommendations of the PEM **Audit Committee** ~~Auditor~~; 2. ~~(d)~~ Review of implementation and results of audit recommendations; 3. ~~(e)~~Procedures, general methodology and scope of an audit and the audit results; 4. ~~(f)~~ Interaction between the PEM **Audit Committee** ~~Board~~ and the **Enforcement and Compliance Office** (ECO) or the PEM Board when requested an assessment or audit related to an investigation of an alleged breach; 5. ~~(g)~~Procedures and criteria for the PEM **Audit Committee** ~~Auditor t~~o assess the efficiency, validity and justification of new software or modifications to existing software of the Market Operator; 6. ~~(h)~~A description of interactions between the PEM ~~Auditor~~ **Audit Committee** and the PEM Board, and the **R**~~r~~ules **C**~~c~~hange **Committee** ~~process,~~ in relation to the results and recommendations of the audits, **leading to proposals for the** amendment~~s~~ **of the** ~~proposed to the~~ WESM Rules, **the Retail Rules,** or **its Maket Manuals.** ~~in submitting results of special audits requested by the PEM Board.~~ | Scope of Audit specifically included the audit of the System Operator and the Metering Services Providers per provisions of the WESM Rules as proposed to be revised.  This Manual no longer contains the requisite qualifications to be a PEM Audit Committee member as the Guidelines Governing the Constitution of PEM Board Committees already sufficiently cover these. |
|  |  | 1.2.2 This Manual provides for a streamlined process for an annual audit of the spot market, conducted together with the Market Operator audit. | **1.3.2** ~~1.2.2~~ This Manual provides for a streamlined process for **the** ~~an annual~~ audit of the spot market and ~~conducted together with~~ the Market Operator, ~~audit~~ **the Metering Services Providers and the System Operator.** | Added the Metering Services Providers and the Systems Operator consistent with above.  Audits shall cover all periods, based on the timeline set by the PAC and in consultation with the auditee. |
|  |  |  | **1.3.3 This Manual also covers the interaction between the PEM Audit Committee~~,~~ the ECO and the PEM Board in relation to any request by the ECO or the PEM Board for the PEM Audit Committee to assist, through its audits, in the assessment or investigation of an alleged breach.** | Lifted from the last sentence of Section 1.1.5 (Issue 2.0) with some revisions |
|  |  |  | **1.3.4 For the purpose of this Manual, any act, omission, conduct or behavior and the like contrary to or not in compliance with the WESM Rules and the Retail Rules including its Market Manuals shall be considered a breach.** | Lifted from Section 1.1.4 (Issue 2.0) with some revisions |
|  |  | 1.3 Review and Updates | ~~1.3 Review and Updates~~ |  |
|  |  | 1.3.1 The PEM Board, with the assistance of the PEM Auditor, shall maintain this Manual under review, to identify any need for updates and amendments. | ~~1.3.1 The PEM Board, with the assistance of the PEM Auditor, shall maintain this Manual under review, to identify any need for updates and amendments.~~ | The responsibility to review and update the manual was included under the Section 3.1.9 (Responsibility). |
|  |  | 1.3.2 Amendment to the provisions of this Manual requires the approval of the PEM Board. After each such approval, the amended Manual shall be published in the Market Information Website. Subject to the Manual of Procedures on Changes to the WESM Rules, the approval of the PEM Board shall specify the date when the amended Manual becomes effective. However, no such amendment and/or change to this Manual shall be retroactively applied. | ~~1.3.2 Amendment to the provisions of this Manual requires the approval of the PEM Board. After each such approval, the amended Manual shall be published in the Market Information Website. Subject to the Manual of Procedures on Changes to the WESM Rules, the approval of the PEM Board shall specify the date when the amended Manual becomes effective. However, no such amendment and/or change to this Manual shall be retroactively applied~~. | The procedures in amending a Market Manual, including the PEM Audit Manual is covered in the Rules Change Manual and thus suggested to no longer be included in the PEM Audit Manual. The proposed Section 8 (Amendment and Effectivity of the Manual) also indicates this. |
|  |  | 1.3.3 Amendment proposals to this Manual may arise from(a) The PEM Board, upon its own initiative or upon a recommendation by other PEM Committees;(b) A WESM Member, the Market Operator or any party affected by the operations of this Manual; and(c) The PEM Auditor in view of:i. Audit experiences, problems or other issues that arise in the implementation and application of this Manual; orii. Amendments to the WESM Rules or other Applicable Law, Rules and Regulations; oriii. Conflict of interpretation; oriv. Provisions or parts of this Manual being annulled or declared invalid. | ~~1.3.3 Amendment proposals to this Manual may arise from~~   1. ~~The PEM Board, upon its own initiative or upon a recommendation by other PEM Committees;~~ 2. ~~A WESM Member, the Market Operator or any party affected by the operations of this Manual; and~~ 3. ~~The PEM Auditor in view of:~~ 4. ~~Audit experiences, problems or other issues that arise in the implementation and application of this Manual; or~~ 5. ~~Amendments to the WESM Rules or other Applicable Law, Rules and Regulations; or~~ 6. ~~Conflict of interpretation; or~~ 7. ~~Provisions or parts of this Manual being annulled or declared invalid.~~ | The reasons for amending any Market Manual are already included in the Rules Change Manual and thus suggested to no longer be included in the PEM Audit Manual. |
|  |  | 1.3.4 Amendment proposals shall be submitted, reviewed and approved in accordance with the procedures in the Rules Change Manual. | ~~1.3.4 Amendment proposals shall be submitted, reviewed and approved in accordance with the procedures in the Rules Change Manual.~~ | These provisions are already part of the Rules Change Manual. |
|  |  | 1.3.5 The responsibility for drafting the amendments occasioned and approved by the above-described circumstances shall lie with –(a) The Rules Change Committee regarding amendments to this Manual that are required or otherwise attributable to amendments to the WESM Rules or other Applicable Law, Rules and Regulations; or(b) The PEM Auditor in all other amendments provided however that the PEM Auditor may request the assistance of the Rules Change Committee. | ~~1.3.5 The responsibility for drafting the amendments occasioned and approved by the above-described circumstances shall lie with –~~  ~~(a) The Rules Change Committee regarding amendments to this Manual that are required or otherwise attributable to amendments to the WESM Rules or other Applicable Law, Rules and Regulations; or~~  ~~(b) The PEM Auditor in all other amendments provided however that the PEM Auditor may request the assistance of the Rules Change Committee.~~ | These provisions are already part of the Rules Change Manual. |
| Definitions, Interpretation and Construction | 2 | 2.1 Definitions  Unless otherwise defined in this Manual, terms and acronyms used in this Manual shall have the same definition as that in the WESM Rules. | 2.1 Definitions  Unless otherwise defined in this Manual, terms and acronyms used in this Manual shall have the same definition as that in the WESM Rules. | The items deleted are either already defined in the WESM Rules, are already not applicable, or not used in the Manual because of the proposed general changes.  The terms retained are commonly used terms in the Manual. |
|  |  | * Act means the Republic Act No. 9136 also known as the Electric Power Industry Reform Act (EPIRA), as they may be issued or modified by competent authorities from time to time. | * ~~Act means the Republic Act No. 9136 also known as the Electric Power Industry Reform Act (EPIRA), as they may be issued or modified by competent authorities from time to time.~~ |  |
|  |  | * Applicable Law, Rules and Regulations shall include the EPIRA and its Implementing Rules and Regulations, the Philippine Grid Code, the Philippine Distribution Code, the WESM Rules and Market Manuals, the Competition Rules, and such other codes, rules, regulations, issuances related to the WESM, as they may be issued or modified by competent authorities from time to time. | * ~~Applicable Law, Rules and Regulations shall include the EPIRA and its Implementing Rules and Regulations, the Philippine Grid Code, the Philippine Distribution Code, the WESM Rules and Market Manuals, the Competition Rules, and such other codes, rules, regulations, issuances related to the WESM, as they may be issued or modified by competent authorities from time to time.~~ |  |
|  |  | * Audit Committee refers to a group of experts selected by the PEM Auditor to act as auditors and support the audit functions in the WESM. | * ~~Audit Committee refers to a group of experts selected by the PEM Auditor to act as auditors and support the audit functions in the WESM.~~ |  |
|  |  | * Audit Report means the report of the PEM Auditor or the Audit Committee that presents audit results and recommendations. | * Audit Report ~~means~~ **refers to** the report of the PEM ~~Auditor or the~~ Audit Committee or the External Auditor that presents the audit results and recommendations. |  |
|  |  | * DOE refers to the Department of Energy, the government agency created pursuant to Republic Act No. 7638. | * ~~DOE refers to the Department of Energy, the government agency created pursuant to Republic Act No. 7638.~~ |  |
|  |  | * Enforcement and Compliance Officer (ECO) refers to an officer of the PEMC in charge of the compliance and enforcement functions and responsibilities as established in the WESM Rules, and in charge of the corresponding procedures established in the Compliance and Enforcement Market Manual. | * ~~Enforcement and Compliance Officer (ECO) refers to an officer of the PEMC in charge of the compliance and enforcement functions and responsibilities as established in the WESM Rules, and in charge of the corresponding procedures established in the Compliance and Enforcement Market Manual.~~ |  |
|  |  | * ERC refers to the Energy Regulatory Commission, the independent quasi-judicial regulatory body created by the EPIRA. | * ~~ERC refers to the Energy Regulatory Commission, the independent quasi-judicial regulatory body created by the EPIRA.~~ |  |
|  | NEW |  | * **External Auditor refers to the group of people or team with adequate expertise, organized to conduct independent audits or special audits of the processes and the systems of the WESM.** |  |
|  |  | * Independent means a person that is considered as independent of the Philippine electric power industry, in accordance with the criteria set forth in WESM Rule 1.4.2.7. | * Independent means a person that is considered as independent of the Philippine electric power industry, in accordance with the criteria set forth in **the** WESM Rule**s**. ~~1.4.2.7.~~ | In anticipation that the provision defining independent will be reflected in another clause. |
|  |  | * Investigation means an inquiry conducted by the ECO or conducted by the MSC upon request by the ECO to verify compliance with the WESM Rules, pursuant to the Compliance and Enforcement Market Manual. | * ~~Investigation means an inquiry conducted by the ECO or conducted by the MSC upon request by the ECO to verify compliance with the WESM Rules, pursuant to the Compliance and Enforcement Market Manual.~~ |  |
|  |  | * Market Manual means a manual of specific procedures, systems and protocols for the implementation of the WESM Rules and for the PEM Committees and the ECO. | * ~~Market Manual means a manual of specific procedures, systems and protocols for the implementation of the WESM Rules and for the PEM Committees and the ECO.~~ |  |
|  |  | * Market Manual Website means the website that the PEM Board assigns for the publication of the Market Manuals and that can be accessed by WESM members. | * ~~Market Manual Website means the website that the PEM Board assigns for the publication of the Market Manuals and that can be accessed by WESM members.~~ |  |
|  |  | * Manual refers to this PEM Audits Market Manual. | * ~~Manual refers to this PEM Audits Market Manual.~~ |  |
|  |  | * Market Information Website means the website for the publication of information and results of the WESM established in accordance with the WESM Rules. | * ~~Market Information Website means the website for the publication of information and results of the WESM established in accordance with the WESM Rules~~. |  |
|  |  | * Market Surveillance Committee (MSC) refers to the PEM Committee appointed by the PEM Board to monitor and report on activities in the spot market in accordance with the Market Surveillance Market Manual. | * ~~Market Surveillance Committee (MSC) refers to the PEM Committee appointed by the PEM Board to monitor and report on activities in the spot market in accordance with the Market Surveillance Market Manual.~~ |  |
|  |  | * Metering Services Provider refers to a person or entity authorized by the ERC to provide metering services and registered with the Market Operator in that capacity in accordance with clause 2.3.6 of the WESM Rules. | * ~~Metering Services Provider refers to a person or entity authorized by the ERC to provide metering services and registered with the Market Operator in that capacity in accordance with clause 2.3.6 of the WESM Rules.~~ |  |
|  |  | * PEM Auditor refers to the auditor appointed by the PEM Board as defined in the WESM Rules and tasked to undertake the functions and activities set out in this Manual. | * ~~PEM Auditor refers to the auditor appointed by the PEM Board as defined in the WESM Rules and tasked to undertake the functions and activities set out in this Manual.~~ |  |
|  |  | * PEM Board refers to the Board of Directors of the PEMC that is responsible for governing the WESM. | * ~~PEM Board refers to the Board of Directors of the PEMC that is responsible for governing the WESM.~~ |  |
|  |  | * PEM Committee refers to a Committee duly provided for under the WESM Rules and such other committees created by the PEM Board from time to time be, including for purposes of this Manual, the PEM Auditor, the Technical Committee and the MSC. | * ~~PEM Committee refers to a Committee duly provided for under the WESM Rules and such other committees created by the PEM Board from time to time be, including for purposes of this Manual, the PEM Auditor, the Technical Committee and the MSC.~~ |  |
|  |  | * PEMC refers to the Philippine Electricity Market Corporation, a non-stock, non-profit public-private partnership that governs the wholesale electricity spot market (WESM). | * ~~PEMC refers to the Philippine Electricity Market Corporation, a non-stock, non-profit public-private partnership that governs the wholesale electricity spot market (WESM).~~ |  |
|  |  | * PEMC Charter refers to the Articles of Incorporation and By-Laws of the PEMC, as approved by the Securities and Exchange Commission on 18 November 2003, and as they may be amended from time to time. | * ~~PEMC Charter refers to the Articles of Incorporation and By-Laws of the PEMC, as approved by the Securities and Exchange Commission on 18 November 2003, and as they may be amended from time to time~~ |  |
|  |  | * Rules denote the WESM Rules. | * ~~Rules denote the WESM Rules.~~ |  |
|  |  | * Rules Change Committee refers to the committee established by WESM Rule 8.2 to review and propose amendments to the WESM Rules. | * ~~Rules Change Committee refers to the committee established by WESM Rule 8.2 to review and propose amendments to the WESM Rules.~~ |  |
|  |  | * Selection Committee refers to the Committee composed of at least three (3) members of the PEM Board, one of whom should be an Independent PEM Board director, which is tasked to review and evaluate the qualifications of all persons nominated to any PEM Committee requiring appointment by the PEM Board. | * ~~Selection Committee refers to the Committee composed of at least three (3) members of the PEM Board, one of whom should be an Independent PEM Board director, which is tasked to review and evaluate the qualifications of all persons nominated to any PEM Committee requiring appointment by the PEM Board.~~ |  |
|  |  | * Technical Committee refers to the group of persons appointed by the PEM Board to monitor and review technical matters under and in relation to the WESM Rules, the Grid Code and Distribution Code, in accordance with WESM Rule 1.7; | * ~~Technical Committee refers to the group of persons appointed by the PEM Board to monitor and review technical matters under and in relation to the WESM Rules, the Grid Code and Distribution Code, in accordance with WESM Rule 1.7;~~ |  |
|  |  | * Trading Participant is a person or entity registered with the Market Operator in accordance with WESM Rule 2.3.3 as either a customer or a generation company. | * ~~Trading Participant is a person or entity registered with the Market Operator in accordance with WESM Rule 2.3.3 as either a customer or a generation company.~~ |  |
|  |  | * WESM Objectives refers to the objectives of the spot market as defined in WESM Rule 1.2.5. | * ~~WESM Objectives refers to the objectives of the spot market as defined in WESM Rule 1.2.5.~~ |  |
|  |  | * WESM Member means a person who is registered with the Market Operator in accordance with WESM Rules 2.3 and 2.4, and that includes Trading Participants, Metering Services Providers, Network Service Providers, Ancillary Services Providers and the System Operator. | * ~~WESM Member means a person who is registered with the Market Operator in accordance with WESM Rules 2.3 and 2.4, and that includes Trading Participants, Metering Services Providers, Network Service Providers, Ancillary Services Providers and the System Operator.~~ |  |
| Interpretation and Construction | 2.2.8 | 2.2.8 The provisions in this Manual, the WESM Rules and other Market Manuals shall be read, construed and interpreted in such a manner as to harmonize and reconcile each and every provision thereof. In the event of inconsistency, the WESM Rules shall prevail. | 2.2.8 The provisions in this Manual, the WESM Rules, **the Retail Rules** and other Market Manuals shall be read, construed and interpreted in such a manner as to harmonize and reconcile each and every provision thereof. In the event of inconsistency, the WESM Rules **or the Retail Rules, whichever is applicable** shall prevail. | Revised to include the Retails Rules. |
|  |  | 2.2.10 If part of a provision of this Manual be invalidated or nullified by any court or authority of competent jurisdiction, but the rest of such provision would remain valid if part of the wording were deleted, the provision shall apply with such minimum modification as may be:  (a) Necessary to make it valid and effective; and  (b) Most closely achieves the result of the original wording but without affecting the meaning or validity of any other provision of this Manual. | 2.2.10 If part of a provision of this Manual **should** ~~be~~ invalidated or nullified by any court or authority of competent jurisdiction, but the rest of such provision would remain valid if part of the wording were deleted,  the provision shall apply with such minimum modification as may be:  **a)** ~~(a)~~ Necessary to make it valid and effective; and  **b~~)~~** ~~(b)~~ Most closely achieves the result of the original wording but without affecting the meaning or validity of any other provision of this Manual. | Clerical edit |
| The PEM Auditor | 3 | 1. The PEM Auditor | 1. The PEM **Audit Committee** ~~Auditor~~ |  |
| Responsibilities |  | 3.1.1 The main responsibility of the PEM Auditor is to conduct, on his own or through appointment of auditors, and to coordinate and supervise effective and independent audits of the operation of the spot market and of the Market Operator, in order to reinforce Trading Participants’ confidence in the transparency and adequacy of the operation of the WESM. | 3.1.1 **Pursuant to WESM Rules Clause 1.5.2,** ~~The main responsibility of~~ the PEM ~~Auditor~~ **Audit Committee** ~~is to~~ **shall oversee** the conduct, ~~on his own or through~~ **~~the engagement~~** ~~appointment of~~ **~~external~~** ~~auditors,~~ ~~and to coordinate and supervise~~ **of** effective and independent audits of the operation of the spot market and of the Market Operator, **the System Operator, and Metering Services Providers** **in accordance with the processes discussed in this Manual and provide recommendations consistent with the WESM Objectives,** in order to reinforce **the** Trading Participants’ confidence in the transparency and adequacy of the operation of the WESM **and the Retail Market**. | There is no need to indicate in this sentence the qualification that the audit may be through the engagement of external auditors, noting that this is an administrative function of PEMC.  Lays out the main responsibility of the PEM Audit Committee to conduct the audit of the MO, SO and the MSPs. |
|  |  | 3.1.2 To support and facilitate assessments or investigations of an alleged breach to the WESM Rules and when requested by the ECO, the PEM Auditor may conduct specific audits on WESM Members, the System Operator or the Market Operator pursuant to compliance with standards, systems and procedures established in the WESM Rules. | 3.1.2 ~~To~~ **The PEM Audit Committee shall** support and facilitate **the** assessment~~s~~ or investigation~~s~~ of an alleged breach ~~to~~ **of** the WESM Rules, **the Retail Rules or its Market Manuals**, ~~and when~~. **whenever** requested by the ECO or the PEM Board. **In this regard**, the PEM ~~Auditor~~ **Audit Committee** ~~it~~  may **initiate the** conduct **of** specific audits of WESM Members, **Metering Service Providers,** the System Operator or the Market Operator pursuant to ~~compliance with~~ **the** standards, systems and procedures established in the WESM Rules,  **the Retail Rules** **or its Market Manuals**. **The PEM Audit Committee shall coordinate and supervise the required audits, inform the PEM Board and/or the ECO of its audit findings and give its opinion in relation to the alleged breach.** | The provision was rephrased for clarity.  Last paragraph was lifted from Section 1.1.5 (Issue 2.0) |
|  |  | 3.1.3 In the performance of its responsibilities, the PEM Auditor shall endeavor to conduct audits and make recommendations consistent with -  (a) The WESM Objectives;  (b) The development of the WESM in a manner that is sustainable, competitive, efficient, transparent and reliable;  (c) Non discrimination;  (d) Consistency and transparency; and  (e) Efficient and effective systems, software and working processes. | 3.1.3 In the performance of its responsibilities, the PEM **Audit Committee** ~~Auditor~~ shall endeavor to conduct audits and **provide its** ~~make~~ recommendations consistent with -  ~~(a) The WESM Objectives;~~  **a)** ~~(b)~~ The development of the WESM **and the Retail Market** in a manner that is sustainable, competitive, efficient, transparent and reliable;  ~~(c) Non discrimination;~~  **b)** (~~d)~~ Consistency and transparency; and  **c)** ~~(e)~~ Efficient and effective systems, software and working processes. | Revised - The alignment with WESM Objectives is already mentioned in Section 3.1.1, emphasizing the responsibility of the PAC to recommend consistent with the WESM Objectives.    Letter c is already part of WESM Objectives – that a level playing field exists among WESM Participants |
|  |  | 3.1.4 The PEM Auditor shall observe all provisions of the WESM Rules, its Market Manuals and the PEMC Charter that are applicable to its functions and responsibilities, as well as any standard of conduct or conflict of interest guidelines prescribed by the PEM Board by resolution. | 3.1.4 The PEM ~~Auditor~~ **Audit Committee** shall observe all provisions of the WESM Rules, **the Retail Rules and its** Market Manuals ~~and the PEMC Charter~~ that are applicable to its functions and responsibilities, as well as any standard of conduct or, conflict of interest guidelines prescribed by the PEM Board. ~~by~~  ~~resolution.~~ | The provision was rephrased for clarity. |
|  |  |  | * + 1. ~~3.6.1~~ The PEM **Audit Committee** ~~Auditor~~ shall implement effective data management ~~on~~ **of** **its** audit processes and ~~shall~~  organize, maintain and review audit results, findings and the implementation of audit recommendations. | Lifted from Section 3.6.1 and revised and transferred to appropriate sections of the Manual |
|  |  |  | **3.1.6** ~~3.6.2~~The **PEM Audit Committee** ~~Auditor~~ shall ensure adequate follow up of ~~each~~ **all** audit recommendation**s**, and ~~shall~~ verify, in relation to problems and issues identified in an audit, whether the **action plans to address the audit findings and** recommendations **were** ~~where~~ implemented. **Likewise, the PEM Audit Committee shall assess if the action plans addressed the audit findings and** **achieved** ~~and, if so, whether they were successful in achieving~~ the desired outcomes and ~~solving~~ **solved** the identified problems. | Lifted from Section 3.6.2 with some revisions. This is to provide basis for the current practice of the PAC in reviewing the audit results, managing the audit processes and providing assessment to the audit action plans being implemented by auditees. |
|  |  |  | **3.1.7** ~~3.6.3~~The PEM **Audit Committee** ~~Auditor~~ shall implement a ~~formal~~ mechanism **to track** **the** ~~for tracking~~ the ~~developmen~~t ~~of deficiencies identified by audits, and the ways in which these deficiencies are being corrected.~~ **status of action plans committed to address deficiencies identified in the audits.** | Lifted from Section 3.6.3 with revisions for clarity |
|  |  | . | **3.1.8** ~~3.6.4~~The PEM Audit Committee shall implement for each audit **conducted** a post-implementation review to ensure that appropriate **attention** ~~emphasis~~ is given to the audit findings and that the **concerned** ~~relevant~~ parties are implementing  **the action plans committed to address the audit findings** ~~recommendations~~. In particular, the PEM **Audit Committee** ~~Auditor~~  shall include the following as part of the scope of work of each audit, viz.:  a) ~~(a)~~ The review of the measures implemented and actions taken in view of the recommendations made for the same type of audit conducted previously;  b) ~~(b)~~ Comments on the adequacy of the measures implemented and actions taken in view of the findings and recommendations of the previous audit; and  c) ~~(c)~~ Further recommendations, if ~~a~~ problem**s** found in the previous audit continue~~s~~ to be unsolved or if the party was unable to put in place the enhancements recommended in the previous audit. | Lifted from Section 3.6.4 with minor revisions |
|  |  |  | **3.1.9** ~~1.3.1~~The PEM **Audit Committee** ~~Board,~~ ~~with the assistance of the PEM Auditor~~, shall ~~maintain this Manual under~~ review **this Manual annually** , to identify any need for updates and amendments. | Lifted from Section 1.3.1 as revised |
|  |  | 3.1.5 The PEM Board, through the President of the PEMC, shall exercise administrative supervision over the PEM Auditor. As such, the President shall exercise the following functions:  (a) Monitor the performance of the PEM Auditor, including the Audit Committee;  (b) Provide recommendation on any adjustments of honoraria that may be received by the PEM Auditor, including the Audit Committee;  (c) Recommend the termination and removal of the PEM Auditor or member of the Audit Committee. | ~~3.1.5 The PEM Board, through the President of the PEMC, shall exercise administrative supervision over the PEM Auditor. As such, the President shall exercise the following functions:~~  ~~(a) Monitor the performance of the PEM Auditor, including the Audit Committee;~~  ~~(b) Provide recommendation on any adjustments of honoraria that may be received by the PEM Auditor, including the Audit Committee;~~  ~~(c) Recommend the termination and removal of the PEM Auditor or member of the Audit Committee.~~ | Deleted since these provisions are already in the Guidelines Governing the Constitution of the PEM Board Committees. |
| Scope of Work and Functions |  | 3.2.1 The PEM Auditor has the following scope of work and specific functions: | 3.2.1 The PEM **Audit Committee** ~~Auditor~~ has the following scope of work and specific functions: | Global Change on the name of the Committee |
|  |  | (a) Administer and ensure the effective implementation and operation of the audit provisions of this Manual; | **a~~)~~** ~~(a)~~ Administer and ensure the effective implementation and operation of the audit provisions of this Manual; |  |
|  |  | (b) Review the adequacy and test any new, upgraded or modified software of the Market Operator for the WESM or provided to WESM Members for their own use; | **b)** (~~b)~~ Review the adequacy and test any new, upgraded or modified software of the Market Operator for the WESM or provided to WESM Members for their own use; |  |
|  |  |  | **c) Test and check any new items or new versions of market-related software used by the Central Registration Body or provided by the Central Registration Body for use by retail market participants;** | To include software used by the CRB for the retail market |
|  |  | (c) Ensure effective and independent audits of the spot market and of the Market Operator, particularly but not limited to:  (i) The audit of the generation scheduling and dispatch process, price calculation, market settlement; and  (ii) The audit of any other procedures, processes, persons, systems or other matters relevant to the WESM and the implementation of the WESM Rules; | **d**) ~~(c~~) **Conduct** ~~Ensure~~ effective and independent market audits ~~of the spot market and of the Market Operator~~, particularly but not limited to:  **i** ~~(i)~~ The audit of the generation scheduling and dispatch process, price calculation, market settlement; and  **ii** ~~(ii)~~ The audit of any other procedures, processes, persons, systems or other matters relevant to the WESM and the implementation of the WESM Rules; | To cover all audits and reviews of systems, procedures, processes, persons, or other matters relevant to the WESM |
|  |  |  | **e) Conduct an audit of the Central Registration Body and the systems, processes and procedures and other matters relevant to the operations of the Central Registration Body and the performance of its functions.** | To cover all audits and reviews of systems, procedures, processes, persons, or other matters relevant to the retail market |
|  |  | (d) Review or audit specific procedures, standards, facilities or systems related to generation scheduling, dispatch, prices and settlement at the request of the PEM Board, either to assess adequacy of such matters, procedures or processes, or to audit compliance; | **f)** ~~(d)~~ Review or audit specific procedures, standards, facilities or systems related to generation scheduling, dispatch, prices and settlement at the request of the PEM Board, either to assess adequacy of such matters, procedures or processes, or to audit compliance; | Renumbering |
|  |  | e) During an investigation of an alleged breach, and upon the request of the ECO, assess or audit compliance by a WESM Member, the System Operator or the Market Operator on systems or procedures in relation to generation scheduling, dispatch and settlement, or other systems and procedures established in the WESM Rules; | **g)** ~~(e)~~ During an investigation of an alleged breach, and upon the request of the ECO **or the PEM Board**, assess or audit compliance by a WESM Member, **Metering Services Provider/s,** the System Operator or the Market Operator on systems or procedures in relation to generation scheduling, dispatch and settlement, or other systems and procedures established in the WESM Rules **or Retail Rules**; | To include the PEM Board in the parties who may request compliance audits  To include MSPs in the parties who may be audited for compliance to the WESM Rules or Retail Rules |
|  |  | (f) Submit written proposals of changes to the WESM Rules concerning generation scheduling, central dispatch, settlement and other matters covered in its auditing activities, if the PEM Auditor detects deficiencies as a result of an audit or review process, or other test or check performed in the course of its duties; | **h)** ~~(f)~~ Submit written proposals ~~of~~ **for** changes to the WESM Rules, **the Retail Rules and applicable manuals** concerning generation scheduling, central dispatch, settlement and other matters covered in its auditing activities, if the PEM ~~Auditor~~ **Audit Committee** ~~detects~~ **identifies** deficiencies as a result of an audit or review process, or other test**s** or check**s** performed in the course of its duties; | Global Change on the name of the Committee  Included in scope the Retail Rules and applicable manuals |
|  |  | (g) Select and propose, experts or expert teams to be contracted as special external auditors for specific and specialized audits; | 1. ~~(g)~~ Participate in the process for the ~~S~~**s**election of **external auditors** ~~and propose,~~ ~~experts or expert teams~~ to be contracted ~~as special external auditors~~ for specific and specialized audits; | Consistent with current practice of engaging external auditors who will conduct independent audits |
|  |  | (h) Prepare audit reports with the main audit findings and the recommendations to be implemented, and see that the reports are published in the Market Information Website; | 1. ~~(h)~~ Prepare audit reports **containing** ~~with~~ the main audit findings and the recommendations to be implemented, and ~~see~~ **ensure** that the reports are published in the ~~Market Information~~ **PEMC** Website; | For clarity |
|  |  | (i) Maintain data, reports and other information related to the development and results of the audit processes; and, | 1. ~~(i)~~ Maintain data, reports and other information related to the development and results of the audit processes; and, | Renumbering |
|  |  | (j) Conduct audit of market assessment system to determine if the system is producing outcomes consistent with the WESM Rules and the WESM objectives. | 1. ~~(j)~~ Conduct **an** audit of **the** market assessment system to determine if the system is producing outcomes consistent with the WESM Rules and the WESM objectives. | Renumbering and clerical revision |
|  |  | 3.2.2 In performing its audit work, the PEM Auditor may request to contract, subject to the PEM Board approval, independent persons or teams with adequate expertise to act as auditors in specific and specialized audits. | 3.2.2 In performing its audit work, the PEM ~~Auditor~~ **Audit Committee** may request to contract, ~~subject to the PEM Board approval,~~ independent ~~persons or teams~~ **external auditors** with adequate expertise to act as auditors **for** ~~in~~ specific and specialized audits. | Global Change on the name of the Committee  The approval of the PEM Board on contracting the engagement of external auditors will only be necessary if the amount falls under their approving authority. Said levels of approving authorities are provided in the PEMC’s Manual of approvals |
|  |  | 3.3 Selection and Appointment | ~~3.3 Selection and Appointment~~ | The provisions in this section are already in the Guidelines for the Constitution of PEM Committees and thus were no longer included in this manual. |
|  |  | 3.3.1 The PEM Board shall select and appoint a person with the qualifications and requisites established in this Manual to perform the mandate of the PEM Auditor. | ~~3.3.1 The PEM Board shall select and appoint a person with the qualifications and requisites established in this Manual to perform the mandate of the PEM Auditor.~~ |  |
|  |  | 3.3.2 Selections shall be made at least one month before the expiration of the term of the PEM Auditor or within one month after a vacancy has occurred in the position of PEM Auditor. PEM Board shall publish in a newspaper of general circulation and post in the Market Information Website a notice calling for the submission of qualified nominees. Any person or entity making such nomination must submit a nomination form as prescribed by the PEM Board. | ~~3.3.2 Selections shall be made at least one month before the expiration of the term of the PEM Auditor or within one month after a vacancy has occurred in the position of PEM Auditor. PEM Board shall publish in a newspaper of general circulation and post in the Market Information Website a notice calling for the submission of qualified nominees. Any person or entity making such nomination must submit a nomination form as prescribed by the PEM Board.~~ |  |
|  |  | 3.3.3 The Selection Committee shall review the persons nominated and request from those that it considers compliant with the qualifications and requisites, the submission of an expression of interest with their qualifications and experience. | ~~3.3.3 The Selection Committee shall review the persons nominated and request from those that it considers compliant with the qualifications and requisites, the submission of an expression of interest with their qualifications and experience.~~ |  |
|  |  | 3.3.4 The Selection Committee will review the submissions received and select the person best qualified and complies with the independence requisites. In determining the list of nominees, the Selection Committee shall consider foreign professionals only if such professional is known to be an outstanding expert or specialist in the particular field and that the services of such foreigner is urgently necessary either for lack of local experts or if his or her service will promote the advancement of the WESM. | ~~3.3.4 The Selection Committee will review the submissions received and select the person best qualified and complies with the independence requisites. In determining the list of nominees, the Selection Committee shall consider foreign professionals only if such professional is known to be an outstanding expert or specialist in the particular field and that the services of such foreigner is urgently necessary either for lack of local experts or if his or her service will promote the advancement of the WESM.~~ |  |
|  |  | 3.3.5 Upon receipt of the list of qualified nominees from the Selection Committee, the PEM Board shall post in the Market Information Website and make available to all WESM Members the list of nominees | ~~3.3.5 Upon receipt of the list of qualified nominees from the Selection Committee, the PEM Board shall post in the Market Information Website and make available to all WESM Members the list of nominees.~~ |  |
|  |  | 3.3.6 The PEM Board shall, by resolution, approve and confirm the PEM Auditor recommended by the Selection Committee from among the list of qualified nominees. | ~~3.3.6 The PEM Board shall, by resolution, approve and confirm the PEM Auditor recommended by the Selection Committee from among the list of qualified nominees.~~ |  |
|  |  | 3.4 Qualifications and Disqualifications | ~~3.4 Qualifications and Disqualifications~~ |  |
|  |  | 3.4.1 To be a PEM Auditor, a person must fulfill the following requisites and possess the following qualifications:  (a) Be a natural person;  (b) Be of legal age;  (c) Be of sound mind;  (d) Be at least a college graduate, provided that this qualification shall not apply to those with at least ten (10) years of relevant experience in their field of expertise;  (e) Have an understanding of the processes and types of software involved in generation scheduling and centralized economic security constrained dispatch in power systems;  (f) Have an understanding of the electricity industry in Philippines, the WESM Rules, and of the settlement requirements in the WESM, at least possessing the capacity to quickly acquire such an understanding;  (g) Be Independent; and  (h) Be objective, without any interference or undue influence from the Market Operator, System Operator or any WESM Member. | ~~3.4.1 To be a PEM Auditor, a person must fulfill the following requisites and possess the following qualifications:~~  ~~(a) Be a natural person;~~  ~~(b) Be of legal age;~~  ~~(c) Be of sound mind;~~  ~~(d) Be at least a college graduate, provided that this qualification shall not apply to those with at least ten (10) years of relevant experience in their field of expertise;~~  ~~(e) Have an understanding of the processes and types of software involved in generation scheduling and centralized economic security constrained dispatch in power systems;~~  ~~(f) Have an understanding of the electricity industry in Philippines, the WESM Rules, and of the settlement requirements in the WESM, at least possessing the capacity to quickly acquire such an understanding;~~  ~~(g) Be Independent; and~~  ~~(h) Be objective, without any interference or undue influence from the Market Operator, System Operator or any WESM Member.~~ |  |
|  |  | 3.4.2 In addition to the qualification requirements in the previous paragraph, the PEM Auditor must not be and not have been:  (a) Convicted by final judgment of an offense involving moral turpitude or any fraudulent act or transgression;  (b) Found with finality by a court of competent jurisdiction or a quasi-judicial body to have willfully violated, or aided, abetted, counseled, induced or procured the violation of any Applicable Law, Rules and Regulations;  (c) Judicially declared to be insolvent;  (d) Found guilty by final judgment by a foreign court or equivalent regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;  (e) Convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years. | ~~3.4.2 In addition to the qualification requirements in the previous paragraph, the PEM Auditor must not be and not have been:~~  ~~(a) Convicted by final judgment of an offense involving moral turpitude or any fraudulent act or transgression;~~  ~~(b) Found with finality by a court of competent jurisdiction or a quasi-judicial body to have willfully violated, or aided, abetted, counseled, induced or procured the violation of any Applicable Law, Rules and Regulations;~~  ~~(c) Judicially declared to be insolvent;~~  ~~(d) Found guilty by final judgment by a foreign court or equivalent regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;~~  ~~(e) Convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years.~~ |  |
|  |  | 3.4.3 Prior to being appointed as PEM Auditor, the person must provide the PEM Board a signed declaration that the person fully complies with the independence requisites established in this Manual and has no conflict with any of the parties covered in this Manual when he assumes the position as a member of the MSC. | ~~3.4.3 Prior to being appointed as PEM Auditor, the person must provide the PEM Board a signed declaration that the person fully complies with the independence requisites established in this Manual and has no conflict with any of the parties covered in this Manual when he assumes the position as a member of the MSC.~~ |  |
|  |  | 3.5. Term of Appointment | ~~3.5. Term of Appointment~~ |  |
|  |  | 3.5.1 The PEM Auditor shall be appointed for a fixed term of five (5) years and shall be eligible for re-appointment for one additional fixed term of up to five (5) years.  3.5.2 The PEM Board may terminate the appointment of the PEM Auditor–prior to the end of its term in the following cases:  (a) The PEM Auditor ceases to meet the qualifications and requisites established in this Manual.  (b) The PEM Auditor becomes disqualified in accordance to the disqualification conditions in this Manual.  (c) The PEM Auditor fails to perform its duties and responsibilities in accordance with this Manual or he acts contrary to the principles and objectives of the WESM.  For purposes of this provision, the PEM Board shall constitute an ad hoc committee of three (3) persons, composed of the President of PEMC, an Independent Director, and one member from other committees not belonging to the Audit Committee or Technical Committee. The ad hoc committee shall determine and evaluate whether there is sufficient ground to terminate the PEM Auditor’s appointment. A determination made by the ad hoc group finding insufficient grounds for termination shall be final. However, if the ad hoc group finds that there is sufficient ground to seek the termination of the PEM Auditor, the same shall be confirmed by a majority vote of the PEM Board constituting a quorum. | ~~3.5.1 The PEM Auditor shall be appointed for a fixed term of five (5) years and shall be eligible for re-appointment for one additional fixed term of up to five (5) years.~~  ~~3.5.2 The PEM Board may terminate the appointment of the PEM Auditor–prior to the end of its term in the following cases:~~  ~~(a) The PEM Auditor ceases to meet the qualifications and requisites established in this Manual.~~  ~~(b) The PEM Auditor becomes disqualified in accordance to the disqualification conditions in this Manual.~~  ~~(c) The PEM Auditor fails to perform its duties and responsibilities in accordance with this Manual or he acts contrary to the principles and objectives of the WESM.~~  ~~For purposes of this provision, the PEM Board shall constitute an ad hoc committee of three (3) persons, composed of the President of PEMC, an Independent Director, and one member from other committees not belonging to the Audit Committee or Technical Committee. The ad hoc committee shall determine and evaluate whether there is sufficient ground to terminate the PEM Auditor’s appointment. A determination made by the ad hoc group finding insufficient grounds for termination shall be final. However, if the ad hoc group finds that there is sufficient ground to seek the termination of the PEM Auditor, the same shall be confirmed by a majority vote of the PEM Board constituting a quorum.~~ |  |
|  |  | 3.5.3 The PEM Auditor shall cease to hold office if the said person  (a) Resigns prior to the end of its appointment period, or no longer complying with the required qualifications and other requisites, or other personal reasons; or  (b) Becomes incapable of performing his duties as stated in this Manual; or  (c) Dies. | ~~3.5.3 The PEM Auditor shall cease to hold office if the said person~~  ~~(a) Resigns prior to the end of its appointment period, or no longer complying with the required qualifications and other requisites, or other personal reasons; or~~  ~~(b) Becomes incapable of performing his duties as stated in this Manual; or~~  ~~(c) Dies~~. |  |
|  |  | 3.5.4 For impending vacancy of the PEM Auditor, the PEM Board, through the Selection Committee, shall select a replacement sufficiently in advance to enable the replacement to be available in time. The replacement must meet the qualifications and requisites set forth in this Manual. If the replacement has not been appointed in time, the PEM Board may appoint an officer-in-charge to discharge the functions of the PEM Auditor in a transitory capacity until a permanent and qualifying replacement has been appointed. | ~~3.5.4 For impending vacancy of the PEM Auditor, the PEM Board, through the Selection Committee, shall select a replacement sufficiently in advance to enable the replacement to be available in time. The replacement must meet the qualifications and requisites set forth in this Manual. If the replacement has not been appointed in time, the PEM Board may appoint an officer-in-charge to discharge the functions of the PEM Auditor in a transitory capacity until a permanent and qualifying replacement has been appointed.~~ |  |
|  |  | 3.6 Data Management and On-going Review | ~~3.6 Data Management and On-going Review~~ | The contents of this provision have been transferred to Section 3.1 ( PEM Audit Committee) |
|  |  | 3.6.1 The PEM Auditor shall implement effective data management on audit processes and shall organize, maintain and review audit results, findings and the implementation of audit recommendations. | ~~3.6.1 The PEM Auditor shall implement effective data management on audit processes and shall organize, maintain and review audit results, findings and the implementation of audit recommendations.~~ | Transferred to 3.1.5 with revisions |
|  |  | 3.6.2 The PEM Auditor shall ensure adequate follow up of each audit recommendation, and shall verify, in relation to problems and issues identified in an audit, whether the recommendations where implemented and, if so, whether they were successful in achieving the desired outcomes and solving the identified problems. | ~~3.6.2 The PEM Auditor shall ensure adequate follow up of each audit recommendation, and shall verify, in relation to problems and issues identified in an audit, whether the recommendations where implemented and, if so, whether they were successful in achieving the desired outcomes and solving the identified problems.~~ | Transferred to 3.1.6 with revisions |
|  |  | 3.6.3 The PEM Auditor shall implement a formal mechanism for tracking the development of deficiencies identified by audits, and the ways in which these deficiencies are being corrected. | ~~3.6.3 The PEM Auditor shall implement a formal mechanism for tracking the development of deficiencies identified by audits, and the ways in which these deficiencies are being corrected.~~ | Transferred to 3.1.7 with some revisions |
|  |  | 3.6.4 The PEM Auditor shall implement for each audit a post-implementation review to ensure that appropriate emphasis is given to the audit findings and that the relevant parties are implementing the recommendations. In particular, the PEM Auditor shall include the following as part of the scope of work of each audit, viz.:  (a) The review of the measures implemented and actions taken in view of the recommendations of the previous similar audit;  (b) Comments on the adequacy of the measures implemented and actions taken in view of the findings and recommendations of the previous audit; and  (c) Further recommendations, if a problem found in the previous audit continues to be unsolved or if the party was unable to put in place the enhancements recommended in the previous audit. | ~~3.6.4 The PEM Auditor shall implement for each audit a post-implementation review to ensure that appropriate emphasis is given to the audit findings and that the relevant parties are implementing the recommendations. In particular, the PEM Auditor shall include the following as part of the scope of work of each audit, viz.:~~  ~~(a) The review of the measures implemented and actions taken in view of the recommendations of the previous similar audit;~~  ~~(b) Comments on the adequacy of the measures implemented and actions taken in view of the findings and recommendations of the previous audit; and~~  ~~(c) Further recommendations, if a problem found in the previous audit continues to be unsolved or if the party was unable to put in place the enhancements recommended in the previous audit.~~ | Transferred to 3.1.8 with some revisions |
|  |  | 3.7 Reports | **3.3** ~~3.7~~ Reports | Renumbering |
|  |  | 3.7.1 The PEM Auditor shall present the results of audits, assessments and reviews in the following reports:  (a) At the end of each audit, an Audit Report, including an executive summary summing up the outcomes of the audit, main finding and the recommendations;  (b) Rules Review Reports;  (c) Software Review Reports;  (d) After the annual assessment of metering arrangements, a Metering Arrangements Report; and  (e) Compliance Assessment Reports, on the assessment or investigation of alleged breaches. | **3.3.1** ~~3.7.1~~ The PEM **Audit Committee** ~~Auditor~~ shall **submit an** **Audit Report, to the PEM Board within thirty (30) calendar days after an audit is finalized.** ~~present the results of audits, assessments and reviews in the following reports:~~  ~~(a) At the end of each audit, an Audit Report, including an executive summary summing up the outcomes of the audit, main finding and the recommendations;~~  ~~(b) Rules Review Reports;~~  ~~(c) Software Review Reports;~~  ~~(d) After the annual assessment of metering arrangements, a Metering Arrangements Report; and~~  ~~(e) Compliance Assessment Reports, on the assessment or investigation of alleged breaches.~~ | Allows the PEM Audit Committee a more reasonable time within which to submit its Audit Report to the PEM Board. |
|  |  | 3.7.2 Within fifteen (15) days after an audit is finalized by the PEM Auditor or by a designated expert or expert team contracted to act as auditor(s), the PEM Auditor shall prepare and submit to the PEM Board an Audit Report, containing –  (a) An executive summary that provides a concise description of the audit process, its results and recommendations;  (b) A description of the scope and nature of the audit, and the parties audited;  (c) If external expert auditors were used, the name of the experts or expert team, the description of its relevant expertise and the report prepared by the expert;   1. The description of the audit process and outcomes; and 2. The main findings and recommendations.   It is hereby provided that all information or data included in the Audit Report will take into consideration the confidentiality practices established in this Manual and the WESM Rules. | 3.3.2 ~~3.7.2~~ ~~Within fifteen (15) days after an audit is finalized by the PEM Auditor or by a designated expert or expert team contracted to act as auditor(s), the PEM Auditor shall prepare and submit to the PEM Board an~~ **The Audit Report to be submitted to the PEM Board shall contain the following**~~: containing –~~   1. ~~(a)~~ An executive summary that provides a concise description of the audit process, its results and recommendations; 2. ~~(b)~~ A description of the scope and nature of the audit, and the parties audited; 3. ~~(c)~~ If external expert auditors were used, the name of the experts or expert team, the description of its relevant expertise and the report prepared by the expert; 4. ~~(d)~~ The description of the audit process and outcomes; and 5. ~~(e~~) The main findings and recommendations.   ~~It is hereby provided that~~ All information or data included in the Audit Report will take into consideration the confidentiality practices established in this Manual and the WESM Rules. | Timeline as revised was moved to the earlier section. |
|  |  | 3.7.3 The PEM Board shall review each Audit Report. Not later than fifteen (15) days after the next PEM Board meeting following the receipt of the report, the PEM Board shall inform the PEM Auditor if any recommendation is considered inadequate and should not be implemented. | **3.3.3** ~~3.7.3~~ **The PEM Audit Committee shall submit the results of the audit conducted to the PEM Board, for its information. A copy of said report shall be provided to the following:**   1. **WESM Governance Committees;** 2. **Department of Energy; and** 3. **Energy Regulatory Commission**.   ~~The PEM Board shall review each Audit Report. Not later than fifteen (15) days after the next PEM Board meeting following the receipt of the report, the PEM Board shall inform the PEM Auditor if any recommendation is considered inadequate and should not be implemented.~~ | Clarifies that the PEM Board presentation on the report is only for information purposes.  Submission of Audit Reports to the PEM Board for information ensures the independence of market audits. |
|  |  | 3.7.4 Within five (5) business days after receiving from the PEM Board its review on the audit recommendations, the PEM Auditor shall prepare a revised Audit Report and publish it in the Market Information Website. The Audit Report shall include:  (a) A description of the scope and nature of the audit, indicating parties audited and experts contracted, if any;  (b) A summarized description of the audit process and main findings; and   1. The audit results and recommendations to be implemented. | **3.3.4.** ~~3.7.4~~ Within **fifteen (15)** ~~five (5) business~~ **working** days after **its presentation to the PEM Board,** ~~receiving from the PEM Board its review on the audit recommendations,~~ the PEM **Audit Committee** ~~Auditor~~ shall prepare a **public version of the** ~~revised~~ Audit Report and publish ~~it~~ **the same** in the ~~Market Information~~ **PEMC** Website. The Audit Report **to be published** shall include:   1. ~~(a)~~ A description of the scope and nature of the audit, indicating parties audited and experts contracted, if any; 2. ~~(b)~~ A summarized description of the audit process and main findings; and 3. ~~(c)~~The audit results and recommendations to be implemented.   **No information or data that qualifies as confidential shall be included in the Audit Report for publication.** | Removes the responsibility of the PEM Board to review the audit recommendations given that the Audit Report is for information purposes only. Also clarifies that what is to be published in the PEMC Website is a public version of the report |
|  |  | 3.7.5 It is hereby provided that no information or data that qualifies as confidential shall be included in the Audit Report. | ~~3.7.5 It is hereby provided that no information or data that qualifies as confidential shall be included in the Audit Report.~~ | Already included in the above section |
|  |  | 3.7.6 Any WESM Member, the Market Operator, the DOE or the ERC may request for copies of the complete Audit Report, provided that the version provided as a copy shall not include information that qualifies as confidential in accordance with this Manual, with the exemptions to confidentiality provisions established in the WESM Rules. | **3.3.5** ~~3.7.6~~ Any WESM Member, the Market Operator, the DOE or the ERC may request for copies of the complete Audit Report, provided that the version provided as a copy shall not include information that qualifies as confidential in accordance with this Manual, with the exemptions to confidentiality provisions established in the WESM Rules. | Renumbering |
|  |  | 3.7.7 After the end of a review of the WESM Rules requested by the PEM Board or the Rules Change Committee, the PEM Auditor shall prepare a Rules Review Report and shall send it to:  (a) The PEM Board;  (b) The Rules Change Committee; and  (c) DOE. | ~~3.7.7 After the end of a review of the WESM Rules requested by the PEM Board or the Rules Change Committee, the PEM Auditor shall prepare a Rules Review Report and shall send it to:~~  ~~(a) The PEM Board;~~  ~~(b) The Rules Change Committee; and~~  ~~(c) DOE.~~ | This is no longer necessary as any recommendation for a rules change is already included in the recommendations in the audit reports. Copies of the reports are likewise provided to all WESM Governance Committees including the Rules Change Committee. |
|  |  | 3.7.8 After finalizing an assessment or audit requested by the ECO in the course of an assessment or investigation of an alleged breach, the PEM Auditor shall prepare and send to the ECO a Compliance Assessment Report. | **3.3.6** ~~3.7.8~~ After finalizing an ~~assessment or~~ audit requested by the ECO in the course of an assessment or investigation of an alleged breach, the PEM **Audit Committee** ~~Auditor~~ shall prepare and send to the ECO ~~a~~ **its** Compliance Assessment Report. **A copy of the report shall also be furnished the PEM Board for its information.** | Same rationale as proposed Section 3.3.3. |
|  |  | 3.7.9 The PEM Auditor shall prepare and submit to the PEM Board monthly Audit Assessment Reports, which shall contain:  (a) A list of the audits in process and the stage of each audit still not finalized;  (b) A summarized description of the scope, main finding and recommendations of the audits, assessment and reviews finalized during the month;  (c) The developments and implementation of the audit recommendations; and  (d) Any recommendation that may arise from the experiences in audit procedures established in this Manual or otherwise observed. | **3.3.7** ~~3.7.9~~ The PEM **Audit Committee** ~~Auditor~~ shall prepare and submit to the PEM Board ~~monthly~~ **Quarterly** Audit Assessment Reports, which shall contain:  (a) A list of the audits in **progress** ~~process~~ and the stage of each audit still not finalized;  (b) A summarized description of the scope, main finding and recommendations of the audits, assessment and reviews finalized during the month;  (c) **An update on the** ~~The developments and~~ implementation of the audit recommendations and **committed action plans**; and  (d) Any recommendation that may arise from the experiences in **the** audit**s** **conducted.** ~~procedures established in this Manual or otherwise observed.~~ | The frequency of submission of the Audit Assessment Report is revised to allow for a more reasonable timeline for the PEM Audit Committee to the submit an assessment report as contents as inputs to the report, specifically updates on action plans committed are sourced from auditees. |
|  |  |  | **3.3.8** **No later than three (3) months after the end of the calendar year, the PEM Audit Committee shall submit to the PEM Board its Annual Report, which sets out the accomplishments of the Committee during the subject year and the proposed Work Plan for the coming year.** | Added the submission of the Annual Report in the Manual, as currently being practised. |
|  |  |  | **3.3.8 The PEM Audit Committee shall publish its Annual Report in the PEMC Website.** | Included the publication requirement |
| **Expert Support** | **4** | Expert Support | 4. ~~Expert Support~~ **Engagement of External Auditors** | To make it clear that the Chapter is about the engagement of an external auditors and not just expert support |
| Scope |  | 4.1.1. To ensure sufficient and adequate expertise, the PEM Auditor may, subject to the PEM Board approval, engage the services of independent persons or teams or companies with special expertise, to act as:   1. Experts for field audits of metering equipment or processes; 2. Experts for the audit and/or certification of the Market Operator software; and   (c) Expert teams or companies for the audit of the WESM and the processes and systems in relation to generation scheduling, dispatch and settlement of the Market Operator to assess adequacy and verify compliance with the WESM Rules. | 4.1 ~~To ensure sufficient and adequate expertise~~, **Pursuant to WESM Rules Clause 5.2.6.4, and Clause 1.5.1 of the Retail Rules,** the PEM ~~Auditor~~ **Audit Committee** ~~may, subject to the PEM Board approval~~ **may** engage the services of ~~independent persons or teams or companies~~ **an external auditor,** ~~special~~ ~~expertise, to act as~~ **in the following:**   1. ~~(a) Experts for field~~ audit~~s~~ of **Metering Services Providers,**  ~~and~~ metering equipment, **installations** ~~or~~ **and** processes; 2. ~~(b) Experts for the~~ audit and/or certification of the Market Operator software; 3. ~~(c )Expert teams or companies for the~~ audit of the WESM and the **market** processes and systems in relation to generation scheduling, dispatch and settlement of the Market Operator to assess adequacy and verify compliance with the WESM Rules; 4. **audit of the System Operator relative to its participation and responsibilities in the WESM as System Operator;** 5. **audit of the Central Registration Body and the systems, processes and procedures and other matters relevant to the operation of the Central Registration Body and the performance of its functions as set forth in these Retail Rules;** 6. **Testing and checking any new items or new versions of market-related software used by the Central Registration Body or provided by the Central Registration Body for use by WESM members;** 7. **audit as may be requested in accordance with the Market Surveillance** **Compliance and Enforcement Manual; and** 8. **other audits as may be requested by the PEM Board.** | Identifies the audits in scope in the introductory portion of the chapter |
|  |  | 4.1.2. The PEM Auditor shall endeavor to maximize the use of the Technical Committee as expert auditors in audits where they have the relevant expertise and subject to compliance with the independence provisions and qualifications established in this Manual. | 4.2 The PEM **Audit Committee** ~~Auditor~~ shall endeavor to maximize the use of the **members of the** Technical Committee as **technical** expert**s**  **or resource persons** ~~auditors~~ **in**  **relevant audit activities** ~~audits~~ **that**  **the PEM Audit Committee oversees**, ~~audits where they have the relevant expertise, and~~ subject to compliance with the independence provisions and qualifications established ~~in this Manual.~~**by the WESM Rules.** | Revision to clarify that the Technical Committee members will not be tapped as auditors but tapped for their expertise on technical matters, as may be needed, ( e.g TWG ) This is being clarified for reasons of practicality and availability, because like the PEM Audit Committee, the Technical Committee members are not full time employees of PEMC, |
|  |  | 4.1.3. For the purpose of providing indicative references, the PEM Auditor shall prepare before the beginning of each year an estimated budget for external auditors describing:   1. Specialised audits that may be required during the year and their estimated duration; and   b) Estimated cost of external auditors for the identified specialized audits. | ~~4.1.3. For the purpose of providing indicative references, the PEM Auditor shall prepare before the beginning of each year an estimated budget for external auditors describing:~~   1. ~~Specialised audits that may be required during the year and their estimated duration; and~~   ~~b) Estimated cost of external auditors for the identified specialized audits.~~ | Deleted this provision since this is an administrative function of the Department assisting the PAC. |
|  |  | 4.2 Pool of Experts and Audit Committee | 4~~.2 Pool of Experts and Audit Committee~~ | This section is no longer applicable given the engagement of the external auditor.  The PAC shall no longer create a pool of experts which will include the Technical Committee, which is not really feasible given the scope of the audits to be conducted but shall instead engage an external auditor, subject to the selection process employed by PEMC with the assistance provided by the PAC Secretariat. |
|  |  | 4.2.1 The PEM Auditor shall nominate and organize a pool of independent experts for audits. | ~~4.2.1 The PEM Auditor shall nominate and organize a pool of independent experts for audits.~~ | Deleted consistent with above |
|  |  | 4.2.2 The pool of experts shall include:  (a) Persons selected from the Technical Committee with specialized technical expertise; and  (b) Not less than two (2) and not more than five (5) experts with adequate and proven expertise, to form an Audit Committee. | ~~4.2.2 The pool of experts shall include:~~  ~~(a) Persons selected from the Technical Committee with specialized technical expertise; and~~  ~~(b) Not less than two (2) and not more than five (5) experts with adequate and proven expertise, to form an Audit Committee.~~ | Deleted consistent with above |
|  |  | 4.2.3 When the PEM Auditor requires expert auditors, it shall prioritize the use of members of the Technical Committee that have been pre-selected to be part of the approved pool of experts, provided that  (a) The member of the Technical Committee has the necessary expertise relevant to the specific audit and is independent from the party or parties to be audited; and  (b) The person can reject being designated as an auditor due to insufficient time or other work obligations within the Technical Committee. | ~~4.2.3 When the PEM Auditor requires expert auditors, it shall prioritize the use of members of the Technical Committee that have been pre-selected to be part of the approved pool of experts, provided that~~   1. ~~The member of the Technical Committee has the necessary expertise relevant to the specific audit and is independent from the party or parties to be audited; and~~   ~~(b) The person can reject being designated as an auditor due to insufficient time or other work obligations within the Technical Committee.~~ | Deleted consistent with above |
|  |  | 4.2.4 In making appointments to the pool of experts and the Audit Committee, the PEM Auditor and the PEM Board shall endeavor to nominate and appoint persons with different relevant experience and knowledge to beget combined expertise adequate to cover the different types of audits specified in this Manual. | ~~4.2.4 In making appointments to the pool of experts and the Audit Committee, the PEM Auditor and the PEM Board shall endeavor to nominate and appoint persons with different relevant experience and knowledge to beget combined expertise adequate to cover the different types of audits specified in this Manual.~~ | Deleted consistent with above |
|  |  | 4.3 Technical Committee | ~~4.3 Technical Committee~~ |  |
|  |  | 4.3.1 The PEM Auditor may request the PEM Board to use persons from the Technical Committee to audit –  (a) Technical matters relating to the operation of the spot market;  (b) Information technology;  (c) Metering technology and data; and  (d) Any other matter of a technical nature in relation to the WESM and the WESM Rules. | 4~~.3.1 The PEM Auditor may request the PEM Board to use persons from the Technical Committee to audit –~~  ~~(a) Technical matters relating to the operation of the spot market;~~  ~~(b) Information technology;~~  ~~(c) Metering technology and data; and~~  ~~(d) Any other matter of a technical nature in relation to the WESM and the WESM Rules.~~ | Deleted consistent with above |
|  |  | 4.3.2 A member of the Technical Committee may be selected and included by the PEM Auditor in the pool of auditors available to be designated by the PEM Auditor as expert auditors, provided that the person shall possess relevant expertise for the audits under the responsibility of the PEM Auditor in accordance to this Manual; Provided further that the PEM Board may reject the inclusion of a member of the Technical Committee in the pool of auditors if in its opinion such person does not have adequate knowledge or sufficient expertise. | ~~4.3.2 A member of the Technical Committee may be selected and included by the PEM Auditor in the pool of auditors available to be designated by the PEM Auditor as expert auditors, provided that the person shall possess relevant expertise for the audits under the responsibility of the PEM Auditor in accordance to this Manual; Provided further that the PEM Board may reject the inclusion of a member of the Technical Committee in the pool of auditors if in its opinion such person does not have adequate knowledge or sufficient expertise.~~ | Deleted consistent with above |
|  |  | 4.3.3 Each member of the Technical Committee included in the pool of auditors that form the Audit Committee shall enter into a confidentiality undertaking, the terms of which shall be prescribed by the PEM Board. | ~~4.3.3 Each member of the Technical Committee included in the pool of auditors that form the Audit Committee shall enter into a confidentiality undertaking, the terms of which shall be prescribed by the PEM Board.~~ | Deleted consistent with above |
|  |  | 4.4 Selection and Appointment of the Audit Committee | ~~4.4 Selection and Appointment of the Audit Committee~~ | Deleted since the provisions on the selection of the members of the PEM Audit Committee are already in the Guidelines Governing the Constitution of the PEM Board Committees. |
|  |  | 4.4.1 To be a member of the Audit Committee, a person must meet the same qualifications and not have or had the disqualifications as the ones established in this Manual for the PEM Auditor. | ~~4.4.1 To be a member of the Audit Committee, a person must meet the same qualifications and not have or had the disqualifications as the ones established in this Manual for the PEM Auditor.~~ |  |
|  |  | 4.4.2 For the selection and appointment of the members of the Audit Committee, the PEM Auditor shall submit to the Selection Committee the names, qualifications and experience of the candidates. Additionally, the Selection Committee may call for qualified persons to submit their expression of interest and their relevant experience. | ~~4.4.2 For the selection and appointment of the members of the Audit Committee, the PEM Auditor shall submit to the Selection Committee the names, qualifications and experience of the candidates. Additionally, the Selection Committee may call for qualified persons to submit their expression of interest and their relevant experience.~~ |  |
|  |  | 4.4.3 The Selection Committee shall review each expert proposed for the Audit Committee and the PEM Board, by resolution, shall select and appoint the members in accordance with the procedure established in this Manual. | ~~4.4.3 The Selection Committee shall review each expert proposed for the Audit Committee and the PEM Board, by resolution, shall select and appoint the members in accordance with the procedure established in this Manual.~~ |  |
|  |  | 4.4.4 4.4.4 Each member shall be appointed for a period of three (3) years, and then eligible for re-appointment. The member shall cease office prior to the end of its appointment period if the person –  (a) Dies or resigns;  (b) Fails to discharge the obligations of his or her office or is removed for cause as determined by an ad hoc committee of three (3) persons, composed of the PEMC President, an Independent Director, and a member of another Committee not belonging to the Audit Committee, in the same manner as established in Section 3.5.2 of this Manual;  (c) No longer meets the qualification requirements established in this Manual; or  (d) Becomes disqualified under the disqualification conditions established in this Manual. | ~~4.4.4 Each member shall be appointed for a period of three (3) years, and then eligible for re-appointment. The member shall cease office prior to the end of its appointment period if the person –~~  ~~(a) Dies or resigns;~~  ~~(b) Fails to discharge the obligations of his or her office or is removed for cause as determined by an ad hoc committee of three (3) persons, composed of the PEMC President, an Independent Director, and a member of another Committee not belonging to the Audit Committee, in the same manner as established in Section 3.5.2 of this Manual;~~   1. ~~No longer meets the qualification requirements established in this Manual; or~~ 2. ~~Becomes disqualified under the disqualification conditions established in this Manual.~~ |  |
|  |  | 4.5 Terms of Reference to Contract External Auditors | ~~4.5 Terms of Reference to Contract External Auditors~~ |  |
|  |  | 4.5.1 The PEM Auditor may request to contract external experts for a specialized audit if –  (a) The PEM Auditor is unable to conduct the audit itself; and  (b) The expertise available in the Technical Committee is insufficient or inadequate; and  (c) The expertise available in the Audit Committee is insufficient or inadequate | ~~4.5.1 The PEM Auditor may request to contract external experts for a specialized audit if –~~  ~~(a) The PEM Auditor is unable to conduct the audit itself; and~~  ~~(b) The expertise available in the Technical Committee is insufficient or inadequate; and~~  ~~(c) The expertise available in the Audit Committee is insufficient or inadequate~~ |  |
|  |  | 4.5.2 In each instance where the PEM Auditor requires external and independent experts for specialized audits, the PEM Auditor shall prepare terms of reference for the audit work, describing the scope of work, timeframe and deliverables. The terms of reference shall also describe the mechanism to evaluate proposals and determine the winner that will be contracted as independent external auditor. | **4.3** ~~4.5.2~~ **The engagement of an external auditor by the PEM Audit Committee** **shall be approved according to the established guidelines of PEMC.** In each instance where the PEM **Audit Committee** ~~Auditor~~ requires external and independent experts for its ~~specialized~~ audits, the PEM **Audit Committee** ~~Auditor~~ shall prepare **the** terms of reference for the audit work, describing the scope of work, timeframe and deliverables. The terms of reference shall also describe the mechanism to evaluate proposals and determine the winner that will be contracted as independent external auditor. | Revised to consider the internal processes of PEMC as contracting party for the Audits to be conducted by PAC |
|  |  | 4.5.3 The PEM Board shall review the proposed terms of references and may request clarifications or additional information from the PEM Auditor. The PEM Board may propose changes to the proposed terms of reference before approving the same. | ~~4.5.3 The PEM Board shall review the proposed terms of references and may request clarifications or additional information from the PEM Auditor. The PEM Board may propose changes to the proposed terms of reference before approving the same.~~ | Deleted – This is an administrative task within PEMC and does not need to be approved by the PEM Board. This is also considering that the audits are those as required by the Rules |
|  |  | 4.6 External Expert Short List | ~~4.6 External Expert Short List~~ |  |
|  |  | 4.6.1 To contract an external expert or expert team for a specific audit work, the PEM Auditor shall short list a minimum of three (3) experts or expert teams, based on their independence, expertise and experiences in similar audits. In its short-listing, the PEM Auditor shall ensure that the experts are totally independent from the parties to be audited. | ~~4.6.1 To contract an external expert or expert team for a specific audit work, the PEM Auditor shall short list a minimum of three (3) experts or expert teams, based on their independence, expertise and experiences in similar audits. In its short-listing, the PEM Auditor shall ensure that the experts are totally independent from the parties to be audited.~~ | Deleted, since these are administrative process that shall be done by the PEMC with the assistance of the PAC Secretariat in consultation with the PAC |
|  |  | 4.6.2 If the PEM Auditor has a pool of external auditors approved by the PEM Board, the short list shall be first selected from this pool. If the PEM Auditor does not have an approved pool of experts or if the experts available in the pool are inadequate or insufficient for the required short list, the PEM Auditor may include experts that are not in the pool approved by the PEM Board. | ~~4.6.2 If the PEM Auditor has a pool of external auditors approved by the PEM Board, the short list shall be first selected from this pool. If the PEM Auditor does not have an approved pool of experts or if the experts available in the pool are inadequate or insufficient for the required short list, the PEM Auditor may include experts that are not in the pool approved by the PEM Board.~~ | This is deleted since the function of the pool of external auditors is already being undertaken by the external auditor. The creation of the pool is thus no longer needed. |
|  |  | ~~4.7 Proposal to Contract External Auditors~~ | ~~4.7 Proposal to Contract External Auditors~~ | This process is deleted as the engagement of external auditors will be subject to the approval of the appropriate approving authorities of PEMC. |
|  |  | 4.7.1 The PEM Auditor shall request the PEM Board approval of the short list and audit work by external experts, submitting a report with –  (a) The description of the scope of the audit work required, in particular the type of audit and type of special expertise;  (b) The reason(s) why external expertise is needed and the criteria for evaluation;  (c) The proposed terms of reference including methodological approach; and  (d) The short list of experts or expert team or company proposed, including their qualifications, relevant previous experiences and compliance with independence provisions. | ~~4.7.1 The PEM Auditor shall request the PEM Board approval of the short list and audit work by external experts, submitting a report with –~~  ~~(a) The description of the scope of the audit work required, in particular the type of audit and type of special expertise;~~  ~~(b) The reason(s) why external expertise is needed and the criteria for evaluation;~~  ~~(c) The proposed terms of reference including methodological approach; and~~  ~~(d) The short list of experts or expert team or company proposed, including their qualifications, relevant previous experiences and compliance with independence provisions.~~ |  |
|  |  | 4.7.2 The PEM Board shall review the request to contract external auditors, the terms or references and the proposed short list. It may request clarifications or additional information from the PEM Auditor, or conduct a special meeting to review the terms of reference. The PEM Board may reject one or more of the short listed experts if in the PEM Board opinion the proposed expert does not have adequate expertise or does not comply with the required independence. If the PEM Board has any objection to the proposal, not later than fifteen (15) days after the next PEM Board meeting following receipt of the request from the PEM Auditor, the PEM Board shall inform the PEM Auditor –  (a) If any of the short listed experts has been rejected and the reason(s) for the rejection; and  (b) Revisions proposed to the terms of reference. | ~~4.7.2 The PEM Board shall review the request to contract external auditors, the terms or references and the proposed short list. It may request clarifications or additional information from the PEM Auditor, or conduct a special meeting to review the terms of reference. The PEM Board may reject one or more of the short listed experts if in the PEM Board opinion the proposed expert does not have adequate expertise or does not comply with the required independence. If the PEM Board has any objection to the proposal, not later than fifteen (15) days after the next PEM Board meeting following receipt of the request from the PEM Auditor, the PEM Board shall inform the PEM Auditor –~~  ~~(a) If any of the short listed experts has been rejected and the reason(s) for the rejection; and~~  ~~(b) Revisions proposed to the terms of reference.~~ |  |
|  |  | 4.7.3 If, within the timeframe specified in Section 4.7.2, the PEM Board does not send to the PEM Auditor any objections to the short list or revisions to the terms of reference, the PEM Auditor shall continue with the contracting process. | ~~4.7.3 If, within the timeframe specified in Section 4.7.2, the PEM Board does not send to the PEM Auditor any objections to the short list or revisions to the terms of reference, the PEM Auditor shall continue with the contracting process.~~ | Consistent with proposed changes above |
|  |  | 4.7.4 If, within the timeframe specified in Section 4.7.3, the PEM Board informs that one or more experts are rejected and the remaining short list is composed of less than three (3) candidates, the PEM Auditor shall submit to the PEM Board other independent experts to ensure that the short list includes at least three alternatives, unless the PEM Board approves that, due to the nature and special characteristics of the audit, it will be difficult to obtain a short list of three and authorizes a shorter list of experts. | ~~4.7.4 If, within the timeframe specified in Section 4.7.3, the PEM Board informs that one or more experts are rejected and the remaining short list is composed of less than three (3) candidates, the PEM Auditor shall submit to the PEM Board other independent experts to ensure that the short list includes at least three alternatives, unless the PEM Board approves that, due to the nature and special characteristics of the audit, it will be difficult to obtain a short list of three and authorizes a shorter list of experts.~~ | This is proposed to be deleted as the duty to determine the eligibility of bidders should be within the responsibilities of the PEMC unit undertaking this function, in consultation with the requesting party. |
|  |  | 4.8 Selection of External Expert Auditors  4.8.1 Once the short list has been approved and the terms of reference revised, as necessary, the PEM Auditor shall send a request for proposals to each expert, expert team or expert company short listed. Each expert shall submit its technical proposal, which shall contain its methodological approach, and its financial proposal. | ~~4.8 Selection of External Expert Auditors~~    ~~4.8.1 Once the short list has been approved and the terms of reference revised, as necessary, the PEM Auditor shall send a request for proposals to each expert, expert team or expert company short listed. Each expert shall submit its technical proposal, which shall contain its methodological approach, and its financial proposal.~~ | This is proposed to be deleted as the administrative process has been shifted to the Administrative Services of PEMC in charge of the bidding/selection process |
|  |  | 4.8.2 The PEM Auditor shall review the proposals received and submit a report to the PEM Board recommending the expert to be contracted. The report shall describe:  (a) The list of experts that submitted proposals;  (b) For each expert, its qualifications and experiences presented, summary and review of the methodological approach, and requested costs and remuneration in their financial proposal; and  (c) The outcome of the reviews, indicating the external auditor recommended to be contracted in view of the evaluation mechanism included in the terms of reference. | ~~4.8.2 The PEM Auditor shall review the proposals received and submit a report to the PEM Board recommending the expert to be contracted. The report shall describe:~~  ~~(a) The list of experts that submitted proposals;~~  ~~(b) For each expert, its qualifications and experiences presented, summary and review of the methodological approach, and requested costs and remuneration in their financial proposal; and~~   1. ~~The outcome of the reviews, indicating the external auditor recommended to be contracted in view of the evaluation mechanism included in the terms of reference.~~ | The approval by the PEM Board of the short listing is proposed to be deleted. This is an administrative task of PEMC and the Board is supposed to be high-level policy making body. |
|  |  | 4.8.3 The PEM Board shall review the proposed selection and may request clarifications or further information from the PEM Auditor in relation to the proposals or conduct a meeting with the PEM Auditor to review the evaluation. Not later than fifteen (15) days after the next PEM Board following receipt of the review of proposals prepared by the PEM Auditor, the PEM Board shall approve the independent expert to be contracted for the special audit. | ~~4.8.3 The PEM Board shall review the proposed selection and may request clarifications or further information from the PEM Auditor in relation to the proposals or conduct a meeting with the PEM Auditor to review the evaluation. Not later than fifteen (15) days after the next PEM Board following receipt of the review of proposals prepared by the PEM Auditor, the PEM Board shall approve the independent expert to be contracted for the special audit.~~ | This is deleted as this function is administrative in nature and it is recognized that the PEM Board is a high-level policy making body. |
| **Audits** | **5** |  | **5.1** ~~7.1~~ General  ~~Characteristics~~ **Guidelines for the Conduct of Audits** |  |
|  |  |  | **5.1.1** ~~7.1.1~~ **All** audits **as enumerated under Section 5**  of **this Manual**  ~~the spot market and the Market Operator~~ shall be ~~conducted or~~ supervised and coordinated by the PEM ~~Auditor~~. **Audit Committee**. | Transferred from Section 7.1.1 with revisions |
|  |  |  | **5.1.2** ~~7.1.2~~ Each ~~spot market and Market Operator~~ audit **supervised and coordinated by the PEM Audit Committee** ~~should~~ **shall** include the following:  **a)** ~~(a)~~ Terms of reference with a list of tasks, covering the processes, information and systems to be audited;  **b)** ~~(b)~~ An audit process within a specified timeframe;  **c)** (~~c)~~ An audit report, describing  i ~~(i)~~ The audit process;  ii ~~(ii)~~ Main findings, highlighting areas where there are non-compliances with the WESM Rules, **Retail Rules or Market Manuals**; and  **iii** ~~(iii)~~ Conclusions and recommendations. | Transferred from Section 7.1.2 with revisions |
|  |  |  | **5.1.3 The PEM Audit Committee, in consultation with the Auditee shall prepare the terms of reference for the audit to be conducted.** |  |
|  |  |  | **5.1.3** ~~7.2.4The PEM Auditor shall submit to the PEM Board for review the proposed standard terms of reference of the annual audit. Within fifteen (15) days after the next PEM Board meeting, the PEM Board shall send its comments and observations.~~  ~~The PEM Auditor shall take into consideration the comments and observations received and revise the terms of reference accordingly.~~ | Lifted from Section 7.2.4 with revisions |
|  |  |  | **5.1.4** The ~~standard~~ terms of reference for **all** ~~the annual~~ audit**s** shall be published in the ~~Market Information~~ **PEMC** Website for comments of WESM Participants **and interested parties**. The PEM Audit Committee shall take into consideration the comments and observations received and revise the terms of reference ~~accordingly~~ **as applicable**. |  |
|  |  |  | **5.1.5 In order to streamline the audit process and avoid unnecessary duplications, where possible, the PEM Audit Committee shall coordinate with the Auditee on the scope of the audit to be conducted.** | To effectively manage audit activities and avoid duplications |
|  |  | 5.1 Types of Audits  5.1.1 The PEM Auditor shall conduct annual audits of the spot market and of the Market Operator in accordance with the process discussed in this Manual. | 5.2 ~~5.1~~ ~~Types of Audits~~  ~~5.1.1 The PEM Auditor shall conduct annual audits of the spot market and of the Market Operator in accordance with the process discussed in this Manual.~~ | . |
|  |  |  | **5.2** ~~7.2~~ **Audit of the Spot Market and the Market Operator** | Lifted from Section 7.2 of Issue 2.0 |
|  |  |  | * + 1. ~~7.2.1~~ Each year ~~and not later than the end of October~~, the PEM ~~Auditor~~ **Audit Committee** shall conduct an audit of the spot market, including settlement of the markets administered by the Market Operator, generation scheduling, dispatch, price calculation, and any **other** procedures and working processes ~~used~~ by the Market Operator in performing those functions in the WESM. | Lifted from Section 7.2.1 with some revisions. Considering that the length of audit sometimes extends, the end of October timeline is no longer feasible. |
|  |  |  | * + 1. ~~7.2.2~~The general objectives of the annual audit of the spot market and the Market Operator are to:  1. ~~(a)~~ Assess **the** procedures and working processes **of**  ~~in~~ the Market Operator; 2. ~~(b)~~ Assess the usefulness and appropriateness of ~~systems~~ **the** settlement system, data management and other procedures and working processes ~~used by~~ ***of*** the Market Operator to administer the WESM, in order to: 3. ~~(i)~~ Identify appropriate steps and measures to help the Market Operator effectively and efficiently perform its responsibilities in time and form in accordance with the WESM Rules **and its Market Manuals**;   **ii.** ~~(ii)~~ Review the Market Operator**’s** practices and work processes to ensure the necessary transparency, independence, predictability and non-discrimination, and ~~are in~~ compliance with the WESM Rules and best international practices; and   1. ~~(iii)~~ Assess if the systems, calculations, information flows and data management protect accuracy and quality of the data and results in **non-discriminatory** generation scheduling, dispatch, prices and settlement, as well as **evaluate** if internal controls exist and are sufficient to guarantee security and confidentiality where appropriate. ~~, proposing recommendations to improve the procedures to collect and process the information and the controls of quality and security of data in the WESM.~~ 2. ~~(c)~~ Assess the usefulness and appropriateness of the interfaces and exchange of information between the System Operator and the Market Operator in relation to generation scheduling, constraints and dispatch; ~~and~~ 3. ~~(d)~~ Review compliance by the Market Operator with the WESM Rules, **its Market Manuals, and among other things, the Market Operator’s compliance with the scheduling and central dispatch procedures under the WESM Rules and applicable Market Manuals and the feasibility and adequacy of the scheduling and central dispatch procedures**; **and** 4. **Recommend improvements in the spot market and the operation of the Market Operator where necessary.** | Lifted from Section 7.2.2 with some revisions. |
|  |  |  | * + 1. ~~7.1.3~~The following criteria shall be used to assess the spot market and the Market Operator:  1. ~~(a)~~ Clear accountability **in** ~~for~~  the performance of Market Operator functions and responsibilities; 2. ~~(b)~~ Adequacy ~~in~~ ~~terms of number and training of staff~~ **of trained staff** to perform the assigned tasks and use the systems; 3. ~~(c)~~ Efficiency of processes (e.g. time response); 4. ~~(d)~~ Accuracy of tasks (e.g. number~~s~~ of errors in settlement statements); 5. ~~( e)~~ Compliance with the WESM Rules **and its Market Manuals**; 6. ~~(f)~~ ~~Degree to which processes are in~~ ~~a~~**A**lignment of processes with the WESM Rules and its Market Manuals; and 7. ~~(g)~~ Quality of the service measured in terms of frequency and level of complaints ~~and disputes~~. | Lifted from Section 7.1.3 of Issue 2.0, as revised |
|  |  |  | * + 1. ~~7.1.4~~In order to streamline the audit process and avoid unnecessary duplications, where possible, - ~~(a)~~ the PEM **Audit Committee** ~~Auditor~~~~and~~  ~~the~~~~Market Operator~~ shall ~~agree~~ **coordinate with** **the Market Operator**  **on the scope** ~~an annual~~ **of the** audit of the spot market.~~; and (b) The spot market audit and the annual Market Operator audit shall be conducted together under the supervision and responsibility of the PEM Auditor~~. | Lifted from Section 7.1.4 of Issue 2.0 with revisions. |
|  |  |  | **5.2.5** ~~7.2.3~~ The PEM **Audit Committee** ~~Auditor~~ with the assistance of the Market Operator, shall prepare **the** standard terms of reference for the annual audit of the spot market and the Market Operator covering the general scope described **in Section 5.2.2**.~~the previous paragraph~~. The standard terms of reference shall include the following tasks:   1. ~~(a)~~ **Verification** ~~Verify~~ that ~~each and~~ all ~~software of the Market Operator, ha~~**~~ve~~**~~s valid audit certificates and~~ **all market-related software that have been modified or newly-deployed by the Market Operator for the WESM comply with the WESM Rules and Market Manuals**; 2. ~~(b)~~ Review **of** the calculations and allocations performed to determine energy for the settlement calculations in each trading point and for each Trading Participant, and the adequacy of the metering systems; 3. ~~(c)~~ Review **of**  the calculations and allocations performed in the settlement process, and the adequacy and usefulness of the settlement systems; 4. ~~(d)~~ Review and assess**ment** **of** the billing and settlement system; 5. ~~(e)~~ Review and assess**ment of** the procedures, processes and systems for generation scheduling and dispatch, including management of submission and validation of bids and offers as well as the adequacy and usefulness of the coordination arrangements and systems **of** ~~with~~ the System Operator; 6. ~~(f)~~ Review and assess**ment** of the processes for software management and data protection; 7. ~~(g)~~ Review **of the** ~~that, in all the above matters,~~ Market Operator**’s** ~~is in~~ compliance with the WESM Rules and **Market Manuals and** ~~propose~~ **as necessary, recommendations** for enhancements in processes to achieve best international practices; ~~and~~ 8. **Review of the market assessment system administered by the Market Assessment Group, and any procedures used by the Market Assessment Group in the collection, validation and processing of market monitoring data, and calculation of monitoring indices. and** 9. ~~(h)~~ Except for the first audit, review **of** the measures and actions taken by the Market Operator in view of the findings and recommendations of the previous audit, and assess**ment of** the adequacy and effective results of such measures and actions. | Lifted from Section 7.2.3 , with revisions |
|  |  |  | **5.3** ~~10.~~ **Audit** of the Software of the Market Operator | Lifted from Section 10 of Issue 2.0 |
|  |  |  | **5.3.1** ~~10.1.1~~The Market Operator shall not implement a new software or associated system, or modify an existing software or its associated system for generation scheduling, dispatch or settlement or price calculation relevant to the WESM without –  **a)** ~~(a)~~ Prior notice to all WESM Members**, PEM Audit Committee,** and the PEM Board; and  **b) (**~~b)~~ Undergoing the ICT Change Management Process **instituted by the Market Operator in accordance to WESM Rules Clause 5.2.6.2**. | Lifted from Section 10.1.1 of Issue 2.0  PAC was added as recipient of prior notice to ensure that all new or modifications to software used for market operations are monitored and tracked for future audit. |
|  |  |  | **5.3.2** All new software or modifications to existing software **shall be** implemented through the ICT Change Management Process and shall be subject to post audit and/or certification ~~within one year from deployment. The ICT Change Management Process is instituted by the Market Operator~~ to ensure proper and timely review, approval, and monitoring of all activities on all stages of the change management process. | Lifted from last paragraph of Section 10.1.1 of Issue 2.0  The timing of the post audits on new or modified software shall be subject to the determination of the PAC in consideration of funds availability, market developments, and audit activities. |
| On |  |  | **5.3.3** ~~10.2.1~~ If the Market Operator wants to implement a new software for generation scheduling, dispatch, price calculation or settlement, or modify or replace an existing one, the Market Operator shall send a report to the PEM **Audit Committee** ~~Auditor~~ describing –  **a)** ~~(a)~~ The software to be implemented (a new software) or the software to be modified;  **b)** ~~(b)~~ If an existing software is going to be modified or replaced, a description of –  **i.** ~~(i)~~ The reasons that justify the change, including any problem or shortfall identified in the existing software, if any;  **ii.** ~~(ii)~~ Expected improvements, particularly in relation to transparency, efficiency, data processing and response time; **and**  **iii** ~~(iii)~~ The scope of the proposed modification or, if the existing software is going to be replaced, the description of the new software and main differences with the existing one.  **c)** ~~(c)~~ If a new software is going to be implemented, a description of -  **i.** ~~(i)~~ The reasons that justify the new software, particularly the expected improvements in efficiency, data processing and response time;  **ii.** ~~(ii)~~ The description of the new software;  **iii.** ~~(iii)~~The description of the tests performed and results that prove that the software has been sufficiently and adequately tested in trial mode, produces accurate results and is ready for implementation; **and**  **iv.** ~~(d~~) Findings and details thereof, proving that the modified or new software will be in full compliance with the WESM Rules. | Lifted from Section 10..2.1 of Issue 2.0 |
|  |  |  | **5.3.4 As part of the software review, the following information shall be submitted to the PEM Audit Committee:**   1. **list of all software that have been implemented and modified within the covered audit period; and** 2. **documentation of all the tests performed and results that prove that the software has been sufficiently and adequately tested in trial mode, produces accurate results and is ready for implementation.** | This is to ensure that all software changes are reviewed |
|  |  |  | **5.3.5** ~~10.2.2~~The PEM **Audit Committee** ~~Auditor~~ shall review the report of the Market Operator and may request clarifications and further information. In particular, the PEM **Audit Committee** ~~Auditor~~ may organize a meeting with the relevant staff of the Market Operator to discuss the characteristics, any limitation or potential problem, and other conditions of the software that may impact predictability, transparency or compliance with the WESM Rules. | Lifted from Section 10.2.2 of Issue 2.0 with minor edits |
|  |  |  | **5.3.6** ~~10.2.3~~The review of **the software of the Marker Operator** ~~the PEM~~ ~~Auditor~~ shall encompass **the** testing of the software to verify accuracy of results and compliance with all **the** requirement**s** and procedures established in the WESM Rules. The **PEM Audit Committee** ~~Auditor~~ shall request a series of test runs of the software to verify that it works properly, even in special conditions. ~~Alternatively, the PEM Audit Committee may request the contracting of an external expert to test and certify the software.~~ | Lifted from Section 10.2.3 of Issue 2.0 with minor edits. The engagement of external experts through engagement of external auditors has already been mentioned in earlier parts of this manual and thus deleted in this section. |
|  |  |  | **5.3.7** ~~10.2.4~~After finalizing the review and tests, as applicable and based on the information gathered ~~and,~~ ~~if an external expert was used,~~ ~~the report with the review and recommendations of the expert,~~ the PEM **Audit Committee** ~~Auditor~~ shall prepare and submit to the Market Operator and the PEM Board a Software Review Report. The outcome of the review and recommendation shall indicate –  **a)** ~~(a)~~ If the software is ready for implementation and in compliance with the WESM Rules and the **WESM** objectives; or  **b)** ~~(b)~~ Recommendations on measures or changes prior to implementing the software, to ensure full compliance with the WESM Rules and the **WESM**  objectives. | Lifted from Section 10.2.4 of Issue 2.0 with revisions consistent with the above deleting the mention of external auditors. |
|  |  |  | **5.3.8** ~~10.4.3~~ Once the PEM **Audit Committee** ~~Auditor~~ **determines** ~~considers~~ that the software is accurate and ready for use, the PEM **Audit Committee** ~~Auditor~~ will prepare and submit to the Market Operator a Software Review Report approving the software, with copy thereof furnished to the PEM Board. **For software ready for use by WESM Members,** ~~T~~**t**he Market Operator shall publish the approval **of the new software or the change to the existing software** in the Market InformationWebsite ~~and advertise the new software or the change to the existing software~~ ~~when ready~~ for  **the information of** ~~use by~~ **the** WESM Members. | Lifted from Section 10.4.3 with revisions |
|  |  |  | **5.3.9** ~~10.3.2~~~~In any dispute in relation to settlement calculations,~~ ~~a certificate~~ **The certification issued by the** ~~of such~~ **external** auditor that the settlement software is consistent with the WESM Rules shall ~~be~~ **serve** as evidence that the charges or payments shown in a settlement statement have been calculated by a method consistent with the WESM Rules. | Lifted from Section 10.3.2 of Issue 2.0 |
|  |  |  | **5.4** ~~11.~~ **Review of Metering Installations and Arrangements** ~~METERING REVIEW~~ |  |
|  |  |  | **5.4.1** ~~11.1.1~~ In accordance with the Philippine Grid Code **and the Philippine Distribution Code**, ~~the~~ Metering Services Providers, **both in the WESM and the Retail Market,** have the responsibility to supply, install, connect, own, test, calibrate, place in service, operate, check, and maintain the metering system for settlement, ensuring the accuracy and traceability of calibration and test results. Additionally, each Metering Services Provider shall take all reasonable steps to prevent unauthorized interference with the metering equipment. | Lifted from Section 11.1.1 of Issue 2.0 with revisions to include the Philippine Distribution Code as basis |
|  |  |  | **5.4.2** ~~11.1.2~~As established **in both** the **Philippine** Grid Code **and the Philippine Distribution Code**, a User shall have the right to request an audit of the settlement data related to its account and the right to choose an independent third party qualified to perform the audit. In such cases, the System Operator, Metering Services Providers and Market Operator shall cooperate in the auditing process. | Lifted from Section 11 of Issue 2.0 with revisions to include the Philippine Distribution Code as basis |
|  |  |  | **5.4.3** ~~11.2.1~~ The general objective of the ~~PEM Auditor metering review~~ **Review of Metering Installations and Arrangements** is to assess the adequacy of the metering standards and security systems and processes in the WESM **and in the Retail Market.** | The metering review is renamed Metering Arrangements Review (MAR) is renamed Review of Metering Installations and Arrangements to distinguish it from the MAR – the Market Assessment Report prepared by the MAG.  The audit of metering arrangements in the Retail Market was also included in this PEM Audit Manual. |
|  |  |  | **5.4.4 The PEM Audit Committee in consultation with the Market Operator and Metering Service Providers (MSP) shall review the security arrangements and requirements of metering installations annually or as often as necessary.** | The frequency of audit is in accordance with WESM Rules Clause 4.5.5.4. |
|  |  |  | **5.4.5** ~~11.4.1~~ ~~When the annual metering arrangements review includes audits, as approved by the PEM Board,~~ ~~t~~**T**he PEM **Audit Committee,** ~~Auditor~~  supported by the Technical Committee, shall conduct an audit regarding the following:  **a)** ~~(a)~~ Compliance with the requirements of metering installations;  **b)** ~~(b)~~ Compliance with the security arrangements associated to metering systems and processes; and  **c)** ~~(c)~~ Adequacy of security arrangements by the Market Operator and work procedures by Metering Services Providers. | Lifted from Section 11.4.1 of Issue 2.0, with revisions |
|  |  |  | **5.4.6** ~~11.4.2~~~~To audit compliance,~~ ~~t~~**T**he  **PEM Audit Committee,** ~~Auditor~~ **in consultation with the Technical Committee,** shall select a sample ofmetering sites where at least thirty percent (30%) of which shall correspond to the metering points with largest volume within the WESM, where metering errors or inadequacy can create the biggest impact and volume error in the WESM. | Lifted from Section 11.4.2 with revisions to include the consultation of the PAC with the TC |
|  |  |  | **5.5 Audit of the Central Registration Body** |  |
|  |  |  | **5.5.1 Each year, the PEM Audit Committee shall conduct an audit of the Central Registration Body (CRB) and its systems, processes and procedures and other matters relevant to the operation of the Central Registration Body.** | Pursuant to WESM Rules Clause 1.4.3.1 |
|  |  |  | * + 1. **The general objectives of the annual audit of the Central Registration Body are to:**   **a) Assess the procedures and working processes of the Central Registration Body;**  **b) Assess the usefulness and appropriateness of the systems, data management and other procedures and working processes of the Central Registration Body to administer the Retail Market in order to:**  **i Identify appropriate steps and measures to help the Central Registration Body effectively and efficiently perform its responsibilities in time and form in accordance with the Retail Rules and its Market Manuals;**   1. **Review that the Central Registration Body’s practices and work processes to ensure the necessary transparency, independence, predictability and non-discrimination, and compliance with the Retail Rules and best international practices; and** 2. **Assess if the systems, calculations, information flows and data management protect accuracy and quality of the data and results are non-discriminatory as well as evaluate if internal controls exist and are sufficient to guarantee security and confidentiality where appropriate.**   **c) Review compliance by the Central Registration Body with the Retail Rules and its Market Manuals; and**  **d) Recommend improvements in the retail market and the operation of the Central Registration Body, where necessary.** | Patterned after Section 5.2.2 above applied to the audit of the Market Operator |
|  |  |  | **5.5.3 The following criteria shall be used to assess the Central Registration Body:**  1. **Clear accountability in the performance of the Central Registration Body’s functions and responsibilities;** 2. **Adequacy of trained staff to perform the assigned tasks and use the systems;** 3. **Efficiency of processes (e.g. time response);** 4. **Accuracy of tasks (e.g. numbers of errors in settlement statements);** 5. **Compliance with the Retail Rules and its Market Manuals;** 6. **Alignment of processes with the Retail Rules and its Market Manuals; and** 7. **Quality of the service measured in terms of frequency and level of complaints.** | The provision is similar to Section 5.2.3 above |
|  |  |  | **5.5.4**  **In order to streamline the audit process and avoid unnecessary duplications, where possible, the PEM Audit Committee shall coordinate with the Central Registration Body on the scope of the audit of the spot market.** | The provision is patterned after Section 5.2.4 above |
|  |  |  | **5.5.5 The PEM Audit Committee with the assistance of the Central Registration Body, shall prepare the standard terms of reference for the annual audit of the Central Registration Body covering the general scope described in the previous paragraph. The standard terms of reference shall include the following tasks:**  1. **Review of the systems, processes and procedures of the Central Registration Body and other matters relevant to the operation of the Central Registration Body and the performance of its functions as set out in the Retail Rules.** 2. **Test and check any new items or new versions of market-related software used by the Central Registration Body or provided by the Central Registration Body for use by WESM Members.** 3. **Review of the calculations and allocations performed to determine energy for the settlement calculations in each trading point and for each Trading Participant;** 4. **Review and assessment of the processes for software management and data protection; and** 5. **Review of the Central Registration Body’s compliance with the WESM Rules, Retail Rules and relevant Market Manuals and as necessary, recommendations for enhancements in processes to achieve best international practices.** | The provision is patterned after Section 5.2.5 above |
|  |  |  | **5.6 Audit as Requested by the Enforcement and Compliance Office** |  |
|  |  |  | **5.6.1** ~~12.1.2~~ ~~In performing the ECO’s functions in assessing or investigating an alleged breach pursuant to the Compliance and Enforcement Market Manual,~~ **If requested by** the ECO **or the Market Surveillance Committee** ~~may request~~ the PEM **Audit Committee** ~~Auditor~~ **may** ~~to assess or~~ audit a WESM Member, a Metering Services Provider, the System Operator or the Market Operator in relation to compliance with specific rules or standards or procedures in relation to generation scheduling, dispatch, bidding, prices and settlement, as established by the WESM Rules. The ECO shall inform the party or parties **to be audited** ~~in alleged breach~~ **on the conduct of an audit and the specific type of audit to be conducted, the facilities, processes,**  **systems or information to be audited.** ~~the matters that have been derived to the~~ PEM ~~Auditor~~ ~~for assessment or audit.~~ | Lifted from Sections 5.1.2 and 12.1.2 of Issue 2.0 with revisions |
|  |  |  | **5.6.2** ~~5.1. 2~~ ~~If requested by the~~ ~~ECO in the course of an assessment or investigation of an alleged breach,~~ ~~t~~**T**he PEM ~~Auditor~~ **Audit Committee** may conduct specific audits of:    **a)**~~(a)~~ WESM Members’ facilities, processes and/or information provided to the Market Operator**/ Central Registration Body**; or  **b)** ~~(b)~~ Specific systems and processes **of** ~~in~~ the System Operator**/Central Registration Body** ; or  **c)** ~~(c)~~ Specific systems and processes **of** ~~in~~ the Market Operator/ **Central Registration Body** in relation to generation scheduling, constraints, bids and offers, dispatch, price calculation and settlement. | Section 5.1.2 of Issue 2.0 with revisions was transferred this section , with revisions. |
|  |  |  | **5.6.3** ~~12.1.3~~ ~~When the investigation of an alleged breach has been referred to the MSC, the MSC may recommend an audit by the PEM Auditor. In such case,~~ ~~t~~**T**he ECO shall request and coordinate with the PEM **Audit Committee** ~~Auditor~~ **on** the required audit, as established in the previous paragraph. | Lifted from Section 12.1.3 of Issue 2.0 with revisions |
|  |  |  | **5.6.4** ~~12.1.~~4 Under confidentiality obligation, the ECO shall provide the PEM **Audit Committee** ~~Auditor~~ all the required information and data to assess the alleged breach or to identify the details to be audited. | Lifted from Section 12.1.4 of Issue 2.0 with minor revisions |
|  |  |  | **5.6.5** ~~12.1.5~~The party in alleged breach has the obligation to cooperate with the PEM **Audit Committee** ~~Auditor~~inthe ~~assessment or~~ audit process, providing all the relevant data and other information requested by the PEM **Audit Committee** ~~Auditor~~ and allowing the necessary tests and audits. | Lifted from Section 12.1.5 of Issue 2.0 with minor revisions |
|  |  |  | **5.6.6** ~~12.1.6~~ In case the party **being audited** objects to submitting the data or information requested by the PEM **Audit Committee,** ~~Auditor~~ the PEM **Audit Committee** ~~Auditor~~shall **ask** ~~request~~ the MSC to request such data and information, and the MSC ~~then~~ shall **then** provide it to the PEM **Audit Committee** ~~Auditor~~ within the established confidentiality provisions. If the party does not provide the data and information requested **by** ~~to~~ the MSC, it shall be considered a breach **of** ~~to~~ the WESM Rules. | Lifted from Section 12.1.6 of Issue 2.0 with minor revisions |
|  |  |  | **5.6.7** ~~12.1.7~~ In all cases, the party is obliged to allow and facilitate the tests and audits requested by the PEM **Audit Committee** ~~Auditor~~ , provided that the PEM **Audit Committee** ~~Auditor~~ shall give an advance notice of not less than **fifteen (15)** ~~five (5)~~ business days for any test or audit required, including a description of the scope and details of the test and audit. Not allowing the test or audits requested by the PEM **Audit Committee** ~~Auditor~~ shall be considered a breach. | Lifted from Section 12.1.7 of Issue 2.0 with minor revisions |
|  |  |  | **5.7 Audit of the System Operator** | New section is added to include the audit of the SO |
|  |  |  | **5.7.1 Each year, the PEM Audit Committee shall conduct an audit of the operation of the System Operator relative to scheduling and dispatch and any other procedures and working processes used by the System Operator in performing its functions in the WESM.** | The audit of the SO is done annually and provisions are patterned after the MO Audit. |
|  |  |  | **5.7.2 The general objectives of the annual audit of the System Operator are as follows:**     1. **Review and assess the compliance of the System Operator with the WESM Rules and Manuals, and all other issuances with respect to the System Operator’s obligations under the WESM;** 2. **Review the System Operator’s compliance with its established procedures/ manuals on dispatching, operation planning, ancillary services, grid protection, supervisory control and data acquisition (SCADA), Energy Management System (EMS), Grid Security and other protocols governing System Operation;**      1. **Evaluate and confirm if the actions taken or responses by the System Operator are in accordance with the Governing Rules and Regulations;** 2. **Identify the appropriate steps and measures to help the System Operator effectively and efficiently perform its responsibilities in time and form in accordance with the WESM Rules;** 3. **Validate the completeness and accuracy of the data and information given by the System Operator to the Market Operator during the covered audit period;** 4. **Review and assess the sufficiency and effectiveness of the systems, procedures and other work processes of the System Operator in complying with its functions and responsibilities under the Governing Rules and Regulations including, but not limited to an assessment on whether the System Operator’s practices and work processes ensure the necessary transparency, independence, predictability and non discrimination required of the System Operator , and whether these systems and processes are in compliance with the WESM Rules, its Market Manuals and best international practices;** 5. **Review and assess the sufficiency of the infrastructure used by the System Operator in carrying out its functions and responsibilities under the Governing Rules and Regulations** 6. **Propose recommendations to improve the procedures to collect and process the information and controls of quality and security of data for the WESM;** 7. **Review and assess the accuracy and appropriateness of the interfaces and exchange of information among the Market Operator , System Operator, Generator Trading Participants and other service providers in relation to system operation;**      1. **Review and assess the accuracy, reliability and availability of System Operator - generated data and information in accordance with its duties and responsibilities under the Governing Rules ad Regulations; and** 2. **Propose measures to harmonize any conflicting provision in and/or recommend measures for the consistent implementation of the Governing Rules and Regulations** | Includes what the audit hopes to achieve in the SO Audit |
|  |  |  | * + 1. **The following criteria shall be used to assess the spot market and the System Operator:**  1. **Clear accountability in the performance of System Operator functions and responsibilities;** 2. **Adequacy of trained staff to perform the assigned tasks and use the systems;** 3. **Efficiency of processes (e.g. time response);** 4. **Accuracy of tasks;** 5. **Compliance with the WESM Rules and its Market Manuals and governing rules and regulations related to System Operation;** 6. **Alignment of processes with the WESM Rules and its Market Manuals; and** 7. **Quality of the service measured in terms of frequency and level of complaints** | Same criteria adopted for audits of the MO and CRB. |
|  |  |  | * + 1. **In order to streamline the audit process and avoid unnecessary duplications, where possible, the PEM Audit Committee shall coordinate with the System Operator on the scope of the System Operator audit.** | Same provision as that for audit of the MO and the CRB |
|  |  |  | * + 1. **The PEM Audit Committee with the assistance of the Market Operator, shall prepare the standard terms of reference for the annual audit of the spot market and the System Operator covering the general scope described in the previous paragraph.** | Same provision as that adopted for audit of the MO and the CRB |
|  |  | 5.1.2 If requested by the ECO in the course of an assessment or investigation of an alleged breach, the PEM Auditor may conduct specific audits of:  (a) WESM Members’ facilities, processes and/or information provided to the Market Operator; or  (b) Specific systems and processes in the System Operator; or  (c) Specific systems and processes in the Market Operator in relation to generation scheduling, constraints, bids and offers, dispatch, price calculation and settlement.  The ECO will inform the party to be audited via email that the PEM Auditor will be conducting an audit and the specific type of audit, facilities, processes, systems or information to be audited. | 5.1.2 ~~If requested by the ECO in the course of an assessment or investigation of an alleged breach, the PEM Auditor may conduct specific audits of:~~  ~~(a) WESM Members’ facilities, processes and/or information provided to the Market Operator; or~~  ~~(b) Specific systems and processes in the System Operator; or~~  ~~(c) Specific systems and processes in the Market Operator in relation to generation scheduling, constraints, bids and offers, dispatch, price calculation and settlement.~~  ~~The ECO will inform the party to be audited via email that the PEM Auditor will be conducting an audit and the specific type of audit, facilities, processes, systems or information to be audited.~~ | Deleted. This provision was included under Section 5.6.2 |
|  |  | 5.1.3 On technical matters related to the WESM Rules, the PEM Auditor shall use, whenever possible and adequate, members of the Technical Committee as auditors. | ~~5.1.3~~~~On technical matters related to the WESM Rules, the PEM Auditor shall use, whenever possible and adequate, members of the Technical Committee as auditors.~~ | Deleted, This provision was already included under Section 4.1.2 |
|  |  | 5.2 Audit Process  5.2.1 The PEM Auditor shall comply with the following steps when commencing and conducting an audit:  (a) The PEM Auditor will inform the party to be audited at least five (5) business days ahead of the proposed date to initiate the audit. In this notification, the PEM Auditor will describe;  (i) The criteria, standard, rules or requirements the PEM Auditor will assess during the audit;  (ii) The length of time that the PEM Auditor reasonably believes will be required for the audit;  (iii) The information and data required, together with the format and deadlines for providing it to the PEM Auditor.  (b) As necessary, the PEM Auditor may designate a field auditor, from the Technical Committee or an external expert auditor(s) in accordance with this Manual. In such case, the PEM Auditor will inform the name of the designated auditor(s) to the party to be audited. | **5.8** ~~5.2~~ Audit Process  **5.8.1** ~~5.2.1~~ The PEM ~~Auditor~~ **Audit Committee** shall ~~comply with the following steps when commencing and conducting an audit:~~ (a) ~~The PEM Auditor~~ **shall** ~~will~~ inform the party to be audited at least **fifteen (15)** ~~five (5~~) business days ahead of the proposed date **of** the **audit.**  ~~to initiate the audit.~~ In this notification, the ~~PEM Auditor will describe~~  **the following information will also be included:**  **a)**. ~~(i)~~ The criteria, standard**s**, rules or requirements **that** ~~the PEM Auditor~~ will **be** assess**ed** during the audit;  **b)**  ~~(ii)~~The length of time that the PEM **Audit Committee** ~~Auditor~~ reasonably believes will be required for the audit;  **c)**  ~~(iii)~~ The information and data required, together with the format and deadlines for **its** **submission; and** ~~providing it to the~~ PEM ~~Auditor~~  **(b)** ~~iv~~ **The names of the auditors who shall be conducting the audit .** ~~As necessary, the PEM Auditor may designate a field auditor, from the Technical Committee or an external expert auditor(s) in accordance with this Manual. In such case, the PEM Auditor will inform the name of the designated auditor(s) to the party to be audited.~~ | Lifted from Section 5.2.1 with revisions |
|  |  | 5.3 Audit Results | ~~5.3 Audit Results~~ |  |
|  |  | 5.3.1 The PEM Auditor or the designated auditor(s), as applicable, shall carry out the tests, collection of data and other information, review of documents, processes and other adequate arrangements to assess and verify the standards, requirements and compliance with the WESM Rules, as applicable. | **5.8.2** ~~5.3.1~~The PEM **Audit Committee** ~~Auditor~~ through ~~or the~~ **its** designated **externa**l auditor(~~s)~~ shall carry out the tests, collection of data and other information, review of documents, processes and other adequate arrangements to assess and verify the standards, requirements and compliance with the WESM Rules, **Retail Rules and its Market Manuals** as applicable. | Lifted from Section 5.3.1 Issue 2, with revisions |
|  |  |  | **5.8.3** ~~6.1.1~~  ~~The PEM Auditor may assign staff from the Technical Committee or independent experts, with extensive background on matters to be audited for~~ **As necessary,** field audits of facilities or systems **shall be undertaken, which may include** ~~In addition to~~ **technical tests and verifications and review of working processes and compliance of such processes by relevant staff.** | Lifted from Section 6.1.1 of Issue 2 as revised |
|  |  |  | **5.8.4** ~~6.2.1~~ The field audit shall comply with the following steps:  **a)** ~~(a)~~ ~~The field auditor shall be advised by~~ ~~t~~**T**he PEM Audit Committee **shall advise the auditor** of the facilities to be audited, the scope of the audit, the details of the test**s to be conducted** and results to be obtained;  **b)** ~~(b)~~ T**he PEM Audit Committee shall inform** the party to beaudited **(the one who is responsible for the facilities to be audited)** ~~shall be informed~~ of the audit and the name of the ~~field~~ auditor~~by the PEM Auditor~~ at least fifteen (15) ~~five (5)~~ days prior to the **schedule** ~~initiation~~ of the audit;  **c)** ~~(c)~~The ~~field~~ auditor shall contact the party to be audited and inform both the party to be audited and the PEM **Audit Committee** ~~Auditor~~ of the proposed timetable and work plan.The party to be audited may request changes to the timetable for valid reasons, but in no case cause a delay greater than five (5) business days to the audit.**;**  ~~(d) The field auditor and the party to be audited shall meet in an office to review drawing, data sheets and any security or safety issues.~~  **d)** ~~(e)~~ The field auditor shall visit the site and perform the planned tests on facilities and or collect the required data. Staff of the party may be audited**;**  **e)** ~~(f)~~ The field auditor may ask the PEM **Audit Committee** ~~Auditor~~ to request data and other information from the System Operator and the Market Operator as applicable, to compare the data obtained in the tests or audits from the data submitted to the System Operator or the Market Operator by the party audited;   1. ~~(g~~) The ~~field~~ auditor shall conduct and end of audit meeting with the party audited to explain the first preliminary findings; **and** 2. (h) The ~~field~~ auditor shall submit is report to the PEM **Audit Committee** Auditor. | Lifted from Section 6.2.1 of Issue 2 as revised |
|  |  |  | **5.8.5** **The PEM Audit Committee shall review the report and recommendations submitted by the External Auditor, and send the same to the Auditees for comment.** |  |
|  |  |  | **5.8.6** **The Auditees shall review the draft final report, and provide comments or request clarifications, as necessary. The PEM Audit Committee shall review the comments and observations received from the Auditees and facilitate revisions on the draft final report, as applicable.** |  |
|  |  |  | **5.9** ~~5.3~~Audit Results |  |
|  |  | 5.3.2 The PEM Auditor or the designated auditor(s), as applicable, shall prepare an Audit Report with the audit results, identifying and describing the following:  (a) Main findings;  (b) Conditions that correspond to non compliance: For each condition in non compliance, it shall differentiate the level of non-compliance as follows:  (i) Critical non-compliance: A non-compliance which results in failure to provide services or results in time, or to calculate information in accordance to the WESM Rules, or to provide data in the format and/or to the accuracy required, and which results in a breach.  (ii) Major non-compliance: An occurrence, practice or deficiency in a system or process, which has the potential to escalate to a level at which it would become a critical non-compliance.  (iii) Incidental non-compliance: A condition or situation that does not qualify as critical or major, and which typically is associated with a lack of attention to detail, or lack of adequate staff training that leads to unnecessary mistakes.  (c) Practices or processes or systems that should be enhanced, describing the recommended enhancements; and  (d) Other recommendations to solve or address problems or non-compliance, or other issues such as quality control, best practices and staff adequacy. | **5.9.1** ~~5.3.2~~ The PEM ~~Auditor~~ **Audit Committee** or ~~the~~ **its** designated **external** auditor(s), as applicable, shall prepare an Audit Report with the audit results, identifying and describing the following:  **a)** ~~(a)~~ Main findings;  **b)** ~~(b)~~ Conditions that correspond to non**-**compliance**.**  ~~For each condition in non compliance, it shall differentiate the level of non-compliance as follows:~~  ~~(i) Critical non-compliance: A non-compliance which results in failure to provide services or results in time, or to calculate information in accordance to the WESM Rules, or to provide data in the format and/or to the accuracy required, and which results in a breach.~~  ~~(ii) Major non-compliance: An occurrence, practice or deficiency in a system or process, which has the potential to escalate to a level at which it would become a critical non-compliance.~~  ~~(iii) Incidental non-compliance: A condition or situation that does not qualify as critical or major, and which typically is associated with a lack of attention to detail, or lack of adequate staff training that leads to unnecessary mistakes.~~   1. ~~(c)~~ Practices or processes or systems that should be enhanced, describing the recommended enhancements; and 2. **Recommendations for rules change if necessary; and** 3. ~~(d)~~ Other recommendations to solve or address problems or non-compliance, or other issues such as quality control, best practices and staff adequacy. |  |
|  |  | 5.3.3 At the end of an audit, any designated auditor shall send its Audit Report to the PEM Auditor. If the audit involves more than one auditor, the PEM Auditor shall prepare a consolidated Audit Report summarizing the combined findings and recommendations of the auditors together with its own views and recommendations, when applicable. | **5.9.2** ~~5.3.3~~ **The External Auditor shall submit all deliverables** a**nd** ~~A~~**a**t the end of an audit, ~~any designated auditor~~ ~~shall~~ send its Audit Report to the PEM ~~Auditor~~ **Audit Committee for review and acceptance.** ~~If the audit involves more than one auditor, the PEM Auditor shall prepare a consolidated Audit Report summarizing the combined findings and recommendations of the auditors together with its own views and recommendations, when applicable.~~ |  |
|  |  | 5.3.4 At the end of the audit, the PEM Auditor shall send to the entity that requested the audit the Audit Report with the audit findings, recommendation and proposed actions including the period within which the entity will comply with the Audit Report. The PEM Auditor shall also send copy of the report to the party audited. | **5.9.3** ~~5.3.4~~ At the end of the audit, **as applicable**, the PEM **Audit Committee** ~~Auditor~~ shall send to the entity that requested the audit the Audit Report, with the audit findings, recommendations and proposed actions. ~~including the period within which the entity will comply with the Audit Report.~~ The PEM **Audit Committee** ~~Auditor~~ shall also send copy of the report to the party audited. |  |
|  |  | 5.4 Audit Cost  5.4.1 The Market Operator shall pay the cost of the periodic market audits and software audits of the Market Operator. | **5.10** ~~5.4~~ Audit Cost  **5.10.1** ~~5.4.1~~ **PEMC shall shoulder the** ~~The Market Operator shall~~ ~~pay~~ the cost of the ~~periodic~~ audits **conducted by the PEM Audit Committee.** ~~and software audits of the Market Operator~~. |  |
|  |  | 5.4.2 The cost of a special audit shall be paid by the party that requested the audit, unless the audit was requested to verify compliance and the audit findings show non-compliance, in which case the party or parties in non-compliance shall pay the cost of the audit. | **5.10.2** ~~5.4.2~~ The cost of a special audit shall be paid by the party that requested the audit, unless the audit was requested to verify compliance and the audit findings show non-compliance, in which case the party or parties in non-compliance shall pay the cost of the audit. |  |
| **Field Audits** | **6** | 6.1 Field Auditors | ~~6.1 Field Auditors~~ | Proposed to be deleted – field audits have been included in the Section on Audit Process |
|  |  | 6.1.1 The PEM Auditor may assign staff from the Technical Committee or independent experts, with extensive background on the matters to be audited, for field audits of facilities or systems. In addition to technical tests and verifications, the field audit may include review of working processes and compliance of such processes by the relevant staff. | ~~6.1.1 The PEM Auditor may assign staff from the Technical Committee or independent experts, with extensive background on the matters to be audited, for field audits of facilities or systems. In addition to technical tests and verifications, the field audit may include review of working processes and compliance of such processes by the relevant staff.~~ | Proposed to be deleted – field audits have been included under 5.8.3 |
|  |  | 6.1.2 Each designated field auditor shall prepare and send to the PEM Auditor a formal audit report. | ~~6.1.2 Each designated field auditor shall prepare and send to the PEM Auditor a formal audit report.~~ | Proposed to be deleted – field audits are covered in the portion on Audit Process |
|  |  | 6.1.3 To help facilitate a consistent approach to reporting by different field auditors and between different audit cycles, the PEM Auditor shall prepare a standard format for reporting by field auditors on specific audits. | ~~6.1.3 To help facilitate a consistent approach to reporting by different field auditors and between different audit cycles, the PEM Auditor shall prepare a standard format for reporting by field auditors on specific audits.~~ | Proposed to be deleted |
|  |  | 6.1.4 The PEM Auditor shall prepare a consolidated Field Audit Report and submit it to the PEM Board, with an Executive Summary summarizing the main outcomes and findings of the different field audits, the level and statistics of non-compliance, and the recommendations. | ~~6.1.4 The PEM Auditor shall prepare a consolidated Field Audit Report and submit it to the PEM Board, with an Executive Summary summarizing the main outcomes and findings of the different field audits, the level and statistics of non-compliance, and the recommendations.~~ | Proposed to be deleted – already included under Section 5.8.4 |
|  |  | 6.2 Field Audit Methodology | ~~6.2 Field Audit Methodology~~ | Proposed to be deleted – field audits are part of section on Audit process , Section 5.8 |
|  |  | 6.2.1 The field audit process shall comply with the following steps:  (a) The field auditor shall be advised by the PEM Auditor of the sites and facilities to be audited, the scope of the audit, details of the tests and results to be obtained.  (b) The party to be audited (the one who is responsible for the facilities to be audited) shall be informed of the audit and the name of the field auditor by the PEM Auditor at least five (5) business days prior to the initiation of the audit.  (c) The field auditor shall contact the party to be audited and inform both the party to be audited and the PEM Auditor of the proposed timetable and work plan. The party to be audited may request changes to the timetable for valid reasons, but in no case cause a delay greater than five (5) business days to the audit.  (d) The field auditor and the party to be audited shall meet in an office to review drawings, data sheets and any security or safety issues.  (e) The field auditor shall visit the site and perform the planned tests on facilities and/or collect the required data. Staff of the party audited may be present.  (f) The field auditor may ask for the PEM Auditor to request data and other information from the System Operator and the Market Operator, as applicable, to compare the data obtained in the tests or audits from the data submitted to the System Operator or the Market Operator by the party audited.  (g) The field auditor shall conduct an end of audit meeting with the party audited, to explain the first preliminary audit findings.  (h) The field auditor shall submit its report to the PEM Auditor. | ~~6.2.1 The field audit process shall comply with the following steps:~~  ~~(a) The field auditor shall be advised by the PEM Auditor of the sites and facilities to be audited, the scope of the audit, details of the tests and results to be obtained.~~  ~~(b) The party to be audited (the one who is responsible for the facilities to be audited) shall be informed of the audit and the name of the field auditor by the PEM Auditor at least five (5) business days prior to the initiation of the audit.~~  ~~(c) The field auditor shall contact the party to be audited and inform both the party to be audited and the PEM Auditor of the proposed timetable and work plan. The party to be audited may request changes to the timetable for valid reasons, but in no case cause a delay greater than five (5) business days to the audit.~~  ~~(d) The field auditor and the party to be audited shall meet in an office to review drawings, data sheets and any security or safety issues.~~  ~~(e) The field auditor shall visit the site and perform the planned tests on facilities and/or collect the required data. Staff of the party audited may be present.~~  ~~(f) The field auditor may ask for the PEM Auditor to request data and other information from the System Operator and the Market Operator, as applicable, to compare the data obtained in the tests or audits from the data submitted to the System Operator or the Market Operator by the party audited.~~  ~~(g) The field auditor shall conduct an end of audit meeting with the party audited, to explain the first preliminary audit findings.~~  ~~(h) The field auditor shall submit its report to the PEM Auditor.~~ | Proposed to be deleted – field audits are covered the Section on Audit Process – Section 5.8.4 |
| **Market Audit** | **7** | Market Audit | ~~Market Audit~~ |  |
|  |  | 7.1 General Characteristics | ~~7.1 General Characteristics~~ |  |
|  |  | 7.1.1 Audits of the spot market and the Market Operator shall be conducted or supervised and coordinated by the PEM Auditor. | ~~7.1.1 Audits of the spot market and the Market Operator shall be conducted or supervised and coordinated by the PEM Auditor.~~ | The responsibility of the PEM Audit Committee to supervise the audits was already included in Section 5.1.1 |
|  |  | 7.1.2 Each spot market and Market Operator audit should include the following:  (a) Terms of reference with a list of tasks, covering the processes, information and systems to be audited;  (b) An audit process within a specified timeframe;  (c) An audit report, describing  (i) The audit process;  (ii) Main findings, highlighting areas where there are non-compliance with the WESM Rules; and  (iii) Conclusions and recommendations. | ~~7.1.2 Each spot market and Market Operator audit should include the following:~~  ~~(a) Terms of reference with a list of tasks, covering the processes, information and systems to be audited;~~  ~~(b) An audit process within a specified timeframe;~~  ~~(c) An audit report, describing~~  ~~(i) The audit process;~~  ~~(ii) Main findings, highlighting areas where there are non-compliance with the WESM Rules; and~~  ~~(iii) Conclusions and recommendations.~~ | Transferred to 5.1.2 |
|  |  | 7.1.3 The following criteria shall be used to assess the spot market and the Market Operator:  (a) Clear accountability for performance of Market Operator functions and responsibilities;  (b) Adequacy - in terms of number and training of staff - to perform assigned tasks and systems used;  (c) Efficiency of processes (e.g. time response);  (d) Accuracy of tasks (e.g. numbers of errors in settlement statements);  (e) Compliance with the WESM Rules;  (f) Degree to which processes are in alignment with the WESM Rules and its Market Manuals; and  (g) Quality of the service measured in frequency and level of complaints and disputes. | ~~7.1.3 The following criteria shall be used to assess the spot market and the Market Operator:~~  ~~(a) Clear accountability for performance of Market Operator functions and responsibilities;~~  ~~(b) Adequacy - in terms of number and training of staff - to perform assigned tasks and systems used;~~  ~~(c) Efficiency of processes (e.g. time response);~~  ~~(d) Accuracy of tasks (e.g. numbers of errors in settlement statements);~~  ~~(e) Compliance with the WESM Rules;~~  ~~(f) Degree to which processes are in alignment with the WESM Rules and its Market Manuals; and~~  ~~(g) Quality of the service measured in frequency and level of complaints and disputes.~~ | Transferred to Section 5.2.3 with revisions |
|  |  | 7.1.4 In order to streamline the audit process and avoid unnecessary duplications, where possible –  (a) The PEM Auditor and the Market Operator shall agree an annual audit of the spot market; and  (b) The spot market audit and the annual Market Operator audit shall be conducted together under the supervision and responsibility of the PEM Auditor. | ~~7.1.4 In order to streamline the audit process and avoid unnecessary duplications, where possible –~~  ~~(a) The PEM Auditor and the Market Operator shall agree an annual audit of the spot market; and~~  ~~(b) The spot market audit and the annual Market Operator audit shall be conducted together under the supervision and responsibility of the PEM Auditor.~~ | Transferred to Section 5.2.4 with revisions |
|  |  | 7.2 Annual Audit of the Spot Market and the Market Operator | ~~7.2 Annual Audit of the Spot Market and the Market Operator~~ | Transferred to Section 5.2.2 |
|  |  | 7.2.1 Each year and not later than the end of October, the PEM Auditor shall conduct an audit of the spot market, including settlement of the markets administered by the Market Operator, generation scheduling, dispatch, price calculation, and any procedures and working processes used by the Market Operator in performing those functions in the WESM. | ~~7.2.1~~ ~~Each year and not later than the end of October, the PEM Auditor shall conduct an audit of the spot market, including settlement of the markets administered by the Market Operator, generation scheduling, dispatch, price calculation, and any procedures and working processes used by the Market Operator in performing those functions in the WESM.~~ | Transferred to Section 5.2.1 with revisions |
|  |  | 7.2.2 The general objectives of the annual audit of the spot market and the Market Operator are to:  (a) Assess procedures and working processes in the Market Operator;  (b) Assess the usefulness and appropriateness of systems settlement system, data management and other procedures and working processes used by the Market Operator to administer the WESM, in order to:  (i) Identify appropriate steps and measures to help the Market Operator effectively and efficiently perform its responsibilities in time and form in accordance with the WESM Rules;  (ii) Review that the Market Operator practices and work processes ensure the necessary transparency, independence, predictability and non-discrimination, and are in compliance with the WESM Rules and best international practices; and  (iii) Assess if the systems, calculations, information flows and data management protect accuracy and quality of the data and results in generation scheduling, dispatch, prices and settlement, as well as if internal controls exist and are sufficient to guarantee security and confidentiality where appropriate, proposing recommendations to improve the procedures to collect and process the information and the controls of quality and security of data in the WESM.  (c) Assess the usefulness and appropriateness of the interfaces and exchange of information between the System Operator and the Market Operator in relation to generation scheduling, constraints and dispatch; and  (d) Review compliance by the Market Operator with the WESM Rules. | ~~7.2.2~~ ~~The general objectives of the annual audit of the spot market and the Market Operator are to:~~  ~~(a) Assess procedures and working processes in the Market Operator;~~  ~~(b) Assess the usefulness and appropriateness of systems settlement system, data management and other procedures and working processes used by the Market Operator to administer the WESM, in order to:~~  ~~(i) Identify appropriate steps and measures to help the Market Operator effectively and efficiently perform its responsibilities in time and form in accordance with the WESM Rules;~~  ~~(ii) Review that the Market Operator practices and work processes ensure the necessary transparency, independence, predictability and non-discrimination, and are in compliance with the WESM Rules~~ ~~and best international practices; and~~  ~~(iii) Assess if the systems, calculations, information flows and data management protect accuracy and quality of the data and results in generation scheduling, dispatch, prices and settlement, as well as if internal controls exist and are sufficient to guarantee security and confidentiality where appropriate, proposing recommendations to improve the procedures to collect and process the information and the controls of quality and security of data in the WESM.~~  ~~(c) Assess the usefulness and appropriateness of the interfaces and exchange of information between the System Operator and the Market Operator in relation to generation scheduling, constraints and dispatch; and~~  ~~(d) Review compliance by the Market Operator with the WESM Rules.~~ | Transferred to Section 5.2.2 with revisions |
|  |  | 7.2.3 The PEM Auditor, with the assistance of the Market Operator, shall prepare standard terms of reference for the annual audit of the spot market and the Market Operator covering the general scope described in the previous paragraph. The standard terms of reference shall include the following tasks:  (a) Verify that each and all software of the Market Operator has valid audit certificates;  (b) Review the calculations and allocations performed to determine energy for the settlement calculations in each trading point and for each Trading Participant, and the adequacy of the metering systems;  (c) Review the calculations and allocations performed in the settlement process, and the adequacy and usefulness of the settlement systems;  (d) Review and assess the billing and settlement system;  (e) Review and assess the procedures, processes and systems for generation scheduling and dispatch, including management of submission and validation of bids and offers as well as the adequacy and usefulness of the coordination arrangements and systems with the System Operator;  (f) Review and assess the processes for software management and data protection;  (g) Review that, in all the above matters, the Market Operator is in compliance with the WESM Rules and propose enhancements in processes to achieve best international practices; and  (h) Except for the first audit, review the measures and actions taken by the Market Operator in view of the findings and recommendations of the previous audit, and assess the adequacy and effective results of such measures and actions. | ~~7.2.3 The PEM Auditor, with the assistance of the Market Operator, shall prepare standard terms of reference for the annual audit of the spot market and the Market Operator covering the general scope described in the previous paragraph. The standard terms of reference shall include the following tasks:~~  ~~(a) Verify that each and all software of the Market Operator has valid audit certificates;~~  ~~(b) Review the calculations and allocations performed to determine energy for the settlement calculations in each trading point and for each Trading Participant, and the adequacy of the metering systems;~~  ~~(c) Review the calculations and allocations performed in the settlement process, and the adequacy and usefulness of the settlement systems;~~  ~~(d) Review and assess the billing and settlement system;~~  ~~(e) Review and assess the procedures, processes and systems for generation scheduling and dispatch, including management of submission and validation of bids and offers as well as the adequacy and usefulness of the coordination arrangements and systems with the System Operator;~~  ~~(f) Review and assess the processes for software management and data protection;~~  ~~(g) Review that, in all the above matters, the Market Operator is in compliance with the WESM Rules and propose enhancements in processes to achieve best international practices; and~~  ~~(h) Except for the first audit, review the measures and actions taken by the Market Operator in view of the findings and recommendations of the previous audit, and assess the adequacy and effective results of such measures and actions.~~ | Transferred to Section 5.2.5 with revisions |
|  |  | 7.2.4 The PEM Auditor shall submit to the PEM Board for review the proposed standard terms of reference of the annual audit. Within fifteen (15) days after the next PEM Board meeting, the PEM Board shall send its comments and observations. The PEM Auditor shall take into consideration the comments and observations received and revise the terms of reference accordingly. The standard terms of reference for the annual audit shall be published in the Market Information Website. | 7.2.4 ~~The PEM Auditor shall submit to the PEM Board for review the proposed standard terms of reference of the annual audit. Within fifteen (15) days after the next PEM Board meeting, the PEM Board shall send its comments and observations. The PEM Auditor shall take into consideration the comments and observations received and revise the terms of reference accordingly. The standard terms of reference for the annual audit shall be published in the Market Information Website.~~ | Transferred to Section 5.1.3 as revised |
|  |  | 7.2.5 In view of the experience of the PEM Auditor in conducting audits and problems or other issues that may require auditing of the Market Operator, the PEM Auditor from time to time may revise the standard terms of reference of the Market Operator annual audit. | ~~7.2.5~~  ~~In view of the experience of the PEM Auditor in conducting audits and problems or other issues that may require auditing of the Market Operator, the PEM Auditor from time to time may revise the standard terms of reference of the Market Operator annual audit.~~ | Proposed to be deleted, the terms of reference are not always standard and may vary according to the items proposed to be audited which may be different from previous audits conducted |
|  |  | 7.2.6 When necessary at the discretion and opinion of the PEM Auditor, the PEM Auditor shall request to contract an independent and qualified team to carry out all or part of the audit. | ~~7.2.6 When necessary at the discretion and opinion of the PEM Auditor, the PEM Auditor shall request to contract an independent and qualified team to carry out all or part of the audit.~~ | Proposed to be deleted – already covered in earlier sections of the manual on the authority to engage external auditors |
|  |  | 7.2.7 During the audit process, the PEM Auditor will be the coordinator with the contracted expert team and will be entitled to receive a copy of all reports and findings. Once the audit has finished and the experts submitted their final reports and recommendations, the PEM Auditor shall review the report and recommendations, to prepare and send to the Market Operator a preliminary Annual Audit Report, which shall include:  (a) A summarized description of the audit process conducted by the auditor(s);  (b) For each task or matter audited, general review and findings by the auditor(s);  (c) Recommendations of the PEM Auditor in view of assessment and recommendations by the expert audit team, identifying any recommendation by such auditor(s) that the PEM Auditor has rejected and the reason(s) for the rejection; and  (d) As an Annex, the final report of the expert auditors. | ~~7.2.7 During the audit process, the PEM Auditor will be the coordinator with the contracted expert team and will be entitled to receive a copy of all reports and findings. Once the audit has finished and the experts submitted their final reports and recommendations, the PEM Auditor shall review the report and recommendations, to prepare and send to the Market Operator a preliminary Annual Audit Report, which shall include:~~  ~~(a) A summarized description of the audit process conducted by the auditor(s);~~  ~~(b) For each task or matter audited, general review and findings by the auditor(s);~~  ~~(c) Recommendations of the PEM Auditor in view of assessment and recommendations by the expert audit team, identifying any recommendation by such auditor(s) that the PEM Auditor has rejected and the reason(s) for the rejection; and~~  ~~(d) As an Annex, the final report of the expert auditors.~~ | Deleted as this has been sufficiently covered in the earlier provisions of the manual |
|  |  | 7.2.8 The Market Operator shall review the preliminary report, and may make observations or request clarifications or corrections. The PEM Auditor shall review the comments and observations received from the Market Operator, revise the preliminary report as necessary and prepare the final Annual Audit Report and send it to:  (a) The Market Operator;  (b) The PEM Board;  (c) DOE; and  (d) The ERC. | ~~7.2.8 The Market Operator shall review the preliminary report, and may make observations or request clarifications or corrections. The PEM Auditor shall review the comments and observations received from the Market Operator, revise the preliminary report as necessary and prepare the final Annual Audit Report and send it to:~~  ~~(a) The Market Operator;~~  ~~(b) The PEM Board;~~  ~~(c) DOE; and~~  ~~(d) The ERC.~~ | Deleted as this has been sufficiently covered in the earlier provisions of the manual |
|  |  | 7.2.9 The final Annual Audit Report shall be published in the Market Information Website to be made available to WESM Members and the System Operator. | ~~7.2.9 The final Annual Audit Report shall be published in the Market Information Website to be made available to WESM Members and the System Operator.~~ | Deleted as this has been sufficiently covered in the earlier provisions of the manual |
| **Audit of the Market Assessment System** | **8** | 8.1. Each year or at such other regular period as may be determined by the PEM Board, the PEM Auditor shall conduct an audit of the market assessment system administered by the Market Assessment Group, and any procedures and working processes used by the Market Assessment Group in the collection, validation and processing of market monitoring data, and calculation of monitoring indices. | ~~8.1. Each year or at such other regular period as may be determined by the PEM Board, the PEM Auditor shall conduct an audit of the market assessment system administered by the Market Assessment Group, and any procedures and working processes used by the Market Assessment Group in the collection, validation and processing of market monitoring data, and calculation of monitoring indices~~ | Deleted as this has been included under Section 5.2.2.6 |
|  |  | 8.1.1 The Market Assessment Group shall provide assistance to the PEM Auditor in the formulation of the standard terms of reference in the selection of expert team to audit the Market Assessment System including the processes and procedures of the Market Assessment Group. | ~~8.1.1 The Market Assessment Group shall provide assistance to the PEM Auditor in the formulation of the standard terms of reference in the selection of expert team to audit the Market Assessment System including the processes and procedures of the Market Assessment Group.~~ | This is an inherent in the PAC’s processes to solicit the assistance of the MAG which assists the PAC and concerned auditees in the terms of reference to determine what is in the scope of the audit. |
| **Review of WESM Rules** | **9** | 9.1 Technical Matters | ~~9.1.Technical Matters~~ | Suggest that this Section be deleted. The provisions in this section relate more to the review of the current rules relating to technical matters with a view to recommending changes to address unintended effects of distortion in the operation of the WESM caused by current technical provisions. This function is now a function of the Rules Review unit of the MAG. |
|  |  | 9.1.1 At the same time as the annual audit, the PEM Auditor shall request the Technical Committee a review of technical matters covered in the WESM Rules and their adequacy to achieve the WESM Objectives. | ~~9.1.1~~ ~~At the same time as part of the annual audit, the PEM Audit shall request the Technical Committee a review of technical matters covered in the WESM Rules and their adequacy to achieve the WESM Objectives.~~ | Deleted consistent with the above |
|  |  | 9.1.2 Within fifteen (15) days from the receipt of the request, the Technical Committee shall prepare and submit to the PEM Auditor, with copy furnished to the PEM Board and the Rules Change Committee, a Technical Review Report with its review, observations and recommendations on technical matters in the WESM Rules, and any proposed amendments, if any, are required in view of:  (a) Unintended effects or distortions in the operation of the WESM caused by the current technical provisions;  (b) New technologies and improving the efficiency and the effectiveness of the operation of the spot market or metering arrangements; and  (c) Improving or enhancing the prospects for the achievement of the WESM Objectives. | ~~9.1.~~~~Within fifteen (15) days from the receipt of the request, the Technical Committee shall prepare and submit to the PEM Auditor with copy furnished to the PEM Board and the Rules Change Committee, a Technical Review Report, observations and recommendations on technical matters in the WESM Rules , and any proposed amendments, if any, are required in view of:~~  ~~(a) Unintended effects or distortions in the operation of the WESM caused by the current technical provisions;~~  ~~(b) New technologies and improving the efficiency and the effectiveness of the operation of the spot market or metering arrangements; and~~  ~~(c) Improving or enhancing the prospects for the achievement of the WESM Objectives.~~ | Deleted consistent with the above |
|  |  | 9.1.3 Any proposal for amendment to the WESM Rules shall be sent to the PEM Board using the standard form and including the content prescribed in the Rules Change Manual. | ~~9.1.3~~ ~~Any proposal for amendment to the WESM Rules shall be sent to the PEM Board using the standard form and including the content prescribed in the Rules Change Manual.~~ | Proposed to be deleted since this process is part of the Rules Change Manual. |
|  |  | 9.2 Annual Audit of Generation Scheduling and Dispatch Rules | ~~9.2 Annual Audit of Generation Scheduling and Dispatch Rules~~ | Proposed to be deleted, this is already part of the audit of the spot market and the Market Operator |
|  |  | 9.2.1 As part of the annual audit, the PEM Auditor shall review –  (a) The Market Operator’s compliance with the scheduling and central dispatch procedures under the WESM Rules, in view of the processes, practices and staff of the Market Operator; and  (b) The feasibility and adequacy of the scheduling and central dispatch procedures, software and systems prescribed or under the WESM Rules in light of the current conditions in the Philippines electricity industry and new development in technologies, dispatch methodologies and software. | ~~9.2.1 As part of the annual audit, the PEM Auditor shall review –~~  ~~(a) The Market Operator’s compliance with the scheduling and central dispatch procedures under the WESM Rules, in view of the processes, practices and staff of the Market Operator; and~~  ~~(b) The feasibility and adequacy of the scheduling and central dispatch procedures, software and systems prescribed or under the WESM Rules in light of the current conditions in the Philippines electricity industry and new development in technologies, dispatch methodologies and software.~~ | Proposed to be relocated to Section 5.2.2.5 under the portion on the review of the spot market and the Market Operator.  Deleted - the task of reviewing the feasibility and adequacy of the scheduling and central dispatch procedures, software and systems prescribed under the WESM Rules is more a function for Rules Change Process. Such review will result to a change in the Rules. |
|  |  | 9.2.2 Subject to PEM Board approval in accordance with the procedures established in this Manual, the PEM Auditor may contract a team of qualified experts to review and give their opinion on the adequacy of the procedures and criteria established in the WESM Rules in relation to generation scheduling and central dispatch. | ~~9.2.2 Subject to PEM Board approval in accordance with the procedures established in this Manual, the PEM Auditor may contract a team of qualified experts to review and give their opinion on the adequacy of the procedures and criteria established in the WESM Rules in relation to generation scheduling and central dispatch.~~ | Proposed to be deleted – the engagement of the external auditor has been covered in earlier sections of the PEM Audit Manual. |
|  |  | 9.2.3 As a result of the annual audit of the spot market and the Market Operator, the PEM Auditor shall indicate in the corresponding Annual Audit Report its opinion (or the opinion of external experts contracted for the audit) on the adequacy of the WESM Rules in relation to generation scheduling and centralized dispatch, and when necessary recommend amendments to the WESM Rules. | ~~9.2.3 As a result of the annual audit of the spot market and the Market Operator, the PEM Auditor shall indicate in the corresponding Annual Audit Report its opinion (or the opinion of external experts contracted for the audit) on the adequacy of the WESM Rules in relation to generation scheduling and centralized dispatch, and when necessary recommend amendments to the WESM Rules.~~ | This is the output of Rules Review. |
|  |  | 9.2.4 At least once every two years or in case of any material problem or disputes in relation to the dispatch and generation scheduling in the WESM, the PEM Auditor shall appoint a team or company of external auditors expert in dispatch and generation scheduling software, rules and procedures in competitive wholesale electricity markets and centralized economic security constrained dispatch, to audit the Market Operator software, procedures and processes and to recommend enhancements both in the processes and systems used by the Market Operator and in the related WESM Rules, as necessary. The results and recommendations of this special audit shall be included in the Annual Audit Report. | ~~9.2.4.~~ ~~At least once every two years or in case of any material problem or disputes in relation to the dispatch and generation scheduling in the WESM, the PEM Auditor shall appoint a team or company of external auditors expert in dispatch and generation scheduling software, rules and procedures in competitive wholesale electricity markets and centralized economic security constrained dispatch, to audit the Market Operator software, procedures and processes and to recommend enhancements both in the processes and systems used by the Market Operator and in the related WESM Rules, as necessary. The results and recommendations of this special audit shall be included in the Annual Audit Report.~~ | Deleted consistent with the above |
|  |  | 9.2.5 Any change recommended or observation to the WESM Rules presented in the Annual Audit Report shall be submitted by the PEM Auditor to  (a) The PEM Board;  (b) DOE; and  (c) The Rules Change Committee. | ~~9.2.5 Any change recommended or~~  ~~observation to the WESM Rules~~  ~~presented in the Annual Audit Report~~  ~~shall be submitted by the PEM Auditor~~  ~~to~~  ~~(a) The PEM Board;~~  ~~(b) DOE; and~~  ~~(c) The Rules Change Committee.~~ | ~~Deleted consistent with the above~~ |
|  |  | 9.3 Special Review of Generation Scheduling and Dispatch Rules  9.3.1 The PEM Board may, from time to time, request the PEM Auditor to review and assess specific WESM Rules and procedures in relation to generation scheduling, dispatch, price calculation methodology and settlement, within a specified deadline but never shorter than fifteen (15) days. The PEM Auditor may request an extension if it considers that the assessment requires a longer review period. | ~~9.3 Special Review of Generation Scheduling and Dispatch Rules~~  ~~9.3.1. The PEM Board may, from time to time, request the PEM Auditor to review and assess specific WESM Rules and procedures in relation to generation scheduling, dispatch, price calculation methodology and settlement, within a specified deadline but never shorter than fifteen (15) days. The PEM may request an extension if it considers that the assessment requires a longer review period~~ | ~~Deleted consistent with the above~~ |
|  |  | 9.3.2 Within the period specified or the extension approved, as applicable, the PEM Auditor shall submit to the PEM Board a Rules Review Report with its review, opinion and recommendations, including any recommended amendments to the corresponding WESM Rules. Any proposal to amend the WESM Rules shall be sent by the PEM Auditor to the PEM Board using the standard form and including the content prescribed in the Rules Change Manual. | ~~9.3.2 Within the period specified or the extension approved, as applicable, the PEM Auditor shall submit to the PEM Board a Rules Review Report with its review, opinion and recommendations, including any recommended amendments to the corresponding WESM Rules. Any proposal to amend the WESM Rules shall be sent by the PEM Auditor to the PEM Board using the standard form and including the content prescribed in the Rules Change Manual.~~ | ~~Deleted consistent with the above~~ |
|  |  | 9.3.3 If, in the opinion of the PEM Auditor, a more in depth review would be necessary, it may recommend to the PEM Board in its report:  (a) The contracting external independent experts; or  (b) The review by the Technical Committee; or  (c) A special audit by the PEM Auditor on the implementation and procedures of the Market Operator in relation to the specific WESM Rules reviewed. | ~~9.3.3 If, in the opinion of the PEM Auditor a more in depth review would be necessary, it may recommend to the PEM Board in its report:~~  ~~(a) The contracting external independent experts; or~~  ~~(b) The review by the Technical Committee; or~~  ~~(c) A special audit by the PEM Auditor on the implementation and procedures of the Market Operator in relation to the specific WESM Rules reviewed~~ | ~~Deleted consistent with the above~~ |
| **Software of the Market Operator** | **10** | 10.1 Objective | ~~10.1 Objective~~ |  |
|  |  | 10.1.1 The Market Operator shall not implement a new software or associated system, or modify an existing software or its associated system for generation scheduling, dispatch or settlement or price calculation relevant to the WESM without –  (a) Prior notice to all WESM Members and the PEM Board; and  (b) Undergoing the ICT Change Management Process.  All new software or modifications to existing software implemented through the ICT Change Management Process shall be subject to post audit and/or certification within one year from deployment. The ICT Change Management process is instituted by the Market Operator to ensure proper and timely review, approval, and monitoring of all activities on all stages of the change management process. | ~~10.1.1 The Market Operator shall not implement a new software or associated system, or modify an existing software or its associated system for generation scheduling, dispatch or settlement or price calculation relevant to the WESM without –~~  ~~(a) Prior notice to all WESM Members and the PEM Board; and~~  ~~(b) Undergoing the ICT Change Management Process.~~  ~~All new software or modifications to existing software implemented through the ICT Change Management Process shall be subject to post audit and/or certification within one year from deployment. The ICT Change Management process is instituted by the Market Operator to ensure proper and timely review, approval, and monitoring of all activities on all stages of the change management process.~~ | Transferred to Section 5.3.1 with revisions |
|  |  | 10.2 Software for the WESM | ~~10.2 Software for the WESM~~ | Transferred to Section 10.27 with revisions |
|  |  | 10.2.1 If the Market Operator wants to implement a new software for generation scheduling, dispatch, price calculation or settlement, or modify or replace an existing one, the Market Operator shall send a report to the PEM Auditor describing –  (a) The software to be implemented (a new software) or the software to be modified;  (b) If an existing software is going to be modified or replaced, a description of –  (i) The reasons that justify the change, including any problem or shortfall identified in the existing software, if any;  (ii) Expected improvements, particularly in relation to transparency, efficiency, data processing and response time;  (iii) The scope of the proposed modification or, if the existing software is going to be replaced, the description of the new software and main differences with the existing one;  (c) If a new software is going to be implemented, a description of -  (i) The reasons that justify the new software, particularly the expected improvements in efficiency, data processing and response time;  (ii) The description of the new software;  (iii) The description of the tests performed and results that prove that the software has been sufficiently and adequately tested in trial mode, produces accurate results and is ready for implementation;  (d) Findings and details thereof, proving that the modified or new software will be in full compliance with the WESM Rules. | ~~10.2.1 If the Market Operator wants to implement a new software for generation scheduling, dispatch, price calculation or settlement, or modify or replace an existing one, the Market Operator shall send a report to the PEM Auditor describing –~~  ~~(a) The software to be implemented (a new software) or the software to be modified;~~  ~~(b) If an existing software is going to be modified or replaced, a description of –~~  ~~(i) The reasons that justify the change, including any problem or shortfall identified in the existing software, if any;~~  ~~(ii) Expected improvements, particularly in relation to transparency, efficiency, data processing and response time;~~  ~~(iii) The scope of the proposed modification or, if the existing software is going to be replaced, the description of the new software and main differences with the existing one;~~  ~~(c) If a new software is going to be implemented, a description of -~~  ~~(i) The reasons that justify the new software, particularly the expected improvements in efficiency, data processing and response time;~~  ~~(ii) The description of the new software;~~  ~~(iii) The description of the tests performed and results that prove that the software has been sufficiently and adequately tested in trial mode, produces accurate results and is ready for implementation;~~  ~~(d) Findings and details thereof, proving that the modified or new software will be in full compliance with the WESM Rules.~~ | Transferred to Section 5.7.3 |
|  |  | 10.2.2 The PEM Auditor shall review the report of the Market Operator and may request clarifications and further information. In particular, the PEM Auditor may organize a meeting with the relevant staff of the Market Operator to discuss the characteristics, any limitation or potential problem, and other conditions of the software that may impact predictability, transparency or compliance with the WESM Rules. | ~~10.2.2 The PEM Auditor shall review the report of the Market Operator and may request clarifications and further information. In particular, the PEM Auditor may organize a meeting with the relevant staff of the Market Operator to discuss the characteristics, any limitation or potential problem, and other conditions of the software that may impact predictability, transparency or compliance with the WESM Rules.~~ | Transferred to Section 5.7.5 |
|  |  | 10.2.3 The review of the PEM Auditor shall encompass testing of the software to verify accuracy of results and compliance with all requirement and procedures established in the WESM Rules. The PEM Auditor shall request a series of test runs of the software to verify that it works properly, even in special conditions. Alternatively, the PEM Auditor may request the contracting of an external expert to test and certify the software. | ~~10.2.3 The review of the PEM Auditor shall encompass testing of the software to verify accuracy of results and compliance with all requirement and procedures established in the WESM Rules. The PEM Auditor shall request a series of test runs of the software to verify that it works properly, even in special conditions. Alternatively, the PEM Auditor may request the contracting of an external expert to test and certify the software.~~ | Transferred to Section 5.7.6 |
|  |  | 10.2.4 After finalizing the review and tests, as applicable and based on the information gathered and, if an external expert was used, the report with the review and recommendations of the expert, the PEM Auditor shall prepare and submit to the Market Operator and the PEM Board a Software Review Report. The outcome of the review and recommendation shall indicate –  (a) If the software is ready for implementation and in compliance with the WESM Rules and the objectives; or  (b) Recommendations on measures or changes prior to implementing the software, to ensure full compliance with the WESM Rules and its objectives. | ~~10.2.4 After finalizing the review and tests, as applicable and based on the information gathered and, if an external expert was used, the report with the review and recommendations of the expert, the PEM Auditor shall prepare and submit to the Market Operator and the PEM Board a Software Review Report. The outcome of the review and recommendation shall indicate –~~  ~~(a) If the software is ready for implementation and in compliance with the WESM Rules and the objectives; or~~  ~~(b) Recommendations on measures or changes prior to implementing the software, to ensure full compliance with the WESM Rules and its objectives.~~ | Transferred to Section 5.7.7 |
|  |  | 10.3 Settlement Software  10.3.1 Each year during the month of June or prior to implementation of any modification to the existing settlement software, an independent auditor competent to carry out such type of audit, shall audit the settlement software to determine its consistency with the WESM Rules. | ~~10.3 Settlement Software~~  ~~10.3.1 Each year during the month of June or prior to implementation of any modification to the existing settlement software, an independent auditor competent to carry out such type of audit, shall audit the settlement software to determine its consistency with the WESM Rules.~~ |  |
|  |  | 10.3.2 In any dispute in relation to settlement calculations, a certificate of such auditor that the settlement software is consistent with the WESM Rules shall be evidence that the charges or payments shown in a settlement statement have been calculated by a method consistent with the WESM Rules. | ~~10.3.2 In any dispute in relation to settlement calculations, a certificate of such auditor that the settlement software is consistent with the WESM Rules shall be evidence that the charges or payments shown in a settlement statement have been calculated by a method consistent with the WESM Rules.~~ | Transferred to Section 5.7.9 with revisions |
|  |  | 10.4 Software for WESM Members | ~~10.4 Software for WESM Members~~ | Deleted as this is covered in general under software for the spot market and the Market Operator |
|  |  | 10.4.1 Prior to implementing a new software to be used by WESM Members, or modifying or replacing an existing one, the Market Operator shall send a report to the PEM Auditor describing –  (a) The software to be implemented (a new software) or the software to be modified, and the expected usage by WESM Members;  (b) Expected improvements for WESM Members, particularly in relation to accuracy, efficiency and consistency;  (c) The description of the tests performed and results proving that the software has been sufficiently and adequately tested and is ready to be used by WESM Members; and  (d) A description and details showing that the software calculations are accurate and in full compliance with the WESM Rules. | ~~10.4.1 Prior to implementing a new software to be used by WESM Members, or modifying or replacing an existing one, the Market Operator shall send a report to the PEM Auditor describing –~~  ~~(a) The software to be implemented (a new software) or the software to be modified, and the expected usage by WESM Members;~~  ~~(b) Expected improvements for WESM Members, particularly in relation to accuracy, efficiency and consistency;~~  ~~(c) The description of the tests performed and results proving that the software has been sufficiently and adequately tested and is ready to be used by WESM Members; and~~  ~~(d) A description and details showing that the software calculations are accurate and in full compliance with the WESM Rules.~~ | Deleted as this is redundant- already mentioned under Section 5.7.3 |
|  |  | 10.4.2 The PEM Auditor will review the report of the Market Operator and may request clarifications and further information. The PEM Auditor shall request a series of test runs to verify accuracy of results and that it works properly even in special conditions. With the results of these tests, the Market Operator shall correct the software, if necessary. | ~~10.4.2 The PEM Auditor will review the report of the Market Operator and may request clarifications and further information. The PEM Auditor shall request a series of test runs to verify accuracy of results and that it works properly even in special conditions. With the results of these tests, the Market Operator shall correct the software, if necessary.~~ |  |
|  |  | 10.4.3 Once the PEM Auditor considers that the software is accurate and ready for use, the PEM Auditor will prepare and submit to the Market Operator a Software Review Report approving the software, with copy thereof furnished to the PEM Board. The Market Operator shall publish the approval in the Market Information Website and advertise the new software or the change to the existing software when ready for use by WESM Members. | ~~10.4.3 Once the PEM Auditor considers that the software is accurate and ready for use, the PEM Auditor will prepare and submit to the Market Operator a Software Review Report approving the software, with copy thereof furnished to the PEM Board. The Market Operator shall publish the approval in the Market Information Website and advertise the new software or the change to the existing software when ready for use by WESM Members.~~ |  |
| **Metering Review** | **11** | 11.1 Background | ~~11.1 Background~~ |  |
|  |  | 11.1.1 In accordance with the Grid Code, the Metering Services Providers have the responsibility to supply, install, connect, own, test, calibrate, place in service, operate, check, and maintain the metering system for settlement, ensuring the accuracy and traceability of calibration and test results. Additionally, each Metering Services Provider shall take all reasonable steps to prevent unauthorized interference with the metering equipment. | ~~11.1.1 In accordance with the Grid Code, the Metering Services Providers have the responsibility to supply, install, connect, own, test, calibrate, place in service, operate, check, and maintain the metering system for settlement, ensuring the accuracy and traceability of calibration and test results. Additionally, each Metering Services Provider shall take all reasonable steps to prevent unauthorized interference with the metering equipment.~~ |  |
|  |  | 11.1.2 As established in the Grid Code, a User shall have the right to request an audit of the settlement data related to its account and the right to choose an independent third party qualified to perform the audit. In such cases, the System Operator, Metering Services Providers and Market Operator shall cooperate in the auditing process. | ~~11.1.2 As established in the Grid Code, a User shall have the right to request an audit of the settlement data related to its account and the right to choose an independent third party qualified to perform the audit. In such cases, the System Operator, Metering Services Providers and Market Operator shall cooperate in the auditing process.~~ |  |
|  |  | 11.2 Scope and Objectives | ~~11.2 Scope and Objectives~~ |  |
|  |  | 11.2.1 The general objective of the PEM Auditor metering review is to assess the adequacy of the metering standards and security systems and processes in the WESM. | ~~11.2.1 The general objective of the PEM Auditor metering review is to assess the adequacy of the metering standards and security systems and processes in the WESM.~~ |  |
|  |  | 11.2.2 Every year, the PEM Auditor shall review the security arrangements and requirement of metering installations. If considered necessary and convenient, the PEM Auditor may request the PEM Board approval of metering audits as part of the review process. | ~~11.2.2 Every year, the PEM Auditor shall review the security arrangements and requirement of metering installations. If considered necessary and convenient, the PEM Auditor may request the PEM Board approval of metering audits as part of the review process.~~ |  |
|  |  | 11.3 Consultation on Metering Arrangements | ~~11.3 Consultation on Metering Arrangements~~ |  |
|  |  | 11.3.1 Each year before the month of November, the PEM Auditor shall organize a consultation process with the Market Operator, Trading Participants, the Technical Committee and all Metering Services Providers in relation to metering arrangements in the WESM. The PEM Auditor shall publish in the Market Information Website a request for the Market Operator, Trading Participants and Metering Services Providers to submit to the PEM Auditor during the next fifteen (15) days their comments and recommendations regarding –  (a) Standards and requirements of metering installations;  (b) Adequacy of work procedures of Metering Services Providers; and  (c) Security arrangements associated to metering systems and processes. | ~~11.3.1 Each year before the month of November, the PEM Auditor shall organize a consultation process with the Market Operator, Trading Participants, the Technical Committee and all Metering Services Providers in relation to metering arrangements in the WESM. The PEM Auditor shall publish in the Market Information Website a request for the Market Operator, Trading Participants and Metering Services Providers to submit to the PEM Auditor during the next fifteen (15) days their comments and recommendations regarding –~~  ~~(a) Standards and requirements of metering installations;~~  ~~(b) Adequacy of work procedures of Metering Services Providers; and~~  ~~(c) Security arrangements associated to metering systems and processes.~~ | Transferred to Section 5.7.9 with revisions |
|  |  | 11.4 Audit of Metering Arrangements and Compliance | ~~11.4 Audit of Metering Arrangements and Compliance~~ |  |
|  |  | 11.4.1 When the annual metering arrangements review includes audits, as approved by the PEM Board, the PEM Auditor, supported by the Technical Committee, shall conduct an audit regarding,  (a) Compliance with requirements of metering installations;  (b) Compliance with security arrangements associated to metering systems and processes; and  (c) Adequacy of security arrangements by the Market Operator and work procedures by Metering Services Providers. | ~~11.4.1 When the annual metering arrangements review includes audits, as approved by the PEM Board, the PEM Auditor, supported by the Technical Committee, shall conduct an audit regarding,~~  ~~(a) Compliance with requirements of metering installations;~~  ~~(b) Compliance with security arrangements associated to metering systems and processes; and~~  ~~(c) Adequacy of security arrangements by the Market Operator and work procedures by Metering Services Providers.~~ |  |
|  |  | 11.4.2 To audit compliance, the PEM Auditor shall select a sample of metering sites, where at least thirty percent (30%) of which shall correspond to the metering points with largest volume within the WESM, where metering errors or inadequacy can create the biggest impact and volume error in the WESM. | ~~11.4.2 To audit compliance, the PEM Auditor shall select a sample of metering sites, where at least thirty percent (30%) of which shall correspond to the metering points with largest volume within the WESM, where metering errors or inadequacy can create the biggest impact and volume error in the WESM.~~ |  |
|  |  | 11.4.3 The PEM Auditor shall designate staff of the Technical Committee as field auditors to perform compliance tests on the security processes and metering installations standards. | ~~11.4.3 The PEM Auditor shall designate staff of the Technical Committee as field auditors to perform compliance tests on the security processes and metering installations standards.~~ |  |
|  |  | 11.5 Review of Metering Arrangements | ~~11.5 Review of Metering Arrangements~~ |  |
|  |  | 11.5.1 The PEM Auditor shall review the adequacy and quality of the security arrangements taking into consideration –  (a) Best practices in other competitive electricity markets;  (b) Available technology; and  (c) Comments and recommendations received during the consultation process. | ~~11.5.1 The PEM Auditor shall review the adequacy and quality of the security arrangements taking into consideration –~~  ~~(a) Best practices in other competitive electricity markets;~~  ~~(b) Available technology; and~~  ~~(c) Comments and recommendations received~~ during the consultation process. |  |
|  |  | 11.5.2 The PEM Auditor shall review the adequacy and compliance with the requirements of metering installations taking into consideration –  (a) Available metering technology and its costs;  (b) Practices in other competitive electricity markets to have adequate metering installations that are not unnecessarily costly; and  (c) Comments and recommendations received during the consultation process. | ~~11.5.2 The PEM Auditor shall review the adequacy and compliance with the requirements of metering installations taking into consideration –~~  ~~(a) Available metering technology and its costs;~~  ~~(b) Practices in other competitive electricity markets to have adequate metering installations that are not unnecessarily costly; and~~  ~~(c) Comments and recommendations received during the consultation process.~~ |  |
|  |  | 11.5.3 If the review process includes audits of metering systems and arrangements, the PEM Auditor shall also take into consideration findings and results of the field auditors. | ~~11.5.3 If the review process includes audits of metering systems and arrangements, the PEM Auditor shall also take into consideration findings and results of the field auditors.~~ |  |
|  |  | 11.5.4 Before the end of November, the PEM Auditor shall prepare a Metering Arrangements Report with its review and recommendations. The report shall include, as Annexes, the following:  (a) The PEM Auditor recommendations;  (b) If the review process included audits of metering systems and arrangements, the main finding and recommendations of the field auditors; and  (c) The summary of the comments and recommendations received during the consultation process, identifying the party or parties that sent each type of comment or recommendation and, in case the observation or recommendation was rejected by the PEM Auditor, the reason for the rejection. | ~~11.5.4 Before the end of November, the PEM Auditor shall prepare a Metering Arrangements Report with its review and recommendations. The report shall include, as Annexes, the following:~~  ~~(a) The PEM Auditor recommendations;~~  ~~(b) If the review process included audits of metering systems and arrangements, the main finding and recommendations of the field auditors; and~~  ~~(c) The summary of the comments and recommendations received during the consultation process, identifying the party or parties that sent each type of comment or recommendation and, in case the observation or recommendation was rejected by the PEM Auditor, the reason for the rejection.~~ |  |
|  |  | 11.5.5 The PEM Auditor shall send the Metering Arrangements Report to the PEM Board and the Market Operator, for publication in the Market Information Website. | ~~11.5.5 The PEM Auditor shall send the Metering Arrangements Report to the PEM Board and the Market Operator, for publication in the Market Information Website.~~ |  |
| **Compliance With WESM Rules** | **12** | 12.1.1 As established in the Compliance and Enforcement Market Manual, assessment of alleged breaches shall be a responsibility of the ECO, and Investigations of an alleged breach shall be conducted either by the ECO or the MSC. The PEM Auditor shall not be assigned the responsibility of carrying out an Investigation. However, if requested by the ECO, the PEM Auditor may support the Investigation of an alleged breach by providing opinion or conducting audits, including findings and recommendations. | ~~12.1.1 As established in the Compliance and Enforcement Market Manual, assessment of alleged breaches shall be a responsibility of the ECO, and Investigations of an alleged breach shall be conducted either by the ECO or the MSC. The PEM Auditor shall not be assigned the responsibility of carrying out an Investigation. However, if requested by the ECO, the PEM Auditor may support the Investigation of an alleged breach by providing opinion or conducting audits, including findings and recommendations.~~ |  |
|  |  | 12.1.2 In performing the ECO’s functions in assessing or investigating an alleged breach pursuant to the Compliance and Enforcement Market Manual, the ECO may request the PEM Auditor to assess or audit a WESM Member, the System Operator or the Market Operator in relation to compliance with specific rules or standards or procedures in relation to generation scheduling, dispatch, bidding, prices and settlement, as established by the WESM Rules. The ECO shall inform the party or parties in alleged breach the matters that have been derived to the PEM Auditor for assessment or audit. | ~~12.1.2 In performing the ECO’s functions in assessing or investigating an alleged breach pursuant to the Compliance and Enforcement Market Manual, the ECO may request the PEM Auditor to assess or audit a WESM Member, the System Operator or the Market Operator in relation to compliance with specific rules or standards or procedures in relation to generation scheduling, dispatch, bidding, prices and settlement, as established by the WESM Rules. The ECO shall inform the party or parties in alleged breach the matters that have been derived to the PEM Auditor for assessment or audit.~~ |  |
|  |  | 12.1.3 When the investigation of an alleged breach has been referred to the MSC, the MSC may recommend an audit by the PEM Auditor. In such case, the ECO shall request and coordinate with the PEM Auditor the required audit, as established in the previous paragraph. | ~~12.1.3 When the investigation of an alleged breach has been referred to the MSC, the MSC may recommend an audit by the PEM Auditor. In such case, the ECO shall request and coordinate with the PEM Auditor the required audit, as established in the previous paragraph.~~ |  |
|  |  | 12.1.4 Under confidentiality obligation, the ECO shall provide the PEM Auditor all the required information and data to assess the alleged breach or to identify the details to be audited. | ~~12.1.4 Under confidentiality obligation, the ECO shall provide the PEM Auditor all the required information and data to assess the alleged breach or to identify the details to be audited.~~ |  |
|  |  | 12.1.5 The party in alleged breach has the obligation to cooperate with the PEM Auditor in the assessment or audit process, providing all the relevant data and other information requested by the PEM Auditor and allowing the necessary tests and audits. | ~~12.1.5 The party in alleged breach has the obligation to cooperate with the PEM Auditor in the assessment or audit process, providing all the relevant data and other information requested by the PEM Auditor and allowing the necessary tests and audits.~~ |  |
|  |  | 12.1.6 In case the party objects to submitting the data or information requested by the PEM Auditor, the PEM Auditor shall request the MSC to request such data and information, and the MSC then shall provide it to the PEM Auditor within the established confidentiality provisions. If the party does not provide the data and information requested to the MSC, it shall be considered a breach to the WESM Rules. | ~~12.1.6 In case the party objects to submitting the data or information requested by the PEM Auditor, the PEM Auditor shall request the MSC to request such data and information, and the MSC then shall provide it to the PEM Auditor within the established confidentiality provisions. If the party does not provide the data and information requested to the MSC, it shall be considered a breach to the WESM Rules.~~ |  |
|  |  | 12.1.7 In all cases, the party is obliged to allow and facilitate the tests and audits requested by the PEM Auditor, provided that the PEM Auditor shall give an advance notice of not less than five (5) business days for any test or audit required, including a description of the scope and details of the test and audit. Not allowing the test or audits requested by the PEM Auditor shall be considered a breach. | ~~12.1.7 In all cases, the party is obliged to allow and facilitate the tests and audits requested by the PEM Auditor, provided that the PEM Auditor shall give an advance notice of not less than five (5) business days for any test or audit required, including a description of the scope and details of the test and audit. Not allowing the test or audits requested by the PEM Auditor shall be considered a breach.~~ |  |
| **Data and Information** | **13** | 13.1 The System Operator  13.1.1 The System Operator shall ensure an audit trail of documentation that is fully adequate to substantiate and reconstruct all relevant actions performed. For data and documents related to the WESM Rules and this Manual, such audit trail shall be maintained for a period of at least seven (7) years, unless specified otherwise in the WESM Rules or other Applicable Law, Rules and Regulations. | ~~13.~~ **6** Data and Information  ~~13.1 The System Operator~~  **6.1** ~~13.1.1~~ The System Operator shall ensure an audit trail of documentation that is fully adequate to substantiate and reconstruct all relevant actions performed. For data and documents related to the WESM Rules and this Manual, such audit trail shall be maintained for a period of at least seven (7) years, unless specified otherwise in the WESM Rules or other Applicable Law, Rules and Regulations. |  |
|  |  | 13.1.2 The System Operator shall provide the PEM Auditor or auditors designated by the PEM Auditor, all the information required for auditing purposes, within the timeframe and format as may be required by the PEM Auditor or designated auditors. | **6.2**~~13.1.2~~ The System Operator shall provide the PEM ~~Auditor~~ **Audit Committee** or auditors designated by the PEM ~~Auditor~~ **Audit Committee**, all the information required for auditing purposes, within the timeframe and format ~~as may be~~ required ~~by the PEM Auditor or designated auditors~~. |  |
|  |  | 13.1.3 The System Operator shall retain the information provided by WESM Members and the Market Operator, and the data calculated and reports prepared in the planning and operation of the system, for the period and in accordance to the conditions established in the WESM Rules and the Grid Code. The storing of such information shall be appropriate for reasonable access as may be required for auditing purposes. | **6.3** ~~13.1.3~~ The System Operator shall retain the information provided by WESM Members and the Market Operator, and the data calculated and reports prepared in the planning and operation of the system, for the period and in accordance to the conditions established in the WESM Rules and the Grid Code. The storing of such information shall be appropriate for reasonable access as may be required for auditing purposes. |  |
|  |  | 13.2 The Market Operator  13.2.1 The Market Operator shall ensure an adequate audit trail of documentation to substantiate and reconstruct all relevant actions performed. For data and documents related to the WESM Rules and this Manual, such audit trail shall be maintained for a period of at least seven (7) years, unless specified otherwise in the WESM Rules or other Applicable Law, Rules and Regulations. | ~~13.2~~ ~~The Market Operator~~  **6.4 ~~1~~**~~3.2.1~~ The Market Operator shall ensure an adequate audit trail of documentation to substantiate and reconstruct all relevant actions performed. For data and documents related to the WESM Rules and this Manual, such audit trail shall be maintained for a period of at least seven (7) years, unless specified otherwise in the WESM Rules or other Applicable Law, Rules and Regulations. |  |
|  |  | 13.2.2 The Market Operator shall provide the PEM Auditor or auditors designated by the PEM Auditor all the information required for auditing purposes, within the timeframe and format as the PEM Auditor or designated auditors may require. | **6.5** ~~13.2.2~~ The Market Operator shall provide the PEM ~~Auditor~~ **Audit Committee** or auditors designated by the PEM ~~Auditor~~ **Audit Committee**, all the information required for auditing purposes, within the timeframe and format **required** ~~as the PEM Auditor or designated auditors~~ ~~may require.~~ |  |
|  |  | 13.2.3 The Market Operator shall retain information provided by the System Operator, and other WESM Members, and the data calculated and reports prepared in generation scheduling, dispatch and administration of the WESM and its settlement system, in accordance with the WESM Rules. The storing of such information shall be appropriate for reasonable access as may be required for auditing purposes of the WESM and the Market Operator. | **6.6** ~~13.2.3~~ The Market Operator shall retain information provided by the System Operator, and other WESM Members, and the data calculated and reports prepared in generation scheduling, dispatch and administration of the WESM and its settlement system, in accordance with the WESM Rules. The storing of such information shall be appropriate for reasonable access as may be required for auditing purposes of the WESM and the Market Operator. |  |
|  |  | 13.3 Obligations of a Party Audited  13.3.1 A party audited shall submit in a timely manner the complete data, documents and other information requested by the PEM Auditor or an auditor (field auditor or expert auditor) designated by the PEM Auditor in accordance with this Manual. | ~~13.3~~~~Obligations of a Party Audited~~  **6.7** ~~13.3.1~~ A party audited shall submit in a timely manner the complete data, documents and other information requested by the PEM ~~Auditor~~ **Audit Committee** or ~~an auditor (field auditor or expert auditor) designated by the PEM Auditor~~ **its designated auditor.** ~~in accordance with this Manual.~~ |  |
|  |  | 13.3.2 When a party is notified that an audit will be conducted, the party shall cooperate with the audit and shall provide the PEMC staff or other experts designated as auditors, access to the facilities, systems and information to be audited. | **6.8** ~~13.3~~ When a party is notified that an audit will be conducted, the party shall cooperate with the audit and shall provide the PEMC staff or ~~other experts~~ designated ~~as~~ auditors, access to the facilities, systems and information to be audited. |  |
|  |  | 13.4 The PEM Auditor  13.4.1 The PEM Auditor shall not disclose any information obtained in carrying out its functions and responsibilities, or any finding and recommendations resulting from an audit process, except as provided in this Manual and the WESM Rules. | ~~13.4 The PEM Auditor~~  **6.9** ~~13.4.1~~The PEM ~~Auditor~~ **Audit Committee** shall not disclose any information obtained in carrying out its functions and responsibilities, or any finding and recommendations resulting from an audit process, except as provided in this Manual and **in** the WESM Rules **and the Retail Rules**. |  |
|  |  | 13.4.2 The PEM Auditor shall not use any information, be it confidential or not, obtained in carrying out its functions and responsibilities for other purposes that those established in this Manual and the WESM Rules. | **6.10** ~~13.4.2~~ The PEM ~~Auditor~~ **Audit Committee** shall not use any information, be it confidential or not, obtained in carrying out its functions and responsibilities for other purposes ~~that~~ **than** those established in this Manual and **in** the WESM Rules **and in the Retail Rules.** |  |
|  |  | 13.5 Confidentiality  13.5.1 When applicable in accordance to the confidentiality provision in the WESM Rules and this Manual, information submitted to the PEM Auditor will be designated and marked as "Confidential" and will be administered with measures considered by the PEM Auditor as necessary and reasonable to protect the confidentiality. | ~~13.5 Confidentiality~~  **6.11** ~~13.5.1~~ When applicable in accordance **with** ~~to~~ the confidentiality provisions in the WESM Rules, **the Retail Rules** and this Manual, information submitted to the PEM ~~Auditor~~ **Audit Committee** will be designated and marked as "Confidential" and will be administered with measures considered by the PEM ~~Auditor~~ **Audit Committee** as necessary and reasonable to protect the confidentiality |  |
|  |  | 13.5.2 A party providing any document or other information in the course of an audit may request that the document or information be designated as confidential, if such document or information qualifies as confidential according to the confidentiality provisions in the WESM Rules. The PEM Auditor shall assess the confidentiality claim and, at its own discretion, determine the validity of the request. If the PEM Auditor agrees that the document or information qualifies as confidential, the document or information will be designated and marked as “Confidential”. | **6.12** ~~13.5.2~~ A party providing any document or other information in the course of an audit may request that the document or information be designated as confidential, if such document or information qualifies as confidential according to the confidentiality provisions in the WESM Rules. The PEM ~~Auditor~~ **Audit Committee** shall assess the confidentiality claim and, at its own discretion, determine the validity of the request. If the PEM ~~Auditor~~ **Audit Committee** agrees that the document or information qualifies as confidential, the document or information will be designated and marked as “Confidential”. |  |
|  |  | 13.5.3 The PEM Auditor and each member of the Audit Committee, Technical Committee and other external auditors shall enter into a confidentiality agreement with the entity providing the information, the terms of which shall be prescribed by the PEM Board. 6.1.13 | **6.13** ~~13.5.3~~ The PEM ~~Auditor and each member of the~~ **Audit Committee**, the Technical Committee and other external auditors**, as applicable**, shall enter into a confidentiality agreement with the entity providing the information, **as necessary**. ~~the terms of which shall be prescribed by the PEM Board.~~ |  |
| **Limitation of Liability and Indemnification** | **14** | 14. LIMITATION OF LIABILITY AND INDEMNIFICATION | ~~14.~~ **7.**  LIMITATION OF LIABILITY AND INDEMNIFICATION |  |
|  |  | 14.1.1 In performing its audit and review functions and responsibilities as contained in this Manual, the PEM Auditor and any member of the Audit Committee or the Technical Committee shall not be personally liable for any loss or damage suffered or incurred by a WESM Member, the System Operator, the Market Operator or any other person as a consequence of any act or omission of those persons in the performance of their functions unless the PEM Auditor or the member of the Audit Committee or the Technical Committee, as the case may be, acted with malice, manifest partiality, bad faith, gross incompetence or gross negligence. | **7.1** ~~14.1.1~~ In performing its audit and review functions and responsibilities as contained in this Manual, **the members of the** PEM ~~Auditor~~ **Audit Committee** and ~~any member of the Audit Committee~~ or the Technical Committee shall not be personally liable for any loss or damage suffered or incurred by a WESM Member, the System Operator, **the Metering Services Providers**, Market Operator or any other person as a consequence of any act or omission of those persons in the performance of their functions unless the **member of the** PEM ~~Auditor or the member of the~~ Audit Committee or the Technical Committee member, as the case may be, acted with malice, manifest partiality, bad faith, gross incompetence or gross negligence. | With minor edits on the name of the Committee and inclusion of the audit of MSPs |
|  |  | 14.1.2 Except for liability arising out of conduct involving malice, manifest partiality, bad faith, gross incompetence or gross negligence, if the PEM Auditor or a member of the Audit Committee or the Technical Committee is made liable to pay any amount for loss or damage suffered or incurred by any person or entity as a consequence of any of its acts or omissions in the performance of its duties, the PEMC shall indemnify said persons through an indemnification process to be developed by the PEM Board. Said indemnification shall cover:  (a) The full amount adjudged; and  (b) The costs and expenses incurred by the PEM Auditor and the member of the Audit Committee or the Technical Committee, as applicable, in defending itself in the related proceeding(s). | **7.2** ~~14.1.2~~Except for liability arising out of conduct involving malice, manifest partiality, bad faith, gross incompetence or gross negligence, if **any member of** the PEM ~~Auditor or a member of the~~ **Audit Committee** or the Technical Committee is made liable to pay any amount for loss or damage suffered or incurred by any person or entity as a consequence of any of its acts or omissions in the performance of its duties, the PEMC shall indemnify said persons through an indemnification process to be developed by the PEM Board. Said indemnification shall cover:  **a)** ~~(a)~~The full amount adjudged; and  **b)** ~~(b)~~ The costs and expenses incurred by the PEM ~~Auditor and the member of the~~ **Audit Committee** or the Technical Committee, as applicable, in defending itself in the related proceeding(s). |  |
|  | NEW |  | **8 Amendment and Effectivity of the Manual**  **8.1 Any amendment to this Manual shall be approved by the DOE, following the procedures for changes to Market Manuals set out in the WESM Rules and in the relevant Market Manual.** | Included the provision normally part of any Manual |
|  |  |  | **8.2 This Market Manual, as it may be amended from time to time, shall be published in the PEMC website.**  **This Market Manual or any amendment thereto shall become effective upon approval of the DOE in accordance with WESM Rules 8.6.4. The date of the effectivity shall be indicated in this document.** |  |

1. **Referral**

|  |  |  |
| --- | --- | --- |
| Date Received by MAG | : |  |

Proposed Amendment:  Urgent  Minor  General

1. **For Urgent Amendment (For the use of PEMC President only)**

|  |  |
| --- | --- |
| Date Referred to PEMC President |  |
| Certifies as urgent | Yes  No |
| Convene the RCC within 48 Hrs.: | YesNo |
| Remarks: | |

1. **For Minor and General Amendment (For the use of RCC only)**

|  |  |
| --- | --- |
| Date Referred to RCC: |  |
| Remarks: | |

|  |  |
| --- | --- |
| Action taken: | |
| Request for comments: | Yes  No |
| Request written comments from:  DRG  MSC  PA  TC  MO  ECO  MAG  Other PEM Board Committees  Other Interested Parties |
| For further review of the Technical Sub-Committee/s: | Yes  Assigned to:  SO Sub-Committee    MO Sub-Committee  Metering Sub-Committee  Billing and Settlement Sub-Committee  Legal and Regulatory Sub-Committee |
| No |
| For public consultation: | Yes  No |
| RCC Resolution: | Approved  Disapproved |
| RCC Resolution Number: |  |
| Date of Resolution: |  |
| RCC Meeting No.: |  |
| Date of endorsement to the PEM Board: |  |