



Philippine Electricity
Market Corporation

ORCP-WM-22-05
Date Received: 10 May 2022

REQUEST FOR MARKET RULES AND MANUALS AMENDMENTS

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

This request for amendments are be submitted to:

Rules Change Committee

Attention: WESM Governance Committee Secretariat
Philippine Electricity Market Corporation
18/F Robinsons Equitable Tower
ADB Avenue, Ortigas Center
Pasig City, 1605 Philippines
Email addresses: rcc@wesm.ph / mag_rrd@wesm.ph
Contact No: (+632) 8631-8734

I. Proponent's Information

| | |
|-----------------|---|
| Name | LEONIDO J. PULIDO III / ELVIN HAYES E. NIDEA |
| Designation | PEMC President / Chief Governance Officer |
| Company | Philippine Electricity Market Corporation |
| Company Address | 18F Robinsons Equitable Tower, ADB. Ave. |
| | Ortigas, Pasig City 1600 |
| Telephone No. | 8631 8734 |
| Fax. No. | |
| Email Address | lpulido@wesm.ph ; jprfabella@wesm.ph ; eenidea@wesm.ph |



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II. Amendment Information

Proposed Amendments to the (please tick the box):

☐ WESM Rules ☐ Retail Rules

- ☒ Market Manual:
1. Registration, Suspension and De-Registration Criteria and Procedures Manual *(in reference to the version that is still pending with the Department of Energy as of the date of the submission of the rules change request)*
 2. WESM Penalty Manual

Topic: Proposed Rule Amendments Relating to Test and Commissioning Penalty Framework

Proposed Classification of Amendments (please tick the box):

☒ General ☐ Minor ☐ Urgent

If Urgent, reason for urgency:



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III. SUMMARY OF THE PROPOSED RULES CHANGE

The proposed rules change covers the penalty mechanism for the following acts or omission of a trading participant with facility or plant whose test and commissioning period has expired:

- a. Failure of the registered WESM Member to apply for commercial operations registration after receiving the Certificate of Compliance (COC) or the Provisional Authority to Operate (PAO).
- b. Generation after expiry of authorized test and commissioning period unless otherwise authorized by the relevant DOE issuances, Market Rules or Manuals.

The proposal covers the following aspects: (a) area/subject of the enforcement; (b) trigger of enforcement proceedings; and (c) enforcement actions.

This proposal, however, does not cover any revisions to the rules pertaining to the enforcement proceedings, as the existing process relating to monitoring and investigation under the Enforcement and Compliance Manual are adequate to cover other related enforcement proceedings and may, thus, be applied to the subject proposal.

IV. BACKGROUND

The Department of Energy (DOE) issued the Department Circular DC2021-06-0013 “Adopting a General Framework Governing the Test and Commissioning of Generation Facilities for Ensuring Readiness to Deliver Energy to the Grid or Distribution Network” on 03 June 2021. In issuing the said circular, the DOE considered, among other things, the following, the citation of which is relevant in the discussion of the subject proposal –

- Thirty-eight (38) plants were recorded to be on test and commissioning status in the WESM for more than two (2) months, the longest being five (5) years, as of 01 April 2020;¹ and
- The extended test and commissioning of generation facilities pose a material effect on the WESM outcomes particularly in displacing scheduled generators affecting

¹ 9th Whereas Clause of DOE DC2021-06-0013



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the competitiveness in the WESM while being exempted from the mandatory requirements of submitting offers or projected outputs.²

The DOE DC2021-06-0013 provided for the clear-cut procedures and timeline for the conduct of test and commissioning. It also provided for the possible consequences in case a generation facility beyond the authorized period for test and commissioning, as follows –

- There will be no overriding constraints by the System Operator while awaiting the commercial operations;
- There will be no bilateral contract quantity (BCQ) declaration and no WESM payments for any injected energy; but the energy withdrawn from the grid or distribution network will be charged to the concerned generation company.

However, there are yet no sanctions provided in any rules or market manuals for any act or omission of the generation company relative to the obligations and/or prohibition set forth in the said DOE issuance. Thus, it mandated the WESM Governance Arm to prepare and submit proposed changes to the WESM Rules and relevant Market Manuals in accordance with the enforcement and compliance policy,³ and to review and recommend to the DOE and ERC possible sanctions and other measures that will promote compliance of concerned stakeholders to the policies stated in DOE DC2021-06-0013.⁴ Hence, this proposal.

The Philippine Electricity Market Corporation (PEMC) through the Market Assessment Group (MAG) and the Enforcement and Compliance Office (ECO) and in consultation with the Compliance Committee (CC)⁵ and the Market Surveillance Committee (MSC)⁶, has conducted a study that focuses on the penalty framework for these two (2) area/s or subjects of enforcement:

- a. Failure of the registered WESM Member to apply for commercial operations registration after receiving the COC or PAO;

This presupposes that the test and commissioning activities have already been concluded and the appropriate certification from the ERC has already been obtained by the concerned generation company; but for any or unknown reason/s,

² 10th Whereas Clause of DOE DC2021-06-0013

³ Section 9.1 of the DOE DC2021-06-0013

⁴ Section 9.3 of the DOE DC2021-06-0013

⁵ Compliance Committee 1st Regular Meeting, 15 December 2021

⁶ Market Surveillance Regular Meetings (2021-13 and 2022-05), 16 December 2021; and 17 March 2022



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the said company nevertheless failed or refused to be registered in the WESM under a commercial operation status.

- b. Generation after expiry of authorized test and commissioning period unless otherwise authorized by the relevant DOE issuances, Market Rules or Manuals.

This would cover a situation where a generator, despite having an expired test and commissioning status, would generate or inject energy to the grid in violation of the rules set in DC2021-06-0013.

The study on penalty framework or mechanism was also presented, discussed, and consulted with the following stakeholders:

- a. With the ERC on 21 December 2021
- b. With the DOE on 23 December 2021
- c. With the Generation Companies on 12 January 2022

The same study was also submitted for comments to the PEMC Management on 30 March 2022.

V. THE PROPOSED RULES CHANGE

A. Market Manuals

| Area/s of Rule Amendments | Description | Market Manuals to be Amended | Recommending Committee |
|---------------------------|--|--|------------------------------|
| 1. Subject of Enforcement | a) Failure of the registered WESM Member to apply for Commercial Operations Registration after receiving the Certificate of Compliance (COC) or the Provisional Authority to Operate (PAO) | Registration, Suspension and De-Registration Criteria and Procedures Manual Note: The version used for this purpose is the latest version (<i>now pending with the DOE</i>) | Rules Change Committee (RCC) |



| Area/s of Rule Amendments | Description | Market Manuals to be Amended | Recommending Committee |
|---------------------------|--|--|---|
| | b) Generation after expiry of authorized test and commissioning period, and while awaiting the issuance of COC/PAO | | |
| 2. Trigger of Enforcement | a) Report of Probable Breach from the Market Operator b) <i>Motu proprio</i> investigation of ECO | Registration, Suspension and De-Registration Criteria and Procedures Manual | RCC |
| 3. Enforcement Action | a) Determination of Penalty Level In relation to Frequency of Occurrence | WESM Penalty Manual 1.0 <ul style="list-style-type: none"> Schedule of Breaches and Penalty Frequency of Occurrence Matrix | Market Surveillance Committee (in consultation with RCC) |

B. WESM Rules

The generation company with a facility or plant on test and commissioning status, as registered in the WESM, is considered a WESM Member within the meaning of the WESM rules; and shall, for all intents and purposes, be covered by the enforcement proceedings and actions under Section 7 of the WESM Rules. **No revision to the WESM Rules** is, thus proposed, as the proponent finds the following provision (and other related provisions in the WESM Rules) adequate as far as the coverage of the subject entity is concerned –



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“7.2.2.5 The enforcement proceedings and enforcement actions set out in this Clause 7.2 may only be carried out **for non-compliances of a WESM Member** with the WESM Rules or Market Manuals as specified in the WESM Penalty Manual, or in any provision of the WESM Rules or any Market Manual which are subject of sanctions or investigation under this Clause 7.2.” (emphasis ours)

The focus, therefore, of the subject proposal is the revision to the abovementioned Market Manuals to ensure that the relevant act or omission constituting a breach is clearly specified and identified, as to fall under the ambit of the enforcement provisions of the WESM Rules and relevant market manuals.

C. Considerations in Submitting the Proposal to RCC and MSC

In submitting the subject proposal to both the RCC and the MSC, the proponent is guided by the following guidelines, as stated in the WESM Rules:

1. Proposals for Changes to the WESM Rules or Market Manuals, or Adoption of New Market Manuals

“The Market Operator, the Government, any WESM member or other interested parties may submit proposals for changes to the WESM Rules or Market Manuals, or for the adoption of new Market Manuals **to the Rules Change Committee.**”⁷ (emphasis ours)

2. Review of the Penalty Manual

“The **Market Surveillance Committee** shall review the WESM Penalty Manual from time to time as may be necessary, and **in consultation with the Rules Change Committee**, Compliance Committee and the PEM Board, recommend changes thereto, provided, that changes on the same shall be subject to the approval of the DOE.”⁸ (emphasis ours)

⁷ Clause 8.3.1 of the WESM Rules

⁸ Clause 7.2.5.5 of the WESM Rules



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The WESM Penalty Manual also provides that “[t]he **Market Surveillance Committee** shall design the penalty levels and appropriate range of penalties that will be applied for breaches of the WESM Rules. **This is to be done in consultation with the Rules Change Committee and the PEM Board.** The penalty levels and ranges are to be reviewed by the Market Surveillance Committee from time to time and as may be necessary.”⁹ (emphasis ours)

As the revisions or amendments are interrelated, the proponent presents them altogether to see how the provisions as set in different market manuals – the Registration, Suspension and De-Registration Criteria and Procedures Manual and the WESM Penalty Manual – would complement each other towards a common objective, as discussed herein.

Lastly, the subject proposal is being submitted and presented to the Market Surveillance Committee in consideration of the following guidelines,¹⁰ as stated in the WESM Rules:

- a. The acts or omissions constituting breach of the WESM Rules or Market Manuals for which penalties can be imposed must be specified.
- b. The penalties, financial and non-financial, that can be imposed for each type of breach should be commensurate to the nature and gravity of the breach.
- c. The procedures for and respective obligations of responsible persons or entities in implementing penalties must be specified.

VI. BACKGROUND AND DESCRIPTION OF THE PROPONENT

The proponent is the Philippine Electricity Market Corporation with its officers as follows:

Leonido J. Pulido III – President

Elvin Hayes E. Nidea – Chief Governance Officer

Marydette C. Jocson – Corporate Services Department Head

Marian Venussa S. Dela Fuente – Corporate Secretary / Legal Department Head

John Mark S. Catriz – Market Assessment Group Head

⁹ Section 1.1.3 of the WESM Penalty Manual 1.0, effective 23 October 2021

¹⁰ Clause 7.2.2.5 of the WESM Rules, as amended by DOE DC2021-08-0026, effective 23 October 2021



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Ma. Hazel M. Gubaton-Lopez – Enforcement and Compliance Office Head
Elaine D. Gonzales – Internal Audit Head
Clares Loren J. Jalocon –Corporate Planning and Communications Head
Patrick S. Fernandez – Information System and Technology Head

VII. CONCLUSIONS AND RECOMMENDATIONS

The amendments to the Registration, Suspension and De-Registration Criteria and Procedures Manual and the WESM Penalty Manual are proposed to implement the directives under Section 9.1 and 9.3 of the DOE DC2021-06-0013 entitled “Adopting a General Framework Governing the Test and Commissioning of Generation Facilities for Ensuring Readiness to Deliver Energy to the Grid or Distribution Network”. Thus, it is recommended that the proposed changes be adopted.

VIII. REFERENCES

- A. WESM Rules
- B. DOE DC2021-06-0013 (Adopting a General Framework Governing the Test and Commissioning of Generation Facilities for Ensuring Readiness to Deliver Energy to the Grid or Distribution Network)
- C. WESM Penalty Manual 1.0
- D. Registration, Suspension and De-Registration Criteria and Procedures Manual (in reference to the version that is still pending with the Department of Energy as of the date of the submission of the rules change request)



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Proponent's Information (for the Party Submitting the Comments)

| | |
|-----------------|--|
| Name | |
| Designation | |
| Company | |
| Company Address | |
| | |
| | |
| Telephone No. | |
| Fax. No. | |
| Email Address | |

IX. Proposed Amendment

A. Registration, Suspension and De-Registration Criteria and Procedures

| WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures | | | | | | | | | |
|---|---------|--------------------|--|--------------------|-----------|---|------------------------------------|----------------------|---------------|
| Title | Section | Original Provision | RCC & PEM Board-approved Amendments (RCC Reso No. 2021-18) | Proposed Amendment | Rationale | Comments | Proposed Wording based on Comments | Proponent's Response | RCC Agreement |
| | | | | | | <i>IEMOP: This proposal and IEMOP's proposal on general enhancements to the application process of new WESM Members (approved through RCC Resolution No. 2021-18 and currently pending approval of the DOE) needs to be revisited in view of recent issuance of DOE DC2022-05-0015 which allows generating units to operate even without the COC or PAO issued by the ERC provided that they were issued Final Certificate Approval to Connect.</i> | | | |
| | | [None] | | | | | | | |

| WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures | | | | | | | | | |
|---|--|--------------------|--|---|---|----------|------------------------------------|----------------------|---------------|
| Title | Section | Original Provision | RCC & PEM Board-approved Amendments (RCC Reso No. 2021-18) | Proposed Amendment | Rationale | Comments | Proposed Wording based on Comments | Proponent's Response | RCC Agreement |
| Other Requirements for Approved Applications | 2.5.7.3 Guidelines for Test and Commissioning Registration | | a) The generating unit of the WESM Member shall be allowed to declare bilateral contract quantities and be entitled to WESM payments for its generated output only within the test and commissioning period indicated in the valid Provisional Certificate of Approval to Connect issued by the Network Service Provider or upon completion of the conduct of test and commissioning, if completed earlier. Generation beyond the authorized test and commissioning period shall not be allowed to be declared as a bilateral contract quantity and shall not be entitled to WESM payments. Any net surplus as a result of injected energy from unauthorized test and commissioning activity will be treated in accordance with WESM | a) The generating unit of the WESM <i>Member</i> shall be allowed to declare bilateral contract quantities and be entitled to WESM payments for its generated output only within the test and commissioning period indicated in the valid Provisional Certificate of Approval to Connect issued by the <i>Network Service Provider</i> or upon completion of the conduct of test and commissioning, if completed earlier. Generation beyond the authorized test and commissioning period shall not be allowed. <u>Neither shall it</u> to be declared as a bilateral contract quantity <u>nor</u> and shall be entitled to WESM payments. Any net surplus as a result of injected energy from | Slight modification; To have a clear subject of enforcement. To make it a statement of obligation or a clear prohibition first. i.e., “Generation beyond the authorized T&C period is not allowed”; followed by a consequence, i.e., no BCQ declaration and no WESM settlement. Deletion of the last phrase: to cover instances where the injection of energy happens after the test and commissioning | | | | |

| WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures | | | | | | | | | |
|---|--|--------------------|---|--|--|---|--|----------------------|---------------|
| Title | Section | Original Provision | RCC & PEM Board-approved Amendments (RCC Reso No. 2021-18) | Proposed Amendment | Rationale | Comments | Proposed Wording based on Comments | Proponent's Response | RCC Agreement |
| | | | Rules Clause 3.13.16. However, the WESM Member shall still be charged for all withdrawals from the grid for the conduct of its test and commissioning activities. | unauthorized test and commissioning activity will be treated in accordance with <i>WESM Rules</i> Clause 3.13.16. However, the <i>WESM Member</i> shall still be charged for all withdrawals from the grid <u>for the conduct of its test and commissioning activities.</u> | activities or while awaiting the requirements for commercial operations | | | | |
| | 2.5.7.3 Guidelines for Test and Commissioning Registration | | 2.5.7.3 Guidelines for Test and Commissioning Registration X X X g) The WESM Member of a generating unit shall submit to the Market Operator an application for Commercial Operations Registration within three (3) working days from receipt of its Certificate of Compliance or Provisional Authority to Operate (PAO). | [NEW] g) The WESM Member of a generating unit shall submit to the Market Operator an application for Commercial Operations Registration within three (3) working days from receipt of its Certificate of Compliance or Provisional Authority to Operate (PAO). | To set a trigger for investigation wherein: a. The concerned WESM Member is timely advised of its obligation to comply with the Manual b. Despite the said notification, | Paragraphs a) and c) of Section 2.5.7.3 of the RCC & PEM-Board Approved WESM Manual on Registration, Suspension and De-registration Criteria and Procedures need to be revisited in view of recent issuance of DC2022-05-0015. On the non-compliance of WESM Members with paragraphs (a) and | g) The WESM Member of a generating unit shall submit to the Market Operator an application for Commercial Operations Registration within three (3) working days from receipt of its Certificate of Compliance or Provisional | | |

| WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures | | | | | | | | | |
|---|---------|--------------------|--|--|---|---|---|----------------------|---------------|
| Title | Section | Original Provision | RCC & PEM Board-approved Amendments (RCC Reso No. 2021-18) | Proposed Amendment | Rationale | Comments | Proposed Wording based on Comments | Proponent's Response | RCC Agreement |
| | | | | <p><u>h) The Market Operator shall immediately coordinate with the concerned WESM Member the matters which may affect its obligation and/or a possible non-compliance pertaining to paragraphs (a) (c) and (g) of this Section.</u></p> <p><u>If the Market Operator has reasonable grounds to believe that a breach has been committed by a WESM Member notwithstanding the coordination and communication with the latter, the Market Operator shall submit a report of to the Enforcement and Compliance Office any possible non-compliance referred to in paragraphs (a)</u></p> | <p>reminder, or advice, the WESM Member failed to comply with relevant rules/Manuals</p> <p>The intention of this provision is to exhaust the possible actions before one is investigated and/or penalized, considering that the entity involved is not in full commercial operation yet (although a registered WESM Member already).</p> <p>For those information that are made known or readily</p> | <p>(C) or the unauthorized generation beyond the allowed period, we note that IEMOP is already mandated under DOE DC2021-06-0013 to notify the WESM Member the expiration of its PCATC fifteen (15) calendar days prior to the date of expiry. We believe that such notification is sufficient to provide timely advise to the WESM Member.</p> <p>On the non-compliance of WESM Members with paragraph (g) or the non-submission of COC or PAO to the MO three (3) working days upon receipt from the ERC, IEMOP does not have any reference to determine non-compliance since</p> | <p>Authority to Operate (PAO).</p> <p><u>h) The Market Operator shall immediately coordinate with the concerned WESM Member the matters which may affect its obligation and/or a possible non-compliance pertaining to paragraphs (a) (c) and (g) of this Section.</u></p> <p><u>If the Market Operator has reasonable grounds to believe that a breach has been committed by a WESM Member</u></p> | | |

| WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures | | | | | | | | | |
|---|---------|--------------------|--|---|--|---|--|----------------------|---------------|
| Title | Section | Original Provision | RCC & PEM Board-approved Amendments (RCC Reso No. 2021-18) | Proposed Amendment | Rationale | Comments | Proposed Wording based on Comments | Proponent's Response | RCC Agreement |
| | | | | <p><u>(c) and (g) of this Section for its appropriate enforcement action.</u></p> <p><u>An investigation may likewise be initiated motu proprio by the Enforcement and Compliance Office as may be authorized under Section 7.2.1 of the Enforcement and Compliance Manual.</u></p> | <p>available to PEMC/ECO, the ECO may investigate <i>motu proprio</i>, as allowed under the EC Manual.</p> | <p>information on the date of issuance of the COC is not readily available to it, unless the ERC provides it with a copy of the COC or PAO or information as to such issuance is published in the ERC website. While DOE DC2021-06-0013 enjoins ERC to furnish MO copies of issued COCs and to publish a list in its website, we have not received such information to date.</p> <p>IEMOP currently prepares a summary report on generating units under test and commissioning which we provide to the ECO on a bi-monthly basis.</p> | <p>notwithstanding the coordination and communication with the latter, t <u>The Market Operator shall submit a bi-monthly report on the status of generating units on Test and Commissioning of to the Enforcement and Compliance Office indicating any possible non-compliance referred to in paragraphs (a) (c) and (g) of this Section for its appropriate enforcement action.</u></p> | | |

| WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures | | | | | | | | | |
|---|---------|--------------------|--|--------------------|-----------|----------|---|----------------------|---------------|
| Title | Section | Original Provision | RCC & PEM Board-approved Amendments (RCC Reso No. 2021-18) | Proposed Amendment | Rationale | Comments | Proposed Wording based on Comments | Proponent's Response | RCC Agreement |
| | | | | | | | <u>An investigation may likewise be initiated <i>motu proprio</i> by the Enforcement and Compliance Office as may be authorized under Section 7.2.1 of the Enforcement and Compliance Manual.</u> | | |

B. WESM Penalty Manual

| WESM Penalty Manual, Issue 3.0 | | | | | | | | |
|--------------------------------|--|--|--|--|--|------------------------------------|----------------------|---------------|
| Title | Section | Provision | Proposed Amendment | Rationale | Comments | Proposed Wording based on Comments | Proponent's Response | RCC Agreement |
| | | | | | <i>[Please write general comments here, if any.]</i> | | | |
| 4.5. Qualifying Circumstances | 4.5.2 Table 1-Frequency of Occurrence Matrix | [NEW] See Table A below | [NEW] See Table A below Consideration: No. of delay/default in the registration for Commercial Operation With table for Level 1 – 3 Working Days Delay Level 2 – 4 to 30 Workings Delay Level 3 – 31 Working Days Delay or More | To include in the frequency of occurrence matrix the “ <i>One-time requirement</i> ,” such as the application for Commercial Operations Registration after receiving the Certificate of Compliance (COC) or the Provisional Authority to Operate (PAO) The inclusion in the frequency of occurrence table is necessary to determine the level of penalty. | | | | |

| WESM Penalty Manual, Issue 3.0 | | | | | | | | |
|--|---------|--|--|--|----------|------------------------------------|----------------------|---------------|
| Title | Section | Provision | Proposed Amendment | Rationale | Comments | Proposed Wording based on Comments | Proponent's Response | RCC Agreement |
| Section 5 – Schedule of Breach and Penalties | Item 13 | [NEW] See Table A below | [NEW] See Table B below A pre-set amount is provided for a simpler computation and consideration | To include the type of breach concerning the obligation of the plant on test and commissioning to register as commercial operation once all the registration documents are complete. To be covered by the enforcement action. | | | | |
| Section 5 – Schedule of Breach and Penalties | Item 14 | [NEW] See Table A below | [NEW] See Table C below A pre-set amount is provided for a simpler computation and consideration | To include the type of breach concerning the prohibition on the part of plant on test and commissioning to generate output if the T&C period has expired. To be covered by the enforcement action. | | | | |

| WESM Penalty Manual, Issue 3.0 | | | | | | | | |
|--|---------|---|--|---|----------|------------------------------------|----------------------|---------------|
| Title | Section | Provision | Proposed Amendment | Rationale | Comments | Proposed Wording based on Comments | Proponent's Response | RCC Agreement |
| Section 5 – Schedule of Breach and Penalties | Item 15 | 13. Failure to comply with express mandatory provisions of the Market Rules, that are not otherwise covered in other identified breach but which expressly provide for imposition of penalties. | 13 5. Failure to comply with express mandatory provisions of the Market Rules, that are not otherwise covered in other identified breach but which expressly provide for imposition of penalties. | Renumbering (from 13 to 15) as a result of the proposed inserted provisions above | | | | |

TABLE A

| Frequency | Isolated Occurrence | Repetitive or Recurring Occurrence | | Comment | Proposed Wording based on Comment | Proponent's Response | RCC Agreement |
|--|--|---|--|---------|-----------------------------------|----------------------|---------------|
| | Level 1 | Level 2 | Level 3 | | | | |
| By dispatch interval (i.e., 5-minute interval) | 24x or less over the billing month | 25x to 50x over the billing month | 51x or more over the billing month | | | | |
| Hourly (i.e., settlement interval) | 2x or less over the billing month | 3x to 5x over the billing month | 6x or more over the billing month | | | | |
| Daily | 3x over the previous 30-day period | More than 2x over the previous 7-day period 2x or less over the previous 7-day period and more than 3x over the previous 30-day period | More than 2x over the previous 7-day period and more than 3x over the previous 30-day period | | | | |
| Weekly | 1x over the previous 12-month period | 1x over a 4-week period and more than 1x over the previous 12-month period | More than 1x over a 4-week period | | | | |
| Annual, semestral, quarterly, or monthly | First time occurrence | Every occurrence after the first time (since registration of the WESM Member or effectivity of the new Market Rule or Market Manual) | Breach occurs for more than two (2) <u>successive</u> periods. Level 3 penalty applies starting from the third consecutive occurrence. | | | | |
| Occasional (no prescribed period) | 6x or less over the previous 12-month period | More than 6x over the previous 12-month period | N/A | | | | |
| <u>One-time requirement with timeline set for compliance</u> | <u>3 working days delay/default</u> | <u>Exceeding 3 working days but not more than 30 days</u> | <u>Exceeding 30 working days</u> | | | | |

TABLE B

| No. | Breach | Market Rule Breached & Associated Market Manual | Applicable Penalty | Level 2 - Financial Penalty | Level 3 - Escalated Financial Penalty | Comments | Proposed Wording based on Comments | Proponent's Response | RCC Agreement |
|-----|---|--|---|---|--|----------|------------------------------------|----------------------|---------------|
| 13 | <p><u>Failure of the registered WESM Member to apply for Commercial Operations Registration after receiving the Certificate of Compliance (COC) or the Provisional Authority to Operate (PAO).</u></p> <p><u>The failure to apply for Commercial Operations Registration is considered without just cause when the inaction, deferment, or delay on the part the WESM Member has no basis in fact or in law, or the cause/s for such failure is/are not established to have</u></p> | <p><u>Section 2.5.7.3 (g) and (h) of the Registration Manual</u></p> | <ul style="list-style-type: none"><u>Level 1- Reprimand</u><u>Level 2 - Financial Penalties</u><u>Level 3 – Escalated Financial Penalties</u> | <p><u>P10,000 for the first day of default/ delay plus P1,000 for each day of continuing breach/violation</u></p> | <p><u>Additional P2,000 for each day of continuing breach/violation but not to exceed P100,000</u></p> | | | | |

| No. | Breach | Market Rule Breached & Associated Market Manual | Applicable Penalty | Level 2 - Financial Penalty | Level 3 - Escalated Financial Penalty | Comments | Proposed Wording based on Comments | Proponent's Response | RCC Agreement |
|-----|---|---|---|--|--|----------|------------------------------------|----------------------|---------------|
| | <u>been beyond its control.</u> | | | | | | | | |
| 14 | <u>Generation after expiry of authorized test and commissioning period unless otherwise authorized by the relevant Market Rules or Manuals.</u> | <u>Section 2.5.7.3 (a) (c) and (h) of the Registration Manual</u> | <ul style="list-style-type: none"> <u>Level 1- Reprimand</u> <u>Level 2 - Financial Penalties</u> <u>Level 3 – Escalated Financial Penalties</u> | <u>For each count of breach:</u> <u>P100 x Generated Capacity, MW</u> <u>P100 – pre-set penalty amount</u> <u>Generated Capacity – the actual generation in MW for each dispatch interval</u> | <u>For each breach:</u> <u>P200 x Generated Capacity, MW</u> - | | | | |

SAMPLE COMPUTATION FOR [BREACH NO. 13](#)

A. **A. 3-Day Violation:** Non-Compliance Letter/Reprimand (Level 1)

B. **30-Day Violation:** Financial Penalty

| Count | Penalty Level | Penalty | Amount (PhP) |
|----------------------|---------------|------------|---------------|
| Day 1 (1 count) | Level 2 | 5,000 x 1 | 5,000 |
| Day 2-30 (28 counts) | | 1,000 x 29 | 29,000 |
| Total | | | 34,000 |

C. **60-Day Violation:** Financial Penalty

| Count | Penalty Level | Penalty | Amount (PhP) |
|-----------------------|---------------|------------|---------------|
| Day 1 (1 count) | Level 2 | 5,000 x 1 | 5,000 |
| Day 2-30 (29 counts) | | 1,000 x 29 | 29,000 |
| Day 31-60 (30 counts) | Level 3 | 2,000 x 30 | 60,000 |
| Total Penalty | | | 94,000 |

D. **100-Day Violation:** Financial Penalty

| Count | Penalty Level | Penalty | Amount (PhP) |
|------------------------|---------------|------------|----------------|
| Day 1 (1 count) | Level 2 | 5,000 x 1 | 5,000 |
| Day 2-30 (29 counts) | | 1,000 x 29 | 29,000 |
| Day 31-100 (70 counts) | Level 3 | 2,000 x 70 | 140,000 |
| Total | | | 174,000 |
| Penalty Cap | | | 100,000 |

SAMPLE COMPUTATION FOR BREACH NO. 14

EXAMPLE: Generated beyond the T&C period

Assumptions:

- For Small size power plant
- Not authorized to operate / no specific instruction from SO
- Duration of Violation: 3 Hours
- Generation (MW): Varies every 5 minute

| Count | Interval | Generation (MW) | Penalty | Penalty Level | Penalty Amount |
|-------|----------|-----------------|---------|---------------|----------------|
| 1 | 8:00 | 10 | 100 | Level 1 | 1,000.00 |
| 2 | 8:05 | 13 | 100 | Level 1 | 1,300.00 |
| 3 | 8:10 | 10 | 100 | Level 1 | 1,000.00 |
| 4 | 8:15 | 15 | 100 | Level 1 | 1,500.00 |
| 5 | 8:20 | 10 | 100 | Level 1 | 1,000.00 |
| 6 | 8:25 | 8 | 100 | Level 1 | 800.00 |
| 7 | 8:30 | 5 | 100 | Level 1 | 500.00 |
| 8 | 8:35 | 10 | 100 | Level 1 | 1,000.00 |
| 9 | 8:40 | 15 | 100 | Level 1 | 1,500.00 |
| 10 | 8:45 | 10 | 100 | Level 1 | 1,000.00 |
| 11 | 8:50 | 6 | 100 | Level 1 | 600.00 |
| 12 | 8:55 | 4 | 100 | Level 1 | 400.00 |
| 13 | 9:00 | 12 | 100 | Level 1 | 1,200.00 |
| 14 | 9:05 | 18 | 100 | Level 1 | 1,800.00 |
| 15 | 9:10 | 16 | 100 | Level 1 | 1,600.00 |
| 16 | 9:15 | 17 | 100 | Level 1 | 1,700.00 |
| 17 | 9:20 | 15 | 100 | Level 1 | 1,500.00 |
| 18 | 9:25 | 14 | 100 | Level 1 | 1,400.00 |
| 19 | 9:30 | 19 | 100 | Level 1 | 1,900.00 |
| 20 | 9:35 | 20 | 100 | Level 1 | 2,000.00 |
| 21 | 9:40 | 12 | 100 | Level 1 | 1,200.00 |
| 22 | 9:45 | 8 | 100 | Level 1 | 800.00 |
| 23 | 9:50 | 5 | 100 | Level 1 | 500.00 |
| 24 | 9:55 | 10 | 100 | Level 1 | 1,000.00 |
| 25 | 10:00 | 12 | 200 | Level 2 | 2,400.00 |
| 26 | 10:05 | 18 | 200 | Level 2 | 3,600.00 |
| 27 | 10:10 | 16 | 200 | Level 2 | 3,200.00 |
| 28 | 10:15 | 17 | 200 | Level 2 | 3,400.00 |
| 29 | 10:20 | 15 | 200 | Level 2 | 3,000.00 |
| 30 | 10:25 | 14 | 200 | Level 2 | 2,800.00 |

| Count | Interval | Generation (MW) | Penalty | Penalty Level | Penalty Amount |
|--------------|----------|-----------------|---------|---------------|------------------|
| 31 | 10:30 | 19 | 200 | Level 2 | 3,800.00 |
| 32 | 10:35 | 20 | 200 | Level 2 | 4,000.00 |
| 33 | 10:40 | 12 | 200 | Level 2 | 2,400.00 |
| 34 | 10:45 | 8 | 200 | Level 2 | 1,600.00 |
| 35 | 10:50 | 5 | 200 | Level 2 | 1,000.00 |
| 36 | 10:55 | 10 | 200 | Level 2 | 2,000.00 |
| Total | | | | | 61,400.00 |

Note: The Penalty Amount would vary depending on extent of violation measured in terms of capacity generated, i.e., the actual generation (MW) (Column C)