



PUBLIC

WESM Manual

# Market Surveillance

Issue 1.0 | WESM-MSM

This document covers the procedures and detailed requirements, data exchange, reports and activities for market monitoring, assessment, and surveillance.

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In case of inconsistency between this document and the DOE Circulars, the latter shall prevail.

## Document Change History

Issue No.	Proponent	Date of Effectivity	Reason for Amendment
1.0	MSC	23 October 2021	<p>Original</p> <p>This <i>Market Manual</i> was developed and adopted and promulgated in reference to the <i>Market Surveillance, Compliance and Enforcement Manual Issue 3.0</i>.</p> <p>This Market Manual was promulgated by the DOE in line with its mandate pursuant to the WESM Rules and in line with the following objectives:</p> <p>The amendment was made for the following reasons:</p> <ol style="list-style-type: none"> <li>1) To focus the provisions on market monitoring and surveillance in consideration of the proposed WESM Market Manual on Enforcement and Compliance Issue 1.0, on enforcement and compliance.</li> <li>2) Inclusion of retail market monitoring as well as the incorporation and operationalization of the procedures set forth in the ERC-PEMC protocol in cases of anti-competitive behavior.</li> </ol>

## Document Approval

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## Reference Documents

Document ID	Document Title
	WESM Rules
	Memorandum of Agreement between the ERC and PEMC dated 31 January 2008
CMMDI	Catalogue of Market Monitoring Data and Indices
CRMMDI	Catalogue of Retail Market Monitoring Data and Indices

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## SECTION 1 INTRODUCTION

### 1.1. PURPOSE

- 1.1.1 This Manual establishes the principles of the *WESM Rules* and *Retail Rules* on market monitoring, assessment and surveillance. The same also provides the procedures for the conduct of activities related to market monitoring, assessment and surveillance to implement the said rules.
- 1.1.2 This Manual also details the responsibilities of the *PEM Board*, *Market Surveillance Committee*, *Market Assessment Group*, *WESM Members*, *Market Operator*, *System Operator* and other *WESM Governance Committees* as established in the *WESM Rules* and *Retail Rules*.

### 1.2. SCOPE

This Manual covers all related procedures and activities concerning market monitoring, assessment and surveillance as follows:

- (a) All activities and procedures, including the functions, authority and reports of the *Market Surveillance Committee*, *Enforcement and Compliance Office* and the *Market Assessment Group*; and
- (b) Rules on access to information and data management.

### 1.3. REVIEW AND UPDATES

- 1.3.1. The *PEM Board*, with the assistance of the *Market Assessment Group* and the *Market Surveillance Committee*, shall maintain this Manual under review, to identify any need for updates and amendments.
- 1.3.2. Amendments to the provisions of this Manual shall be in accordance with Chapter 8 of the *WESM Rules* and the *Manual of Procedures for Changes to the WESM Rules, Retail Rules and Market Manuals*.

## SECTION 2 DEFINITIONS, INTERPRETATION AND CONSTRUCTION

### 2.1. DEFINITION OF TERMS

Unless otherwise defined in this *Manual*, any terms and acronyms used in this *Manual* shall have the same definition as that in the *WESM Rules*.

**Act** means Republic Act No. 9136, also known as the Electric Power Industry Reform Act (EPIRA) of 2001.

**Applicable Law, Rules and Regulations** shall include the Act or EPIRA and its IRR, the Philippine Grid Code, the Philippine Distribution Code, the Competition Rules, the *WESM Rules* and *Market Manuals* and such other codes, rules, regulations, and issuances related to the *WESM*.

**Administered Price** means a price imposed by the *Market Operator* to the *Trading Participants* during market suspension and intervention to be used for settlements which price is determined in accordance with the methodology developed and published by the *Market Operator* and approved by the *ERC*.

**Anti-Competitive Behavior** means any act or omission, or combination thereof, that constitutes anti-competitive behavior or abuse of market power as defined in Section 45 of the Act, and its IRR and the Philippine Competition Act, and its IRR.

**Breach** means act or omission that constitutes a violation or non-compliance with any provision of the *WESM Rules* and *Market Manuals* that are expressly provided for as subject of sanctions or penalties if committed.

**Compliance Committee** refers to one of the *WESM Governance Committees* tasked to review investigation reports, recommend imposition of penalties if warranted and monitor compliance of *WESM Trading Participants* to the *WESM Rules* and *Manuals*;

**Constraint** means a limitation on the capability of any combination of network elements, loads, generating units or *Ancillary Service Providers* such that it is, or is deemed by the *System Operator* to be unacceptable to adopt the pattern of transfer, consumption, generation or production of electrical power or other services that would be most desirable if the limitation were removed, as defined in the *WESM Rules*.

**Customer** means person who: (a) engages in the activity of purchasing electricity supplied through a transmission or distribution system other than where all that person's electricity requirements are purchased from a Supplier; and (b) registers with the *Market Operator* in that capacity under Clause 2.3.2 of the *WESM Rules*.

**DOE** refers to the *Department of Energy*, the government agency created pursuant to Republic Act No. 7638 whose expanded functions are provided in the Act.

**Enforcement and Compliance Office** refers to the unit created within *PEMC* pursuant to *WESM Rules* Clause 1.4.8, which is primarily responsible for the administration of the enforcement and compliance, which includes monitoring, assessment and investigation of the *WESM Members* in relation to their individual compliances with the *WESM Rules*.

**ERC** refers to the *Energy Regulatory Commission*, the independent quasi-judicial regulatory body created by the Act.

**Generation Company** means a person or entity authorized by the *ERC* to operate facilities used in the generation of electricity, and registered with the *Market Operator* in that capacity in accordance with Clause 2.3.1 of the *WESM Rules*.

**Intervention Report** means the report prepared by the *Market Surveillance Committee* and submitted to the *PEM Board* in accordance with Section 5.3 of this Manual.

**IRR** means the Implementing Rules and Regulations of the Act.

**Market Assessment Group** is a *PEMC* unit established pursuant to the *WESM Rules* to serve as the primary support unit of the *WESM Governance Committees*, which include the *Market Surveillance Committee*, which regularly prepares assessment reports on the overall performance and competitiveness of the *WESM*.

**Market Assessment Report** means the periodic report prepared by the *Market Assessment Group* and submitted to the *Market Surveillance Committee*.

**Market Information Website** means the facility established by the *Market Operator* on the electronic communication system on which it may publish information which is then made available to and may be accessed by the *WESM members*.

**Market Intervention** means a measure taken by the *System Operator* when the grid is in the alert or emergency state as established in the Grid Code, arising from a threat to system security, force majeure event or emergency, or by the *Market Operator* in relation to the simulation or implementation of its business continuity or disaster and recovery procedures provided in Clause 6.8.1 of the *WESM Rules*. During such event, Administered Prices shall be used for settlements.

**Market Manual** means a manual of specific procedures, systems and protocols for the implementation of the *WESM Rules* and Retail Rules.

**Market Assessment System** means the system to be used by the *Market Assessment Group* in collecting, storing and processing monitoring data and other information necessary for the *Market Surveillance Committee* to carry out its functions.

**Market Operator** means the Independent Market Operator of the Philippines (IEMOP), or such other entity that may later be designated as the operator of the *WESM*.

**Market Surveillance Committee** refers to the *WESM Governance Committee* tasked under *WESM Rules* to monitor, assess and report on the activities and developments in the *WESM*.

**Market Suspension** means an event wherein the *ERC* declares the operation of the spot market to be suspended in cases of natural calamities or national and international security emergencies.

**Over-Riding Constraints** means constraints imposed by the *Market Operator*, as required by the *System Operator*, relative to the power flow, energy generation of a specific facility in the Grid to address system security threat, mitigate the effects of a system emergency, address the need to dispatch generating units to comply with systems, regulatory and commercial test requirements, in accordance with Clause 3.5.13 of the *WESM Rules* and this Manual.

**PEM Audit Committee** refers to the *WESM Governance Committee* appointed by the *PEM Board* to conduct audits of the operation of the spot market and undertake the functions and activities set out in the *WESM Rules* and PEM Audit Market Manual.

**PEM Board** refers to the Board of Directors of the *PEMC* that is responsible for governing the *WESM*.

**Philippine Electricity Market Corporation or PEMC** refers to the governance arm of the *WESM*.

**Retail Rules** means the rules promulgated by the *DOE* governing the integration of retail competition in the operation and governance processes of the *WESM* and the management of the transactions of Suppliers and *Contestable Customers* in the *WESM*, and the operations of the *Central Registration Body*.

**Review Document on Over-Riding Constraints** means the report prepared by the *Market Surveillance Committee* in accordance with Section 5.5 of this Manual.

**Review Report** means the report prepared by the *Market Surveillance Committee* and submitted to the *PEM Board* in accordance with Section 5.7 of this Manual.

**Rules Amendment Review Document** means the document prepared by the *Market Surveillance Committee* whenever requested by the *Rules Change Committee* to review a proposed amendment to the *WESM Rules*, *Retail Rules* or the *Market Manuals*.

**Rules Change Committee** refers to the *WESM Governance Committee* established by *WESM Rule 8.2* to review and propose amendments to the *WESM Rules*.

**Trading Participant** means a customer or a generation company.

**WESM Governance Committee** refers to a working group- created by the *PEM Board* pursuant to Clause 1.4.6 of the *WESM Rules*.

**WESM Member** means a person who is registered with the *Market Operator* in accordance with Clauses 2.3 and 2.4 of the *WESM Rules*.

**WESM Rules** means the detailed rules that govern the administration and operation of the *WESM*.

## 2.2. INTERPRETATION AND CONSTRUCTION

2.2.1. Any Annex to this Manual shall be considered an integral part hereof.

2.2.2. Any reference to "this *Market Manual*" or "this *Manual*" is a reference to the whole of this *Market Surveillance Manual*, including all its Annexes.

2.2.3. The singular includes the plural and vice versa.

2.2.4. The words "such as", "include", "including", "for example" and "in particular" shall be construed as being by way of illustration or emphasis only and shall not limit or prejudice the generality of any foregoing words.

2.2.5. Headings in this Manual are for convenience only and shall not affect the construction and interpretation of the provisions of this Manual.



- 2.2.6. Any reference to any law, regulation made under any law, rules or codes shall be to that item as amended, modified, revised or replaced from time to time.
- 2.2.7. 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. Should any provision of this *Manual* be declared invalid or nullified by any court or authority of competent jurisdiction, by final judgment, the other provisions not affected by the declaration of invalidity or nullity, shall continue to be in full force and effect.

## SECTION 3 RESPONSIBILITIES

### 3.1. MARKET SURVEILLANCE COMMITTEE

In accordance with the *WESM Rules*, the *Market Surveillance Committee* shall have the following responsibilities:

- (a) Monitor activities conducted by *WESM Participants* in the *spot market*. As such, the *Market Surveillance Committee* shall develop monitoring data and indices necessary to effectively carry out its market surveillance function, as well as prepare a catalogue thereof, and continuously enhance the same as it deems appropriate, in view of findings and issues established or determined during the market surveillance process;
- (b) Prepare and Submit Monthly Monitoring Reports, Quarterly Retail Market Monitoring Reports, Annual Reports to the *PEM Board*, the *DOE* and the *ERC*, as the case may be, as required under this *Market Manual*, which shall include the following:
  - (i) Market Assessment Report;
  - (ii) Retail Market Assessment Report;
  - (iii) Over-riding Constraints Report; and
  - (iv) Apparent or suspected incidents of *anti-competitive behavior* or abuse of market power by any *WESM Participant/Member*
- (c) Prepare and submit special market reports as may be directed by the *PEM Board*, *DOE* or *ERC*;
- (d) Review an event of *market intervention* or *market suspension*, as defined under Chapter 6 of the *WESM Rules*, and prepare the corresponding Market Intervention or Market Suspension Report to be submitted to the *PEM Board*;
- (e) Propose amendments to the *WESM Rules* in accordance with Chapter 8;
- (f) Upon request, assist the *Rules Change Committee* in reviewing proposed amendments to the *WESM Rules* and *Market Manuals*, and make recommendations on the expected impact and necessity of the amendment proposal;
- (g) Annually review and propose changes, as appropriate, to the *WESM Penalty Manual* pursuant to Clause 7.2 of the *WESM Rules*.

### 3.2. PEM BOARD

The *PEM Board* through the various Governance Committees that it has created shall, among others, oversee and monitor the activities of the *Market Operator* and the *System Operator* to ensure that they fulfill their responsibilities under the *WESM Rules* and act in a manner consistent therewith.

### 3.3. MARKET ASSESSMENT GROUP

In accordance with the *WESM Rules*, the *Market Assessment Group* shall, among others, have the following authorities and responsibilities:

- (a) Regularly collect monitoring data from the *Market Operator*, *System Operator*, and *WESM Members*, and process monitoring indices;
- (b) Provide aggregation and analysis on monitoring data and monitoring indices;
- (c) Organize and administer the Market Assessment System;
- (d) Prepare and submit Market Assessment Reports for submission to the *Market Surveillance Committee*;
- (e) Prepare and submit special market reports as directed by the *Market Surveillance Committee*;
- (f) Provide technical and logistical support to the *Market Surveillance Committee*;
- (g) Promptly provide all data, information, reports and other documentation requested by the *Market Surveillance Committee* or *Enforcement and Compliance Office*;
- (h) Maintain a record of each incident leading to an Over-Riding Constraint and provide the *Market Surveillance Committee* a summary of said incidents during its periodic monitoring meetings;
- (i) Inform the *Market Surveillance Committee* on policy developments, amendments to the *WESM Rules* and *Market Manuals*, and decisions of the *PEM Board* relevant to the market monitoring and surveillance functions; and
- (j) Recommend to the *Market Surveillance Committee* the adoption or modification of market monitoring indices.

### 3.4. MARKET OPERATOR

In accordance with the *WESM Rules*, the *Market Operator* shall, among others, have the following responsibilities:

- (a) Monitor the daily trading activities in the *WESM* and determine whether or not such activities are performed in accordance with the *WESM Rules*;
- (b) Notify the *Market Surveillance Committee* whenever it has knowledge of acts or omissions which may reasonably constitute a Breach of the *WESM Rules* or *Market Manuals*;
- (c) Promptly provide all data, information, reports and other documentation requested by the *DOE*, *ERC*, *PEM Board*, *Market Surveillance Committee*, *Compliance Committee*, *Enforcement and Compliance Office* or *Market Assessment Group*.

### 3.5. SYSTEM OPERATOR

In accordance with the *WESM Rules*, the *System Operator* shall, among others, have the following responsibilities:

- (a) Monitor the operation and practices of *WESM Members* during the coordination, operational planning and real time operation of the electricity system to assess compliance with the *WESM Rules*;
- (b) Notify the *Market Surveillance Committee* whenever it has knowledge of acts or omissions which may reasonably constitute a *Breach* of the *WESM Rules* or *Market Manuals*;
- (c) Promptly provide all data, information, reports and other documentation requested by the *DOE, ERC, PEM Board, Market Surveillance Committee, Compliance Committee, Enforcement and Compliance Office, or Market Assessment Group*.

### 3.6. OTHER WESM GOVERNANCE COMMITTEES

In accordance with the *WESM Rules*, the other *WESM Governance Committees* shall, among others, have the following responsibilities:

- (a) Notify the *Market Surveillance Committee* whenever they have knowledge of acts or omissions which may possibly constitute to a *Breach* of the *WESM Rules* and *WESM Manuals*;
- (b) Notify the *Market Surveillance Committee* when they have knowledge of acts or omissions constituting possible abuse of market power or anti-competitive behavior.
- (c) Provide assistance and technical expertise to other *WESM Governance Committees* when so requested; and
- (d) Promptly provide all data, information, reports and other documentation requested by *DOE, ERC, PEM Board, WESM Governance Committees, Market Assessment Group or Enforcement and Compliance Office*.

### 3.7. WESM MEMBERS AND PARTICIPANTS

Whenever required by the *Market Surveillance Committee*, the *Enforcement and Compliance Office* or *Market Assessment Group*, a *WESM Member* shall timely submit requested information and data and documents to enable the *Market Surveillance Committee* to effectively carry out its functions and responsibilities under this *Manual*.

## SECTION 4 MARKET MONITORING

### 4.1. MARKET ASSESSMENT

- 4.1.1. The *Market Assessment Group* shall prepare monthly and annual Market Assessment Reports for submission to the *Market Surveillance Committee*, which shall include:
- (a) An assessment of the development of the market including:
    - (i) Analysis and aggregation of monitoring data;
    - (ii) Analysis and evolution of monitoring indices; and
    - (iii) Recommendations, as necessary.
  - (b) Such other matters related to market monitoring and assessment, including without limitation:
    - (i) Generation mix: generation capacity per type of fuel and per type of flexibility (base load, peak, intermittent);
    - (ii) Load behavior and trend: (energy and peak demand);
    - (iii) Generation capacity availability and trend; and
    - (iv) Adequacy of reserve.
- 4.1.2. The *Market Assessment Group* shall prepare quarterly and annual Retail Market Assessment Reports for submission to the *Market Surveillance Committee*, which shall include the following:
- (a) An assessment of the development of the market including:
    - (i) Analysis and aggregation of monitoring data;
    - (ii) Analysis and evolution of monitoring indices; and
    - (iii) Recommendations, as necessary.
  - (b) Such other matters related to market monitoring and assessment, including without limitation:
    - (i) Load profile;
    - (ii) Demand trend;
    - (iii) Market concentration; and
    - (iv) Activities of the suppliers and contestable customers.
- 4.1.3. The *Market Surveillance Committee* shall review and prepare periodic reports for submission to the *PEM Board*, the *DOE* and the *ERC*, as the case may be.
- 4.1.4. Upon submission to the *PEM Board*, the above-mentioned *Market Assessment Reports* shall be published in the *WESM market information website*.

### 4.2. MARKET MONITORING DATA AND INDICES

#### 4.2.1. Monitoring Data

- 4.2.1.1. The *Market Assessment Group* shall regularly collect, organize, and maintain the monitoring data.

- 4.2.1.2. The *Market Assessment Group* shall adopt procedures and formats for the regular submission of monitoring data after providing an opportunity for affected parties to review and comment on such procedures. A party to whom such procedures apply shall establish mechanisms to ensure that the corresponding monitoring data is prepared and submitted, or ready to be accessed, within the time and in the formats specified.
- 4.2.1.3. A party required to provide regular monitoring data shall submit it within the timeframe and in the formats specified by the *Market Assessment Group* and may not contest its authority to obtain the data prescribed in the monitoring data catalogue.
- 4.2.1.4. The monitoring data shall be used by the *Market Assessment Group* to calculate monitoring indices and to conduct analysis required by the *Market Surveillance Committee* for the purpose of monitoring:
  - (a) The functioning of the *WESM* and the retail market in different periods or intervals and market conditions;
  - (b) The behavior of trading participants; and
  - (c) The conduct and performance of the *Market Operator* and *System Operator*.
- 4.2.1.5. The *Market Assessment Group*, from time to time, shall recommend to the *Market Surveillance Committee* modifications to the catalogue of monitoring data and indices. The *Market Surveillance Committee* shall consult the *Market Operator*, the *System Operator* and *WESM Members*, and shall provide them an opportunity to comment on the modifications.

#### 4.2.2. Monitoring Indices

- 4.2.2.1. The set of monitoring indices developed by the *Market Surveillance Committee* provides indication of market trends, performance and possible drivers, and signals, which require more in-depth analysis.
- 4.2.2.2. The *Market Surveillance Committee* shall utilize the monitoring indices as indicated in the *Market Manuals* to analyze the monitoring data or other information collected.
- 4.2.2.3. In enhancing or expanding the monitoring indices, the *Market Surveillance Committee* may receive recommendations from the *PEM Board*, and other interested parties.

### 4.3. PERIODIC MONITORING BY THE MARKET SURVEILLANCE COMMITTEE

- 4.3.1. The *Market Surveillance Committee* shall meet at least once every month to carry out a review of the Market Assessment Report and the Retail Market Assessment Report submitted by the *Market Assessment Group*, and the preparation of the Monthly Monitoring Report and Retail Market Monitoring Report to be submitted to the *PEM Board*.

- 4.3.2. Subject to existing health protocols issued by the National Government and/or local government units by reason of the COVID-19 pandemic, meetings of the *Market Surveillance Committee* shall be held “onsite” at the PEMC office premises or “online” via remote communication. The *PEMC* shall ensure that adequate space and facilities are allocated to the *Market Surveillance Committee* for this purpose.
- 4.3.3. Prior to each periodic monitoring meeting of the *Market Surveillance Committee*, the *Market Assessment Group* shall submit the Market Assessment Reports corresponding to the period, for *Market Surveillance Committee*’s approval.
- 4.3.4. In the periodic monitoring meetings, the *Market Surveillance Committee* shall:
- (a) Assess market monitoring indices and price trends in the *WESM* and the Retail Market to evaluate whether spot prices and reserve prices are in line with those that may be expected in an effectively competitive market; Identify market outcomes or pricing situations that are inefficient or contrary to competition or the *WESM* objectives;
  - (b) Identify market outcomes or pricing situations that are inefficient or contrary to competition or the *WESM* Objectives;
  - (c) Assess monitoring indices, the behavior and strategies in bids and offers and, as appropriate, the relationship of those bids or offers to marginal or other costs;
  - (d) Pursuant to Section 3.1 of this Manual, provide a report to the *Enforcement and Compliance Office* of certain acts or omissions which may possibly constitute a Breach of the *WESM Rules* or *Market Manuals*, or which may possibly constitute anti-competitive behavior or abuse of market power, recommend to the PEMC President the issuance of a Notice of Possible Commission of anti-competitive behavior for submission to the *ERC*.
  - (e) Identify any need for, and recommend the implementation of, measures to remedy or mitigate possible anti-competitive behavior or abuse of market power, anomalous conditions, market defects or problems in the spot market and/or rectify or correct the same through amendments to *WESM* and *Retail Rules* and *Market Manuals*;
  - (f) Review from time to time the market design and propose necessary amendments to the *WESM Rules*, *Retail Rules* and *Market Manuals*; and
  - (g) Review reports and recommendations of the *Market Assessment Group*, and take appropriate action thereon including preparing corresponding reports.
- 4.3.5. The *Market Surveillance Committee* may, from time to time, meet with the *PEM Board* or the President of PEMC to discuss its views with respect to the decisions made by the *PEM Board* in relation to previous findings and recommendations of the *Market Surveillance Committee*.
- 4.3.6. The *Market Surveillance Committee* may request meetings with the *DOE* or *ERC* to obtain clarifications and discuss views and experiences in relation to its findings and recommendations.
- 4.3.7. The *Market Surveillance Committee* shall prepare a Monthly Monitoring Report at the end of each periodic monitoring meeting which shall contain:



- (a) An assessment of monitoring indices and changes to the monitoring data or monitoring indices, if any;
- (b) Conclusions and recommendations on the efficiency and adequacy of the *WESM Rules* and *Retail Rules* and, when necessary, recommendations on amendments to the said *Rules* or the *Market Manuals*;
- (c) Conclusions and recommendations regarding price trends, market monitoring indices, market behavior and outcomes of the market as a whole, trends in bids and offers and the behavior of trading participants possessing market power or setting the market prices;
- (d) Evaluation and initial recommendations on special or unusual circumstances or behaviors or results since the previous periodic monitoring meeting;
- (e) When necessary, recommendations on preventive or mitigation measures;
- (f) Evaluations and conclusions resulting from a review of Market Assessment Group reports; and
- (g) Approved Market Assessment Report.

4.3.8. The *Market Surveillance Committee* shall submit to the *PEM Board* the following:

- (a) Monthly Monitoring Report, not later than one week after its approval;
- (b) Quarterly Retail Market Monitoring Report, not later than one week after its approval;
- (c) Annual Retail Market Monitoring Report, within the first quarter of the succeeding year;
- (d) Annual Market Assessment Report, within the third quarter of the succeeding year; and
- (e) Annual Report, which contains its accomplishments and work plan, within the first quarter of the succeeding year.

4.3.9. The *Market Surveillance Committee* shall transmit a copy of the Monthly Monitoring Report, Annual Market Assessment Report, Quarterly Retail Market Monitoring Report and Annual Retail Market Monitoring Report to the *DOE* and *ERC*.

#### **4.4. ISSUANCE OF NOTIFICATION OF POSSIBLE ANTI-COMPETITIVE BEHAVIOR**

If the *Market Surveillance Committee* determines that an act or omission possibly constitutes anti-competitive behavior or abuse of market power, the *Market Surveillance Committee* shall recommend to the PEMC President the issuance of a Notice of Possible Commission of Anti-Competitive behavior. Said issuance may contain adequate preventive or mitigation measures, when necessary, until the Investigation is concluded to protect effective competition and fair prices and outcomes in the *WESM* and the retail market.

## SECTION 5 OTHER REVIEW FUNCTIONS

### 5.1. REVIEW OF THE WESM RULES AND RETAIL RULES

5.1.1. In the performance of its market surveillance function, the *Market Surveillance Committee* shall from time to time study and analyze the effectiveness of particular *WESM Rules* and *Retail Rules and Market Manuals*, and if necessary, recommend amendments thereto in order to:

- (a) Improve the overall competitiveness in and the effective operation of the *WESM* and retail market;
- (b) Increase the transparency and efficiency of the *WESM* and retail market;
- (c) Enhance the conditions and economic signals to achieve the *WESM* and retail market Objectives; and
- (d) Mitigate distortions, flaws or problems that may negatively affect the efficient and transparent operation of a competitive power market.

5.1.2. Any amendment proposal shall be submitted in accordance with the *WESM Rules* and relevant *Market Manual*.

### 5.2. REVIEW OF THE PROPOSED AMENDMENTS TO THE WESM RULES, RETAIL RULES AND MARKET MANUALS

Upon the request of the *Rules Change Committee*, or as otherwise provided in the *Manual of Procedures for Changes to the WESM Rules, Retail Rules and Market Manuals*, the *Market Surveillance Committee* shall also review and give its opinion and recommendations on proposed amendments to the *WESM Rules, Retail Rules and Market Manuals*.

### 5.3. REVIEW OF MARKET INTERVENTION

5.3.1. The *Market Surveillance Committee* shall conduct a review upon the occurrence of any of the following events:

- (a) An Intervention declared by the *System Operator* as established in the Grid Code, due to:
  - (i) An emergency;
  - (ii) A threat to system security; or
  - (iii) An event of force majeure;
- (b) An intervention declared by the *Market Operator* due to force majeure, which includes:
  - (i) Market system hardware or software failure that makes it impossible to receive or process market offer/bid information or produce market schedules due to erroneous real-time status input data or dispatch the system in accordance with the *WESM Rules*; and
  - (ii) Interruption in the operations of market software used by the *Market Operator* to support various processes in the *WESM* during the simulation of the business continuity plan and disaster recovery



procedures, or any other event, circumstance or occurrence in nature of, or similar in effect to any of the foregoing.

- 5.3.2. When any of the events occurs as described above, the *Market Operator* or the *System Operator*, as the case may be, shall forthwith notify the *Market Surveillance Committee* through the *Market Assessment Group* of such event in writing.
- 5.3.3. Upon receipt of the notification from the *Market Operator* or the *System Operator*, the *Market Surveillance Committee* shall conduct a review and shall prepare a Market Intervention Report, which shall include:
  - (a) All data and information regarding the event, including those provided by the *System Operator* or the *Market Operator*;
  - (b) Assessment and recommendations, as applicable, on:
    - (i) The adequacy of the provisions of the *WESM Rules* relevant to the event, and its proposed amendments, if any;
    - (ii) The appropriateness of actions taken by the *System Operator* and/or *Market Operator* in relation to the event;
    - (iii) The impact and possible costs incurred by *WESM Members* as a consequence of the event; and
    - (iv) Potential breaches by *WESM Members*.
- 5.3.4. Upon the request of the *Market Surveillance Committee*, the *System Operator*, *Market Operator*, and/or concerned *WESM Members* shall provide such data or information, including requiring the representatives of the latter to appear before it, to enable the *Market Surveillance Committee* to complete its review.
- 5.3.5. The *Market Surveillance Committee* may request a third party to provide necessary data or information including requiring representatives of the latter to appear before it, or enable the *Market Surveillance Committee* to complete its review, or to act as resource person relative thereto.
- 5.3.6. The *Market Surveillance Committee's* Market Intervention Report shall be submitted to the *PEM Board* for review and approval, within a reasonable period, provided that the initial report shall be submitted within thirty (30) working days after the *MSC* has received the notification from the *Market Operator* or the *System Operator*.
- 5.3.7. A copy of the approved Market Intervention Report shall be transmitted by the *PEM Board* to the *ERC* and *DOE*, and be furnished to any interested persons upon request, in accordance with Section 8 of this Manual.

## 5.4. REVIEW OF MARKET SUSPENSION

- 5.4.1. Within ten (10) business days following a notice by the *Market Operator* of a declaration of Market Suspension by the *ERC* under Clause 6.9.1.1 of the *WESM Rules*, the *Market Surveillance Committee* shall convene and review such declaration and prepare a report to assess:
  - (a) The adequacy of the relevant provisions of the *WESM Rules* in relation to the event or events which occurred;

- (b) The appropriateness of actions taken by the *System Operator* and the *Market Operator* in relation to the event or events which occurred;
  - (c) The costs incurred by *WESM Members* as a consequence of responding to the event or events; and
  - (d) Any finding of potential, fault of any *WESM Participant* including a preliminary recommendation for further evaluation by the PEM Auditor.
- 5.4.2. Upon the request of the *Market Surveillance Committee*, the *System Operator*, *Market Operator*, and/or concerned *WESM Members* shall provide such data or information including requiring the latter's representatives to appear before it, to enable the *Market Surveillance Committee* to complete its review.
- 5.4.3. The *Market Surveillance Committee* may request a third party to provide necessary data or information including requiring the latter's representative to appear before it, to enable the *Market Surveillance Committee* to complete its review, or to act as resource person relative thereto.
- 5.4.4. The *Market Surveillance Committee's* Market Suspension Report shall be submitted to the *PEM Board* for review and approval.
- 5.4.5. A copy of the approved *Market Surveillance Committee* Market Suspension Report shall be transmitted by the *PEM Board* to the *ERC* and *DOE*, and shall be furnished to any interested persons upon request, in accordance with Section 8 of this Manual.

## 5.5. REVIEW OF OVER-RIDING CONSTRAINTS

- 5.5.1. The *System Operator* shall provide the *Market Surveillance Committee*, through the *Market Assessment Group*, with the details of the over-riding constraint imposed (e.g. date, trading interval, reasons for the imposition) under a standard form prescribed by the *Market Surveillance Committee* within the next two (2) business days. The *Market Surveillance Committee* may require from the *System Operator* additional information, as it may deem necessary.
- 5.5.2. The *Market Assessment Group* shall maintain a record of each over-riding event and any significant impact thereof on the market, which shall be reported to the *Market Surveillance Committee* on a monthly basis. During its review of the over-riding constraints imposed by the *System Operator*, the *Market Surveillance Committee* may require additional information to further assess the event.
- 5.5.3. The *Market Operator* or a *WESM Member* may also request the *Market Surveillance Committee* to review a decision to impose or relax an over-riding constraint.
- 5.5.4. The request shall be submitted to the *Market Surveillance Committee* and shall include:
  - (a) The identification of the party requesting the review;
  - (b) The identification of the incident, including the date, trading intervals and conditions, when the over-riding constraint was imposed

- (c) The reason for the request, describing the specific issues or concerns to be reviewed; and
  - (d) Any other matter or relevant information considered significant by the requesting party to be taken into consideration by the *Market Surveillance Committee* in its review of the incident.
- 5.5.5. The *Market Assessment Group* shall verify that all necessary information has been submitted. Within the next five (5) business days, the *Market Assessment Group* shall:
- (a) If the request is complete, acknowledge receipt and inform the requesting party that the request will be submitted for review to the *Market Surveillance Committee*; or
  - (b) If the request is incomplete, inform the requesting party of the deficiency and request for submission of the required data.
- 5.5.6. The *Market Surveillance Committee* shall conduct its review on the imposition of an over-riding constraint, and thereafter transmit to the requesting party, copy furnished the *PEM Board*, the report containing the following:
- (a) Whether the imposition of over-riding constraint was reasonably justified;
  - (b) Whether a trading participant was adversely affected by the imposition of the over-riding constraint; and
  - (c) Conclusion and recommendations, if any.

## SECTION 6 MITIGATION MEASURES

The *Market Surveillance Committee* may recommend to the *PEMC* the imposition of mitigation measures to address possible:

- (a) Breaches of the *WESM Rules*; and
- (b) Acts or omissions constituting possible Anti-Competitive Behavior

## SECTION 7 ACCESS TO INFORMATION AND DATA MANGEMENT

- 7.1. To perform its functions, responsibilities and achieve its objectives under this *Market Manual*, the *Market Surveillance Committee* and *Market Assessment Group* shall have continuing authority to request and access any relevant data, information, report or document that a *WESM member* or *WESM participant*, the *Market Operator* or *System Operator* may have in its possession.
- 7.2. The *Market Surveillance Committee* and *Market Assessment Group* are authorized to request, with appropriate deadlines, the submission of data, documents and other information necessary for the accomplishment of their respective functions under this Manual.

- 7.3. Each *WESM Member* or *WESM Participant*, the *Market Operator* and the *System Operator* shall submit, in a timely manner and in the required format, such data, documents and other information referred to in the monitoring data, or requested by the *Market Surveillance Committee* or *Market Assessment Group* in relation to its functions under this Manual. Every submission of information or data pursuant to this Manual shall be accompanied by a written declaration that such information or data are valid, accurate, and complete and based on authentic documents. The name and designation of the individual submitting the informational data shall be indicated in such declaration.
- 7.4. A request for information by the *Market Surveillance Committee*, *Enforcement and Compliance Office* and *Market Assessment Group* shall:
- (a) Be in writing;
  - (b) Indicate the reason for the request;
  - (c) Specify the document or information requested and, when applicable, the format;
  - (d) Specify a reasonable time within which the information must be provided; and

Provide other relevant information or clarification to ensure that the request is understood by the Recipient.

<b>SECTION 8      CONFIDENTIALITY</b>
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- 8.1. Each member of the *Market Surveillance Committee* and the *Market Assessment Group* shall enter into a confidentiality undertaking, in accordance with the terms prescribed by the *PEM Board*.
- 8.2. To carry out its responsibilities, the *Market Surveillance Committee* and the *Market Assessment Group* shall have the right to access and review confidential or commercially-sensitive data available from a *WESM Member* or *WESM Participant*, the *Market Operator* or *System Operator*.
- 8.3. If a *WESM Member* or *WESM Participant*, the *System Operator* or the *Market Operator* marks or claims that a document or information requested is confidential, the party shall provide the reasons that justify such confidentiality treatment.
- 8.4. The *Market Surveillance Committee* or *Market Assessment Group*, as the case may be, shall review the confidentiality claim in line with the *WESM Rules* and other Applicable Law, Rules and Regulations. If the claim is valid, the requirements for the protection of such document or information, as may be necessary to ensure the confidentiality and commercial value of such document or information, shall be established.
- 8.5. The *Market Surveillance Committee* and the *Market Assessment Group* shall implement procedures as may be reasonable and necessary to protect the confidentiality and commercial value of documents or other information acquired and not use the same for other purposes other than which it was obtained.

- 8.6. All reviews and reports to be submitted to the *PEM Board* shall not, as far as practicable, contain any confidential or commercially-sensitive information.
- 8.7. Reports to be published or disseminated to the *Compliance Committee*, *ERC*, *DOE* or to any person requesting a copy of any report prepared pursuant to this Manual shall be subject to the exclusion of portions thereof, which are determined by the *Compliance Committee* as confidential or commercially sensitive information.
- 8.8. The members of the *Market Surveillance Committee*, *Enforcement and Compliance Office* and *Market Assessment Group* as the case may be, shall prepare a version of their Reports, deleting information they have determined to be confidential, to enable its dissemination and publication.
- 8.9. Monitoring indices and the results and evolution of monitoring indices shall be published in the Market Information Website. These are not confidential information.

<b>SECTION 9      LIMITATION OF LIABILITY AND INDEMNIFICATION</b>
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- 9.1. Members of the *PEM Board* and other *PEMC* officers and staff, *Market Surveillance Committee*, *Enforcement and Compliance Office*, and the *Market Assessment Group*, as the case may be, shall not be made personally liable for any loss, liability or damage suffered or incurred by a *WESM member*, the *System Operator*, the *Market Operator* or any other person by reason of a disclosure of information in reports prepared as a result of the exercise of assessment, monitoring and compliance functions undertaken in accordance with the *WESM Rules*, *Retail Rules* or this *Market Manual*, unless they have acted with malice, manifest partiality, evident bad faith, gross incompetence or gross negligence.
- 9.2. Should any member of the *PEM Board* and other *PEMC* officers and staff, *Market Surveillance Committee*, *Enforcement and Compliance Office*, *Market Assessment Group*, as the case may be, be adjudged liable for any amount for liability or damage suffered or incurred by any person or entity, the *PEMC* shall hold them free and harmless from such loss, liability or damage, and shall fully indemnify said persons through an indemnification process to be developed by the *PEM Board*; Provided, however, that the indemnification shall exclude any liability arising out of conduct involving malice, manifest partiality, evident bad faith, gross incompetence or gross negligence. Said indemnification shall cover:
  - (a) The full amount adjudged; and
  - (b) The costs and expenses incurred by the person involved in defending himself/herself or itself, as the case may be, in the related proceedings.

## SECTION 10      AMENDMENT, PUBLICATION AND EFFECTIVITY

### 10.1 AMENDMENTS

10.1.1 Any amendments 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*.

### 10.2 PUBLICATION AND EFFECTIVITY

10.2.1 This Manual, as it may be amended from time to time, shall be published in the market information website maintained by the *Market Operator*.

This Manual or any amendments thereto shall become effective upon approval of the *DOE* in accordance with WESM Rules Clause 8.6.4. The date of effectivity shall be indicated in this document.