



# **Market Surveillance Committee Quarterly Accomplishment Report**

---

**26 June to 25 September 2021**

## **OCTOBER 2021**

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

## TABLE OF CONTENTS

<b>I. INTRODUCTION .....</b>	<b>4</b>
<b>II. ACCOMPLISHMENTS .....</b>	<b>4</b>
<b>1. ACTIVITIES ON MARKET MONITORING AND ASSESSMENT .....</b>	<b>4</b>
1.1. MONITORING AND ASSESSMENT OF MARKET OUTCOMES IN THE WESM .....	4
1.1.1. Monthly Market Assessment Reports .....	5
1.1.2. Monthly Market Monitoring Reports .....	5
1.1.3. Market Assessment Report for the Hot-Dry Season .....	6
1.1.4. Annual Market Assessment Report for Year 2020 .....	6
1.1.5. Review of Market Price Triggers for June 2021 .....	7
1.1.6. Assessment of Over-Riding Constraints for June 2021 .....	8
1.1.7. Assessment of Over-Riding Constraints for July 2021 .....	8
1.1.8. Review of DC2021-06-0013, Amendments to the WESM Rules on the General Framework on Test & Commissioning .....	8
1.1.9. Simulation of Yellow and Red Alerts .....	9
1.1.10. Review of IEMOP and NGCP-SO Comments on the TC Observations regarding the MSC Request for Study on the Appropriateness of Metering Configurations .....	9
1.1.11. Discussion on the Damaged Negros-Cebu Submarine Cable and Report on High Line Rental Charges of MORE Electric and Power Corporation .....	9
1.1.12. Review of Ongoing Study on the Impact of Forced Outages to the GOP Revisions .....	10
1.1.13. Approval of the Proposed Catalogue of Market Monitoring Data and Indices .....	10
<b>1.2. MONITORING AND ASSESSMENT OF THE RETAIL COMPETITION AND OPEN ACCESS (RCOA) MARKET .....</b>	<b>11</b>
1.2.1. RETAIL MARKET ASSESSMENT REPORT FOR Q2 2021 .....	11
1.2.2. AGREEMENT ON RESULTS OF RCOA ISSUES PAPER PRESENTATION TO STAKEHOLDERS .....	12
1.2.3. REVIEW OF DISCUSSION HIGHLIGHTS DURING THE MSC-RESA DIALOGUE .....	12
1.2.4. REVIEW OF DC2021-06-0012, FURTHER AMENDMENTS TO THE WR, RETAIL RULES AND RELATED MANUALS RE RCOA .....	12
<b>1.3. EXTERNAL MEETINGS AND COORDINATION INITIATIVES .....</b>	<b>12</b>
1.3.1. MEETING WITH IEMOP AND NGCP TO REVIEW MARKET INTERVENTION .....	12
1.3.2. MEETING WITH NGCP-SO AND IEMOP ON OUTAGE ADJUSTMENTS .....	14
1.3.3. REVIEW OF GOP OUTLOOK FOR Q4 2021 .....	15
1.3.4. MSC-IEMOP DISCUSSION ON THE EWDO IMPLEMENTATION UPDATES .....	15
1.3.5. MEETING WITH THE PEM AUDIT COMMITTEE .....	15
1.3.6. MEETING WITH PEMC-CPC RE: RENEWABLE ENERGY MARKET (REM) .....	15
<b>2. ACTIVITIES ON COMPLIANCE AND ENFORCEMENT .....</b>	<b>16</b>

2.1.REVIEW OF COMPLIANCE MONITORING AND ASSESSMENT.....	16
2.2.REVIEW OF ECO INVESTIGATION REPORTS.....	17
2.3.REVIEW OF THE ECO'S COMPLIANCE POST EVALUATION MONITORING SYSTEM (CPEMS) .....	17
2.4.REVIEW OF THE PROPOSED FILTERING MECHANISM ON THE CPEMS .....	17
2.5.DISCUSSION ON THE UPDATES REGARDING THE PROPOSED PENALTY MANUAL.	18
2.6.FURTHER REVIEW OF THE PROPOSED FILTERING MECHANISM ON THE COMPLIANCE POST EVALUATION MONITORING SYSTEM (CPEMS) .....	18
2.7.LIVE DEMO ON THE ECO'S CPEMS.....	18
<b>3. OTHER ACTIVITIES .....</b>	<b>18</b>
3.1.PARTICIPATION IN PEMC'S AGMM.....	18
3.2.PARTICIPATION IN THE ANNUAL WCO SUMMIT .....	19

## **I. Introduction**

Pursuant to Section 1.6.2 of the WESM Rules and Section 6.2.1 of the Market Surveillance, Compliance and Enforcement Market Manual (MSCEMM), the Market Surveillance Committee (MSC) carried-out its mandate in the monitoring and assessment of market outcomes in the WESM and in the Retail Market<sup>1</sup> with the PEMC-Market Assessment Group (MAG) as its primary support unit. The MSC also continued with its review of compliance and investigation reports that are prepared by the Enforcement and Compliance Office (ECO)<sup>2</sup>.

In performing its responsibilities, the MSC conducted regular monthly meetings, and frequently communicated through email and other platforms to deliberate on various market issues.

For the duration of the covered period, the MSC continued to conduct online meetings, following the National Government's implementation of quarantine measures during the COVID-19 Pandemic. Accordingly, during the 3<sup>rd</sup> quarter of 2021, the MSC conducted three (3) regular<sup>3</sup> meetings, which were all held online.

Accomplishments of the MSC during the covered period are outlined in the succeeding sections of this Report.

## **II. Accomplishments**

### **1. Activities on Market Monitoring and Assessment**

#### **1.1. Monitoring and Assessment of Market Outcomes in the WESM**

Pursuant to MSCEM Section 6.2.1 (b)<sup>4</sup>, the MSC continued its monitoring and assessment of market outcomes, as well as the bidding behavior of generator-trading participants (TPs).

The Market Assessment Report is prepared for the purpose of monitoring and assessing the efficiency and competitiveness of the WESM under different timescales and market conditions. The periodic Reports include an assessment of market behavior, through the analysis of market monitoring indices, as contained in the Catalogue of Market Monitoring Data and Indices (CMMDI).

---

<sup>1</sup> Section 1.5.1, Retail Rules: *The provisions of Chapter 1 of the WESM Rules shall apply with respect to the governance of the integration of retail competition in the WESM, the operations of the Central Registration Body, and the participation and transactions in the WESM of Suppliers and Contestable Customers.*

<sup>2</sup> MSCEM Section 6.2.1: *The MSC shall have following responsibilities: xxx (e) Review the Non-Compliance Report prepared by the ECO pursuant to the review of a Non-Compliance Notice, and submit its review to the PEM Board; (f) Review Investigation Reports prepared by the ECO pursuant to an Investigation of an alleged Breach, abuse of market power or Anti-Competitive Behavior, and submit its review to the PEM Board; xxx*

<sup>3</sup> MSC (Regular) Meeting No. 2021-07 held on 15 July 2021; MSC (Regular) Meeting No. 2021-08 held on 24 August 2021; and MSC (Regular) Meeting No. 2021-09 held on 20 September 2021.

<sup>4</sup> MSCEM Section 6.2.1(b): *The MSC shall have following responsibilities: (a) xxx; (b) Review market monitoring indices and Market Assessment Report prepared by the Market Assessment Group; xxx*

### 1.1.1. Monthly Market Assessment Reports

During the quarter, the MSC assessed WESM results for the billing months of May 2021 to June 2021, as discussed in the Monthly Market Assessment Reports (MMAR-2021-05, and MMAR-2021-06), as prepared by MAG and reviewed and adopted by the MSC.

Billing Month	MSC Observation Highlights
May 2021	<p>High market prices were observed in May, averaging at PHP8,035/MWh, an increase by 97.4 percent from last month's PHP4,071/MWh. Correspondingly, the MSC noted the 40 price spikes and 23 interesting pricing events which breached the reference thresholds during the month. The MSC further noted the imposition of the secondary price cap in 55 trading intervals.</p> <p>Highlights of the market assessment for May 2021, was presented during the PEM Board Meeting on 30 June 2021.</p>
June 2021	<p>Declining level of outage capacity resulted to an average outage capacity of around 2,000MW during the billing month. Deration in the available capacity of Ilijan NGPP due to the SPEX Malampaya gas restriction was observed since 22 March 2021 at 2200H. SPEX Malampaya gas supply restriction was lifted on 14 June 2021 but was reinstated on 19 June 2021.</p> <p>Increased generation from the more expensive power plants resulted to high market prices. Correspondingly, 48 price spikes and 16 interesting pricing events were observed during the billing month. Yellow and Red Alert notices were likewise issued by the NGCP-System Operator during the month.</p> <p>Secondary Price Caps were imposed, and Market Intervention was declared: (a) by the System Operator due to generation deficiency; and (b) by the Market Operator due to MMS hardware failure.</p> <p>Highlights of the market assessment for June 2021, was presented during the PEM Board Meeting on 25 August 2021.</p>

### 1.1.2. Monthly Market Monitoring Reports

During the quarter, the MSC completed its review of the Market Monitoring Reports (MMR) for the billing months of May 2021 to June 2021 (MSC-MMR-2021-05 to MSC-MMR-2021-06).

The MSC-MMR is comprised of two (2) parts: (a) the MSC Monthly Accomplishment Report, and (b) the Monthly Market Assessment Report (MMAR), which is reviewed and deliberated upon by the MSC in its monthly regular meetings and thereafter adopted in full.

The MSC-MMR for the billing months of May 2021 to June 2021 had all been submitted to the PEM Board, the DOE and the ERC. Meanwhile, the MMARs covering the same billing months were all published by the MSC in the PEMC website during the 3<sup>rd</sup> quarter of 2021.

Meanwhile, the Market Assessment Highlights for July 2021 was part of the agenda for MSC Regular Meeting Nos. 2021-08 and 09 held on 24 August 2021 and 20 September 2021, respectively. However, it was noted that the Report is not yet available in time for the conduct of said meetings.

Accordingly, the MSC noted the information on the delay in the data exchange from IEMOP to PEMC since the launching of the Enhanced WESM Design and Operations (EWDO) on 26 June 2021, which resulted in the late processing of data for the regular Market Assessment Report for July 2021. The MSC further noted that the Market Assessment Report for July 2021 will be prepared and submitted by MAG to the MSC via email, once the July 2021 processed data becomes available.

### **1.1.3. Market Assessment Report for the Hot-Dry Season**

The MSC assessed the market outcome for the period covering the Hot-Dry Season from 26 February to 25 May 2021, the highlights of which were presented to the MSC during its Regular Meeting No. 2021-08 held on 24 August 2021. The MSC has taken note of the following notable highlights:

- Starting February 2021 up to May 2021, the monthly averages of demand already exceeded its pre-pandemic figures recorded in 2019 indicating the improvement in the economic activity. This is despite the upgrading of quarantine declarations for the Metro Manila and/or “NCR Plus” where the bulk of the load in Luzon region is located.
- Supply margin was cut in half this year from a high 2,992 MW average in Hot Dry Season 2020 to 1,543 MW in Hot Dry Season 2021 driven by the significant increase in demand as well as higher level of unavailable capacity.
- The May 2021 billing month’s average price of PHP8,035/MWh was the highest monthly average price in the last 7 years from April 2014’s PHP9,416/MWh. Meanwhile, the May 2021 billing month set a record-low average supply margin at 993 MW since June 2019’s 968 MW.
- About 73 percent of the prices were below PhP5,000/MWh. Notwithstanding, market trigger events were noted breaching the price spike threshold for 46 intervals.
- Secondary price cap was imposed on 55 trading intervals during the May 2021 billing month due to persistent high average prices.

The Market Assessment Report for Hot-Dry Season 2021 was thereafter submitted by the MSC to the PEM Board, the DOE and ERC, and was also published in the PEMC website.

### **1.1.4. Annual Market Assessment Report for Year 2020**

The MSC likewise reviewed the assessment results for Year 2020 as provided for under the Annual Market Assessment Report (AMAR-2020). The AMAR-2020 provides an assessment of the results of the integrated Luzon and Visayas operations of the WESM for the Cool Dry Season (26 November 2019 to 25 February 2020), Hot Dry Season (26 February to 25 May 2020), and Rainy Season (26 May to 25 November 2020).

The MSC noted that the 2020 billing year recorded the lowest yearly average LWAP in the last 5 years. Year-on-year load-weighted average price (LWAP) fell by 43 percent from PHP4,894/MWh in 2019 to PHP2,790/MWh in 2020. This is influenced by the community quarantine enforced in different parts of the country, which paved the way to the resulting wide supply margin, starting 15 March 2020, as businesses and large grid consumers had limited operations to curb the spread of the Covid-19.

In terms of demand, the unprecedented decline in the country's economic activities brought about by the pandemic corresponded to a 4.7 percent annual decline in demand from 10,071 MW in 2019 to 9,596 MW in 2020. Meanwhile, effective supply levels increased to an average of 13,140 MW in 2020 from 12,905 MW in 2019. This notwithstanding, increase in capacities not offered by power plants was observed from 14.2 percent in 2019 to 15.0 percent of the total WESM registered capacities in 2020. By the end of the year, the WESM accounted a net increase of 797 MW in registered capacities.

Finally, the yearly average outage capacity almost maintained its level with an uptick to 2,654 MW in 2020 from 2,638 MW in the previous year. Passage of tropical storms drove forced outages to high levels over the course of the year with the onslaught of Typhoon Tisoy rendering several plants on outage in December 2019 and consequently recording the highest monthly and hourly average outage capacity since August 2014.

The AMAR-2020 was submitted by the MSC to the PEM Board on 27 July 2021, and to the DOE and ERC on 30 July 2021. The Report was also published in the PEMC website.

#### **1.1.5. Review of Market Price Triggers for June 2021**

The MSC reviewed the market price triggers for the billing month of June 2021 as monitored and reported by MAG.

Price spike events were noted in 48 trading intervals in a spread of 13 trading days over the course of the billing month. The corresponding reports were submitted and prepared by MAG on these events. Meanwhile, interesting pricing events were observed in 15 trading intervals in June. The IPE Report corresponding to these events will be reviewed and approved for submission by the MSC to the DOE and ERC.

Reports on price spike and interesting pricing events are prepared and submitted by MAG and the MSC to flag intervals which breached the established thresholds on market price triggers and could warrant the further review and assessment of the DOE and ERC.



#### **1.1.6. Assessment of Over-Riding Constraints for June 2021**

Pursuant to MSCEM Section 6.2.1 (i)<sup>5</sup>, the MSC reviewed the assessment results on the over-riding constraints imposed on generator-trading participants for the period 26 May to 25 June 2021. Some assessment highlights are as follows:

- A total 5,597 over-riding events involving 23 Luzon generators and 11 Visayas generators were observed during the month, recording a 4.9 percent increase from May 2021.
- Similar with the previous month, all OC events were categorized under non-security limit, mainly related to the conduct of testing and commissioning (T&C).
- Majority of the non-security limit events or 5,185 events were due to T&C involving 15 plants, with 11 plants exceeding the prescribed maximum allowable period for test and commissioning (2 months)<sup>6</sup>.

The MSC likewise discussed the updates provided by the Independent Electricity Market Operator of the Philippines (IEMOP), upon the MSC's request, on the status of plants on testing and commissioning.

Correspondingly, the MSC has written a letter to the NGCP-SO, requesting for the validation of remarks on the OC imposed on a plant due to T&C, when the same had already started its commercial operations based on the WESM registration data.

#### **1.1.7. Assessment of Over-Riding Constraints for July 2021**

Similar with the Market Assessment Report for July 2021, the monitoring of over-riding constraints for the same period is likewise affected by the delay in the data exchange from IEMOP to PEMC since the launching of the EWDO on 26 June 2021, which resulted in the late processing of data for the Market Monitoring Report on Over-Riding Constraints for July 2021. The MSC noted this information and further noted that the Report on Over-Riding Constraints will be prepared and submitted by MAG to the MSC via email, once the July 2021 processed data becomes available.

#### **1.1.8. Review of DC2021-06-0013, Amendments to the WESM Rules on the General Framework on Test & Commissioning**

During its Meeting on 24 August 2021, the MSC reviewed DC2021-06-0013 issued by the Department of Energy (DOE), which provided for further amendments to the WESM Rules relative to the *Guidelines on the General Framework of Testing and Commissioning*.

The MSC further discussed the additional responsibilities given to PEMC under said DC2021-06-001. Pursuant to this, the MSC agreed to consider this matter in the penalty system under the WESM

---

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

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



Penalty Manual, as well as in the compliance monitoring process of the ECO. The MSC requested ECO and MAG to come up with a recommendation relative to this.

#### **1.1.9. Simulation of Yellow and Red Alerts**

The MSC reviewed the result of the simulation conducted by MAG on the impact of Testing and Commissioning (T&C) capacity to the declaration of yellow and red alerts by the NGCP-System Operator (SO).

It was explained that the MAG used the Real Time Dispatch demand while the System Operator used the Day Ahead Projection forecasted demand in their grid alert declarations. This was due to the unavailability of the DAP demand the SO had used in those grid alert declarations.

Results of the simulation showed that excluding the T&C capacities from the total scheduled capacity reduced the number of intervals under normal condition by 3.4 percent, with 98 of the total 2,865 intervals deviating to yellow alert status. Meanwhile, only one (1) interval deviated to red alert status from being on yellow alert when the T&C capacities were excluded from the total scheduled capacities during the subject intervals.

The MSC noted the simulation results and the recommendation that it will be more prudent to exclude T&C capacity from the supply profile to present a more realistic forecast. As such, the resulting margin without the T&C capacity will be given more consideration in the planning. It was agreed that this will be subject to further discussion by the MSC.

#### **1.1.10. Review of IEMOP and NGCP-SO Comments on the TC Observations regarding the MSC Request for Study on the Appropriateness of Metering Configurations**

The MSC reviewed the responses received from the IEMOP and NGCP-SO as regards the observations and recommendations of the PEMC-Technical Committee (TC) in response to the MSC request for TC Study to review / study the appropriateness of the different metering configurations and the corresponding procedures in deriving the settlement quantities of generator nodes.

The MSC agreed to continue monitoring similar occurrences (i.e., snapshot error data), based on the recommendation of the TC.

#### **1.1.11. Discussion on the Damaged Negros-Cebu Submarine Cable and Report on High Line Rental Charges of MORE Electric and Power Corporation**

The MSC discussed the incident on the damaged Negros-Cebu Submarine Cable and the report on the high Line Rental charges as submitted by MORE Electric and Power Corporation.

After discussion, the MSC requested MAG to present to the MSC in its next Meeting the rules and mechanism regarding Line Rental (LR) as well as the revisions made on the LR calculation under the EWDO. Further, the MSC also noted the PEM Board's request for the MSC to further study the

case of Line Rental in the Negros-Panay sub-region and come up with a governance position on the issue. The MSC agreed to include this as an agenda item in the next MSC Meeting. The MSC likewise agreed to also request the IEMOP for a presentation on the matter. Additionally, the MSC agreed to look at how the Committee can come-in in terms of assessment on price increases related to transmission line incidents, i.e., those caused by damage in the NGCP transmission lines.

#### **1.1.12. Review of Ongoing Study on the Impact of Forced Outages to the GOP Revisions**

The MAG presented the updates on the ongoing *Regression Analysis: Impact of Forced Outages to GOP Revisions*, as instructed by the MSC.

The MSC agreed to include in the Study the market data covering the whole year of 2021, considering that the year 2020 might be an unusual year as it was the first year of the Covid-19 pandemic and implementation of nationwide lockdown measures.

Correspondingly, the MSC deferred the timeline of the MAG's Study on the Grid Operating Program from Q3 2021 to Q1 2022.

#### **1.1.13. Approval of the Proposed Catalogue of Market Monitoring Data and Indices**

As presented by MAG, the MSC discussed the proposed Catalogue of Market Data and Indices (CMMDI) Issue 2.0, including the additional indices that are being proposed, following the MAG's final review of the proposal. The additional proposed indices are the indices on Outage Duration and Outage Rate, which are proposed to be included under the Supply indices of the proposed CMMDI Issue 2.0.

After discussion, the MSC approved the Catalogue of Market Monitoring Data and Indices Issue 2.0, to serve as the MSC's guide in analyzing the monitoring data and other information collected in connection with market surveillance. It was agreed that the Catalogue shall take effect immediately, upon publication in the PEMC website.

The MSC invited the NGCP-SO for a discussion of its Grid Operating Program (GOP) Outlook for Q4 2021, considering the scenario of the SPEX Malampaya turnaround in October 2021, including the adjustments in the Preventive Maintenance Schedule (PMS) of major plants.

Following the SO's presentation, the MSC has taken note that in compliance with DOE Circular DC2021-06-0013, the NGCP-SO will be excluding all test and commissioning (T&C) plants without the ERC's Certificate of Compliance (COC) from the SO's capability profile/power outlook effective 17 September 2021.

## **1.2. Monitoring and Assessment of the Retail Competition and Open Access (RCOA) Market**

Pursuant to the Catalogue of Retail Market Monitoring Data and Indices (CRMMDI) Section 3.1.2<sup>7</sup>, the MSC monitored and assessed the performance of the Retail Market, as provided for under the Retail Market Assessment Report, which discusses the results of retail monitoring indices and provides indications on how the retail market performed during the period in review.

### **1.2.1. Retail Market Assessment Report for Q2 2021**

The MSC reviewed the Retail Market Assessment Report on the RCOA Market covering the billing period 26 March to 25 June 2021, as submitted by MAG (MAG-RMAR-2021-02). Some highlights of the Report are as follows:

- The RCOA Market registered an additional 119 Contestable Customers (CCs), thus increasing the total number of CCs with Certificates of Contestability that are registered in the market as of June 2021 at 57%. Also, a notable increase in the number of unregistered CCs in the market was observed due to the ERC's expanded RCOA implementation which lowered the contestability threshold level at 500kW beginning 26 February 2021.
- By region, it is noted that 89% of the total registrants are from Luzon, while the remaining 11% is from the Visayas. By industry type, 53% of the registrants are commercial customers while 47% are industrial customers.
- The MERALCO Group remained the top entity with the most contracted Contestable Customers at 38%. It also held the largest share in the total consumption of the Contestable Customers for Q2-2021 at about 37%. Meanwhile, other groups recorded minimal changes in shares, both in terms of Contestable Customers engaged, and total consumption.
- Increase in the CC consumption levels during the period was observed when compared with the previous year and quarter, driven by various factors such as the natural growth in demand as forecasted by the DOE, the high temperature during the summer season, as well as the trend in distributed consumption brought about by the implementation of work from home and distance learning programs due to the Covid-19 Pandemic.
- Calculations based on the Herfindahl-Hirschmann Index (HHI) indicated a concentrated market based on the number of CCs and CC consumption.

The RMMR for Q2 2021 was submitted by the MSC to the PEM Board, the DOE and the ERC and was also published in the PEMC website.

---

<sup>7</sup> CRMMDI Section 3.1.2 *The Market Surveillance Committee shall have the following responsibilities: 3.1.1 xxx; 3.1.2. Review the retail market monitoring indices and reports submitted by the Market Assessment Group. Xxx*

### 1.2.2. Agreement on Results of RCOA Issues Paper Presentation to Stakeholders

On 15 July 2021, the MSC reviewed the discussion highlights on the MSC RCOA Issues Paper Presentation with Stakeholders – Retail Electricity Suppliers Association (RESA) and Contestable Customers (CC), which were held on 27 May 2021 and 08 June 2021, respectively.

After discussion, the MSC agreed to convene another dialogue with the RESA to coordinate the concerns raised by the CCs.

### 1.2.3. Review of Discussion Highlights during the MSC-RESA Dialogue

During its Regular Meeting No. 2021-08 held on 24 August 2021, the MSC reviewed the discussion highlights on the MSC-RESA Dialogue held on 20 August 2021, particularly the responses gathered from the Retail Electricity Suppliers Association (RESA) on the concerns raised by the Contestable Customers during the activity on the RCOA Issues Paper Presentation to Contestable Customers held on 08 June 2021.

### 1.2.4. Review of DC2021-06-0012, Further Amendments to the WR, Retail Rules and Related Manuals re RCOA

Furthermore, the MSC reviewed the highlights of DC2021-06-0012, Further Amendments to the WESM Rules, Retail Rules and Related Manuals re RCOA.

The MSC noted the amendments introduced by the subject Circular in terms of Optional WESM Registration, full Retail Market Registry, Reduced Switching Procedures Timeframe, Meter Data Recording on an Interval Basis, as well as the responsibilities given to PEMC.

The MSC took note of the rationale behind the above amendments, i.e., to reduce participation requirements and processing, to improve ease of transition from captive to competitive retail market, to increase participation of Contestable Customers in choosing a Supplier and to minimize the switching cost for the RCOA Contestable Customers.

## 1.3. External Meetings and Coordination Initiatives

### 1.3.1. Meeting with IEMOP and NGCP to Review Market Intervention Events

On 15 July 2021, the MSC held a meeting with the NGCP-System Operator (SO) and the IEMOP as the Market Operator (MO), to discuss the Market Intervention (MI) events that were declared in May and June 2021, as follows:

Initiated by:	Date	Interval/s	Region Affected	Reason
System Operator	05/31/2021	1400H to 1700H	Luzon	Generation Deficiency
	06/01/2021	1100H to 1700H	Luzon	Generation Deficiency

Initiated by:	Date	Interval/s	Region Affected	Reason
Market Operator	06/16/2021	1800H to 2100H	Luzon & Visayas	Market Management System (MMS) Hardware Failure
	06/28/2021	1340H	Luzon, Visayas & Mindanao	Market Management System (MMS) Software Failure

The MSC agreed to request further information / data as well as copies of specific records and documents from the NGCP-SO. The MSC will be discussing further the MI events in its next Regular Meeting and will finalize its Review Report after its review of all relevant materials corresponding to the above events.

Further, the MSC also agreed to request from the Technical Committee (TC) to review the SO criteria in the determination/calculation of available capacity and the subsequent declaration of red and yellow alerts, noting the inclusion of the capacity of T&C plant GN Power Dinginin Unit 1 in the SO's declared available capacity for May 2021. Relatedly, the MSC also agreed to request from the TC the review of the NGCP's test completion and acceptance procedure on T&C plants that are certified as ready for commercial operations.

On 24 August 2021, the MSC further deliberated on the above MI events. The MSC reviewed the reasons and grounds cited by the Market Operator and the System Operator in their respective declaration of MIs as well as the actions taken by both entities, whether these are in compliance with the requirements prescribed under the WESM Rules and relevant Manuals.

The MSC agreed to further enhance its own Review Report, giving out specific instructions for the MAG to consider in its draft. The MSC then requested MAG to make the necessary revisions for the MSC's review and approval.

On 20 September 2021, the MSC convened a meeting with the Independent Electricity Market Operator of the Philippines (IEMOP) and the National Grid Corporation of the Philippines (NGCP)-System Operator (SO) to discuss the following market intervention (MI) events that were declared in August and September 2021:

Initiated by	Date	Interval/s	Region Affected	Reason
SO	21 August 2021	0000H to 0630H	Visayas	Partial System Blackout
MO	21 August 2021	1250H to 1255H	Luzon, Visayas, Mindanao	Non-generation of RTD schedules
MO	24 August 2021	2345H	Luzon, Visayas, Mindanao	Non-generation of RTD schedules
MO	25 August 2021	0040H	Luzon, Visayas, Mindanao	Non-generation of RTD schedules
MO	04 September 2021	2345H	Luzon, Visayas, Mindanao	Non-generation of RTD schedules
SO	13 September 2021	1515H to 1525H	Visayas	Erroneous nodal load at Sta Barbara substation

Relative to the SO-initiated MI events on 21 August 2021, the MSC requested the NGCP-SO to submit the following to the MSC: (1) Significant Incident Reports (SIR) corresponding to the MIs, and (2) grid map (geo map) so that the location of the facilities affected can be seen easily. The MSC requested the NGCP-SO to regularly provide the MSC with the above materials as annexes to their MI reports to the MSC.

The MSC also requested for updates on the NGCP-SO's Transmission Development Plan (TDP), particularly on the Cebu-Negros-Panay backbone project and the interconnection of Visayas and Mindanao.

Finally, the MSC requested from the NGCP-SO its Report on the SO-initiated MIs on 13 September 2021 from 1515H to 1525H. The MSC noted the correction from the MO's presentation that the said MI events were declared by the SO due to the significantly high number of open breaker status in the Visayas.

### **1.3.2. Meeting with NGCP-SO and IEMOP on Outage Adjustments**

The MSC convened a meeting with the NGCP-System Operator (SO) to discuss the following: (a) Adjustments on Generator Planned Outages, and (b) Transmission Line Outages for 2021.

The MSC noted with thanks the NGCP-SO's presentation and discussion on the Planned Outages for Year 2021. It was noted that the presentation did not include information on transmission line outages for 2021, as requested by the MSC. Nevertheless, the SO presented the procedure and timelines in the preparation and revision of the Grid Operating and Maintenance Program (GOMP) as well as its power supply assessment for CY 2021, considering generator outages.

Further, the MSC also noted the NGCP-SO statement that they will be providing to the MSC a copy the scheduled maintenance program and the corresponding adjustments for its transmission lines as contained in the quarterly revisions of the Grid Operating Maintenance Program (GOMP).



### **1.3.3. Review of GOP Outlook for Q4 2021**

The MSC invited the NGCP-SO for a discussion of its Grid Operating Program (GOP) Outlook for Q4 2021, considering the scenario of the SPEX Malampaya turnaround in October 2021, including the adjustments in the Preventive Maintenance Schedule (PMS) of major plants.

Following the SO's presentation, the MSC has taken note that in compliance with DOE Circular DC2021-06-0013, the NGCP-SO will be excluding all test and commissioning (T&C) plants without the ERC's Certificate of Compliance (COC) from the SO's capability profile/power outlook effective 17 September 2021.

### **1.3.4. MSC-IEMOP Discussion on the EWDO Implementation Updates**

The IEMOP presented to the MSC the Market Operator Performance Updates under the Enhanced WESM Design and Operations (EWDO) during MSC Regular Meeting No. 2021-09 held on 20 September 2021.

Some of the clarifications raised and discussed by the MSC are as follows: inquiry on the benchmarks or indicators used by IEMOP in coming up with its performance report; further clarification on the report regarding inaccurate and incomplete metered quantities (MQ).

The IEMOP replied highlighting the significance of the timely submission of quantities by trading participants under the 5-minute market since settlement amounts are no longer dependent on Ex-Ante Quantities (EAQ) as the case was during the 1-hour market. It was expounded that currently, there is a delay in the timely submission of MQ and this impacts on the settlement calculations since under the EWDO, only actual quantities are needed to calculate settlement amounts. The MSC commented that a study on the matter at a later time would be good, including a study if the imposition of sanctions or penalties could be warranted.

At the end of the meeting, the MSC requested MAG and ECO to continue its monitoring and assessment of the WESM despite the relaxation of penalty impositions during the first three (3) months of implementation of the EWDO.

### **1.3.5. Meeting with the PEM Audit Committee**

The MSC held a meeting with the PEM Audit Committee (PAC) on 15 July 2021, for a discussion on the proposed review of the NGCP – System Operator (NGCP-SO) processes and/or systems to the extent that these affect the operation of the WESM. The MSC expressed interest in this endeavor relative to its own surveillance experience and activities.

### **1.3.6. Meeting with PEMC-CPC re: Renewable Energy Market (REM)**

The MSC met with the PEMC-Corporate Planning and Communications (CPC) for a discussion on the Renewable Energy Market (REM).



After discussion, the MSC agreed to further review the REM Rules in its next Meetings for better appreciation of the REM framework and mechanism. In particular, the MSC will review the compliance and assessment aspect of the REM Governance Structure as well as the REM pricing mechanism.

## **2. Activities on Compliance and Enforcement**

### **2.1. Review of Compliance Monitoring and Assessment**

Compliances of Generator-Trading Participants (TP) with the Real Time Dispatch (RTD) schedule, the Must Offer Rule (MOR) and the rule on the Nomination of Loading Levels and Projected Output (NOM) for the billing months of May 2021 to July 2021, were deliberated upon by the MSC, as contained in the Compliance Monitoring and Assessment Reports (CMARs) prepared by the Enforcement and Compliance Office (ECO).

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

Following the MSC's review of the CMAR, the MSC endorsed to the ECO for appropriate action, the following requests for investigations (RFIs) for possible non-compliances with the WESM Rules:

<b>Covered Period</b>	<b>Number of RFIs</b>	<b>Possible Non-Compliance</b>
May 2021	Five (5)	Must Offer Rule
June 2021	Six (6)	Must Offer Rule

On 20 September 2021, the MSC commenced its review of the ECO's Compliance Monitoring Assessment (CMA) Results under the Compliance Post-Evaluation Monitoring System (CPEMS), starting with the July 2021 billing month.

The ECO explained that following DOE DC2021-06-0015, trading participants are exempted from sanctions and penalties in case of breach of Dispatch Conformance Standards (DCS) during the 3-month relaxation period. Notwithstanding, the ECO shall continue to monitor the observance of DCS for evaluation of the initial commercial operation of the EWDO. It was further explained that the ECO continued to issue Compliance Monitoring and Assessment Report (CMAR) to generator-trading participants. The CMAR during the period provides for the penalty computation for the findings but with the following disclosure: "PLEASE DISREGARD THE COMPUTED PENALTY DURING THE RELAXATION PERIOD".

The MSC also noted that following the automation of penalties under the CPEMS/Enhanced WESM Design and Operations (EWDO) regime, the MSC will no longer issue any Requests for Investigation (RFIs) on possible-non compliances with the WESM Rules.

Finally, the MSC noted the ECO's report on a number of compliance-related issues during the EWDO, as raised by the generator-TPs.

## 2.2. Review of ECO Investigation Reports

The MSC deliberated upon ECO Investigation Reports (IRs) that were submitted by the ECO during the quarter. The ECO IRs covered the non-compliances of generator-trading participants with the Real Time Dispatch (RTD) schedule, the Must Offer Rule (MOR) and the rule on the Nomination of Loading Levels and Projected Output (NOM).

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

For the covered period during its regular monthly meetings, the MSC completed its review on the following:

<b>MSC Meeting</b>	<b>ECO IRs Reviewed and Deliberated-Upon</b>
15 July 2021	Five (5) consolidated ECO Investigation Reports, two (2) of which were possible non-compliances with RTD schedule/instruction, while the remaining three (3) were cases involving non-compliances with the Must Offer Rule.
24 August 2021	Four (4) consolidated ECO Investigation Reports, two (2) of which were possible non-compliances with RTD schedule/instruction, while the remaining two (2) were cases involving non-compliances with the Must Offer Rule.

Accordingly, the MSC submitted and presented to the PEM Board the result of its review and its recommendations on the above ECO IRs, which were then deliberated upon and approved by the PEM Board.

## 2.3. Review of the ECO's Compliance Post Evaluation Monitoring System (CPEMS)

The MSC reviewed the Compliance Post Evaluation Monitoring System (CPEMS), which had been commissioned and had been in use by the ECO since the commercial operation of the Enhanced WESM Design and Operations (EWDO) on 26 June 2021.

The MSC noted that the automation of the penalty impositions through the CPEMS follows the MSC recommendation sometime in 2018 on the automation of the WESM penalty impositions. The MSC then requested for a live demo on the CPEMS in its next meeting.

## 2.4. Review of the Proposed Filtering Mechanism on the CPEMS

The ECO presented for the MSC's consideration the proposed filtering mechanism on the CPEMS. It was explained that some of the probable breach being monitored can already be filtered-out for pre-determined justifiable reasons. It was indicated that this can further streamline the compliance monitoring process and help the ECO focus more on the substantial non-compliances that are flagged.

The MSC agreed in principle with the recommendation of ECO. Correspondingly, the ECO was further requested to submit via email its reason and justification for each of the items being proposed for filtering.

## **2.5. Discussion on the Updates regarding the Proposed Penalty Manual**

The MSC discussed the updates on the MSC's proposed Penalty Manual, which is currently being reviewed by the DOE.

The MSC clarified that it the same objective with the DOE, that is, to ultimately flowback the benefits of the WESM penalties to the electricity end-users and the only matter of concern is on the formula or the mechanism by which to achieve this.

The MSC noted that the DOE has directed the Market Operator to come up with a proposal on the flowback mechanism. As such, the MSC will then have the opportunity to comment on the proposed mechanism when it undergoes the rules change process

## **2.6. Further Review of the Proposed Filtering Mechanism on the Compliance Post Evaluation Monitoring System (CPEMS)**

The MSC reviewed the ECO's proposed filtering mechanism on the CPEMS for both the Must Offer Rule and the Dispatch Conformance Standards, as earlier submitted by ECO via email.

After discussion, the MSC concurred with the ECO's recommendations on the subject matter, including the pre-determined conditions and justifiable reasons as stated in the ECO's presented summary tables, subject to the ECO's completion of the annexes being requested by the MSC as follows: 1) list of plants which will be included in the filtering for each of the ECO's criteria, and (2) narrative providing the background or legal bases for each of the criteria.

## **2.7. Live Demo on the ECO's CPEMS**

Also, during MSC Regular Meeting No. 2021-09 on 20 September 2021, as requested by the MSC, the ECO presented to the MSC through live demo the functionalities of the Compliance Post Evaluation Monitoring System (CPEMS).

# **3. Other Activities**

## **3.1. Participation in PEMC's AGMM**

The MSC participated in the virtual Annual General Membership Meeting (AGMM) of PEMC on 21 July 2021. During the AGMM, on behalf of the Committee, Chairman Francis V. Mapile rendered a presentation on the Highlights of the MSC's 15-Year Accomplishments.

### **3.2. Participation in the Annual WCO Summit**

The MSC likewise participated in the Annual Summit of WESM Compliance Officers (WCO) on 23 to 24 September 2021. MSC Chairman Francis V. Mapile delivered his Closing Remarks and congratulated the top performers in the Compliance and Metering Service Providers (MSP) Ratings. Chairman Mapile also discussed briefly how the MSC had taken part in the design and formulation of the compliance monitoring and assessment process. He expressed the hope that as the market ushers-in the new market environment under the EWDO and with the coming-in of the Compliance Committee, the WCOs/WEOs shall carry with them the “culture of compliance” as they have done and committed to do so.

The MSC is composed of four (4) members, namely, Engr. Francis V. Mapile, Dr. Peter Lee U, Atty. Doroteo B. Aguila, and Prof. Fernando Martin Y. Roxas.