



Market Surveillance Committee Quarterly Accomplishment Report

01 April 2023 to 30 June 2023

JULY 2023

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

Document Information Classification: Restricted / Internal

The information contained in this document is based on data that are subject to continuous verification by the Philippine Electricity Market Corporation (PEMC). The same information is subject to change as updated figures come in.

Contents

1.0	Introduction	2
2.0	Activities on Market Monitoring and Assessment	2
	2.1 Assessment of Market Outcomes in the Wholesale Electricity Spot Market	2
	2.1.1 Review of Market Assessment Reports	2
	2.1.2 Review of Over-riding Constraints	4
	2.1.3 Market Trigger and Interesting Pricing Events	5
	2.1.4 Review of Market Monitoring Trigger & Interesting Pricing Events Thresholds.....	6
	2.1.5 Review of Market Intervention Events.....	6
	2.2 Assessment of the Retail Market (Retail and Open Access or RCOA and Green Energy Option Program or GEOP).....	7
	2.2.1 2022 Annual Retail Market Assessment Report (ARMAR)	8
	2.2.2 Q1 2023 Retail Market Assessment Report.....	8
3.0	Coordination with Various Agencies and Entities	9
	3.1 Meeting with Department of Energy (DOE)	9
	3.1.1 Interruptible Load Program (ILP) & Day-ahead Projection (DAP)	9
	3.1.2 2023 Power Outlook by the DOE	9
	3.2 Meeting with NGCP-SO	10
	3.2.1 SO-initiated MI for April 2023	10
	3.2.2 SO-initiated MI for May 2023	10
	3.3 Meeting with Technical Committee regarding DOE Directive on 08 May 2023 Significant Event	10
	3.4 Focus Group Discussion related to Competition Study on Distribution System Operator (DSO).....	11
4.0	Other Activities and Accomplishments	11
	4.1 Discussion on News Article Issued last 07 April 2023 related to Anti-Competitive Behavior.....	11
	4.2 Review of Additional Provision in the Proposed Amendments related to Maximum Available Capacity	12
	4.3 Discussion of Comments to Proposed Amendments to MI/MS Procedures	13
	4.4 Review of Various Proposed Amendments and other Issuances.....	13
	4.5 Database available in the Distribution Utility map	14
	4.6 Activities related to Energy Market Exchange (EMX)	14
	4.7 Discussion on News Article re Spot Exposure of One (1) Mindanao DU	14
	4.8 DOE Request on Yellow and Red Alerts.....	15

1.0 Introduction

Pursuant to Section 1.6.2 of the WESM Rules and Section 3.1 of the Market Surveillance Manual (MSM) Issue 1, the Market Surveillance Committee (MSC) carried-out its mandate for the monitoring and assessment of market outcomes in the WESM and the Retail Market¹, with the PEMC-Market Assessment Department (MAD) as its primary support unit.

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

For the duration of the covered period, the MSC transitioned to a hybrid setup in conducting its meetings, where at least once every quarter, the meeting will be held physically at the PEMC Office, while the rest shall be conducted through online platforms (e.g., Microsoft Teams or Zoom). Accordingly, during the 2nd quarter of 2023, the MSC conducted the following regular and special meetings:

- Regular Meeting No. 2023-04 held on 13 April 2023 (Online via Zoom)
- Regular Meeting No. 2023-05 held on 11 May 2023 (Hybrid²)
- Special Meeting No. 2023-06 held on 23 May 2023 (Online via Zoom)
- Regular Meeting No. 2023-07 held on 14 June 2023 (Online via Zoom)

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

2.0 Activities on Market Monitoring and Assessment

2.1 Assessment of Market Outcomes in the Wholesale Electricity Spot Market

2.1.1 Review of Market Assessment Reports

Pursuant to its mandate under Section 3.1 (b)³ of the MSM, the MSC continued with its monitoring and assessment of market outcomes, as well as the bidding behavior of generator-trading participants (TPs).

¹ 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.*

² With attendees present at the PEMC Office and via Zoom

³ MSM Section 3.1(b): *The MSC shall have following responsibilities: (a) xxx; (b) prepare and submit monthly monitoring reports, quarterly retail market monitoring reports, annual reports; xxx*

The Market Assessment Report (MAR) 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).

During the quarter, the MSC assessed WESM results for the billing periods of March 2023 to May 2023, as discussed in the Monthly Market Assessment highlights prepared by MAG. The highlights of which are as follows:

Billing Period	MSC Assessment Highlights
March 2023	<p>It was noted that the system demand increased from 10,012 MW to 10,424 MW towards the end of the month considering the onset of Summer Season. The effective supply likewise increased from 11,681 MW to 12,029 MW which was affected by the decrease in capacities on outage from 3,849 MW to 2,897 MW but was still affected by the effects of ramping limitations. Despite the slight decrease in supply margin from 612 MW to 607 MW, the WESM average price decreased from PHP7,082/MWh to PHP6,174/MWh.</p> <p>For the updates of the market outcomes in WESM Mindanao, the Committee noted the higher prices in the region from PHP4,971/MWh to PHP6,264/MWh during the billing period, as a result of outages from Coal and Hydro plants resulting in Oil-based plants to set higher market prices. Also, the rise in price was due to the increase in system demand from 1,697 MW to 1,753 MW coupled with a decrease in capacities offered from 3,396 MW to 3,172 MW.</p> <p>During the period in review, there were a series of system wide and regional imposition of Secondary Price Cap (SPC) due to a) persistent high prices brought about by narrow supply margin attributed to outages and ramp limited capacities, and b) the unavailability of inter-connection between grids.</p>
April 2023	<p>For Luzon and Visayas regions, the system demand experienced an increase from 10,424 MW to 11,287 MW with the continuous surge in temperature during the billing period. Meanwhile, capacities on outage decreased from 2,897 MW to 2,288 MW due to the resumption in operation of plants on outage except for Hydro plants. The capacity offered increased from 13,888 MW to 14,291 MW, with the observed decline in capacities on outage, hence, the effective supply likewise increased from 12,029 MW to 12,584 MW. Despite these, WESM prices still climbed from PHP6,174/MWh to PHP7,404/MWh despite the ample supply margin.</p> <p>For the Mindanao region, there was an observed increase in the system demand considering the observance of summer season. On the other hand, the capacities on outage decreased due to the resumption in operation by Oil-based, Coal, and Hydro plants. Capacity offered likewise decreased resulting in the decrease in the effective supply from 2,355 MW to 2,122 MW.</p> <p>Similar with the previous billing period, there were system wide and regional impositions of SPC observed for the Luzon, Visayas, and Mindanao regions.</p>

Billing Period	MSC Assessment Highlights
May 2023	<p>The system demand continued to increase from 11,287 MW to 12,250 MW during the billing period, attributed to the rise in temperature brought about the summer season which influenced the electricity consumption. The effective supply likewise increased from 12,584 MW to 13,382 MW due to the recorded decline in the level of capacities on outage. Despite the said increase in the available supply, the WESM prices still increased from PHP7,404/MWh to PHP8,430/MWh owing mainly to the increasing demand level.</p> <p>During the billing period, the following were the notable events observed:</p> <ul style="list-style-type: none"> • All-time highest peak demand recorded on 09 May 2023, 1350h at 14,854 MW from 14,358 MW last year on 12 May 2022, at 1440h. • Grid was placed under red and yellow alert levels due to forced outages from various power plants.

MARs are prepared upon availability of the processed and validated data which are still affected by the data and procedural concerns encountered by PEMC and the Independent Electricity Market Operator of the Philippines (IEMOP).

2.1.2 Review of Over-riding Constraints

Pursuant to MSM Section 3.1 (b.iii)⁴, the MSC reviewed the assessment results on the over-riding constraints which provides a summary of the incidents imposed by the System Operator (SO) on generator-TPs for March to May 2023 billing periods. Some assessment highlights are as follows:

Luzon & Visayas

- Majority of the events were categorized under non-security limit, mainly related to the conduct of testing and commissioning (T&C).
- The security limit impositions noted were mainly for the designation of generators as Must Run Units (MRU) to address thermal limits of lines / equipment. There was a total of 17,234 events imposed during the billing periods.
- The increase experienced during April 2023 was mainly related to the commencement of commissioning tests of BESS and Coal plants as well as the extension of Provisional Certificate of Approval to Connect (PCATC).
- The decrease in March and May 2023 was mainly due to the expiration of commissioning test and decline in the number of impositions related to MRU.

Mindanao

- Similar with the previous quarter, majority of the events were imposed as MRU to address system voltage requirements of the grid.

⁴ MSM Section 3.1(b) The MSC shall have following responsibilities: (a) xxx; (i) Review Over-Riding Constraints; xxx

The Committee likewise discussed the recent updates from IEMOP on the status of plants under T&C. The complete and approved reports were duly published on the PEMC website for information.

2.1.3 Market Trigger and Interesting Pricing Events

On a regular basis, the MSC was apprised on the summary of facts and observations on the market triggers monitored for a particular billing period in consideration of the thresholds used for the monitoring activities, as reviewed and revised by the Committee. The highlights of the reports were as follows:

Billing Period	Luzon & Visayas Highlights	Mindanao Highlights
March 2023	<p>5 days out of the 28-day observation had 140 price spike events (25 in off peak and 115 in peak) that mostly occurred on Fridays and Tuesdays.</p> <p>There were 1,034 intervals imposed with secondary price cap while 38 intervals were noted to have had interesting pricing events.</p>	<p>15 days out of the 28-day observation had 156 price spike events (27 in off peak and 129 in peak) that mostly occurred on Thursdays.</p> <p>There were 248 intervals imposed with secondary price cap while 116 intervals were noted to have had interesting pricing events.</p>
April 2023	<p>10 days out of the 31-day observation had 234 price spike events (65 in off peak and 169 in peak) that mostly occurred on Fridays and Thursdays.</p> <p>There were 985 intervals imposed with secondary price cap while 61 intervals were noted to have had interesting pricing events.</p>	<p>17 days out of the 31-day observation had 54 price spike events (14 in off peak and 40 in peak) that mostly occurred on Fridays.</p> <p>There were no intervals imposed with secondary price cap and interesting pricing events.</p>
May 2023	<p>21 days out of the 31-day observation had 341 price spike events (107 in off peak and 234 in peak) that mostly occurred on Mondays and Tuesdays.</p> <p>There were 992 intervals imposed with secondary price cap while 178 intervals were noted to have had interesting pricing events.</p>	<p>16 days out of the 31-day observation had 82 price spike events (4 in off peak and 78 in peak) that mostly occurred on Wednesdays and Mondays.</p> <p>There was no interval imposed with secondary price cap and interesting pricing events.</p>

The Committee noted on the results of market monitoring should the SPC was not imposed as well as the total Effective Spot Settlement Price (ESSP) during the covered billing periods.

2.1.4 Review of Market Monitoring Trigger and Interesting Pricing Events Thresholds

As part of its activity for 2023, as well as the efforts to ensure that the thresholds utilized in its regular monitoring are reflective of the market's true condition, the MSC reviewed the results of further simulations conducted by MAD, as requested by the Committee last March 2023, to determine whether the thresholds have to be updated or should be retained. The activity was initially scheduled within Q1 2023, however, the Committee deemed it appropriate to extend the deadline of approval to Q2 2023 to undertake additional simulations.

During the deliberation, it was noted that the year 2022 encountered several significant incidents that affected the resulting prices in the WESM for every season:

- Hot Dry Season – relatively low prices following the National Elections in May 2022, where the National Government mandated the power plants to move their respective planned outages to latter part of the year to minimize the outages before, during, and after elections;
- Rainy Season – presence of high prices and outage of two (2) units of Natural gas power plants with 600 MW, respectively; and
- Cool Dry Season – presence of high prices, outage of same Natural gas power plants during rainy season, and effects of global coal and oil prices brought about by unforeseen circumstances.

In view of the above incidents, the resulting thresholds (for all proposed methodology) showed that the latter part of the year had much higher thresholds than the Hot Dry Season during which, an increase in the demand was experienced attributable to surge in electricity consumption brought about by the summer season. With this, the Committee agreed to retain the threshold as approved last 2022.

2.1.5 Review of Market Intervention Events

The MSC discussed the results of MAD's assessment on Market Intervention (MI) events which occurred in February to May 2023 in consideration of the available information provided on the submitted reports and supporting documents by either the National Grid Corporation of the Philippines – System Operator (NGCP-SO) or the Independent Electricity Market operator of the Philippines – Market Operator (IEMOP-MO).

The summary of the incidents is provided in the table below, which were all found to be justified:

Initiated by	Date	Intervals	Region/s Affected	Classification	Reason
SO	20 February 2023	1125h – 2230h (134 intervals)	Visayas	Emergency	Panay Island Black-out and isolation from the grid
SO	24 March 2023	1325h -1445h (17 intervals)	Visayas	Threat to System Security	Implementation of Manual Load Dropping (MLD) to prevent overloading of 138kV Cebu-Mandaue Transmission Line 1

Initiated by	Date	Intervals	Region/s Affected	Classification	Reason
SO	30 March 2023	1135h – 1150h (4 intervals)	Mindanao	Threat to System Security	Implementation of MLD to prevent overloading of 138kV Aurora-Baloi Transmission Line
SO	27 April 2023	1355h – 2255h (109 intervals)	Visayas	Threat to System Security	Due to multiple tripping of power plants in Panay and Negros sub-grids
SO	28-29 April 2023	1500h – 0305h (434 intervals)	Visayas	Threat to System Security	Due to unimplementable Real Time Dispatch (RTD) brought about by multiple tripping of power plants
SO	30 April 2023	1800h – 2035h (32 intervals)	Visayas	Threat to System Security	Due to implementation of MLD brought about by an undervoltage situation at the Negros sub-grid
SO	08 May 2023	1345h – 1555h (27 intervals)	Luzon	Emergency	Tripping of Bolo-Masinloc 230kV line 2 leading to generation deficiency (618MW) occurred in Luzon grid due to tripping of Masinloc 1 and 2 generating units at 1300h
MO	16 May 2023	0255h (1 interval)	Luzon, Visayas, Mindanao	Force Majeure	Inability of the Market Management System (MMS) to produce RTD results on account of the failure of Market Dispatch Optimization model (MDOM) solver software

The corresponding review reports which detailed the MSC's assessment and recommendations on the abovementioned MI events were duly presented and submitted to the PEM Board, for approval and submission to the Department of Energy (DOE) and Energy Regulatory Commission (ERC)⁵.

2.2 Assessment of the Retail Market (Retail and Open Access or RCOA and Green Energy Option Program or GEOP)

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

⁵ Market Surveillance Manual Issue 1.0 Sections 5.3.6 and 5.3.7.

During the covered period, the MSC reviewed the Retail Market Assessment Report on the RCOA and GEOP for the billing year 2022 and 26 December 2022 to 25 March 2023 billing period, as submitted by MAG. Some highlights of the report are as follows:

2.2.1 2022 Annual Retail Market Assessment Report (ARMAR)

RCOA

- There was a total of one hundred nine (109) recorded initial switches and fourteen (14) cessations yielding to a ninety-five (95) net increase in the number of registered Contestable Customers (CCs) from the previous year, equivalent to a 5.17% increase, thereby raising the total tally of registered CCs in the market to 1,932.
- By region, 88% of the total registrants were from Luzon, while the remaining 12% were from Visayas. By industry type, 53% of the registrants were categorized under commercial customers while 47% were industrial customers.
- 31 out of 38 registered RES and 3 out of 15 Local RES have active contracts with CCs.
- On a per participant grouping, the calculations based on Herfindahl-Hirschman Index (HHI) indicated that billing year 2022 remained a concentrated market in terms of number of CCs engaged and energy consumptions served. On a per Retail Electricity Supplier (RES) basis, the HHI was recorded to be a moderately concentrated market.

GEOP

- There was a total of one hundred ninety-nine (199) recorded initial switches to the market for the first year of its implementation.
- Four (4) of the registered GEOP End-Users are within the RCOA threshold.
- By region, the majority (74%) of GEOP End-users are in Luzon, while the remaining 26% are Visayas-based.
- There were 16 registered RE suppliers and 12 Supplier of Last Resort (SoLR).

2.2.2 Q1 2023 Retail Market Assessment Report

RCOA

- There were fourteen (14) initial switches and three (3) cessations yielding to a net additional eleven (11) registered CCs as compared with the previous quarter, equivalent to a 0.57% increase, thereby raising the total tally of registered CCs in the market to 1,943.
- 31 out of 38 registered RES and 3 out of 15 Local RES have active contracts with CCs.
- On a per participant grouping, the calculations based on Herfindahl-Hirschman Index (HHI) indicated that Q1 2023 remained a concentrated market in terms of number of CCs engaged and energy consumptions served. On a per Retail Electricity Supplier (RES) basis, the HHI was recorded to be a moderately concentrated market.

GEOP

- There were thirty-two (32) additional recorded initial switches to the market during the period in review, equivalent to a 16% increase from previous quarter.
- By region, the majority (73%) of GEOP End-users are located in Luzon, while the remaining 27% are Visayas-based.
- There were 17 registered RE suppliers and 12 Supplier of Last Resort (SoLR).

The MSC likewise noted the activities currently undertaken by the RCOA Technical Working Group (TWG) which envisions, among others, a streamlined process in participation to the RCOA.

The Annual and Quarterly Retail Market Assessment Reports were approved by the MSC, submitted to the PEM Board, the DOE, and the ERC, and were likewise published on the PEMC website.

3.0 Coordination with Various Agencies and Entities

3.1 Meeting with Department of Energy (DOE)

3.1.1 Interruptible Load Program (ILP) & Day-ahead Projection (DAP)

As initiated by the DOE, the MSC participated in the discussion with PEMC-MAD and the Enforcement and Compliance Department (ECD), in relation to the implementation of the Interruptible Load Program (ILP) in consideration of the Day-Ahead Projection (DAP). The discussion revolved on the issues raised with regard to the accuracy in the submission of the DAP that could possibly affect the ILP implementation.

In view of the above, the MSC will coordinate with ECD on possible assistance the it could extend in the development of methodology to aid the DOE on its aim to detect any inaccuracy that may affect DAP.

3.1.2 2023 Power Outlook by the DOE

With the invitation from the MSC, the DOE representatives discussed the result of their respective power situation outlook for 2023. The Committee noted that there were two (2) major upcoming activities being monitored by the DOE in Luzon grid which are the FIBA world cup to be held on 25 August 2023 to 10 September 2023, and the Barangay Sangguniang Kabataan (SK) elections on 30 October 2023.

For 2023, there were projected yellow alerts for both the Luzon and Visayas regions while normal operations are expected for the whole year in Mindanao with no expected yellow and red alerts. Lastly, the projections presented will be further updated upon availability of the Natural gas plants which were on outage since 2022.

3.2 Meeting with NGCP-SO

3.2.1 SO-initiated MI for April 2023

In line with the occurrence of MI from 27 April to 30 April 2023, the MSC invited and requested representatives from the NGCP-SO to discuss the details of the said MI events. The Committee noted the list of plants on forced outage and the transmission lines that tripped which contributed to the occurrence of the event. The meeting likewise discussed the actions taken by the SO to immediately address the issue.

It was further clarified that the initial report submitted to the MSC only contains the sequence of event and actions taken during the event while the ways forward will be part of a separate report which was submitted to the Committee on a later date.

3.2.2 SO-initiated MI for May 2023

As invited and requested by the MSC, the representatives from the NGCP-SO discussed the details of the MI events which occurred last 08 May 2023, affecting the Luzon grid for a total of twenty-seven (27) trading intervals. The MSC noted that the added capacities which were supposed to be dispatched as reserves were used to serve energy requirements during the period. In addition, NGCP will be conducting a meeting with the power plant involved in the incident to discuss the initial findings and possibly discuss ways forward.

Upon deliberation, the Committee requested for an additional information which will be considered in the completion of review report being prepared in compliance with the mandate of the WESM Rules and relevant Market Manuals. The said requested documents were duly received by the Committee within the quarter.

3.3 Meeting with Technical Committee regarding DOE Directive on 08 May 2023 Significant Event

With the invitation from the Technical Committee, the MSC participated in the discussion on the incident related to the declaration of Red and Yellow alert status of the Luzon Grid by the NGCP on 08 May 2023. This is in reference to the Department of Energy's (DOE) request for the assistance of the Philippine Electricity Market Corporation (PEMC), through the MSC and TC, to conduct an evaluation and investigation to determine if ancillary services were used or were adequate during the subject incident.

The results of individual study / assessment conducted by the MSC and TC were discussed during the meeting. Both Committees agreed to jointly submit their respective studies to the DOE, for consideration.

3.4 Focus Group Discussion related to Competition Study on Distribution System Operator (DSO)

As a background, the TC undertook a technical evaluation in introducing a new entity in the WESM, which is the Distribution System Operator (DSO), who shall act on behalf of the embedded generators (EGs) insofar as the latter's participation in the WESM. Part of the proposal was the procedures for coordination among the MO, the SO, the Distribution Utilities (DUs), and EGs regarding the supply to be considered in the WESM which would require the delineation between the SO and the DU (who will serve as DSO) in managing and providing dispatch instructions to EGs within its franchise area. In relation to the said proposal, the TC requested the MSC to conduct an assessment on how the proposed DSO model may affect competition among generators in the WESM.

In view of this, the MSC conducted Focus Group Discussion (FGD) for selected Luzon, Visayas, and Mindanao participants which aims to solicit inputs, comments, and suggestions from the participants and discuss how the proposal may affect them commercially and operationally.

The Committee was able to gather the common concerns from the DUs/Electric Cooperatives (ECs) and EGs regarding the proposed DSO managed network model:

DU/ECs	EGs
<ul style="list-style-type: none"> • Resistance from traditional utilities • Lack of standardization • Technological limitation • Cost and financing • Customer and stakeholders' pre-engagements 	<ul style="list-style-type: none"> • Market access for EGs • Market design and rules • Wheeling rates and power delivery costs • Market transparency and information availability • Market power of incumbent players

As a way forward, the Committee, with the assistance of MAD, will be conducting further simulations to assess the effect of DSO managed network model to the market in general.

4.0 Other Activities and Accomplishments

4.1 Discussion on News Article Issued last 07 April 2023 related to Anti-Competitive Behavior

The MSC discussed the news article issued last 07 April 2023 relevant to the challenges in undertaking an investigation for Anti-Competitive Behavior (ACB) in the WESM. It was highlighted that ERC will be engaging the assistance of the Philippine Competition Commission (PCC) in crafting regulatory rules and protocols that will be employed in flagging probable acts constituting ACB, especially in the spot market. The article likewise mentioned that the ERC reclaims their jurisdiction in probing and resolving cases related to ACB of Market Participants in the industry by virtue of the Supreme Court Ruling in 2021. The High Court primarily stipulated that the ERC has the power to probe over unscrupulous trading activity in the WESM, despite earlier questions raised by some parties that the jurisdiction of such cases should have been vested to the PCC.

With this, the Committee was informed that under the MSM and the ERC-PEMC Protocol, the MSC is mandated to report any suspected incidents of probable acts constituting ACB to the PEMC President which will later endorse the same to the ERC for further investigation or issuance of penalties, as deemed appropriate.

As to the appropriate entity to conduct investigations for the determination of ACB, it was further explained that there was a Memorandum of Understanding between the ERC and the PCC wherein, the two bodies may conduct a joint fact-finding inquiry on the received report on possible ACB or upon its own volition. If the joint fact-finding inquiry found that the suspected ACB is an actual ACB, the concerned party will be penalized by ERC under the Electric Power Industry Reform Act (EPIRA) and PCC under the Philippine Competition Act (PCA).

To further assist the ERC and PCC in its investigation for any possible ACB in the WESM, the MSC requested MAD to start with the preparation of monitoring possible ACB to aid PEMC in commencing with its flagging activities for possible ACBs to the ERC and PEMC. It was likewise recommended to mobilize the project even without the said monitoring system or by utilizing other alternative processes.

4.2 Review of Additional Provision in the Proposed Amendments related to Maximum Available Capacity

As a background, the MSC and the Compliance Committee (CC) in October 2022 jointly submitted to the Rules Change Committee (RCC), its proposed amendments to WESM Rules and the Dispatch Protocol Manual relating to the use of the term “Maximum Available Capacity”. The said proposal aims to have a clearer definition of the maximum available capacity and provide guidance to Trading Participants (TPs) in submitting / revising their bids/offers.

During the Regular Meeting held on May 2023, the MSC was apprised that the RCC deemed it appropriate to change the term “Maximum Available Capacity” to “available capacity” for clarity and distinction from the same term found in the Philippine Grid Code (PGC). The Committee was likewise informed that the said proposal will affect one (1) provision of the WESM Penalty Manual. It was further highlighted that the proposed revision did not affect the original intention of the proposal and reiterated that the revision only aims to avoid any confusion with the same term found in the PGC. Recognizing the mandate of the Committee to deliberate any amendments to the WESM Penalty Manual, the RCC formally endorsed the proposed amendment to the WESM Penalty Manual to the MSC last 14 June 2023.

The Committee likewise agreed that the matter shall be coordinated with the RCC for the possible inclusion of the proposal to its presentation to the PEM Board along with the other related proposed amendments noting that the said activity will already serve as the MSC’s consultation with the RCC and the PEM Board, pursuant to Section 3.3 and 7.1.3 of the WESM Penalty Manual Issue 1.0.

4.3 Discussion of Comments to Proposed Amendments to MI/MS Procedures

As a background, NGCP-SO submitted in December 2022, its proposed amendments to the RCC related to the procedure during MI/MS. The said proposal was presented to and discussed by the MSC on 09 February 2023 expressing its agreements for SO to be one of the recipients of the report and be entitled to submit any comments to indicate counter-arguments, should there be any.

In view of this, the MSC was apprised on the results of the RCC's deliberation considering the consolidated comments from stakeholders and other interested parties.

On 28 April 2023, the SO's proposal was deliberated by the RCC considering the consolidated comments from the stakeholders and other interested parties particularly on the discussion to include all WESM participants among the entities entitled to submit comments on the MSC's assessment report for the MI/MS event. The MSC then agreed to respectfully recommend for the RCC's consideration to delete the provision in the proposed amendments that allows the SO (the original proposal) and the WESM participants (as discussed by the RCC) to submit comments on the MSC's Review Report (if any), due to the following reasons:

- Both the MO / SO have respective representations to the Board which gives them the opportunity to ask / raise comments before actions are taken by the Board. Also, there is an available procedure by MAD & MSC wherein concerned entities are consulted prior to the Committee's submission of the report to the Board.
- The proposal for the WESM participants to submit comments to MSC reports may open the flood gates to those participants who may not be concerned about the MI/MS, which may cause inefficiency in the process of the Committee.

4.4 Review of Various Proposed Amendments and other Issuances

The MSC regularly reviewed various proposed amendments, Department Circulars, and/or other issuances pertaining to the Committee's mandates and responsibilities to ensure its compliance with the same. The activity involved the following issuances:

- Proposed General Amendments regarding the Interruptible Load Program (ILP) Implementation which seek to harmonize the WESM Rules, and relevant Manuals with the DOE policies and ERC regulations related to ILP and to recommend improvements to existing market processes to aid in smooth implementation of ILP.
- Proposed General Amendments in view of the ERC Resolution No. 01, Series of 2023 (Certification of No Outstanding Balance) which aims to harmonize the Retail Rules and Manuals with provisions of ERC Resolution No. 01, Series of 2023.
- Supreme Court (SC) Decision regarding PSALM's petition insisting that PEMC has no investigative and punitive powers over energy sector participants.

- DOE DC No. 2023-06-0018 – Creating the performance assessment and audit team for the operations of the transmission network provider and system operator (PAAT-TNPSO) and providing for its responsibilities.
- DOE Advisory Declaring the Commencement of the Reserve Market Trial Operations Program on 26 June 2023.
- ERC Resolution No. 04, Series of 2023 – A Resolution Constituting an Interim Grid Management Committee (IGMC) for a specific purpose and perform limited functions under the Philippine Grid Code.
- ERC Case No. 2023-011MC to Rationalize the Market Prices for the areas affected by the Cebu-Mandaue Transmission Line 2 damage until repairs thereon are completed.

4.5 Database available in the Distribution Utility map

As part of the DOE's policy in promoting transparency in the energy sector, the MSC discussed the ERC database on Distribution Utility Map which ensures that Distribution Utilities (DUs) are aware of the most recent tariffs allowed to be collected from the consumers. The presentation included the contents of the database in the distribution utility map that includes, among others, the most recent approved rates of DUs and how to access the database wherein the ERC website already provides for the links to the respective pages of each DU in the Philippines.

4.6 Activities related to Energy Market Exchange (EMX)

As a background, PEMC annually conducts an Energy Market Exchange (EMX) event which aims to strengthen the market stakeholders' appreciation and understanding of significant matters about market development, operations, or governance through healthy discussions and market knowledge exchanges. Since the MSC has in its pipeline of activity, a holding of a generator summit, it was agreed to include the generator summit in the said EMX to likewise save in preparatory time and budgetary requirements.

The said EMX was held on 21 June 2023 at the Crowne Plaza, Ortigas Center and participated by hundreds of industry participants from various sectors (i.e., Contestable Customer, DU/EC, generator, supplier, bulk-user, and other government agencies). During the event, DOE Secretary Raphael P.M. Lotilla delivered his keynote speech followed by the presentation from the Chairman of the MSC on the current condition and challenges of the market, resource speaker from the California Independent System Operator (CAISO) which discusses about the Battery Energy Storage System (BESS), and representatives from the generation sector.

4.7 Discussion on News Article re Spot Exposure of One (1) Mindanao DU

A news article that was published last 15 May 2023 stated that one (1) DU in Mindanao, explained higher power bills from March to April 2023 attributable to the effects of higher generation charges

brought by drawing more of its power supply requirement from the WESM. Based on the April 2023 data, the said DU's spot exposure was around 24% with an average spot settlement price lower than the alleged spot settlement price mentioned in the article. This is likewise misaligned with their claim that majority of their energy were drawn from the WESM.

The Committee was also approved on the recent policy issued by the DOE where the public can now access the latest Power Supply Agreements (PSAs), as well as the rates of the DUs to serve as guide for the DUs who wish to enter into an emergency PSA with any generator. In view of this, the MSC requested MAD to undertake further study on the effects of this event to the WESM in Mindanao DUs and determine whether the objective of EPIRA is being achieved. The result of the said study will be shared with the DOE and the Mindanao Readiness Committee.

4.8 DOE Request on Yellow and Red Alerts

Per directive from the DOE through its letter dated 17 May 2023, the MSC, through the MAD as the Committee's technical support, deliberated the result of the assessment conducted on the Adequacy of Reserve Capacities during the 08 May 2023 significant incident which caused the system to be placed under yellow and red alerts, as well as the implementation of manual and automatic load dropping.

Based on the discussion of the Committee, it has agreed to submit its recommendations to the DOE which are as follows:

- Harmonization of the NGPC's definition in determining the existence of an alert notice with the PGC 2016 Edition and the WESM Rules.
- Contracting enough reserve capacities to avoid the recurrence of instances of major generation deficiencies.
- Ensure frequent coordination between the NGCP and power plants to synchronize the design of protective equipment and avoid the recurrence of significant events, including that of Bolo-Masinloc 230kV line.

As agreed, the result of the assessment by the MSC was submitted to the DOE together with the result of study made by the TC.

The MSC is currently composed of five (5) members, namely, Atty. Doroteo B. Aguila as the Chairperson, Engr. Arthur N. Escalante, Engr. Christian M. Orias, Engr. Ferdinand P. Villareal, and Engr. Peter L. Wallace.