



Compliance Committee 2022 Annual Report

January 2022 to December 2022

MARCH 2023

This Report is prepared by the
Philippine Electricity Market Corporation –
Enforcement and Compliance Office
for the WESM Compliance Committee

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1.0 INTRODUCTION

The Compliance Committee (CC) is a WESM Governance Committee (WGC) that was constituted on 22 October 2020 by virtue of DOE Circular 2020-10-0021 and appointed upon the commencement of the Enhanced WESM Design Operations (EWDO). Pursuant to its mandate under Sections 1.4.6 and 1.8 of the WESM Rules, the CC assumes the responsibility of the supervision of the conduct of enforcement and compliance proceedings. This includes the review of the compliance-related results and the investigation reports of the Enforcement and Compliance Office (ECO) for alleged breaches of the WESM Rules by WESM Participants, the Market Operator, and the System Operator, which functions were formerly handled by the Market Surveillance Committee (MSC).

Through the assistance of the ECO, the CC was able to advocate for key proposals relating to WCO Certification in line with the Committee's goal of fostering a culture of compliance and achieving the objectives of the Philippine Electricity Market Corporation (PEMC) as the Governance Arm. Aside from the regular monitoring requirements, the CC envisions the proactive involvement of trading participants in ECO-related activities such as trainings through the WCO Certification Program, which will promote continuous quality enhancement in the performance of compliance-related functions.

2.0 CC RESPONSIBILITIES AND MEMBERSHIP

2.1 Responsibilities

The Compliance Committee shall, from time to time, as necessary and as appropriate, or whenever the Governance Arm, through the PEM Board, directs the:

- (a) Review of reports from the investigations of breaches of the WESM Rules and Market Manuals carried out by the ECO and, based on the results of such investigations, decide on the outcomes of the investigations and recommend the imposition of applicable sanctions or penalties if warranted;
- (b) Review and monitoring of compliance of the ECO with the reportorial requirements pursuant to the WESM Rules, Market Manuals, and other applicable laws, rules, regulations, or issuances;

- (c) Review and monitoring of compliance of the Market Operator and the System Operator with their obligations pursuant to the WESM Rules and Market Manuals or any coordination or operating agreements, or protocols, which may be established that governs the performance of their functions and obligations under the WESM Rules and Market Manuals.
- (d) Proposal of possible amendments to the WESM Rules or Market Manuals in accordance with Chapter 8 with a view of:
- (i) Improving the efficiency and effectiveness of the operator of the WESM; and
 - (ii) Improving or enhancing the prospects for the achievement of the WESM objectives
- (e) Assist the Rules Change Committee in its assessment of proposals to amend the WESM Rules or Market Manuals under Chapter 8.

2.2 Membership

Pursuant to Section 10.1 of the WESM Manual on Guidelines Governing the Constitution of the PEM Board Committees Issue 4.0, the CC shall consist of at least three (3) members, all of whom shall be independent, with at least one member being a lawyer. In accordance with this provision, the CC is composed of the following:

Composition	PEM Board-Appointed Member/Representative	Date of Appointment
Three (3) Independent Members; at least one (1) lawyer	Dr. Peter Lee U	1 st term <ul style="list-style-type: none"> • November 2021 to present – Chairperson
	Engr. Primo D. Lim III	1 st term <ul style="list-style-type: none"> • November 2021 to present – Member
	Atty. Alejandro C. Dueñas II	1 st term <ul style="list-style-type: none"> • November 2021 to present – Member (lawyer)

3.0 CC ACCOMPLISHMENTS FOR 2022

3.1 Review of the Investigation Reports

The CC is authorized to review reports of investigations of breaches of the WESM Rules and Market Manuals under Section 4.2.1 of the Enforcement and Compliance Manual. It also recommends to the PEM Board the appropriate sanctions and penalties based on the findings of ECO. Prior to the creation of a Compliance Committee, this authority was exercised by the MSC.

Through the assistance of ECO, the CC was primed on the undertakings and proceedings of the investigation process of ECO during the first month of its formation in December 2021.

Subsequently, the CC began with the deliberation of the investigation reports released by ECO on a monthly basis during its first regular committee meeting in January 2022.

The details of the reviewed Investigation Reports (IRs) since its first deliberation are as follows:

Description	No. of IRs	No. of Cases
Number of Completed IRs endorsed to the CC for Deliberation	57	563
Number of endorsed Resolutions for PEM Board's reconsideration	57	563
Total number of IRs with Penalties imposed	9	11*

** Non-Compliance Letter/Reprimand for four (4) cases and financial penalty for the remaining seven (7) cases*

In summary, the CC deliberated on a total of 57 ECO Investigation Reports, comprising of 563 cases or billing months during their regular monthly meetings (January-December 2022). All of these completed and closed cases were duly endorsed and presented to the PEM Board through committee resolutions. The said cases were approved by the PEM Board pursuant to Clause 7.2.5.2 of the WESM Rules.

3.2 Adoption of ECO's Truncated Process in the Disposition of Cases

Given the volume of cases endorsed to ECO since 2013 or prior to the implementation of the Compliance Monitoring and Assessment (CMA) process in October 2018, the CC and ECO adopted a streamlined Investigation process, truncating the process and reporting of investigation results without necessarily compromising the due process and the accuracy of the findings in the report. This aims to speed up the disposition of cases by ECO and to give regard, as well, to the concerns of the trading participants who are also faced with challenges in terms of retrieving archived documents in response to the investigations, and the consequent manpower requirement needed to fully address, respond, or explain the allegations of breach. ECO also aims to use its manpower resources in the near real-time monitoring of the compliances in the market after all the pending investigation cases are disposed of.

The truncated investigation process was proposed during the March regular CC meeting and was consequently adopted by the CC beginning April 2022. With the adoption of the truncated process for the closure of the pending investigation cases, an increase in the number of completed cases following the usual investigation process was observed: 531 cases in 2022 which is higher than those concluded in 2021, *i.e.*, 359 cases (excluding those cases disposed of by way of offers for settlement initiated by the concerned trading participants). It recorded an increase in number of cases concluded by around 47.91% in 2022.

3.3 Compliance Monitoring Activities

Beginning January 2022, with the effectivity of the WESM Penalty Manual 1.0 on 23 October 2021, the ECO has been authorized under Clause 7.2.5.2 (a) of the WESM Rules to impose sanctions and penalties upon any subject WESM Member based on the results of the Compliance Monitoring and Assessment (CMA) activity.

The said activity of ECO of regularly monitoring the compliance of the generator-trading participants with the Offered Capacity Compliance (OCC), Dispatch Conformance Standards (DCS), and Forecast Accuracy Standards (FAS) was being overseen by the Committee on a monthly basis. ECO is mandated to report monthly to the Compliance Committee the summary of the results of the compliance monitoring being performed by ECO under Section 4.15 of the Penalty Manual and Section 10.3.1 of the Enforcement and Compliance Manual.

3.3.1 Offered Capacity Compliance (OCC) and Dispatch Conformance Standards (DCS) Monitoring Activities

The CC conducts the monthly review of the Compliance Monitoring and Assessment Reports (CMAR) as submitted by ECO. The CMAR is a result of the Compliance Monitoring Assessment (CMA) performed by ECO on a daily basis. In line with Section 10.3.1 of the Enforcement and Compliance Manual, the ECO shall submit the results of the CMA to the CC on a monthly basis.

In 2022, the CC completed its review of CMARs with the corresponding penalties and sanctions covering the billing months of December 2021 to November 2022 for OCC and November 2021 to October 2022 for DCS.

Some notable events raised by the CC during its review are as follows:

- Updates and status of the Mindanao grid interconnections and its implications on the compliance of Mindanao trading participants upon commencement of WESM Mindanao
- Effects of Typhoon Odette and similar events on the actual generation of plants and DCS compliance
- The significant drop in the percentage of “not justified” intervals during the January 2022 billing period which could be directly attributed to the start of the applicability of the Penalty Manual 1.0
- Contestability of the findings in the CMA results and the possible remedial measures for the TPs
- Non-submission of Mindanao Trading Participants (TPs) and the ongoing measures undertaken by ECO to encourage participation in preparation for the WESM Mindanao Commercial Operations
- Frequency of “Error/Negligence” event category as the reason in the findings of breach
- Publication of the CMAR and limitation in the general information such as statistics and summary of the finding of breach and no breach
- Implications of the DOE Issuance DC2022-05-0015¹ in the OCC and DCS monitoring

¹ DC2022-05-0015 - Supplementing Department Circular No. DC2021-06-0013 on the Framework Governing the Test and Commissioning of Generation Facilities for Ensuring Readiness to Deliver Energy to the Grid or Distribution Network

- The recurrence of “Market System Constraints” findings and the mitigating measures performed by ECO to manage or minimize such findings
- Determination of the conducive factors contributing to the downward trend of the total count of non-compliances
- Longer reporting period for better appreciation of trends in the compliance or non-compliance of TPs
- Monitoring of ECO during the Red and Yellow Alert incidents in Luzon and Visayas
- Compliance of the TPs to the timeline set in the submission of explanations and the coordination activities performed by ECO to ensure the completeness of the submissions

The comments and inputs of the CC were duly noted by ECO and were incorporated in its OCC and DCS monitoring as part of the continuing improvement of the process.

3.3.2 Forecast Accuracy Standards (FAS) Activities

As part of the oversight function of the CC on the compliance monitoring activities and in accordance with Sections 4.4.1 and 4.4.2 of the FAS Manual 2.1, the ECO also submitted and presented to the Committee the consolidated monthly and annual FAS reports containing the status of compliances of must dispatch generating units with the FAS.

For the year 2022, the CC completed its review of Forecast Accuracy Standard Results (FASR) covering the billing months of November 2021 to August 2022.

Below are the subjects or areas of concerns that were raised and evaluated by the Committee during the regular meetings :

- Concerns on the FAS (MAPE and PERC95 standards) under the EWDO
- Clarification on any possible adjustment in the calculation of the forecast percentage error considering the transition of the FAS compliance monitoring from 1-hour market data to 5-minute market data
- Correlation and overall impact of Typhoon Odette resulting in a low passing rate for the December 2021 FAS Results
- Causes of the high failure rate in the Percentile 95(PERC95) of the Forecasting Standards in comparison to Mean Absolute Percentage Error (MAPE)

- Challenges encountered by some must-dispatch generating units with difficulty in achieving the MAPE and PERC95 passing standards
- Period covered in the imposition of penalty for the FAS in consideration of the revised Penalty Manual
- Possible exclusion of outage events in the computation of MAPE and PERC95
- Low acceptance rate of the requested exclusions issued by the trading participants
- Observed non-submission of the FAS form and supporting documents by some trading participants
- Possible reason/s for the change in the result status of some plants after the recalculation activity from passed to failed or vice versa
- Acceptable grounds/events for exclusion of some intervals in the FAS calculation
- Report publication timeline that was affected by the recalculation activity covering January – August 2022 billing months
- Applicable implementation date of the urgent amendments in the FAS manual in the FAS monitoring particularly on the calculation (if possible to follow the approval date of the said amendments)
- Definition of Initial Loading as part of the parameters in the determination of the Projected Quantity
- Incorporation of a filtering procedure by inclusion of the common request for exemption and/or data replacement of intervals prior to the publication of preliminary FASR
- Possible conduct of study on the current MAPE and PERC95 standard thresholds

The comments and inputs of the CC were duly noted and addressed by ECO. This also helped ECO improve its monitoring process.

3.4 WCO Certification and Registration Activities

The WCO Certification and Registration Manual was promulgated by the DOE through Department Circular DC2021-12-0041. The WCO Certification Program aims to provide competency standards for all WESM Compliance Officers (WCOs) that promote continuous quality enhancement in the WCOs' performance of their compliance-related functions.

Pursuant to Section 2.1.3 of the WCO Certification and Registration Manual, the WESM Governance Arm shall establish the competency standard and registration, subject to the review of the Compliance Committee.

During its March 2022 regular committee meeting, the CC adopted the following WCO Certification Implementing Guidelines for Certification:

1. Guidelines 01 – WESM Compliance Officers (WCO)

Section 4.1 – Guidelines

Coverage of the WCO Certification Program with the Registered WCOs², Designated WCOs³, and Certified WCOs⁴ collectively referred to as “Participating WCOs”

Section 4.2 – Compliance Period and Certification Requirements

- a. Commencement of the First Compliance Period on 01 July 2022
- b. Compliance period duration of 36 months (3 years)
- c. Completion of 36 units for the voluntary and mandatory
- d. Renewal of certification

Section 4.3 – Application for WCO Certification Program

Procedural requirements in the application for the WCO Certification program including the forms to be accomplished, maintenance of the official list, eligibility period of the certification, and contact information sheet.

Section 4.4 – WCO Certification Activities

Step-by-step process of the activities from the enrollment, decorum, internet connection requirements, misrepresentation, and request for special trainings.

Section 4.5 – Accounting of Credit Units

Procedures in the accounting of earned credit units of participating WCOs covering general rules, duplicated courses, carry-over of excess credit units, and transfer of WESM Membership in consideration of earned credit units.

Section 4.6 – Notification of Credit Status

Procedures in notifying the credit status of participating WCOs, including the roles of ECO and resolution of issues, concerns, and complaints.

² Registered WCO (RWCO) – the compliance officer who is officially registered as such in the WESM under Clause 7.2.9 of the WESM Rules and is authorized to represent the WESM Member in all enforcement-related proceedings

³ Designated WCO(DWCO) – the compliance or enforcement officers listed, permitted, or designated by the WESM Member to participate in the WCO Certification Program

⁴ Certified WCO – the WCO who completed the certification requirements within a compliance period and who holds a valid WCO certification

Section 4.7 – Issuance of WCO Certificates

Procedures in the issuance of WCO certificates, including expiration, roster, title and renewal

Section 4.8 – Registration of Certified WCO

Procedure in the registration of certified WCOs including timeline, terms, and conditions of confirmation and renomination

Section 4.9 – Change or Transfer of WCO

Procedure in the transfer of WCO in changes of employment relationships due to resignation, retirement, termination, or any other cause of separation

Section 4.10 – Penalty or Sanction

Applicable penalties and sanctions based on the WESM Penalty Manual

2. Guidelines 02 – Training Service Providers (TSP)

Guidance to the TSPs of the Independent Electricity Market Operator of the Philippines, Inc. (IEMOP) and PEMC with respect to the development of training courses or activities, the enrollment of participating WCOs, conduct of training proper, reporting, and maintenance of certification records and reports

3. Guidelines 03 – Enforcement and Compliance Office

Guidance to the ECO tasked in the provision of administrative and technical support to the CC with respect to the processing of applications for the certification program, accounting and earning of credit units, publication of certification status, handling of incident reports, and maintenance of records and database.

As part of the CC's oversight function over the implementation of the WCO Certification and Registration Manual, the CC during its 4th Regular Meeting last 16 March 2022 also approved to recommend the commencement date for the 1st Compliance Period. Such recommendation was then presented for confirmation and approval of the PEM Board during its 47th Regular Meeting. Following the approval and ratification of the PEM Board, the First Compliance Period was declared to be commenced beginning 01 July 2022. Such declaration was made via a WESM Compliance Bulletin No. 17 (Official Declaration Statement of PEMC on the commencement of the 1st Compliance Period of the WCO Certification Program) which was published by PEMC-ECO on 27 May 2022.

3.5 Approval and Implementation of the Revised Compliance Rating

In recognition of the efforts of WESM Participants, specifically generators, to comply with the requirements of the WESM Rules and its Manuals, the PEMC Management and CC confer awards and recognition of WESM Members with High Compliance Rating on a yearly and quarterly basis, based on a set of criteria. The first Compliance Rating Guidelines was originally proposed by ECO and approved by the MSC in March 2019.

During its February 2022 regular Committee Meeting, the CC approved the proposed revised Compliance Rating Guidelines with the following comments:

- Inclusion of the Mindanao TPs in the evaluation for rating pending the commencement of WESM Mindanao Commercial Operations
- Effect of the imposed penalties and sanctions in the compliance rating
- Parameters and considerations involved in the formula, particularly on the allotted percentages in determining the compliance rating

The revised criteria was approved by the CC on 16 March 2022 and is developed to align it with the current rules and be consistent with the new parameters relative to the monitoring of the performance of the generator-trading participants with respect to their compliance with the OCC, DCS, and FAS.

3.6 Participation in the WCO Summit 2022

In line with its advocacy of upholding the culture of compliance, the CC attended and participated in the WCO Summit 2022, which was held on 14 October 2022.

The CC served as one of the keynote speakers who showcased the highlights of the enforcement and compliance activities in the past months. In addition, the CC served as the awarding body of the Top Performing Generators and Metering Service Providers (MSP) for 2021.

3.7 Coordination with other WESM Governance Committees (WGC)

The CC also coordinated with other WESM Governance Committees and PEMC departments on matters that may affect the monitoring of compliance. Below are the coordination meetings and presentations attended or requested by the CC in 2022:

- Coordination with the Market Assessment Group (MAG) and MSC on the Generator Outage Modelling Study
- Meeting with MAG-Rules Review Division (RRD) on the Proposed Amendment regarding Maximum Available Capacity
- Meeting with Corporate Planning and Communications (CPC) regarding the Updates on Battery Energy Storage Systems (BESS)
- Briefing with ECO on the Facilitation of the Appeal Procedure

3.8 Attendance to PEMC Membership Meetings and Other Market Participants' Events

The CC attended and actively participated in the following events organized by PEMC and other stakeholders:

1. Market Participants Townhall on 05 May 2022
2. PEMC Annual General Membership Meeting and Electricity Market Exchanges (EMX) held on 20 July 2022
3. WESM Compliance Officer (WCO) Summit 2022 on 13-14 October 2022

4.0 ON-GOING ACTIVITIES AND STUDIES

In addition to the regular monitoring and review responsibilities of the CC, the other on-going activities and studies of the CC include the following:

1. Monitoring of the enforced remedial measures on the defective communication link issue between NGCP and the concerned TP
2. Study on the governance of the Metering Service Providers (MSPs), which aims to seek the approval and input of the CC for the initial guidelines and procedures of the governance and monitoring of MSPs

3. Study on the Battery Energy Storage Systems (BESS), which aims to solicit inputs from the CC for the development of a new conformance standard that may be applicable to BESS
4. Remedial measures for appeals filed by concerned TPs in relation to penalties and sanctions arising from the CMA process.
5. ACB Framework Study by Potomac started in November 2022.
6. Study on the Maximum Available Capacity

5.0 2023 CC WORK PLAN

Annex A provides for the details of the program of activities of the Committee for 2023 consistent with PEMC's Corporate Strategic Plan for 2023-2025, which was approved by the PEM Board on 25 January 2023.

10 March 2023, Pasig City.

Submitted by:

COMPLIANCE COMMITTEE

PETER LEE U
Chairperson

PRIMO M. LIM III
Member

ALEJANDRE C. DUENAS II
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