



Market Surveillance Committee Quarterly Accomplishment Report

01 January to 31 March 2024

April 2024

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

Document Information Classification: Public

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	Monitoring and Assessment of Market Outcomes in the WESM	2
2.1.1.1	Monthly Market Assessment Reports.....	3
2.1.2	Review of Over-riding Constraints.....	4
2.1.2.1	Monthly Over-riding Constraints	4
2.1.3	Market Trigger and Interesting Pricing Events	4
2.1.4	Review of Market Intervention Events.....	5
2.2	Assessment of the Retail Market (Retail Competition and Open Access or RCOA and Green Energy Option Program or GEOP)	6
2.2.1	Monthly Retail Market Assessment Highlights	6
2.2.2	Q4 2023 Retail Market Assessment Report	7
2.3	Review and Updating of Monitoring Thresholds and Indices	8
2.3.1	Discussion on the Updating of Thresholds for the Monitoring of Market Trigger and Interesting Pricing Events.....	8
2.3.2	Review of the Catalogue for Market Monitoring Data and Indices.....	8
2.4	Discussion on the Draft MSC Resolution on the Recommendation to Establish a System Operator Performance Standard (SOPS)	8
3.0	Coordination with Various Agencies and Entities.....	9
3.1	Meeting with Market Operator (MO).....	9
3.1.1	Discussion regarding Overview of the Reserve Market.....	9
4.0	Proposed Amendments to WESM Rules and Market Manuals.....	9
4.1	Proposed Amendments to the WESM Penalty Manual	9
5.0	Other Activities and Accomplishments.....	9
5.1	Review of Various Department Circulars, Issuances, and Call for Comments	9
5.2	Highlights of the Public Consultation for the Secondary Price Cap (SPC)	10
5.3	Discussion on the Study on the Proposed Revision to SPC Parameters	11
5.4	Discussion on Market Operator Information Disclosure and Confidentiality Manual	11
5.5	Discussion on the Corporate Strategic Plan for 2024-2026	11

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 Group (MAG) as its primary support unit.

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

For the covered period, the MSC exercised 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 1st quarter of 2024, the MSC conducted the following regular and special meetings:

- Regular Meeting No. 2024-01 held on 11 January 2024 (Online)
- Regular Meeting No. 2024-02 held on 15 February 2024 (Online)
- Special Meeting No. 2024-03 held on 22 February 2024 (Online)
- Regular Meeting No. 2024-04 held on 14 March 2024 (Face-to-Face)

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 Monitoring and Assessment of Market Outcomes in the WESM

Pursuant to its mandate under Section 3.1 (b)² 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).

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).

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 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*

2.1.1.1 Monthly Market Assessment Reports

During the quarter, the MSC assessed WESM results for the billing periods of December 2023 to January 2024, as discussed in the Monthly Market Assessment highlights prepared by MAG. The highlights of which are as follows:

Billing Period	MSC Assessment Highlights
December 2023	<p>There was an observed slight increase in the average system demand experienced in the Luzon and Visayas grids, from 11,410 MW to 11,570 MW, despite the lower temperature brought about by the rainy season. On the other hand, a decrease in the capacities offered was noted from 14,114 MW to 13,070 MW due to scheduled maintenance outages. Despite this, the effective supply still increased from 12,802 MW to 12,853 MW. Meanwhile, a dip in the average supply margin of 810 MW from 788 MW was noted during the billing period. Consequently, WESM average price increased during the billing period, from PHP4,937/MWh to PHP6,485/MWh.</p> <p>Similar with the Luzon and Visayas grids, there was a recorded increase in the system demand in Mindanao from 1,830 MW to 1,905 MW. Furthermore, a higher effective supply was observed from 2,178 MW to 2,443 MW due to the notable decline in the capacities on outage during the period from 706 MW to 597 MW. In view of this, prices in the region decreased from an average of PHP5,488/MWh to PHP4,306/MWh.</p>
January 2024	<p>The average system demand dropped from 12,932 MW to 12,418 MW due to the onset of the cool dry season. Meanwhile, the average capacities offered for the billing period rose from 16,723 MW to 17,143 MW, despite this, a decline in effective supply from 15,220 MW to 14,663 MW was further noted. This is due to the surge in average capacities on outage from 3,299 MW to 3,604 MW.</p> <p>On the contrary, the average supply margin increased from 959 MW to 987 MW. With this, the WESM prices averaged at PHP 4,603/MWh during the billing period, with a recorded minimum price of PHP -1,713/MWh and a maximum of PHP 33,040/MWh.</p>

MARs are prepared upon availability of the processed and validated data received from both Market Operator and System Operator.

2.1.2 Review of Over-riding Constraints

Pursuant to MSM Section 3.1 (b.iii)³, the MSC reviewed the assessment results on the over-riding constraints which provide for the summary of impositions from the System Operator (SO) to generator-TPs for the December 2023 to February 2024 billing periods.

2.1.2.1 Monthly Over-riding Constraints

Luzon & Visayas

- Majority of the events were categorized under non-security limit, mainly related to the conduct of commissioning tests.
- No recorded security limit impositions due to Must-Run Unit (MRU) in the Luzon and Visayas grids during the covered billing period.
- Impositions to natural gas plants continued for the whole quarter which were due to the conduct of performance test related to the commissioning of their liquified natural gas (LNG).
- Aside from the plants which were conducting commissioning tests, there had been a couple of plants which were provided an extension to their commissioning test for multiple times.

Mindanao

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

The Committee likewise discussed the recent updates from IEMOP on the status of plants under commissioning test. 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:

³ MSM Section 3.1(b) The MSC shall have following responsibilities: (a) xxx; (i) Review Over-Riding Constraints; xxx

Billing Period	Highlights
December 2023	A total of ninety-six (96) price spike events in the integrated Luzon, Visayas, and Mindanao regions – seventy-two (72) of which happened during off-peak hours while the remaining in peak hours, with Tuesdays and 2200h having the highest number of events noted.
January 2024	A total of one hundred seven (107) price spike events across the integrated Luzon, Visayas, and Mindanao regions. Among these, fifty-five (55) occurred during off-peak hours, spanning 23 out of the 31 days of the January 2024 billing period. Trading hour 2200h was noted to have the highest number of events.
February 2024	A total of nineteen (19) price spike events across the integrated Luzon, Visayas, and Mindanao regions. Among these, fourteen (14) occurred during off-peak hours, spanning 7 out of the 31 days of the February 2024 billing period. Trading hour 2200h was noted to have the highest number of events.

2.1.4 Review of Market Intervention Events

The MSC discussed the results of MAG's assessment on Market Intervention (MI) events which occurred from December 2023 to February 2024 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	27 December 2023	1755h – 1830h 8 intervals	Visayas	Threat to System Security	Due to Manual Load Dropping (MLD) implementation to prevent overloading of Amlan-Samboan 138kV Line 1.
SO	02 – 05 January 2024	1510h (02 January) – 1235h (05 January) 834 intervals	Visayas	Emergency	Due to partial blackout at Panay sub-grid
SO	17 January 2024	1850h – 1910h 5 intervals	Visayas	Threat to System Security	Due to overloading of Samboan – Amlan 138 kV Lines 1 and 2
MO	03 February 2024	0925h 1 interval	Luzon, Visayas, and Mindanao	Force Majeure	Due to infeasible solution brought about by the SCADA bad data resulting in intermittent ONLINE-OFFLINE status of various plants

For those MI events with complete submitted reports from either MO/SO, the corresponding review reports of the MI events which detailed the MSC's assessment and recommendations on the abovementioned MI events were duly submitted to the PEM Board, for approval and submission to the Department of Energy (DOE) and Energy Regulatory Commission (ERC) ⁴.

2.2 Assessment of the Retail Market (Retail Competition 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, covering both the RCOA and GEOP, performed during the period in review.

During the covered period, the MSC reviewed the Retail Market Assessment Report on the RCOA and GEOP for the 26 September 2023 to 25 January 2024 billing period, as submitted by MAG. Some highlights of the report are as follows:

2.2.1 Monthly Retail Market Assessment Highlights

RCOA

- There was an increase of 0.35% in the total number of registered contestable customers (CCs), totaling 1,998 CCs during the covered period.
- The total number of registered suppliers with active contracts was noted to have decreased by about 2.78%.
- The total electricity consumption of CCs was recorded to be 1,748 GWh, representing a 4.29% increase from the previous month.
- The MERALCO group remained the top market participant group with the highest percentage share of the number of CCs. However, in terms of energy consumption, the Ayala Group had the highest percentage share.
- All forty (40) recorded switches were due to the expiration of supply contracts. Additionally, in terms of Retail Electricity Suppliers (RES), only one (1) RES was noted to have ended up without an active contract.

GEOP

- There was an increase of about 9.67% in the total number of registered GEOP End-users, totaling 312. Additionally, there was an observed increase in the total number

⁴ Market Surveillance Manual Issue 1.0 Sections 5.3.6 and 5.3.7.

of GEOP End-users switching to other Renewable Energy (RE) suppliers, primarily due to the expiration of their supply contracts.

- A 6.20% increase was noted, totaling 40 GWh, in the total electricity consumption of GEOP End-users.
- The Ayala Group maintained its position as the top market participant group with the highest percentage share for both the number of engaged contestable customers and served energy consumption.

2.2.2 Q4 2023 Retail Market Assessment Report

RCOA

- There were twenty- eight (28) recorded initial switches and two (2) cessations yielding to an additional twenty-six (26) registered CCs when coming from 2023-Q3, thereby raising the total tally of registered CCs in the market to 1,991, equivalent to a 61% of the entire population of eligible end-users.
- 33 out of 39 registered RES and 3 out of 15 registered Local RES have active contracts with CC/s.
- Calculations based on the Herfindahl-Hirschman Index (HHI) indicated that the 2023-Q4 remained to be a concentrated market in both the no. of CCs engaged and the energy consumptions served. On a per RES basis, the HHI was recorded to be a moderately concentrated market.

GEOP

- There were twenty- three (23) additional recorded initial switches to become GEOP End-Users which is equivalent to an 9% increase from 2023-Q3 with a total tally of registered GEOP End-Users in the market at 286.
- By region, majority (73%) of GEOP End-users were located in Luzon, while the remaining 27% were Visayas-based.
- There were 17 registered RE Suppliers and 13 Suppliers of Last Resort (SoLRs) all of which were registered under RCOA.

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

2.3 Review and Updating of Monitoring Thresholds and Indices

2.3.1 Discussion on the Updating of Thresholds for the Monitoring of Market Trigger and Interesting Pricing Events

As part of the Committee's annual activities, the MSC reviewed the methods for updating thresholds used to identify notable price spikes in the electricity market.

During the discussion, the MSC noted that initial simulations using various methods (average price, standard deviation) produced unexpected results and might not effectively capture significant price spikes. With this, the Committee suggested using all available data (including pricing conditions) and exploring alternative methods like geometric mean and daily thresholds to further analyze the best-fit calculation for new thresholds. The role of the Secondary Price Cap (SPC) in price spikes was also briefly discussed, with some members suggesting it might be helpful to analyze how often spikes exceed the SPC to potentially trigger an SPC review.

After the discussion, the Committee ultimately recommended further simulations incorporating suggestions from the meeting and deferred the update to Q2 2024.

2.3.2 Review of the Catalogue for Market Monitoring Data and Indices

The MSC was apprised on the review of the Catalogue of Market Monitoring Data and Indices (CMMDI) which was mainly for the possible improvement of indices used in the current reports reviewed and approved by the Committee. They likewise reviewed the potential new market indices to be included in their reports to improve its value for market assessment.

After the discussion, the Committee decided to initially use all the proposed market concentration indices in internal monitoring before potentially incorporating them into public reports. They requested MAG to coordinate the necessary data/information from the ERC to calculate the Lerner Index. With this, the Committee agreed that they will identify which indices are most relevant for reporting and decision-making purposes upon completion of necessary simulation.

2.4 Discussion on the Draft MSC Resolution on the Recommendation to Establish a System Operator Performance Standard (SOPS)

The MSC was apprised on MAG's comments regarding the revised draft Resolution for the establishment of the System Operator Performance Standards (SOPS). It was clarified that the recommendation for SOPS originally came from an External Auditor during one of the market audits previously undertaken for the WESM. Concerns were likewise raised during the MI event on 23 September 2023, regarding the potential lack of penalties for the SO due to insufficient provisions governing its assessment and reprimand for inaction.

Additionally, the MSC proposed that, like the MO, the SO should undergo regular performance assessments. Following the discussion, the Committee approved the draft MSC Resolution.

3.0 Coordination with Various Agencies and Entities

3.1 Meeting with Market Operator (MO)

3.1.1 Discussion regarding Overview of the Reserve Market

As requested by the MSC through its formal letter dated 05 February 2024, the representatives of the Independent Electricity Market Operator of the Philippines (IEMOP) provided an overview of the reserve market which started its commercial operation on 26 January 2024. Salient features of the reserve market were discussed, as well as the concept and principle of the market.

After the presentation, the Committee sought clarification on the intricacies of the market and how it may affect the economy of the energy market to which IEMOP responded to. The MSC then noted the overview of the reserve market.

4.0 Proposed Amendments to WESM Rules and Market Manuals

4.1 Proposed Amendments to the WESM Penalty Manual

- **Transfer of Authority of Collecting and Utilization of Penalties**

As part of its mandate under the WESM Penalty Manual, the MSC consulted the PEM Board on 31 January 2024, regarding the proposed amendments received by the Committee from PEMC, as the lead proponent, in relation to the WESM Penalty Manual.

On PEM Board's recommendations particularly regarding penalty utilization for specific conditions, the MSC agreed to incorporate the comments and recommendations with modification which will be embodied in the Resolution adopting the final revisions to the WESM Penalty Manual and endorsing the same to the DOE.

Furthermore, during the Special Meeting on 22 February 2024, the MSC reviewed and approved the draft Resolution adopting the proposed amendments to the WESM Penalty Manual.

5.0 Other Activities and Accomplishments

5.1 Review of Various Department Circulars, Issuances, and Call for Comments

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

- *Call for Comments on the WGC Survey Forms for Governance Year 2023 of PEMC*

The MSC discussed the contents of the WESM Governance Committee (WGC) survey forms in compliance with the directive of the PEMC President to solicit comments from each WESM Governance Committee (WGC) Chairperson on the survey forms which aims to gather insights from the WGC on the support received by the Committee as well as the conduct of committed activities. After the presentation, the Committee requested copies of the forms for further review and submitted comments on 16 January 2024.

- *Call for Comments on Proposed Rules Affecting Power Supply Security*

The MSC was apprised on the call for comments by the Energy Regulatory Commission on the proposed rules affecting the power supply security of the Philippines. The salient features of the following draft proposed rules on the 1) imposition of Secondary Price Cap (SPC) and 2) Rules for Reliability Performance and Equivalent Force Outage Days per Year of Generating Units were discussed in detail.

The Committee agreed to submit comments on the proposed SPC rules which focused on the usage of terminology used in the WESM, clarification on the formula for the determination of supply margin, SPC level, and the proposed cumulative price threshold. It was likewise discussed to inquire with the petitioner of the proposal on the rationale behind using Liquefied Natural Gas (LNG) as Best New Entrant (BNE) technology, as well as the data used in the calculations.

During the discussion, the MSC proposed conducting further simulation on the effect of the revision to the SPC parameters using 2023 data. The Committee then agreed to submit comments on 12 January 2024, and highlighted in the letter that the result of the study will be submitted on a later date. In addition to the said simulation, review of practices in other jurisdictions was requested to be part of the study.

- *Advisory on the Allocation of Renewable Energy Certificates (RECs) under the Green Energy Option Program (GEOP)*
- *Declaring the Commercial Operations Date of Retail Competition and Open Access (RCOA) and Green Energy Option Program (GEOP) in Mindanao*
- *ERC Issuance Suspending the Billing and Settlement of the Reserve Market until Further Notice*
- *DOE Advisory in relation to the implementation of the Reserve Market*

5.2 Highlights of the Public Consultation for the Secondary Price Cap (SPC)

The MSC was apprised on the highlights of discussions during the public consultations for the Luzon, Visayas, and Mindanao legs for the proposed SPC rules. The Committee was likewise

informed on Philippine Independent Power Producers Association, Inc.'s (PIPPA's) responses to the submitted comments highlighting the latter's acceptance of the MSC's comments.

The Committee was then provided with the summary of PIPPA's supply margin study, which served as a basis for their proposal that the SPC should only be issued when the supply margin falls below 15%.

During the discussion, the Committee emphasized the original purpose of implementing the SPC, particularly its role in protecting consumers from excessively high prices. Following the discussion, the MSC noted the deliberations on the key points from the public consultation regarding the SPC.

5.3 Discussion on the Study on the Proposed Revision to SPC Parameters

In view of the Committee's agreement to conduct a further study on the subject matter, the MSC discussed the study presented by MAG on mechanisms similar to the SPC in other jurisdictions – Singapore, Australia, and Texas – and their effects to the revised parameters in the WESM, focusing on Price Cap, Trigger for Implementation, and Methodology.

It was clarified to the Committee that the simulation utilized PIPPA's proposal without the consideration of the supply margin threshold. The revised thresholds were applied in a similar manner to the existing parameter. It was also highlighted that the proposal further suggested a quarterly update of SPC parameters which will be published by the ERC, if adopted.

Subsequently, the MSC proposed dropping the 15% supply margin threshold and likewise adjusting other parameters, or automatically cap market prices, if PIPPA's conditions are met. The Committee instructed coordination with PEMC-Legal for the abovementioned additional comments and suggested reviewing previous SPC Resolutions to understand ERC's rationale in issuing the said mechanism.

Lastly, the MSC also recommended that the simulation results be presented to the ERC. Following the discussion, the Committee noted the presentation regarding the study on the proposed revision to SPC parameters.

5.4 Discussion on Market Operator Information Disclosure and Confidentiality Manual

The MSC was apprised on the contents of the Market Operator Information Disclosure and Confidentiality Manual especially those that may be relevant to the functions and activities of the Committee. The presentation likewise highlighted the limitations on the use of confidential information, especially on the inclusion of the same to market reports published for public consumption.

5.5 Discussion on the Corporate Strategic Plan for 2024-2026

The MSC was informed on the corporate strategic plan of the Philippine Electricity Market Corporation (PEMC). Among its core objectives for the next three (3) years, PEMC, with the Governance Committees, aims to ensure the reliability and transparency of the Wholesale Electricity

Spot Market (WESM) and Renewable Energy Market (REM) through effective governance and compliance with policy and regulatory directives. In line with these objectives, the MSC shall develop its work plan for the year 2024. Following this, the MSC crafted its 2024 Work Plan around the CSP of PEMC in order to help achieve the latter's objectives.

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 Dr. Justin Ranier S. Chan.