



# Market Surveillance Committee Quarterly Accomplishment Report

01 April to 30 June 2024

**July 2024**

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

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## 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 Market<sup>1</sup>, 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 2<sup>nd</sup> quarter of 2024, the MSC conducted the following regular and special meetings:

- Regular Meeting No. 2024-05 held on 11 April 2024 (Online)
- Regular Meeting No. 2024-06 held on 16 May 2024 (Face-to-Face)
- Regular Meeting No. 2024-07 held on 13 June 2024 (Online)
- Special Meeting No. 2024-08 held on 18 June 2024 (Online)

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)<sup>2</sup> 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).

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<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> 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 February 2024 to April 2024, as discussed in the Monthly Market Assessment highlights prepared by MAG. The highlights of which are as follows:

Billing Period	Date Discussed	MSC Assessment Highlights
February 2024	11 April 2024	<p>It was highlighted that the average system demand of the Luzon-Visayas grid slightly increased from 12,418 MW to 12,556 MW. Similarly, the offered capacities rose from 17,143 MW to 17,663 MW resulting in an increase in the effective supply from 14,663 MW to 15,247 MW. This is due to the decline in capacities in outage from 3,626 MW to 3,058 MW. Furthermore, the average supply margin slightly improved from 987 MW to 1,001 MW during the billing period. With this, the WESM prices in the Luzon-Visayas grid dropped from PHP 4,582/MWh to PHP 4,026/MWh due to cool-dry season.</p> <p>The Committee likewise noted the updates on the market outcomes for WESM Mindanao, observing a drop in the demand from 1,985 MW to 2,036 MW. Additionally, effective supply improved from 2,362 MW to 2,419 MW, attributed to the decline in capacities on outage during the period, from 460 MW to 307 MW. With these changes, prices in the region decreased from an average of PHP 4,368/MWh to PHP 3,715/MWh.</p>
March 2024	16 May 2024	<p>The average system demand of the Luzon, Visayas, and Mindanao grids slightly increased from 12,556 MW to 13,346 MW. Similarly, an increase in offered capacities from 17,663 to 18,383 MW was observed during the period resulting in an improvement in the effective supply from 15,247 MW to 16,067 MW. Moreover, an increase in capacities on outage from 3,058 MW to 3,827 MW was also observed during the period which contributed to the decline in average supply margin from 1,001 MW to 844 MW during the billing period.</p> <p>With this, the WESM prices increased from PHP 4,026/MWh to PHP 5,532/MWh.</p>
April 2024	18 June 2024	<p>During the covered period, the average system demand of the Luzon, Visayas, and Mindanao grid surge from 13,346 MW to 14,531 MW. Similarly, an increase in offered capacities from 18,383 MW to 18,604 MW was observed during this period resulting in a 2.5% increase in the effective supply from 16,067 MW to 16,436 MW. On the other hand, a slight decline in capacities in outage from 3,827 MW to 3,803 MW was also observed during the period. Despite the changes in the capacities on outage the average supply margin still decreased from 844 MW to 759 MW during the billing period. With this, the WESM prices surged from PHP 5,532/MWh to PHP 6,902/MWh.</p>

Billing Period	Date Discussed	MSC Assessment Highlights
		<p>Further, the following significant incidents were noted by the Committee:</p> <ul style="list-style-type: none"> <li>• Issuances of Secondary Price Cap (SPC) affecting 1,709 trading intervals were recorded for the subject period.</li> <li>• Yellow and Red Alert grid issuances on 16-20 and 23-25 April 2024 due to insufficient operating margin were caused by multiple power plant tripping.</li> <li>• Significant increase in the Pricing Error Notice (PEN) affecting 1,738 trading intervals.</li> <li>• MO-initiated Market Intervention was issued in Luzon, Visayas, and Mindanao affecting 10 intervals due to Market Management System (MMS) failure to publish real-time dispatch schedules on 26-28 March 2024. There were also SO-initiated Market Interventions in Luzon on 16 and 23 April 2024 due to generation deficiency.</li> </ul>

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

### 2.1.1.2 Q4 2023

The MSC discussed the results of the market assessment report for the 4<sup>th</sup> quarter of 2023. Highlights of which were as follows:

- Improvement in the supply margin due to the dip in the demand, translated to lower price outcome during the period.
- High level of spot exposure was noted in the latter part of the subject Quarter.

#### Capacity Profile:

- Capacities under Commissioning Test increased from 846 MW to 1,165 MW.
- Capacities Offered/Nominated declined to 17,471 MW from previous quarter's 18,194 MW.
- Capacities on Outage surged from 2,617 MW to 3,154 MW due to the significant increase in the outage levels from Coal and Hydro power plants.
- Capacities Not Offered increased from 4,745 MW to 4,926 MW attributable to changes in the derating level of plants and resource constraints. PEMC's Enforcement and Compliance Office (ECO) will further investigate on the capacities not offered for further assessment per Must-Offer Rule.

#### Market Outcomes:

- System Demand dropped by 1% from 13,327 MW to 13,170 MW.
- Supply Margin increased by 3% from 977 MW to 1,005 MW.
- Prices dipped by 6.5% from PHP 5,395/MWh to PHP 5,044/MWh.
- In terms of HHI, the market was recorded to be moderately concentrated

### 2.1.1.3 Q1 2024 Market Assessment Report

The MSC reviewed the results of the market assessment report for the 1<sup>st</sup> quarter of 2024. Highlights of the report were as follows:

- Total WESM registered capacity stood at 27,566.9 MW by the end of the first billing quarter of 2024, recording a 330.43 MW increase from the 27,236.47 MW on 25<sup>th</sup> December 2023.

#### Capacity Profile:

- Capacities under Commissioning Test increased from 1,165 MW to 1,551 MW.
- Capacities Offered/Nominated declined to 17,753 MW from previous quarter's 17,471 MW.
- Capacities on Outage surged from 3,154 MW to 3,512 MW due to the significant increase in the outage levels from Coal and natural gas power plants.
- Capacities Not Offered decline from 4,926 MW to 4,382 MW attributable to changes in the derating level of plants and resource constraints. PEMC's Enforcement and Compliance Office (ECO) will further investigate on the capacities not offered for further assessment per Must-Offer Rule.

#### Market Outcomes:

- System Demand dropped by 3% from 13,170 MW to 12,753 MW.
- Supply Margin increased by 3% from 1,901 MW to 1,935 MW.
- Prices dipped by 6.9% from PHP 5,044/MWh to PHP 4,695/MWh.
- In terms of HHI, the market was recorded to be moderately concentrated.

## 2.1.2 Review of Over-riding Constraints

Pursuant to MSM Section 3.1 (b.iii)<sup>3</sup>, 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

During the quarter, the MSC monitored the Over-riding Constraints imposition for the billing periods of February 2024 to April 2024, as discussed in the Monthly Market Assessment highlights prepared by MAG. The highlights of which are as follows:

Billing Period	Highlights
February 2024	An increase of 16.8% (from 89,734 OC to 104,849 OC) in the total number of impositions was noted related to the following:

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

Billing Period	Highlights
	<ul style="list-style-type: none"> <li>○ Continuing conduct of commissioning tests of Coal, Solar, Hydro, and Geothermal plants.</li> <li>○ Continuing impositions to Natural gas plants due to the conduct of performance tests in Luzon.</li> <li>○ Keeping with the trend from previous months in Mindanao, most of the impositions were due to the dispatch of Must-Run Units (MRUs) to address the system voltage requirement in the grid.</li> <li>○ One (1) biomass plant that conducted its commissioning test.</li> </ul> <p>In terms of the MW scheduling of the plants imposed with OC impositions, the majority of which were scheduled at a range of 10 MW to 160 MW for Luzon plants, while it was at a range of -5 MW to 4 MW for Visayas plants. For Mindanao plants, most of the impositions were scheduled at 3 MW to 75 MW.</p>
March 2024	<p>Commissioning tests accounted for 83% of the total OC impositions during the period. Further, the decrease in the number of OC impositions in Luzon was due to the completion of performance tests of natural gas plants commissioning their new liquified natural gas fuel. Meanwhile, most of the OC impositions in the Visayas region are attributed to ancillary service tests of oil-based plants.</p> <p>In Mindanao, the majority of the OC impositions were due to the commissioning test of a new biomass plant and plants dispatched as MRU is still observed to be imposed to oil-based plants in the region to address the system voltage requirement in the grid.</p>
April 2024	<p>There was a recorded 25.9% increase in imposition primarily due to the commencement of commissioning tests of four (4) plants in Luzon and two (2) in Visayas. Further, most of the impositions in the Visayas region were due to commissioning test of geothermal plants. Overall, commissioning tests made up 83% of the total impositions.</p> <p>In Mindanao, majority of the impositions were due to the dispatch of plants as MRU. This was followed by conventional plants conducting their commercial and regulatory requirement testing.</p>

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.

#### 2.1.2.2 Q4 2023 Over-riding Constraints Report

The MSC reviewed the monitoring of over-riding constraints for the 4th quarter of 2023. Highlights of the report were as follows:

- A total of 173,514 events from 145,281 coming from Q3-2023 resulting in a 19.4% increase in the number of impositions.
- Majority of impositions occurred during peak hours from 0700h to 1800h. Chunks of impositions for solar plants, oil-based plants, and battery plants were observed during peak hours.
- Most OC impositions were attributable to the conduct of performance test of natural gas plants.
- The decrease in the total impositions was primarily due to the completion of the commissioning test period of several plants and expiration of the Provisional Certificate of Approval to Connect (PCATC) of plants.
- 7 plants have completed their Commissioning Test Period and received their Final Certificate of Approval to Connect (FCATC).
- 5 plants received multiple extensions to their PCATCs.
  - 1 plant has extended 6 times.
  - 1 plant has extended thrice.
  - 3 plants have extended twice.
- 4 plants commenced with their commissioning tests during the period.

### 2.1.2.3 1<sup>st</sup> Quarter Over-riding Constraints Report

The MSC reviewed the monitoring of over-riding constraints for the 1<sup>st</sup> quarter of 2024. Highlights of the report were as follows:

- A total of 278,836 events recorded for Q1-2024 resulting in a 60.7% increase in the number of impositions as compared with the previous quarter's 173,514.
- Majority of the impositions were security limit-related constraints.
- The increase noted was attributed to the start of commissioning tests of five (5) plants (2 solar, 1 each for wind, geothermal, and biomass plants).
- Notable prolonged commissioning test is still apparent during the period attributed to:
  - Balaoi Caunayan Wind
  - MPGC CFTPP Unit 2
  - Lower Labayat HEP
  - Matuno HEP
- Performance test of natural gas plants of its commissioning of new liquified natural gas (LNG) fuel were completed during the period, hence the decline in imposition.
- MRU imposition is exclusively imposed to Mindanao region to address the system voltage requirement, specifically in Zamboanga Area.

### 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	Highlights
March 2024	A total of one hundred fifteen (115) price spike events across the integrated Luzon, Visayas, and Mindanao regions. Among these, twenty (20) occurred during off-peak hours for 8 days out of the 29 days of the March 2024 billing period. Trading hour 2100h was noted to have the highest number of spike events.
April 2024	A total of one hundred ninety-two (192) price spike events across the integrated Luzon, Visayas, and Mindanao regions. Among these, one hundred twenty-seven (127) occurred during off-peak hours for 25 days out of the 31 days of the April 2024 billing period. Trading hour 1500h was noted to have the highest number of spike events.
May 2024	A total of three hundred twenty-five (325) price spike events across the integrated Luzon, Visayas, and Mindanao regions. Among these, most occurred during Monday for 25 days out of the 30 days of the May 2024 billing period. Trading hour 1500h was noted to have the highest number of spike events.

In relation to the regular conduct of offer pattern analysis of MAG, the MSC further suggested enhancements to the analysis in order to consider the correlation between the behavior of the plants vis-à-vis the supply margin.

#### 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 March to May 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	01-02 March 2024	67 intervals (1900h – 0030h)	Visayas	Threat to System Security	Due to multiple tripping of generators and loads at Visayas grid
MO	26 March 2024	3 intervals (1930h – 1940h)	Luzon, Visayas, Mindanao	Force Majeure	Due to the failure of the Market Management System (MMS) to generate a solution, leading to the failure of Real-Time Dispatch (RTD) market run to publish results
MO	27 March 2024	1 interval (2135h)	Luzon, Visayas, Mindanao	Force Majeure	Due to the failure of the MMS to generate a solution, leading to the

Initiated by	Date	Intervals	Region/s Affected	Classification	Reason
					failure of RTD market run to publish results
MO	28 March 2024	1 interval (1635h)	Luzon, Visayas, Mindanao	Force Majeure	Due to the failure of RTD run to publish results brought about by incomplete analog and digital Energy Management System (EMS) telemetry data input of the Market Dispatch Optimization Model (MDOM)
SO	16 April 2024	16 intervals (1620h – 1753h)	Luzon	Emergency	Due to implementation of Manual Load Dropping (MLD) brought about by generation deficiency
MO	20 April 2024	4 intervals (0905h – 0920h)	Luzon, Visayas, Mindanao	Emergency	Due to unavailable RTD results brought about by erroneous real-time data when the MDOM recognized isolation in Panay i.e. Buenavista in Guimaras Island was separated from the rest of the Visayas sub-grid
SO	23 April 2024	15 intervals (1540h – 1650h)	Luzon	Emergency	Due to implementation of MLD brought about by generation deficiency
SO	30 April 2024	6 intervals (1340h – 1405h)	Visayas	Emergency	Due to implementation of MLD to prevent overloading of Cebu-Mandaue 138kV Line 2
SO	07 May 2024	13 intervals (0820h – 0920h) (1255h – 1520h)	Visayas	Emergency	Due to implementation of MLD to prevent overloading of Cebu-Mandaue 138kV Line 2
MO	13 May 2024	7 intervals (1810h – 1840h)	Luzon, Visayas, Mindanao	Force Majeure	Due to unavailable MMS Scheduling and Pricing results arising from the loss of connection between the MMS servers and MO's Main Network backbone brought about by MMS Ethernet distribution switch device failure

In view of the abovementioned MI events, the MSC conducted several consultation / coordination meetings with the concerned parties involved mainly to discuss the details and further clarifications / observations related to the events.

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) <sup>4</sup>.

## 2.2 Assessment of the Retail Market – Retail Competition and Open Access (RCOA) and Green Energy Option Program (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 Reports, 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 year 2023 and the 26 January to 25 April 2024 billing period, as submitted by MAG. Some highlights of the reports are as follows:

### 2.2.1 Monthly Retail Market Assessment Highlights

Billing Period	Highlights
February 2024	<p><b><u>RCOA</u></b></p> <ul style="list-style-type: none"> <li>• The MERALCO Group remained to be the top market participant group with the highest percentage share for the number of Contestable Customers. However, in terms of served energy consumption, the Ayala Group had the highest percentage share. All twenty (20) observed switches were due to the expiry of supply contracts.</li> <li>• One (1) Local Retail Electricity Supplier (LRES) ended up without an active supply contract.</li> </ul> <p><b><u>GEOP</u></b></p> <ul style="list-style-type: none"> <li>• The Ayala Group remained to be the top market participant group with the highest percentage share for both the number of engaged GEOP End-Users and served energy consumption.</li> <li>• Two (2) supply contracts were subjected to early termination that resulted in switches to other RE Suppliers.</li> </ul>
March 2024	<p><b><u>RCOA</u></b></p> <ul style="list-style-type: none"> <li>• The MERALCO group remained to be the top market participant group with the highest percentage share for the number of engaged CCs.</li> <li>• The Ayala Group had the highest percentage share in terms of served energy consumption.</li> <li>• Twenty-two (22) out of the twenty-three (23) switches were due to the expiration of supply contracts.</li> </ul>

<sup>4</sup> Market Surveillance Manual Issue 1.0 Sections 5.3.6 and 5.3.7.

Billing Period	Highlights
	<ul style="list-style-type: none"> <li>One (1) newly registered RES – Alsons Power Supply Corporation.</li> </ul> <p><b><u>GEOP</u></b></p> <ul style="list-style-type: none"> <li>The Ayala Group remained to be the top market participant group with the highest percentage share for both the number of engaged GEOP End-Users and served energy consumption.</li> <li>All thirteen (13) newly registered GEOP end-user were under the Luzon grid and classified under Commercial business category.</li> </ul>
April 2024	<p><b><u>RCOA</u></b></p> <ul style="list-style-type: none"> <li>The MERALCO group remained to be the top market participant group with the highest percentage share for the number of engaged CCs.</li> <li>The Ayala Group had the highest percentage share in terms of served energy consumption.</li> <li>Fifteen (15) out of the nineteen (19) switches were due to the expiration of supply contracts.</li> <li>Four (4) CCs ceased participation in the RCOA market.</li> <li>Mindanao RCOA Market Participant Registration as retail metering services provider: Cagayan Electric Power &amp; Light Company, Inc. (CEPALCO)</li> </ul> <p><b><u>GEOP</u></b></p> <ul style="list-style-type: none"> <li>The Ayala Group remained to be the top market participant group with the highest percentage share for both the number of engaged GEOP End-Users and served energy consumption.</li> <li>One (1) new GEOP end-user registration for a Commercial business under the Luzon grid.</li> <li>Two (2) newly registered Supplier of Last Resort (SoLR) which are Negros Oriental II Electric Cooperative (NORECO II) and Isabela I Electric Cooperative, Inc. (ISECO I).</li> </ul>

## 2.2.2 2023 Retail Market Assessment Report

### RCOA

- There were seventy-eight (78) recorded initial switches and nineteen (19) cessations yielding to an additional fifty-nine (59) registered CC/s that participated in market, demonstrating continuous increase on the figures of the previous year. A total of 1,991 CC/s or about 61% of the entire population of eligible end-users by the end of 2023 have registered in the Retail Market.
- Despite the continuous rise in the total number of registered CCs in the market, there has been a slight decrease in the overall share of eligible CCs caused by the increase in the number of end-users who may already participate in the RCOA but still opted to remain under the tariff services.

- 33 out of 40 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 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 ninety (90) initial switches recorded, along with three (3) cessations which resulted in additional eighty-seven (87) registered GEOP end-users joining the market, bring a total to 286 registered GEOP end-users in the program. This marks a 44% increase compared to the program's second year of implementation.
- By region, majority (73%) of GEOP End-users were located in Luzon, while the remaining 27% were Visayas-based.
- Majority of GEOP End-users were within the 100k-499kW threshold, which is below the current threshold offered under the RCOA program. Notably, the continuous increase in participation of GEOP End-user within the RCOA threshold (triple as compared to the previous year) and with inclusion of one (1) GEOP End-user under 1MW and above which signifies that consumers are actively choosing to participate in the GEOP during the specified timeframe.
- There were 17 registered RE Suppliers and 13 Suppliers of Last Resort (SoLRs) all of which were registered under RCOA.

The Annual 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.

### **2.2.3 Discussion on GEOP Market Transactions**

The MSC discussed the market transactions related to the GEOP market. For context, the consumption of the end-users under the GEOP market should be sourced from 100% RE resources in accordance with the WESM Rules and Section 9 of the Market Manual on Billing and Settlement.

Further, the Committee was apprised of the penalties for non-compliance to the DOE Department Circular No. DC2018-07-0019<sup>5</sup>, but the details of the non-compliant WESM participants were not included in the report due to its confidentiality. This information may, however, be submitted to the DOE and the ERC. On another note, the MSC agreed to write a letter to the suppliers to point out the recorded data on the failure to use the mandated 100% RE sources, and to request for their explanation as to their possible non-compliance with the rules.

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<sup>5</sup> Promulgating the Rules and Guidelines Governing the Establishment of the Green Energy Option Program Pursuant to the Renewable Energy Act of 2008

## 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

In view of the additional simulations for the updating of the current market trigger thresholds, the MSC discussed the updates on thresholds for the monitoring of Market Trigger and Interesting Pricing Events. Based on the discussion, further simulations per season (cool dry, rainy, and dry season) using the previous year's data are needed in addition to exploring other suitable methodology/ies for determining market thresholds given the various conditions and characteristics of the historical data.

After the discussion, additional simulations will be presented and discussed in the next Committee meeting.

## 2.4 Conduct of Market Studies

### 2.4.1 Study on the Economic Impact of MI/MS

As part of the MSC's 2024 Work Plan and its responsibility under the Clause 1.6.2 of the WESM Rules to undertake the assessment of market outcomes in the WESM, the Committee conducted a Study on the Economic Impact of Market Intervention and Suspension Events in the WESM.

The study highlighted the 1) timely planning and completion of transmission network projects and/or upgrades to avoid MI/MS events, 2) review of the current methodology and processes employed during MI / MS, 3) consideration on the possible adoption of best practices in other jurisdictions, and 4) establishment of performance standards on the side of the SO similar to the currently employed with the MO to ensure that the SO's mandated responsibilities during an MI / MS are properly undertaken/carried out.

After deliberation, the MSC approved the study on the Economic Impact of MI/MS which will be published on the PEMC website.

## 3.0 Other Activities and Accomplishments

### 3.1 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 Procedures for Changes to the WESM Rules, Retail Rules, and Market Manuals*

The MSC was apprised on the summary of proposed rule changes, emphasizing the implementation validity and effectiveness of the proposed amendments, and aligning the timeline for decision-making by the Rules Change Committee (RCC).

Regarding the effectivity of urgent amendment, the MSC proposed to clarify in the proposal that granting interim or provisional validity will only be until the final approval or disapproval by the DOE. This approach aims to acknowledge the DOE's decision on the urgent amendment and limits only the provisional approval until the final approval/disapproval.

- *DOE DC NO. DC2024-06-0019 (Ancillary Services Monitoring Manual)* which aims to:
  - Change the definition of some terminologies for accuracy and clarity;
  - Add the definition of 'reserve amount adjustment' and emphasize that said adjustment shall not modify the formula for the computation of "reserve trading amounts";
  - Enumerate enforcement-related notices and its corresponding enforcement applicability for easier reference;
  - Provide example of energy and reserve offer submissions of generating units to the Market Operator in Section 4.2 of the Ancillary Services Monitoring Manual for guidance and clarity;
  - Specify that the dead band ratings indicated for the reserve facilities scheduled to provide regulating reserve and contingency reserve are applicable when they operate under Governor Control Mode;
  - Delete the provisions on reserve effectiveness factors from the WESM Rules;
  - Add appendix on the computation of penalties on Reserve Offer Capacity Compliance (ROCC) and Reserve Conformance Standards (RCS);
  - Add summary table of ROCC for each type of reserve for easy reference; and
  - Rearrange and modify some provisions for a clearer purpose.

### **3.2 MSC's Request for an Additional Data and Information for Monitoring and Assessment**

As part of the MSC's continuous efforts to enhance its current monitoring and assessment on the activities of the WESM, the Committee discussed the feasibility and authority of requesting additional information currently not accessible to PEMC's database for the enhancement of its monitoring and assessment of the behavior of the participants in the WESM.

In view of this, the Committee was likewise apprised of PEMC's authority to investigate cases of Anti-Competitive Behavior (ACB) in the market related to the Supreme Court ruling (G.R. No. 193521 April 17, 2023), in support of the request for additional information. The assistance of PEMC-Legal was requested to review the draft request letter to reflect the justification of the request, as well as the commitment of PEMC to properly handle the requested information. A copy of the said Supreme Court ruling was likewise requested by the MSC, for information and reference.

### **3.3 Proposed Revision to MSC Internal Rules**

The MSC discussed the proposed revisions to the Committee internal rules to include a procedure for handling proposed changes to the WESM Penalty Manual and to introduce further enhancements to the current procedures related to administrative and technical support of MAG as the Secretariat. After the discussion, the MSC agreed to the final revisions of the internal rules.

The MSC then approved its Internal Rules Issue No. 7 through MSC Resolution No. 2024-03 dated 13 June 2024.

### **3.4 Highlights and Observation on the Reserve Market Suspension**

The MSC was apprised of the below sequence of events prior to the suspension of reserve market:

- On 26 January 2024, the Commercial Operation of the Reserve Market commenced.
- On 28 January 2024, IEMOP reported to the DOE that the implementation of the Reserve Market had improved grid reliability but also highlighted high prices for Regulation Down Reserves in the co-optimized energy and reserve markets.
- In response, on 30 January 2024, the DOE implemented Interim Pricing Guidelines for Reserves in the WESM (as per DOE Advisory 2024-01-002).
- Later, on 21 March 2024, IEMOP presented a report on Reserve Market prices for the February-March 2024 billing period which noted significantly high market prices.
- The ERC then suspended the Billing and Settlement for March 2024 billing period, which was adopted by the DOE, prompting the latter to declare that the Reserve Market would revert to Trial Operations status (Department Advisory 2024-03-001).

After the discussion, the MSC noted the highlights on the reserve market suspension.

### **3.5 Assessment on the Generator Behavior under Open Breaker Status, a 2022 case**

The MSC was apprised on the chronology of events and the assessment conducted regarding the potential Anti-competitive Behavior of one (1) power plant in relation to its open breaker status in 2022. The assessment results were endorsed to PEMC President on September 2022 and were re-endorsed to the Energy Regulatory Commission (ERC) in May 2024.

Additionally, the MSC acknowledged the updates related to the Assessment on Generator Behavior under Open breaker status.

### **3.6 Highlights of the Public Consultation on the Proposed Amendments to the WESM Rules and Market Manuals regarding the MI/MS Procedures and Penalty Manual**

The MSC was apprised on the highlights of the public consultation on the proposed amendments to the WESM Rules and Market Manuals related to the MI/MS. Particularly, on the comment from the stakeholder which recommends briefly describing the responsibility of the MSC in assessing and the possible publication of the report on MI/MS to the PEMC website which the Committee was duly noted.

### **3.7 ERC Order in the Matter of the Declaration of Market Suspension during the Red Alerts during the Summer 2024**

PEMC-Legal apprised the Committee on the ERC Order in the matter of the declaration of Market Suspension during the Red Alerts for the Summer Months of 2024.

Further, it was noted that in terms of PEMC's capacity to already determine the information provided by the ERC regarding the staggered payment, it was explained that since it will be based on the settlement data of the WESM, the provision of the same will have a 1-month lag due to the billing and settlement cycle in the WESM. In addition, information received by PEMC are still subject to further validation prior to utilization.

After the discussion, the MSC noted the discussed ERC Order in the Declaration of MS.

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.