



# **Market Surveillance Committee Quarterly Accomplishment Report**

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**01 July to 30 September 2024**

## **October 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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**Table of 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

2.1.1.2 Q2 2024 Market Assessment Report.....4

2.1.1.3 Annual 2023 Market Assessment Report.....5

2.1.2 Review of Over-riding Constraints.....6

2.1.2.1 Monthly Over-riding Constraints .....7

2.1.2.2 Q2 2024 Over-riding Constraints Report.....9

2.1.2.3 Annual 2023 Over-riding Constraints Report .....9

2.1.3 Market Trigger and Interesting Pricing Events .....10

2.1.4 Review of Market Intervention Events.....11

2.2 Assessment of the Retail Market – Retail Competition and Open Access (RCOA) and Green Energy Option Program (GEOP) .....13

2.2.1 Monthly Retail Market Assessment Highlights .....13

2.2.2 Q2 2024 Retail Market Assessment Report .....15

2.2.3 RE Suppliers Response to MSC’s Inquiry on GEOP Spot Exposure .....16

2.3 Review of the Market Monitoring Trigger and Indices .....17

**3.0 Coordination Meetings with Various Entities .....17**

3.1 Coordination with MO, SO, and Market Participants for Market Intervention Events for May to August 2024.....17

3.2 Coordination with MO and SO for Market Intervention Events for August 2024.....17

**4.0 Other Activities and Accomplishments.....18**

4.1 Review of Various Department Circulars, Issuances, and Call for Comments .....18

4.2 Proposed Amendments to WESM Rules and Market Manuals .....20

4.2.1 Deliberation of Urgent Amendments to the WESM Penalty Manual.....20

4.3 Proposed Inclusion of Urgent Amendments Procedure for the WESM Penalty Manual.....20

4.4 Conduct of Electricity Market Exchanges for 2024.....21

## 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 monthly meetings, 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 3<sup>rd</sup> quarter of 2024, the MSC conducted the following regular meetings:

- Regular Meeting No. 2024-09 held on 11 July 2024 (Online)
- Regular Meeting No. 2024-10 held on 15 August 2024 (Online)
- Regular Meeting No. 2024-11 held on 12 September 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)<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 May 2024 to July 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
May 2024	11 July 2024	<p>It was highlighted that the average system demand of the grid increased from 14,531 MW to 15,767 MW. Similarly, offered capacities increased from 18,604 MW to 19,044 MW during this period resulting in a surge in the effective supply<sup>3</sup> from 16,436 MW to 17,574 MW. Moreover, a decline in capacities on outage from 3,803 MW to 2,845 MW was also observed during the period. Despite the decreases in capacities on outage, there was still an observed drop in the average supply margin from 759 MW to 633 MW. With this, the WESM prices increased from PHP 6,902/MWh to PHP 8,218/MWh.</p> <p>During the billing period, high number of system-wide Secondary Price Cap (SPC) impositions affected several trading intervals. Yellow and Red Alert notices were issued in Luzon and Visayas on multiple dates in April and May 2024 leading for ERC to declare Market Suspension in Luzon and Visayas during Red Alerts.</p>
June 2024	15 August 2024	<p>It was noted that the average demand plus reserve schedules for the Luzon, Visayas, and Mindanao grids decreased from 16,941 MW to 16,013 MW. Conversely, offered capacities increased from 19,044 MW to 19,358 MW during this period, and the capacity not offered likewise increased from 4,396 MW to 4,658 MW resulting in a drop in the average effective supply from 17,574 MW to 16,767 MW. Additionally, capacities on outage declined from 2,847 MW to 2,565 MW. Despite the decreases in outage capacities, there was an observed increase in the average supply margin from 633 MW to 754 MW. Consequently, WESM prices fell from PHP 8,218/MWh to PHP 6,146/MWh.</p> <p>During the billing period, there was a decrease in system-wide SPC impositions, affecting 1,010 trading intervals compared to 1,671 in the previous period. Yellow and Red Alert notices were issued in Luzon and Visayas on multiple dates in the May to June 2024 billing period, leading to the declaration of Market Suspension in accordance with the ERC Order. Additionally, market intervention events were recorded, initiated either by the Market Operator (MO)</p>

<sup>3</sup> Calculated for each 5-minute trading interval as the sum of the offered capacity of all scheduled generators considering their offered ramp rates, nominated loading level of nonscheduled generators and projected output of preferential dispatch generators, adjusted for any over-riding constraints imposed by the System Operator (SO), and reserve offers. Output of generators on testing and commissioning were considered based on the over-riding constraints imposed by the SO.

Billing Period	Date Discussed	MSC Assessment Highlights
		for system-wide issues or by the System Operator (SO) for the Visayas region.
July 2024	12 September 2024	<p>The total registered capacity increased by 1,104 MW, or approximately 3.9%, compared to the previous billing period, primarily due to the addition of five (5) new power plants and a net capacity increase from nine (9) power plants. The average demand plus reserve scheduled for the Luzon, Visayas, and Mindanao grids decreased from 16,013 MW to 15,309 MW, while the average effective supply also declined from 16,767 MW to 16,136 MW. This resulted in a reduction of the supply margin from 828 MW to 754 MW. Consequently, WESM prices dropped from PHP 6,146/MWh to PHP 5,686/MWh.</p> <p>During this period, there were no red or yellow alert issuances by the SO. However, several market intervention events were recorded. On 26 July 2024, the SO-initiated interventions in Visayas, affecting 22 trading intervals due to MLD implementation to prevent overloading of the Ubay-Maasin 138kV Line. Additionally, on 29 June 2024, the MO intervened in the Luzon, Visayas, and Mindanao systems, affecting 6 trading intervals due to the absence of Real Time Dispatch (RTD) results.</p>

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

### 2.1.1.2 Q2 2024 Market Assessment Report

The MSC reviewed the results of the market assessment report for the 2<sup>nd</sup> quarter of 2024. Highlights of the report are as follows:

- Thinning of supply margin due to high level of capacities on outage resulted in the declaration of Red and Yellow alerts by the SO.
- High level of demand was observed during the onset of summer season peaking at 19,229 MW on 24 April 2024.
- Despite the high market prices driven by the dynamics of supply and demand, it remained lower compared to the previous year.
- While the WESM recorded a high registered capacity during the quarter, there were instances of unavailability due to recorded outages that averaged at 3,088 MW or 11% of the total registered capacity coupled with capacities which were not offered/nominated in the market.
- Due to the interplay between effective supply and system demand, the average quarterly supply margin experienced a significant decline of 28%, dropping from an average of 916 MW in the first quarter of 2024 to 716 MW in the second quarter.

Moreover, the lowest supply margin recorded during this period occurred on 03 June 2024 coinciding with the issuance of a Yellow Alert in Luzon.

- The integrated electricity market of Luzon, Visayas, and Mindanao continues to be dominated by five major participant groups, based on registered capacity, offered capacity, and actual generation. Among these, San Miguel Corporation (SMC) holds the highest percentage share in registered capacity, indicating their dominant position in the market. However, Aboitiz Power (AP) has consistently maintained a higher percentage in terms of offered capacity.
- The Herfindahl-Hirschman Index (HHI) by major participant grouping indicated a not concentrated market during the second quarter of 2024 in terms of registered capacity (net of outage).
- The generator-trading participants' spot market transactions increased significantly in the second quarter of 2024, ranging from approximately 21 to 32%, compared to only 19 to 25% in the previous quarter. However, most of the total energy injected into the grid was still covered by bilateral contracts. Moreover, the increase in spot exposure was mostly affected by the expired contracts of the generators with Distribution Utilities.

### 2.1.1.3 Annual 2023 Market Assessment Report

The MSC reviewed the results of the market assessment report for the billing year 2023.

Highlights of the report were as follows:

- Cebu-Mandaue 138kV underground line 2 was damaged during the excavation activities of the Department of Public Works and Highways (DPWH) on 21 January 2023 resulting in frequent congestions of the Cebu-Mandaue 138kV line 1.
- Implementation of single settlement for WESM trading participants in Luzon, Visayas, and Mindanao grids pursuant to DOE Advisory dated 11 May 2023.
- New 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, 1440h
- Downtrend price outcome following the full flow of Mindanao-Visayas Interconnection Project (MVIP) capacity in May 2023, reducing SPC impositions.
- Frequent congestions in the Maasin-Ubay lines 1&2 resulting in price separation in the region.
- In terms of registered capacity for 2023, a net increase of 936.97 MW was accounted in the total registered capacity as compared with 2022. Sixty-seven percent (67%) of which came from the aggregated capacity of 758.5 MW which was attributed to the entry of renewable energy (RE) plants.
- As to age of power plants, 309 out of 430 generator resources were within the age range of 0-20 years with an aggregate capacity of 14,686 MW and comprised 49% of the total WESM registered capacity in 2023.
- Capacities on outage were consistently high during 1<sup>st</sup> and 4<sup>th</sup> quarters when most of the maintenance outage are scheduled taking advantage of the generally low level of demand attributed to long holidays and the cooler temperature in the country. Most of the reasons for the capacities not offered nor nominated were due to market and resource constraints.

- Hydro power plants became unavailable which contributed to the high level of capacities not offered/nominated during the summer months.
- Significantly lesser events were noted related to the damaged transmission lines and unavailability of several generators caused by various tropical storms in 2023. The annual average capacity on outage has been generally observed to have decreased from the previous year by an average of 15% or an average of 2,966 MW from 3,493 MW last year.
- Generating units with age 21-60 years were observed to have had long average forced outage days for the billing year.
- In terms of generation mix per region, coal plants in the Luzon region comprised more than half of the entire generation mix in the grid despite having only around 45.4% share in registered capacity. The same was observed in Visayas and Mindanao.
- For the capacity factor, geothermal plants posted with highest utilization rates in terms of their metered quantities compared with the registered capacity.
- The demand of 2023 increased with the lifting of COVID-19 restriction and with the academic institutions already transitioned to full face-to-face operations. These are coupled with the increasing economic activities in the country.
- Effective supply was significantly impacted by power plant outages, derations, and ramp constraints.
- The average price decreased from PHP7,968/MWh to PHP6,511/MWh following the Mindanao interconnection in May.
- In terms of competitive analysis, the percentage of residual supply index (RSI) that measured above 100 significantly decreased from 3%-15% during the first quarter of 2023.
- Four (4) major groups namely, San Miguel, Aboitiz Power, FirstGen, and PSALM collectively held more than 60% of the total shares in terms of registered capacity, offered capacity, and actual generation.
- Spot market exposure increased from 13% to 19% compared to the previous year. Consequently, several instances of 25-30% spot exposures were identified in the 2024 monthly reports, prompting inquiries to affected distribution utilities (DUs). With this trend, the MSC noted that DUs continues to endeavor and negotiate new bilateral contracts.

After the discussions, the Committee approved and correspondingly submitted the assessment of market outcomes during the billing period of 2023 to the PEM Board, DOE, and ERC. The same was likewise uploaded in the WESM Governance website<sup>4</sup>.

## 2.1.2 Review of Over-riding Constraints

Pursuant to MSM Section 3.1 (b.iii)<sup>5</sup>, the MSC reviewed the assessment results on the imposition of over-riding constraints which provide for the summary of impositions from the System Operator (SO) to generator-TPs for the May to July 2024 billing periods.

<sup>4</sup> <https://www.wesm.ph/downloads/download/TWFya2V0IFJlcG9ydHM=/MzlyNg==>

<sup>5</sup> MSM Section 3.1(b) The MSC shall have following responsibilities: (a) xxx; (i) Review Over-Riding Constraints; xxx



### 2.1.2.1 Monthly Over-riding Constraints

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

Billing Period	Date Discussed	Highlights
May 2024	11 July 2024	<ul style="list-style-type: none"> <li>An increase of 12.9% in over-riding constraints was due to the following reasons: <ul style="list-style-type: none"> <li>Luzon saw almost similar numbers of over-riding constraints, but impositions for hydro power plants decreased due to the completion of commissioning tests at the Lower Labayat HEP. This decrease was offset by commissioning tests of geothermal and wind plants in Visayas.</li> <li>Performance test and ancillary service test in both Luzon and Visayas regions contributed to the noted increase.</li> <li>Mindanao continued the trend from the previous billing month, with most over-riding constraints due to dispatching of plants as MRUs to address system voltage requirements in the Zamboanga area and thermal limits of lines and equipment in Davao Oriental.</li> </ul> </li> <li>Status of plants under commissioning test as of 26 May 2024: <ul style="list-style-type: none"> <li>Total of 18 plants were under commissioning tests, 12 of which are with extended Provisional Certificate of Approval to Connect (PCATC), 2 plants with Final Certificate of Approval to Connect (FCATC), and 6 plants with PCATC.</li> <li>Hydro plants had the greatest no. of average days in under commissioning test per plant type, followed by wind plants.</li> </ul> </li> </ul>
June 2024	15 August 2024	<ul style="list-style-type: none"> <li>An increase of 1.28% in over-riding constraints was due to the following reasons: <ul style="list-style-type: none"> <li>Over-riding constraints in Luzon increased as new Battery Energy System Storage (BESS) and geothermal plant commenced commissioning tests</li> <li>Despite decrease in ancillary service test in Visayas plants, an increase in the overall over-riding constraints was attributable to the commissioning test of geothermal and wind plants</li> <li>Over-riding constraints due to dispatching of plants as Must-Run Units (MRUs) in Mindanao increased to</li> </ul> </li> </ul>



Billing Period	Date Discussed	Highlights
		<p>address system voltage requirements in the Zamboanga and Agusan del Norte area</p> <ul style="list-style-type: none"> <li>• Status of plants under commissioning test as of 26 June 2024: <ul style="list-style-type: none"> <li>○ Total of 20 plants were under commissioning tests, 14 of which were with extended Provisional Certificate of Approval to Connect (PCATC), 2 plants with Final Certificate of Approval to Connect (FCATC), and 3 plants with PCATC. Meanwhile, it was noted that 1 plant that is already in commercial operations conducted commissioning test during the billing period and was noted to be without certification from SO.</li> <li>○ Wind plants had the greatest no. of average days under commissioning test per plant type, followed by coal plants.</li> </ul> </li> <li>• Responses were received from several plants in line with the MSC's inquiry on the reason for the extension of PCATC. Two (2) plants were highlighted with FCATC: Cagayan North Solar and Cayanga-Bugallon Solar.</li> </ul>
July 2024	12 September 2024	<ul style="list-style-type: none"> <li>• A 2.74% net increase in over-riding constraints was observed due to the following: <ul style="list-style-type: none"> <li>○ Rise in impositions for Luzon plants attributable to the conduct of commissioning test, with the entry of three (3) new plants; and</li> <li>○ Surge in the number of impositions related to ancillary service, performance, and emission tests.</li> </ul> </li> <li>• Despite the increase in emission test in the Visayas plants, the decline in over-riding constraints in the region can be attributable to the decrease in impositions related to commissioning test of geothermal plants.</li> <li>• The decrease in over-riding constraints for oil-based plants was due to the lesser dispatching of plants as Must-Run Units (MRUs) in Mindanao caused by system voltage requirement and in Luzon due to real power balancing and frequency control.</li> <li>• Out of twenty-four (24) plants under commissioning test, seventeen (17) power plants were with recorded multiple extensions of Provisional Certificate of Approval to Connect (PCATC).</li> </ul>

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 Q2 2024 Over-riding Constraints Report

The MSC reviewed the monitoring of over-riding constraints for the 2<sup>nd</sup> quarter of 2024. Highlights of the report were as follows:

- Similar to the previous quarterly reports, over-riding constraints impositions were dominated by non-security limit while the remaining impositions were categorized as security limits which were all related to Must-Run Units (MRUs) of oil-based plants which experienced an increase since the subject period consists summer months, when supply in the system was at it tightest.
- Examining the performance of the market in terms of the number of impositions implemented using the same period from last year, significant increase in the impositions related to conduct of commissioning tests were noted which were either related to the entry of new plants to the market or those with extended commissioning tests.
- There was an observed decrease in the impositions related to MRUs from last year indicating the decline in the need for oil-based plants to address any system voltage requirements in the market. Meanwhile, the surge noted for commercial and regulatory requirements was mainly due to the conduct of performance test of natural gas plants related to shifting of relevant plants to Liquefied Natural Gas (LNG) fuel.
- Overall, renewable energy plants continue to accumulate the most number of impositions during the covered period. Across the quarter, Solar plants topped the list, followed by Wind plants. Aside from the renewable energy plants, there was a notable imposition recorded for geothermal and hydro plants related to conduct of commissioning test.
- Multiple extensions to the Provisional Certificate of Approval to Connect (PCATC) were granted to various plants allowing them to proceed with commissioning tests more than the prescribed period under the DOE DC2021-06-0013<sup>6</sup>.

### 2.1.2.3 Annual 2023 Over-riding Constraints Report

The MSC reviewed the results of the monitoring activities undertaken for the Over-riding Constraints (OC) impositions covering the 2023 billing period. Highlights of which are as follows:

- Luzon: 70% of the total over-riding constraints were mostly related to the commissioning test of new plants
- Visayas: 10% of the total over-riding constraints were mostly related to the commercial and regulatory requirement testing of plants

<sup>6</sup> Adopting a General Framework Governing the Test and Commissioning of Generation Facilities for Ensuring Readiness to Deliver Energy to the Grid or Distribution Network

- Mindanao: 20% of the total over-riding constraints were due to plants dispatched as Must Run Unit (MRU) to address the system voltage requirement.

The Committee has noted that over-riding constraint increased with the rise of commissioning tests in Luzon, the thermal limit for the lines and equipment in Visayas, and surge of MRU requirement and the system voltage regulation in Mindanao.

In terms of incidents, commissioning test dominated the over-riding constraints in 2023 with fifty-eight percent (50%) of the total over-riding constraints. By plant type, oil-based plants were usually dispatched as MRUs. New plants entered the market in 2023, most of which were variable RE plants that underwent commissioning tests.

After the discussions, the Committee approved the presented Annual Monitoring of Over-riding Constraints for 2023 billing period.

**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 are as follows:

Billing Period	Highlights
June 2024	A total of two hundred seventy-seven (277) price spike events across the integrated Luzon, Visayas, and Mindanao regions. Among these, 181 occurred during peak hours and 28 days out of the 31 days of the June 2024 billing period had price spike events. Trading hour 2100h was noted to have the highest number of spike events.
July 2024	A total of 155 price spike events across the integrated Luzon, Visayas, and Mindanao regions. Among these, 82 occurred during peak hours and 19 days out of the 30 days of the July 2024 billing period had price spike events. Trading hour 2200h was noted to have the highest number of spike events.
August 2024	A total of 342 price spike events across the integrated Luzon, Visayas, and Mindanao regions. Among these, 216 occurred during peak hours while the remaining 126 occurred during off-peak hours. Also, 27 days out of the 31 days of the August 2024 billing period had price spike events. Trading hour 2200h was noted to have the highest number of spike 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 May to August 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:

Date	Initiated by	Intervals	Region/s Affected	Classification	Reason
17 May 2024	SO	86 intervals (0855h - 1600h)	Visayas	Emergency	Implementation of Manual Load Dropping (MLD) to prevent overloading of Ubay-Maasin 138kV Line.
18 May 2024	MO	1 interval (0540h)	Luzon, Visayas, Mindanao	Force Majeure Event	No RTD results due to the loss of EMS telemetry data input brought about by data retrieval of the Market Management System (MMS) programs from a restarting database software
21 May 2024	MO	1 interval (1735h)	Luzon, Visayas, Mindanao	Force Majeure Event	No RTD results due to the failure of Market Dispatch Optimization Model (MDOM) to provide solution brought about by incomplete outage of necessary breakers amidst isolation of Cagayan region arising from multiple line tripping
21 May 2024	SO	7 intervals (1335h - 1405h) & 4 intervals (1635h - 1650h)	Visayas	Emergency	Implementation of MLD to prevent overloading of Ubay-Maasin 138kV Line.
22 May 2024		4 intervals (1155h - 1210h) & 37 intervals (1245h - 1545h)			

Date	Initiated by	Intervals	Region/s Affected	Classification	Reason
27 May 2024	SO	6 intervals (1425h - 1450h)	Visayas	Emergency	Implementation of MLD to prevent overloading of Ubay-Maasin 138kV Line (Leyte-Bohol submarine cable)
03 June 2024		47 intervals (1510h - 1900h)			
06 June 2024		39 intervals (1320h - 1630h)			
07 June 2024		30 intervals (1410h - 1635h)			
11 June 2024	MO	2 intervals (1755h - 1800h)	Luzon, Visayas, Mindanao	Force Majeure Event	Failure of the MMS to publish RTD results
29 June 2024		6 intervals (0430h - 0500h)			
26 July 2024	SO	22 intervals (1455h – 1640h)	Visayas	Emergency	Implementation of Manual Load Dropping (MLD) to prevent overloading of Ubay-Maasin 138kV Line (Leyte-Bohol submarine cable)
15 August 2024	MO	3 intervals (1150h- 1200h)	Luzon, Visayas, Mindanao	Force Majeure	Failure of the MMS to transfer RTD results to the System Operator during the deployment of enhancement to the MMS
17 August 2024	MO	1 interval (0815h)	Luzon, Visayas, Mindanao	Force Majeure	Failure to generate RTD solution caused by insufficient information on transmission equipment outages related to the isolation of Calbayog Substation

The MSC was informed about the PEM board's directive during its 31 July meeting, which clarified that MI reports shall be signed-off by the parties involved in the events. It was first clarified that any disagreement with the assessment of the MSC will be properly documented in the corresponding report. As regards the directive to have the report signed-off by the involved participants, the MSC agreed to seek clarification from the Office of the Corporate Secretary on whether the same refers to the actual signing-off of the report.

## 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 discuss the results of monitoring indices and provide 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	Date Discussed	Highlights
May 2024	11 July 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 Aboitiz Group had the highest percentage share.</li> <li>Eighteen (18) out of the Twenty-three (23) switches were due to the expiration of supply contracts. Meanwhile, one (1) CC ceased participation in the RCOA Market.</li> <li>New Mindanao RCOA Market Participant Registration as retail metering services provider (RMSP). <ul style="list-style-type: none"> <li>Davao Light and Power Company, Inc. and Davao Del Sur Electric Cooperative, Inc.</li> </ul> </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 Local Retail Electricity Supplier (LRES) registered in the GEOP and is now serving GEUs. <ul style="list-style-type: none"> <li>Manila Electric Company (MERALCO)</li> </ul> </li> <li>One (1) GEU switched to another Renewable Energy Supplier (RE Supplier) and one (1) RE Supplier ended up no longer servicing GEUs.</li> </ul>
June 2024	15 August 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 at 33%</li> </ul>

Billing Period	Date Discussed	Highlights
		<p>for the number of Contestable Customers (CCs). However, in terms of served energy consumption, the Aboitiz Group and MERALCO was on equal share having the highest percentage share at 27%.</p> <ul style="list-style-type: none"> <li>Seventeen (17) new CC registered during the June 2024 billing period, 14 of which came from Luzon.</li> <li>First three (3) CCs from Mindanao registered under the RCOA.</li> <li>Fourteen (14) out of the seventeen (17) switches were due to the expiration of supply contracts. Meanwhile, one (1) CC transferred from GEOP to RCOA.</li> <li>Two (2) CC ceased participation in the RCOA Market due to termination of lease of contract and demolition of their respective facility.</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) GEUs switched to another Renewable Energy Supplier (RE Supplier), while one (1) GEU transferred to RCOA.</li> <li>Most of the registered GEUs have contestability of 100 – 499 kW, while only one (1) GEU was noted to have had an average peak demand of 1 MW and above.</li> </ul>
July 2024	12 September 2024	<p><b><u>RCOA</u></b></p> <ul style="list-style-type: none"> <li>Fifteen (15) new CCs registered during the July 2024 billing period, nine (9) of which came from Luzon.</li> <li>Additional two (2) new CCs from Mindanao registered under the RCOA market.</li> <li>Eleven (11) out of the twenty (20) switches were due to the expiration of supply contracts.</li> <li>Reasons for cessation of participation in the RCOA market were due to the following: <ul style="list-style-type: none"> <li>Discontinuation of supply of electricity supply in preparation for the planned demolition of the facility</li> <li>Transfer of service to another customer</li> </ul> </li> <li>CCs in Metro Manila and Region IV-A consumed the bulk of energy. Meanwhile, CCs in Cebu has the highest consumption in Visayas region.</li> </ul> <p><b><u>GEOP</u></b></p>



Billing Period	Date Discussed	Highlights
		<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>Seven (7) new GEUs were noted to have entered the program during the billing period.</li> <li>No Geus switched to another RE Supplier.</li> <li>The total consumption of GEUs decreased as compared with the previous billing period.</li> <li>Similar with the RCOA, bulk of energy consumption related to GEOP are in Metro Manila, Region 4-A, and Cebu.</li> </ul>

## 2.2.2 Q2 2024 Retail Market Assessment Report

### RCOA

- There were thirty-six (36) recorded initial switches<sup>7</sup>, one (1) CC which was observed to have transferred from Green Energy Option Program (GEOP) to RCOA, and seven (7) cessations yielding to an additional thirty (30) registered CCs for Q2 of 2024, thereby raising the total tally of registered CCs in the market to 2,051, equivalent to 62% of the entire population of eligible end-users.
- 30 out of 41 registered RES and 2 out of 15 registered Local RES have active contracts with CC/s.
- Calculations based on the Herfindahl-Hirschman Index (HHI) indicated that for Q2 of 2024, the market saw a continuous decline in concentration since Q2 of 2023. However, the market still remained to be moderately concentrated market in both the no. of CCs engaged and the energy consumptions served.
- MERALCO Group remained as the top major participant grouping in terms of the no. of CCs served at 33%, same level as compared to the previous quarter.
- In terms of CC consumption, the Aboitiz Group remained to be on top with the most no. of CCs serving 28% of the total consumption of CCs.
- The Weighted-Average Retail Generation Rates<sup>8</sup> was 13% lower compared to DU<sup>9</sup> Average Generation Rates. This rate reduction was experienced by the participants engaged with a Supplier in the RCOA.

<sup>7</sup> Commercial transfer of CC from the DU as its supplier under regulated service to a Supplier.

<sup>8</sup> Based on ERC's CREM report

<sup>9</sup> MERALCO, VECO, and TEI

## **GEOP**

- There were twenty (20) additional recorded initial switches<sup>10</sup> to become registered GEOP End-Users, equivalent to a 5.9% increase from the previous quarter, with a total tally of registered GEOP End-Users in the market at 359.
- There were **17** registered RE Suppliers, **1** Local RE Supplier, and **16** Suppliers of Last Resort (SoLRs) all of which were registered under GEOP.
- Calculations based on the HHI indicated that the Q2 of 2024 remained to be a highly concentrated market in both the no. of GEOP End-Users engaged and energy consumptions served.
- The Ayala group continued to increase its percent share in terms of no. of GEOP End-Users engaged at 53% and 49% in terms of energy consumptions served.
- On a monthly basis, a notable portion (less than 1%) of the energy served in the program includes purchases from the spot market. Although small in percentage share, there were portion of energy mix provided to end-users under the GEOP may not be entirely composed of renewable sources.

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

### **2.2.3 RE Suppliers Response to MSC's Inquiry on GEOP Spot Exposure**

In view of the findings of the MSC's observations in its assessment report on the RE Suppliers' spot exposures during the GEOP implementation, the Committee wrote a formal letter of inquiry to understand the reasons behind these observations. Highlights of the responses received from the RE Suppliers were as follows:

- **Spot Exposure Causes:** It was explained that the spot exposures were due to variances in the Metered Quantities (MQs) submitted by Metering Service Providers (MSPs) to the Market Operator (MO) and the Bilateral Contracts declared to the RE Suppliers.
- **Timeframe Issue:** The timeframe to submit and finalize these declarations is limited to 24 hours from the reference trading interval.
- **Contract Expirations:** Instances where GEOP end-users' consumption led to spot exposures were also noted due to expiration of supply contracts.

In view of the responses, the Committee instructed MAD to coordinate with the Independent Electricity Market Operator of the Philippines (IEMOP) for possibly proposing amendments to the WESM Rules and Market Manuals to address the issues noted. These amendments will aim to

<sup>10</sup> Commercial transfer of a GEOP End-User from the DU as its supplier under captive service to an RE Supplier.

address the disparity between Bilateral Contract Quantity (BCQ) and MQ under GEOP and to enhance the procedures for GEOP.

## **2.3 Review of the Market Monitoring Trigger and Indices**

In light of the additional simulations required to update the current market trigger thresholds, the MSC reviewed the proposed thresholds using various methodologies per season. It was noted that only the hot dry season showed fewer intervals with price spikes, as the calculated threshold was higher than the current ones. Additionally, an extra condition was proposed to be met before reporting any notable market outcome to the ERC.

Given the resumption of reserve market operations on 05 August 2024, and its potential impact on prices, it was concluded that further study is necessary. As a result, the Committee agreed to extend the timeline for updating the thresholds to the first quarter of 2025. This agreement will be formalized in a Resolution.

## **3.0 Coordination Meetings with Various Entities**

### **3.1 Coordination with MO, SO, and Market Participants for Market Intervention Events for May to August 2024**

In order to complete its assessment on the Market Intervention events that occurred in May to August 2024, the MSC conducted a coordination meeting with the representatives from the MO, SO, Visayas Electric Cooperative (VECO), East Asia Utilities Corporation (EAUC), Bohol 1 and 2 Electric Cooperative (BOHECO 1 &2), Mactan Electric Company Inc. (MECO), and Bohol Light Company, Inc. (BLCI) to discuss the details and chronology of events leading to the Market Intervention events as detailed in Section 2.1.4 of this report.

The information gathered during the meeting will be considered in the finalization of the review report being prepared by the MSC for submission to the PEM Board and to DOE / ERC. Upon discussion, additional supporting documentations were requested by the Committee for the completion of its report.

### **3.2 Coordination with MO and SO for Market Intervention Events for August 2024**

Similar with the previous MI events, the MSC invited representatives from the SO and MO for the two (2) MO-initiated MI events that occurred on:

- 15 August 2024 from 1150h to 1200h due to failure of the MMS to transfer RTD results to the System Operator during the deployment of enhancement to the MMS, and
- 17 August 2024 for 0815h caused by failure to generate RTD solution caused by insufficient information on transmission equipment outages related to the isolation of Calbayog Substation

## 4.0 Other Activities and Accomplishments

### 4.1 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 to the Proposed Amendments to the Must Offer Rules*

The Committee noted the following highlights of the discussion:

- Proposed Amendments to the Must Offer Rule:
  - The proponent for the amendment, GNPowder Kauswagan Ltd. Co. (GNPK), is requesting for the amendments to the following:
    - ❖ WESM Rules specifically Section 3.5.11.5 and Chapter 11 Glossary: Generator Technical Constraint
    - ❖ WESM Manual on Dispatch Protocol Section 6.13
  - Rationale of the Proposal
    - ❖ The capability of thermal plants to follow frequent and sudden load variations are dependent on the plant's efficiency and parameters which must be attained and maintained.
    - ❖ Trading Participants ("TP") as a Generation Facility have considerations such as the technical and operational constraints of the facility when submitting market offers to ensure that there will be no compromise on the standard parameters of the facility while at the same time complying to the MOR.
    - ❖ This proposal is applicable should the facility be subject to continuous operations below its intended stable operations of its units whereby risking the units to be on forced deration or outage.
    - ❖ Allow the Generation Facilities to exercise its right to make sound judgment to protect its facility from adverse impacts of generating below its stable operation conditions in the event that such situations become evident.
  - The proposed amendments aim to:
    - ❖ Have a clearer limitation of the MOR when the physical conditions of the facility will be at risk;
    - ❖ Provide guidance when offering/bidding or revising/updating of offers, which should consider the stability of the units; and
    - ❖ Include other technical limitations, and/or conditions in revising/updating offers that are not yet covered in the existing

- *Call for Comments on the Proposed Amendments to the Interim Reserve Offer Floor and Price Cap*
  - Interim Reserve Offer Floor and Price Cap
    - An Offer Price Floor and Ceiling equivalent to PhP0/MWh and PhP19,000/MWh, respectively, for the trading of Reserves in the WESM.
    - Generation Companies that are registered in the Reserve Market are directed to comply with the reportorial requirements such as annual submission to the Commission of reports containing the parameters provided under the ERC Resolution on the Offer Cap and Floor of the Reserve Market.
    - The Interim Offer Price cap shall be reviewed and recomputed one (1) year after its implementation, contingent on the collection of sufficient data from the annual submissions of Generation Companies under 2.1 above.
    - Upon collection of sufficient reportorial requirements and data from Generation Companies, a technology-specific Offer Price Cap may be computed by the Commission subject to the submission of comments from Stakeholders and the conduct of Public Consultations.
    - The proposal is highly based on the Power Wrangler study engaged by PEMC in 2015 for the setting of Market Price Cap and Floor currently used in the WESM.

- *Call for Comments to the Proposed Amendments to the WESM Rules and Market Manuals regarding Energy Storage Systems*

The proposed changes to the WESM Rules and other Market Manuals which mainly intends to define the Energy Storage System (ESS) as a separate category of WESM membership, as well as define the different ESS types prescribed in the DOE DC2023-04-0008 that may operate in the Philippine power grid. Basically, the proposal aims to harmonize Rules and Manuals to the recent DOE policy. In view of the foregoing, the Committee expressed support to the proposal and no further comments were raised.

- *Advisory on the Resumption of the Full Commercial Operations of the Reserve Market*

The MSC was apprised on the resumption of the full commercial operation of the Reserve Market, effective 05 August 2024. The reasons for the previous suspension were also reiterated, citing sudden high market prices as the culprit, and highlighted the obligations of the MO, WESM Governance Arm, and the SO in this resumption.

The body was likewise updated on the supplemental operating guidelines issued by the Department of Energy, covering the processes of Scheduling and Dispatch, Pricing and Settlement in the Reserve Market, and the approval of interim relief by the Energy Regulatory Commission.

- *Omnibus Rules for Consumer Choice Programs in the Retail Electricity Market*

This comprises a comprehensive framework for customer choice programs – RCOA, Retail Aggregation Program, and Green Energy Option Program. The rules detail the scope and eligibility criteria for end-user participation and define the requirements for obtaining and

maintaining a Retail Electricity Supplier license, including eligibility, processing timelines, and supplier responsibilities.

## **4.2 Proposed Amendments to WESM Rules and Market Manuals**

### **4.2.1 Deliberation of Urgent Amendments to the WESM Penalty Manual**

The MSC deliberated the submitted proposed “urgent” amendments to the WESM Penalty Manual submitted by PEMC. The approval of the proposed Urgent Amendments to the Penalty Manual was being requested in view of its authority under the WESM Rules to review the WESM Penalty Manual, in consultation with the Rules Change Committee, Compliance Committee and the PEM Board, and recommend changes thereto, provided that changes on the same shall be subject to the approval of the DOE.

The Committee noted the simulation by the Enforcement and Compliance Department (ECD) that revealed inconsistencies between the penalty mechanisms for energy and reserves, as well as the differences in penalties for breaches in generation/energy and reserve offers. However, it was clarified that the penalty mechanism for breaches of the Must Offer Rule (MOR) in Section 5 of the current Penalty Manual applies to both energy and reserve offers. Additionally, the discrepancies in penalty application under the Ancillary Service Monitoring Manual (ASMM) was pointed out and was effective from 09 July 2024.

The ECD requested the MSC’s approval to remove the term “reserve” from Section 5.1 of the Penalty Manual to prevent confusion between energy and reserve penalties. The ECD also sought guidance on amending the Penalty Manual, as related amendments will be submitted as Urgent Amendments. However, the ECD noted that the submitted proposal does not qualify as an urgent amendment under the current provision of the WESM Rules and recommended endorsing it to the DOE for inclusion in the ongoing review of the Penalty Manual. The MSC agreed with the proposed approach and reiterated that if the DOE does not permit the addition to the ongoing review of the proposed amendments to the Penalty Manual, it will be deliberated as General Amendment.

After the discussions, the Committee approved the proposed revision to the Penalty Manual with the recommended routing procedure of approval.

## **4.3 Proposed Inclusion of Urgent Amendments Procedure for the WESM Penalty Manual**

In light of potential urgent amendments to the WESM Penalty Manual, the MSC discussed the need to establish a procedure for such amendments. This discussion was prompted by a recent proposal received by the Committee, which raised concerns about the lack of criteria for classifying a proposal as urgent under the current Rules. The existing WESM Rules only outline criteria for amendments to the rules and manuals governed by the Rules Change Committee. Additionally, the Penalty Manual stipulates that any amendments must undergo consultation with various identified entities.

Consequently, the Committee agreed to include a provision in the Rules for urgent amendments related to the Penalty Manual. The proposed criteria would be limited to facilitating issuances by the DOE and ERC, as well as ensuring harmonization with other provisions of the Rules and other manuals. The actual proposal will be further deliberated by the Committee upon further review and formulation of the specific provisions to be proposed.

#### **4.4 Conduct of Electricity Market Exchanges for 2024**

The MSC attended and participated in the Market Participants Townhall and Electricity Market Exchanges 2024 held on 04 September 2024 at Wack Wack Golf and Country Club. Representing the Committee, the Chairman presented on the current market conditions and their impact on both consumers and the distribution sector, which was the main focus of the event. Additionally, the Chairman took part as a panelist during the panel discussion.

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.