



Market Surveillance Committee 2024 Annual Report

January to December 2024

MARCH 2025

This Report is prepared by the
Philippine Electricity Market Corporation –
Market Assessment Group for 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.

EXECUTIVE SUMMARY

The Market Surveillance Committee (MSC) 2024 Annual Report outlines the accomplishments of the Committee and the activities it undertook for the period of January to December 2024. Annex B of the Report provides for the MSC's planned activities for the year 2025.

Pursuant to its mandate under Section 1.6.2 of the WESM Rules and Section 3.1 of the Market Surveillance Manual (MSM), the MSC carried out its functions and responsibilities throughout the year. Accordingly, the MSC, with the PEMC – Market Assessment Group (MAG) as its primary support unit, accomplished monitoring and analysis of trading participants' activities and market outcomes during the year. To perform these functions, the MSC conducted a total of fourteen (14) meetings, ten (10) of which were conducted via online platforms as agreed by the Committee, while the remaining four (4) meetings were held physically at the PEMC office. The MSC likewise communicated through email and other online platforms to deliberate on various market issues and topics.

In summary, the MSC accomplished the following activities through the assistance of MAG:

Activities	
Discussion of periodic market reports and unusual Market Outcomes	<ul style="list-style-type: none"> ○ Market Assessment Reports (monthly, quarterly, and annual) ○ Over-riding Constraints Reports (monthly, quarterly, and annual) ○ Retail Market Assessment Reports (monthly, quarterly and annual) ○ Review Reports on Market Intervention and Suspension Events ○ Notable Market Outcome Reports (upon occurrence)
Monitor activities conducted by WESM Participants through submission of special / ad hoc reports and market studies	<ul style="list-style-type: none"> ○ Study on the Economic Impact of Market Intervention / Suspension in the WESM ○ Study on the Proposed Revision to Secondary Price Cap (SPC) Parameters
Review / Submit proposed amendments to the WESM Rules / Manuals	<ul style="list-style-type: none"> ○ Review and submit comments / inputs to the Call for Comments on the proposed amendments and other issuances / drafts. ○ Review of the proposed amendments to the WESM Penalty Manual on the following: <ul style="list-style-type: none"> • Transfer the responsibility to collect penalties from the Market Operator to WESM Governance Arm. • Remove the provisions relating to enforcement remedies. • Revise the timeline for the implementation for the enforcement sanction. • Modify certain provisions to prevent confusion that breaches of the provisions of the Ancillary Services Monitoring Manual are punishable in accordance with the provisions of the said manual and not those set forth under the Penalty Manual. ○ Review on the possible proposed amendments to the WESM Rules, Penalty Manual, and Market Surveillance Manual on the

Activities	
	Procedures for Review of Rules Changes to the WESM Penalty Manual and Enhancement to the MSC Processes
Coordination meetings with other Agencies & Entities	<ul style="list-style-type: none"> ○ Coordination meetings with the Market Operator, System Operator, and Market Participants on the Market Intervention and Suspension events ○ Coordination meeting with the Technical Committee ○ Meeting with the Market Operator on the Reserve Market ○ Meeting with the Department of Energy on the 2024 Power Situation and Outlook
Other Activities	<ul style="list-style-type: none"> ○ Review on MSC Internal Rules ○ Hosting and Attendance to an Energy Surveillance Meeting ○ Participation to Market Participants' Townhall and Electricity Market Exchanges ○ Discussion on Various Department Circulars, Issuances, and Energy Regulatory Commission (ERC) Resolutions ○ Attendance to the WESM Compliance Officer (WCO) Summit ○ Attendance to Public Consultation on the i) Proposed Amendments to the WESM Rules and Market Manuals regarding the MI/MS Procedures and Penalty Manual, and ii) Transmission Development Plan 2024-2050

Contents

- 1.0 2024 ACCOMPLISHMENTS.....5**
 - 1.1 ACTIVITIES ON MARKET MONITORING AND ASSESSMENT.....5**
 - 1.1.1 Assessment of Market Outcomes in the Wholesale Electricity Spot Market5
 - 1.1.1.1 Market Assessment Reports5
 - 1.1.1.2 Over-riding Constraints Reports7
 - 1.1.1.2.1 Discussion on the Summary of Responses from Various Plants re Noted Extensions of PCATC8
 - 1.1.1.3 Notable Market Outcome Reports9
 - 1.1.1.4 Review Reports on Market Intervention Events.....9
 - 1.1.1.5 Review Report on Market Suspension Events 11
 - 1.1.1.6 Updating of Thresholds for the Monitoring of Market Trigger and Interesting Pricing Events 12
 - 1.1.1.7 Review of Catalogue of Market Monitoring Data and Indices 12
 - 1.1.2 Assessment of the Retail Market 12
 - 1.1.2.1 Retail Market Assessment Reports 12
 - 1.1.2.2 Discussion on GEOP Market Transactions 13
 - 1.1.2.3 Review of Catalogues of Retail Market Monitoring Data and Indices 14
 - 1.2 COORDINATION WITH VARIOUS AGENCIES AND ENTITIES..... 14**
 - 1.2.1 Meeting with the Market Operator (MO)..... 14
 - 1.2.1.1 Overview of the Reserve Market 14
 - 1.2.2 Coordination Meetings for Market Intervention / Suspension Events 14
 - 1.2.3 Meeting with the Technical Committee regarding PEM Board Directive in relation to the 17 August 2024 Market Intervention Event..... 15
 - 1.2.4 Meeting with the Department of Energy on the 2024 Power Situation and Outlook 15
 - 1.3 PROPOSED AMENDMENTS TO THE WESM RULES AND OTHER MANUALS 15**
 - 1.3.1 Proposed Amendments to the WESM Penalty Manual 15
 - 1.3.1.1 Transfer of Authority to Collect and Utilize WESM Penalties..... 15
 - 1.3.1.2 Harmonization of Penalty for Reserve Offer Capacity Compliance (ROCC) Breaches 16
 - 1.3.2 Discussion on the Proposed Amendments to the WESM Rules and Market Manuals on the Procedures for Review of Rules Changes to the WESM Penalty Manual and Enhancements to Market Surveillance Committee Processes 16
 - 1.4 OTHER ACTIVITIES AND ACCOMPLISHMENTS 17**
 - 1.4.1 Market Studies 17
 - 1.4.1.1 Study on the Proposed Revision to SPC Parameters 17

1.4.1.2 Economic Impact of Market Intervention / Suspension Events.....	18
1.4.2 Discussion on the Proposed Methodology for Initial ACB monitoring	18
1.4.3 Discussion on MAG's Initial Observation on the Ramp Rates and BCQ Declaration	19
1.4.4 Assessment on the Generator Behavior under Open Breaker Status, a 2022 case	19
1.4.5 Discussion on Various Department Circulars, Issuances, and Energy Regulatory Commission (ERC) Resolutions	19
1.4.6 Attendance to Public Consultations	25
1.4.6.1 Proposed Amendments to the WESM Rules and Market Manuals regarding the MI/MS Procedures and Penalty Manual.....	25
1.4.6.2 Proposed Rules on the Imposition of Secondary Price Cap (SPC)	25
1.4.6.3 Transmission Development Plan for 2024-2050	25
1.4.7 Review on MSC Internal Rules	26
1.4.8 Hosting and Attendance to an Intermarket Surveillance Meeting.....	26
1.4.9 Participation to Market Participants' Townhall and Electricity Market Exchanges...	26
1.4.10 Attendance to the WESM Compliance Officer (WCO) Summit.....	26
1.4.11 MSC Resolution on the Recommendation to Establish a System Operator Performance Standard (SOPS)	26
1.4.12 Discussion on Market Operator Information Disclosure and Confidentiality Manual	27
1.4.13 Discussion on the Corporate Strategic Plan for 2024-2026	27
2.0 MEMBERSHIP	27
3.0 RESPONSIBILITIES	28
4.0 MSC WORK PLAN FOR 2025.....	28
Annex A. Coordination Meetings for Market Intervention / Suspension Events	30

List of Figures

Figure 1 Highlights of Monthly Market Assessment Report.....	5
--	---

List of Tables

Table 1 Summary List of Congestions from December 2023 to August 2024	6
Table 2 Over-riding Constraints Impositions from December 2023 to October 2024	7

1.0 2024 ACCOMPLISHMENTS

1.1 ACTIVITIES ON MARKET MONITORING AND ASSESSMENT

1.1.1 Assessment of Market Outcomes in the Wholesale Electricity Spot Market

1.1.1.1 Market Assessment Reports

Market Assessment Reports (MARs) are prepared pursuant to the Committee's mandate of monitoring and assessing the efficiency and competitiveness of the WESM under different timescales and market conditions. The MARs provide an assessment of market behavior and analyze market monitoring indices, which are based on monitoring data regularly collected and validated primarily from the Market Operator (MO) and the System Operator (SO).

In accordance with Section 3.1 of the Market Surveillance Manual, the MSC submitted the following MARs:

- Thirteen (13) Monthly Monitoring Reports, comprised of the MSC's Monthly Accomplishment Report and the Monthly Market Assessment Report (MMAR), covering the billing months from September 2023 to November 2024;
- Four (4) Quarterly Reports covering the fourth quarter of 2023 to third quarter of 2024; and
- One (1) Annual Market Assessment Report covering the period from 26 December 2022 to 25 December 2023.

Highlights of the Monthly MARs were regularly submitted by the MSC to the PEM Board. MARs were likewise regularly furnished to the Department of Energy (DOE) and the Energy Regulatory Commission (ERC), for information and reference, and are published on the PEMC website¹. The month-on-month comparison of the effective supply, system demand, and market prices is shown below:

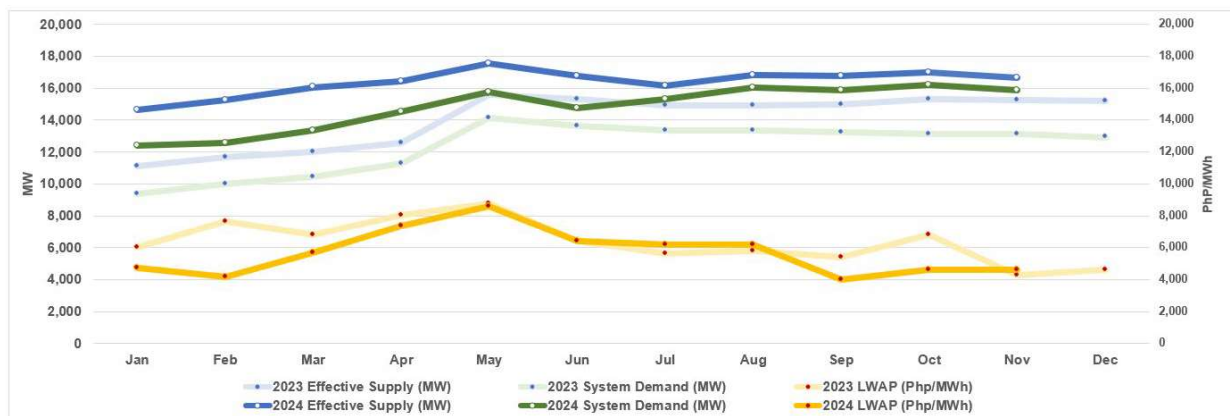


Figure 1 Highlights of Monthly Market Assessment Report

¹ <https://www.wesm.ph/market-outcomes/market-assessment-reports>

During the covered period, the following notable events were observed:

- The market was suspended on 23 to 25 May, 27 to 29 May, and 31 May to 03 June 2024 following the issuance of Order for ERC Case No. 2024-017 wherein the WESM shall be suspended upon the issuance of a Red Alert notice by the SO, particularly during summer months. This was in consideration of State of Calamity experienced in the country because of extreme heat conditions. As a result, the grid was under several issuances of Red and Yellow Alerts due to extreme heat conditions experienced in the country.
- Total power outage in Panay sub-grid on 02 January 2024 due to the tripping of Bacolod-Barotac Viejo 138kV submarine cable which subsequently led to the declaration of MI that lasted until 05 January 2024.
- On 26 December 2023, the reserve market commenced. However, the ERC suspended reserve market billing and settlement following significant price increases compared to February. In May, the suspension was partly lifted, allowing power generators to recover some costs for March trading transactions. Finally, in August 2024, the reserve market resumed its full commercial operation.
- The Cebu-Bohol interconnection project was completed in September 2024 which plays a crucial role in improving the transmission and grid stability in Central Visayas as it helps develop the transmission highway in Cebu, the load center of the Visayas, through a new line that will transmit power in and out of the province.

The summary of the recorded notable congestions from December 2023 until August 2024 are as follows:

Table 1 Summary List of Congestions from December 2023 to August 2024

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV
Maasin-Ubay Line 1, (75 MW capacity)			15%	31%	38%	33%	30%	23%		0.1%	0.01%
Samboan-Amlan Line 1, (90 MW capacity)	23%	5%	20%	26%	0.2%	8%					
Samboan-Amlan Line 2, (90 MW capacity)				4%	0.2%	2%					
Bauang-La Trinidad Line 1, (300 MW capacity)	0.5%	1.1%	3%		1%	0.2%					0.3%
Bauang-La Trinidad Line 2, (300 MW capacity)	0.5%	1.1%	2%		1%	0.2%					0.4%
Cebu Mandaue Line 2, (211 MW capacity)	0.10%				13%		0.2%				
Leyte To Cebu (Submarine) Line	4%	5%		0.1%	0.03%	0.1%		2%			0.01%
Kabanklan-Mabinay Line 1 (170 MW capacity)	0.19%										
Mandaue-LapuLapu Line 1 (105 MW capacity)	12%										
Negros to Panay HVDC Line	0.02%										
Bauang-BPPC Line 1		0.19%	0.5%	10%	9%	2%					
Bacolod-Barotac Line 1 (196 MW capacity)			0.7%								
Mexico-Hermosa Line 1				6%	1%	0.4%	1%	0.03%	2%		0.6%
Mexico-Hermosa Line 2				7%	3%	0.4%		0.1%			0.2%
Cebu to Negros (Submarine) Line				4%							
Barotac-Dingle Line 1				0.4%	2%	7%	23%	5%	1%		
Barotac-Dingle Line 2				1%	5%	4%	19%	3%	0.01%		
Dasmariñas Corridor									3%		

 Network Lines

1.1.1.2 Over-riding Constraints Reports

In accordance with Section 5.5 of the Market Surveillance Manual, the MSC monitored the overriding constraints imposed by the National Grid Corporation of the Philippines – SO (NGCP-SO) on generators².

For the covered period, the MSC deliberated upon Monitoring Reports on Overriding Constraints covering the billing period from 26 December 2023 to 25 October 2024.

In summary, the majority of the overriding events imposed were categorized as non-security limit events. Most of the observed impositions for the year were due to the commissioning tests of new plants. The month-on-month comparison of the number of over-riding events imposed per generator resource type is shown below:

Table 2 Over-riding Constraints Impositions from December 2023 to October 2024

Plant type	2023	2024									
	Q4	Q1				Q2			Q3		
	December	January	February	March	April	May	June	July	August	September	October
Battery Energy Storage	1,245	566	533	556	890	5,384	6,153	10,494	8,906	6,222	3,630
Biomass	-	60	1,941	4,318	88	4,594	-	1,788	7,636	8,248	7,076
Coal	8,579	8,926	18,790	11,992	15,738	10,176	10,722	8,910	12,465	7,236	9,600
Geothermal	-	2,475	10,511	11,190	13,921	16,968	19,655	23,651	14,420	17,126	11,931
Hydro	143	9,724	9,733	14,285	13,306	13,958	16,917	19,380	16,994	18,443	23,721
Natural Gas	16,157	29,116	27,048	432	486	888	5,849	3,511	4,804	3,823	5,778
Oil-based	5,962	9,188	4,480	7,161	9,919	11,863	6,732	5,191	7,162	3,896	6,462
Solar	10,107	20,784	22,961	20,075	33,411	36,007	37,134	33,053	25,234	15,362	18,597
Wind	8,926	8,895	8,912	14,246	18,355	19,950	18,165	18,678	23,109	24,628	24,083
Total	51,119	89,734	104,849	84,255	106,114	119,788	121,327	124,656	120,730	104,984	110,878

In accordance with Section 3.1 of the Market Surveillance Manual, the MSC submitted the following OCRs:

- Thirteen (13) Monthly Monitoring Reports, including the results of monthly monitoring of over-riding constraints, covering the billing months from September 2023 to October 2024;
- Four (4) Quarterly Reports covering the fourth quarter of 2023 to third quarter of 2024; and
- One (1) Annual Over-riding Constraints Report covering the 2023 billing periods.

Similar with the Monthly MARs, OCRs are regularly submitted to the PEM Board, DOE, and the ERC, for information and reference, and are published accordingly on the PEMC website³. The highlights of notable events covering the December 2023 to October 2024 billing periods were as follows:

- A total of 1,134,434 over-riding constraint (OC) events were recorded for the covered period, majority of which were imposed to Luzon plants. Ninety-five percent (95%) of

² The monitoring of the over-riding constraints on generators is done on a per generator trading node per trading interval. A constraint imposed on a generator trading node on a particular trading interval is considered as one (1) over-riding event. The monitoring of the over-riding constraints is based on the data and information provided by MO (i.e., real time market results and MMS-input files on security limits) and SO (i.e., SO Data for Market Monitoring).

³ <https://www.wesm.ph/market-outcomes/over-riding-constraints-report>

these events were non-security limits, attributed to either plants undergoing commissioning tests or complying with commercial and regulatory requirements.

- The significant increase in the number of OC impositions was highly influenced by the inclusion of the Mindanao region in the monitored impositions, following its commencement.
- Examining the performance of the market in terms of the number of impositions implemented using the same period from last year, a significant increase in the impositions related to the 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.
- Overall, renewable energy plants continue to accumulate the greatest number of impositions during the covered period.
- 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 DC2021-06-0013⁴.

1.1.1.2.1 Discussion on the Summary of Responses from Various Plants re Noted Extensions of PCATC

Based on the observations noted by the Committee on multiple extensions of PCATCs for commissioning tests, explanation letters were sent to the affected participants. The summary of responses gathered from various plants on their respective reasons for extensions of PCATC was discussed by the MSC with the most common ones as follows:

- Failed Testing: Common in all categories due to unmet standards (e.g., SCADA, Power Quality, Governor Control)
- Technical or Mechanical Issues: Across all resource types, projects are delayed due to various technical problems (e.g., leaks in hydro plants, inverter/cable issues in solar)
- Resource Constraints: Insufficient natural resources (e.g., brine supply for geothermal or wind speed for wind power)
- External Factors: Force majeure, internal issues with contractor

Further, the Committee noted and adopted the following recommendations provided by the plants:

- Review the definition of Test and Commissioning to consider the size, technology, and resources needed by the facility, and the period of evaluation of the results of the test conducted until such time that the FCATC is issued by the Transmission Network Provider (TNP) or Distribution Utility (DU).
- Ensure that facilities are given adequate period to conduct thorough commissioning activities, considering their size, technology, and resource

⁴ Adopting a General Framework Governing the Test and Commissioning of Generation Facilities for Ensuring Readiness to Deliver Energy to the Grid or Distribution Network

requirements. This recommendation aims to provide a sufficient period for evaluating the results of the tests conducted.

- Review the provisions in Section 4.3.3. of DOE DC 2021-06-0013 to allow the continuous operation of the generation facility so long as it will not pose any threat to the grid pending the issuance of the FCATC and the Provisional Authority to Operate (PAO) or Certificate of Compliance (COC).

Similar with its recommendations in its letters to the ERC and the Grid Management Committee (GMC) as early as 2016, the MSC noted that the duration of commissioning tests should depend on the type of generation facility. The MSC recommends revisiting the allowable period for conducting testing and commissioning and setting the allowable timeframe depending on the type of facility.

1.1.1.3 Notable Market Outcome Reports

The MSC was regularly briefed on the summary of facts and observations regarding market triggers noted during the covered period. Monitoring market triggers is aligned with the mandate provided under Section 3.1.2 of the Catalogue of Market Triggers. The reports are being submitted to the DOE and ERC, for information and reference. Highlights of the reports are as follows:

Billing Period	# of Price Spikes		Total Day/s with Spikes	Day/s with Most No. of Events	Hour/s with Most No. of Events
	Peak	Off Peak			
December 2023	72	24	26 out of 30	Tuesday	2200h
January 2024	52	55	23 out of 31	Wednesday	2200h
February 2024	5	14	7 out of 31	Wednesday	2200h
March 2024	95	20	8 out of 29	Monday	2100h
April 2024	127	65	25 out of 31	Thursday	1500h
May 2024	242	83	25 out of 30	Monday	1500h
June 2024	181	96	28 out of 31	Monday	2100h
July 2024	82	73	19 out of 30	Friday	2200h
August 2024	216	126	27 out of 31	Monday	2200h
September 2024	133	32	23 out of 31	Wednesday	1900h
October 2024	233	30	25 out of 30	Wednesday	1900h
November 2024	58	29	22 out of 31	Friday	1800h

1.1.1.4 Review Reports on Market Intervention Events

In accordance with Sections 3.1 (d) and 5.3.1 of the MSM Issue 1.0, the MSC conducted a review on the occurrence of MI events as declared by either the SO, for grid-related events, or the MO, for market-related events, and subsequently prepared its Review Reports.

Following its thorough review, the MSC submitted a total of eight (8) MSC Review Reports, for review and approval of the PEM Board. The recorded MI events were mainly due to the following reasons:

Classification	Date	Intervals	Reasons
Emergency	2-5 January 2023	1510h - 1235h	<ul style="list-style-type: none"> Due to major system disturbance caused by the multiple tripping of plants that led to the tripping of Bacolod-Barotac Viejo 138kV submarine cable at 1507h which further resulted in the Black-out of Panay Sub-grid
	16 April 2024	1615h - 1735h	<ul style="list-style-type: none"> Due to implementation of manual load dropping (MLD) brought about by generation deficiency
	23 April 2024	1540h - 1650h	<ul style="list-style-type: none"> Due to implementation of MLD brought about by generation deficiency
	30 April 2024	1340h - 1405h	<ul style="list-style-type: none"> Due to implementation of MLD to prevent overloading of Cebu-Mandaue 138kV Line 2.
	7 May 2024	0820h - 0920h 1255h - 1520h	<ul style="list-style-type: none"> Due to implementation of MLD to prevent overloading of Cebu-Mandaue 138kV Line 2.
Threat to System Security	27 December 2023	1755h - 1830h	<ul style="list-style-type: none"> Due to MLD implementation to prevent overloading of Amlan-Samboan 138kV Line 1.
	17 January 2024	1850h - 1910h	<ul style="list-style-type: none"> Due to overloading of Samboan-Amlan 138kV Lines 1 and 2
	1-2 March 2024	1900h - 0030h	<ul style="list-style-type: none"> Due to multiple tripping of generators and loads at Visayas grid
Force Majeure	3 February 2024	1925h	<ul style="list-style-type: none"> Due to infeasible solution brought about by the SCADA bad data that resulted from the intermittent OFFLINE and ONLINE status of the communication line between System Operator – Mindanao Regional Control Center (SO-MRCC) and Agus 6 Remote Terminal Units (RTUs) located in Lanao, Mindanao
	26 March 2024	1930h - 1940h	<ul style="list-style-type: none"> 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
	27 March 2024	2135h	<ul style="list-style-type: none"> Due to the failure of the Market Management System MMS to generate a solution, leading to the failure of RTD market run to publish results

Classification	Date	Intervals	Reasons
	28 March 2024	1635h	<ul style="list-style-type: none"> 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.
	13 May 2024	1810h - 1840h	<ul style="list-style-type: none"> Due to unavailable MMS Scheduling and Pricing results arising from the loss of connection between the MMS servers and IEMOP's Main Network backbone brought about by MMS Ethernet distribution switch device failure
	10 October 2024	1015h - 1055h	<ul style="list-style-type: none"> Shutdown of Market Systems due to failure of UPS to engage during power fluctuation in IEMOP Market Operator Center
	13 November 2024	1535h - 1705h	<ul style="list-style-type: none"> Unavailability of real-time data from the Visayas System Operator due to the down state of the Visayas ICCP data source

1.1.1.5 Review Report on Market Suspension Events

Similar with the Market Intervention events, the WESM Rules⁵ and relevant Market Manuals⁶ mandate the MSC to conduct and prepare a report on its assessment on the occurrence of Market Suspension (MS) events particularly on the following:

- The adequacy of the relevant provisions of the WESM Rules relevant to the event and its proposed amendments, if any;
- The appropriateness of actions taken by the System Operator and/or the Market Operator in relation to the event;
- The impact and possible costs incurred by WESM Members as a consequence of the event; and
- Any finding of potential fault of any WESM Participant including a preliminary recommendation for further evaluation by the PEM Audit Committee (PAC).

During the covered period, the MSC submitted an assessment of the events that transpired on 23-25 May, 27-30 May, and 31 May-03 June 2024 when the ERC declared MS events in the WESM. This is pursuant to the ERC Order under Case No. 2024-17 MC, on 30 April 2024, declaring that WESM operations shall be suspended upon the issuance of a Red Alert notice by the SO, particularly during the summer months. This is in consideration of the tight supply margin brought about by planned and forced outages, and the significant increase in the level of

⁵ WESM Rules Clause 6.10.2

⁶ Market Surveillance Manual Issue 1.0 Section 5.4 and Dispatch Protocol Manual Issue 22.1 Section 16.10.2

demand due to sustained high temperature during the summer period that led to the subsequent declaration of a State of Calamity in some areas. Based on the ERC Order, the MS would take effect starting from the issuance of a Red Alert notice by the SO and shall be lifted should the difference between the regional available capacity and the actual regional demand be greater than zero (0) for more than twenty-four (24) hours consecutively.

The assessment conducted by the MSC was based on the submitted reports by the SO and MO and information gathered during the coordination meetings.

1.1.1.6 Updating of Thresholds for the Monitoring of Market Trigger and Interesting Pricing Events

As part of its regular activities, the MSC conducted a review on the thresholds and indices used for the monitoring of market trigger and interesting pricing events as established under the Memorandum of Agreement between PEMC and ERC, as well as the request from the DOE.

Several simulations were conducted based on the historical data of 2023 under various conditions. After a series of deliberations by the Committee, it was agreed that the thresholds used for the monitoring of market trigger be retained while MAG is conducting further studies as to the possible methodologies for updating the thresholds applicable to sporadic distribution of data and to consider in the analysis, the impact of various changes or updates in the grid (i.e., full commercial operation of the Reserve Market).

1.1.1.7 Review of Catalogue of Market Monitoring Data and Indices

The MSC conducted an initial review on 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.

Upon series of deliberations, the Committee agreed with the inclusion of some metrics in the latest CMMDI, namely the C4 and C8 indices which will evaluate the combined market share of the top four or eight largest market participants in order to assess the concentration of the market. Also, the MSC recommended changes to the current indices such as aggregating the pivotal supplier per market participant group for the system pivotal suppliers.

Changes on the said catalogue will be published for comments of the stakeholders.

1.1.2 Assessment of the Retail Market

1.1.2.1 Retail Market Assessment Reports

Pursuant to the Catalogue of Retail Market Monitoring Data and Indices (CRMMDI) Section 3.1.2, the MSC monitored and assessed the performance of the Retail Market, as contained in

the Retail Market Assessment Report. In accordance with Sections 3.1 (b), 4.3.8 (b), and 4.3.8 (c) of the MSM Manual, and Section 3.1 of the CRMMDI, the MSC submitted to the PEM Board the following:

- Ten (10) monthly Retail Market Assessment Reports (RMAR), covering the January to October 2024 billing period;
- Four (4) quarterly Retail Market Assessment Reports, covering the Fourth Quarter of 2023 to Third Quarter of 2024; and
- Annual Retail Market Assessment Report, covering the period 26 December 2022 to 25 December 2023.

The RMAR discusses the outcomes of monitoring indices and provides indications on how the retail market (both the Retail Competition and Open Access or RCOA and Green Energy Option Program or GEOP) performed during the period in review and how it fared in comparison with the performance of the previous periods. During the year, the MSC regularly submits to the PEM Board the highlights of its assessment of the Retail Market. The reports were also furnished to the DOE and ERC, for information and reference, and are published in the PEMC website⁷.

1.1.2.2 Discussion on GEOP Market Transactions

The MSC discussed the market transactions related to the GEOP market. As a backgrounder, 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. During the period in review, there are instances of WESM spot exposures which essentially renders the participants to be non-compliant with the Rules for GEOP transactions.

The MSC agreed to write a letter to the suppliers to point out the recorded data on the failure to source the mandated 100% RE sources, and to request their explanation as to their possible non-compliance with the Rules.

Highlights of the responses received from the RE Suppliers are as follows:

- **Spot Exposures:** 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 intervals.
- **Contract Expirations:** Instances when GEOP end-users' consumption led to spot exposures due to expiration of supply contracts.

⁷ <https://www.wesm.ph/market-outcomes/retail-market-assessment-reports>

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

1.1.2.3 Review of Catalogues of Retail Market Monitoring Data and Indices

Similar to the catalogue used in the WESM, the MSC likewise reviewed the Catalogue of Retail Market Monitoring Data and Indices (CRMMDI) as part of its obligations in the manual.

For the information and reference of the Committee, the indices / metrics used in other jurisdictions to monitor and assess the state of their retail market were discussed. Upon a series of reviews, the Committee agreed that additional parameters and data from relevant government agencies be included in the report and to add the metrics used in the other jurisdictions in the current reports. Lastly, the MSC agreed to do a review of the manual on an annual basis or as the Committee deems it necessary.

Changes to the said catalogue will be published for comments of stakeholders.

1.2 COORDINATION WITH VARIOUS AGENCIES AND ENTITIES

1.2.1 Meeting with the Market Operator (MO)

1.2.1.1 Overview of the Reserve Market

As requested by the MSC, through its formal letter dated 05 February 2024, the representatives of IEMOP provided an overview of the reserve market which started its commercial operation on 26 January 2024. The salient features of the reserve market were discussed, as well as the concept and principle of the market.

After the presentation, the Committee sought clarifications 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.

1.2.2 Coordination Meetings for Market Intervention / Suspension Events

For the calendar year of 2024, the MSC conducted several coordination meetings with the parties concerned to gather further information and clarify the details of the events that led to the declaration of an MI and/or MS. 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 documentation was requested by the Committee in order to afford it with a complete assessment on the events.

The summary of the coordination meetings are attached in this report as Annex A.

1.2.3 Meeting with the Technical Committee regarding PEM Board Directive in relation to the 17 August 2024 Market Intervention Event

In view of the MSC presentation of the MI events during 76th PEM Board Meeting last 25 September 2024, the MSC coordinated with the Technical Committee (TC) to conduct a further study regarding the attribution of the MI event as force majeure, as well as to conduct a study on the occurrence of islanding situations. The Committee wrote a formal letter of request to TC for a study on the islanding situations in the market leading to an MI event and the possible recommendations in addressing this islanding situation.

1.2.4 Meeting with the Department of Energy on the 2024 Power Situation and Outlook

As requested by the MSC in its earlier communication with the DOE, the power outlook for the entire Philippines for the year 2024 was presented and discussed with the Committee. The said power outlook was in consideration of the below parameters, assumptions, and considerations for all regions:

- The transmission network to provide to complete the major transmission projects in the 1st quarter of 2024.
- The SO to ensure the integrity and reliability of the grid at all times.
- Generation companies and SO to comply with the DOE-approved Grid Operating and Maintenance Plan (GOMP) for 2024 and forced outages are compliant with the allowances set by the ERC.
- Committed power generation projects will meet target commercial operations date for 2024.

The Committee noted that based on the resulting projections, there were no Red and Yellow alerts projected for 2024 across all regions for the abovementioned considerations.

1.3 PROPOSED AMENDMENTS TO THE WESM RULES AND OTHER MANUALS

1.3.1 Proposed Amendments to the WESM Penalty Manual

1.3.1.1 Transfer of Authority to Collect and Utilize WESM Penalties

As part of its mandate under the WESM Penalty Manual, the MSC consulted the PEM Board on 31 January 2024⁸, regarding the proposed amendments received by the Committee from PEMC, as the lead proponent, in relation to the WESM Penalty Manual.

⁸ The consultations with Compliance Committee (CC), RCC, and the WESM members all occurred in 2023.

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

During the MSC's Special Meeting on 22 February 2024, the Committee reviewed and approved the draft Resolution adopting the proposed amendments to the WESM Penalty Manual.

1.3.1.2 Harmonization of Penalty for Reserve Offer Capacity Compliance (ROCC) Breaches

The MSC deliberated on 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 (RCC), Compliance Committee (CC), and the PEM Board, and recommend changes thereto, provided that changes 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. This resulted in two penalty provisions which may be conflicting for reserve providers.

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. In the absence of provisions to govern urgent proposals for penalty provisions, the MSC agreed with the proposed approach to submit the proposal to the DOE in addition to the ongoing review of the proposed amendments to the Penalty Manual.

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

1.3.2 Discussion on the Proposed Amendments to the WESM Rules and Market Manuals on the Procedures for Review of Rules Changes to the WESM Penalty Manual and Enhancements to Market Surveillance Committee Processes

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 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 RCC. Additionally, the Penalty Manual stipulates that any amendments must undergo consultation with various identified entities.

The Committee then 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.

In view of the Committee's agreement, the MSC initially discussed the possible proposed amendments to include procedures for any Rules Changes to the WESM Penalty Manual, classifications of the said amendments, and other enhancements to the MSC processes. The highlights of the discussions are the following:

- Adoption of the procedures similar to the practices of the RCC for the review of proposed amendments to the WESM Penalty Manual.
- Proposed criteria for urgent amendments (facilitation of the implementation of any regulation, circular, order, or issuances of the DOE/ERC, and harmonization of the manuals).
- Removal of ECD from the MSC's direct reporting lines due to realignment under the Compliance Committee.
- Reassess the timescales of reports in the Market Surveillance Manual to enhance efficiency and avoid overburdening technical staff. The proposal included removing quarterly reports in favor of monthly reports, depending on the significance of observations.

1.4 OTHER ACTIVITIES AND ACCOMPLISHMENTS

1.4.1 Market Studies

1.4.1.1 Study on the Proposed Revision to SPC Parameters

In view of the Proposed Rules on the Secondary Price Cap (SPC) as proposed by Philippine Independent Power Producers Association Inc. (PIPPA), the MSC conducted further study 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 parameters. It was also highlighted that the proposal further suggested a quarterly update of SPC parameters which will be published by the ERC, if adopted.

Upon conclusion of the study, the MSC proposed dropping the 15% supply margin threshold and likewise recommended adjusting other parameters, or automatically cap market prices, if

PIPPA's conditions are met. Lastly, the Committee also recommended that the simulation results be presented to the ERC.

1.4.1.2 Economic Impact of Market Intervention / Suspension Events

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 MI and MS Events in the WESM. Apart from the WESM, the study likewise surveyed implementation of MI and MS in other jurisdictions such as Australia and Canada.

In conclusion, the study highlighted the following recommendations to address and avoid the economic impact of MI and MS events as follows:

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 and was published in the PEMC website.

1.4.2 Discussion on the Proposed Methodology for Initial ACB monitoring

As part of the MSC's continuous efforts to enhance its current monitoring and assessment on the activities in the WESM, the Committee discussed the feasibility of requesting additional information currently inaccessible 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 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.

In the absence of the data, which are confidential in nature, needed for the comprehensive monitoring and assessment of the MSC, the Committee was apprised on the proposed methodology for the initial monitoring of ACB focusing on generation offers, prices, quantities, and ramp rates. The proposed methodology includes gathering of necessary data, analysis, and setting unique

thresholds for each resource. The next steps involve developing codes and queries, gathering data, and creating thresholds using statistical and mathematical methods.

It was clarified that the methodology and monitoring tool would be integrated in the current system to reduce human intervention and automatically flag observations. The MSC discussed integrating the monitoring system with existing systems and ensuring that the thresholds are based on consultant recommendations. The presented methodology is a workaround by MAD for monitoring ACB, as the development of the second phase of the ACB project is on hold due to budget constraints. Further, it was suggested to test the methodology for at least a month with confirmed flagging of ACB, followed by testing with larger data sets.

1.4.3 Discussion on MAG's Initial Observation on the Ramp Rates and BCQ Declaration

The MSC discussed its initial observations on the ramp rate submission behavior of the market participants and the BCQ declarations using third-party procurements.

As a background, the initiative to review the behavior of participants procuring BCQ from third-party providers stemmed from an investigation of the ECD with a market participant undertaking this behavior. During the discussion, the MSC considered these behaviors as potential capacity withholding and suggested to investigate the reasons behind the practices and potential impact to the market. Further analysis and assessment will be undertaken by MAG.

1.4.4 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.

1.4.5 Discussion on Various Department Circulars, Issuances, and Energy Regulatory Commission (ERC) Resolutions

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 Proposed Rules Affecting Power Supply Security*

The MSC was apprised on the call for comments by the ERC on the proposed rules affecting the power supply security of the Philippines. The salient features of the proposed rules

involved matters on 1) Imposition of Secondary Price Cap (SPC) and 2) Rules for Reliability Performance and Equivalent Force Outage Days per Year of Generating Units.

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 simulations on the effect of the revision to the SPC parameters using 2023 data which was later submitted on 12 January 2024.

- *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 refining the timeline for decision-making of the 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 of the proposed amendments.

- *DOE DC NO. DC2024-06-0019 (Ancillary Services Monitoring Manual)*

The MSC discussed the subject DOE DC 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.

Following the presentation, the Committee noted the contents of the Circular.

- *Call for Comments to the Proposed Amendments to the Must Offer Rule*

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*

The MSC was presented with the important information regarding the subject proposal:

- 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.
 - 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 intends to define the Energy Storage System (ESS) as a separate category of WESM membership, as well as to define the different ESS types prescribed in the DOE DC2023-04-0008 that may operate in the Philippine power grid. The proposal also aims to harmonize the Market Rules and Manuals with the recent DOE policy. In view of the foregoing, the Committee expressed its 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 DOE, covering the processes of Scheduling and Dispatch, Pricing and Settlement in the Reserve Market, and the approval of interim relief by the ERC.

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

The MSC was presented with the highlights of the subject matter which is comprised of 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.

- *Call for Comments to the Proposed General Amendments to the WESM Manual on Ancillary Services Monitoring (ASM) regarding Reserve Conformance Standards*

The proposed amendments to the reserve conformance standard were discussed, including corrections to response accuracy formulas, criteria for compliance, and timelines for monitoring and reporting breaches.

The MSC noted that the proposed amendments are running smoothly as per the report by PEMC-ECD. There was also an assurance that the proposed standards / metrics in the proposals are consistent with the Philippine Grid Code. With this, the MSC posed no objection to the proposal.

On the proposed formulas and assumptions, the MSC suggested for the proponent to test the integrity of the changes to ensure that it will hold true and be optimal considering the prevailing conditions of the market. This is to ensure that it will not result in any error or unrealistic outcomes in the future that may lead to wrong tagging and imposition.

- *Call for Comments for the 9th Audit of the Market Operations*

The MSC discussed and commented on the draft terms of reference for the 9th Market Operations Audit which includes the market software and systems review, process and compliance review, and bid-to-bill analyses. The highlights of the MSC's recommendations are as follows:

- Including Market Software and Systems Review and Certification, incident management review, change management, and problem management processes, maturity or the comprehensive risk registry in the management of the MMS, as well as the protocol of MO for cybersecurity attacks.
 - Ensure that the audit team has multiple relevant qualifications/certifications, rather than just having at least one member with one of the qualifications / certifications.
 - Ensure the auditors have an electricity market operations expert.
- *Call for Comments to the Proposed General Amendments to the WESM Manual on Dispatch Protocol on Issuance and Coverage of Dispatch Schedules below Minimum Stable Load*

The MSC reviewed and discussed the proposed amendments to the Dispatch Protocol, particularly regarding the issuance and coverage of dispatch schedules below minimum stable load. These amendments will include guidelines for dispatching generating units with real-time dispatch schedules below their minimum stable load, considering the obsolescence of the WESM Manual on Protocol for Central Scheduling and Dispatch of Energy and Contracted Reserves (PCSD manual). Additionally, it aims to provide guidelines for participants and plant operators to manage the dispatch of their generating units when their dispatch schedules fall below their minimum stable load or Pmin.

Proposed revisions were proposed by the Committee, for submission to the RCC.

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

The Committee was informed on the ERC Order in the matter of the declaration of Market Suspension during the Red Alerts for the Summer Months of 2024. The ERC issuance provides that the WESM shall be suspended upon the issuance of a Red Alert notice by the System Operator, particularly during the summer months in consideration of State of Calamity experienced in the country due extreme heat conditions during the summer months.

- *ERC Order and DOE Advisory in the Matter of the Declaration of Reserve Market Suspension and Resumption of Full Commercial Operations*

The MSC was apprised of the below sequence of events which led 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).

The MSC was then informed of the resumption of its full commercial operation effective at dispatch interval 0005h of 05 August 2024 pursuant to the WESM Rules and Market Manuals and the Supplemental Operating Guidelines.

- *Discussion on the Adoption of Further Amendments to the WESM Rules and Manuals on Dispatch Protocol and Market Surveillance regarding Refinements to Procedure during Market Intervention/Market Suspension*

The Committee was apprised on the Amendments to the WESM Rules and Manuals on Dispatch Protocol and Market Surveillance regarding refinements to procedures during Market Intervention/Market Suspension. These proposals, submitted by both the MSC and the SO, aim to enhance the current procedures during market intervention/suspension events. Specifically, the MSC proposed to:

- Enhance the procedures in declaring MI/MS and the processes to streamline the Committee's assessment of these implementations and the activities undertaken by the SO and MO.
- Clarify the categorization of events as Transmission System-related or Market System-related.

Additionally, the MSC was informed that the recent DOE DC adopted most of the MSC's proposals with modifications to some of the provisions. The MSC then noted the updates on further amendments to the WESM Rules and the relevant Market Manuals.

1.4.6 Attendance to Public Consultations

1.4.6.1 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.

1.4.6.2 Proposed Rules on the Imposition of Secondary Price Cap (SPC)

Members of the MSC attended the consultation meeting conducted by the ERC for the Luzon, Visayas, and Mindanao participants to deliberate on the comments received for the proposal, as well as the responses of the proponents 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 acceptance of the MSC's comments.

1.4.6.3 Transmission Development Plan for 2024-2050

The MSC attended the stakeholder consultation conducted by the National Grid Corporation of the Philippines (NGCP) for the Transmission Development Plan (TDP) for 2024-2050 which highlighted the following:

- Completed major projects (e.g., Mindanao-Visayas Interconnection Project, Cebu-Negros-Panay Phase 3, etc.)
- Transmission projects needed by the Committed Power Plants as of March 2024 DOE list and with the Green Energy Auction (GEA) 1 and 2 awarded projects
- Project updates (e.g. Batangas-Mindoro Interconnect Project at 500 kV scheme) and new transmission projects
- Smart and Green Grid Plan (SGGP) as contained in the TDP

1.4.7 Review on 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 MAD 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.

1.4.8 Hosting and Attendance to an Intermarket Surveillance Meeting

The MSC attended and participated in the Intermarket Surveillance meeting which was participated by monitoring and surveillance groups across the globe aims to promote collaboration and knowledge sharing among market monitors. The meeting was held in April at Shangri-La, Mactan, Cebu.

1.4.9 Participation to Market Participants' Townhall and Electricity Market Exchanges

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 the highlights of current market conditions and the impact of the WESM 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.

1.4.10 Attendance to the WESM Compliance Officer (WCO) Summit

The MSC attended and participated in the WCO Summit 2024 on 24 October 2024 at Lapu-Lapu Grand Ballroom, Bai Hotel, Cebu. The objective of the said summit was to bring together key stakeholders involved in the WESM, particularly compliance officers, to discuss regulatory developments, market operations, and the responsibilities of market participants in ensuring adherence to market rules and regulations.

1.4.11 MSC Resolution on the Recommendation to Establish a System Operator Performance Standard (SOPS)

The MSC, following its discussions and observations on matters related to market intervention events, submitted its recommendation to the PEM Board, through a formal resolution, the establishment of System Operator Performance Standards (SOPS), on the basis of which, the PAC can similarly monitor and assess the SO's performance especially with respect to Market Intervention (MI) events as to whether the reason/s for the MI/s is/are attributable to the SO.

Additionally, the MSC proposed that, like the MO, the SO should undergo regular performance assessments.

1.4.12 Discussion on Market Operator Information Disclosure and Confidentiality Manual

As requested by the MSC, 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, was presented and discussed. The presentation was initiated in response to the MSC's inquiry regarding the inclusion of information or assessment related to specific market participants in the report, which may potentially violate the provisions of the Market Operator Information Disclosure and Confidentiality Manual.

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.

1.4.13 Discussion on the Corporate Strategic Plan for 2024-2026

The MSC had a discussion on the Corporate Strategic Plan of Philippine Electricity Market Corporation (PEMC). Among the core objectives of the plan for the next three (3) years, PEMC, with the Governance Committees, aims to ensure the reliability and transparency of the 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.

2.0 MEMBERSHIP

The MSC is composed of the following experts in the fields of electrical engineering, information technology, law, and economics:

- 1) Atty. Doroteo B. Aguila (Chairman of the MSC until 31 October 2024 before his appointment in the Compliance Committee on 01 November 2024)
- 2) Engr. Arthur N. Escalante (newly-appointed Chairman effective 01 November 2024)
- 3) Engr. Christian M. Orias
- 4) Dr. Justin Ranier S. Chan
- 5) Engr. Ferdinand P. Villareal
- 6) Atty. Jose Frederick F. Fernando (new member effective 01 November 2024)

3.0 RESPONSIBILITIES

As set out in Section 1.6.2 of the WESM Rules, the responsibilities of the MSC are as follows:

1. Monitor activities conducted by WESM Participants in the spot market;
2. Prepare periodic reports, which outline:
 - a) Activities of WESM Participants in the spot market;
 - b) Apparent or suspected incidents of ACB by any WESM Participant; and
 - c) Matters concerning the operation of the spot market.
3. Propose amendments to the WESM Rules as necessary to:
 - a) Improve the efficiency and the effectiveness of the operation of the WESM; and
 - b) Enhance the prospects for the achievement of the WESM objectives; and
4. Assist the RCC in relation to its assessment of proposals to amend the WESM Rules under Chapter 8.

In addition, the MSC is tasked under Section 3.1 of the Market Surveillance Manual to perform the following responsibilities:

1. Prepare and submit monthly monitoring reports, quarterly retail market monitoring reports, annual reports to the PEM Board, the DOE and the ERC;
2. Prepare and submit special market reports as may be directed by the PEM Board, DOE, or ERC;
3. Review an event of market intervention or market suspension, as defined under Chapter 6 of the WESM Rules, and prepare the corresponding Market Intervention or Market Suspension Report to be submitted to the PEM Board;
4. Propose amendments to the WESM Rules and other Market Manuals in accordance with Chapter 8;
5. Upon request, assist the RCC in reviewing proposed amendments to the WESM Rules and Market Manuals, and make recommendations on the expected impact and necessity of the amendment proposal; and
6. Annually review and propose changes, as appropriate, to the WESM Penalty Manual.

4.0 MSC WORK PLAN FOR 2025

Annex B provides for the details of the MSC's program of activities for 2025, consistent with the PEMC Corporate Strategic Plan.

SUBMITTED BY:

Approved by:

THE MARKET SURVEILLANCE COMMITTEE



ARTHUR N. ESCALANTE
Chairperson



CHRISTIAN M. ORIAS
Member



FERDINAND P. VILLAREAL
Member



JOSE RODERICK F. FERNANDO
Member



JUSTIN RANIER S. CHAN
Member

Annex A. Coordination Meetings for Market Intervention / Suspension Events

Date of MI	Intervals	Initiated by	Date of the Coordination Meeting	Attendees
27 December 2023	1755h – 1830h	SO	21 February 2024	PEMC, SO
02-05 January 2024	1510h - 1235h	SO	21 February 2024	PEMC, SO
17 January 2024	1850h - 1910h	SO	21 February 2024	PEMC, SO
03 February 2024	1925h	MO	12 March 2024	PEMC, SO, MO
01-02 March 2024	1900h - 0030h	SO	12 March 2024	PEMC, SO, MO
26 March 2024	1930h - 1940h	MO	30 April 2024 30 May 2024	PEMC, SO, MO
27 March 2024	2135h	MO	30 April 2024 30 May 2024	PEMC, SO, MO
28 March 2024	1635h	MO	30 April 2024 30 May 2024	PEMC, SO, MO
16 April 2024	1620h - 1735h	SO	30 May 2024	PEMC, SO, MO
20 April 2024	0905h - 0920h	MO	30 May 2024	PEMC, SO, MO
23 April 2024	1540h - 1650h	SO	30 May 2024	PEMC, SO, MO
30 April 2024	1340h - 1405h	SO	30 May 2024	PEMC, SO, MO
07 May 2024	0820h - 0920h 1255h - 1520h	SO	30 May 2024	PEMC, SO, MO
13 May 2024	1810h - 1840h	MO	30 May 2024	PEMC, SO, MO
17 May 2024	0855h - 1600h	SO	09 August 2024 03 October 2024	MSC, PEMC, SO, MO, VECO, BOHECO 1&2, EAUC, MECO, BLCI
18 May 2024	0540h	MO	09 August 2024	MSC, PEMC, SO, MO, VECO, BOHECO 1&2, EAUC, MECO, BLCI
21 May 2024	1335h - 1405h 1635h - 1650h	SO	09 August 2024 03 October 2024	MSC, PEMC, SO, MO, VECO, BOHECO 1&2, EAUC, MECO, BLCI
21 May 2024	1735h	MO	09 August 2024	MSC, PEMC, SO, MO, VECO, BOHECO 1&2, EAUC, MECO, BLCI
22 May 2024	1155h - 1210h 1245h - 1545h	SO	09 August 2024 03 October 2024	MSC, PEMC, SO, MO, VECO, BOHECO 1&2, EAUC, MECO, BLCI
27 May 2024	1425h - 1450h	SO	09 August 2024	MSC, PEMC, SO, MO, VECO, BOHECO 1&2, EAUC, MECO, BLCI
03 June 2024	1510h - 1900h	SO	09 August 2024	MSC, PEMC, SO, MO, VECO, BOHECO 1&2, EAUC, MECO, BLCI

Date of MI	Intervals	Initiated by	Date of the Coordination Meeting	Attendees
06 June 2024	1320h - 1630h	SO	09 August 2024	MSC, PEMC, SO, MO, VECO, BOHECO 1&2, EAUC, MECO, BLCI
07 June 2024	1410h - 1635h	SO	09 August 2024	MSC, PEMC, SO, MO, VECO, BOHECO 1&2, EAUC, MECO, BLCI
11 June 2024	1755h - 1800h	MO	09 August 2024	MSC, PEMC, SO, MO, VECO, BOHECO 1&2, EAUC, MECO, BLCI
29 June 2024	0430h - 0500h	MO	09 August 2024	MSC, PEMC, SO, MO, VECO, BOHECO 1&2, EAUC, MECO, BLCI
26 July 2024	1455H-1640H	SO	09 August 2024	MSC, PEMC, SO, MO, VECO, BOHECO 1&2, EAUC, MECO, BLCI
15 August 2024	1150h-1200h	MO	09 September 2024	MSC, PEMC, SO, MO
17 August 2024	0815h	MO	09 September 2024	MSC, PEMC, SO, MO
10 October 2024	1015h-1055h	MO	28 October 2024	MSC, PEMC, SO, MO
13 November 2024	1535h-1705h	SO	02 December 2024	MSC, PEMC, SO, MO