



Compliance Committee 2023 Annual Report

January 2023 to December 2023

MARCH 2024

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

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1.0 INTRODUCTION

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

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

2.0 CC RESPONSIBILITIES AND MEMBERSHIP

2.1 Responsibilities

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

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

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

2.2 Membership

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

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

3.0 CC ACCOMPLISHMENTS FOR 2022

3.1 Review of the Investigation Reports

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

Through the assistance of ECD, the CC was primed on the undertakings and proceedings of the investigation process of ECD during the first month of its formation in December 2021. Subsequently, the CC began with the deliberation of the investigation reports released by ECD on a monthly basis during its first regular committee meeting in January 2022.

On its April 2023 meeting, the CC was informed that the PEM Board directed the ECD to dispose of the accumulated backlog of investigation reports by the end of May 2023.

The details of the reviewed Investigation Reports (IRs) for the year 2023 are as follows:

Description	No. of IRs	No. of Cases
Number of Completed IRs endorsed to the CC for Deliberation	148	3,552
Number of endorsed Resolutions for PEM Board's reconsideration	148	3,552
Total number of IRs with Penalties imposed	283	86*

* Non-Compliance Letter/Reprimand for eighty-six (86) cases

In summary, the CC deliberated on 148 ECD Investigation Reports, comprising 3,552 cases during their regular monthly meetings (January-December 2023). All these completed and closed cases were resolved, endorsed and presented to the PEM Board during the latter's regular board meetings. The said cases were approved by the PEM Board pursuant to Clause 7.2.5.2 of the WESM Rules.

Furthermore, the CC resolved one (1) appeal memorandum on ECO's resolution on requests for reconsideration in the year 2023.

3.2 Compliance Monitoring Activities

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

The said activity of ECD of regularly monitoring the compliance of the generator-trading participants with the Offered Capacity Compliance (OCC), Dispatch Conformance Standards (DCS), and Forecast Accuracy Standards (FAS). In July 2023, the Look Ahead Submission Monitoring (LAS) was included in the said activity of regular monitoring, as per the direction of the DOE in April 2023. This activity was overseen by the Committee monthly. ECD is mandated to report monthly to the Compliance Committee the summary of the results of the compliance monitoring being performed by ECD under Section 4.15 of the Penalty Manual and Section 10.3.1 of the Enforcement and Compliance Manual.

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

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

In 2023, the CC completed its review of CMARs with the corresponding penalties and sanctions covering the billing months of December 2022 to October 2023 for OCC and November 2022 to September 2023 for DCS.

Some notable events raised and discussed by the CC with ECD during its review are as follows:

- The effects on the grid of the maintenance shutdown of the Malampaya, with an equivalent capacity of 2,300 MW.
- Suggestion on the presentation of data on the Consolidated CMAR (CONCMAR) to improve the ease of appreciation of the reports.
- The justifiability of economic shutdowns when supported by technical reasons.
- Possible triggers for ECD to initiate investigations on the System Operator.
- Manner of ECD's assessment of the intervals and the determination of breach, as well as possible ways to reduce the number of flagged intervals.
- Inclusion of monitoring the Grid Operating and Maintenance Program (GOMP) in the outage monitoring of ECD.
- A Trading Participant's option to deregister if and when it cannot comply with the OCC due to an existing contractual obligation with its distributor.
- Status of proposed rule changes regarding the maximum available capacity.
- Motivation behind ECD initiating the monitoring of the breaker status, as well as the process of ECD's monitoring activity.
- Possible ways to improve the ECD's outage monitoring.
- A Trading Participant's consistent non-compliance with the OCC due to its claim of reserve shutdown.
- Instances that fall under the event category of "Market System Constraints," as well as ways to reduce the frequency of the flagging of this kind of event category.
- Recommendations to resolve the data variance issues of a generator due to its defective RTU.

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

3.2.2 Forecast Accuracy Standards (FAS) Activities

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

For the year 2023, the CC completed its review of Forecast Accuracy Standard Results (FASR) covering the billing months of November 2022 to August 2023.

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

- Possible reasons behind the low passing rate of solar power plants and the possibility of removing night-time intervals in the computation of MAPE and PERC 95.
- Remedial measures that can be implemented in the FAS to improve passing rates.
- The impacts of new power plants in the results of the FAS.
- Possible reasons on how wind power plants are performing significantly better than solar power plants.
- The number of MDGUs with penalty imposition and the possibility of having high influx of requests for reconsideration from these plants.
- Simulations of data with the following conditions: exclusion of new power plants that started in December 2022, exclusion of nighttime in solar, replacing null nomination with zero, and using PERC90 instead of PERC95.
- Comparison of the FAS to other international standards.
- Acceptable reasons for the exclusion of intervals in the FAS.
- Validity of the replacing FAS data due to data variance. As well as possible ways of reducing occurrence of data variance.
- Initial data that ECD receives require correction due to losses caused by distant meter points.
- Status of ECDs study regarding metering service providers.

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

3.2.3 Look Ahead Submissions (LAS) Monitoring

In addition to CC's review of the CMA and FAS, the CC was updated of the results of the LAS Monitoring since the beginning of the ECD's formal monitoring on 26 July 2023. As requested by the DOE, the ECD conducted close monitoring of the day-ahead submissions by generators and trading participants in accordance with Clause 3.5.11 of the WESM Rules and Section 4.4 of the dispatch protocol.

For the year 2023, the CC completed its review of Look Ahead Submission Monitoring Reports which covered the billing months of August 2023 – October 2023.

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

- Possible financial penalties for any breach in this new type of monitoring.
- Addition of the LAS monitoring as regular monitoring activity.
- Clarifications in the calculation of average RTD and DAP offers.
- The rationale behind the frequency parameter of 72 intervals.
- If cases of unexpected 100% discrepancy should be considered for *motu proprio* Investigation.
- The observed difference in the behavior of positive discrepancies and negative discrepancies in graphs presented by ECD.

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

3.3 WCO Certification and Registration Activities

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

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

During the January 2023 meeting, the CC requested that the Training Service Providers (TSP) of both PEMC and IEMOP identify the minimum courses and subjects that all WCOs must complete as part of their basic training. For the year 2023, the CC reviewed and approved 4 versions of the certification program from the PEMC-TSP and 2 versions of the certification program from the IEMOP-TSP for the curriculum year 2023 – 2024 of the 1st compliance period.

The course offering approved by the Compliance Committee are as follows:

Training Service Provider	Course Offering
PEMC	WESM Governance Fundamentals
	WESM Governance Processes
	WCO Certification
	Compliance Obligation in the WESM
	Compliance Post-Evaluation Monitoring Systems (CPEMS)
	ECO Processes: Compliance with the FAS under EWDO
	ECO Processes: Compliance Rating
	WESM Penalty Mechanism
	WESM Dispute Resolution Process
	Renewable Energy Market (REM) Governance and Updates
	REM Process and Transactions
	Market Monitoring Indices and Reports
	Orientation on Market Compliance
	Philippine Renewable Energy Market Systems (PREMS) Hands-on Training
	Reserve Market Compliance
IEMOP	Basic WESM Training
	Retail Market Training
	Advanced WESM Training on Pricing and Settlement
	Advanced WESM Training on Trading Operations
	WESM 101, System Demo, and BIR Ruling Implementation

3.4 Participation in the WCO Conferment and Annual Compliance Awards (WCACA) 2023

In line with its advocacy of upholding the culture of compliance, the CC attended and participated in the WCACA 2023, which was held on 14 November 2023 at the Wack Wack Golf and Country Club.

The CC delivered the toast as well as the program's closing remarks, emphasizing everyone's significant contributions towards enforcement and compliance activities in the past months and the CC's role in strengthening the culture of compliance among all WESM Members.

Furthermore, pursuant to section 4.7.1 of the Certification Guidelines 01, the CC issued WCO Certification to 75 participating WCO. The CC, along with PEMC President Elvin Hayes Nidea, presented the Certificates to the Certified WCOs as well as the Top Performing Generators and Metering Services Providers (MSPs) for 2022. Special Awards were also presented to the TPs from the Mindanao Region from the start of their participation in the WESM in January 2023.

3.5 Coordination with other WESM Governance Committees

The CC also coordinated with other WGCs and PEMC departments on matters that may affect the monitoring of compliance. Below are the activities the CC performed in coordination with other WGCs in 2023:

- Meeting the MSC and MAG on the consolidated comments regarding the Maximum Available Capacity and Anti-Competitive Behavior (ACB) Study.
- The CC provided its inputs and comments for the Proposed Rule Amendments to the Penalty Manual and Enforcement and Compliance Manual raised to the RCC and MSC for their deliberation and approval.

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

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

1. PEMC Annual General Membership Meeting (AGMM) and Electricity Market Exchanges (EMX) held on 21 June 2023
2. WCO Certification and Annual Compliance Awards 2023 on 14 November 2023

4.0 ON-GOING ACTIVITIES AND STUDIES

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

1. Study relating to the enforcement of rules governing the expired testing and commissioning of plants and T&C Plants with issued FCATCs but awaiting COCs
2. Study on the general amnesty for the pre-CMA (old) investigation cases
3. Study on the governance of the Metering Service Providers (MSPs)
4. Study on the Reserve Conformance Standards (RCS)
5. Study on the Battery Energy Storage Systems (BESS), including plants with Hybrid Systems
6. Study on Look-Ahead Offers Monitoring

5.0 2024 CC WORK PLAN

Annex A provides details of the program of activities of the Committee for 2024 consistent with PEMC's Corporate Strategic Plan for 2022-2025, approved by the PEM Board on 25 January 2023.

8 March 2024, Pasig City.

Submitted by:

COMPLIANCE COMMITTEE


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COMPLIANCE COMMITTEE PLANNING SESSION (2024 WORK PLAN)

Legend:  Submission/Completion of Report
 Regular Activity

	ACTIVITIES	OUTPUTS	2024			
			Q1	Q2	Q3	Q4
COMPETITION						
1	Oversee the implementation of the WESM Compliance Officers (WCO) Certification and Registration Implementing Guidelines	Approval and Conferment of Certified WCOs attaining the 36 required credit units				
		Review of the WCO Annual Report Monitoring Guidelines				
2	Study on the Governance of the Metering Service Providers (MSPs)	Inputs to the proposed measures and guidelines for the monitoring of the MSPs				
3	Study on the Battery Energy Storage Systems (BESS), including Plants with Hybrid Systems	Inputs to the proposed measures and guidelines for the monitoring of the BESS and Hybrid Systems				
4	WCO Summit 2024	Participation and input to the WCO Summit plan and activities				
5	Oversight on the monitoring of Offered Capacity Compliance (OCC) and Dispatch Conformance Standards (DCS)	<ul style="list-style-type: none"> Inputs/Comments/Advice on CMA results, if any. Decision on appeals relating to CMA results, if any. 				
6	Oversight on the monitoring of Outages and Breaker Status.	<ul style="list-style-type: none"> Inputs/Comments/Advice on the ECO Report on Outage Monitoring and Open-Breaker Status, if any. 				

	ACTIVITIES	OUTPUTS	2024			
			Q1	Q2	Q3	Q4
7	Oversight on the monitoring of the Forecast Accuracy Standard (FAS)	<ul style="list-style-type: none"> Inputs/Comments/Advice on the ECO Report on FAS results, if any. 				
8	Oversight on the monitoring of the Look-Ahead Submissions (LAS)	<ul style="list-style-type: none"> Inputs/Comments/Advice on the ECO Report on LAS results, if any. 				
9	Oversights on the monitoring of the Reserve Market Compliance	<ul style="list-style-type: none"> Inputs/Comments/Advice on the ECO Report on Reserve Offer Capacity Compliance (ROCC) and Reserve Conformance Standards (RCS) results, if any. 				
10	Review of the ECO Investigation Reports	<ul style="list-style-type: none"> Resolution adopting or recommending actions on investigation cases 				
11	Review of the ECO reports on Request for Reconsideration	<ul style="list-style-type: none"> Resolution adopting or recommending actions on Requests for Reconsideration. 				
EMPOWERED GOVERNANCE						
12	Regular conduct of CC Meetings (every 3 rd Wednesday of the month)	Attendance to Compliance Committee Meetings				
13	Compliance Committee 2023 Annual Report	CC Annual Report 2023				
14	Compliance Committee 2024 Work Plan	2024 CC Work Plan submitted to the PEM Board by March 2024				
15	Review of the CC internal rules and procedures	Inputs and proposed changes to the CC Internal Rules and Procedures, as necessary				
16	Compliance Committee 2025 Work Plan	Inputs and proposal to the CC 2025 Work Plan				
17	Attendance in PEMC Membership meetings, as scheduled	<ul style="list-style-type: none"> Attendance in PEMC Membership meetings Presentation to the PEM Board 				

	ACTIVITIES	OUTPUTS	2024			
			Q1	Q2	Q3	Q4
18	Review of relevant proposed amendments to WESM Rules and various market manuals	Comments to proposed amendments to WESM Rules and various Manuals <i>if any</i>				

ECO.TMP.11_CC 2023 Annual Report

Final Audit Report

2024-03-04

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