



MARKET SURVEILLANCE COMMITTEE

Quarterly Accomplishment Report

January to March 2019

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

PEMC *Go*

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I. Introduction

Pursuant to Clause 1.6.2 of the WESM Rules, the Market Surveillance Committee (MSC) monitors the activities of the WESM Participants in the spot market. Accordingly, the MSC conducts regular monthly meetings to deliberate on various topics and issues, following its responsibilities under the WESM Rules and the Market Surveillance Compliance and Enforcement (MSCEM) Manual. The MSC regularly communicates with its members and the MSC Secretariat through email and other means, to further discuss matters of concern to the Committee.

During the First Quarter of 2018, the MSC conducted three (3) regular monthly meetings and one (1) special meeting¹. The MSC's accomplishments for the covered period are outlined in the succeeding section of this report.

II. Accomplishments

A. Monitored and Assessed Market Outcomes in the WESM

Pursuant to MSCEM Section 6.2.1 (b)², the MSC monitored and assessed market outcomes, trends, and drivers, as well as the bidding behavior of generator-trading participants (TPs).

The MSC assessed the results of WESM operations for the billing months of November and December 2018 and January 2019. During this period, the MSC observed that market prices were higher in January 2019, averaging at PhP4,727/MWh, the highest for a January billing month since 2013. This was on account of the decreasing level of supply brought about by the outages of major coal and natural gas plants. Market prices were lower in November and December 2018, averaging at PhP3,324/MWh and PhP3,186/MWh, respectively, consistent with the wider supply margin that was noted in December.

Correspondingly, two (2) Monthly Market Assessment Reports (MMAR) covering the billing months of November and December 2018, and one (1) Monthly Market Assessment Highlights (MMAH) covering the January 2019 billing month, were reviewed and approved by the MSC, and submitted to the PEM Board, the ERC and the DOE, and correspondingly, published in the PEMC website.

¹ MSC (Regular) Meeting No. 2019-01 held on 10 January 2019; MSC (Regular) Meeting No. 2019-02 held on 13 February 2019; MSC (Special) Meeting No. 2019-03 held on 06 March 2019; MSC (Regular) Meeting No. 2019-04 held on 14 March 2019.

² MSCEM Section 6.2.1(b) *The MSC shall have following responsibilities: (a) xxx; (b) Review market monitoring indices and Market Assessment Report prepared by the Market Assessment Group; xxx*

Furthermore, the MSC presented on 18 February 2019 for the PEM Board's information the Annual Market Assessment Trends for billing years 2014 to 2018. The MSC presented its five-year assessment of the market in terms of annual capacity profile, annual supply and demand, and market price, and the annual assessment on market concentration.

B. Monitored and Assessed the Performance of the Retail Market

Pursuant to the Catalogue of Retail Market Monitoring Data and Indices (CMMDI) Section 3.1.2³, the MSC monitored the performance of the retail market, through its deliberations on the Retail Market Assessment Report covering the period 26 September to 25 December 2018 (MAG-RMAR-2018-04), as submitted by the MAG. In addition, the MSC presented to the PEM Board in its January 2019 Meeting the result of its retail market assessment for the period 26 June to 25 September 2018.

As set forth in the Catalogue of Retail Market Monitoring Data and Indices, the Retail Market Assessment Report discusses the results of monitoring indices and provides indications on how the retail market performed during the period in review and how it fared with the previous quarter's performance.

C. Analysis of Interesting Pricing Events

The MSC deliberated upon interesting pricing events from October 2018 to January 2019. The Interesting Pricing Event Report as prepared by the MAG provides an in-depth analysis of intervals determined to have price outliers, also known as "interesting pricing events"⁴. The determination of the interesting pricing events was based on the methodology approved by the MSC.

- Five (5) interesting pricing events were observed during the October billing month, on 17 October 2018 (1800H) and 25 October 2018 (1400H to 1600H, 1800H), with spot prices ranging from PhP21,917/MWh and PhP31,707/MWh. The interesting pricing events on 17 October were mainly driven by the forced outage of a major coal plant on 17 October at 0651H combined with the higher demand during the evening peak, while the forced outage of a large generating plant on 24 October at 2159H drove the interesting pricing events on 25 October.

³ CRMMDI Section 3.1.2 *The Market Surveillance Committee shall have the following responsibilities: 3.1.1 xxx; 3.1.2. Review the retail market monitoring indices and reports submitted by the Market Assessment Group. Xxx*

⁴ Price outlier refers to an interval where market price breached the reference price threshold, established based on the historical relationship of market prices and supply margin.

- In November, five (5) interesting events were observed. These are as follows: on 05 November 2018 (1800H, 2000H), 06 November 2018 (2000H, 2100H), 07 November 2018 (1600H, 1800H), with spot prices that ranged from PhP15,433/MWh and PhP32,077/MWh. The interesting pricing event on 05 November was driven by the higher demand during the evening peak coupled with the ramp rate-limited capacity of two (2) large generating plants. On 06 and 07 November, the interesting pricing events were mainly driven by the forced outages of another two (2) large generating plants.
- Two (2) interesting pricing events were observed during the December billing month, as follows: on 10 December 2018 (1600H, 1800H), with spot prices at PhP22,342/MWh and PhP32,827/MWh. These were mainly driven by the forced outage of a major coal plant on 10 December at 0100H, combined with the limited offer submission of another major coal plant.
- Thirty-two (32) interesting pricing events were observed during the billing month of January 2019. The MSC observed that 12 of these events were negative prices during the off-peak hours of 31 December 2018 and 01 January 2019, driven by the seasonal low demand during the holidays. The remaining 20 events that were distributed from 08 to 24 January 2019, mostly during evening peak hours, were high prices that were generally driven by forced outages combined with high peak demand.

D. Review of Compliance Monitoring and Assessment

Compliances of Generator-Trading Participants (TP) with the Real Time Dispatch (RTD) schedule and the Must Offer Rule (MOR) for the billing months of November and December 2018 and January 2019 were deliberated upon by the MSC, as contained in the Compliance Monitoring and Assessment Report (CMAR) prepared by the Enforcement and Compliance Office (ECO).

The CMAR is a result of the daily compliance monitoring activities by the ECO after assessing the generator-TPs' compliance with the RTD schedule and MOR. The ECO's monitoring activity was carried out by issuing Daily Compliance Notices to the generator-TPs that are initially flagged for possible non-compliance, and by validating and assessing the generator-TPs' explanations in the Significant Event Report Form and Dispatch Discrepancy Report Form, supporting documents, and other market data or reports from the MO and SO.

Following the review of the CMAR, the MSC submitted to the PEM Board the following requests for investigations (RFIs): 27 RFIs for possible non-compliance with the RTD and MOR for November 2018; 29 RFIs for possible non-compliance with the RTD schedule and the MOR during the billing month of December 2018; and 31 RFIs for possible non-compliance with the RTD schedule and the MOR during the billing month of January 2019.

E. Assessment of Over-Riding Constraints

Pursuant to MSCEM Section 6.2.1 (i)⁵, the MSC assessed the over-riding constraints imposed by the System Operator on generators for the billing months of November and December 2018, and January 2019.

The MSC reviewed the over-riding constraints imposed by the NGCP-System Operator on generators for the period 26 October to 25 November 2018. During the billing period, a total of 4,183 over-riding events (8.8% higher from previous month's 3,845 events) were imposed on 27 Luzon generators and 10 Visayas generators.

The over-riding events this month were all attributable to non-security limits, majority of which were related to the conduct of commercial tests (97.5% or 4,078 events). Similar to previous months, the conduct of testing and commissioning remains to be the most common commercial test conducted (3,873 events), involving 9 plants with a combined total registered capacity of 425.5MW.

F. Review of Market Intervention Events

The MSC reviewed the following market intervention events:

- System-wide market intervention events as declared by the Market Operator on 24 January 2019 (0200H) and 29 January 2019 (1000H) on grounds of force majeure due to hardware or software failure, resulting to un-implementable RTD schedule; and
- Market intervention event affecting the Luzon grid, as declared by the Market Operator on 09 February 2019 (1800H) due to un-implementable RTD schedule, resulting from the inappropriate input to the Load Predictor (LDP).

⁵ MSCEM Section 6.2.1(i) *The MSC shall have following responsibilities: (a) xxx; (i) Review Over-Riding Constraints; xxx*

Likewise, the MSC reviewed the statistics on historical MI events covering billing years 2013 to 2018.

The MSC met with the Trading Operations Department of the Independent Market Operator of the Philippines (IEMOP) on 13 February 2019 and 06 March 2019, respectively, to discuss the details of the above MI events. Following the WESM Rules and the MSC-EM Manual Issue 3.0, the MSC will be issuing its Review Reports on the subject MI events.

G. Deliberation on Proposed Guidelines on Offer for Settlement

The MSC continued with its review and deliberations on the Proposed Guidelines on Offer for Settlement, particularly as regards its consistency with the requirements of the WESM Rules and the Market Surveillance, Compliance and Enforcement Market Manual (MSC-EMM) Issue 3.0.

The MSC approved the Guidelines, as revised, in its 10 January 2019 Meeting. The revised proposed Guidelines was then presented during the WESM Compliance Officer (WCO) Summit event held on 24 January 2019.

H. Participation in Public Consultations

The MSC participated in the Public Consultations conducted by the DOE on the Proposed Amendments to the WESM Rules and Market Manuals related to Market Surveillance, Enforcement and Compliance. The activity was conducted to seek inputs and recommendation from the public on the proposed amendments.

The MSC presented the highlights of the proposed Penalty Manual in the Luzon and Visayas Public Consultations, held on 17 January in Pasig City, and on 24 January in Cebu City, respectively.

I. Meeting with the IEMOP regarding Line Rental (LR)

The MSC called representatives from the IEMOP to a meeting on 13 February 2019 to discuss the issues on line rental and cross-grid transactions in the market.

The MSC agreed that the issue on line rental does not only pertain to the correctness of LR calculations, but also on the need to call the attention of the

NGCP-SO to improve/upgrade transmission facilities in order to minimize congestion. The MSC agreed to look into the Market Operator study on the Financial Transmission Rights (FTRs) in the WESM.

J. Meeting with IEMOP on the Financial Transmission Rights (FTRs) in the WESM

The MSC called representatives from the IEMOP to a meeting on 14 March 2019 to discuss the financial transmission rights (FTRs) in the WESM.

The MSC has taken note that FTRs are financial instruments aimed to mitigate the congestion cost. Nevertheless, the MSC agreed that other options may also be explored in addressing the market issues brought about by congestion.

K. Review of ECO Investigation Cases

Pursuant to the WESM Rules and the MSCEM Manual, Investigation Reports prepared by the ECO pursuant to an investigation of an alleged breach of the WESM Rules are submitted to the MSC for review with respect to: (a) compliance by the ECO with the procedure, and (b) validity and completeness of data and documents upon which the factual findings are based.

During the covered period, the MSC deliberated upon a total of 11 consolidated ECO Investigation Reports on possible non-compliance with the MOR and RTD, consisting of 94 ECO cases, 33 of which are cases on the Must-Offer-Rule (MOR) while 61 are cases on RTD.

L. Deliberation on Motions for Reconsideration

The MSC deliberated upon the submitted Motions for Reconsideration and additional evidence on 2014 ECO investigation cases. Pursuant thereto, the MSC convened representatives from two (2) generator-trading participants to separate case conferences to discuss their respective cases.

After due deliberation, the MSC submitted its recommendations for the consideration of the PEMC Board.

M. Completion of the MSC 2018 Annual Report and the MSC Work Plan

The MSC Work Plan for 2019 to 2021 was completed during the First Quarter of 2019, an output of the continuing discussions of the MSC in several meetings, and with the PEMC Management during Strategic Planning Sessions. This was submitted to the PEM Board as an annex to the MSC 2018 Annual Report, covering the activities undertaken and accomplished by the Committee for billing year 2018.

The MSC 2018 Annual Report together with the MSC Work Plan for 2019 to 2021 are both published in the PEMC website.