

**WHOLESALE ELECTRICITY SPOT MARKET
RULES CHANGE COMMITTEE****RESOLUTION NO. 2018-02****Proposed Amendments to the WESM Rules to Implement the Approved Plan
for Transition to the Independent Market Operator of the WESM**

WHEREAS, the Philippine Electricity Market Corporation (PEMC) submitted to the Rules Change Committee (RCC) on March 07, 2018 the Proposed Amendments to the WESM Rules to Implement the Approved Plan for Transition to the Independent Market Operator of the WESM;

WHEREAS, the subject proposal aims to implement the directives under DOE Department Circular No. DC2018-01-0002¹ and the approved "*Plan for Transition to the Independent Market Operator of the Philippine Wholesale Electricity Spot Market*" ("*Transition Plan*")², principally on the separation of the governance and market operations functions of PEMC and the Independent Market Operator, changes in the composition of the PEM Board, and realignment of the functions of the WESM governance committees and units to reflect the resultant structure of PEMC;

WHEREAS, the proposed amendments are in Chapter 1 - *Introduction* and Chapter 11 – *Glossary* of the WESM Rules, as summarized below:

- *In accordance with DOE Department Circular No. DC2018-01-0002:*
 - a) Inclusion of reference to PEMC as the governing body of the WESM;
 - b) Addition of provisions stating the composition and qualifications of the Market Operator Board, adopting in full the qualifications set out in the DOE Circular;
 - c) Alignment of provisions relating to Market Operator performance standards; and
 - d) Inclusion of additional functions of the PEM Board as set out in the DOE Department Circular

¹ DOE Department Circular No. DC2018-01-0002 (dated 17 January 2018) - *Adopting Policies for the Effective and Efficient Transition to the Independent Market Operator for the Wholesale Electricity Spot Market*

² Ratified by WESM Members during its Membership Meeting held on 06 February 2018

▪ *In accordance with the Transition Plan:*

- a) On the composition of the PEM Board –
 - i) Replacement of National Transmission Company representative with System Operator representative
 - ii) Removal of requirement that the Chairperson shall be elected from among the independent members. The proposed amendment is for the Chairperson to be elected by the PEM Board members from among themselves
 - iii) Revision to reflect that the PEMC President, who shall be one (1) of the four (4) independent directors of the Board, shall be elected by majority of the PEM Board members
 - iv) Revision to reflect that PEM Board directors shall be elected by PEMC members, and not appointed by the DOE.
- b) Creation of a Compliance Committee, and provision of a transitory arrangement pending appointment and organization of said committee;
- c) Realignment of the functions of the WESM Governance Committees; and
- d) Re-statement of functions of the PEMC governance units to align with the re-organization of PEMC.

WHEREAS, PEMC presented the proposal before the RCC during the latter's 138th Meeting held on March 02, 2018 and thereafter submitted the requisite documents to the Committee on March 07, 2018;

WHEREAS, the RCC approved the publication of the proposal in the market information website on March 07, 2018 to seek comments from WESM stakeholders and interested parties within a period of 30-working days (i.e., until April 23, 2018);

WHEREAS, the RCC began deliberations on the proposal during its 139th Meeting held on April 06, 2018 considering the comments received thus far from the DOE as well as clarifications from PEMC;

WHEREAS, arising from the DOE's suggestion to retain the term "PEM Board" in certain provisions where it was proposed that it be replaced with "PEMC" to take into consideration the PEM Board's specific functions under the WESM Rules, the RCC accepted PEMC's clarification that the term "PEM Board" is to be replaced with "PEMC" only in provisions which denote the governing entity of the WESM to reflect PEMC's transition into a pure governing body;

WHEREAS, the RCC adopted the DOE's recommendation to also include the DOE aside from PEMC to whom the Market Operator's shall submit reports of any apparent or possible incidents non-compliances with the WESM Rules and Market Manuals by any WESM Member;

WHEREAS, the RCC likewise agreed with the DOE's recommendation to add provisions in the WESM Rules pertaining to the proposed manner of selection of the IMO Board members as provided in the Market Operator By-Laws for transparency;

WHEREAS, during the same April 06 meeting, the RCC provisionally approved the proposal as amended pending further revisions, and likewise agreed to convene a special meeting should more comments be received until the last day of the commenting period on April 23, 2018;

WHEREAS, additional comments were received from Green Innovations for Tomorrow, Inc. and Aboitiz Power Corp. which were clerical edits and queries for clarification, respectively;

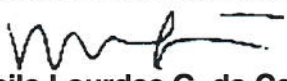

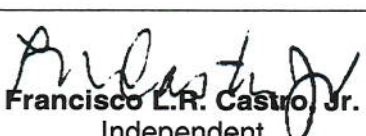




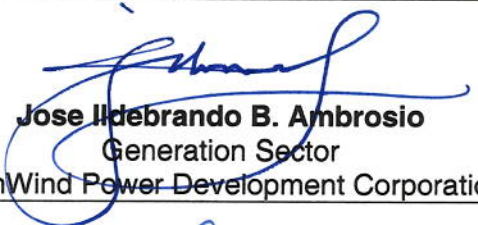


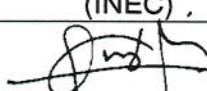
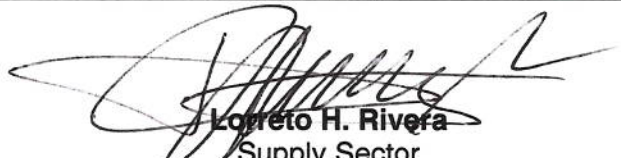

WHEREAS, after considering the said additional comments and noting that these do not impact the substance of the proposal, the RCC approved the proposed amendments as adopted during its April 06 meeting;

NOW THEREFORE, we, the undersigned in behalf of the sector we represent, hereby resolve as follows:

RESOLVED, that the Proposed Amendments to the WESM Rules to Implement the Approved Plan for Transition to the Independent Market Operator of the WESM is hereby approved by the RCC;

RESOLVED FURTHER, that the attached Annex of the Proposed Amendments to the WESM Rules to Implement the Approved Plan for Transition to the Independent Market Operator of the WESM is hereby endorsed to the PEM Board for approval and endorsement to the DOE.

Done this 25 April 2018, Pasig City.

<p>Approved by:</p> <p>RULES CHANGE COMMITTEE</p>  <p>Maila Lourdes G. de Castro Chairperson Independent</p>	
Members:	
 <p>Concepcion I. Tanglao Independent</p>	 <p>Francisco L.R. Castro, Jr. Independent</p>
 <p>Allan C. Nerves Independent</p>	 <p>Isidro E. Cacho, Jr. Market Operator Philippine Electricity Market Corporation (PEMC)</p>
 <p>Ambrosio R. Rosales Transmission Sector National Grid Corporation of the Philippines (NGCP)</p>	 <p>Abner B. Tolentino Generation Sector Power Sector Assets and Liabilities Management Corporation (PSALM)</p>
 <p>Jose Ildebrando B. Ambrosio Generation Sector NorthWind Power Development Corporation</p>	<p>(Vacant) Generation Sector</p>
 <p>Ciprinilo C. Meneses Distribution Sector (PDU) Manila Electric Company (MERALCO)</p>	 <p>Jose P. Santos Distribution Sector (EC) Ilocos Norte Electric Cooperative, Inc. (INEC)</p>
<p>Juanito Tolentino Distribution Sector Mactan Electric Company (MECO)</p>	 <p>Ludovico D. Lim Distribution Sector Antique Electric Cooperative, Inc. (ANTECO)</p>
 <p>Loreto H. Rivera Supply Sector TeaM (Philippines) Energy Corporation (TPEC)</p>	<p>Noted by:</p>  <p>Elaine D. Gonzales Manager – Market Data and Analysis</p>

Proposed Amendments to the WESM Rules to Implement the Approved Plan for Transition to the Independent Market Operator of the WESM

Title	Section	Original Provision	Proposed Amendment	Rationale
FOREWORD		<p>The Wholesale Electricity Spot Market (WESM) Rules establishes the basic rules, requirements and procedures that govern the operation of the Philippine electricity market. The WESM Rules identifies and recognizes and sets the responsibilities of the Market Operator, System Operator, WESM Participants, and the PEM Board. These groups shall comply with and are bound by all the provisions of the WESM Rules. The WESM Rules are intended to be complimentary with the Grid Code and Distribution Code, all of which are meant to ensure the development of an appropriate, equitable and transparent electricity market, along with a safe, reliable, and efficient operation of the power system.</p> <p>xxx</p>	<p>The Wholesale Electricity Spot Market (WESM) Rules establishes the basic rules, requirements and procedures that govern the operation of the Philippine electricity market. The WESM Rules identifies and recognizes and sets the responsibilities of the Market Operator, System Operator, WESM Participants, and the <u>Philippine Electricity Market Corporation</u>. These groups shall comply with and are bound by all the provisions of the WESM Rules. The WESM Rules are intended to be complimentary with the Grid Code and Distribution Code, all of which are meant to ensure the development of an appropriate, equitable and transparent electricity market, along with a safe, reliable, and efficient operation of the power system.</p> <p>xxx</p>	Introduces the name of the Philippine Market Electricity Corporation, being the WESM governing body, in the Foreword.
Scope of Chapter 1	1.1	<p>SCOPE OF CHAPTER 1</p> <p>(a) Purpose of the <i>WESM Rules</i>;</p> <p>(b) Parties bound by the <i>WESM Rules</i>;</p> <p>(c) Responsibilities of the <i>Market Operator</i>,</p>	<p>SCOPE OF CHAPTER 1</p> <p>(a) Purpose of the <i>WESM Rules</i>;</p> <p>(b) Parties bound by the <i>WESM Rules</i>;</p> <p>(c) Responsibilities of the <i>Market Operator</i>, <u>and the qualifications of its Board of Directors.</u></p>	To include the qualifications of the Board of Directors of the Market Operator. This is to reflect the provisions of DOE Circular No. 2018-01-0002 which provide for such qualifications.

Title	Section	Original Provision	Proposed Amendment	Rationale
		(d) Responsibilities of the <i>System Operator</i> , (e) Composition and functions of the <i>PEM Board</i> ; (f) Responsibilities of the <i>PEM Auditor</i> , (g) Responsibilities of the <i>Market Surveillance Committee</i> ; (h) Responsibilities of the Technical Committee; and (i) Public consultation procedures.	(d) Responsibilities of the <i>System Operator</i> , (e) <u>Responsibilities of PEMC as governing body of the WESM, and the</u> composition and functions of <u>its Board of Directors</u> , the <i>PEM Board</i> ; (f) Responsibilities of the <i>PEM <u>Audit Committee</u></i> , (g) Responsibilities of the <i>Market Surveillance Committee</i> ; (h) Responsibilities of the Technical Committee; and (i) <u>Responsibilities of the Compliance Committee, and</u> (j) Public consultation procedures.	To make reference to the PEMC (which is a defined term), being the WESM governing body To rename the PEM Auditor to PEMC Audit Committee. This is to reflect actual implementation where a committee had been created and functioning instead of a single person.
Purpose of the WESM Rules	1.2.2	Purpose of the WESM Rules The <i>WESM Rules</i> are promulgated to implement the provisions of the <i>Act</i> , its Implementing Rules and Regulations and other related laws as well as to: (a) Promote competition; (b) Provide an efficient, competitive, transparent and reliable <i>spot market</i> , (c) Ensure efficient operation of the <i>WESM</i> by the <i>Market Operator</i> in coordination with the <i>System Operators</i> a way which:	Purpose of the WESM Rules The <i>WESM Rules</i> are promulgated to implement the provisions of the <i>Act</i> , its Implementing Rules and Regulations and other related laws as well as to: (a) Promote competition; (b) Provide an efficient, competitive, transparent and reliable <i>spot market</i> , (c) Ensure efficient operation of the <i>WESM</i> by the <i>Market Operator</i> in coordination with the <i>System Operators</i> a way which:	To include PEMC among the parties which are covered by the WESM dispute resolution processes. To make reference to PEMC as WESM governing body.

Title	Section	Original Provision	Proposed Amendment	Rationale
		<p>(1) Minimizes adverse impacts on <i>system security</i>;</p> <p>(2) Encourages market participation; and</p> <p>(3) Enables access to the <i>spot market</i>.</p> <p>(d) Provide a cost-effective framework for resolution of disputes among <i>WESM Participants</i>, and between <i>WESM Participants</i> and the <i>Market Operator</i>;</p> <p>(e) Provide for adequate sanctions in cases of breaches of the <i>WESM Rules</i>;</p> <p>(f) Provide efficient, transparent and fair processes for amending the <i>WESM Rules</i>;</p> <p>(g) Provide for the terms and conditions to which entities may be authorized to participate in the <i>WESM</i>;</p> <p>(h) Provide the authority and governance framework of the <i>PEM Board</i>; and</p> <p>(i) Encourage the use of environment-friendly renewable sources of energy in accordance with the <i>Act</i>.</p>	<p>(1) Minimizes adverse impacts on <i>system security</i>;</p> <p>(2) Encourages market participation; and</p> <p>(3) Enables access to the <i>spot market</i>.</p> <p>(d) Provide a cost-effective framework for resolution of disputes among <i>WESM Participants</i>, and between <i>WESM Participants</i> and the <i>Market Operator</i>, <u>and between the <i>WESM Participants</i> and the <i>PEMC</i></u>.</p> <p>(e) Provide for adequate sanctions in cases of breaches of the <i>WESM Rules</i>;</p> <p>(f) Provide efficient, transparent and fair processes for amending the <i>WESM Rules</i>;</p> <p>(g) Provide for the terms and conditions to which entities may be authorized to participate in the <i>WESM</i>;</p> <p>(h) Provide the authority and governance framework of <u>PEMC and the <i>PEM Board</i></u>; and</p> <p>(i) Encourage the use of environment-friendly renewable sources of energy in accordance with the <i>Act</i>.</p>	

Title	Section	Original Provision	Proposed Amendment	Rationale
	1.2.3.2	To ensure a greater supply and rational pricing of electricity, the <i>Act</i> provides the Energy Regulatory Commission (<i>ERC</i>) the authority to enforce the rules and regulations governing the operations of the electricity <i>spot market</i> and the activities of the <i>spot Market Operator</i> and other participants in the <i>spot market</i> .	To ensure a greater supply and rational pricing of electricity, the <i>Act</i> provides the Energy Regulatory Commission (<i>ERC</i>) the authority to enforce the rules and regulations governing the operations of the electricity <i>spot market</i> and the activities of the <i>spot Market Operator</i> , the <u>System Operator</u> and other participants in the <i>spot market</i> .	To provide emphasis on the significant role of the System Operator in the operation of the spot market.
	1.2.4	Scope of Application Pursuant to Section 30 of the Act, all <i>WESM Participants</i> shall comply with the <i>WESM Rules</i> and applicable laws or regulations of the Philippines.	Scope of Application Pursuant to Section 30 of the Act, all <i>WESM Participants</i> , <u>the System Operator, the Market Operator, and PEMC</u> shall comply with the <i>WESM Rules</i> and applicable laws or regulations of the Philippines.	To give emphasis that the that the Market Operator and PEMC in addition to all WESM Participants are also covered by the mandate to comply with the <i>WESM Rules</i> and applicable laws or regulations of the Philippines.
Responsibilities of the Market Operator	1.3.1.2	In performing clause 1.3.1.1 (d), <i>the Market Operator</i> shall: (a) Determine whether or not such trading is performed in accordance with the <i>WESM Rules</i> ; (b) Identify any significant variations in accordance with the guidelines to be developed in Clause 1.3.1.3; and (c) Identify any apparent or suspected incidents of <i>anti-</i>	In performing clause 1.3.1.1 (d), <i>the Market Operator</i> shall: (a) Determine whether or not such trading is performed in accordance with the <i>WESM Rules</i> ; (b) Identify any significant variations in accordance with the guidelines to be developed in Clause 1.3.1.3; and (c) Identify <u>and report to PEMC and the DOE</u> any apparent or suspected <u>possible</u> —incidents of <i>anti-</i>	To indicate to whom the report of possible non-compliance is to be submitted. It should be submitted to PEMC as the governing body of the WESM. To clearly state the obligation of the Market Operator to also monitor compliances of the WESM Rules by the WESM members. To remove from the Market Operator the responsibility to

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		<i>competitive</i> behavior by any <i>WESM Member</i> .	<i>competitive</i> behavior <u>non-compliance with the WESM Rules and Market Manuals</u> by any <i>WESM member</i> .	report possible incidence of anti-competitive behavior since these matters are beyond its jurisdiction. However, it should report any possible non-compliance with the WESM Rules/Manuals in the course of its daily monitoring of the trading activities.
Market Operator Performance	1.3.2.3	<p>The PEM Board shall develop performance standards which monitor and provide an indication of, the <i>Market Operator's</i> performance with respect to:(As amended by DOE DC No. 2010-03-0004 dated 21 March 2010)</p> <p>(a) The <i>Market Operator's</i> responsibilities under the Act, its Implementing Rules and Regulations (IRR), the <i>WESM Rules</i>, the Philippine Grid Code (the Grid Code) and all other applicable laws, rules and regulations;(As amended by DOE DC No. 2010-03-0004 dated 21 March 2010)</p> <p>(b) The achievement of the objectives of the Act and the WESM; and (As amended by DOE DC No. 2010-03-0004 dated 21 March 2010)</p>	<p><u>In consultation with the System Operator, the Market Operator, and Rules Change Committee,</u> the PEM Board shall develop performance standards which monitor and provide an indication of the <i>Market Operator's</i> performance with respect to:</p> <p>(a) The Market Operator's responsibilities under the Act, its Implementing Rules and Regulations (IRR), the WESM Rules, <u>applicable provisions of</u> the Philippine Grid Code (the Grid Code) and all other applicable laws, rules and regulations;</p> <p>(b) The achievement of the objectives of the Act and the WESM; and</p> <p>(c) The <u>performance standards, service level agreements, and other conditions set out in the operating agreement between the Market</u></p>	<p>To reflect the provisions of Section 7.6 of DOE DC No. DC2018-01-002 as well as with the IMO Transition Plan, both of which require establishment of performance standards for the Independent Market Operator.</p> <p>To include a requirement for the PEM Board to consult with the Market Operator, the System Operator and the Rules Change Committee in formulating the performance standards for the Market Operator. The consultation process gives an opportunity for named parties to have an input on the matter as the performance of the Market Operator would affect them. The Rules Change Committee is included as it is composed of representatives from the WESM</p>

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		<p>(c) The standards by which the <i>Market Operator</i> has been selected in accordance with terms of reference and/or the contract, of its selection as an Independent Market Operator. (Added as per DOE DC. No. 2010-03-0004 dated 21 March 2010)</p> <p>Every year, the PEM Board shall publish a Market Operator Performance Report in accordance with herein clause. (Added as per DOE DC. No. 2010-03-0004 dated 21 March 2010)</p> <p>The Market Operator's performance standards shall be reviewed and approved by the DOE. (Added as per DOE DC. No. 2010-03-0004 dated 21 March 2010).</p>	<p><u>Operator and PEMC.</u> by which the <i>Market Operator</i> has been selected in accordance with terms of reference and/or the contract, of its selection as an Independent Market Operator.</p> <p><u>1.3.2.4.</u> The <i>Market Operator's</i> performance standards shall be reviewed and approved by the <i>DOE</i>.</p> <p><u>1.3.2.5.</u> Every year, the PEM Board shall publish a <i>Market Operator</i> performance report <u>setting out the results of its monitoring of the performance of the <i>Market Operator</i></u> in accordance with herein clause.</p>	<p>Participants and has a mechanism in place for consultations.</p> <p>To also reflect the provision in the IMO Transition Plan that the governing document between PEMC and IMO is an operating agreement. The agreement shall, among other things, set out the performance standards, and service level agreements required of the IMO.</p> <p>To include more clarity on the content of the report that the PEM Board is required to publish.</p> <p>Last two clauses were numbered as 1.3.2.4. and 1.3.2.5.</p>
<u>Composition of the Market Operator Board</u>	1.3.3	NEW (to be inserted)	<u>Composition of the Market Operator Board</u>	To provide for the qualifications of who can become members of the board of directors of the Market Operator. This is to institutionalize in the WESM Rules the requirement that the Market Operator board shall be composed on independent members.

Title	Section	Original Provision	Proposed Amendment	Rationale
<u>Composition of the Market Operator Board</u>	1.3.3.1 NEW	NEW	<u>The Market Operator Board shall be composed of seven (7) members who are independent from the electric power industry participants and from government.</u>	Number of directors/trustees is based on IMO Transition Plan. <i>Note that the number as stated in the Plan is at least five. As actually approved by the PEM Board, the actual number is seven.</i>
	1.3.3.2	NEW	<u>A member of the Market Operator Board is deemed independent if that person:</u> <u>a) is not a director, officer, employee, contractor, consultant, agent, adviser, legal counsel, manager, or shareholder of a WESM member or System Operator;</u> <u>b) is not a spouse or relative of a person within the fourth civil degree of consanguinity or affinity, of a director, officer, manager, or shareholder of a WESM member or System Operator;</u> <u>c) is not an officer, manager, director, shareholder, agent, employee, consultant, adviser, legal counsel, or contractor of, or is not a person directly or indirectly through one or more intermediaries controls, is controlled by a company, affiliate, or</u>	Qualifications are taken from DOE DC 2018-01-002, <i>verbatim</i> .

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			<p><u>any other entity related to or associated with a WESM member or System Operator where:</u></p> <p><u>i. a related company or body is a parent, holding company, subsidiary or affiliate of the WESM member or System Operator; and</u></p> <p><u>ii. an associate is a person who is a director, officer, manager or shareholder of that related company or entity or a relative of such a person within the fourth civil degree of affinity or consanguinity; and</u></p> <p><u>iii. an affiliate is any person that, alone or together with any other person, directly or indirectly through one or more intermediaries controls or is controlled by, or is under the common control with another person;</u></p> <p><u>The term shareholder shall exclude a member of an electric cooperative who is not involved in its operation and management and an end-user required to subscribe to or purchase a</u></p>	

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			<p><u>share in a distribution utility as an incident to the provision of service by the same distribution utility, and provided the interest of the end-user is not more than the minimum required to avail of the distribution utility's service;</u></p> <p><u>d) is not an official or employee of the Philippine government, or its agencies or instrumentalities, but this will not apply to members of the academe in public schools and universities;</u></p> <p><u>e) has not been employed as an officer, or in a supervisory or managerial capacity, by any electric power industry participant, or a company within one (1) year prior to the nomination date; and</u></p> <p><u>f) agrees not to be employed and does not accept any employment with a company, affiliate, or any other entity related to or associated with a WESM member or the System Operator within one (1) year after the person ceases to be a member of the Market Operator Board.</u></p>	

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	1.3.3.3	NEW	<u>The <i>Market Operator Board</i> shall be nominated and elected in accordance with the <i>Market Operator By-Laws</i>, provided that qualifications as set out in clause 1.3.3.2 is observed, having regard to the expertise necessary for the <i>Market Operator Board</i> to carry out its functions and to any relevant provisions of the Corporation Code of the Philippines in relation to the election of directors.</u>	To prescribe that the manner of nomination and election of members of the Market Operator Board shall be in accordance with the Market Operator By-Laws guided by the applicable statutory law.
Responsibilities of the System Operator	1.3.4 (formerly 1.3.3)	<i>Clause 1.3.3 and subparagraphs will be renumbered to 1.3.4, etc.</i>		Re-numbering due to insertion of a new clause 1.3.3.
GOVERNANCE OF THE MARKET	1.4	GOVERNANCE OF THE MARKET The <i>WESM</i> governance is the process by which decisions are made and implemented within the market to ensure attainment of the <i>WESM</i> objectives under clause 1.2.5.	GOVERNANCE OF THE MARKET The <i>WESM</i> governance is the process by which decisions are made and implemented within the market to ensure attainment of the <i>WESM</i> objectives under clause 1.2.5. <u>PEMC shall serve as the governing body of the <i>WESM</i>.</u>	The role of PEMC as the governing body of the <i>WESM</i> is indicated. PEMC will be a defined term and will refer to the Philippine Electricity Market Corporation. Under the IMO Transition Plan, PEMC shall remain to be the <i>WESM</i> governing body.
<u>Philippine Electricity Market Corporation</u>	1.4.1	Philippine Electricity Market (PEM) Board	<u>Philippine Electricity Market Corporation</u> (PEM) Board	Editorial revisions for clarity - The functions as described are more appropriately attributed to PEMC, the corporation, rather than the PEM Board (as a body). Unless a provision is intended to refer to PEM Board (as a board)

Title	Section	Original Provision	Proposed Amendment	Rationale
				<p>only, PEMC shall be used instead of PEM Board. Such change is also consistent with the original intent of the provision which clearly refer to a juridical entity, more particularly a corporation organized under the Corporation Code. (Refer, for instance, to clauses 1.4.1.2 and 1.4.1.5).</p> <p>Also, as actually implemented, the governance functions has been performed by PEMC as a whole, not only through the PEM Board, but also through the WESM committees and organic units.</p>
	1.4.1.1	The <i>WESM</i> shall be governed and its power and functions exercised by the <i>PEM Board</i> .	The <i>WESM</i> shall be governed and its power and functions exercised by the <i>PEM Board</i> <i>PEMC</i> .	Same as above (clause 1.4.1)
	1.4.1.2	In addition to the powers of a corporation of a corporation under the Corporation Code and those stated therein, the <i>PEM Board</i> shall have all powers necessary, convenient and incidental to the performance of its functions and responsibilities in accordance with the <i>WESM Rules</i> .	In addition to the powers of a corporation of under the Corporation Code and those stated therein, the <i>PEM Board</i> <i>PEMC</i> shall have all powers necessary, convenient and incidental to the performance of its functions and responsibilities in accordance with the <i>WESM Rules</i> .	Same as above (clause 1.4.1)

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	1.4.1.3	In performing its functions, the <i>PEM Board</i> shall act in a reasonable, ethical and prudent manner, which facilitates an efficient, competitive, transparent and reliable <i>spot market</i> and is consistent with the <i>WESM</i> objectives.	In performing its functions, the <i>PEM Board</i> PEMC shall act in a reasonable, ethical and prudent manner, consistent with the <i>WESM</i> objectives , which to facilitates an efficient, competitive, transparent and reliable <i>spot market</i> and is consistent with the <i>WESM</i> objectives .	Same as above (clause 1.4.1). Other correction is clerical.
	1.4.1.4	The <i>PEM Board</i> may delegate any of its functions, obligations and powers to a committee or other entity in circumstances when it is reasonable, at its judgment, to do so.	The <i>PEM Board</i> , may delegate any of its functions, obligations and powers to a committee or other entity in circumstances when it is reasonable, at its judgment, to do so.	This provision clearly refers to the PEM Board. The introductory clause is added for clarity only, i.e., to state, avoidance of doubt, that the PEM Board referred in various provisions of WESM Rules refer to the board of directors of PEMC.
	1.4.1.5	The <i>PEM Board</i> shall conduct its business activity in accordance with its Articles and By-Laws and other applicable laws, rules and regulations.	The <i>PEM Board</i> PEMC shall conduct its business activity in accordance with its Articles of Incorporation and By-Laws and other applicable laws, rules and regulations.	Same as above (clause 1.4.1). Other correction is clerical.
Composition of the PEM Board	1.4.2.4 (a) to (f)	The <i>PEM Board</i> shall consist of: (a) One (1) Director representing the <i>Market Operator</i> , (b) One (1) Director representing the National Transmission Company (<i>TRANSCO</i>); (c) Four (4) <i>Directors</i> who are nominated by <i>WESM members</i> registered under	The <i>PEM Board</i> shall consist of: (a) One (1) Director representing the <i>Market Operator</i> , (b) One (1) Director representing the National Transmission Company (<i>TRANSCO</i>) System Operator ; (c) Four (4) <i>Directors</i> who are nominated by <i>WESM members</i> registered under	On item (b): After grant of concession to the National Grid Corporation of the Philippines (NGCP), the National Transmission Corporation (Transco) has withdrawn its membership from the WESM. All functions associated with it (as System Operator and Grid Operator) are performed by the

Title	Section	Original Provision	Proposed Amendment	Rationale
		<p>clause 2.3.4 as <i>Distribution Utilities</i>, provided that:</p> <p>(1) Two (2) of those <i>Directors</i> are representatives of and nominated by <i>Electric Cooperatives</i>; and</p> <p>(2) Two (2) of those <i>Directors</i> are representatives of and nominated by <i>Distribution Utilities</i> which are not <i>Electric Cooperatives</i>;</p> <p>(d) One (1) <i>Director</i> who is representative of and nominated by <i>Customers</i>, including but not limited to <i>Suppliers</i>;</p> <p>(e) Four (4) <i>Directors</i> who are representatives of and nominated by <i>Generation Companies</i> registered under clause 2.3.1;</p> <p>(f) Four (4) <i>Directors</i> who are:</p> <p>(1) Independent of the Philippines electric power industry and the Government;</p> <p>(2) Not eligible to be appointed as a representative under clauses 1.4.2.3 (a), (b), (c), or (d); and</p> <p>(3) Nominated by <i>WESM members</i>;</p>	<p>clause 2.3.4 as <i>Distribution Utilities</i>, provided that:</p> <p>(1) Two (2) of those <i>Directors</i> are representatives of and nominated by <i>Electric Cooperatives</i>; and</p> <p>(2) Two (2) of those <i>Directors</i> are representatives of and nominated by <i>Distribution Utilities</i> which are not <i>Electric Cooperatives</i>;</p> <p>(d) One (1) <i>Director</i> who is representative of and nominated by <i>Customers</i>, including but not limited to <i>Suppliers</i>;</p> <p>(e) Four (4) <i>Directors</i> who are representatives of and nominated by <i>Generation Companies</i> registered under clause 2.3.1;</p> <p>(f) Four (4) <i>Directors</i> who are:</p> <p>(1) Independent of the Philippine electric power industry and the Government;</p> <p>(2) Not eligible to be appointed as a representative under clauses 1.4.2.3 (a), (b), (c), or (d); and</p> <p>(3) Nominated by <i>WESM members</i>;</p>	<p>National Grid Corporation of the Philippines (NGCP).</p> <p>Pursuant to the approved Plan for Transition, the seat for Transco shall instead be for the System Operator. Naming the System Operator instead of a specific corporation will ensure that the seat is for the System Operator, whichever entity it resides.</p>
Philippine Electricity Market Board	1.4.2.4 (g) 1.4.2.4 (h) – NEW	(g) A Chairperson who is one of the four independent <i>Directors</i> of the <i>PEM Board</i> and who is elected by a majority of all members of the <i>PEM Board</i> . The first	(g) A Chairperson who is one of the four independent <i>Directors</i> of the <i>PEM Board</i> and who is elected by a majority of all members of the <i>PEM Board</i> . The first	The proposed amendment to change the qualification of the Chairperson is related to the proposed amendment to create

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	PROVISION	<p>Chairperson of the <i>PEM Board</i>, however, shall be the <i>DOE</i> Secretary in accordance with the Implementing Rules and Regulations of the <i>Act</i>.</p> <p>All of the above representatives shall formally be appointed in accordance with clause 1.4.3.</p>	<p>Chairperson of the <i>PEM Board</i>, however, shall be the <i>DOE</i> Secretary in accordance with the Implementing Rules and Regulations of the <i>Act</i>.</p> <p><u>(h) The PEMC President who is one of the four independent Directors and who is elected by a majority of all members of the <i>PEM Board</i>. The Chairperson and the PEMC President shall not be the same person.</u></p> <p>All of the above representatives shall formally be Appointed elected in accordance with clause 1.4.3.</p>	<p>the position of the President, who is proposed to be elected from the independent Directors.</p> <p>While the WESM Rules do not currently provide for a President position, this is provided for in the PEMC By-Laws, in compliance with Corporation Code requirement on corporate officers.</p> <p>Prior to its amendment, the By-Laws require the Chairperson to be an independent director but the President can be any (i.e., sectoral or independent) director. The proposal is to reverse the qualification. Since the President is a full time executive of PEMC and is responsible for managing its affairs, then it is more important that he or she be an independent director. This is to avoid potential conflict of interest that can arise if the President were a sectoral director.</p> <p>The Chairperson, meanwhile, is primarily responsible for presiding over Board and membership meetings, for which independence is not a crucial</p>

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				qualification. Notably, in clause 1.4.4.1, the Chairman only has a casting vote if voting is equal.
Composition of the PEM Board	1.4.2.7	<p>For the purposes of this clause 1.4.2, a person is deemed to be independent of the Philippine electric power industry if that person:</p> <p>(a) Is not a director, officer, employee, contractor, agent, manager, or shareholder of a <i>WESM member</i>;</p> <p>(b) Is not a relative of a person, within the fourth civil degree of consanguinity or affinity, of a director, officer, manager, shareholder of a <i>WESM member</i>;</p> <p>(c) Is not an officer, manager, director or shareholder, agent, employee or contractor of, or is not a person directly or indirectly, through one or more intermediaries controls, is controlled by a company, affiliate or any other entity related to or associated with a WESM member, where:</p> <p>(1) A related company or body, is a parent, holding company subsidiary or affiliate of the WESM member; and</p> <p>(2) An associate is a person who is director, officer, manager or</p>	<p>For the purposes of this clause 1.4.2, a person is deemed to be independent of the Philippine electric power industry if that person:</p> <p>(a) Is not a director, officer, employee, contractor, agent, <u>adviser</u>, <u>consultant</u>, <u>legal counsel</u>, manager, or shareholder of a <i>WESM member</i>;</p> <p>(b) Is not a <u>spouse or</u> relative of a person, within the fourth civil degree of consanguinity or affinity, of a director, officer, manager, shareholder of a <i>WESM member</i>;</p> <p>(c) Is not an officer, manager, director or shareholder, agent, employee <u>consultant</u>, <u>adviser</u>, <u>legal counsel</u> or contractor of, or is not a person directly or indirectly, through one or more intermediaries controls, is controlled by a company, affiliate or any other entity related to or associated with a WESM member where:</p> <p>(1) A related company or body, is a parent, holding company</p>	To align the definition of who is deemed to be independent in DOE Circular No. 2018-01-0002 (in respect to the Independent Market Operator board of directors).

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		<p>shareholder of that related company or entity or a relative of such a person within the fourth civil degree of affinity or consanguinity;</p> <p>(d) Has not been employed as an officer, or any supervisory or managerial capacity, by any electric power industry participant, or a company or body related to or associated with a WESM member within one year prior to the nomination date; and</p> <p>(e) Agrees not to be employed by and does not accept employment with any electric power industry participant, or a company or body related to or associated with a <i>WESM member</i> (as defined in clause 1.4.2.7 (c)) within one year after the person ceases to be a Director.</p> <p>The term shareholder as used in this Clause 1.4.2.7 (a), (b) and (c) shall be understood to exclude :</p> <p>(a) A member of an Electric Cooperative who is not involved in the operation and management of the same Electric Cooperative; and</p> <p>(b) an End-user who is required to subscribe to, or to purchase, a share in a Distribution Utility as an incident to the</p>	<p>subsidiary or affiliate of the WESM <i>member</i>;</p> <p>(2) An associate is a person who is director, officer, manager or shareholder of that related company or entity or a relative of such a person within the fourth civil degree of affinity or consanguinity; and</p> <p>(3) <u>An affiliate is any person that, alone or together with any other person, directly or indirectly through one or more intermediaries controls or is controlled by, or is under the common control with another person;</u></p> <p><u>(d) is not an official or employee of the Philippine government, or its agencies or instrumentalities, but this will not apply to members of the academe in public schools and universities;</u></p> <p><u>(e) (d)</u> Has not been employed as an officer, or any supervisory or managerial capacity, by any electric power industry participant, or a company within one year prior to the nomination date; and</p>	

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		provision of service by the same Distribution Utility; provided that the interest of the End- user be not more than the minimum required to avail of the Distribution Utility's services.	<p>(f) (e) Agrees not to be employed by and does not accept employment with any electric power industry participant, or a company or body related to or associated with a <i>WESM member</i> (as defined in clause 1.4.2.7 (c)) within one year after the person ceases to be a Director.</p> <p>The term shareholder as used in this Clause 1.4.2.7 (a), (b) and (c) shall be understood to exclude:</p> <p>(a) A member of an Electric Cooperative who is not involved in the operation and management of the same Electric Cooperative; and</p> <p>(b) an End-user who is required to subscribe to, or to purchase, a share in a Distribution Utility as an incident to the provision of service by the same Distribution Utility; provided that the interest of the End- user be not more than the minimum required to avail of the Distribution Utility's services.</p>	
Appointment to the PEM Board	1.4.3	1.4.3 Appointment to the PEM Board 1.4.3.1 The <i>directors</i> of the <i>PEM Board</i> shall be appointed by the <i>DOE</i> in accordance with the required composition of the <i>PEM Board</i> as set out	1.4.3 Appointment-Nomination and Election to the PEM Board 1.4.3.1 The <i>directors</i> of the <i>PEM Board</i> shall be appointed by the DOE nominated and elected in accordance	Pursuant to the approved Plan for Transition and Section 7.2 of DOE DC No. DC2018-01-002, the DOE shall no longer appoint the members of the PEM Board.

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		in clause 1.4.2, having regard to the expertise necessary for the <i>PEM Board</i> to carry out its functions and any relevant provisions of the Corporation Code of the Philippines in relation to the appointment of directors.	with the PEMC By-Laws , <u>provided that</u> the required composition of the <i>PEM Board</i> as set out in clause 1.4.2 <u>is observed</u> , having regard to the expertise necessary for the <i>PEM Board</i> to carry out its functions and any relevant provisions of the Corporation Code of the Philippines in relation to the <u>election</u> of directors. <u>Except only for the representative of the Market Operator, no person can become a member of the PEM Board and the Market Operator Board of Directors at the same time.</u>	Instead, the procedure for their election shall be in accordance with the PEMC By-Laws. The Plan likewise provides that the no person can sit in the PEM Board and the Market Operator board at the same time, except only the Market Operator representative.
Appointment to the PEM Board	1.4.3.2	1.4.3.2 With effect from the date on which the Independent <i>Market Operator</i> assumes the duties, functions and responsibilities of the AGMO, all new appointments or re-appointments of <i>Directors</i> and the <i>Chairperson</i> of the <i>PEM Board</i> are to be made in accordance with the required composition of the <i>PEM Board</i> as set out in clause 1.4.2.	1.4.3.2 With effect from the date on which the Independent <i>Market Operator</i> assumes the duties, functions and responsibilities of the AGMO, all new appointments or re-appointments of <i>Directors</i> , the PEMC President , and the <i>Chairperson</i> of the <i>PEM Board</i> are to be made <u>elected</u> in accordance with the required composition of the <i>PEM Board</i> <u>and qualifications</u> as set out in clause 1.4.2.	To state that the Directors, President and Chairperson are to be elected and not appointed.
Voting Rights	1.4.4.1	1.4.4.1 Unless, expressly stated herein, provisions of the Corporation Code shall apply, provided that: (a) A majority of the total number of <i>Directors</i> , each having one vote, shall constitute a quorum for the transaction of business of the <i>PEM Board</i> .	1.4.4.1 Unless, expressly stated herein, provisions of the Corporation Code shall apply, provided that: (a) A majority of the total number of <i>Directors</i> , each having one vote, shall constitute a quorum for the transaction of business of the <i>PEM Board</i> .	To adopt the provisions in the PEMC By-Laws which require that majority of all members is required to elect the Chairperson and the President.

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		<p>(b) Every decision of at least a majority of votes of <i>Directors</i> present shall be valid as a <i>PEM Board</i> act. If voting is equal, the <i>Chairperson</i> has a casting vote.</p> <p>(c) <i>Directors</i> cannot attend or vote by proxy at board meetings.</p>	<p>(b) Every decision of at least a majority of votes of <i>Directors</i> present shall be valid as a <i>PEM Board</i> act, <u>except the election of the Chairperson and the President which requires vote of the majority of all the Directors.</u> If voting is equal, the <i>Chairperson</i> has a casting vote.</p> <p>(c) <i>Directors</i> cannot attend or vote by proxy at board meetings.</p>	
Obligations of the PEM Board	1.4.5.1	<p>1.4.5 Obligations of the PEM Board</p> <p>1.4.5.1 The PEM Board shall at all times:</p> <p>(a) Fulfil its obligations under the <i>WESM Rules</i>;</p> <p>(b) Act in a manner that is consistent with the <i>WESM Rules</i>;</p> <p>(c) Perform all things reasonably necessary to contribute toward the achievement of the <i>WESM</i> and the <i>Act's</i> objectives;</p> <p>(d) Duly consider and take into account the provisions of the <i>WESM Rules</i>, when deciding whether or not to approve any matter for which the <i>PEM Board's</i> approval or agreement is required under the <i>WESM Rules</i>;</p>	<p>1.4.5 Obligations of the PEM Board</p> <p>1.4.5.1 The PEM Board shall at all times:</p> <p>(a) <u>Protect the public interest and ensure the transparency and efficiency of the WESM;</u></p> <p>(ab) Fulfil its obligations under the <i>WESM Rules</i>;</p> <p>(bc) Act in a manner that is consistent with the <i>WESM Rules</i>;</p> <p>(ed) Perform all things reasonably necessary to contribute toward the achievement of the <i>WESM</i> and the <i>Act's</i> objectives;</p> <p>(de) Duly consider and take into account the provisions of the <i>WESM Rules</i>, when deciding whether or not to approve any</p>	<p>On item (a) –</p> <p>To reflect PEM Board's primary obligation as stated in Section 7.4 of DOE DC No. DC2018-01-002.</p> <p>Other provisions are re-numbered.</p> <p>To specify that the notice to the ERC be made of the decision or action that the PEM Board has taken in respect to a breach rather than simply inform ERC of a potential breach.</p>

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		<p>(e) Promptly notify the <i>ERC</i> of all relevant information relating to potential breach with a recommendation on action to be taken; and</p> <p>(f) Perform all other things that the <i>PEM Board</i> considers reasonably necessary to promote the <i>WESM</i> objectives and improve the operation of the <i>WESM</i> as well as the <i>WESM Rules</i>.</p>	<p>matter for which the <i>PEM Board's</i> approval or agreement is required under the <i>WESM Rules</i>;</p> <p>(ef) Promptly notify Cause notification <u>to</u> the <i>ERC</i> of all relevant information relating to potential breach with a recommendation on any action it has to be taken in accordance with Clause 7.2 in relation to a breach by any WESM member, the Market Operator or the System Operator; and</p> <p>(fg) Perform all other things that the <i>PEM Board</i> considers reasonably necessary to promote the <i>WESM</i> objectives and improve the operation of the <i>WESM</i> as well as the <i>WESM Rules</i>.</p>	
Obligations of the PEM Board	1.4.5.2	<p>The following are the powers and duties of the <i>PEM Board</i>:</p> <p>x x x</p> <p>(d) Oversee and monitor the activities of <i>WESM members</i> to ascertain and determine compliance or non-compliance with the <i>WESM Rules</i>; and</p> <p>x x x</p>	<p>The following are the powers and duties of the <i>PEM Board</i>:</p> <p>x x x</p> <p>(d) Oversee and monitor the activities of WESM members to ascertain and determine compliance or non-compliance with the WESM Rules; and <u>In conjunction with the Compliance Committee and the Enforcement and Compliance Office, enforce the WESM Rules and Market Manuals in accordance with Clause 7.2;</u></p>	<p>Compliance Committee will take the place of MSC to the extent that the former will be in charge of the review of the reports of investigation of breaches of the <i>WESM Rules</i> and market manuals carried out by the Enforcement and Compliance Office.</p> <p>On item (d) - to more explicitly state the authority of the PEM Board to enforce the <i>WESM Rules</i> and assure compliance by</p>

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			x x x	WESM Members; thus the function is not limited to overseeing the compliance process. This is also to make the statement consistent with the broader description of functions in Chapter 7.
Formation of Committees	1.4.6	<p>The <i>PEM Board</i> shall form working groups and appoint qualified personnel who shall act as the following:</p> <p>(a) The <i>PEM Auditor</i> to conduct audits of the operation of the <i>spot market</i> and of the <i>Market Operator</i> in accordance with clause 1.5;</p> <p>(b) A <i>Market Surveillance Committee</i> to monitor and report on activities in the <i>spot market</i> in accordance with clause 1.6;</p> <p>(c) A <i>Technical Committee</i> to monitor and review technical matters under and in relation to the <i>WESM Rules</i>, the <i>Grid Code</i> and <i>Distribution Code</i> in accordance with clause 1.7;</p> <p>(d) A <i>Rules Change Committee</i> to assist the <i>PEM Board</i> and the <i>DOE</i> in relation to the revision and amendment of the <i>WESM Rules</i> in accordance with chapter 8, and the formulation, revision and amendment of market manuals, procedures and guidelines; and</p>	<p>The <i>PEM Board</i> shall form <u>committees</u> working groups and appoint qualified personnel who shall act as the following:</p> <p>(a) xxx</p> <p>(b) xxx;</p> <p>(c) xxx</p> <p>(d) A <i>Rules Change Committee</i> to assist the <i>PEM Board</i> and the <i>DOE</i> in relation to the revision and amendment of the <i>WESM Rules</i> in accordance with chapter 8, and the formulation, revision and amendment of market manuals, procedures and guidelines; and</p> <p>(e) xxx; and</p> <p><u>(f) A Compliance Committee to monitor compliance to and oversee the investigation of breach of the WESM Rules and market manuals by WESM Members, the System Operator and the Market Operator, and to</u></p>	<p>The reference in the introductory clause is changed from working group to committees for consistency.</p> <p>On item (f):</p> <ul style="list-style-type: none"> • To include Compliance Committee as one of the WESM Governance Committees. Related provisions are found in Clause 1.8 including the <u>transitory provisions</u>.

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		(e) A <i>Dispute Resolution Administrator</i> to facilitate the resolution of the dispute between and among the parties within a specified period of time in accordance with the dispute resolution process under clause 7.3.	<u>perform the functions set out in clause 1.8.</u>	
	1.4.7.1	<p>The <i>PEM Board</i> shall establish a Market Assessment Group which shall have the following powers and functions:</p> <p>(a) Serve as the primary support unit of the PEM Committees;</p> <p>(b) Assist the <i>PEM Board</i> or the <i>Market Surveillance Committee</i> to establish the procedures for monitoring and assessing the performance of the WESM and the activities conducted by the <i>WESM members</i> with the end view of ensuring the effective functioning or overall efficiency of the <i>WESM</i>;</p> <p>(c) Regularly collect and process market monitoring data and indices;</p> <p>(d) Prepare periodic assessment reports on overall market performance and competitiveness;</p> <p>(e) Provide support and assistance to the different PEM Committees formed in accordance with clause 1.4.6 when requested and in a manner as deemed necessary by</p>	<p>The <i>PEM Board</i> shall establish a Market Assessment Group <u>such unit or units within PEMC</u> which shall have the following powers and functions:</p> <p>(a) <u>a market assessment unit that will:</u></p> <p>(b) <u>i. Serve as the primary support unit of the Market Surveillance Committee;</u> Assist the PEM Board or the Market Surveillance Committee to establish the procedures for monitoring and assessing the performance of the WESM and the activities conducted by the WESM members with the end view of ensuring the effective functioning or overall efficiency of the WESM;</p> <p>(c) <u>ii. Carry out market monitoring functions, including but not limited to,</u> regularly collect and process market monitoring data and indices;</p>	<p>Revisions are in anticipation of a reorganization of PEMC to align the organization to its primary function of being the WESM governing body. This is also to reflect that the functions of the units of PEMC are not limited to providing secretariat functions to the PEM Committees.</p> <p>Not naming the unit/s will allow PEMC flexibility in naming the various units within the organization. This is also so as not to preclude PEMC from creating several units to handle specific functions, if it finds that it is more efficient to do so.</p> <p>Functions are also re-stated to group related functions together. Provisions are re-numbered as a result of the re-grouping.</p>

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		<p>the respective Committee Chairmen; and</p> <p>(f) Perform such other tasks as assigned by the <i>PEM Board</i>, the PEM Committees or the President of the <i>Philippine Electricity Market Corporation</i>.</p>	<p>(d) iii. Carry out market assessment functions, and prepare periodic assessment reports on overall market performance and competitiveness;</p> <p>(b) support units that will:</p> <p>(a), (e) Serve as the primary support unit of i. Provide technical and secretariat support to the other PEM Committees formed in accordance with clause 1.4.6; and, accordingly provide such support and assistance when requested as may be required and in a manner as deemed necessary by the respective Committee Chairmen; and</p> <p>(e) (f) ii. Perform such other tasks as assigned by the <i>PEM Board</i>, the PEM Committees or the <i>PEMC</i> President of the Philippine Electricity Market Corporation.</p>	
	1.4.7.2	<p>The Market Assessment Group shall be composed of an adequate number of personnel with the appropriate knowledge, experience and qualifications necessary to provide timely and effective support and assistance to the PEM Committees.</p>	<p>The Market Assessment Group units that shall be established by the PEM Board pursuant to clause 1.4.7.1 shall be composed of an adequate number of personnel with the appropriate knowledge, experience and qualifications necessary to carry out the</p>	<p>The IMO Transition Plan provides that PEMC shall have the manpower complement necessary to carry out its functions as the WESM governing body.</p>

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			<p>functions stated in clause 1.4.7.1. provide timely and effective support and assistance to the PEM Committees.</p>	<p>To also align this section with the functions as stated in clause 1.4.7.2 which is not limited to merely providing support to the PEM Committees.</p>
	1.4.7.3	<p>The Market Assessment Group shall be a unit under the Office of the President of the <i>PEMC</i>.</p>	<p>1.4.7.3 The Market Assessment Group shall be a unit under the Office of the President of the <i>PEMC</i>.</p>	<p>This provision is no longer relevant, as PEMC will become primarily a governing body, and no longer also the Market Operator.</p> <p><i>Note that this provision was previously added, to reflect that the MAG is not part of the Market Operator (which was then under PEMC).</i></p>
Enforcement and Compliance Office	1.4.8	<p>The <i>PEM Board</i> shall create an <i>Enforcement and Compliance Officer</i> to investigate alleged breaches of and enforce sanctions against the <i>System operator, Market Operator</i>, and other <i>WESM members</i>.</p> <p>To assist the <i>Enforcement and Compliance Officer</i>, an Enforcement and Compliance Office shall be created to perform the following functions:</p> <p>(a) Serve as a technical and investigative support unit of the</p>	<p>The <i>PEM Board</i> shall create <u>an Enforcement and Compliance Office which shall be headed by an Enforcement and Compliance Officer appointed in accordance with clause 7.2.8.1.</u>to investigate alleged breaches of and enforce sanctions against the <i>System operator, Market Operator</i>, and other <i>WESM members</i>.</p> <p>To assist the <i>Enforcement and Compliance Officer</i>, an The <u>Enforcement and Compliance Office</u> shall be created to perform the following functions:</p>	<p>To clarify that the PEM Board creates the office, and appoints the officer, and that the functions pertain to an office rather than to a person or an officer.</p> <p>To provide that the ECO, as the office, shall have the primary function of administering the enforcement and compliance processes described in Clause 7.2 of the WESM Rules.</p> <p>On item (d) – added clause (d) to include the secretariat support to</p>

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		<p><i>Enforcement and Compliance Officer;</i></p> <p>(b) Establish a mechanism to promote consultation and voluntary compliance of industry participants; and,</p> <p>(c) Continuously develop systems and procedures to deter breaches of the <i>WESM Rules</i> and further evolve enforcement of penalties consistent with the objectives of the WESM.</p>	<p>(a) Serve as a technical and investigative support unit of the <i>Enforcement and Compliance Officer</i>; <u>Administer the enforcement and compliance processes in the WESM in accordance with clause 7.2 and serve as a technical support unit of the <i>PEM Board</i> on matters concerning enforcement and compliance;</u></p> <p>(b) Establish a mechanism to promote consultation and voluntary compliance of industry participants; and</p> <p>(c) Continuously develop systems and procedures to deter breaches of the <i>WESM Rules</i> and further evolve enforcement of penalties consistent with the objectives of the WESM.</p> <p>(d) <u>Serve as the primary support unit of the Compliance Committee.</u></p>	Compliance Committee as among the functions to be performed by ECO.
COMPLIANCE COMMITTEE	1.8.	NEW (inserted; the succeeding provisions will be moved/ renumbered)	<u>COMPLIANCE COMMITTEE</u>	This new section is inserted to provide for the creation of a Compliance Committee, its composition, manner of appointment and functions.
Appointment to the <i>Compliance Committee</i>	1.8.1	NEW	<u>Appointment to the <i>Compliance Committee</i></u>	

Title	Section	Original Provision	Proposed Amendment	Rationale
Appointment to the <i>Compliance Committee</i>	1.8.1.1	NEW	<u>The PEM Board shall appoint persons to form a <i>Compliance Committee</i> in such number and with such skills and expertise, and on such terms and conditions, as the PEM Board reasonably deems to be appropriate, taking into consideration the nature of the obligations and functions of the Compliance Committee, as set out in clause 1.8.2.</u>	To specify the manner of appointment of the members of Compliance Committee. Proposed rule is patterned after provision pertaining to the MSC.
Appointment to the <i>Compliance Committee</i>	1.8.1.2.	NEW	<u>The members of the Compliance Committee shall be independent of the Philippine electric power industry and the Government.</u>	To provide for the qualifications of the committee members; adopting qualification similar to that of the MSC members.
Responsibilities of the Compliance Committee	1.8.2.	NEW	<u>Responsibilities of the Compliance Committee</u> <u>The Compliance Committee shall from time to time as necessary and appropriate, or whenever the PEM Board directs:</u> (a) <u>Review reports of investigation of breaches of the <i>WESM Rules and Market Manuals</i> carried out by the <i>Enforcement and Compliance Office</i> and, based on the results of such investigation, decide on the outcomes of the investigation and recommend imposition of</u>	To enumerate the responsibilities of CC, as follows: <ul style="list-style-type: none"> ▪ Review of investigation reports of ECO ▪ Monitoring of ECO's reportorial requirements ▪ Monitoring the MO-SO coordination protocol\ ▪ Items (d) and (e) – similar to MSC and TC

Title	Section	Original Provision	Proposed Amendment	Rationale
			<p><u>sanctions or penalties if warranted;</u></p> <p>(b) <u>Review and monitor the compliance of ECO with the reportorial requirements pursuant to the WESM Rules, Market Manuals, and other applicable laws, rules, regulations, or issuances;</u></p> <p>(c) <u>Review and monitor the compliance by the Market Operator and the System Operator with their obligations pursuant to the WESM Rules and Market Manuals, or any coordinating or operating agreements, or protocols which may be established governing the performance of their functions and obligations under the WESM Rules and Market Manuals.</u></p> <p>(d) <u>Propose amendments to the WESM Rules or Market Manuals in accordance with chapter 8 with a view to:</u></p> <p><u>(1) Improving the efficiency and the effectiveness of the operation of the WESM; and</u></p>	

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			<p><u>(2) Improving or enhancing the prospects for the achievement of the WESM objectives;</u></p> <p><u>(e) Assist the Rules Change Committee in relation to its assessment of proposals to amend the WESM Rules or Market Manuals under Chapter 8.</u></p>	
Transitory Provisions	1.8.3	<u>Transitory Provisions</u>	<u>Pending the creation of the Compliance Committee and the appointment of its members by the PEM Board pursuant to clause 1.8.1, the responsibilities set forth in clause 1.8.2 shall be discharged by the Market Surveillance Committee.</u>	To provide for the transitory provision while the Compliance Committee is not yet established; MSC to assume responsibilities until CC Members are appointed.
ENFORCEABILITY AND AMENDMENT OF THESE RULES	1.9	ENFORCEABILITY AND AMENDMENT OF THESE RULES	<i>Re-numbered (previously clause 1.8)</i>	Re-numbered (previously Clause 1.8) due to the inserted provision on "Compliance Committee"
Enforceability	1.9.1	These Rules are enforceable in accordance with Chapter 7.	<p><i>Re-numbered (previously Clause 1.8.1) with proposed changes:</i></p> <p><u>Unless otherwise provided in its other provisions,</u> these Rules are</p>	Re-numbered (previously Clause 1.8.1) due to the inserted provision on "Compliance Committee"

Title	Section	Original Provision	Proposed Amendment	Rationale
			enforceable in accordance with Chapter 7.	
	1.9.2.	Changes to the WESM Rules Amendments to the WESM Rules shall be made in accordance with chapter 8.	x x x	Re-numbered (previously Clause 1.8.2) due to the inserted provision on "Compliance Committee"
PUBLIC CONSULTATION PROCEDURES	1.10	<p>1.9 PUBLIC CONSULTATION PROCEDURES</p> <p>Where the <i>WESM Rules</i> identify matters that are subject to review or consultation in accordance with the public consultation procedures, the <i>PEM Board</i> shall ensure that, as a minimum, the following procedures are followed:</p> <p>(a) The <i>PEM Board</i> shall publish in the market information website particulars of the matter to <i>WESM Participants</i> and other interested persons, inviting written submissions concerning the matter to be made by a specified date;</p> <p>(b) Where, in the reasonable opinion of the <i>PEM Board</i>, there is a diversity of views expressed in the written submissions</p>	<p>1.10 PUBLIC CONSULTATION PROCEDURES</p> <p>Where the <i>WESM Rules</i> identify matters that are subject to review or consultation in accordance with the public consultation procedures, the <i>PEM Board</i> shall ensure that, as a minimum, the following procedures are followed:</p> <p>(a) The <i>PEM Board</i> shall publish in the market information website <u>the particulars of the matter for the information of to the Market Operator.</u> <i>WESM Participants</i> and other interested persons, inviting written submissions concerning the matter to be made by a specified date;</p> <p>(b) Where, in the reasonable opinion of the <i>PEM Board</i>, there is a diversity of views expressed in the written submissions received under clause</p>	<p>Re-numbered (previously Clause 1.9) due to the inserted provision on "Compliance Committee"</p> <p>Added Market Operator as additional party to whom information shall be given in regard public consultation matters</p>

Title	Section	Original Provision	Proposed Amendment	Rationale
		<p>received under clause 1.9(a), the <i>PEM Board</i> shall invite WESM Participants and other interested persons to a meeting or meetings at which those views may be presented and discussed. Non-members, who may be deemed interested persons may be invited to attend subject to the discretion of the <i>PEM Board</i>;</p> <p>(c) Following its consideration of the matter under consultation, the <i>PEM Board</i> shall prepare a report setting out:</p> <p>(1) The matter under consultation;</p> <p>(2) The <i>PEM Board's</i> decision in relation to the matter;</p> <p>(3) The reasons for the <i>PEM Board's</i> decision;</p> <p>(4) The findings on material questions of fact, referring to evidence or other material on which those findings were based; and</p> <p>(5) The procedures followed in considering the matter.</p> <p>(d) The <i>PEM Board</i> shall provide a copy of the report referred to in clause 1.9 (c) to:</p>	<p>1.9(a), the <i>PEM Board</i> shall invite <u>the Market Operator</u>, WESM Participants and other interested persons to a meeting or meetings at which those views may be presented and discussed. Non-members, who may be deemed interested persons may be invited to attend subject to the discretion of the <i>PEM Board</i>;</p> <p>(c) xxx</p> <p>(d) The <i>PEM Board</i> shall provide a copy of the report referred to in clause 1.9 (c) to:</p> <p>(1) The <i>DOE</i> and the <i>ERC</i> on completion of the report; and</p> <p>(2) <u>Market Operator</u>, WESM Participants and interested persons on request.</p>	

Title	Section	Original Provision	Proposed Amendment	Rationale
		<p>(1) The <i>DOE</i> and the <i>ERC</i> on completion of the report; and</p> <p>(2) <i>WESM Participants</i> and interested persons on request.</p>		
Glossary	Chapter 11	NEW	<u>Compliance Committee. The committee formed under clause 1.4.6 to undertake the functions as set out in clause 1.8.2 and clause 7.2.</u>	To provide definition for Compliance Committee.
Glossary	Chapter 11	Director. A member of the <i>PEM Board</i> appointed by the <i>DOE</i> under clause 1.4.3 having a duty to, among other matters, perform the duties of management of the <i>PEM Board</i> , in accordance with clause 1.4.5.	Director. A member of the <i>PEM Board</i> appointed by the <i>DOE</i> duly elected under clause 1.4.3 having a duty to, among other matters, perform the duties of management of the <i>PEM Board</i> , in accordance with clause 1.4.5.	This is to align the definition with the other proposed amendments providing for election of directors by PEMC members rather than by DOE appointment.
Glossary	Chapter 11	Philippine Electricity Market Corporation or PEMC. The corporation incorporated upon the initiative of the <i>DOE</i> composed of all <i>WESM members</i> and whose Board of Directors will be the <i>PEM Board</i> .	Philippine Electricity Market Corporation or PEMC. The corporation incorporated upon the initiative of the <i>DOE</i> composed of all direct <i>WESM members</i> and whose Board of Directors will be the <i>PEM Board</i> .	It is proposed that only Direct WESM Members be eligible to become PEMC Members as these are the entities that would have a direct stake and interest in the operations of PEMC. Especially with the integration of the retail market in the WESM, the indirect members significantly outnumber Direct WESM members. Allowing indirect members to become

Title	Section	Original Provision	Proposed Amendment	Rationale
				PEMC members may result in a situation where they can become dominant over the direct members, although they don't directly participate in the WESM.
Glossary	Chapter 11	PEM Board. The group of <i>Directors</i> serving from time to time on the board that is responsible for governing the <i>WESM</i> .	PEM Board. The Board of Directors of PEMC group of <i>Directors</i> serving from time to time on the board that is responsible for governing the <i>WESM</i> .	Proposed amendment for clarity, and for consistency with definition of PEMC.