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# PEM Board

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INTRODUCTION

The Philippine Electricity Market Board of Directors (PEM Board) is a 15-man body with a composition designed to ensure that the different sectors of the electric power industry, generation, distribution, supply, and transmission are well-represented. There are also four seats allotted to independent members.
INTRODUCTION

The WESM Rules provide for the creation of the PEM Committees where each Committee has a responsibility in the governance of the electricity market. The PEM Committees are composed of working groups with appointed qualified personnel as follows: the Market Surveillance Committee (MSC), Rules Change Committee (RCC), PEM Audit Committee (PAC), Technical Committee (TC) and Dispute Resolution Administrator (DRA).

The composition of the PEM Committees and the Committee members’ terms of office are prescribed under the WESM Rules and the Guidelines on the Constitution of the PEM Board Committees. Committee members are appointed by the PEM Board.

PEM AUDIT COMMITTEE (PAC)

The PAC, composed of three members independent of the Philippine electric power industry appointed by the PEM Board, is tasked to conduct audits of the operation of the spot market and of the Market Operator in accordance with clause 1.5 of the WESM Rules.

The PAC, through an External Auditor, performs the following functions in accordance with the WESM PEM Audit Manual and other relevant manuals and guidelines:

1. Conduct annual audits of the Market Operator and the settlement system and any other procedures, persons, systems or other matters relevant to the spot market;
2. Conduct of Metering Review to assess the adequacy of the metering standards and security systems and processes in the WESM;
3. Test and check any new items or versions of software provided by the Market Operator for use by WESM Members;
4. Review any procedures and practices which are covered by the WESM Rules at the direction of the PEM Board;
5. Recommend changes to the WESM Rules where the PEM Auditor detects deficiencies as a consequence of an audit, review, test, check or other form of review; and
6. Publish in the market information website the results of any finding and recommendation under clause 1.5.1.

The PAC may appoint a qualified team of auditors to carry out a review of the scheduling and central dispatch processes under the WESM Rules. In coordination with PEMC and under the supervision of the Department of Energy, the PAC selects the external auditor for the market audits through a competitive bidding process.

Upon completion of the audit project, the PAC submits the final audit report to the PEM Board, the Energy Regulatory Commission (ERC) and the Department of Energy (DOE). The report is also published in the WESM website for the reference of market participants and the general public.
The TC is tasked to assist the PEM Board regarding technical matters on the operation of the spot market in accordance with clause 1.7 of the WESM Rules. The TC is composed of five members, two as independent members and representatives from the Grid Management Committee, Distribution Management Committee, and the System Operator, respectively.

The TC performs the following functions and responsibilities as set out in the WESM Rules:

1. Monitor technical matters relating to the operation of the spot market;
2. Provide a report to the PEM Board on any matter of a technical nature relating to any WESM member which in the reasonable opinion of the TC, causes:
   a. the inability of the WESM Member to comply with the WESM Rules; or
   b. unintended or distortionary effects to the WESM operation.
3. Assist the PEM Board by providing expertise in relation to information and metering technology including any matter of technical nature relating to the spot market; and
4. Propose amendments to the WESM Rules, as necessary and appropriate, with respect to the following:
   a. improving the efficiency and the effectiveness of the WESM operation; and
   b. improving or enhancing the prospects for the achievement of the WESM Objectives.

Further, pursuant to Section 4.1 of the TC Market Manual (TCMM), the TC is mandated to conduct technical reviews and studies in relation to: (a) power plant technical parameters; (b) transmission technical parameters; (c) metering technology and metering data; (d) information technology; (e) matters of technical nature that led to the non-compliance of any WESM Participant, and/or distortionary effects to the WESM operation; (f) improvements and new trends in technology relating to the WESM that may enhance efficiency and effectiveness of the operation of the spot market and the prospects for the achievement of the WESM objectives; and (g) any other matter of a technical nature relating to the spot Market.

Under Section 4.3 of the TCMM, the WESM Governance Committees, PEMC and the Trading Participants may submit a request for technical review or study to the TC using the prescribed Request Form. Upon determination that the study falls within the coverage and scope as defined in Section 4.1 of the TCMM, the TC shall undertake the technical review or study within a reasonable timeframe established by the TC. In the course of the conduct of its review or study, the TC may call for a consultation meeting with the PEMC, WESM Governance Committees or WESM Participants to solicit comments in relation to the study. The completed technical review or study shall be submitted to the PEM Board for information and necessary action. A copy of the study shall likewise be furnished to the requesting party.

Subject to the provisions set in the TCMM on confidentiality and disclosure of information, the TC may publish public versions of the completed study requested by other parties.

Following is the general process flowchart as provided for under the TCMM.

Figure 2. TC Process
The RCC is tasked to assist the PEM Board and the DOE in the formulation and amendment of the WESM Rules and Market Manuals with the aim of enhancing the market design and refining market processes and operations appropriate for the current environment.

The Committee is comprised of the following:

1. One member from the Market Operator;
2. One member from the Transmission Sector;
3. Four members from the Distribution Sector; two of whom represent the Electric Cooperatives, and the other two, the Private Distribution Utilities;
4. Four members representing the Generation Sector;
5. One member representing the Customers, including but not limited to the Supply Sector; and
6. Four representatives who are Independent of the Philippine electric power industry.

The Rules Change Process

Proposals for amendments to the WESM Rules and the Market Manuals, as well as the formulation of new Market Manuals, may be submitted by any WESM Member, the Market Operator, the PEM Board or its Committees, any government agency, or any other interested party affected by the operations of the WESM. Proposals should be in writing addressed to the Rules Change Committee (through the Secretariat) using the prescribed Rules Change Proposal Form, together with a Discussion Paper; and should indicate whether the Proposal requires a general, urgent, or minor amendment.

All Proposals for amendments that meet the formal requirements of the Rules Change Committee are published in the WESM website for comments. In the same way, All comments submitted to the Rules Change Committee that meet the deadline of submission are considered in the deliberations of the Rules Change Committee of the subject Proposal.

In considering Proposals for amendments, the Rules Change Committee, shall be guided by the following —

a. consistency with the objectives of the WESM as defined in WESM Rules Clause 1.2.5;
b. legal, technical, and commercial feasibility; and
c. reasonableness of the cost to implement.

The Rules Change Committee’s decision on a Proposal is reported to the PEM Board. Approved amendments are endorsed to the PEM Board, for approval. The PEM Board may approve, disapprove, or remand a Proposal to the Rules Change Committee. Amendments to the WESM Rules and Market Manuals that are approved by the PEM Board are endorsed to the DOE for promulgation.

Following is the general process flowchart for Rules Changes, as provided for under the WESM Rules and the Manual of Procedure for Changes to the WESM Rules.
MARKET SURVEILLANCE COMMITTEE (MSC)

The MSC is tasked to monitor and report on the activities in the spot market in accordance with clause 1.5 of the WESM Rules. The MSC is composed of 5 members all of whom are independent of the Philippine electric power industry and of the Government.

The MSC performs the following functions and responsibilities as set out in the WESM Rules and the WESM Market Surveillance, Compliance and Enforcement Market Manual (MSCEMM):

1. Monitor activities conducted by WESM Participants in the spot market;
2. Prepare periodic reports, which outline the featuring:
   a. activities of WESM Participants in the spot market; and
   b. matters concerning the operation of the spot market generally, which reports shall be submitted to the PEM Board, the DOE and ERC upon completion.
3. Assist the PEM Board or the Enforcement and Compliance Office (ECO) to investigate and gather evidence of suspected or alleged breaches of the WESM Rules by WESM Members.
4. From time to time if the MSC in its discretion deems necessary or appropriate, propose amendments to the WESM rules in accordance with chapter 8 of the WESM Rules with a view to:
   a. improving the efficiency and the effectiveness of the operation of the WESM; and
   b. improving or enhancing the prospects for the achievement of the WESM objectives;
5. Assist the Rules Change Committee in relation to its assessment of proposals to amend the WESM Rules under chapter 8;
6. Review Investigation Reports prepared by the ECO pursuant to an investigation of an alleged Breach, and submit its review to the PEM Board;
7. Review the Non-Compliance Report prepared by the ECO pursuant to the review of a Non-Compliance Notice, and submit its review to the PEM Board;
8. Investigate an event of Intervention or Market Suspension and prepare the corresponding Intervention Report or Market Suspension Report to be submitted to the PEM Board;
9. Review Over-Riding Constraints; and
10. Review of the significant variations reports.
Market Review

In line with its mandate, under the WESM Rules Clause 1.4.7.1(d) and MSCEMM Sections 6.3.1(d), 7.1.1 and 7.1.4, the MSC conducts a monthly review of the market performance and the activities conducted by the WESM Participants. During its regular meetings, the MSC discusses the result of market monitoring indices as contained in the Monthly Market Assessment Report submitted by the MAG. After due deliberation, the MSC prepares its Monthly Monitoring Report and submits the same to the PEM Board.

Compliance Monitoring

In line with the MSC’s function under the MSCEMM Section 6.2.1 (b) to identify acts or omissions which may constitute breaches, the MSC reviews the generator Trading Participants’ (TP) compliance with the Must-Offer Rule (MOR) and Real-Time Dispatch (RTD) schedule/instruction by looking at the offered capacities and actual dispatch of scheduled generating units on an hourly basis. In the event that the MSC identifies any potential breach of the WESM Rules or Manual, the MSC then submits to the PEM Board a request for investigation. The Board then directs the ECO to conduct an investigation.

Review of Over-riding Constraints

Pursuant to MSCEMM Section 6.2.1 (i), the MSC is tasked to review over-riding constraints reports. The SO, MO or WESM Member may also request the MSC to review a decision by the SO to impose or relax a Constraint under Section 11.5.5. The process is as follows:
DISPUTE RESOLUTION ADMINISTRATOR (DRA)

The DRA is tasked to facilitate the resolution of disputes, speed up the resolution of conflicts and ensure the application of the provisions of the Dispute Resolution Market Manual, in accordance with clause 7.3 of the WESM Rules.

Dispute Categories and Parties

1. The dispute resolution procedures established in the WESM Rules and set out in the Dispute Resolution Market Manual shall apply in the case of disputes that may arise between or among any of the following parties:
   a. The Market Operator;
   b. The System Operator;
   c. The PEM Board and its Working Groups except the Dispute Resolution Administrator;
   d. WESM Members;
   e. Intending WESM Members; and
   f. Persons or entities that applied for registration as WESM Member and whose application has been denied by the Market Operator provided, however, that any person seeking relief under the WESM Dispute Resolution Market Manual shall agree to be bound by all Applicable Law, Rules and Regulations notwithstanding the denial of application.

2. A dispute may arise under or in connection with or in relation to one or more of the following:
   a. The application of any of the provision of the WESM Rules, including its Market Manuals;
   b. The interpretation of any of the provisions of the WESM Rules, including its Market Manuals;
   c. The failure of a person to become registered as a WESM Member;
   d. Any act, omission or behavior by any of the parties mentioned above in a manner inconsistent with the WESM Rules;
   e. Any obligation to settle payment under the WESM Rules;
   f. Any dispute under or in relation to a contract between two or more persons or entities [referred to a) to e) above] where the contract provides that the dispute resolution procedures under the WESM Rules are to apply to any dispute under or in relation to that contract with respect to the application of WESM Rules; or
   g. A dispute under or in relation to the rules and regulations issued by the ERC and DOE under the EPIRA, where such rules and regulations provide that the dispute resolution procedures under the WESM Rules are to apply to any dispute under or in relation to those rules and regulations.
   h. Any dispute relating to or in connection with a transaction in the WESM.
Figure 6. WESM Dispute Resolution Process

START

NEGO TIA TION
Parties settle their disputes between or among themselves.

Timeframe: 45 business days from Notice of Dispute

Dispute is resolved?

YES
Parties settle their dispute and notify the DRA.

NO

MEDIATION
A neutral party (mediator) facilitates proceedings where parties attempt to settle their dispute.

Timeframe: 10 business days for the mediation proceedings

Dispute is resolved?

YES

Dispute is resolved through a settlement agreement.

NO

ARBITRATION
An Arbitral Tribunal resolves a dispute by rendering an award.

Timeframe: maximum of 6 months from the signing of the Terms of Reference

Dispute is resolved through an arbitral award.

END
1. Negotiation

Parties to a dispute shall complete negotiation before taking any other action. The parties act in good faith and use all reasonable efforts and sincerely endeavor to negotiate and amicably settle their dispute through the procedures and mechanisms established in their Dispute Management Protocol.

Dispute Management Protocol (DMP)

Any prospective parties to a WESM dispute must have an established Dispute Management Protocol or system that shall have the object of efficiently and pro-actively settling their disputes amicably between and/or among themselves without having to refer the matter to the DRA for mediation and/or arbitration.

The DMP Focal Person is the first point of contact for the notification of disputes relating to WESM disputes. The Market Operator and all WESM Members shall submit to the DRA, through the Market Assessment Group, their Focal Persons and Alternates which will be published in the market website. The Focal Person must:

a. have a high level of authority for the resolution of disputes or has a quick and easy access to people with requisite level of authority; this will ensure that all agreements reached during the negotiation are binding to all concerned parties;

b. be easily accessible through landline phone, mobile, fax, email and postal address contact on weekdays, during office hours; and

c. notify the DRA of any changes to keep the records updated.

Figure 7. Negotiation Process
2. Mediation

A mediator, selected by the disputing parties from the roster of WESM-Accredited Mediators, facilitates communication and negotiation, and assists the parties in reaching a voluntary agreement regarding a dispute.

3. Arbitration

Three (3) arbitrators from the roster of WESM-Accredited Arbitrators are selected and appointed to constitute an Arbitral Tribunal to resolve a dispute by rendering an arbitral award.
INTRODUCTION

The primary function of the Enforcement and Compliance Office (ECO) is to serve as the primary technical and investigation unit in the WESM, particularly for the investigation of possible breach of the WESM Rules and market manuals by WESM members. It is tasked to review the non-compliance notices upon the direction of the PEM Board and to recommend mitigation measures to the MSC. It also assists in promoting compliance amongst WESM members.

Enforcement activities in the WESM are currently targeted towards two types of non-compliance, namely, non-compliance with must offer rule (MOR cases) and with the real-time dispatch schedules (RTD cases) by scheduled generation companies.

VOLUNTARY COMPLIANCE

Non-Compliance Notice

- **Effect/Exemption**
  - PEM Board may grant exemption from compliance when a party provides adequate remedial plan to solve non-compliance, non-compliance has no adverse market effects, and is not unreasonable.

- **Coverage**
  - Within 3 months from WESM membership or issuance of new/amended WESM Rule, market manual, rules and regulations, and WESM objective.
WESM Compliance Officers

• **Rationale**
  ○ Help foster a culture of compliance in the WESM by engaging the WESM members in promoting compliance within their own organizations
  ○ Increase market confidence

• **Coverage**
  ○ Trading Participants, Market Operator, System Operator, Metering Services Provider and other service providers

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**Figure 11. WESM Compliance Officers**

1. Monitor own organization to ensure full compliance
2. Propose policies to enhance compliance & enforcement and promote good practices
3. Coordinate with WESM ECO and governance committees on all matters pertaining to compliance
4. Submit annual report, covering WESM billing year to be submitted every 31 January

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**Figure 12. Self-governance Mechanisms**

- **Measures**
  - Default of registration and settlement-related obligations
  - Breach of the WESM Rules and manuals
  - Enforcement: Possible imposition of financial penalties, upon investigation.

- Automatic action by the Market Operator.
SUBJECT OF INVESTIGATION

- Any act, omission, conduct or behavior contrary to or in violation of the WESM Rules and the WESM market manuals.
  - Excludes disputes and anti-competitive behavior or abuse of market power
- By a WESM Member, the System Operator or the Market Operator

SELECTED COMPLIANCES

Continuing membership & participation
- Mandatory registration
- Continuing compliance with membership criteria

Scheduling and dispatch
- Operations in accordance with scheduling and dispatch procedures

Settlements
- Prompt settlement
- Prudential requirements
- Declaration of bilateral contract quantities within timetable

Governance
- Appointment of WCO
- Compliance with reporting/data requirements
- Self-reporting of non-compliances

Compliance with “must offer” rule, There is non-compliance if the following are present:
- The trading participant is a scheduled generation company and its facility is a scheduled generation unit.
- It has no valid offers or its offers for a trading interval is less than the unit’s maximum available capacity.
  - The unit is not on scheduled or forced outage or its capacity is not derated due to allowable constraints.
    - Technical (plant failure or ambient temperature)
    - Hydro (limitation water elevation, turbine discharge or MW output) or
    - Geothermal constraints (limitation of steam quality, steam pressure and temperature variation, well blockage, limitation on steam/brine collection system).
- If the offers are cancelled, the offers are cancelled outside the permissible conditions.
  - Valid Cancellation: Total Pmin capacity of all scheduled units is greater than forecast demand for a trading interval as determined in the 1600H DAP run.
Compliance with RTD schedule and/or instructions, There is non-compliance if the ff. are present:

- The trading participant is a scheduled generation company and the unit is a scheduled generation unit.
- Unit is scheduled/dispatched for a trading interval at a target loading level duly communicated to trading participant.
- Actual generation level deviates from target and deviation is beyond the dispatch tolerance, currently set at +/- 3% of schedule.
- The generating unit or the trading participant has not been required to respond in accordance with ancillary service or reserve contracts or to respond to dispatch instructions from the System Operator.
  ○ The participant/unit fails to comply with dispatch instructions.

REFERENCE DOCUMENTS

- Republic Act No. 9136 (Electric Power Industry Reform Act of 2001)
- Republic Act No. 9136 (Implementing Rules and Regulations)
- WESM Rules
- PEMC-ERC Memorandum of Agreement and Protocol (January 2008)
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