



DEPARTMENT CIRCULAR NO. _____

**ADOPTING FURTHER AMENDMENTS TO THE WHOLESALE ELECTRICITY
SPOT MARKET (WESM) RULES AND VARIOUS MARKET MANUALS IN
ALIGNMENT WITH THE MARKET SURVEILLANCE COMMITTEE (MSC)
PROCESSES**

WHEREAS, Sections 30 and 37(f) of Republic Act (RA) No. 9136 or the Electric Power Industry Reform Act (EPIRA) provide that the Department of Energy (DOE), jointly with the electric power industry participants, shall establish the WESM and formulate the detailed rules governing the operations thereof;

WHEREAS, on 28 June 2002, the DOE, with the endorsement of the electric power industry participants, promulgated the WESM Rules through Department Circular (DC) No. DC2002-06-003;

WHEREAS, any changes, amendments, and modifications to the WESM Rules, including its Market Manuals, shall be undertaken in accordance with the provisions of Chapter 8 thereof;

WHEREAS, the WESM Rules establishes the binding requirements and responsibilities governing all market entities, including the Market Operator, System Operator, WESM Participants, and the Governance Arm, and work complementarily with the Grid and Distribution Code to ensure an equitable, transparent market and a safe, reliable, and efficient power system;

WHEREAS, the WESM Manual on Market Surveillance (WESM-MSM) establishes the principles of the WESM Rules and Retail Rules on market monitoring, assessment and surveillance. The same also provides the procedures for the conduct of activities related to market monitoring, assessment and surveillance to implement the said rules;

WHEREAS, the WESM Manual on Guidelines Governing the Constitution of the WESM Governance Committees (WESM-WGC) establishes qualifications and disqualification of members of the WESM Governance Committees and the process of their selection and appointment;

WHEREAS, on 30 January 2026, the Philippine Electricity Market Corporation (PEMC) endorsed proposed amendments to the WESM Rules, WESM-MSM, and WESM-WGC in alignment with revisions to MSC Processes, which seeks to:

1. Enhance the MSC's role in overseeing the WESM and to clarify its procedures regarding the review of proposed changes to the WESM Penalty Manual and other penalty provisions;
2. Enhance and clarify the reporting procedures and processes of the MSC, specifically regarding the timescales, naming conventions, and the submission process of reports to various entities; and
3. Clarify the MSC's interface with the Enforcement and Compliance Office (ECO)

by removing the ECO from the MSC's purview, reflecting the fact that the ECO currently reports to the Compliance Committee.

WHEREAS, the DOE, cognizant that the intent of the proposed amendment is consistent with the objectives of the EPIRA and the WESM, drafted a Circular to solicit comments and recommendations from interested parties;

NOW, THEREFORE, after careful review of the proposed amendments and the comments received on the same, the DOE, pursuant to its authority under the EPIRA and the WESM Rules, hereby adopts, issues, and promulgates the following amendments to the WESM Rules, WESM-MSM, and WESM-WGC:

Section 1. Amendments to the WESM Rules. The following provisions of the WESM Rules are hereby amended to read as:

CHAPTER 1

INTRODUCTION

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1.6 MARKET SURVEILLANCE COMMITTEE

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1.6.2 Responsibilities of the Market Surveillance Committee

The *Market Surveillance Committee* shall from time to time as necessary and appropriate or whenever the *PEM Board* directs:

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- (d) Assist the Rules Change Committee in relation to its assessment of proposals to amend the WESM Rules under Chapter 8; and
- (e) Initiate or process proposed changes to the *WESM Penalty Manual* pursuant to Clause 7.2.5.5.

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CHAPTER 7

ENFORCEMENT AND DISPUTES

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7.2 ENFORCEMENT

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7.2.5 Enforcement Actions

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7.2.5.5 A WESM Penalty Manual shall be adopted and promulgated by the DOE which shall specify the:

- (a) Acts or omissions constituting breach of the WESM Rules or Market Manuals for which penalties can be imposed;
- (b) Penalties, financial and non-financial, that can be imposed for each type of breach, which should be commensurate to the nature and gravity of the breach; and
- (c) Procedures for and respective obligations of responsible persons or entities in implementing penalties.

The Market Surveillance Committee shall review the WESM Penalty Manual from time to time as may be necessary, and in consultation with the Rules Change Committee, Compliance Committee and the PEM Board, recommend changes thereto, provided, that such changes shall be subject to the approval of the DOE.

The *WESM Penalty Manual* likewise shall provide the manner and timeline by which an amendment to the said manual can be proposed and the procedures and timeline to be observed by the *Market Surveillance Committee* in connection with evaluating proposals to amend the said manual as well as consultation it has to undertake as adverted to in the preceding paragraph.

Section 2. Amendments to the WESM Manual on Market Surveillance. The following provisions of the WESM Manual on Market Surveillance are hereby amended to read as:

SECTION 1 INTRODUCTION

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1.2 SCOPE

This Manual covers all related procedures and activities concerning market monitoring, assessment and surveillance as follows:

- (a) All activities and procedures, including the functions, authority and reports of the *Market Surveillance Committee* and the *Market Assessment Group*; and
- (b) Rules on access to information and data management.

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SECTION 2 DEFINITIONS, INTERPRETATION AND CONSTRUCTION

2.1 DEFINITION OF TERMS

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Market Assessment Report means the periodic report for Wholesale and Retail electricity markets prepared by the *Market Assessment Group* and submitted to the *Market Surveillance Committee*.

Market Intervention means a measure taken by the System Operator when the grid is in the alert or emergency state as established in the Grid Code, arising from a threat to system security, force majeure event or emergency, or by the Market Operator in relation to the simulation or implementation of its business continuity or disaster and recovery procedures provided in Clause 6.8.1 of the WESM Rules. During such event, Administered Prices shall be used for settlements.

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Market Surveillance Committee refers to the WESM Governance Committee tasked under WESM Rules to monitor, assess and report on the activities and developments in the WESM, and review the WESM Penalty Manual and any amendments thereof.

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Monthly Market Statistics refers to the monthly online publication on market statistics in the Philippines.

Monitoring Report refers to the accomplishments of the Market Surveillance Committee deliberated during the covered period including the approved market reports.

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Over-Riding Constraints Report means the report prepared by the Market Surveillance Committee in accordance with Section 5.5 of this Manual.

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Review Report on Market Intervention/Suspension means the report prepared by the Market Surveillance Committee and submitted to the PEM Board in accordance with Section 5.73 of this Manual.

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SECTION 3 RESPONSIBILITIES

3.1 MARKET SURVEILLANCE COMMITTEE

In accordance with the *WESM Rules*, the *Market Surveillance Committee* shall have the following responsibilities:

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- (b) Prepare and submit to the PEM Board, the *DOE* and the *ERC*, as the case, which may be, as required under this *Market Manual*, the Quarterly Monitoring Reports, Quarterly Market Reports covering three (3) billing periods, and Annual Market Reports covering the January to December billing period, including the last quarter, for the Wholesale and Retail electricity markets.

The Committee shall publish Monthly Market Statistics that include the results of the monitoring indices specified in the Catalogue of Market Monitoring Data and Indices (CMMDI) and Catalogue of Retail Market Monitoring Data and Indices (CRMMDI).

- (c) In the conduct of its market surveillance function, recommend to WESM Governance Arm President the issuance of Notification of Possible Commission of Anti-competitive Behavior for any apparent or suspected incidents of anti-competitive behavior or abuse of market power by any WESM Participant/Member.
- (d) Prepare and submit special market reports as may be directed by the PEM Board, DOE or ERC;
- (e) Review an event of *market intervention* or *market suspension*, as defined under Chapter 6 of the *WESM Rules*, and prepare the corresponding Review Report on Market Intervention or Market Suspension to be submitted to the *PEM Board*;
- (f) Propose amendments to the *Market Rules and Market Manuals* in accordance with Chapter 8;
- (g) Upon request, assist the *Rules Change Committee* in reviewing proposed amendments to the *WESM Rules and Market Manuals*, and make recommendations on the expected impact and necessity of the amendment proposal;
- (h) Annually review, propose changes, as appropriate, and review any proposed amendments to the *WESM Penalty Manual* pursuant to Clause 7.2.5.5 of the *WESM Rules*; and
- (i) Submit a Request for Investigation (RFI) whenever the Committee has information on acts or omissions which may possibly constitute to a breach

of the *WESM Rules and WESM Manuals* in accordance with Section 4.6.2 of the *Enforcement and Compliance Manual*.

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3.6 OTHER WESM GOVERNANCE COMMITTEES

In accordance with the WESM Rules, the other *WESM Governance Committees* shall, among others, have the following responsibilities:

- (a) Notify the *Market Surveillance Committee* when they have knowledge of acts or omissions constituting possible abuse of market power or anti-competitive behavior;
- (b) Provide assistance and technical expertise to the *Market Surveillance Committees* when so requested; and
- (c) Promptly provide all data, information, reports and other documentation requested by *DOE, ERC, PEM Board, WESM Governance Committees, or Market Assessment Group*.

3.7 WESM MEMBERS AND PARTICIPANTS

Whenever required by the *Market Surveillance Committee*, or *Market Assessment Group*, a WESM Member shall timely submit requested information and data and documents to enable the *Market Surveillance Committee* to effectively carry out its functions and responsibilities under this Manual.

SECTION 4 MARKET MONITORING

4.1 MARKET ASSESSMENT

- 4.1.1 The *Market Assessment Group* shall prepare quarterly and annual Market Assessment Reports for submission to the *Market Surveillance Committee*, which shall include:

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- 4.1.3 The *Market Assessment Group* shall maintain a record of its monitoring and assessment and provide the *Market Surveillance Committee* a summary of observations during its periodic monitoring meetings.

- 4.1.4 The *Market Surveillance Committee* shall review and prepare periodic reports for submission to the *PEM Board*, the *DOE* and the *ERC*, as the case may be.

- 4.1.5 Upon submission to the *PEM Board*, the above-mentioned *Market Assessment Reports* shall be published in the website of the WESM Governance Arm.

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4.3 PERIODIC MONITORING BY THE MARKET SURVEILLANCE COMMITTEE

4.3.1 The *Market Surveillance Committee* shall meet at least once every month to review the WESM and Retail Market conditions as submitted and presented by the *Market Assessment Group*, and to prepare and submit the Monthly Monitoring Report to be submitted to the *PEM Board*, *DOE* and *ERC*.

4.3.2 Subject to existing health protocols issued by the National Government and/or local government units by reason of pandemic, meetings of the *Market Surveillance Committee* shall be held “onsite” at the *PEMC* office premises or “online” via remote communication. The *PEMC* shall ensure that adequate space and facilities are allocated to the *Market Surveillance Committee* for this purpose.

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4.3.4 In the periodic monitoring meetings, the *Market Surveillance Committee* shall:

- (a) Assess market monitoring indices and price trends in the *WESM* and the Retail Market to evaluate whether spot prices and reserve prices are in line with those that may be expected in an effectively competitive market;
- (b) Identify market outcomes or pricing situations that are inefficient or contrary to competition or the *WESM Objectives*;
- (c) Assess monitoring indices, the behavior and strategies in bids and offers and, as appropriate, the relationship of those bids or offers to marginal or other costs;
- (d) Pursuant to Section 3.1 of this Manual, provide a report to the *Enforcement and Compliance Office* of certain acts or omissions which may possibly constitute a Breach of the *WESM Rules* or *Market Manuals*, or which may possibly constitute anti-competitive behavior or abuse of market power, recommend to the *WESM Governance Arm President* the issuance of a Notice of Possible Commission of anti-competitive behavior for submission to the *ERC*;

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4.3.7 The *Market Surveillance Committee* shall prepare a Quarterly Monitoring Report at the end of periodic monitoring period which shall contain:

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- (g) Approved Market Reports.

4.3.8 The *Market Surveillance Committee* shall submit to the *PEM Board* the following:

- (a) Quarterly Monitoring Report, not later than one week after its approval;
- (b) Annual Monitoring Report, which contains its accomplishments and work plan, within the first quarter of the succeeding year;
- (c) Quarterly Retail Market Assessment Report, not later than one week after its approval;
- (d) Annual Retail Market Assessment Report, within the first quarter of the succeeding year;
- (e) Quarterly Market Assessment Report, not later than one week after its approval;
- (f) Annual Market Assessment Report, within the second quarter of the succeeding year;
- (g) Quarterly Over-riding Constraints Report, not later than one week after its approval; and
- (h) Annual Over-riding Constraints Report, within the third quarter of the succeeding year.

4.3.9 The *Market Surveillance Committee* shall transmit a copy of the Quarterly Monitoring Report, Quarterly and Annual Market Assessment Report, Quarterly and Annual Retail Market Assessment Report and Quarterly and Annual Over-riding Constraints Report to the *DOE* and *ERC*.

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SECTION 7 ACCESS TO INFORMATION AND DATA MANAGEMENT

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7.4 A request for information by the *Market Surveillance Committee*, and *Market Assessment Group* shall:

- (a) Be in writing;
- (b) Indicate the reason for the request;
- (c) Specify the document or information requested and, when applicable, the format;
- (d) Specify a reasonable time within which the information must be provided; and
- (e) Provide other relevant information or clarification to ensure that the request is understood by the Recipient.

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SECTION 8 CONFIDENTIALITY

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- 8.8 The members of the *Market Surveillance Committee*, and *Market Assessment Group* as the case may be, shall prepare a version of their Reports, deleting information they have determined to be confidential, to enable its dissemination and publication.
- 8.9 Monitoring indices and the results and evolution of monitoring indices shall be published in the website of the WESM Governance Arm. These are not confidential information.

SECTION 9 LIMITATION OF LIABILITY AND INDEMNIFICATION

- 9.1 Members of the *PEM Board* and other *PEMC* officers and staff, *Market Surveillance Committee*, and the *Market Assessment Group*, as the case may be, shall not be made personally liable for any loss, liability or damage suffered or incurred by a WESM member, the System Operator, the Market Operator or any other person by reason of a disclosure of information in reports prepared as a result of the exercise of assessment, monitoring and compliance functions undertaken in accordance with the WESM Rules, Retail Rules or this Market Manual, unless they have acted with malice, manifest partiality, evident bad faith, gross incompetence or gross negligence.
- 9.2 Should any member of the *PEM Board* and other *PEMC* officers and staff, *Market Surveillance Committee*, *Market Assessment Group*, as the case may be, be adjudged liable for any amount for liability or damage suffered or incurred by any person or entity, the *PEMC* shall hold them free and harmless from such loss, liability or damage, and shall fully indemnify said persons through an indemnification process to be developed by the *PEM Board*; Provided, however, that the indemnification shall exclude any liability arising out of conduct involving malice, manifest partiality, evident bad faith, gross incompetence or gross negligence. Said indemnification shall cover:

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SECTION 10 AMENDMENT, PUBLICATION AND EFFECTIVITY

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10.2 PUBLICATION AND EFFECTIVITY

- 10.2.1 This Manual, as it may be amended from time to time, shall be published in the website maintained by the WESM Governance Arm.

This Manual or any amendments thereto shall become effective upon approval of the DOE in accordance with WESM Rules Clause 8.6.4. The date of effectivity shall be indicated in this document.

Section 3. Amendments to the WESM Manual on Guidelines Governing the Constitution of the WESM Governance Committees. The following provisions of the WESM Manual on Guidelines Governing the Constitution of the WESM Governance Committees are hereby amended to read as:

SECTION 6 MARKET SURVEILLANCE COMMITTEE

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6.4 Responsibilities. The *Market Surveillance Committee* is tasked to monitor and report on activities in the Spot Market in accordance with the WESM Rules and shall have the following specific duties and functions:

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- (c) Assist the PEM Board or the Enforcement and Compliance Office to investigate and gather evidence of suspected or alleged breaches of the *WESM Rules* and *WESM Manuals* by *WESM Members*;
- (d) From time to time, if the *Market Surveillance Committee* in its discretion deems necessary or appropriate, propose amendments to the Market Rules and Market Manuals with a view to:
 - (i) Improve the efficiency and the effectiveness of the operation of the WESM and the retail market; and
 - (ii) Improve or enhance the prospects for the achievement of the WESM and the retail market objectives.

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- (h) Initiate or process proposed changes to the *WESM Penalty Manual* pursuant to WESM Rules Clause 7.2.5.5.
- (i) In the conduct of its market surveillance function, recommend to WESM Governance Arm President the issuance of Notification of Possible Commission of Anti-competitive Behavior for any apparent or suspected incidents of anti-competitive behavior or abuse of market power by any WESM Participant/Member.
- (j) The *Market Surveillance Committee* shall perform all other functions and duties referred to in the WESM Rules and in accordance with applicable laws and rules.

Section 4. Repealing Clause. The provisions of other circulars, orders, issuances, rules, and regulations which are inconsistent with the provisions of this Circular, are hereby repealed, amended, modified, or superseded accordingly.

Section 5. Separability Clause. If, for any reason, any section or provision of this

Circular is declared unconstitutional or invalid, such parts not affected shall remain valid and subsisting.

Section 6. Effectivity. This Circular shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation. A copy of this Circular shall be filed with the University of the Philippines Law Center – Office of the National Administrative Register.

Issued this _____ at the DOE, Energy Center, Rizal Drive corner 34th Street, Bonifacio Global City, Taguig City, Metro Manila.

SHARON S. GARIN
Secretary