

PUBLIC

WESM Manual

Penalty Manual Issue No. 2.0

Abstract	This Manual sets out the <i>penalty</i> system that is applied in cases of <i>breach</i> of the WESM Rules and the Retail Rules and their implementing <i>Market Manuals</i> . This manual also provides for the procedures for imposition of <i>penalties</i> and the responsibilities of concerned persons or entities.
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1.0	Market Surveillance Committee		Original (<i>The original manual was the WESM Financial Penalty Manual Issue 1.0.</i>)
2.0	PEMC		The amendment was made for the following reasons – <ol style="list-style-type: none"> 1) To rationalize the process of determining applicable <i>penalties</i> for <i>breach</i>; 2) To specify the acts or omissions that can constitute a <i>breach</i> which is subject to <i>penalties</i>; 3) To include <i>breach</i> of the Retail Rules and <i>Market Manuals</i> in the scope of the WESM <i>penalty</i> system; and 4) To further clarify the responsibilities of various parties in implementing the WESM <i>penalty</i> system; and 5) To align the <i>penalty</i> system in accordance with changes to the enforcement and compliance processes in the WESM.

DOCUMENT APPROVAL				
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REFERENCE DOCUMENTS	
Document ID	Document Title
	Wholesale Electricity Spot Market Rules (WESM Rules)
	Rules for the Integration of Retail Competition in the Wholesale Electricity Spot Market (Retail Rules)
	WESM Enforcement and Compliance Manual
	WESM Dispatch Protocol
	WESM Price Determination Methodology
	WESM Manual on Management of Must Run and Must Stop Units
	WESM Registration Manual

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SECTION 1 INTRODUCTION**1.1 LEGAL FRAMEWORK**

- 1.1.1 The WESM Rules authorize the imposition of *penalties* for *breach* of the rules and supporting *Market Manuals*. The inclusion of such authority in the WESM Rules is pursuant to Section 30 of Republic Act No. 9136 (otherwise known as the Electric Power Industry Reform Act of 2001 or EPIRA) and its implementing rules and regulations (EPIRA-IRR).
- 1.1.2 Section 30 of Republic Act No. 9136 expressly provides that the WESM Rules shall provide for, among other things, the surveillance and assurance of compliance of the participants with the rules. This is reiterated in Rule 9, Section 5 (c) of the EPIRA-IRR. The WESM Rules shall be formulated to provide adequate *penalties* in cases of *breaches* of the WESM Rules (Section 5 [b] (iv), Rule 9).
- 1.1.3 Pursuant to this legal mandate, WESM Rules clause 1.6.3 (Chapter 1)¹, provides that the Market Surveillance Committee shall design the *penalty* levels and appropriate range of *penalties* that will be applied for *breaches* of the WESM Rules. This is to be done in consultation with the Rules Change Committee and the PEM Board. The *penalty* levels and ranges are to be reviewed by the Market Surveillance Committee from time to time and as may be necessary.
- 1.1.4 Section 7.2 (Chapter 7) of the WESM Rules, meanwhile, provides for the manner of enforcement of the WESM Rules, particularly the requirements and procedures that are to be followed before *penalties* can be imposed for *breach* of the WESM Rules, and the manner by which the *financial penalties* collected shall be managed and utilized.
- 1.1.5 Meanwhile, the *Rules for the Integration of Retail Competition in the Wholesale Electricity Spot Market* (otherwise known as the Retail Rules) expressly provide in its clause 1.5.1 that the provisions of Chapter 1 of the WESM Rules shall apply with respect to the governance of the integration of retail competition, the operations of the Central Registration Body and the transactions in the WESM

¹ WESM Rules clauses 1.6.3 is being amended and transferred to WESM Rules Section 7.2.

of contestable customers and retail electricity suppliers. Furthermore, clause 1.7 of the Retail Rules expressly provide that Chapter 7 of the WESM Rules shall apply in respect to the enforcement of the Retail Rules.

- 1.1.6 The authority to impose *penalties* under the WESM Rules is without prejudice to the original jurisdiction of the Energy Regulatory Commission to enforce the WESM Rules and to impose fines and *penalties* in case of violations of the EPIRA.

1.2 PURPOSE AND SCOPE

- 1.2.1 This Manual sets out the following –

- a) Provisions of the WESM Rules and the Retail Rules (collectively referred to as *Market Rules*) and their implementing *Market Manuals* which, if not complied with, will constitute a *breach* and correspondingly, the types of *breach* that are subject to *penalties* under this Manual;
- b) Categories and levels of *penalties* that will be applied for each type of *breach*, and qualifying circumstances that will be considered in determining the *penalty* that will apply in case of *breach*;
- c) Procedures for and respective obligations of responsible persons or entities in implementing *penalties* imposed under this Manual and remedies available to the *WESM Members* in case there is a finding of *breach*; and
- d) Guidelines and procedures for the utilization of *penalty fund*, formulation and approval of a *utilization plan* that contains the details of the projects and activities that shall be funded from the *penalty fund*, and the requirements for the maintenance and audit of the *penalty fund*.

- 1.2.2 This Manual applies to all *WESM Members* and in all grids where the WESM is in operation.

- 1.2.3 This Manual covers only the *penalty* system, the manner of assessment and implementation of *penalties*, the remedies available to the *WESM Members* in case there is a finding of *breach*, and the utilization of the *financial penalties* collected for *breach* of the *Market Rules* and *Market Manuals*. The rules, guidelines and procedures pertaining to enforcement of the *Market Rules* and their implementing *Market Manuals*, and investigations of *breaches* are not covered by this Manual.

1.3 APPLICABILITY AND ENFORCEABILITY

- 1.3.1 This Manual, and the *penalty* system set out, applies to *breach* of the *Market Rules* and their implementing *Market Manuals*.
- 1.3.2 This Manual and the *penalty* system shall not apply to *breach* of other rules, regulations or issuances which do not form part of the *Market Rules* or any of their implementing *Market Manuals*, regardless of whether such other rules, regulations or issuances also govern the behavior of parties and their transactions in the WESM.
- 1.3.3 This Manual, including the *penalty* system set out, applies to and is binding on all *WESM Members*. By having registered in the WESM, a *WESM Member* is deemed or considered bound by the *Market Rules* and all implementing *Market Manuals*.
- 1.3.4 This Manual is enforceable according to its provisions and by authority derived from the *Market Rules*.

SECTION 2 DEFINITIONS, REFERENCES AND INTERPRETATION**2.1 DEFINITIONS**

- 2.1.1 All terms and abbreviations used in this Manual that are defined in the *Market Rules* shall have the same meaning as defined in the said rules, unless the context otherwise provides or the said term or abbreviation is otherwise defined in the Glossary of this Manual. This shall be regardless of whether or not the term or abbreviation is italicized.
- 2.1.2 Where italicized and unless the context otherwise provides, the term or abbreviation shall have the definition given in the Glossary of this Manual, and which definition shall prevail over any other definition contained in the *Market Rules* or other issuances.

2.2 REFERENCES

This Manual shall be read in association with the *Market Rules* and the various implementing *Market Manuals* approved for use in the WESM and for the integration of retail competition in the WESM, including but not limited to the documents listed in the Reference Documents table of this Manual.

2.3 INTERPRETATION

Unless otherwise stated in this Manual, the rules of interpretation set out in Chapter 9 of the WESM Rules shall also apply to this Manual.

SECTION 3 RESPONSIBILITIES**3.1 PHILIPPINE ELECTRICITY MARKET CORPORATION**

The PEMC shall oversee the administration and implementation of this Manual, and shall be the body that has the authority to approve the utilization of the amounts collected as *financial penalties*. This responsibility is subject only to the limitations set out in this Manual.

3.2 MARKET SURVEILLANCE COMMITTEE

The Market Surveillance Committee shall be responsible for the design of this Manual. It shall regularly review the levels and range of *penalties* as set out in this Manual. From time to time and as may be necessary, the Market Surveillance Committee shall submit to the Department of Energy its proposed amendments thereto, in consultation with the WESM Members, Rules Change Committee and the PEM Board.

3.3 ENFORCEMENT AND COMPLIANCE OFFICE

3.3.1 The Enforcement and Compliance Office shall implement all notices, resolutions or decisions, as the case may be, issued pursuant to this Manual, including service of the same to the *WESM Member* concerned and appropriate persons or entities, monitoring and ensuring compliance with the imposed *penalties*, and shall have custody of all notices, reports and records created and issued pursuant to this Manual.

3.3.2 The Enforcement and Compliance Office shall also provide administrative support to the PEM Board in implementing the guidelines and procedures for the utilization of the *penalty* fund.

3.4 MARKET OPERATOR AND PEMC PRESIDENT

3.4.1 The Market Operator shall implement the notice of *penalties* served on it in accordance with this Manual, and shall carry out any action required of it under any notice that is issued and served pursuant to this Manual.

3.4.2 The *PEMC President* shall sign all notices pertaining to penalties that are required to be issued under this Manual and shall exercise this authority on behalf of the PEM Board. In the absence of the PEMC President, the PEM Board shall appoint the person that shall exercise this authority.

3.5 SYSTEM OPERATOR AND OTHER SERVICE PROVIDERS

- 3.5.1 The System Operator shall faithfully and timely implement any action or measure required of it under any notice that is issued and served pursuant to this Manual.
- 3.5.2 Other service providers in the WESM, including but not limited to the Network Service Providers and the Metering Service Providers, shall faithfully and timely implement any action or measure required of them under any notice that is issued and served pursuant to this Manual.

3.6 WESM MEMBERS

A *WESM Member* that is served a notice, resolution or decision pursuant to this Manual shall faithfully and timely comply with the requirements or directives thereunder, including but not limited to the payment of *financial penalties*, taking of remedial actions or measures and compliance with other directives. Failure to comply with such requirements or directives shall be subject to additional *penalties* pursuant to Section 5, i.e. Breaches (10) and (11), of this Manual.

SECTION 4 PENALTY SYSTEM**4.1 PRINCIPLES**

4.1.1 **Imposition of Penalties.** The Enforcement and Compliance Office shall advise the *PEMC President* and the Market Surveillance Committee of the specified *penalty* to be imposed upon the WESM Member concerned based on the results of the compliance monitoring and assessment conducted by the Enforcement and Compliance Office in accordance with Section 7.2 of the WESM Rules and the WESM Enforcement and Compliance Manual. The PEM Board, the *Energy Regulatory Commission* and the *Department of Energy* shall be provided with the monthly status or summary report of the compliance monitoring and assessment activities of the Enforcement and Compliance Office.

4.1.1.1 The specified *penalty* to be imposed shall be in accordance with Sections 3, 4, and 5 of this Manual.

4.1.1.2 The following *penalties* shall be additionally imposed upon the WESM Member concerned in case of failure to comply with the requirements and directives of the notice, resolution or decision, as the case may be:

- a) Penalty interest in case of non-payment by a *WESM Member* of the *financial penalties* imposed on it as a consequence of a *breach*; and/or
- b) Penalty interest in case of non-payment of compensation that is granted and collected as a consequence of a *breach* by a *WESM Member*; and/or
- c) Penalties in case of non-compliance by a *WESM Member* with the remedial measures required to be implemented by it under a *Notice of Specified Penalty* issued under this Manual or a notice issued pursuant to the WESM Enforcement and Compliance Manual.

4.1.2 **Non-compliance or breach subject of penalties.** Penalties under this Manual may be imposed only in any of the following cases –

4.1.2.1 *Breach* of the *Market Rules* and associated implementing *Market Manuals* that are specified as such under the Schedule of Breach and Penalties of this Manual; or

4.1.2.2 *Breach* of provisions of the *Market Rules* and their implementing *Market Manuals* which specifically provide for the imposition of *penalties* pursuant

to Chapter 7 or Section 7.2 of the WESM Rules or the WESM Penalty Manual in case of non-compliance, regardless that the *breach* is not among those specified in the Schedule of Breach and Penalties of this Manual.

4.1.3 Non-compliance or *breach* not subject of *penalties*. *Penalties* under this Manual may not be imposed in the following cases –

- 4.1.3.1 Events of default under Chapter 3 of the WESM Rules;
- 4.1.3.2 Non-payment of *financial* obligations, including but not limited to settlement amounts, market fees and amounts due to the Market Operator under Chapter 3 of the WESM Rules and related regulatory approvals; except for non-payment of *financial penalties* and compensation imposed and collected as a consequence of a *breach* pursuant to this Manual;
- 4.1.3.3 Non-compliance with registration and membership requirements and procedures set out in Chapter 2 of the WESM Rules and the WESM Registration Manual, and Chapter 2 of the Retail Rules and the Retail Manual on Registration Criteria and Procedures;
- 4.1.3.4 Unethical act and material *breach* by Metering Services Providers as provided for in Chapter 4 of the WESM Rules;
- 4.1.3.5 Non-compliance with provisions of rules, *Market Manuals* and other issuances which do not form part of the *Market Rules* and their implementing *Market Manuals*. This Manual and the *penalty* system set herein shall have no suppletory application, unless clearly and expressly provided under such other rule, manual or issuance.

4.1.4 Persons or entities subject of *penalties*. *Penalties* are imposed on the persons or entities that are registered as *WESM Members* and not to the individuals or entities that act on behalf of the *WESM Members*. This is pursuant to WESM Rules clause 7.2.6 which recognizes that the act or omission of any partner, agent, officer, employee or any person acting for or in behalf of a *WESM Member*, constituting a *breach* of the WESM Rules, shall be considered an act or omission of the *WESM Member*. By having been registered as *WESM Members*, these persons or entities are expected to comply with the WESM Rules and be subject of *penalties* in case of *breach*.

4.1.5 No dispute resolution. The imposition of *penalties* under this Manual cannot be subject to dispute resolution under the provisions of the *Market Rules* and relevant implementing *Market Manuals* and other relevant laws, rules and regulations on alternative dispute resolution. However, a *WESM Member* may avail of the remedies for seeking a reconsideration and appeal from an adverse decision in accordance with Section 4.13.

4.2 PENALTY ASSESSMENT

- 4.2.1 *Penalty* is assessed for each count of *breach*, regardless that more than one count of *breach* may be included in a single *Notice of Specified Penalty*.
- 4.2.2 **By registered facility.** Where an obligation is required to be performed for each registered facility, such as a generating unit or customer facility, one count of *breach* is committed for each facility for which an obligation is not performed. For generating units and customer facilities, the identification of the facility shall be in accordance with how such is represented in the market network model prevailing at the time the *breach* occurred. Thus, for a generating plant that is represented by its component units or by blocks or by aggregated units, a *breach* is determined for each unit, or block, or aggregated units that is found in *breach*.
- 4.2.3 **By occurrence.** Where an obligation is required to be performed on a periodic basis, e.g., by dispatch interval, or hourly, or weekly, etc., one count of *breach* is determined for each time that an obligation is not performed, except when the relevant implementing Market Manuals provide a different manner of determining the number of breach/es. For example, if an obligation is required to be carried for each dispatch interval, a *breach* is counted for each dispatch interval that the obligation is not carried out. This is regardless that the act or omission constituting the *breach* appears to be continuing or is committed repeatedly over successive periods, as each period that the obligation is not performed constitutes a separate *breach*. To illustrate, where an obligation is required to be performed for each dispatch interval and a failure to perform that obligation occurs in five (5) successive intervals, then there will be five (5) separate counts of *breach* as the non-compliance in each interval are considered as separate acts and not a single continuous act, except when the relevant implementing *Market Manuals* provide a different manner of determining the number of *breach*.
- 4.2.4 **By registered WESM Member.** *Penalty* is imposed on the person or entity that is registered as a *WESM Member*. Where a *breach* pertains to a registered facility, the *penalty* shall be imposed on the *WESM Member* that has registered and that transacts that facility in the WESM. Where the *Market Rules* or any implementing Market Manual provide for solidary liability, the *penalty* shall be imposed on all *WESM Members* that have such solidary liability.

4.3 DESCRIPTION OF *PENALTY* LEVELS

- 4.3.1 The WESM *penalty* system consists of four (4) *penalty* levels. The *penalty* level to be imposed will depend on the nature of the *breach* and the circumstances surrounding the *breach*. The specific *penalty* levels to be imposed for each type of *breach* are provided for in the Schedule of Breach and Penalties of this Manual.
- 4.3.2 **Level 1 - Reprimand** is a notice to the *WESM Member* that a *breach* has been committed, and enjoins the *WESM Member* from doing the same or similar act or omission that constituted the *breach*. This shall be embodied in a *Notice of Reprimand*.
- 4.3.3 **Level 2 - Financial Penalties.** *Financial penalties* are pre-set amounts according to each type of *breach*, and are as stated in the Schedule of Breach and Penalties of this Manual. The *financial penalty* may be a fixed amount or formula-based. A *Notice of Financial Penalty* is issued stating the amount of *penalty* that is being imposed.
- 4.3.4 **Level 3 – Escalated Financial Penalties.** Under certain *breaches*, a higher *financial penalty* shall be imposed. The higher *financial penalty* amounts and the conditions under which they may be imposed are as stated in the Schedule of Breach and Penalties of this Manual. A *Notice of Escalated Financial Penalty* is issued stating the amount of *financial penalty* being imposed and reason for applying the escalated amount.
- 4.3.5 **Level 4 – Exclusion: Suspension & Deregistration.**
- 4.3.5.1 **Suspension.** A *WESM Member* found in *breach* may be suspended from participating or from providing service in the WESM, and if applicable, be disconnected from the grid until the suspension is lifted. A *Notice of Suspension* is issued
- 4.3.5.2 **Deregistration.** A *WESM Member* that has already been suspended for *breach*, may be ordered deregistered from the WESM, and, if applicable, be disconnected from the grid. A *Notice of Deregistration* is issued.
- 4.3.5.3 Suspension and deregistration are not to be treated as distinct *penalties*. Rather, when a Level 4 *penalty* is imposed, suspension is first implemented. Deregistration will be implemented only when the conditions set out in paragraph 4.10.2 of this Manual apply.

- 4.3.5.4 Where the *breach* giving rise to suspension or deregistration pertains to a facility, i.e., generating unit or customer facility, the suspension or deregistration shall pertain only to that facility, and not to other registered facilities of the *WESM Member* found in *breach*.
- 4.3.5.5 If the *WESM Member* being suspended or deregistered is registered in the WESM under multiple membership categories, the suspension or deregistration shall pertain only to the membership category under which the *breach* was committed. Take, for example, a generation company registered as a generation company trading participant with one registered generation facility and as a retail electricity supplier. If the company *breaches* its obligation to submit generation offers, which is an obligation pertaining to generation companies, it shall be suspended or deregistered as a generation company trading participant but not as a registered retail electricity supplier.

4.4 QUALIFYING CIRCUMSTANCES

- 4.4.1 Each type of *breach* may warrant imposition of different *penalty* levels depending on the qualifying circumstances surrounding the *breach*. Such circumstances can determine whether or not a higher or lower *penalty* level will be applied. The presence of the qualifying circumstances will be considered for each occurrence of *breach*. The qualifying circumstances that will apply to each type of *breach* is presented in the Schedule of Breach and Penalties of this Manual. The qualifying circumstances that will be considered are as described in this section.
- 4.4.2 **Frequency of occurrence.** This circumstance indicates persistence of the non-compliance by a *WESM Member*. Where a *WESM Member* has more than one (1) facility registered in the WESM, frequency of occurrence shall be determined for each registered facility. The frequency level and other conditions corresponding to each of the following categories are set out in the Frequency of Occurrence Matrix in Table 1 of this Manual.
- 4.4.2.1 **First-time occurrence.** A *breach* is considered as having occurred for the first time –
- a) if the *WESM Member* has not been found to have previously committed the same type of *breach* in respect to the facility involved in the *breach* reckoned from the date of the registration in the WESM of that *WESM*

Member regardless of whether that member has registered more than one facility; or

- b) If the type of *breach* pertains to a new provision of the *Market Rules*, or a substantial amendment of an existing provision, and the *WESM Member* has committed that type of *breach* for the first time since the promulgation of the new provision of the *Market Rules*. For this purpose, there is substantial amendment if the amendment resulted in a change in the nature or elements of the *breach*. It is provided, however, that the *breach* is not considered as having occurred for the first time if it occurs for the duration of an exemption period that is granted to the *WESM Member*, or a moratorium period from imposition of *penalties* that has been allowed to all *WESM Members* pertaining to that type of *breach*.

4.4.2.2 **Isolated occurrence.** The act or omission constituting the *breach* is an isolated incident and the circumstances surrounding the *breach* do not indicate persistence or repetitive acts or omissions of the same nature by the *WESM Member*. The frequency of occurrence and the reference period for determining whether an occurrence is isolated is presented in the Frequency of Occurrence Matrix. Non-compliances occurring during periods when a *WESM Member* has been granted exemption under prevailing *Market Rules* or their implementing *Market Manuals* will not be considered.

4.4.2.3 **Recurring or repetitive occurrence.** The occurrence of a *breach* is considered repetitive or recurring if the same type of *breach* is committed more often than the frequency level set to qualify it as an isolated occurrence within a reference period. That is, the occurrence must not qualify as an isolated occurrence before it can be considered as repetitive or recurring. The frequency and reference period to qualify an occurrence as repetitive or recurring are set out in the Frequency of Occurrence Matrix. Non-compliances occurring during periods when a *WESM Member* has been granted exemption under prevailing *Market Rules* or their implementing *Market Manuals* will not be considered.

4.4.2.4 **Reference Period.** The frequency and reference period for each type of circumstance, and corresponding *penalty* level are presented in the following table. The reference period for a particular *breach* is reckoned from the date or hour/interval of occurrence of the *breach* and shall include the date or hour/interval in which the subject *breach* occurred. For obligations that is determined on hourly or per dispatch interval basis, the frequency or number of occurrence as presented in the table below shall be

counted for every one billing period. For example, if the breach of the Offered Capacity Compliance standards is committed seven times or less in August billing month (26 July – 25 August), the occurrence is classified as “isolated” and if it exceeds such number, the same shall be “repetitive or recurring”. If the same breach is again committed for seven times or less in September billing month (26 August– 25 September), the occurrence is reset to being “isolated” for purposes of penalty imposition.

Table 1 -FREQUENCY OF OCCURENCE MATRIX

Frequency	Isolated Occurrence	Repetitive or Recurring Occurrence	
	Level 1	Level 2	Level 3
By dispatch interval (i.e., 5-minute interval)	84x or less over the billing month	85x to 168x over the billing month	169x or more over the billing month
Hourly (i.e., settlement interval)	7x or less over the billing month	8x to 14x over the billing month	15x or more over the billing month
Daily	3x over the previous 30-day period	More than 2x over the previous 7-day period 2x or less over the previous 7-day period and more than 3x over the previous 30-day period	More than 2x over the previous 7-day period and more than 3x over the previous 30-day period
Weekly	1x over the previous 12-month period	1x over a 4-week period and more than 1x over the previous 12-month period	More than 1x over a 4-week period
Annual, semestral, quarterly, or monthly	N/A	Every occurrence after the first time (since registration of the <i>WESM Member</i> or effectivity of the new Market Rule or Market Manual)	<i>Breach</i> occurs for more than two (2) <u>successive</u> periods. Level 3 <i>penalty</i> applies starting from the third consecutive occurrence.

Frequency	Isolated Occurrence	Repetitive or Recurring Occurrence	
	Level 1	Level 2	Level 3
Occasional (no prescribed period)	6x or less over the previous 12-month period	More than 6x over the previous 12-month period	N/A

- 4.4.3 **Extent of deviation from requirement.** This applies to *breaches* where the degree of deviation from the requirement can vary and is quantifiable. For such type of *breach*, the *penalty* level shall depend on the extent of the deviation from the requirement. The types of *breaches* for which this qualifying circumstance will be applied and the extent of deviation that will warrant a different *penalty level* are presented in the Schedule of Breaches and Penalties of this Manual.
- 4.4.4 **Non-compliance during emergency condition, suspension or intervention, or excess generation.** Where an obligation is required to be carried out while the system is under an emergency state as declared by the System Operator, or the WESM is suspended by the *Energy Regulatory Commission* or placed under intervention by the System Operator, or the relevant market run indicates the occurrence of excess generation, a higher *penalty* level shall be imposed. This qualifying circumstance is given priority over frequency of occurrence.
- 4.4.5 **Threat to market processes or to power system security and reliability.** In setting the appropriate *penalty* level, consideration is also given as to whether or not the act or omission has significant probability of causing an adverse impact on the scheduling and dispatch processes of the WESM or the security and reliability of the power system, as determined by the Market Operator and the System Operator. This circumstance requires consideration of the potential adverse impact of the *breach* and not its actual impact at the time of occurrence. This circumstance is to be considered only where it becomes necessary to prevent the potential adverse impact from happening.
- 4.4.6 **Offer for settlement.** If a *WESM Member* undergoing compliance monitoring and assessment or is being investigated submits an offer for settlement of *penalties* and the offer was approved in accordance with the WESM Enforcement and Compliance Manual, the *penalty* level next lower to the

applicable level may be imposed taking into account the other qualifying circumstances surrounding the *breach*.

4.4.7 **Self-reporting of *breach*.** If a *WESM Member* has voluntarily reported the occurrence of the *breach* prior to the conduct of compliance monitoring and assessment or investigation to be undertaken pursuant to the WESM Enforcement and Compliance Manual, the *penalty* level next lower to the applicable level may be imposed taking into account the other qualifying circumstances surrounding the *breach*. A *breach* is considered to have been voluntarily reported under the following conditions –

- a) If any provision of the *Market Rules* require submission of significant events or non-compliances related to the *breach*, the *WESM Member* has complied with the reportorial requirement and its report includes a categorical or express admission of the occurrence of the *breach*.
- b) If there is no reportorial requirement pertaining to the *breach*, the *WESM Member* had submitted to the Enforcement and Compliance Office a non-compliance report that includes a categorical or express admission of the occurrence of the *breach*.
- c) In either case, the report must have been submitted prior to the issuance of a *Notice of Non-compliance* pertaining to the *breach*.

4.5 PENALTY LEVELS

4.5.1 The *penalty* level that will apply to a *breach* shall depend on the qualifying circumstances surrounding the occurrence of the *breach*. The specified *penalty* level applies if any one of main qualifying circumstances and if the additional qualifying circumstances are present. As provided for in clause 4.4.6 and clause 4.4.7, an offer for settlement and self-report may result in the imposition of the *penalty* level next lower to the applicable level as that determined from the circumstances of the *breach*. The following Table 2 – Penalty Matrix specifies the qualifying circumstances that apply for each *penalty* level.

4.5.2 Notwithstanding the classification set out in Table 2, if the frequency of occurrence of a type of *breach* in a reference period would already warrant the application of Level 3 *penalty*, the escalated *financial penalty* shall be applied only on the counts of *breach* in excess of the number of *breach* that would have warranted application of Level 2 *penalty*. To illustrate, as shown in Table 1 above, *breach* of an obligation required to be performed by dispatch interval qualifies for Level 2 *penalty* if it occurs between eight (8) to 14 times in a given

billing month, and for Level 3 *penalty* if it occurs more than 14 times. If, for a billing month, the number of *breach* is more than 14, Level 3 *penalty* level shall apply only on the counts of *breaches* in excess of 14. The first 14 counts will be meted the Level 2 *penalty* level.

Table 2 - PENALTY MATRIX

Penalty Level	Main Qualifying Circumstances	Additional Qualifying Circumstances
Level 1 - Reprimand	<ul style="list-style-type: none"> • First time occurrence; or • Isolated occurrence (see Frequency of Occurrence Matrix) 	<ul style="list-style-type: none"> • Does not constitute a non-compliance during emergency state, market suspension or intervention, occurrence of excess generation; or • Does not pose a threat to power system security and reliability.
Level 2 – Financial Penalty	<ul style="list-style-type: none"> • Recurring or repetitive occurrence, with frequency level applicable for Level 2 as set out in Frequency of Occurrence Matrix. 	<ul style="list-style-type: none"> • Does not constitute a non-compliance during emergency state, market suspension or intervention, occurrence of excess generation; or • Does not pose a threat to power system security and reliability.

Penalty Level	Main Qualifying Circumstances	Additional Qualifying Circumstances
Level 3 – Escalated Financial Penalty	<ul style="list-style-type: none"> • Recurring or repetitive occurrence, with frequency level applicable for Level 3 as set out in Frequency of Occurrence Matrix; or • Non-compliance while power system was on emergency state or the WESM was under suspension or intervention. 	<ul style="list-style-type: none"> • Breach during emergency state, market intervention or suspension, or excess generation will always warrant Level 3 <i>penalty</i> regardless of frequency of occurrence.
Level 4 – Exclusion (Suspension & Deregistration)	<ul style="list-style-type: none"> • Threat to market scheduling and pricing processes, or to power system security or reliability. 	<ul style="list-style-type: none"> • Deregistration may be imposed only after the party has already been suspended; and has failed or refuses to rectify the conditions that led to suspension.

4.6 LEVEL 1 - REPRIMAND

If a *reprimand* is meted out, a *Notice of Reprimand* containing the reprimand is issued and shall further states the following –

- a) Name of the *WESM Member* subject of the reprimand;
- b) The name of the registered facility, if applicable, associated with the *breach*;
- c) The *breach* committed and pertinent rules that were *breached*;
- d) The relevant date/s and dispatch interval/s that the *breach* occurred; and
- e) Remedial measures required of the *WESM Member*, if any, and the manner of compliance.

4.7 LEVEL 2 - FINANCIAL PENALTIES

- 4.7.1 The *financial penalty* may be a fixed rate amount or formula based. The amount of *penalty* for each type of *breach* is set out in the Schedule of *Breach* and Penalties of this Manual.
- 4.7.2 A *Notice of Financial Penalty* shall be issued to the *WESM Member* specifying the following –
- a) Name of the *WESM Member*;
 - b) The name of the registered facility to which the *breach* pertains, if applicable;
 - c) The *breach* committed and pertinent rules that were *breached*;
 - d) The relevant date/s and dispatch interval/s that the *breach* occurred;
 - e) The amount of *financial penalty* imposed for each count of *breach*; and
 - f) Remedial measures required of the *WESM Member*, if any, and the manner of monitoring compliance.
- 4.7.3 A copy of the notice shall also be served on the Market Operator and shall serve as the authority of the latter to collect the assessed *financial penalties*. Upon receipt of a copy of the notice, the Market Operator shall cause the billing and collection of the amount due. The amount shall be collected on the same date as the immediately succeeding due date for collection of WESM settlement amounts. If the *WESM Member* upon whom the *penalty* is made has settlement amounts payable to or from it for its transactions in the WESM, the *penalty* amount due shall be considered in calculating the settlement amounts due to or from the said *WESM Member*. Where several types of settlement amounts are due or collected from a *WESM Member*, the amounts collected or due shall be applied to the payment of *penalty* amounts after tax payments, interest payments, and market fees.
- 4.7.4 The Market Operator shall specify the due date for payment of the *penalty* amount and/or interest, and shall duly notify the *WESM Member* of the same. In case of the failure of the *WESM Member* to fully pay for the *financial penalties* on specified due date, a *penalty* interest in the sum specified in the Schedule of Breach and Penalties of this Manual shall be collected from the *WESM Member* until the amount is fully paid.
- 4.7.5 The Market Operator shall notify the Enforcement and Compliance Office if the *penalty* has been collected, if *penalty* interest was imposed and collected, and, if not collected in either case, the reason for its failure to collect.
- 4.7.6 Penalty interest shall be reckoned from the date the *penalty* becomes due up to the time the same is actually settled.

4.8 LEVEL 3 – ESCALATED FINANCIAL PENALTIES

- 4.8.1 The amount of the escalated *financial penalty* for each type of *breach* is set out in the Schedule of Breach and Penalties of this Manual, and, unless otherwise specified, is twice the amount of the Level 2 *financial penalty*.
- 4.8.2 A *Notice of Escalated Financial Penalties* is issued on the *WESM Member* stating the following –
- a) The name of the *WESM Member*;
 - b) The name of the registered facility for which the *breach* was found;
 - c) The *breach* committed, specifying the rules that were *breached*;
 - d) The relevant date/s and dispatch interval/s that the *breach* occurred;
 - e) The reason/s for imposition of escalated *financial penalty*, particularly the occurrence of the qualifying circumstance that warranted application of the escalated *financial penalty*;
 - f) The amount of *financial penalty*; and
 - g) Remedial measures, if any, required of the *WESM Member* and manner of monitoring compliance.
- 4.8.3 A copy of the notice will also be served on the Market Operator and shall serve as its authority to collect the amount due. Failure to pay the *financial penalty* amount on due date will result in imposition of *penalty* interest until fully paid. The Market Operator shall cause the billing and collection of the *penalty* amount, and shall notify the *Enforcement and Compliance Office* of the status of collection in the same manner as required for a Level 2 Financial Penalty under Sections 4.7.3, 4.7.4, and 4.7.5 of this Manual.

4.9 LEVEL 4A - SUSPENSION

- 4.9.1 Suspension as a *penalty* may be resorted to only in extreme circumstances when it is established to the satisfaction of the PEM Board that the integrity of the WESM processes or the security and reliability of the power system is better served if suspension is meted out. The following conditions must be established -
- a) The acts or omission constituting the *breach* continue to occur even after the periods that the *breach* subject of a *penalty* has occurred; and

- b) The continuing acts or omissions have significant probability of causing an adverse impact on the security and reliability of the power system or grid.
- 4.9.2 If it believes that the acts or omissions have significant probability of causing an adverse impact as stated in the foregoing clause 4.9.1, the System Operator or the Market Operator, as applicable, shall notify the Enforcement and Compliance and the PEM Board through the Board Secretary, of the same.
- 4.9.3 A *WESM Member* registered in the WESM under multiple categories shall be suspended in respect only to the membership category in which it was found in *breach*. If the *WESM Member* has multiple facilities registered in the WESM, the suspension shall extend only to the facility for which the *breach* was confirmed .
- 4.9.4 The *Notice of Suspension* issued to the *WESM Member* and shall specify the following –
- a) Name of the *WESM Member* and the registration or membership category under which it will be suspended;
 - b) The name of the registered facility to which the *breach* pertains and which is covered by the suspension, if applicable;
 - c) The *breach* committed and pertinent rules that were *breached*;
 - d) The relevant date/s and dispatch interval/s that the *breach* occurred;
 - e) The duration of the suspension and its effective date; and
 - f) Remedial measures required of the *WESM Member* to remedy the *breach*, and the manner of compliance.
- 4.9.5 The suspension shall be carried out in the manner set out and shall have the same consequences as stated in WESM Rules clause 2.7 and in the WESM Registration Manual.² The *Notice of Suspension* is also served on the Market Operator and the service of such *Notice of Suspension* on the latter shall serve as its authority to act on the same in accordance with the requirements and procedures set out in the WESM Registration Manual.

² See WESM Manual on Registration, Suspension and Deregistration: Procedures and Criteria, or its subsequent amendments.

4.9.6 The Enforcement and Compliance Office in conjunction with the System Operator or the Market Operator, as applicable, shall monitor the compliance by the suspended *WESM Member* of the remedial measures required of it. If they determine that the *breach* has been rectified or that the remedial measures have been successfully implemented, they shall jointly notify the PEM Board and recommend revocation of the suspension. If approved by the PEM Board, the revocation of the suspension shall be implemented in accordance with the requirements and procedures set out in the WESM Registration Manual.

4.10 LEVEL 4B- DEREGISTRATION

4.10.1 The *WESM Member* which was already suspended in accordance with the foregoing paragraphs may be deregistered from the WESM if it is established to the satisfaction of the PEM Board that the causes of the *breach* have not been resolved and that the *WESM Member* is unable or refuses to rectify the same.

4.10.2 The Enforcement and Compliance Office in conjunction with the Market Operator or the System Operator, as applicable, shall jointly submit their recommendation to the PEM Board for the deregistration of the suspended *WESM Member* based on the results of their monitoring under clause 4.9.6.

4.10.3 A *WESM Member* registered in the WESM under multiple categories shall be deregistered only in respect to the membership category in which it was found in *breach*. If the *WESM Member* has multiple facilities registered in the WESM and the *breach* is found in respect to one or more facilities, the deregistration shall extend only to the facility for which the *breach* was confirmed, and the *WESM Member* will not be deregistered in the WESM if it has other registered facilities or is registered in another membership category.

4.10.4 A *Notice of Deregistration* is issued on the *WESM Member* which shall specify the following –

- a) As applicable, the facility being deregistered or the membership category under which it is being deregistered;
- b) The date on which the deregistration will take effect; and
- c) The reasons for the deregistration.

4.10.5 The deregistration shall be carried out in the manner set out and shall have the same consequences as stated in the WESM Registration Manual. The *Notice of Deregistration* shall also be served on the Market Operator and this shall serve

as its authority to act on the same in accordance with the requirements and procedures set out in the WESM Registration Manual.

- 4.10.6 The person or entity that has been deregistered that has rectified the *breach* and wishes to apply for revocation of the deregistration and renewal of its registration shall comply with the requirements and procedures set out in the WESM Registration Manual.

4.11 SERVICE OF NOTICE OF SPECIFIED PENALTY/IES

- 4.11.1 A *Notice of Specified Penalty/ies* required to be issued in accordance with this Manual shall be issued and signed by the *Enforcement and Compliance Officer*, which shall be made only after the conduct of compliance monitoring and assessment that takes into account the reply and submissions of the concerned *WESM Member*, and available market data and reports from the Market Operator, the System Operator, and other relevant sources of data used in said compliance monitoring and assessment in accordance with the compliance monitoring and assessment procedure set forth in the WESM Enforcement and Compliance Manual. Service of the said notice shall be the responsibility of the *Enforcement and Compliance Office*.
- 4.11.2 A *Notice of Specified Penalty/ies* shall be served on the *WESM Member* through its *WESM Compliance Officer* as appearing in the records of the Enforcement and Compliance Office, or if none is designated, to the president or chief executive officer of the *WESM Member* as appearing in the records of the Market Operator. *WESM Members* have the obligation to ensure that the information on the contact persons provided to the Enforcement and Compliance Office and to the Market Operator is updated at all times.
- 4.11.3 All notices required to be served on the Market Operator shall be served on its *WESM Compliance Officer*.
- 4.11.4 Copies of the *Notice of Specified Penalty/ies* will be furnished to the PEMC President, the *Market Surveillance Committee and the Market Operator*. Should this Notice require implementation of a directive on the part of the System Operator, a copy of said notice shall likewise be sent to the *System Operator* for appropriate action.

4.12 EFFECT OF NOTICE OF SPECIFIED PENALTIES

- 4.12.1 Imposition of *financial* and non-*financial penalties* under the Notice of Specified Penalty/ies shall be immediately executory upon receipt by the *WESM Member* concerned of the same.
- 4.12.2 A *WESM Member* may seek a reconsideration of the *Notice of Specified Penalty/ies* in accordance with the procedures provided in Section 4.13 of this Manual. This remedy, notwithstanding, shall not shall not stay the execution adverted to in Section 4.12.1 above.
- 4.12.3 The *Notice of Specified Penalty/ies* issued by the *Enforcement and Compliance Office* shall serve as the authority of the Market Operator to debit or to credit the amount of the financial penalty/ies or such other amounts adverted to in the notice, to, or from, the concerned *WESM Member's* account, as the case may be.

4.13 REQUEST FOR RECONSIDERATION AND APPEAL

- 4.13.1 *Period and Ground for Filing a Request for Reconsideration.* The concerned *WESM Member* may request for reconsideration of the *Notice of Specified Penalty/ies*, subject to the following conditions:
- 4.13.1.1. The request shall be filed within ten (10) *Business Days* from the receipt of the said notice;
 - 4.13.1.2. A request for reconsideration shall be made solely on the ground that the finding of *breach* is not supported by substantial evidence.
 - 4.13.1.3. The request for reconsideration shall be filed with the *Enforcement and Compliance Office*.
- 4.13.2 *Form and Contents of the request for reconsideration and notice thereof.* The request shall:
- (1) Be made in writing and signed by the Compliance Officer of the *WESM Member* concerned, and shall be under oath;

- (2) State the date when the *Notice of Specified Penalty/ies* sought to be considered was received by the *WESM Member*; and
- (3) State that the *Notice of Specified Penalty/ies* is not based on substantial evidence in accordance with Section 4.13.1 and the specific reasons therefor.

Failure to comply with the requirements of this clause shall be a ground for the Enforcement and Compliance Office to immediately deny the request for reconsideration.

- 4.13.3 *Resolution on the Request for Reconsideration.* A request for reconsideration shall be resolved by the *Enforcement and Compliance Office* within fifteen (15) *Business Days* from the time it is submitted for resolution. This shall be done through a *Resolution* which shall clearly state the facts of the case and the reasons supporting its findings and conclusions. The *Resolution* shall be signed by the *Enforcement and Compliance Officer*. A copy of the *Resolution* shall be served upon the concerned *WESM Member* and appropriate persons or entities.

The *Resolution* issued by the *Enforcement and Compliance Office* shall serve as the authority of the Market Operator to debit or to credit the appropriate amount of the *Specified Penalty* or such other amounts adverted to in the *Resolution*, to or from, the concerned *WESM Member's* account, as the case may be.

- 4.13.4 Copies of the *Resolution* will be furnished to the PEMC President, the *Market Surveillance Committee*, and the *Market Operator*. Should this *Resolution* require implementation of a directive on the part of the System Operator, a copy of said notice shall likewise be sent to the *System Operator and/or Market Operator* for appropriate action.

- 4.13.5 The affirmation by the *Resolution* of the imposition of *financial* and/or *non-financial penalty/ies* under the *Notice of Specified Penalty/ies* shall be immediately executory upon receipt by the *WESM Member* concerned of the said *Resolution*.

- 4.13.6 A *WESM Member* may appeal the *Resolution* to the *Market Surveillance Committee* in accordance with the procedures provided in Section 4.13.8 of this Manual. This remedy, notwithstanding, shall not stay the execution of the *Resolution*.

- 4.13.7 The Resolution issued by the *Enforcement and Compliance Office* shall serve as the authority of the Market Operator to debit or to credit the amount of the *financial* penalties or such other amounts adverted to in the notice, to, or from, the concerned *WESM Member's* account, as the case may be.
- 4.13.8 *Appeal to the Market Surveillance Committee; Period of Appeal.* The Resolution issued by the *Enforcement and Compliance Office* may be appealed by the *WESM Member* concerned to the *Market Surveillance Committee* by filing an Appeal Memorandum with Enforcement and Compliance Office within ten (10) *Business Days* from receipt of the Resolution.
- 4.13.9 *Ground for Appeal.* The appeal shall be based only on the ground that the *Enforcement and Compliance Office* has committed abuse of discretion in issuing the Resolution, or the *penalty/ies* the Enforcement and Compliance Office had imposed is not in accordance with this Manual.
- 4.13.10 *Form and Contents of the Appeal.* The appeal shall:
- (1) Be made in writing and signed by the Compliance Officer of the *WESM Member* concerned, and shall be under oath;
 - (2) State the date when the Resolution being appealed was received by the *WESM Member*; and
 - (3) Explain how the *Enforcement and Compliance Office* committed an abuse of discretion in issuing the Resolution or that the penalty/ies imposed by the Enforcement and Compliance Office is not in accordance with this Manual.
- Failure on the part of the *WESM Member* concerned to comply with the foregoing requirements shall result in the appeal being dismissed outright by the *Market Surveillance Committee* upon the recommendation of the Enforcement and Compliance Office.
- 4.13.11 *Elevation of Record of Appealed Case.* Upon determination that the appeal was timely filed and perfected, the *Enforcement and Compliance Office* shall immediately elevate its compliance monitoring and assessment report that was the basis for the issuance of the Notice of Specified Penalty/ies, the Notice of Specified Penalty/ies, its Resolution on the request for reconsideration together with the Appeal Memorandum, to the *Market Surveillance Committee*.

- 4.13.12 *The Decision on the Appealed Case.* The *Market Surveillance Committee* shall resolve the appealed case within ten (10) business days by issuing a Decision duly signed by its Chairperson. A copy of the Decision shall be served upon the concerned *WESM Member* and appropriate persons or entities, the Enforcement and Compliance Office, PEMC President and the Market Operator. The Decision rendered by the *Market Surveillance Committee* shall serve as the authority of the Market Operator to debit or to credit the *financial* penalty/ies imposed and/or appropriate amount from, or to, the concerned *WESM Member's* account, as the case may be.
- 4.13.13 The Market Surveillance Committee's Decision on the Appeal shall be immediately executory upon receipt by the *WESM Member* concerned of the said Decision.
- 4.13.14 Copies of the Decision rendered by the Market Surveillance Committee will be furnished to the PEMC President and the Market Operator. Should this Notice require implementation of a directive on the part of the System Operator, a copy of said Decision shall likewise be sent to the *System Operator* for appropriate action.
- 4.13.15 The Decision on the Appeal issued by the *Market Surveillance Committee* shall serve as the authority of the Market Operator to debit or to credit the amount of the financial penalty/ies or such other amounts adverted to in the notice, to, or from, the concerned *WESM Member's* account, as the case may be.

4.14 SUBMISSION OF REPORTS

The *Enforcement and Compliance Office* shall submit a monthly summary report of all Notices of Specified *Penalty/ies* and Resolutions on the requests for reconsideration made by the Enforcement and Compliance Office, and decisions of the Market Surveillance Committee on appeals, that have been issued during the month, and the status of their implementation to the PEM Board, through the PEMC President, *the Department of Energy*, the *Energy Regulatory Commission*, the *Market Surveillance Committee* and the *Market Operator*. Such report may be included in any monthly report that the *Enforcement and Compliance* is required to prepare, publish and disseminate in accordance with the WESM Enforcement and Compliance Manual.

SECTION 5 SCHEDULE OF BREACH AND PENALTIES

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
1	<p>Failure of generation company to submit valid generation and/or reserve offers, <u>or</u> failure to submit valid generation and/or reserve offers that is equivalent to the registered maximum capacity of their generating units at any dispatch interval; <u>except</u> if either failure is due to any of the following exempting circumstances:</p> <p>a) Scheduled or forced outages of the generating unit or any of its component unit;</p> <p>b) Capacity limitation because of the following resource-related constraints:</p>	<p>WESM Rules</p> <ul style="list-style-type: none"> • 3.5.5.1; 3.5.5.2; Appendix A1.1 • 3.5.7.2 <p><i>In relation to 3.5.12.1 & the WESM Dispatch Protocol</i></p>	<ul style="list-style-type: none"> • Level 1 - Reprimand • Level 2 - Financial Penalties • Level 3 – Escalated Financial Penalties • Level 4 – Suspension & Deregistration 	PhP10,000.00/ <i>breach</i>	PhP20,000.00/ <i>breach</i>

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
	(i) For hydro-electric power plants, limitation due to water elevation and restrictions under prevailing rule curve guidelines and Water Code provisions to which the facility is subject; (ii) For geothermal power plants, limitations due to steam quality arising from chemical composition, condensable and non-condensable gases, steam pressure and temperature; (iii) For co-generation systems, limitation due to thermal energy extraction by the energy host, steam flow limitations and electricity demand of energy host; and (iv) For biomass power plants that are not registered as priority dispatch generating units,				

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
	<p>limitations on availability of fuel resources that are not within the control of the generation company.</p> <p>c) Derating of capacity due to the following technical constraints:</p> <ul style="list-style-type: none"> (i) Effects of ambient conditions; and (ii) Plant equipment-related failure and/or maintenance. <p>d) Station service and house load, and for industrial generators, its industrial load;</p> <p>e) Generating unit is being started up or shut down, provided that the generation company complied with the requirements and procedures for start-up and shutdown of generating units set out in the relevant Market Manual; and</p>				

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
	<p>f) Weather disturbance.</p> <p>Valid generation or reserve offer refers to the offer that is considered in the real time dispatch optimization run for the relevant dispatch interval.</p> <p>There is failure to submit valid offer if there is no offer that is considered in the real time dispatch market run for the relevant dispatch interval because of any of the following conditions –</p> <p>a) The offer submitted has zero (0) MW value, or</p> <p>b) The offer submitted did not pass the validation as provided for in the WESM Dispatch Protocol and/or other relevant Market Manual or</p>				

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
	<p>WESM Rules provision, so that, effectively, there are no offers considered in the market run; or</p> <p>c) The offer submitted was cancelled so that, effectively, there are no offers considered in the relevant market run,</p> <p><u>except</u>, in all cases, if the any of the foregoing conditions was due to the occurrence of any of the exempting circumstances above-mentioned.</p> <p>Breach is counted as follows –</p> <p>a) One <i>breach</i> is counted for each trading hour, i.e., settlement interval, during the trading day that the failure occurs in three or more dispatch intervals; or</p>				

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
	<p>b) If the failure occurs in three or more successive dispatch intervals over two successive trading hours, i.e., settlement intervals, one <i>breach</i> is counted for each trading hour that the failure occurs, regardless that the failure for that hour occurred in less than three dispatch intervals.</p> <p><i>The obligation is to submit offers equivalent to maximum available capacity, as defined in the WESM Dispatch Protocol. For purposes of determining breach, the constraints considered in determining maximum available capacity are considered as exempting circumstances.</i></p>				

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
2	<p>Failure of a generation company to submit a valid nomination of the target loading levels of its non-scheduled generating units at any dispatch interval; <u>except</u> if the failure is due to any of the following circumstances:</p> <p>a. Scheduled or forced outage of the generating unit; or</p> <p>b. Weather disturbance.</p> <p>There is failure to submit a valid nomination if there is no nomination that is considered in the relevant real time dispatch market run for the relevant trading interval because of any of the following conditions –</p> <p>a) The nomination submitted has zero (0) MW value, or</p>	<p>WESM Rules</p> <ul style="list-style-type: none"> • 3.5.5.4 • 3.5.11.2 	<ul style="list-style-type: none"> • Level 1 - Reprimand • Level 2 - Financial Penalties • Level 3 – Escalated Financial Penalties • Level 4 – Suspension & Deregistration 	PhP1,000.00/ <i>breach</i>	PhP2,000.00/ <i>breach</i>

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
	<p>b) The nomination submitted did not pass the validation as provided for in the WESM Dispatch Protocol and/or other relevant Market Manual or WESM Rules provision, so that, effectively, there are no offers considered in the market run; or</p> <p>c) The nomination submitted was cancelled so that, effectively, there are no offers considered in the relevant market run,</p> <p><u>except</u>, in all cases, if the any of the foregoing conditions was due to the occurrence of any of the exempting circumstances above-mentioned.</p> <p>Breach is counted as follows –</p> <p>a) One <i>breach</i> is counted for each trading hour, i.e., settlement</p>				

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
	<p>interval, during the trading day that the failure occurs in three or more dispatch intervals; or</p> <p>b) If the failure occurs in three or more successive dispatch intervals over two successive trading hours, i.e., settlement intervals, one <i>breach</i> is counted for each trading hour that the failure occurs, regardless that the failure for that hour occurred in less than three dispatch intervals.</p>				
3	<p>Failure of generation company to submit a valid nomination of the projected output of its must dispatch generating unit or priority dispatch generating unit at any dispatch interval; <u>except</u> if the failure is due to any of the following circumstance:</p> <p>a. Scheduled or forced outage of the</p>	WESM Rules 3.5.5.5	<ul style="list-style-type: none"> • Level 1 - Reprimand • Level 2 - Financial Penalties • Level 3 – Escalated Financial Penalties • Level 4 – Suspension & Deregistration 	PhP1,000.00// <i>breach</i>	PhP2,000.00// <i>breach</i>

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
	<p>generating unit; b. Energy source limitations; or c. Weather disturbance.</p> <p>There is failure to submit a valid nomination if there is no nomination that is considered in the relevant real time dispatch market run for the relevant trading interval because of any of the following conditions –</p> <p>a) The nomination submitted has zero (0) MW value, or b) The nomination submitted did not pass the validation as provided for in the WESM Dispatch Protocol and/or other relevant Market Manual or WESM Rules provision, so that, effectively, there are no offers considered in the market run;</p>				

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
	<p>or</p> <p>c) The nomination submitted was cancelled so that, effectively, there are no offers considered in the relevant market run,</p> <p><u>except</u>, in all cases, if the any of the foregoing conditions was due to the occurrence of any of the exempting circumstances above-mentioned.</p> <p>Breach is counted as follows –</p> <p>a) One <i>breach</i> is counted for each trading hour, i.e., settlement interval, during the trading day that the failure occurs in three or more dispatch intervals; or</p> <p>b) If the failure occurs in three or more successive dispatch intervals over two successive trading hours, i.e.,</p>				

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
	<p>settlement intervals, one <i>breach</i> is counted for each trading hour that the failure occurs, regardless that the failure for that hour occurred in less than three dispatch intervals.</p>				
4	<p>Failure to comply with forecast accuracy standards in respect to projected output submitted for a must dispatch generating unit.</p> <p>One <i>breach</i> is counted for each year that the failure occurs.</p> <p>One <i>breach</i> is counted for each category of forecast accuracy standard that was not complied with. That is,</p>	<p>WESM Rules</p> <ul style="list-style-type: none"> • 3.5.5.5. • 3.5.5.8 • 3.5.5.10 <p><i>in relation to the WESM Manual on Procedures for the Monitoring of Forecast Accuracy Standards for Must Dispatch Generating</i></p>	<p>Breach of MAPE with deviation $\leq 30\%$:</p> <ul style="list-style-type: none"> • Level 1 - Reprimand • Level 2 - Financial Penalties • Level 3 – Escalated Financial Penalties • Level 4 - Suspension 	<p>PhP1,000,000.00/ <i>breach</i></p>	<p>PhP2,000,000.00/ Breach</p>

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
	<p>failure to comply with the prescribed mean absolute percentage error (MAPE) and failure to meet the prescribed percentile 95 of the forecasting error (Perc95) are counted as separate <i>breaches</i> even if they occur on the same periods.</p> <p><i>Non-compliance shall be determined based on the report of the Market Operator on <u>annual compliance</u>, required under WESM Rules clause 3.5.5.11.</i></p>	<i>Units</i>	<p>& Deregistration</p> <p>Breach of MAPE with deviation > 30%:</p> <ul style="list-style-type: none"> • Level 2 - Financial Penalties (<i>first time occurrence</i>) • Level 3 – Escalated Financial Penalties • Level 4 – Suspension & Deregistration <p>Breach of Per95:</p> <ul style="list-style-type: none"> • Level 1 - Reprimand • Level 2 - Financial Penalties • Level 3 – Escalated 		

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
			Financial Penalties <ul style="list-style-type: none"> Level 4 – Suspension & Deregistration 		
5	Failure of a scheduled generating unit or priority dispatch generating unit to comply with its dispatch schedule in accordance with the dispatch conformance standards except if failure is directly attributable to any of the following circumstances occurring during the relevant dispatch interval– <ol style="list-style-type: none"> Generating unit was operating under automatic governor control (AGC) mode; 	WESM Rules <ul style="list-style-type: none"> 3.8.6 in relation to 3.8.4 <i>In relation to the WESM Dispatch Protocol</i> Excess Generation <ul style="list-style-type: none"> WESM Rules Clause 3.9.8.3 WESM Dispatch 	<ul style="list-style-type: none"> Level 1 - Reprimand Level 2 - Financial Penalties Level 3 – Escalated Financial Penalties Level 4 – Suspension & Deregistration Breach occurred in dispatch intervals with	For each <i>breach</i> : Nodal price, PhP x (Deviation, MW – Dispatch Threshold, MW) <input type="checkbox"/> Nodal price is the price at the generator node, PhP/MWh.	For each <i>breach</i> : [Nodal price, PhP x (Deviation, MW – Dispatch Threshold, MW)] x 2 <input type="checkbox"/> Nodal price is the price at

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
	<p>b. Generating unit was operating on governor control mode and has exhibited Primary Response, in compliance with the requirements of the Philippine Grid Code;</p> <p>c. Generating unit tripped or went on forced outage;</p> <p>d. Generating unit was on start-up or shutdown process following procedures in the WESM Dispatch Protocol;</p> <p>e. Other exempting circumstances apply</p> <p>Provided further, that the this will not apply if the failure occurs in dispatch intervals when the –</p> <p>a. Generating unit responded to dispatch instructions from the System Operator, including but not</p>	<p>Protocol (Issue 13) Section 12.5.2 (g), and Section 18.3</p>	<p>impending excess generation:</p> <ul style="list-style-type: none"> • Level 3 – Escalated Financial Penalties • Level 4 – Suspension & Deregistration 	<p><input type="checkbox"/> Deviation is the difference between the target schedule and actual generation, in MW.</p> <p><input type="checkbox"/> Dispatch threshold is the MW equivalent of the allowed deviation tolerance.</p> <p>Not applicable if <i>breach</i> occurred in dispatch intervals with impending excess generation.</p>	<p>the generator node, PhP/MWh.</p> <p><input type="checkbox"/> Deviation is the difference between the target schedule and actual generation, in MW.</p> <p><input type="checkbox"/> Dispatch threshold is the MW equivalent of the allowed deviation tolerance.</p>

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
	<p>limited to instructions to run as must run unit, re-dispatch based on merit order table or to respond to emergency conditions;</p> <p>b. Generating unit responded to System Operator instructions on provision of ancillary services;</p> <p>c. Market intervention or market suspension has been declared and has not yet been lifted.</p>				
6	Failure to comply with dispatch instructions issued by the System Operator, including re-dispatch instructions for a generating unit to be constrained on/off, or to dispatch as must run unit, or to emergency directions issued under emergency conditions or during market	WESM Rules • 3.8.8, 3.8.3 and 3.8.4 in relation to 2.3.1.7 (for generators) or 2.3.2.3 (for customers) In relation to relevant	<ul style="list-style-type: none"> • Level 1 - Reprimand • Level 2 - Financial Penalties • Level 3 – Escalated Financial Penalties • Level 4 – Suspension & Deregistration 	PhP10,000.00/ <i>breach</i> Not applicable if <i>breach</i> occurred in dispatch intervals when emergency conditions occurred	PhP20,000.00/ <i>breach</i>

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
	intervention or suspension.	WESM manuals setting out procedures for re-dispatch, management of must-run units, and emergency procedures Market intervention or suspension, or emergency conditions <ul style="list-style-type: none"> • 6.3.2.6 and 6.2.2.1 • In relation to relevant WESM manuals setting out emergency procedures, and procedures during market intervention 	Under emergency conditions, or during market intervention or suspension <ul style="list-style-type: none"> • Level 3 – Escalated Financial Penalties • Level 4 – Suspension & Deregistration 	or when there was market intervention or suspension.	

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
		or suspension ➤ Emergency Procedures ➤ WESM Dispatch Protocol			
7	Failure of a must dispatch generating unit to strictly comply with its dispatch schedule in intervals when its output was restricted pursuant to WESM Rules clause 3.6.1.7 and communicated pursuant to clause 3.8.1 (g & h). <i>There is breach if the actual output for the relevant interval exceeds the dispatch schedule.</i>	WESM Rules • 3.6.1.7, 3.8.1 (g & h) • 3.8.4.3 • 3.8.8.1	<ul style="list-style-type: none"> • Level 1 - Reprimand • Level 2 - Financial Penalties • Level 3 – Escalated Financial Penalties Level 4 – Suspension & Deregistration 	PhP10,000.00/ <i>breach</i>	PhP20,000.00/ <i>breach</i>

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
8	Failure of a must dispatch generating unit or priority dispatch generating unit to comply with dispatch instructions to restrict its output or constrain its ramp rate to a level specified by the System Operator, when the grid is not in normal state.	WESM Rules <ul style="list-style-type: none"> • 3.8.3.4 • 3.8.8.1 	<ul style="list-style-type: none"> • Level 3 – Escalated Financial Penalties Level 4 – Suspension & Deregistration 	N/A	PhP20,000.00/ <i>breach</i>
9	Non-submission of data, report or information under the following circumstances -				
(a)	Failure of network service provider to submit to the System Operator or update standing network data	WESM Rules 3.5.2.1 to 3.5.2.4, Appendix A.2	<ul style="list-style-type: none"> • Level 1 - Reprimand • Level 2 - Financial Penalties • Level 3 – Escalated Financial Penalties 	PhP5,000.00/ <i>breach</i>	PhP10,000.00/ <i>breach</i>

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
(b)	Failure of network service provider to immediately notify the System Operator of any circumstance which threaten significant probability of material adverse change in the state of its network	WESM Rules 3.5.2.5	<ul style="list-style-type: none"> • Level 1 - Reprimand • Level 2 - Financial Penalties Level 3 – Escalated Financial Penalties 	PhP5,000.00/ <i>breach</i>	PhP10,000.00/ <i>breach</i>
(c)	Failure of a Trading Participant to immediately advise the System Operator and the Market Operator of any circumstance which threaten significant probability of material change in state of facilities	WESM Rules 3.5.11.6	<ul style="list-style-type: none"> • Level 1 - Reprimand • Level 2 - Financial Penalties Level 3 – Escalated Financial Penalties 	PhP5,000.00/ <i>breach</i>	PhP10,000.00/ <i>breach</i>
(d)	Failure of a WESM Participant to advise the Market Operator of a metering installation malfunction or other defect within three (3) hours from the time the malfunction or defect was detected by the participant	WESM Rules 4.5.7.3	<ul style="list-style-type: none"> • Level 1 - Reprimand • Level 2 - Financial Penalties Level 3 – Escalated Financial Penalties 	PhP5,000.00/ <i>breach</i>	PhP10,000.00/ <i>breach</i>

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
(e)	<p>Failure of a Distribution Utility to notify the Central Registration Body of any end user within its franchise area that has met the requirements to be certified as a contestable customer and to provide customer information required under the clause 2.3 of the Retail Rules.</p> <p><i>Registration by the Contestable Customer in the WESM is not an exempting circumstance</i></p>	Retail Rules • 2.2.2 & • 2.3.1.1	<ul style="list-style-type: none"> • Level 1 - Reprimand • Level 2 - Financial Penalties Level 3 – Escalated Financial Penalties 	PhP5,000.00/ <i>breach</i>	PhP10,000.00/ <i>breach</i>
(f)	Failure of a Contestable Customer and its Supplier/s to notify and enroll with the Central Registration Body their bilateral power supply contracts with Generation Companies that they wish to be accounted for in the WESM	Retail Rules • 2.3.3.1 & • 2.3.3.3	<ul style="list-style-type: none"> • Level 1 - Reprimand • Level 2 - Financial Penalties Level 3 – Escalated Financial Penalties 	PhP5,000.00/ <i>breach</i>	PhP10,000.00/ <i>breach</i>

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
	<p>settlements within thirty days before effectivity of the contract. <i>Compliance by either party is deemed a compliance by the other. Likewise, either party is also deemed compliant if the Generation Company counterparty has complied with enrolment procedures set in relevant Market Manual in respect to the relevant bilateral contract.</i></p>				
(g)	<p>Failure of a Contestable Customer or its Supplier to notify the Central Registration Body of their retail electricity supply contracts and provide required information, within thirty days before the effectivity of the contract.</p> <p><i>The compliance by either the Customer or the Supplier shall be</i></p>	<p>Retail Rules</p> <ul style="list-style-type: none"> • 2.3.3.2 & • 2.3.3.3 	<ul style="list-style-type: none"> • Level 1 - Reprimand • Level 2 - Financial Penalties Level 3 – Escalated Financial Penalties 	PhP5,000.00/ <i>breach</i>	PhP10,000.00/ <i>breach</i>

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
	<i>considered as compliance of the other party.</i>				
10	Failure to comply with express mandatory provisions of the <i>Market Rules</i> or any Market Manual, or their subsequent amendments, that are not otherwise covered in other identified <i>breach</i> but which expressly provide for imposition of <i>penalties</i> .	<ul style="list-style-type: none"> • WESM Rules • Retail Rules • <i>Market Manuals</i> 	<ul style="list-style-type: none"> • Level 1 - Reprimand • Level 2 - Financial Penalties • Level 3 – Escalated Financial Penalties • Level 4 – Suspension & Deregistration 	PhP5,000.00/ <i>breach</i>	PhP10,000.00/ <i>breach</i>

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
11	Failure to implement remedial measures required as a consequence of a <i>breach</i> , which failure was established in accordance with <i>Market Rules</i> and implementing Market Manual. <i>This is an automatic penalty and shall be imposed at the instance of the Enforcement and Compliance Office.</i>	WESM Enforcement and Compliance Manual	<ul style="list-style-type: none"> • Level 1 - Reprimand • Level 2 - Financial Penalties • Level 3 – Escalated Financial Penalties • Level 4 – Suspension & Deregistration 	PhP5,000.00/ <i>breach</i>	PhP10,000.00/ <i>breach</i>
12	Failure to pay <i>financial penalty</i> amounts imposed as a consequence of <i>breach</i> <i>This is a penalty interest that shall be imposed automatically by the Market Operator upon failure to pay on due date.</i>	WESM Penalty Manual	Prevailing interest rate for WESM settlement obligations set in the WESM Rules or in the applicable WESM manual	N/A	N/A

No.	Breach	Market Rule Breached & Associated Market Manual	Applicable Penalty	Level 2 - Financial Penalty	Level 3 - Escalated Financial Penalty
13	Failure to pay compensation assessed as a consequence of <i>breach</i> <i>This is a penalty interest that shall be imposed automatically by the Market Operator upon failure to pay on due date.</i>	WESM Manual Penalty	Prevailing interest rate for WESM settlement obligations set in the WESM Rules or in the applicable WESM manual	N/A	N/A

SECTION 6 UTILIZATION OF FINANCIAL PENALTY**6.1 THE PENALTY FUND**

The *penalty fund* shall be managed by the PEMC which shall hold all *financial penalties* actually collected pursuant to this Manual. The said fund shall be deposited in a separate account and shall not be commingled with other funds or amounts that come into PEMC's possession.

6.2 PERMITTED USES

The *penalty fund* shall be used and disbursed primarily for projects that directly redound to the benefit of electricity consumers.

It may also be used for any of the following purposes—

- a. Training and education of *WESM Members*;
- b. Conduct of technical studies or research to support market development, rules change proposal, and other market studies, and the publication of the results of these studies; and
- c. Development and acquisition of information technology systems to support enforcement and compliance, market assessment and surveillance, in the WESM.

6.3 USES NOT PERMITTED

The foregoing notwithstanding, the *penalty fund* shall not be used for any the following uses

- a. Compensation of or grant of *financial* or other benefits for the PEM Board, the Enforcement and Compliance Office, the Market Assessment Group, the Market Surveillance Committee, the Market Operator, PEMC, or the System Operator, for carrying out their obligations pertaining to enforcement and compliance in the WESM as set out in the *Market Rules* and relevant *Market Manuals*, including but not limited to this Manual, and the WESM Enforcement and Compliance Manual;
- b. Subject to Section 6.2, revenue requirements of PEMC for the operation and governance of the WESM which are to be defrayed from the market fees;
- c. Cost of investigation of an actual *breach* by a WESM Member;
- d. Compensation of *WESM Members* and other parties disadvantaged by a *breach* committed by another WESM Member;

- e. Distribution to specific group of *WESM Members*, government agencies, or other entities and individuals such as but not limited to charitable organizations or uses; and
- f. Commercial purposes or to fund or provide capital to any business activity.

6.4 PREPARATION OF UTILIZATION PLAN

- 6.4.1 The PEMC shall formulate an annual *utilization plan* that clearly sets out, among other things, the following—
- a. description of the activities or projects to be undertaken,
 - b. duration of each activity or project, and expected milestones, and
 - c. cost of each activity or project, ensuring that the same shall be fully funded from available *penalty* fund.
- 6.4.2 Activities or projects to be included in the *utilization plan* shall not overlap with other planned or existing activities or projects of the PEMC.
- 6.4.3 Coverage of a *utilization plan* may vary in respect to projects or activities covered and/or duration. At its discretion and depending on the amount of the funds available, the PEMC may prepare a *utilization plan* for each project or activity to be undertaken, or for each category of projects. A single *utilization plan* may also cover all projects or activities programmed to be undertaken over a specified period.

6.5 CONSULTATIONS WITH THE DEPARTMENT OF ENERGY, WESM MEMBERS AND WESM GOVERNANCE COMMITTEES OF THE UTILIZATION PLAN

- 6.5.1 The utilization plan shall be prepared annually in consultation with *WESM Members*, the WESM Governance Committees and the *Department of Energy*.
- 6.5.2 The PEMC shall initiate the consultation process by publishing a notice in the market information website calling for comments on the proposed *utilization plan*. The proposed *utilization plan* shall be published along with the notice. Publication shall be for such period as PEMC may set but no shorter than thirty (30) calendar days from the date of first publication.
- 6.5.3 The *WESM Members* and the WESM Governance Committees shall submit their comments and proposals to the PEMC within the period stated in the notice.
- 6.5.4 The PEMC may, if it deems it necessary, conduct a public consultation to be participated in by the *WESM Members* and the WESM Governance Committees as a venue for presentation and discussion of the proposed *utilization plan*, and of the comments and suggestions received.

6.6 APPROVAL AND PUBLICATION OF UTILIZATION PLAN

- 6.6.1 The *utilization plan* shall be approved by the PEM Board. In approving the *utilization plan*, the PEM Board shall ensure that –
- a. The activities and projects included in the plan fall under any of the permitted uses specified in Section 6.2 and does not fall under any of the uses not permitted as specified in Section 6.3.
 - b. The publications and consultations required under Section 6.5 were complied with.
- 6.6.2 Upon approval by the PEM Board, the approved *utilization plan* shall be published by the PEMC in the market information website. Copies of the same may also be provided to *WESM Members* upon request.

6.7 IMPLEMENTATION, EVALUATION AND REVISION OF THE UTILIZATION PLAN

- 6.7.1 The PEMC shall be responsible for implementing the approved *utilization plan* and the projects and activities covered therein.
- 6.7.2 The PEMC shall submit to the PEM Board periodic reports on the implementation of the *utilization plan*. The reports shall also be published in the market information website after their submission to the PEM Board.
- 6.7.3 If, in the course of the implementation of the utilization plan, the PEMC finds it necessary to revise the same or any part thereof, it shall submit a revised *utilization plan* for approval by the PEM Board. The revised *utilization plan* and the reasons for the revision shall be published by the PEMC in the market information website upon its approval.
- 6.7.4 If, however, the revision involves the inclusion of additional projects or activities not originally included in the scope of the *utilization plan* sought to be approved, the proposed revision shall first be submitted for consultations following procedures and requirements set out in Section 6.5.

6.8 AUDIT

The *penalty fund* and its utilization shall be subject to regular financial audit, which can be included in the annual financial audit of the PEMC as required under the WESM Rules and prevailing laws and revenue regulations.

SECTION 7 AMENDMENT, REPEALING CLAUSE, PUBLICATION AND EFFECTIVITY**7.1 AMENDMENTS**

- 7.1.1 Amendments to this Manual may be initiated by the Market Surveillance Committee, the Enforcement and Compliance Office, the Market Operator, the System Operator or any other *WESM Member*. Amendments initiated by parties other than the Market Surveillance Committee shall be done by submitting formal proposals for amendment to the Market Surveillance Committee.
- 7.1.2 Without limiting the grounds upon which this Manual may be amended, amendments to this Manual shall be made to make this Manual consistent with –
- a) Amendments to the EPIRA and its Implementing Rules and Regulations affecting enforcement and compliance in the WESM;
 - b) Amendments to the *Market Rules* and other *Market Manuals* affecting enforcement and compliance in the WESM;
 - c) Issuances of the *Energy Regulatory Commission* concerning enforcement of the WESM Rules; or
 - d) Issuances of the *Department of Energy* affecting enforcement of the WESM Rules.
- 7.1.3 The Market Surveillance Committee shall conduct consultations on the proposed changes with the *WESM Members*, Rules Change Committee and the PEM Board, in accordance with the WESM Rules.

7.2 REPEALING CLAUSE

This Penalty Manual (Issue No. 2.0) is promulgated in lieu of and repeals the earlier Penalty Manual (Issue No. 1.0).

7.3 EFFECTIVITY AND PUBLICATION

This Penalty Manual shall become effective upon approval of the *Department of Energy* and fifteen (15) days following its publication in at least two (2) newspapers of general circulation and shall remain in effect until otherwise revoked.

This Penalty Manual shall likewise be published in the market information website.

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SECTION 8 GLOSSARY

Unless the context indicates otherwise, the following terms shall have the meaning set out in this Section.

Term/ Abbreviation	Definition
Breach	Failure to comply with the provisions of the <i>Market Rules</i> or implementing <i>Market Manuals</i> that is subject of a <i>penalty</i> under the WESM Penalty Manual. For purposes of this Manual, <i>breach</i> is not synonymous with non-compliance.
Financial <i>penalty</i>	An amount in Philippine pesos imposed on a <i>WESM Member</i> as a consequence of <i>breach</i> pursuant to the <i>Market Rules</i> and this Manual, excluding the cost of investigation of an actual <i>breach</i> by a WESM Member.
Market fees	Refers to the revenue requirements of the Market Operator for a specified period, approved by the Energy Regulatory Commission.
<i>Market Manuals</i>	Collectively refers to the <i>Market Manuals</i> adopted for use in the WESM and for the integration of retail competition in the WESM.
Market Rules	Collectively refers to the <i>Market Rules</i> , their implementing manuals, and amendments thereto.
Notice of specified <i>penalty</i>	Notice issued to a <i>WESM Member</i> found in <i>breach</i> which directs the payment of a <i>financial penalty</i> and or a <i>non-financial penalty</i> in accordance with Section 4.11 and or additional <i>penalties</i> under Section 4.1.1.2.
PEMC	Philippine Electricity Market Corporation is the governance arm of the WESM.
Penalty fund	The fund managed by the PEMC to hold <i>financial penalties</i> collected pursuant to this Manual.
Penalty Interest	Penalty Interest shall mean the prevailing legal rate of interest.
Utilization plan	Refers to the document containing the details of the projects and activities that will be funded from the <i>penalty fund</i> , and which is prepared and approved in accordance with this Manual.