



Republic of the Philippines
DEPARTMENT OF ENERGY

DEPARTMENT CIRCULAR NO. DC2022-12-0038 /

ADOPTING FURTHER AMENDMENTS TO THE WHOLESALE ELECTRICITY SPOT MARKET (WESM) MARKET MANUAL ON THE GUIDELINES GOVERNING THE CONSTITUTION OF THE PEM BOARD COMMITTEES

WHEREAS, Sections 30 and 37(f) of Republic Act No. 9136 or the Electric Power Industry Reform Act (EPIRA) provides that the Department of Energy (DOE), jointly with the electric power industry participants, shall establish the Wholesale Electricity Spot Market (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, on 20 April 2017, the DOE issued DC No. DC2017-04-0003 titled, "Adopting the WESM Market Manual on Guidelines Governing the Constitution of PEM Board Committees and its Further Amendments" which provides for the qualifications and disqualifications of members of the Philippine Electricity Market (PEM) Board Committees and process of their selection and appointment;

WHEREAS, in a letter dated 20 August 2020, the PEM Board formally endorsed to the DOE the proposed amendments to the WESM Manual on Guidelines Governing the Constitution of the PEM Board Committees (WESM-GDL) seeking the adoption of independence qualification for WESM Governance Committee (WGC) Members, and revision of WGC Memberships among others;

WHEREAS, the DOE remanded the proposal through a letter dated 23 September 2021 directing PEMC to further enhance and review the formation and composition of WESM WGCs in consideration of the independence criteria and to ensure consumer protection, enhance the competitive operation of the WESM, and promote investor confidence;

WHEREAS, in a letter dated 04 May 2022, the PEM Board submitted the revised proposal amending the WESM-GDL, for the DOE's final approval, in compliance with Chapter 8 of the WESM Rules;

WHEREAS, on 26 May 2022, the DOE posted on its website the draft DC on the abovementioned proposed amendments to solicit further comments from the market participants and other interested parties;



WHEREAS, the DOE, to ensure transparency and consistency with the objectives of the EPIRA and the WESM, conducted in-person public consultations on said proposed amendments as follows:

Date	Leg	Venue
08 June 2022	Luzon	The Marquis Events Place, Taguig City
21 June 2022	Visayas	Bai Hotel, Cebu City
20 July 2022	Mindanao	N Hotel, Cagayan de Oro City

WHEREAS, the DOE reviewed and finalized the said PEM Board-approved proposals, made revisions thereto taking into consideration the comments and recommendations received from the stakeholders;

NOW THEREFORE, after careful review of the PEM Board-approved proposal and the comments and recommendations 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 Manual Governing the Constitution of the PEM Board Committees.

Section 1. Amendments to the WESM Manual Governing the Constitution of the PEM Board Committees. The Guidelines Governing the Constitution of PEM Board Committees, and its provisions are hereby amended to read as:

Guidelines Governing the Constitution of WESM Governance Committees

Section 1. Definition of Terms

- 1.1 Unless otherwise defined in this section or the context provides otherwise, the terms used in this Market Manual shall bear the same meaning as defined in the WESM Rules.
- 1.2 The following terms and expressions shall have the meanings set forth below:
 - (a) "Applicable Laws and Rules." Include the EPIRA and its Implementing Rules and Regulations, the WESM Rules, the Philippine Grid Code, Philippine Distribution Code and all other laws, rules and regulations relating to or affecting the WESM.
 - (b) "Governance Arm Website." The facility established by the Governance Arm to publish information, which is available to and may be accessed by WESM Members and the public.
 - (c) "Guidelines." This document otherwise called: "Guidelines Governing the Constitution of the WESM Governance Committees."
 - (d) "Person." A natural person.
 - (e) "Sector." Refers to the Generation, Distribution, Transmission, or Supply Sector.



- 1.3 Rules of Construction. Unless the context otherwise requires:
- (a) The Applicable Laws are incorporated herein by reference.
 - (b) Words importing the singular include the plural and vice versa.
 - (c) Section headings are for convenience only and do not affect the interpretation of this Guidelines and the WESM Rules.
 - (d) In the event that any capitalized terms above or any provision in this Guidelines conflict with the WESM Rules, the latter shall govern.
 - (e) A rule or provision which defines a term without express reference to EPIRA or the WESM Rules, or to a portion thereof, defines such term for all purposes as used in EPIRA and in the WESM Rules.

Section 2. Formation of the Committees

- 2.1 WESM Governance Committees. The PEM Board shall form working groups and appoint qualified members who shall act as the following:
- (a) PEM Audit Committee;
 - (b) Market Surveillance Committee;
 - (c) Technical Committee;
 - (d) Rules Change Committee;
 - (e) Dispute Resolution Administrator; and
 - (f) Compliance Committee.
- 2.2 The PEM Board shall approve an annual budget allocation for the WESM Governance Committees, in support of their duties and functions.
- 2.3 The WESM Governance Committees shall primarily assist the PEM Board, the DOE, and the ERC in the formulation of policies that will help in the achievement of the WESM objectives of establishing a sustainable, competitive, efficient, transparent and reliable market for electricity where:
- (a) An atmosphere of transparency and fair competition exists among WESM Members;
 - (b) Trading of electricity is facilitated among WESM Members within the Spot Market;
 - (c) Qualified third parties are granted Open Access to the power system in accordance with the EPIRA;
 - (d) Prices are governed as far as practicable by commercial and market forces; and
 - (e) Efficiency is encouraged.



2.4 All WESM Governance Committees, in the performance of its functions, shall be guided by the provisions of and principles under the EPIRA and its implementing rules and the WESM Rules. Each WESM Governance Committee shall establish Market Manuals to govern their respective operations geared towards achieving the purpose for which said WESM Governance Committees have been created.

The said manual, upon approval of the PEM Board and promulgation by the DOE, shall have the force and effect of the rules and regulations of the WESM as Market Manual.

2.5 DOE Representation in the WESM Governance Committees. The Department of Energy as the agency primarily responsible to implement the EPIRA and its implementing rules and the WESM Rules shall be represented in all WESM Governance Committees for the purpose of facilitating and providing policy support and guidance for the development of the WESM.

2.6 Other Resolutions. Except as may otherwise be provided in the WESM Rules, in any Market Manual or in the PEMC's Articles of Incorporation and By-Laws, the PEM Board may prescribe, among others:

- (a) Any additional duties and responsibilities of the Committees;
- (b) Changes in or fix the remuneration to be paid to members of the Committees;
- (c) Any revisions, amendments, supplements or improvement on the provisions relating to or the establishment of ethical standards to be observed by members of the Committees;
- (d) The terms and conditions of the confidentiality agreement to be entered into by members of the Committees;
- (e) The terms and conditions of agreements prohibiting Independent Members to accept or agree employment or contract services with another party which may conflict with the performance of Independent Member's obligation as members of the Committees;
- (f) The terms and conditions upon which the Committee may employ services of a consultant or an expert; and
- (g) The manner in which the activities of the Committees may be audited.



Section 3. Vacancy, Nomination, Selection and Appointment of WESM Governance Committee Members

3.1 Vacancy

3.1.1 A position in a WESM Governance Committee is rendered vacant due to any of the following circumstances:

- (a) Expiration of term of office, subject to Section 3.9 below on Hold-Over;
- (b) Death;
- (c) Resignation; and
- (d) Removal from office, upon a two-thirds (2/3) vote of the Board of Directors constituting a quorum due to:
 - (i) Disqualification or failure to meet the qualification requirements provided herein;
 - (ii) Illness or disability which requires recovery for more than three (3) months or any similar circumstances;
 - (iii) Just and lawful reasons as the PEM Board may determine after notice and hearing and through a resolution, excluding those who abstain voluntarily or are required under the PEMC's Articles of Incorporation and By-Laws to abstain; and
 - (iv) Conduct unbecoming of a member of the Committee in accordance with Section 10 of this Guidelines.

3.1.2 Any vacancy shall be filled by an appointment by the PEM Board and the appointee shall serve only the unexpired portion thereof.

3.2 Nomination

3.2.1 In case of a vacancy, the concerned WESM Governance Committee Chairperson, any member thereof, or PEMC shall give notice to the PEM Board immediately upon occurrence of such vacancy or within one month prior to the effectivity of the expiration of term of office of the concerned member.

3.2.2 The PEM Board shall then cause the publication of notice of such vacancy or solicit nominations for the position.

3.2.3 Nominations shall be submitted to the PEM Board or to any person designated by the PEM Board.

3.2.4 All nominations shall be in a form (Appendix [A]) and manner as may be prescribed by the PEM Board.

3.2.5 Nominations for sectoral representatives shall come from the respective Sectors to be represented in the Committee in accordance with this Guidelines or applicable rules.



- 3.2.6 A WESM Member represented in, or nominated to, more than one Sector shall choose only one Sector to represent and must accordingly withdraw or decline the nomination/s in the other Sector/s.
- 3.2.7 A qualified individual may apply as an Independent Member in any Committee where one is required.
- 3.2.8 Independent Members may also be nominated by any organization not affiliated with any Sector.

3.3 Selection

- 3.3.1 The PEM Board shall pre-screen and shortlist all candidates nominated to become a member of the relevant Committee in accordance with the qualifications and disqualifications set forth in this Guidelines and applicable laws and rules.
- 3.3.2 In the determination of the list of candidates, the PEM Board may consider foreign professionals, if and only if during the pre-screening and evaluation process, they have proven that such professional is known to be an outstanding expert or specialist in the particular field and that the services of such foreigner is urgently necessary either for lack of local experts or if his/her service will promote the advancement of the Spot Market.

The foreign professional should comply with the applicable labor, immigration, and tax laws and regulations of the Philippines, for his or her practice, and shall furnish the PEM Board of proof of compliance thereof.

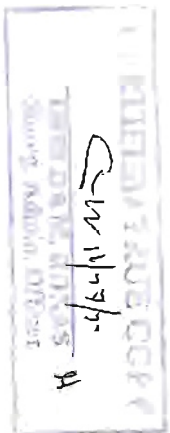
- 3.4 Publication of Nominees. Upon screening of the nominees submitted within the allowable time as prescribed by the PEM Board, the latter shall cause the publication of the list of the qualified nominees in the Governance Arm Website.
- 3.5 Interview of the Nominees. After the publication of the shortlisted nominees and upon verification and resolution of opposition thereof, if any, the PEM Board may opt to conduct further assessment of the shortlisted nominees through personal interview or any other means as the PEM Board may consider appropriate. The PEM Board shall rate them in accordance with a scoring system provided for this purpose.
- 3.6 Appointment of WESM Governance Committee Members and Chairpersons. The PEM Board shall appoint the members and the Chairpersons of the WESM Governance Committees from among the list of qualified nominees.
- 3.7 Declaration/Undertaking. No person shall commence or continue to assume office as a member of any of the Committees unless a duly accomplished form of undertaking (Appendix [B]) has been submitted.



- 3.8 Periodic evaluation of qualification and performance. The PEM Board shall require a regular assessment and report of the performance and qualifications of all members of the Committees consistent with Section 11.3 of this Guidelines.
- 3.9 Hold-Over Provision. Any member of a Committee whose appointment has expired shall continue to hold office, with all the rights and obligation attached to the position, until his/her replacement has been duly appointed.

Section 4. Qualifications, Disqualifications, and Criteria for WESM Governance Committee Members

- 4.1 Common Qualifications. In addition to the specific requirements provided under this Guidelines and pertinent laws and rules, each member of a WESM Governance Committee shall possess the following qualifications:
- (a) Must be a natural person;
 - (b) Must be of legal age;
 - (c) Must be of sound mind; and
 - (d) Must at least be a college graduate, and with at least ten (10) years of relevant experience in their field of expertise.
- 4.2 Disqualification. The following persons are disqualified from being appointed as a member of any of the WESM Governance Committees:
- (a) Those convicted by final judgment, local or overseas, for an offense involving moral turpitude or fraudulent act or transgression;
 - (b) Those convicted by final judgment to have intentionally violated, or willfully aided, abetted, counseled, caused or induced another to commit a violation of any of the Applicable Laws;
 - (c) Those judicially declared to be insolvent, whether local or overseas;
 - (d) Those convicted by final judgment, local or overseas, for an offense punishable by imprisonment for a period exceeding six (6) years and more;
 - (e) Those with permanent residence in a foreign country or those who have acquired the right to reside abroad and continue to avail of the same right after appointment in the Committee;
 - (f) Those removed from office, private or government, as a result of an administrative case; or
 - (g) Other grounds as may be duly determined by the PEM Board or pertinent rules and regulations.



4.3 Criteria for Independence. A person shall be deemed Independent if that person:

- (a) Is not a director, officer, employee, contractor, consultant, agent, adviser, legal counsel, manager, or shareholder of a WESM Member, the Market Operator or System Operator;
- (b) Is not a spouse or relative of a person within the fourth civil degree of consanguinity or affinity, of a director, officer, manager, or shareholder of a WESM Member, the Market Operator, or System Operator, or an official or employee of Philippine government, its agencies or instrumentalities;
- (c) Is not an officer, manager, director, shareholder, agent, employee, consultant, adviser, legal counsel, or contractor of, or is not a person that directly or indirectly through one or more intermediary controls, or is controlled by a company, affiliate, or any other entity related to or associated with a WESM Member, the Market Operator, or System Operator where:
 - (i) A related company or body is a parent, holding company, subsidiary or affiliate of the WESM Member, the Market Operator, or System Operator;
 - (ii) An associate is a person who is a director, officer, manager or shareholder of that related company or entity or a relative of such a person within the fourth civil degree of affinity or consanguinity; and
 - (iii) An affiliate is any person that, alone or together with any other person, directly or indirectly through one or more intermediaries controls or is controlled by, or is under the common control with another person; The term shareholder shall exclude a member of an electric cooperative who is not involved in its operation and management and an end-user required to subscribe to or purchase a share in a distribution utility as an incident to the provision of service by the same distribution utility, and provided that the interest of the end-user is not more than the minimum required to avail of the distribution utility's service;
- (d) Is not an official or employee of the Philippine government, or its agencies or instrumentalities, but this will not apply to members of the academe in public schools and universities; and
- (e) Has not been employed as an officer, whether in a supervisory or managerial capacity, by any electric power industry participant, or a company within one (1) year prior to their nomination date.

Section 5. PEM Audit Committee

5.1 Composition. The PEM Audit Committee shall consist of at least three (3) members, headed by the Chairperson, with qualifications as prescribed under

this Guidelines and pertinent rules. All members of the PEM Audit Committee shall be Independent as defined in this Manual.

5.2 Appointment. The PEM Board shall appoint the members and the Chairperson of the PEM Audit Committee.

The PEM Board shall endeavor to appoint persons with expertise necessary to ensure that combined expertise of the members of the PEM Audit Committee covers the areas of their concerned functions and responsibilities.

5.3 Qualifications. In addition to the qualification requirements under other provisions of this Guidelines and pertinent laws and rules:

(a) Members of the PEM Audit Committee must have sufficient relevant experience in one or more of the following fields:

- (i) Power industry;
- (ii) Economics;
- (iii) Risk management;
- (iv) Information technology and information systems; and/or
- (v) In such other fields as may be relevant to and required in the performance of the responsibilities of the PEM Audit Committee.

(b) Members of the PEM Audit Committee must be Independent of the Philippine electric power industry.

5.4 Responsibilities. The PEM Audit Committee shall:

(a) Be responsible for the conduct of audits of the procedures, persons, systems of the Market Operator and the Metering Services Providers, as they are relevant to the Spot Market or as may be deemed necessary by the PEM Audit Committee;

(b) Test and check any enhancements or updates in the market infrastructure including any new items or version of software provided by the Market Operator for use by WESM Members;

(c) Review any procedures and practices which are covered by the WESM Rules at the direction of the PEM Board;

(d) Recommend changes to the WESM Rules, Retail Rules and relevant Market Manuals where the PEM Audit Committee identified deficiencies as a consequence of an audit, review, test, check or other forms of review;

(e) Review the security arrangements and requirement of metering installations in consultation with the Market Operator and Metering Service Providers;



- (f) Publish in the Governance Arm Website the results of any audit findings and corresponding recommendations to address the same; and
- (g) Perform all other functions and duties referred to in the WESM Rules and in accordance with applicable laws and rules.

5.5 Term of Office

The term of office of each member of the PEM Audit Committee shall be for three (3) years; provided that the initial members of the PEM Audit Committee shall be appointed for the following terms: The Chairperson for three (3) years; one member for two (2) years and the other member for one (1) year. The members of the PEM Audit Committee may be eligible for reappointment but in no case shall a member serve for more than three (3) consecutive terms.

Service by a member for less than one year shall not be considered one term.

5.6 Conduct of Business, Voting and Procedures. The PEM Audit Committee may adopt its internal procedures in accordance with the purpose for which it is created and shall always be consistent with the EPIRA, the WESM Rules, and this Guidelines.

- (a) The presence of majority of all members shall constitute a quorum for the transaction of business.
- (b) The majority vote of all members is required to constitute a valid Committee decision. Thus, in case of the absence of a member, or a vacancy, no decision shall be valid except made by a unanimous vote of all members present.
- (c) In case of a vacancy, the remaining members shall continue to perform its functions and duties provided that there is a quorum.
- (d) In case of absence of the Chairperson for a particular meeting, any member may temporarily act as Chairperson.
- (e) In case of permanent vacancy in the position of the Chairperson, the members shall elect from among themselves an acting Chairperson so as not to interrupt its proceedings or operations, subject to subsequent reporting to and approval of the PEM Board. The Acting Chairperson herein appointed shall serve until a new one is appointed in accordance with this Guidelines.
- (f) In the event of a tie, the Chairperson of the Committee shall be entitled to a second or casting vote.

Section 6. Market Surveillance Committee

6.1 Composition. The Market Surveillance Committee shall consist of at least five (5) members.



6.2 Appointment. The PEM Board shall appoint the members and the Chairperson of the Market Surveillance Committee.

The PEM Board shall endeavor to appoint persons with expertise necessary to ensure that combined expertise of the members of the Market Surveillance Committee covers the areas of their concerned functions and responsibilities.

6.3 Qualifications. In addition to the qualification requirements under the other provisions of this Guidelines and pertinent laws and rules:

(a) A member of the Market Surveillance Committee must have sufficient relevant experience in one or more of the following areas:

- (i) Competitive wholesale electricity markets or financial or commodity markets;
- (ii) Philippine law and regulations pertaining to electricity;
- (iii) Competition laws and policies;
- (iv) Power system operations;
- (v) Economics; and/or
- (vi) In such other fields as may be relevant to and required in the performance of the responsibilities of the Market Surveillance Committee.

(b) Members of the Market Surveillance Committee must be Independent of the Philippine electric power industry and of the Government.

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:

(a) Monitor activities conducted by the WESM Members in the Spot Market.
(b) Prepare periodic reports which outline:

- (i) Activities of WESM Members in the Spot Market;
- (ii) Apparent or suspected incidents of anti-competitive behavior by any WESM Member; and
- (iii) Matters concerning the operation of the Spot Market generally, which reports, upon its completion, shall be submitted to the PEM Board, the DOE, and ERC, subject to Clause 5.3 of the WESM Rules.

(c) Assist the PEM Board or the Enforcement and Compliance Office to investigate and gather evidence of:

- (i) Unusual or suspicious behavior or activities of WESM Members in the Spot Market;
- (ii) Suspected or alleged breaches of the WESM Rules by WESM Members; and
- (iii) Suspected or alleged anti-competitive behavior.



- (d) From time to time, if the Market Surveillance Committee in its discretion deems necessary or appropriate, propose amendments to the WESM Rules with a view to:
 - (i) Improve the efficiency and the effectiveness of the operation of the WESM; and
 - (ii) Improve or enhance the prospects for the achievement of the WESM objectives.
- (e) Assist the Rules Change Committee in relation to its assessment of proposals to amend the WESM Rules relative to market behavior concerns.
- (f) Review any decision by the Market Operator to impose or relax constraints under Clauses 3.5.13.1 or 3.5.13.2 of the WESM Rules at the request of the Market Operator, the System Operator or any WESM Member.
- (g) Upon the occurrence of one or more of the events described in Clause 6.9.4.1 of the WESM Rules, investigate the circumstances of that event and prepare a report to assess:
 - (i) The adequacy of the relevant provisions of the WESM Rules in relation to the event or events which occurred;
 - (ii) The appropriateness of actions taken by the System Operator and the Market Operator in relation to the event or events which occurred;
 - (iii) The costs incurred by WESM Members as a consequence of responding to the event or events; and
 - (iv) Any finding of potential fault of any WESM Participant including a preliminary recommendation for further evaluation by the PEM Audit Committee.
- (h) Design and promulgate the penalty levels and the appropriate range of penalties, for breaches and non-compliance of WESM Rules, anti-competitive behavior, and abuse of market power.
- (i) 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.



6.5 Term of Office. The term of office of each member of the Market Surveillance Committee shall be for three (3) years: provided that the initial members of the Committee shall be appointed for the following terms: (i) the Chairperson for three (3) years; two members for two (2) years; and the remaining two members for one (1) year. The members of the Market Surveillance Committee may be eligible for reappointment but in no case shall a member serve for more than three (3) consecutive terms.

Service by a member for less than one year shall not be considered one term.

6.6 Conduct of Business, Voting and Procedure. The Market Surveillance Committee may adopt its own internal procedures in accordance with the purpose for which it is created and always consistent with the EPIRA, the WESM Rules, and this Guidelines.

- (a) The presence of majority of all members shall constitute a quorum for the transaction of business.
- (b) The vote of the majority of those present constituting a quorum shall be sufficient for a valid Committee decision.
- (c) In case of a vacancy, the remaining members shall continue to perform its functions and duties provided that there is a quorum.
- (d) In case of absence of the Chairperson for a particular meeting, a temporary Chairperson shall be elected by the majority of the members present constituting a quorum.
- (e) In case of permanent vacancy in the position of the Chairperson, the members shall elect from among themselves an acting Chairperson so as not to interrupt its proceedings or operation, subject to subsequent reporting to and approval of the Board. The Acting Chairperson herein appointed shall serve until a new one is appointed in accordance with this Guidelines.
- (f) In the event of a tie, the Chairperson of the Committee shall be entitled to a second or casting vote.



Section 7. Rules Change Committee.

7.1 Composition. The Rules Change Committee shall consist of 15 members:

- (a) One (1) member representing the Market Operator;
- (b) One (1) member representing the Transmission Sector;
- (c) Four (4) members representing the Distribution Utilities, two (2) of whom coming from the Electric Cooperatives, and the other two (2) from private utilities registered under the WESM Rules;
- (d) One (1) member representing the Supply Sector registered under the WESM Rules;
- (e) Four (4) members representing the Generation Sector registered under the WESM Rules; and
- (f) Four (4) Independent Members.

7.2 Appointment. The PEM Board appoints the members and the Chairperson of the Rules Change Committee.

The Chairperson of the Rules Change Committee shall be chosen from among the Independent Members of the Committee.

The PEM Board shall endeavor to appoint persons with expertise necessary to ensure that combined expertise of the members of the Rules Change Committee covers the areas of their concerned functions and responsibilities.

7.3 Qualifications. In addition to the qualification requirements under other provisions of this Guidelines and pertinent laws and rules:

- (a) A member of the Rules Change Committee must:
 - (i) have a level of technical or commercial knowledge and expertise in the operation of power systems and electricity markets;
 - (ii) not be a Director of the PEM Board;
 - (iii) be a director, officer or an employee of a registered WESM Member, in the Sector which such member represents, the Market Operator, or System Operator; and
 - (iv) not have any of the disqualifications under Section 4.2 of this Guidelines.
- (b) In no event shall a company, firm or business have more than one representative in the Rules Change Committee within the same Sector and neither shall a company, firm or business which is already represented in the Committee in one Sector be represented by an individual in any other Sector regardless of whether the company, firm or business has interests or is a member in more than one Sector.
- (c) The PEM Board shall from time to time appoint a Chairperson of the Rules Change Committee from among the Independent Members of the Committee.

7.4 Responsibilities. The Rules Change Committee, tasked to assist the PEM Board and the DOE in relation to the revision and amendment of the WESM Rules in accordance with Chapter 8 of the WESM Rules, and the formulation, revision and amendment of market manuals, procedures and guidelines, shall have the following specific duties and functions:

- (a) Assess whether the rule modification proposals are:
 - (i) Consistent with the WESM objectives;
 - (ii) Feasible;
 - (iii) Not unreasonably costly to implement;
 - (iv) A more appropriate or better means of achieving the criteria set out in paragraphs (i) to (iii) above, where the effect of the change to the WESM Rules will be to replace an existing rule; and
 - (v) Made in accordance with Chapter 8 of the WESM Rules.
- (b) Submit proposed rules change to the PEM Board for approval.
- (c) Develop and make available to WESM Members a periodic report required under the WESM Rules.
- (d) The Rules Change Committee members shall be responsible to give information or accordingly keep their respective Sectors properly updated on any or all matters involving rules change or WESM/Market concerns.
- (e) The Rules Change Committee shall perform all other functions and duties referred to in the WESM Rules and in accordance with applicable laws and rules.



7.5 Term of Office. The term of office of the members of the Rules Change Committee shall be for three (3) years. The members of the Rules Change Committee may be eligible for reappointment but in no case shall a member serve more than three (3) consecutive terms.

Service by a member for less than one year shall not be considered one term.

7.6 Vacancy

In addition to the requirements in Section 3.1.2 in filling up the vacancy, the PEM Board shall appoint a person belonging to the same Sector or membership category under Section 7.1, following the nomination and selection process as provided under this Guidelines.

7.7 Conduct of Business, Voting and Procedure. The Rules Change Committee may adopt its own internal procedures in accordance with the purpose for which it is created and always consistent with the EPIRA, the WESM Rules, and this Guidelines.

- (a) The presence of majority of all members shall constitute a quorum for the transaction of business.
- (b) The vote of the majority of those present constituting a quorum shall be sufficient for a valid Committee decision.
- (c) In case of a vacancy, the remaining members shall continue to perform its functions and duties provided that there is a quorum.
- (d) In case of absence of the Chairperson for a particular meeting, a temporary Chairperson shall be elected by the majority of the members present constituting a quorum.
- (e) In case of permanent vacancy in the position of the Chairperson, the members shall elect from among themselves an acting Chairperson so as not to interrupt its proceedings or operation, subject to subsequent reporting to and approval of the Board. The Acting Chairperson herein appointed shall serve until a new one is appointed in accordance with this Guidelines.
- (f) In the event of a tie, the Chairperson of the Committee shall be entitled to a second or casting vote.
- (g) Rules Change Committee Members cannot vote by proxy at Rules Change Committee meetings.

7.8 Additional Ground for Termination. In addition to grounds for termination of services and/or disqualification set forth under other provisions of this Guidelines, and pertinent laws and rules, the PEM Board may remove a member of the Rules Change Committee at any time if the person ceases to represent the Sector to which he has been appointed.



7.9 Nomination

- (a) All nominees to the Rules Change Committee shall be submitted to the PEM Board by the respective Sector which is intended to be represented therein.
- (b) If a person is nominated in more than one Sector, the PEM Board shall have the discretion to require additional documentary evidence or other requirements to ensure that such nominee represents the best interest of the Sectors, and decide which Sector the nominee is most qualified for.

Section 8. Technical Committee

8.1 Composition. The Technical Committee shall consist of seven (7) members:

- (a) Three (3) Independent Members;
- (b) One (1) member representing the System Operator;
- (c) One (1) member representing the Market Operator;
- (d) One (1) member representing the Generation Sector registered under the WESM Rules; and
- (e) One (1) member representing the Distribution Sector registered under the WESM Rules.

The Chairperson of the Technical Committee shall be an Independent Member.

8.2 Appointment. The PEM Board shall appoint the members and the Chairperson of the Technical Committee.

The PEM Board shall endeavor to appoint persons with expertise necessary to ensure that combined expertise of the members of the Technical Committee covers the areas of their concerned functions and responsibilities.

The Chairperson of the Technical Committee shall be chosen from among the Independent Members of the Committee.

8.3 Qualifications. In addition to the qualification requirements under Section 4.3 of this Guidelines and pertinent laws and rules, the Independent Members of the Technical Committee shall have sufficient relevant experience in one or more of the following fields:

- (a) Electrical Engineering, with expertise in the power industry;
- (b) Information Technology;
- (c) Economics; or
- (d) Such other fields as may be relevant to and required in the performance of the responsibilities of the Technical Committee.

8.4 Responsibilities. The Technical Committee, tasked to monitor and review technical matters under and in relation to the WESM Rules, the Grid Code and Distribution Code, shall have the following specific duties and functions:



- (a) Monitor technical matters relating to the operation of the Spot Market;
- (b) Provide a report on any matter of a technical nature relating to any WESM Member which in the reasonable opinion of the Technical Committee, causes:
 - (i) That WESM Member to be unable to comply with the WESM Rules; or
 - (ii) Unintended or distortionary effects to the operation of the WESM;
- (c) Assist the PEM Board by providing expertise in relation to:
 - (i) Information technology;
 - (ii) Metering technology and metering data; and
 - (iii) Any other matter of a technical nature relating to the Spot Market;
- (d) Propose amendments to the WESM Rules in relation to technical matters, with a view to:
 - (i) Improve the efficiency and the effectiveness of the operation of the Spot Market; and
 - (ii) Improve or enhance the prospects for the achievement of the WESM objectives;
- (e) Assist the Rules Change Committee in relation to its assessment of proposals of a technical nature to amend the WESM Rules; and
- (f) Perform all other functions and duties referred to in the WESM Rules and in accordance with applicable laws and rules.

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8.5 Term of Office. The term of office of each member of the Technical Committee shall be for three (3) years. The members of the Technical Committee may be eligible for reappointment but in no case shall a member serve for more than three (3) consecutive terms.

Service by a member for less than one year shall not be considered one term.

8.6 Conduct of Business, Voting and Procedures.

- (a) The presence of majority of all members shall constitute a quorum for the transaction of business.
- (b) The majority of those present constituting a quorum shall be sufficient for a valid Committee decision.
- (c) In case of a vacancy, the remaining members shall continue to perform its functions and duties provided that there is a quorum.
- (d) In case of absence of the Chairperson for a particular meeting, a temporary Chairperson shall be elected by the majority of the members present constituting a quorum.

- (e) In case of permanent vacancy in the position of the Chairperson, the members shall elect from among themselves an acting Chairperson so as not to interrupt its proceedings or operation, subject to subsequent reporting to and approval of the Board. The Acting Chairperson herein appointed shall serve until a new one is appointed in accordance with this Guidelines.

Section 9. Dispute Resolution Administrator

9.1 Appointment. The PEM Board shall appoint a person to act as the Dispute Resolution Administrator.

9.2 Qualifications. In addition to the qualification requirements under other provisions of this Guidelines, the Dispute Resolution Manual and pertinent laws and rules, the Dispute Resolution Administrator must:

- (a) Have a detailed understanding and experience of alternative dispute resolution practice and procedures which do not involve litigation;
- (b) Have the capacity to determine the most appropriate alternative dispute resolution procedures in particular circumstances;
- (c) Have an understanding of the electricity industry;
- (d) Have knowledge and sufficient relevant experience in one or more of the following fields:

- (i) Operations of wholesale electricity markets;
- (ii) Economics;
- (iii) Energy or money market trading or any other commodity market trading;
- (iv) Power system operations;
- (v) Philippine law and regulations pertaining to electricity; and/or
- (vi) In such other fields as may be relevant to and required in the performance of the responsibilities of the Dispute Resolution Group; and

- (e) Be Independent from the Philippine electric power industry, as defined in the WESM Rules and this Guidelines.

9.3 Responsibilities. The Dispute Resolution Administrator is tasked to facilitate the amicable resolution of disputes between parties in accordance with the WESM dispute resolution process and, in addition to the responsibilities under applicable rules, shall have the following specific duties and functions:

- (a) To facilitate the mediation and arbitration of disputes between or among the parties as described and identified under WESM Rules Clause 7.3.1 and appropriate Market Manual.
- (b) To facilitate the mediation and arbitration of disputes arising from or in connection with or in relation to one or more of the following:



- i) The application or interpretation of the WESM Rules, including its Market Manuals;
- ii) A dispute under or in relation to a contract between two or more persons or entities referred to above where that contract provides that the dispute resolution procedures under the WESM Rules are to apply to any dispute under or in relation to that contract with respect to the application of the WESM Rules;
- iii) A dispute under or in relation to other rules and regulations issued by the DOE and ERC under the Act, where such rules and regulations provide that the dispute resolution procedures under the WESM Rules are to apply to any dispute under or in relation to those rules and regulations;
- iv) The failure of an entity or entities to act or behave in a manner consistent with the WESM Rules; or
- v) The failure to settle a payment obligation under the WESM Rules.

9.4 Term of Office

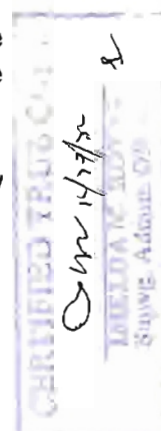
The Dispute Resolution Administrator shall be appointed for a fixed term of five (5) years and shall be eligible for re-appointment for one additional fixed term.

Service by the Dispute Resolution Administrator for less than one year shall not be considered one term.

- 9.5 Conduct of Business and Procedure. The Dispute Resolution Administrator shall be guided by the Dispute Management Protocol specified in the Dispute Resolution Manual. The Dispute Resolution Administrator may adopt his/her own internal procedures in accordance with the purpose for which it is created and always consistent with the EPIRA, the WESM Rules and this Guidelines.

Section 10. Compliance Committee

- 10.1 Composition. The Compliance Committee shall consist of three (3) members. The members of the Compliance Committee shall all be Independent. At least one (1) member of the Committee shall be a lawyer.
- 10.2 Appointment. The PEM Board shall appoint the members and the Chairperson of the Compliance Committee. The PEM Board shall endeavor to appoint persons with the expertise necessary to ensure that the expertise of the Compliance Committee covers its functions and responsibilities.
- 10.3 Qualifications. In addition to the qualification requirements under other provisions of this Guidelines, pertinent laws and rules, a member of the Compliance Committee must have sufficient relevant experience in one or more of the following fields:
- (a) Competitive wholesale electricity markets or financial or commodity markets;
 - (b) Philippine laws and regulations pertaining to electricity;



- (c) Competition laws and policies;
- (d) Power system operations;
- (e) Economics; and/or
- (f) Such other fields as may be relevant for the Compliance Committee to perform its tasks.

10.4 Responsibilities. The Compliance Committee shall from time to time, as necessary, and as appropriate, or whenever the PEM Board directs:

- (a) Review reports of investigation of breaches of the WESM Rules and Market Manuals carried out by the Enforcement and Compliance Office and, based on the results of such investigation, decide on the outcomes of the investigation and recommend imposition of sanctions or penalties, if warranted;
- (b) Review and monitor the compliance of Enforcement and Compliance Office with the reportorial requirements pursuant to the WESM Rules, Market Manuals, and other applicable laws, rules, regulations, or issuances;
- (c) Review and monitor the compliance by the Market Operator and the System Operator with their obligations pursuant to the WESM Rules and Market Manuals, or any coordinating or operating agreements, or protocols which may be established governing the performance of their functions and obligations under the WESM Rules and Market Manuals;
- (d) Propose amendments to the WESM Rules or Market Manuals in accordance with Chapter 8 with a view to: (i) improve the efficiency and the effectiveness of the operation of the WESM; and (ii) improve or enhance the prospects for the achievement of the WESM objectives;
- (e) Assist the Rules Change Committee in relation to its assessment of proposals to amend the WESM Rules or Market Manuals under Chapter 8 of the WESM Rules: and
- (f) Perform such other functions as may be required by relevant Market Manuals.



10.5 Term of Office. The term of office of each member of the Compliance Committee shall be for three (3) years. The members of the Compliance Committee may be eligible for reappointment but in no case shall a member serve for more than three (3) consecutive terms.

Service by a member for less than one year shall not be considered one term.

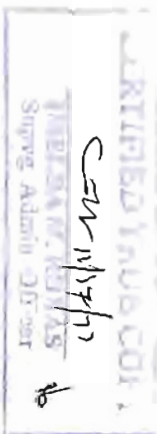
10.6 Conduct of Business, Voting and Procedure. The Compliance Committee may adopt its own internal procedures in accordance with the purpose for which it is created and always consistent with the EPIRA, the WESM Rules, and this Guidelines.

- (a) The presence of majority of all members shall constitute a quorum for the transaction of business.
- (b) The vote of the majority of those present constituting a quorum shall be sufficient for a valid Committee decision.
- (c) In case of a vacancy, the remaining members shall continue to perform its functions and duties, provided that there is a quorum; provided that the lack of a lawyer among the remaining members shall not affect the existence of a quorum for the purpose of allowing the Committee to continue to function in the interim; provided further that, the vacancy shall be filled within the timeline prescribed in this Manual.
- (d) In case of absence of the Chairperson for a particular meeting, a temporary Chairperson shall be elected by the majority of the members present constituting a quorum.
- (e) In case of permanent vacancy in the position of the Chairperson, the members shall elect from among themselves an acting Chairperson so as not to interrupt its proceedings or operation, subject to subsequent reporting to and approval of the Board. The Acting Chairperson herein appointed shall serve until a new one is appointed in accordance with this Guidelines.
- (f) In the event of a tie, the Chairperson of the Committee shall be entitled to a second or casting vote.

Section 11. Standards of Conduct for Members of the Committees

11.1 To enable the WESM Governance Committees to discharge their collective responsibilities under the WESM Rules, all members shall:

- (a) Maintain independence and objectivity;
- (b) Conduct themselves honestly, fairly, ethically and with integrity;
- (c) Contribute views based on their unique skills and experience;
- (d) Bring to the attention of the PEM Board the perspective of the Sector (if any) that they represent, while continuing to act in the best interest of the WESM;
- (e) Comply and act consistently with the statutory and contractual obligations of PEMC;
- (f) Perform in a fair and non-discriminatory manner, all functions and duties specifically delegated to him under the WESM Rules, any Market Manuals or by the PEM Board;



- (g) Avoid actual or potential conflicts of interest by refraining from participating in any activity that could:
 - (i) Promote activities in conflict with, or otherwise damaging to, the objectives of the WESM;
 - (ii) Utilize WESM resources, property or know-how, in any outside venture;
 - (iii) Take advantage of their position as member of a WESM Governance Committee in the conduct of an outside business; and
 - (iv) Conduct business transactions with PEMC or the Market Operator in a manner which might be considered against the best interests of WESM.
 - (h) Promptly declare to the PEM Board or to the appropriate Committee to which they belong, any conflicts of interest, potential or actual, and abstain from discussion and voting on any related matter.
 - (i) Report to the PEM Board any suspected illegal or unethical behavior of a WESM Member; and
 - (j) Keep all confidential information, including proprietary and market sensitive information, confidential and not to use such information for personal gain or benefit.
- 11.2 A breach of any of the foregoing standards of conduct shall be a ground for disqualification under Section 4.2 of this Guidelines.
- 11.3 Performance Evaluation. The PEM Board, shall regularly evaluate the performance of the WESM Governance Committees in accordance with a standard duly set for this purpose.
- 11.4 Committee Honoraria. The PEM Board has the authority to formulate company policy and guidelines for the grant of privileges, per diems and other benefits for the WESM Governance Committee members and subject to the availability of funds.

Section 12. Limitations of Liabilities and Indemnification

- 12.1 The Committees and their members shall not be liable for any loss or damage suffered or incurred by a WESM Member or any other person as a consequence of any act or omission of those persons in the performance of their functions unless the Committee or its members, as the case may be, acted with malice, manifest partiality, bad faith, gross incompetence or gross negligence.
- 12.2 Except for liability arising out of conduct involving malice, manifest partiality, bad faith, gross incompetence or gross negligence, if any of the Committees or the members thereof is made liable to pay any amount for loss or damage suffered or incurred by any person or entity as a consequence of any of its acts or omissions in the performance of its duties, PEMC shall indemnify said



persons through an indemnification process to be developed by the PEM Board.

Section 13. Amendments

Any amendments to this Manual on Guidelines Governing the Constitution of the WESM Governance Committees shall be approved by the DOE, following the procedures for changes to Market Manual set out in the WESM Rules and in the relevant Market Manual.

Section 14. Publication and Effectivity

This Market Manual, as it may be amended from time to time, shall be published in the Governance Arm Website.

This Market Manual or any amendments thereto shall become effective upon promulgation by the DOE of the relevant Circular adopting the amendments.

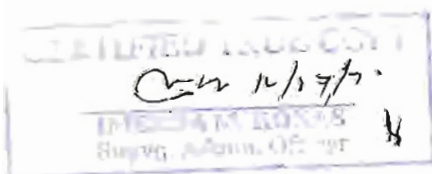
Section 2. Separability Clause. If for any reason, any section or provision of this Circular is declared unconstitutional or invalid, such parts not affected shall remain valid and subsisting.

Section 3. Repealing Clause. Except insofar as may be manifestly inconsistent herewith, nothing in this Circular shall be construed as to repeal any mechanisms already existing or responsibilities already provided for under existing rules.

Section 4. Effectivity. This Circular shall take fifteen (15) days following its complete publication in at least two (2) newspapers of general circulation and shall remain in effect until otherwise revoked. Copies thereof shall be filed with the University of the Philippines Law Center – Office of National Administrative Register (UPLC-ONAR).

Issued this 21 December 2022 at the DOE, Energy Center, Rizal Drive, Bonifacio Global City, Taguig City, Metro Manila.


RAPHAEL P. M. LOTILLA
Secretary



TRAININGS AND SEMINARS *(Please use an additional sheet if necessary)*

TITLE OF TRAININGS AND SEMINARS ATTENDED	INCLUSIVE DATES	NO. OF HOURS (Days)	CONDUCTED/SPONSORED BY

Please explain briefly why the nominee is an ideal candidate for membership in the PEMC Board of Directors.

(Check appropriate boxes)

a. Is the nominee an employee of, or in any way connected to, the Government?	<input type="checkbox"/> YES <input type="checkbox"/> NO if YES, give details _____
b. Is the nominee an employee, contractor, agent, manager, director, or shareholder of a Philippine electric power industry participant?	<input type="checkbox"/> YES <input type="checkbox"/> NO if YES, give details _____
c. Is the nominee a relative, within the fourth civil degree of consanguinity or affinity, of an employee, contractor, agent, manager, director, or shareholder of a Philippine electric power industry participant?	<input type="checkbox"/> YES <input type="checkbox"/> NO if YES, give details _____
d. Is the nominee an employee, contractor, agent, manager, director, or shareholder of a company, affiliate or any other entity related to or associated with a Philippine electric power industry participant, where: A related company or body, is a parent or holding company of the Philippine electric power industry participant, a subsidiary or affiliate of the Philippine electric power industry participant or a subsidiary of a holding company of the Philippine electric power industry participant? An associate is a person who is a director, manager or shareholder of that related company or entity or a relative of such a person?	<input type="checkbox"/> YES <input type="checkbox"/> NO if YES, give details _____ <input type="checkbox"/> YES <input type="checkbox"/> NO if YES, give details _____
e. Has the nominee ever been employed by a Philippine electric power industry participant, or a company or body related to or associated with a Philippine electric power industry participant within one year prior to the nomination date?	<input type="checkbox"/> YES <input type="checkbox"/> NO if YES, give details _____
f. Has the nominee ever been convicted by final judgment of an offense involving moral turpitude or fraudulent act or transgression?	<input type="checkbox"/> YES <input type="checkbox"/> NO if YES, give details _____
g. Has the nominee ever been found with finality by a court of competent jurisdiction or a quasi-judicial body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any Applicable Laws?	<input type="checkbox"/> YES <input type="checkbox"/> NO if YES, give details _____
h. Has the nominee ever been judicially declared to be insolvent?	<input type="checkbox"/> YES <input type="checkbox"/> NO if YES, give details _____
i. Has the nominee ever been found guilty by final judgment by a foreign court or equivalent regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in Items (f), (g) and (h) above?	<input type="checkbox"/> YES <input type="checkbox"/> NO if YES, give details _____
j. Has the nominee ever been convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years?	<input type="checkbox"/> YES <input type="checkbox"/> NO if YES, give details _____

(For purposes of this nomination, an electric power industry participant refers to any person or entity engaged in the generation, transmission, distribution or supply of electricity)

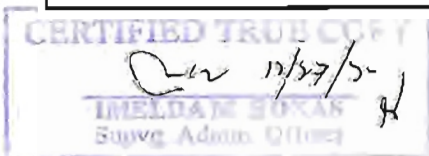
I certify that I have read and understood all the questions set forth in this nomination and the answers I have furnished on this form are true and correct to the best of my knowledge and belief. I understand that the Philippine Electricity Market Corporation has to verify/validate the information stated herein. I trust that this information shall remain confidential and I have read the PEMC's Data Privacy Statement and express my consent to collect, use, disclose, share, process and record my personal data as part of my information submitted and filed with PEMC.

NOMINEE'S SIGNATURE :

DATE :

INSERT SCANNED COPY OF VALID GOVERNMENT ID CLEARLY SHOWING SIGNATURE

SIGNATURE OF AUTHORIZED REPRESENTATIVE OF NOMINATING ENTITY



APPENDIX B – COMMITTEE MEMBER'S UNDERTAKING

REPUBLIC OF THE PHILIPPINES)

COMMITTEE MEMBER'S UNDERTAKING

In accepting my role as a member of the *(Please indicate WESM Governance Committee)* of the Philippine Electricity Market Corporation ("PEMC"), I, the undersigned, of legal age, after being duly sworn in accordance with law hereby state and undertake that:

1. I agree to serve the PEMC, and shall perform to the best of my ability the duties and functions as member of the Committee, actively promote the WESM objectives of market efficiency, transparency and competition, and safeguard with full trust and confidence any lawful and reasonable directions of the PEM Board.
2. At all times, I shall faithfully comply with all laws, rules or codes of conduct such as, but not limited to, the WESM Rules, the By-Laws of PEMC, WESM Manuals, and the Code of Corporate Governance, as may be amended from time to time and required by any government authority in relation to the business of PEMC or which PEMC shall reasonably determine are necessary for the proper functioning of its business.
3. During my tenure as Committee member, I will not (a) make use of, for personal gain, or (b) divulge to any unauthorized person or entity, any of the confidential information relating to the business of PEMC and its Committees except where such disclosure is required by law or by the proper governmental authority or is allowed in writing by PEMC.
4. I shall endeavor to maintain an excellent record of attendance and shall actively participate in all Committee meetings.
5. I further attest that I understand and possess all of the qualifications and none of the disqualifications of a Committee Member and, in the event, that I cease to possess the qualifications and/or have acquired any of the disqualifications, or at any time, come into any enterprise, activity or transaction that may be in conflict with my Committee membership, I shall be obliged to immediately inform the PEM Board of such circumstance. That such circumstance shall be grounds for termination of my membership to the Committee.
6. I agree not to be employed or accept employment with any electric power industry participant, or a company or body related to or associated with a WESM Member as defined under the pertinent provisions of WESM Rules and Market Manual, within one (1) year after ceasing to be a member of the Committee.

Executed this _____ day of _____ at _____.

(Signature of Affiant)

Name :
Nationality :
Address :

SUBSCRIBED AND SWORN TO before me this _____ day of _____ at _____,
affiant exhibiting to me _____ issued on _____ at _____.

Guidelines Governing the Constitution of the WESM Governance Committees

