

ANNEX A

Proposed Amendments to Provisions Related to Audit and Performance Monitoring Under the WESM Rules

WESM Rules

Title	Section	Provision	Proposed Amendment	Rationale	Stakeholder Comments/Revision	Stakeholder Rationale
Formation of Committees	1.4.6	<p>The <i>PEM Board</i> shall form working groups and appoint qualified personnel who shall act as the following:</p> <p>(a) The <i>PEM Auditor</i> to conduct audits of the operation of the <i>spot market</i> and of the <i>Market Operator</i> in accordance with clause 1.5;</p> <p>(b) A Market Surveillance Committee to monitor and report on activities in the spot market in accordance with clause 1.6;</p> <p>(c) A Technical Committee to monitor and review technical matters under and in relation to the WESM Rules, the Grid Code and Distribution Code in accordance with clause 1.7;</p> <p>(d) A Rules Change Committee to assist the PEM Board and the DOE in relation to the</p>	<p>xxx</p> <p>(a) The <u>PEM Audit Committee</u> Auditor <u>is responsible for the conduct of audits, by independent auditors,</u> of the operation of the spot market, and of the Market Operator, <u>and Metering Service Providers</u> in accordance with Clause 1.5 <u>1.5.2</u>;</p> <p>(b) to (e) xxx</p>	<p>The proposed changes intend to:</p> <p>a. Fine tune the responsibilities of the PEM Audit Committee to oversight functions, while maintaining its responsibility in the conduct of timely, fair and independent market audits.</p> <p>b. Require the conduct of audit of Metering Service Providers (MSPs) in relation to their compliance with their responsibilities under the WESM Rules. Such audits/reviews are consistent with the power and duty of the PEM Board under WESM Rules Clause 1.4.5.2.</p> <p>Pricing and settlement outputs in the WESM are reliant on the integrity and accuracy of data being provided by the SO and MSPs.</p>		

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		<p>revision and amendment of the WESM Rules in accordance with chapter 8, and the formulation, revision and amendment of market manuals, procedures and guidelines; and</p> <p>(e) A Dispute Resolution Administrator to facilitate the resolution of the dispute between and among the parties within a specified period of time in accordance with the dispute resolution process under clause 7.3.</p>		The correct provision to be referenced is Clause 1.5.2 instead of Clause 1.5 which enumerates the responsibilities of the Auditor.		
THE PHILIPPINE S ELECTRICIT Y MARKET AUDITOR	1.5	THE PHILIPPINES ELECTRICITY MARKET AUDITOR	<p>THE PHILIPPINES ELECTRICITY MARKET AUDITOR</p> <p><u>THE PEM AUDIT COMMITTEE</u></p>	Global change adopting PEM Audit Committee		
Appointment of the PEM Auditor	1.5.1	<p>Appointment of the PEM Auditor</p> <p>1.5.1.1 The PEM Board shall appoint a PEM Auditor with such skills and expertise, and on such</p>	<p><u>1.5.1 Appointment of the PEM Auditor to the PEM Audit Committee</u></p>	<p>Global change adopting PEM Audit Committee</p> <p>Consistent with the proposal to replace PEM Auditor with the</p>	Suggest to clarify the exact numbers	

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		<p>terms and conditions, as the PEM Board reasonably deems to be appropriate, taking into consideration the nature of the obligations and functions of the PEM Auditor, as set out in clause 1.5.2 and clause 5.2.6.</p> <p>1.5.1.2 The PEM Auditor shall not currently or has not been employed within one year prior to the nomination date by any Philippine electric power industry participants.</p> <p>1.5.1.3 The PEM Auditor must have sufficient relevant experience in one or more of the following fields: (a) Power industry; (b) Economics;</p>	<p>1.5.1.1 The PEM Board shall appoint <u>persons to form a PEM Audit Committee</u> a PEM Auditor <u>in such number and</u> with such skills and expertise, and on such terms and conditions, as the PEM Board reasonably deems to be appropriate, taking into consideration the nature of the obligations and functions of the PEM Auditor, <u>PEM Audit Committee</u> as set out in <u>C</u>elause 1.5.2 and <u>C</u>elause 5.2.6.</p> <p>1.5.1.2 <u>A member of the</u> The PEM Auditor <u>Audit Committee</u> shall not currently or has not been employed within one year prior to the nomination date by any Philippine electric power industry participants.</p>	<p>PEM Audit Committee, provisions under 1.5.1 were accordingly changed.</p>		

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		(c) Risk management; (d) Information technology and information systems; and/or (e) In such other fields as may be relevant to and required in the performance of audits.	1.5.1.3 The members of the <u>PEM Audit Committee</u> PEM Auditor must have sufficient relevant experience in one or more of the following fields: (a) Power industry; (b) Economics; (c) Risk management; (d) Information technology and information systems; and/or (e) In such other fields as may be relevant to and required in the performance of audits.			
Responsibilities of the Auditor	1.5.2	Responsibilities of the Auditor The <i>PEM Auditor</i> shall: (a) Conduct annual audits of the Market Operator and the settlement system and any other procedures, persons, systems or other matters relevant to the spot market,	Responsibilities of the <u>PEM Audit Committee</u> Auditor The <i>PEM Auditor</i> <u>Audit Committee</u> shall: (a) <u>Be responsible for the</u> Conduct of annual <u>periodic</u> audits of the Market Operator and the settlement system and	Consistent with the proposed amendments in Clause 1.4.6. The word “annual” was deleted as the frequency or period of the audit is already specified in Sections 4.5.5.4 and 5.2.6.1. In these sections, the frequency of		

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			any other procedures, persons, <u>and</u> systems or other matters <u>of the Market Operator, and the Metering Services Providers as they are</u> relevant to the spot market;	the audit is periodically or as often as necessary.		
	(b)	(c) Recommend changes to the WESM Rules where the <i>PEM</i> Auditor detects deficiencies as a consequence of an audit, review, test, check or other form of review; and	(c) Recommend changes to the WESM Rules <u>and relevant Market Manuals</u> where the PEM Auditor deficiencies <u>have been identified</u> as a consequence of an audit, review, test, check or other form of review; and	For clarity, WESM Manuals were added as possible areas where the PAC may propose rules changes to.		
	(d)	(e) Publish on the market information website the results of any findings and recommendations under this clause 1.5.1.	(d) Publish on <u>in</u> the market information website the results of any findings <u>or</u> and recommendations under this C <u>l</u> <u>a</u> <u>s</u> <u>e</u> <u>1.5.1.5.2.6.</u>	Appropriate provision to be cited is Clause 5.2.6 Market Audits and not Clause 1.5.1 which refers to the Appointment to the PEM Audit Committee. Clerical edits		

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Title	Section	Provision	Proposed Amendment	Rationale	Stakeholder Comments/Revision	Stakeholder Rationale
Review of the WESM Rules	1.5.3	The <i>PEM Auditor</i> may appoint a qualified team of auditors to carry out a review of the scheduling and central dispatch process under the WESM Rules.	The <i>PEM Auditor</i> <u>Audit Committee</u> may appoint a qualified team of auditors to carry out the review of the scheduling and central dispatch process under the WESM Rules.	Global change adopting PEM Audit Committee		
Security of Metering Equipment	4.5.5.4	The <i>PEM Auditor</i> , in consultation with the <i>Market Operator</i> and <i>Metering Services Providers</i> , shall review the security arrangements and requirement of <i>metering installations</i> annually.	The <i>PEM Auditor</i> <u>Audit Committee</u> , in consultation with the <i>Market Operator</i> and <i>Metering Services Providers</i> , shall review the security arrangements, and <u>the compliance of metering installations with the requirements of metering installations annually the WESM Rules, its applicable Market Manuals and other relevant laws and issuances. The said review shall be conducted periodically or as often as necessary.</u>	Global change adopting PEM Audit Committee The proposed addition to also review the compliance of the MSPs to the metering installation requirements as stated in the WESM Rules, applicable market manuals and other relevant laws and issuances will serve as reference for the said review. In order for the PAC to audit the MSP upon request or direction of the DOE, ERC or PEM Board, the phrase “or as often as necessary” is proposed to be inserted.		

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Title	Section	Provision	Proposed Amendment	Rationale	Stakeholder Comments/Revision	Stakeholder Rationale
Market Audit	5.2.6	5.2.6 Market Audit	5.2.6 Market Audit Audits	To classify audit of the Metering Services Provider as market audits, aside from the audits conducted on the Market Operator. Note that these parties are providing services and information to the WESM and Trading Participants.		
Market Audit	5.2.6.1	The PEM Auditor shall arrange for a spot market audit to be performed once each quarter, or such other period as determined by the PEM Auditor.	The PEM Auditor <u>Audit Committee</u> shall arrange for a <u>the audit of the Market Operator and the Metering Services Providers, pursuant to Clause 1.5.2</u> spot market audit to be performed once each quarter <u>periodically</u> , or such other periods as determined by the PEM Auditor <u>Audit Committee</u> .	Global change adopting PEM Audit Committee The review of the spot market once every quarter is not feasible given the time required for the selection of the Independent Auditors that shall be tapped to undertake the audit and the audit proper itself. The audit conducted “periodically” will ensure that reviews will be regularly undertaken and that auditees have sufficient time to rectify findings.		
Market Audit	5.2.6.2	The <i>spot market</i> audit shall cover and review compliance by the <i>Market Operator</i> with its procedures and the effectiveness	The <i>spot market</i> audit shall cover and review compliance by the <i>Market Operator</i> with <u>the WESM Rules, its Market</u>	The first paragraph was rephrased to indicate that the compliance of the Market Operator to the WESM Rules and		

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WESM Rules						
Title	Section	Provision	Proposed Amendment	Rationale	Stakeholder Comments/Revision	Stakeholder Rationale
		<p>and appropriateness of systems utilized in the operation of the <i>spot market</i>, including but not limited to:</p> <p>(a) Valid audit certificates for the current revisions of all numeric software;</p> <p>(b) The calculations and allocations performed by the <i>metering</i> and <i>settlements</i> systems;</p> <p>(c) Billing and information systems;</p>	<p><u>Manuals, and</u> its procedures and <u>assess the</u> effectiveness and appropriateness of <u>the</u> systems utilized in the operation of the spot market. <u>The scope of the audit shall, including include, but shall not be not limited to a review of:</u></p> <p>(a) Valid audit certificates for the current revisions of all numeric software <u>All new market-related software and modifications to the existing software implemented by the Market Operator for electricity markets;</u></p> <p>(b) xxx;</p> <p>(c) xxx;</p>	<p>Manuals as well as the effectiveness and appropriateness of the systems utilized by the MO are being reviewed in the spot market audit.</p> <p>“Valid audit certificates” was omitted because it is not the one that should be reviewed; it is the software. Audit certificate is the one being issued after the software has been reviewed.</p> <p>The proposed changes intend to identify the scope of the market audit of the MO. The proposed revisions will not just cover the review of all numeric software but also all newly deployed market-related software. This is also the intent of the current provision as stated in the last paragraph.</p>		

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WESM Rules						
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		<p>(d) The scheduling and <i>dispatch</i> processes;</p> <p>(e) The processes for software management including the Information and Communications Technology Change Management Process or “ICMP” instituted by the <i>Market Operator</i> subject to the conduct of regular audits as may be determined under the <i>WESM Rules</i>;</p> <p>(f) The <i>Market Operator’s</i> compliance with the <i>WESM Rules</i>.</p> <p>The said market audit shall also cover all new software and modifications to the existing</p>	<p>(d) xxx;</p> <p>(e) The processes for software management including the Information and Communications Technology Change Management Process or “ICMP” instituted by the <i>Market Operator</i>, in accordance to Clause 5.2.6.2 (a) <u>and PEM Audit Market Manual</u> subject to the conduct of regular audits as may be determined under the <i>WESM Rules</i>; <u>and</u></p> <p>(f) The <i>Market Operator’s</i> compliance with the <i>WESM Rules</i>, <u>Market Manuals and other relevant laws and issuances.</u></p>			

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		software implemented through the ICMP.	The said market audit shall also cover all new software and modifications to the existing software implemented through the ICMP			
		New provision	<u>5.2.6.3 The market audit of the Metering Service Providers shall cover the review of their compliance with their responsibilities under the WESM Rules, applicable provisions under the Grid Code and other relevant rules and regulation, including the effectiveness and appropriateness of systems utilized that are relevant in the operation of the spot market.</u>	This new section specifically provides the audit coverage for the MSP. The systems, persons and procedures to be audited shall cover only those that are relevant to the spot market.		
Market Audit	5.2.6.3	The PEM Auditor may engage, subject to the PEM Board approval, the services of a qualified third party Auditor as outlined in clause 1.5.2 and	5.2.6.3 <u>Audit Committee</u> The PEM Auditor may engage, subject to the PEM Board approval, the services of a qualified third party	Renumbering The approval by the PEM Audit Committee and PEM Board of the engagement of Independent		

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		clause 5.2.6.2. The selection of third party Auditors shall be approved by the PEM Board.	Clause 1.5.2 and Clause 5.2.6.2 for the various audits it shall supervise. The selection of third party an Auditor shall be approved by the PEM Board. Independent Auditor as outlined in Clause 1.5.2 and Clause 5.2.6.2 for the various audits it shall supervise.	Auditors is proposed to be deleted since the current provisions of PEMC's Manual of Approval already provides the level of approving authorities for the procurement of services inclusive of the engagement of Independent Auditors.		
Market Audit	5.2.6.4	The PEM Auditor shall prepare a report on the results of the spot market audit. The said report shall be made available to the DOE, the ERC, the PEM Board and WESM members.	5.2.6.4.5 The PEM Auditor Audit Committee shall prepare a report on the results of the spot market audits conducted. The said report shall be made available to the parties audited , DOE, the ERC, the PEM Board and WESM members.	Global change adopting PEM Audit Committee To clarify that reports shall be prepared for all audits conducted as supervised by the PEM Audit Committee and such reports shall be provided to the parties audited as well.		
Intervention Report		6.9.4.1 Upon the concurrence of one or more of the following events: (a) xxx; (b) xxx; (c) xxx; or	6.9.4.1 Upon the concurrence of one or more of the following events (a) xxx; (b) xxx;	Global change adopting PEM Audit Committee		

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		<p>(d) xxx.</p> <p>the PEM Board shall, within ten days thereof, direct the Market Surveillance Committee to investigate the circumstances of that event and prepare a report to assess:</p> <p>(a) xxx; (b) xxx; (c) xxx; and (d) Any finding of potential, fault of any WESM Participant including a preliminary recommendation for further evaluation by the PEM Auditor.</p>	<p>(c) xxx; or</p> <p>(d) xxx.</p> <p>the PEM Board shall, within ten days thereof, direct the Market Surveillance Committee to investigate the circumstances of that event and prepare a report to assess:</p> <p>(a) xxx; (b) xxx; (c) xxx; and (d) Any finding of potential, fault of any WESM Participant including a preliminary recommendation for further evaluation by the PEM Auditor—Audit Committee.</p>			

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Title	Section	Provision	Proposed Amendment	Rationale	Stakeholder Comments/Revision	Stakeholder Rationale
Glossary		PEM Auditor. The auditor appointed by the PEM Board under clause 1.4.6 to undertake functions as set out in clause 1.5.	PEM Auditor <u>Audit Committee. The committee</u> he auditor appointed by the PEM Board under e Clause 1.4.6 to undertake the functions as set out in e Clause 1.5.2	Global change adopting PEM Audit Committee Corrected the reference clause		
		NEW	<u>Independent Auditor. Refers to the third party entity with adequate expertise, organized to conduct market audits or special audits of the processes and the systems of the WESM.</u>	To define Independent Auditor as used in relevant WESM Rules Clauses		

Proposed Amendments to the Guidelines Governing the Constitution of PEM Committees

Guidelines Governing the Constitution of PEM Committees

Title	Chapter	Provision	Proposed Amendment	Rationale	Stakeholder Comment/Revision	Stakeholder Rationale
Recitals		<p>xxx</p> <p>WHEREAS, Clause 1.4.6 of the WESM Rules further provides that the PEM Board shall form working groups and appoint qualified personnel who shall act as the following:</p> <p>(a) The PEM Auditor to conduct audits of the operations of the spot market and of the Market Operator;</p> <p>xxx</p>	<p>xxx</p> <p>WHEREAS, Clause 1.4.6 of the WESM Rules further provides that the PEM Board shall form working <u>groups</u> committees and appoint qualified personnel who shall act as the following:</p> <p>(a) The PEM Auditor <u>PEM Audit Committee is responsible for the conduct of audits, by Independent Auditors,</u> of the operations of the spot market and of the Market Operator, <u>and the Metering Service Providers;</u></p>	<ul style="list-style-type: none"> To be consistent with the proposed amendments to the WESM Rules. Consistent with the power and duty of the PEM Board under WESM Rules Clause 1.4.5.2 to oversee and monitor the activities of the Market Operator to ensure that they fulfill their responsibilities under the WESM Rules, and acting in a manner consistent with the WESM Rules. The term “PEM Auditor” was replaced with “PEM Audit Committee” consistent with the proposed amendments to the WESM Rules and Retail Rules. 		

Proposed Amendments to the Guidelines Governing the Constitution of PEM Committees

Guidelines Governing the Constitution of PEM Committees

Title	Chapter	Provision	Proposed Amendment	Rationale	Stakeholder Comment/Revision	Stakeholder Rationale
			(b) xxx			
Definition of Terms	I	“Market Information Website” refers to the facility established by the Market Operator on the electronic communication system on which it may publish information which is then available to and may be accessed by WESM Members.	“Market Information PEMC Website” refers to the facility established by the Market Operator on the the electronic communication system on which it may <u>to</u> publish information which is then available to and may be accessed by WESM Members and the public .	To differentiate the PEMC website (www.wesm.ph) from the MO public website (www.iemop.ph).		
		xxx “PEM Auditor” refers to the Chairperson of the PEM Audit Committee tasked to conduct audits of the operation of the spot market and of the Market Operator in	“PEM Auditor” refers to the Chairperson of the PEM Audit Committee tasked to conduct audits of the operation of the spot market and of the Market Operator in accordance with the WESM Rules.	The term “PEM Auditor” was deleted consistent with the proposed amendments to the WESM Rules and Retail Rules. When referring to the head of the committees, the term Chairperson is used.		

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Guidelines Governing the Constitution of PEM Committees

Title	Chapter	Provision	Proposed Amendment	Rationale	Stakeholder Comment/Revision	Stakeholder Rationale
		<p>accordance with the WESM Rules.</p> <p>“PEM Audit Committee” or “PAC” refers to one of the PEM Committees and headed by the PEM Auditor to perform duties in accordance with the WESM Rules.</p> <p>xxx</p>	<p>“PEM Audit Committee” or “PAC” refers to <u>the committee appointed by the PEM Board to undertake the functions as set out in Section 5.04 of this manual.</u> one of the PEM Committees and headed by the PEM Auditor to perform duties in accordance with the WESM Rules.</p> <p><i>subsequent renumbering due to deletion of item (p)</i></p>			
PEM Board Committees	2.01	2.01 PEM Board Committees. The PEM Board shall form working groups and appoint qualified personnel who shall act as the following:	2.01 PEM Board <u>WESM Governance</u> Committees. The PEM Board shall form working groups <u>committees</u> and appoint qualified	To be consistent with the proposed amendments to the WESM Rules.		

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Guidelines Governing the Constitution of PEM Committees

Title	Chapter	Provision	Proposed Amendment	Rationale	Stakeholder Comment/Revision	Stakeholder Rationale
		(a) A PEM Audit Committee, headed by the PEM Auditor; xxx	personnel who shall act as the following: (a) A PEM Audit Committee, headed by the PEM Auditor; xxx			
PEM Audit Committee	V	5.01 Composition. The PAC shall consist of three (3) members, headed by the PEM Auditor who is an Independent Member as defined herein, with qualifications as prescribed under these Guidelines and pertinent rules.	5.01 Composition. The PAC shall consist of three (3) members, headed by the Chairperson PEM Auditor who is an Independent Member as defined herein, with qualifications as prescribed under these Guidelines and pertinent rules	The head of the PEM Audit Committee is called as the Chairperson to be consistent with other Committees.		
		5.02 Appointment. The PEM Board appoints the members and the PEM	5.02 Appointment. The PEM Board appoints the members and the PEM Auditor as the	Same rationale in 1.02.		

Proposed Amendments to the Guidelines Governing the Constitution of PEM Committees

Guidelines Governing the Constitution of PEM Committees

Title	Chapter	Provision	Proposed Amendment	Rationale	Stakeholder Comment/Revision	Stakeholder Rationale
		Auditor as the chairperson of the Audit Committee.	Chairperson of the PEM Audit Committee.			
		<p>5.04 Responsibilities. The PAC, headed by the PEM Auditor, conducts audit of the operation of the spot market and of the Market Operator in accordance with the following:</p> <p>(a) Conduct annual audits of the Market Operator and the settlement system and any other procedures, persons, systems or other matters relevant to the Spot Market or as may be deemed</p>	<p>5.04 Responsibilities. The PAC, headed by the PEM Auditor conducts audit of the operation of the spot market and of the Market Operator in accordance with the following shall:</p> <p>(a) <u>Be responsible for the</u> Cconduct annual <u>of</u> audits of the Market Operator and the settlement system and any other procedures, persons, systems <u>of the Market Operator and the Metering Services Providers</u> as</p>	Same rationale in 1.02.		

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Title	Chapter	Provision	Proposed Amendment	Rationale	Stakeholder Comment/Revision	Stakeholder Rationale
		<p>necessary by the PAC;</p> <p>(b) Test and check any enhancements or updates in the market infrastructure provided by the Market Operator for use by WESM Members;</p> <p>(c) Review any procedures and practices which are covered by the WESM Rules including but not limited to procedures mentioned in WESM Rule 5.2.6.2 at the direction of the PEM Board;</p>	<p>they are or other matters relevant to the Spot Market spot market or as may be deemed necessary by the PAC;</p> <p>(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;</p> <p>(c) Review any procedures and practices which are covered by the WESM Rules including but not</p>			

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Title	Chapter	Provision	Proposed Amendment	Rationale	Stakeholder Comment/Revision	Stakeholder Rationale
		<p>(d) Recommend changes to the WESM Rules where the PAC detects deficiencies as a consequence of an audit, review, test, check or other form of review;</p> <p>(e) Review the security arrangements and requirement of metering installations annually in consultation with the Market Operator and Metering Service Providers;</p> <p>(f) Prepare a report on the result of the spot market audits</p>	<p>limited to procedures mentioned in WESM Rule 5.2.6.2 at the direction of the PEM Board;</p> <p>(d) Recommend changes to the WESM Rules, <u>Retail Rules and relevant Market Manuals</u> where the PAC detectsidentified deficiencies as a consequence of an audit, review, test, check or other form of review;</p> <p>(e) Review the security arrangements and requirement of metering</p>	<p>To differentiate the PEMC website (www.wesm.ph) from the MO public website (www.iemop.ph).</p>		

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		<p>and publish on the Market Information Website the results of any audit findings and recommendations;</p> <p>and</p> <p>(g) The PAC shall perform all other functions and duties referred to in the WESM Rules and in accordance with applicable laws and rules.</p>	<p>installations annually</p> <p><u>periodically</u> in consultation with the Market Operator and Metering Service Providers;</p> <p>(f) Prepare <u>Publish on the PEMC website the results of any findings and recommendations under this Section</u>a report on the result of the spot market audits and publish on the Market Information Website the results of any audit findings and recommendations;</p> <p>and</p>			

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			(g) The PAC shall perform Perform all other functions and duties referred to in the WESM Rules and in accordance with applicable laws and rules.			

Proposed Amendments to the PEM Audit Manual

PEM Audit Manual

Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
Introduction	1	<p>1.1 Purpose</p> <p>This Market Manual contains a descriptive summary of the WESM Rules in relation to the PEM Auditor and WESM audits. This Manual provides for the objectives, scope and procedures of the audits of the Market Operator and the spot market, or specific audits of WESM Members requested to the PEM Auditor, and in general the functions of the PEM Auditor in auditing compliance with the WESM Rules. It also covers the characteristics of the audit processes and use of expert auditors by the PEM Auditor, and the system for reporting the results</p>	<p>1.1 Purpose <u>Background</u></p> <p>1.1.1 This Market Manual contains a descriptive summary of the WESM Rules in relation to the PEM Auditor and WESM audits. This Manual provides for the objectives, scope and procedures of the audits of the Market Operator and the spot market, or specific audits of WESM Members requested to the PEM Auditor, and in general the functions of the PEM Auditor in auditing compliance with the WESM Rules. It also covers the characteristics of the audit processes and use of expert auditors by the PEM Auditor, and the system for reporting the results and recommendations of such audits.</p> <p><u>1.1.1 The Wholesale Electricity Spot Market Rules (the “WESM Rules” or the “Rules”), under Clause 1.4.6</u></p>	<p>The proposed changes intend to:</p> <ul style="list-style-type: none"> a. Fine tune the responsibilities of the PEM Audit Committee to oversight functions, while maintaining its responsibility in the conduct of timely, fair and independent market audits. b. Require the conduct of audit of the Metering Service Providers (MSPs), which are consistent with the power and duty of the PEM Board under WESM Rules Clause 1.4.5.2. <p>Pricing and settlement outputs in the WESM are reliant on the integrity and</p>		

Proposed Amendments to the PEM Audit Manual

PEM Audit Manual

Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		and recommendations of such audits.	<p><u>provides for the formation of a PEM Audit Committee that shall oversee the conduct of audits, by Independent Auditors, of the operation of the spot market, the Market Operator and Metering Service Providers.</u></p> <p><u>1.1.2 This Manual is developed in accordance with Clauses 1.5.2 and 5.2.6.2 of the WESM Rules, and Clause 1.4.3.1 and 4.8.1 of the Retails Rules which mandate the PEM Audit Committee to be responsible for:</u></p> <p><u>a) Conduct of audits of the procedures, persons and systems of the Market Operator and the Metering Services Providers as they relate to the</u></p>	<p>accuracy of data being provided by the SO and MSPs.</p> <p>The correct provision to be referenced is Clause 1.5.2 instead of Clause 1.5 which enumerates the responsibilities of the Auditor.</p>		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
			<p><u>operation of the spot market;</u></p> <p>b) <u>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;</u></p> <p>c) <u>Review any procedures and practices which are covered by the WESM Rules at the direction of the PEM Board;</u></p> <p>d) <u>Recommend changes to the WESM Rules, Retail Rules and relevant Market Manuals where the PAC identified deficiencies as a consequence of an</u></p>			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
			<p><u>audit, review, test, check or other form of review;</u></p> <p>e) <u>Prepare and Publish on the PEMC website the results of any findings and recommendations under this Section.</u></p>			
		<p>1.1.2 The general objectives of this Manual are the following:</p> <p>(a) Establish the requisites and mechanisms to ensure the independence and transparency of the PEM Auditor and WESM audits;</p>	<p>1.2 Purpose</p> <p>1.2.1 4.1.2 The general objectives of this Manual are the following:</p> <p>a) (a) Establish the requisites and mechanisms to ensure the independence and transparency of the <u>market audits and review by the PEM Audit Committee</u> Auditor and the WESM audits <u>and reviews it administers.</u></p> <p>b) (b) Establish the requisites and mechanisms to ensure</p>	<p>PEM Auditor revised to PEM Audit Committee consistent with the proposal above. Global change was made throughout this Manual revising the PEM Auditor to PEM Audit Committee.</p> <p>The proposed new section (Purpose) provides the general objectives of the Manual, as revised.</p> <p>The Metering Services Provider Audit as proposed to be included in the WESM Rules, as part of the audits to be undertaken by the PEM</p>		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>(b) Establish the requisites and mechanisms to ensure independent and effective audits of the spot market and of the Market Operator, as well as to ensure compliance and non discrimination in applying the WESM Rules;</p> <p>(c) Establish effective procedures and audit processes when the PEM Auditor is requested to assess compliance or identify problems in the implementation or application of the</p>	<p>independent and effective audits of the spot market and of the Market Operator and the Metering Services Providers, as well as to ensure compliance and non-discrimination in applying the WESM Rules, the Retail Rules and its Market Manuals;</p> <p>c) (e) Establish effective procedures and audit processes when the PEM Audit Committee Auditor is requested to assess compliance or identify problems in the implementation or application of the WESM Rules regarding generation scheduling, dispatch, price setting and settlement;</p>	<p>Audit Committee, have already been included in this portion.</p>		

Proposed Amendments to the PEM Audit Manual

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>WESM Rules regarding generation scheduling, dispatch, price setting and settlement;</p> <p>(d) Clarify the different types of audits that may be requested from the PEM Auditor, including special audits of a WESM Member, the System Operator or the Market Operator when requested by the PEM Board or in the assessment or investigation of an alleged breach;</p> <p>(e) Clarify the rights and responsibilities of the</p>	<p>d) (d) Clarify the different types of audits that may be requested from the PEM Audit Committee Auditor, including special audits of a WESM Member, a Metering Services Provider, the System Operator or the Market Operator when requested by the PEM Board or in the assessment or investigation of an alleged breach;</p> <p>e) (e) Clarify the rights and responsibilities of the PEM Audit Committee Auditor in proposing amendments to the WESM Rules, the Retail Rules or its Market Manuals when identifying, through audit processes, problems in the design or implementation or</p>			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>PEM Auditor in proposing amendments to the WESM Rules when identifying, through audit processes, problems in the design or implementation or application of the WESM Rules, or in submitting reviews to amendments to the WESM Rules;</p> <p>(f) Establish the role of the PEM Auditor in relation to metering arrangements; and</p>	<p>application of the WESM Rules, <u>the Retail Rules or its Market Manuals.</u> or in submitting reviews to amendments to the WESM Rules;</p> <p>f) (f) Establish the role of the PEM <u>Audit Committee</u> Auditor in relation to <u>the review of metering installations and</u> arrangements; and</p> <p>a) g) Establish the rights and mechanisms for the PEM <u>Audit Committee</u> Auditor to contract external independent expert auditor support and the mechanisms for field audits.</p>			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		(g) Establish the rights and mechanisms for the PEM Auditor to contract external independent expert auditor support and the mechanisms for field audits.				
		<p>1.1.3 The PEM Auditor may identify non-compliance conducts or conditions during an audit process. In such cases, the PEM Auditor should submit a non-compliance complaint to the Enforcement and Compliance Officer (ECO).</p> <p>1This Market Manual contains a descriptive summary of the WESM Rules in relation to the</p>	<p>1.1.3 The PEM Auditor may identify non-compliance conducts or conditions during an audit process. In such cases, the PEM Auditor should submit a non-compliance complaint to the Enforcement and Compliance Officer (ECO).</p> <p>1.2.2 1.1 Purpose This Market Manual contains a descriptive summary of the WESM Rules in relation to the PEM Auditor and WESM audits. This Market</p>	<p>Reorganization of the manual The deleted provision was transferred to Section 3 - Responsibilities.</p> <p>Clarifies what the Manual covers.</p>		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>PEM Auditor and WESM audits. This Manual provides for the objectives, scope and procedures of the audits of the Market Operator and the spot market, or specific audits of WESM Members requested to the PEM Auditor, and in general the functions of the PEM Auditor in auditing compliance with the WES M Rules.</p>	<p>Manual provides for the objectives, scope and <u>the procedures for the conduct</u> of the audits of the Market Operator and the spot market, <u>and Metering Services Providers</u> or specific audits of WESM Members requested of the <u>PEM Audit Committee</u> Auditor. It also covers the characteristics of the audit processes and use of expert auditors by the PEM Auditor, and the system for reporting the results and recommendations of such audits.</p> <p><u>1.2.3 This Manual also defines the responsibilities and the functions of the PEM Audit Committee</u></p>			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
			<u>pursuant to the relevant provisions of the WESM Rules and the Retail Rules and its Market Manuals.</u>			
		1.1.4 For the purpose of this Manual, any act, omission, conduct or behavior and the like contrary to or in non-compliance with the WESM Rules, including its Market Manuals, the WESM Objectives, rules and regulations, regarding the WESM Rules, shall be considered a breach.	1.1.4 For the purpose of this Manual, any act, omission, conduct or behavior and the like contrary to or in non-compliance with the WESM Rules, including its Market Manuals, the WESM Objectives, rules and regulations, regarding the WESM Rules, shall be considered a breach.	The deleted provision was transferred to proposed Section 1.3.4 (Scope).		
		1.1.5 Upon the request of the Enforcement and Compliance Officer (ECO) or the PEM Board to assist in the assessment or investigation of an alleged breach, the PEM	1.1.5 Upon the request of the Enforcement and Compliance Officer (ECO) or the PEM Board to assist in the assessment or investigation of an alleged breach, the PEM Auditor shall carry out or coordinate and supervise the required audits,	The provisions in this section were deleted and transferred to appropriate sections of the PEM Audit Manual. The first part as revised was transferred to Section 3.1.2 (Responsibilities).		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		Auditor shall carry out or coordinate and supervise the required audits, inform the audit findings and give its opinions in relation to the alleged breach. The procedures and processes described in this Manual do not cover the details of assisting or auditing in the assessment or investigation process of an alleged breach, as they are covered in the Compliance and Enforcement Market Manual. However, this Manual covers the interactions between the PEM Auditor, the ECO and the PEM Board in relation to alleged breaches.	inform the audit findings and give its opinions in relation to the alleged breach. The procedures and processes described in this Manual do not cover the details of assisting or auditing in the assessment or investigation process of an alleged breach, as they are covered in the Compliance and Enforcement Market Manual. However, this Manual covers the interactions between the PEM Auditor, the ECO and the PEM Board in relation to alleged breaches.	The last sentence was transferred to Section 1.3.3 (Scope).		
		1.2 Scope	<u>1.3</u> 1.2 _Scope			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>1.2.1 This Manual covers all related activities and procedures in relation to the PEM Auditor, audits of the spot market and the Market Operator and special audits of WESM Members. This includes the following:</p> <p>(a) A description of the functions, reports and responsibilities of the PEM Auditor;</p> <p>(b) Requisites and qualifications of the PEM Auditor or any expert auditor used, to ensure independence, adequate expertise and transparency of audits;</p>	<p>1.3.1 4-2-4 This Manual covers all related activities and procedures in relation to the PEM Auditor Audit Committee audits of the spot market and the Market Operator, the Metering Services Providers and special audits of WESM Members. This includes the following:</p> <p>a) (a) A description of the functions, reports and responsibilities of the PEM Audit Committee Auditor;</p> <p>(b) — Requisites — and qualifications of the PEM Auditor or any expert auditor used, — to — ensure independence, — adequate expertise and transparency of audits;</p>	<p>Scope of Audit specifically included the audit of the the Metering Services Providers per provisions of the WESM Rules as proposed to be revised.</p> <p>This Manual no longer contains the requisite qualifications to be a PEM Audit Committee member as the Guidelines Governing the Constitution of PEM Board Committees already sufficiently cover these.</p>		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>(c) Access rights to the audit reports, proposed recommendations by external auditors and the final recommendations of the PEM Auditor;</p>	<p>b) (e) Access rights to the audit reports, proposed recommendations by <u>Independent</u> external Auditors and the final recommendations of the PEM <u>Audit Committee</u> Auditor;</p>			
		<p>(d) Review of implementation and results of audit recommendations;</p>	<p>c) (d) ————Review of implementation and results of audit recommendations;</p>			
		<p>(e) Procedures, general methodology and scope of an audit and the audit results;</p>	<p>d) (e) Procedures, general methodology and scope of an audit and the audit results;</p>			
		<p>(f) Interaction between the PEM Board and the ECO or the PEM</p>	<p>e) (f) —Interaction between the PEM <u>Audit Committee</u> Board and the <u>Enforcement and Compliance Office</u> (ECO) or the PEM Board</p>			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>Board when requested an assessment or audit related to an investigation of an alleged breach;</p> <p>(g) Procedures and criteria for the PEM Auditor to assess the efficiency, validity and justification of new software or modifications to existing software of the Market Operator;</p> <p>(h) A description of interactions between the PEM Auditor and the PEM Board, and the rules change process, in relation</p>	<p>when requested an assessment or audit related to an investigation of an alleged breach;</p> <p>f) (g) Procedures and criteria for the PEM Audit Committee Auditor—to assess the efficiency, validity and justification of new software or modifications to existing software of the Market Operator;</p> <p>g) (h) A description of interactions between the PEM Auditor Audit Committee and the PEM Board, and the Rules Change Committee process, in relation to the results and recommendations of the audits, leading to proposals for the amendments of the</p>			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		to results and recommendations of the audits, amendments proposed to the WESM Rules, or in submitting results of special audits requested by the PEM Board.	proposed to the WESM Rules, the Retail Rules, or its Maket Manuals. in submitting results of special audits requested by the PEM Board.			
		1.2.2 This Manual provides for a streamlined process for an annual audit of the spot market, conducted together with the Market Operator audit.	1.2.2 1.3.2 —1.2.2 This Manual provides for a streamlined process for the an annual periodic audit of the spot market and conducted together with the Market Operator, audit and the Metering Services Providers.	Added the Metering Services Providers consistent with above. Audits shall cover all periods, based on the timeline set by the PAC and in consultation with the auditee.		
			1.3.3 This Manual also covers the interaction between the PEM Audit Committee, the ECO and the PEM Board in relation to any request by the ECO or the PEM Board for the PEM Audit Committee to assist, through	Lifted from the last sentence of Section 1.1.5 (Issue 2.0) with some revisions		

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			<u>its audits, in the assessment or investigation of an alleged breach.</u>			
			<u>1.3.4 For the purpose of this Manual, any act, omission, conduct or behavior and the like contrary to or not in compliance with the WESM Rules and the Retail Rules including its Market Manuals shall be considered a breach.</u>	Lifted from Section 1.1.4 (Issue 2.0) with some revisions		
		1.3 Review and Updates	1.3 Review and Updates			
		1.3.1 The PEM Board, with the assistance of the PEM Auditor, shall maintain this Manual under review, to identify any need for updates and amendments.	1.3.1 The PEM Board, with the assistance of the PEM Auditor, shall maintain this Manual under review, to identify any need for updates and amendments.	The responsibility to review and update the manual was included under the Section 3.1.9 (Responsibility).		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>1.3.2 Amendment to the provisions of this Manual requires the approval of the PEM Board. After each such approval, the amended Manual shall be published in the Market Information Website. Subject to the Manual of Procedures on Changes to the WESM Rules, the approval of the PEM Board shall specify the date when the amended Manual becomes effective. However, no such amendment and/or change to this Manual shall be retroactively applied.</p>	<p>1.3.2 Amendment to the provisions of this Manual requires the approval of the PEM Board. After each such approval, the amended Manual shall be published in the Market Information Website. Subject to the Manual of Procedures on Changes to the WESM Rules, the approval of the PEM Board shall specify the date when the amended Manual becomes effective. However, no such amendment and/or change to this Manual shall be retroactively applied.</p>	<p>The procedures in amending a Market Manual, including the PEM Audit Manual is covered in the Rules Change Manual and thus suggested to no longer be included in the PEM Audit Manual. The proposed Section 8 (Amendment and Effectivity of the Manual) also indicates this.</p>		

		<p>1.3.3 Amendment proposals to this Manual may arise from</p> <p>(a) The PEM Board, upon its own initiative or upon a recommendation by other PEM Committees;</p> <p>(b) A WESM Member, the Market Operator or any party affected by the operations of this Manual; and</p> <p>(c) The PEM Auditor in view of:</p> <p>i. Audit experiences, problems or other issues that arise in the implementation and application of this Manual; or</p> <p>ii. Amendmen</p>	<p>1.3.3 Amendment proposals to this Manual may arise from</p> <p>(a) The PEM Board, upon its own initiative or upon a recommendation by other PEM Committees;</p> <p>(b) A WESM Member, the Market Operator or any party affected by the operations of this Manual; and</p> <p>(c) The PEM Auditor in view of:</p> <p>i. Audit experiences, problems or other issues that arise in the implementation and application of this Manual; or</p> <p>ii. Amendments to the WESM Rules or other Applicable Law, Rules and Regulations; or</p> <p>iii. Conflict of interpretation; or</p> <p>iv. Provisions or parts of this Manual being annulled or declared invalid.</p>	<p>The reasons for amending any Market Manual are already included in the Rules Change Manual and thus suggested to no longer be included in the PEM Audit Manual.</p>		
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		ts to the WESM Rules or other Applicable Law, Rules and Regulations ; or iii. Conflict of interpretation; or iv. Provisions or parts of this Manual being annulled or declared invalid.				
		1.3.4 Amendment proposals shall be submitted, reviewed and approved in accordance with the procedures in the Rules Change Manual.	1.3.4 Amendment proposals shall be submitted, reviewed and approved in accordance with the procedures in the Rules Change Manual.	These provisions are already part of the Rules Change Manual.		

	<p>1.3.5 The responsibility for drafting the amendments occasioned and approved by the above-described circumstances shall lie with –</p> <p>(a) The Rules Change Committee regarding amendments to this Manual that are required or otherwise attributable to amendments to the WESM Rules or other Applicable Law, Rules and Regulations; or</p> <p>(b) The PEM Auditor in all other amendments provided however that the PEM Auditor may request the assistance of</p>	<p>1.3.5 The responsibility for drafting the amendments occasioned and approved by the above-described circumstances shall lie with –</p> <p>(a) The Rules Change Committee regarding amendments to this Manual that are required or otherwise attributable to amendments to the WESM Rules or other Applicable Law, Rules and Regulations; or</p> <p>(b) The PEM Auditor in all other amendments provided however that the PEM Auditor may request the assistance of the Rules Change Committee.</p>	<p>These provisions are already part of the Rules Change Manual.</p>		
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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		the Rules Change Committee.				
Definitions, Interpretation and Construction	2	<p>2.1 Definitions</p> <p>Unless otherwise defined in this Manual, terms and acronyms used in this Manual shall have the same definition as that in the WESM Rules.</p>	<p>2.1 Definitions</p> <p>Unless otherwise defined in this Manual, terms and acronyms used in this Manual shall have the same definition as that in the WESM Rules.</p>	<p>The items deleted are either already defined in the WESM Rules, are already not applicable, or not used in the Manual because of the proposed general changes.</p> <p>The terms retained are commonly used terms in the Manual.</p>		
		<ul style="list-style-type: none"> Act means the Republic Act No. 9136 also known as the Electric Power Industry Reform Act (EPIRA), as they may be issued or modified by competent authorities from time to time. 	<ul style="list-style-type: none"> Act means the Republic Act No. 9136 also known as the Electric Power Industry Reform Act (EPIRA), as they may be issued or modified by competent authorities from time to time. 			
		<ul style="list-style-type: none"> Applicable Law, Rules and Regulations shall 	<ul style="list-style-type: none"> Applicable Law, Rules and Regulations shall include the EPIRA and its Implementing 			

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		<p>include the EPIRA and its Implementing Rules and Regulations, the Philippine Grid Code, the Philippine Distribution Code, the WESM Rules and Market Manuals, the Competition Rules, and such other codes, rules, regulations, issuances related to the WESM, as they may be issued or modified by competent authorities from time to time.</p>	<p>Rules and Regulations, the Philippine Grid Code, the Philippine Distribution Code, the WESM Rules and Market Manuals, the Competition Rules, and such other codes, rules, regulations, issuances related to the WESM, as they may be issued or modified by competent authorities from time to time.</p>			
		<ul style="list-style-type: none"> Audit Committee refers to a group of experts selected by the PEM Auditor to act as auditors and support the audit 	<ul style="list-style-type: none"> Audit Committee refers to a group of experts selected by the PEM Auditor to act as auditors and support the audit functions in the WESM. 			

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		functions in the WESM.				
		<ul style="list-style-type: none"> Audit Report means the report of the PEM Auditor or the Audit Committee that presents audit results and recommendations. 	<ul style="list-style-type: none"> Audit Report means <u>refers to</u> the report of the PEM Auditor or the Audit Committee or the <u>Independent Auditor</u> that presents the audit results and recommendations. 			
		<ul style="list-style-type: none"> DOE refers to the Department of Energy, the government agency created pursuant to Republic Act No. 7638. 	<ul style="list-style-type: none"> DOE refers to the Department of Energy, the government agency created pursuant to Republic Act No. 7638. 			
		<ul style="list-style-type: none"> Enforcement and Compliance Officer (ECO) refers to an officer of the PEMC in charge of the compliance and enforcement functions and responsibilities as established in the 	<ul style="list-style-type: none"> Enforcement and Compliance Officer (ECO) refers to an officer of the PEMC in charge of the compliance and enforcement functions and responsibilities as established in the WESM Rules, and in charge of the corresponding procedures 			

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		WESM Rules, and in charge of the corresponding procedures established in the Compliance and Enforcement Market Manual.	established in the Compliance and Enforcement Market Manual.			
		<ul style="list-style-type: none"> ERC refers to the Energy Regulatory Commission, the independent quasi-judicial regulatory body created by the EPIRA. 	<ul style="list-style-type: none"> ERC refers to the Energy Regulatory Commission, the independent quasi-judicial regulatory body created by the EPIRA. 			
		<ul style="list-style-type: none"> Independent means a person that is considered as independent of the Philippine electric power industry, in accordance with the criteria set forth in WESM Rule 1.4.2.7. 	<ul style="list-style-type: none"> Independent means a person that is considered as independent of the Philippine electric power industry, in accordance with the criteria set forth in the WESM Rules. 1.4.2.7. 	In anticipation that the provision defining independent will be reflected in another clause.		
		<ul style="list-style-type: none"> Investigation means an inquiry conducted 	<ul style="list-style-type: none"> Investigation means an inquiry conducted by the 			

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		<p>by the ECO or conducted by the MSC upon request by the ECO to verify compliance with the WESM Rules, pursuant to the Compliance and Enforcement Market Manual.</p>	<p>ECO or conducted by the MSC upon request by the ECO to verify compliance with the WESM Rules, pursuant to the Compliance and Enforcement Market Manual.</p>			
		<ul style="list-style-type: none"> Market Manual means a manual of specific procedures, systems and protocols for the implementation of the WESM Rules and for the PEM Committees and the ECO. 	<ul style="list-style-type: none"> Market Manual means a manual of specific procedures, systems and protocols for the implementation of the WESM Rules and for the PEM Committees and the ECO. 			
		<ul style="list-style-type: none"> Market Manual Website means the website that the PEM Board assigns for the publication of the Market Manuals and 	<ul style="list-style-type: none"> Market Manual Website means the website that the PEM Board assigns for the publication of the Market Manuals and that can be accessed by WESM members. 			

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		that can be accessed by WESM members.				
		<ul style="list-style-type: none"> Manual refers to this PEM Audits Market Manual. 	<ul style="list-style-type: none"> Manual refers to this PEM Audits Market Manual. 			
		<ul style="list-style-type: none"> Market Information Website means the website for the publication of information and results of the WESM established in accordance with the WESM Rules. 	<ul style="list-style-type: none"> Market Information Website means the website for the publication of information and results of the WESM established in accordance with the WESM Rules. 			
		<ul style="list-style-type: none"> Market Surveillance Committee (MSC) refers to the PEM Committee appointed by the PEM Board to monitor and report on activities in the spot market in accordance with the Market Surveillance Market Manual. 	<ul style="list-style-type: none"> Market Surveillance Committee (MSC) refers to the PEM Committee appointed by the PEM Board to monitor and report on activities in the spot market in accordance with the Market Surveillance Market Manual. 			

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		<ul style="list-style-type: none"> Metering Services Provider refers to a person or entity authorized by the ERC to provide metering services and registered with the Market Operator in that capacity in accordance with clause 2.3.6 of the WESM Rules. 	<ul style="list-style-type: none"> Metering Services Provider refers to a person or entity authorized by the ERC to provide metering services and registered with the Market Operator in that capacity in accordance with clause 2.3.6 of the WESM Rules. 			
		<ul style="list-style-type: none"> PEM Auditor refers to the auditor appointed by the PEM Board as defined in the WESM Rules and tasked to undertake the functions and activities set out in this Manual. 	<ul style="list-style-type: none"> PEM Auditor refers to the auditor appointed by the PEM Board as defined in the WESM Rules and tasked to undertake the functions and activities set out in this Manual. 			
		<ul style="list-style-type: none"> PEM Board refers to the Board of Directors of the PEMC that is responsible for governing the WESM. 	<ul style="list-style-type: none"> PEM Board refers to the Board of Directors of the PEMC that is responsible for governing the WESM. 			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<ul style="list-style-type: none"> • PEM Committee refers to a Committee duly provided for under the WESM Rules and such other committees created by the PEM Board from time to time be, including for purposes of this Manual, the PEM Auditor, the Technical Committee and the MSC. 	<ul style="list-style-type: none"> • PEM Committee refers to a Committee duly provided for under the WESM Rules and such other committees created by the PEM Board from time to time be, including for purposes of this Manual, the PEM Auditor, the Technical Committee and the MSC. 			
		<ul style="list-style-type: none"> • PEMC refers to the Philippine Electricity Market Corporation, a non-stock, non-profit public-private partnership that governs the wholesale electricity spot market (WESM). 	<ul style="list-style-type: none"> • PEMC refers to the Philippine Electricity Market Corporation, a non-stock, non-profit public-private partnership that governs the wholesale electricity spot market (WESM). 			
		<ul style="list-style-type: none"> • PEMC Charter refers to the Articles of Incorporation and By- 	<ul style="list-style-type: none"> • PEMC Charter refers to the Articles of Incorporation and By-Laws of the PEMC, as 			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		Laws of the PEMC, as approved by the Securities and Exchange Commission on 18 November 2003, and as they may be amended from time to time.	approved by the Securities and Exchange Commission on 18 November 2003, and as they may be amended from time to time			
		<ul style="list-style-type: none"> Rules denote the WESM Rules. 	<ul style="list-style-type: none"> Rules denote the WESM Rules. 			
		<ul style="list-style-type: none"> Rules Change Committee refers to the committee established by WESM Rule 8.2 to review and propose amendments to the WESM Rules. 	<ul style="list-style-type: none"> Rules Change Committee refers to the committee established by WESM Rule 8.2 to review and propose amendments to the WESM Rules. 			
		<ul style="list-style-type: none"> Selection Committee refers to the Committee composed of at least three (3) members of the PEM Board, one of whom should be an 	<ul style="list-style-type: none"> Selection Committee refers to the Committee composed of at least three (3) members of the PEM Board, one of whom should be an Independent PEM Board director, which is tasked to 			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		Independent PEM Board director, which is tasked to review and evaluate the qualifications of all persons nominated to any PEM Committee requiring appointment by the PEM Board.	review and evaluate the qualifications of all persons nominated to any PEM Committee requiring appointment by the PEM Board.			
		<ul style="list-style-type: none"> Technical Committee refers to the group of persons appointed by the PEM Board to monitor and review technical matters under and in relation to the WESM Rules, the Grid Code and Distribution Code, in accordance with WESM Rule 1.7; 	<ul style="list-style-type: none"> Technical Committee refers to the group of persons appointed by the PEM Board to monitor and review technical matters under and in relation to the WESM Rules, the Grid Code and Distribution Code, in accordance with WESM Rule 1.7; 			
		<ul style="list-style-type: none"> Trading Participant is a person or entity registered with the Market Operator in 	<ul style="list-style-type: none"> Trading Participant is a person or entity registered with the Market Operator in accordance with WESM 			

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		accordance with WESM Rule 2.3.3 as either a customer or a generation company.	Rule 2.3.3 as either a customer or a generation company.			
		<ul style="list-style-type: none"> WESM Objectives refers to the objectives of the spot market as defined in WESM Rule 1.2.5. 	<ul style="list-style-type: none"> WESM Objectives refers to the objectives of the spot market as defined in WESM Rule 1.2.5. 			
		<ul style="list-style-type: none"> WESM Member means a person who is registered with the Market Operator in accordance with WESM Rules 2.3 and 2.4, and that includes Trading Participants, Metering Services Providers, Network Service Providers, Ancillary Services Providers and the System Operator. 	<ul style="list-style-type: none"> WESM Member means a person who is registered with the Market Operator in accordance with WESM Rules 2.3 and 2.4, and that includes Trading Participants, Metering Services Providers, Network Service Providers, Ancillary Services Providers and the System Operator. 			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
Interpretation and Construction	2.2.8	2.2.8 The provisions in this Manual, the WESM Rules and other Market Manuals shall be read, construed and interpreted in such a manner as to harmonize and reconcile each and every provision thereof. In the event of inconsistency, the WESM Rules shall prevail.	2.2.8 The provisions in this Manual, the WESM Rules, <u>the Retail Rules</u> and other Market Manuals shall be read, construed and interpreted in such a manner as to harmonize and reconcile each and every provision thereof. In the event of inconsistency, the WESM Rules <u>or the Retail Rules, whichever is applicable</u> shall prevail.	Revised to include the Retail Rules.		
		2.2.10 If part of a provision of this Manual be invalidated or nullified by any court or authority of competent jurisdiction, but the rest of such provision would remain valid if part of the wording were deleted, the provision shall apply with such minimum modification as may be:	2.2.10 If part of a provision of this Manual should be invalidated or nullified by any court or authority of competent jurisdiction, but the rest of such provision would remain valid if part of the wording were deleted, the provision shall apply with such minimum modification as may be:	Clerical edit		

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		(a) Necessary to make it valid and effective; and (b) Most closely achieves the result of the original wording but without affecting the meaning or validity of any other provision of this Manual.	a) (a) Necessary to make it valid and effective; and b) (b) Most closely achieves the result of the original wording but without affecting the meaning or validity of any other provision of this Manual.			
The PEM Auditor	3	3. The PEM Auditor	3. The PEM Audit Committee Auditor			
Responsibilities		3.1.1 The main responsibility of the PEM Auditor is to conduct, on his own or through appointment of auditors, and to coordinate and supervise effective and independent audits of the operation of the spot market and of the Market Operator, in order to reinforce Trading	3.1.1 Pursuant to WESM Rules Clause 1.5.2, The main responsibility of the PEM Auditor Audit Committee is to shall oversee the conduct, on his own or through appointment of auditors, and to coordinate and supervise of effective and independent audits of the operation of the spot market and of the Market Operator, and the Metering Services	There is no need to indicate in this sentence the qualification that the audit may be through the engagement of external auditors, noting that this is an administrative function of PEMC. Lays out the main responsibility of the PEM Audit Committee to conduct		

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		Participants' confidence in the transparency and adequacy of the operation of the WESM.	<u>Providers in accordance with the processes discussed in this Manual and provide recommendations consistent with the WESM Objectives,</u> in order to reinforce <u>the</u> Trading Participants' confidence in the transparency and adequacy of the operation of the WESM <u>and the Retail Market.</u>	the audit of the MO and the MSPs.		
		3.1.2 To support and facilitate assessments or investigations of an alleged breach to the WESM Rules and when requested by the ECO, the PEM Auditor may conduct specific audits on WESM Members, the System Operator or the Market Operator pursuant to compliance with standards, systems and procedures established in the WESM Rules.	3.1.2 To <u>The PEM Audit Committee shall</u> support and facilitate <u>the</u> assessments or investigations of an alleged breach to <u>of</u> the WESM Rules, <u>the Retail Rules or its Market Manuals,</u> and when when <u>whenever</u> requested by the ECO or the PEM Board. <u>In this regard,</u> the PEM Auditor <u>Audit Committee</u> it may <u>initiate the</u> conduct <u>of</u> specific audits of WESM Members, <u>Metering Service Providers,</u> the System Operator or the Market Operator pursuant to compliance with <u>the</u>	The provision was rephrased for clarity. Last paragraph was lifted from Section 1.1.5 (Issue 2.0)		

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			standards, systems and procedures established in the WESM Rules, <u>the Retail Rules or its Market Manuals. The PEM Audit Committee shall coordinate and supervise the required audits, inform the PEM Board and/or the ECO of its audit findings and give its opinion in relation to the alleged breach.</u>			
		3.1.3 In the performance of its responsibilities, the PEM Auditor shall endeavor to conduct audits and make recommendations consistent with - (a) The WESM Objectives; (b) The development of the WESM in a manner that is sustainable, competitive, efficient,	3.1.3 In the performance of its responsibilities, the PEM <u>Audit Committee</u> Auditor shall endeavor to conduct audits and <u>provide its</u> make recommendations consistent with - (a) The WESM Objectives; <u>a)</u> (b) The development of the WESM <u>and the Retail Market</u> in a manner that is sustainable, competitive, efficient, transparent and reliable;	Revised - The alignment with WESM Objectives is already mentioned in Section 3.1.1, emphasizing the responsibility of the PAC to recommend consistent with the WESM Objectives. Letter c is already part of WESM Objectives – that a level playing field exists among WESM Participants		

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		transparent and reliable; (c) Non discrimination; (d) Consistency and transparency; and (e) Efficient and effective systems, software and working processes.	(e) Non discrimination; b) (d) Consistency and transparency; and c) (e) Efficient and effective systems, software and working processes.			
		3.1.4 The PEM Auditor shall observe all provisions of the WESM Rules, its Market Manuals and the PEMC Charter that are applicable to its functions and responsibilities, as well as any standard of conduct or conflict of interest guidelines prescribed by the PEM Board by resolution.	3.1.4 The PEM Auditor Audit Committee shall observe all provisions of the WESM Rules, the Retail Rules and its Market Manuals and the PEMC Charter that are applicable to its functions and responsibilities, as well as any standard of conduct or, conflict of interest guidelines prescribed by the PEM Board. by resolution.	The provision was rephrased for clarity.		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		3.6.1 The PEM Auditor shall implement effective data management on audit processes and shall organize, maintain and review audit results, findings and the implementation of audit recommendations	3.1.5 3.6.4 The PEM <u>Audit Committee</u> Auditor shall implement effective data management on <u>of its</u> audit processes and shall organize, maintain and review audit results, findings and the implementation of audit recommendations.	Lifted from Section 3.6.1 and revised and transferred to appropriate sections of the Manual		
		3.6.2 The PEM Auditor shall ensure adequate follow up of each audit recommendation, and shall verify, in relation to problems and issues identified in an audit, whether the recommendations were implemented and, if so, whether they were successful in achieving the desired outcomes and solving the identified problems.	3.1.6 3.6.2 The <u>PEM Audit Committee</u> Auditor shall ensure adequate follow up of each <u>all</u> audit recommendations, and shall verify, in relation to problems and issues identified in an audit, whether the <u>action plans to address the audit findings and</u> recommendations <u>were</u> where implemented. <u>Likewise, the PEM Audit Committee shall assess if the action plans addressed the audit findings and achieved</u> and, if so, whether they were successful in achieving the desired outcomes	Lifted from Section 3.6.2 with some revisions. This is to provide basis for the current practice of the PAC in reviewing the audit results, managing the audit processes and providing assessment to the audit action plans being implemented by auditees.		

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			and solving solved the identified problems.			
		3.6.3 The PEM Auditor shall implement a formal mechanism for tracking the development of deficiencies identified by audits, and the ways in which these deficiencies are being corrected.	3.1.7 3.6.3 The PEM Audit Committee Auditor shall implement a formal mechanism to track the for tracking the development of deficiencies identified by audits, and the ways in which these deficiencies are being corrected. status of action plans committed to address deficiencies identified in the audits.	Lifted from Section 3.6.3 with revisions for clarity		
		3.6.4 The PEM Auditor shall implement for each audit a post-implementation review to ensure that appropriate emphasis is given to the audit findings and that the relevant parties are implementing the recommendations. In particular, the PEM Auditor shall include the following as part of the	3.1.8 3.6.4 The PEM Audit Committee shall implement for each audit conducted a post-implementation review to ensure that appropriate attention emphasis is given to the audit findings and that the concerned relevant parties are implementing the action plans committed to address the audit findings	Lifted from Section 3.6.4 with minor revisions		

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		<p>scope of work of each audit, viz.:</p> <p>(a) The review of the measures implemented and actions taken in view of the recommendations of the previous similar audit;</p> <p>(b) Comments on the adequacy of the measures implemented and actions taken in view of the findings and recommendations of the previous audit; and</p> <p>(c) Further recommendations, if a problem found in the previous audit continues to be unsolved or if the party was</p>	<p>recommendations. In particular, the PEM Audit Committee Auditor shall include the following as part of the scope of work of each audit, viz.:</p> <p>a) (a) The review of the measures implemented and actions taken in view of the recommendations made for the same type of audit conducted previously;</p> <p>b) (b) Comments on the adequacy of the measures implemented and actions taken in view of the findings and recommendations of the previous audit; and</p> <p>c) (c) Further recommendations, if a <u>problems</u> found in the previous audit continues to be unsolved or if the party</p>			

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		unable to put in place the enhancements recommended in the previous audit.	was unable to put in place the enhancements recommended in the previous audit.			
		1.3.1 The PEM Board, with the assistance of the PEM Auditor, shall maintain this Manual under review, to identify any need for updates and amendments.	3.1.9 4.3.4 The PEM Audit Committee Board, with the assistance of the PEM Auditor, shall maintain this Manual under review this Manual annually , to identify any need for updates and amendments.	Lifted from Section 1.3.1 as revised		
		3.1.5 The PEM Board, through the President of the PEMC, shall exercise administrative supervision over the PEM Auditor. As such, the President shall exercise the following functions: (a) Monitor the performance of the PEM Auditor, including the Audit Committee;	3.1.5 The PEM Board, through the President of the PEMC, shall exercise administrative supervision over the PEM Auditor. As such, the President shall exercise the following functions: (a) Monitor the performance of the PEM Auditor, including the Audit Committee; (b) Provide recommendation on any adjustments of honoraria that may be received by the PEM	Deleted since these provisions are already in the Guidelines Governing the Constitution of the PEM Board Committees.		

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		(b) Provide recommendation on any adjustments of honoraria that may be received by the PEM Auditor, including the Audit Committee; (c) Recommend the termination and removal of the PEM Auditor or member of the Audit Committee.	Auditor, including the Audit Committee; (c) Recommend the termination and removal of the PEM Auditor or member of the Audit Committee.			
Scope of Work and Functions		3.2.1 The PEM Auditor has the following scope of work and specific functions:	3.2.1 The PEM Audit Committee Auditor has the following scope of work and specific functions:	Global Change on the name of the Committee		
		(a) Administer and ensure the effective implementation and operation of the audit provisions of this Manual;	a) (a) Administer and ensure the effective implementation and operation of the audit provisions of this Manual;			
		(b) Review the adequacy and test any new, upgraded	b) (b) Review the adequacy and test any new, upgraded or modified software of the			

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		or modified software of the Market Operator for the WESM or provided to WESM Members for their own use;	Market Operator for the WESM or provided to WESM Members for their own use;			
			<u>c) Test and check any new items or new versions of market-related software used by the Central Registration Body or provided by the Central Registration Body for use by retail market participants;</u>	To include software used by the CRB for the retail market		
		(c) Ensure effective and independent audits of the spot market and of the Market Operator, particularly but not limited to: (i) The audit of the generation scheduling and dispatch	<u>d) (e) Conduct</u> Ensure effective and independent market audits of the spot market and of the Market Operator, particularly but not limited to: <u>i) (i)</u> The audit of the generation scheduling and dispatch process, price calculation,	To cover all audits and reviews of systems, procedures, processes, persons, or other matters relevant to the WESM		

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		<p>process, price calculation, market settlement; and</p> <p>(ii) The audit of any other procedures, processes, persons, systems or other matters relevant to the WESM and the implementation of the WESM Rules;</p>	<p>market settlement; and</p> <p>ii (ii) The audit of any other procedures, processes, persons, systems or other matters relevant to the WESM and the implementation of the WESM Rules;</p>			
			<p><u>e) Conduct an audit of the Central Registration Body and the systems, processes and procedures and other matters relevant to the operations of the Central Registration Body and</u></p>	<p>To cover all audits and reviews of systems, procedures, processes, persons, or other matters relevant to the retail market</p>		

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			<u>the performance of its functions.</u>			
		(d) Review or audit specific procedures, standards, facilities or systems related to generation scheduling, dispatch, prices and settlement at the request of the PEM Board, either to assess adequacy of such matters, procedures or processes, or to audit compliance;	f) (d) Review or audit specific procedures, standards, facilities or systems related to generation scheduling, dispatch, prices and settlement at the request of the PEM Board, either to assess adequacy of such matters, procedures or processes, or to audit compliance;	Renumbering		
		e) During an investigation of an alleged breach, and upon the request of the ECO, assess or audit compliance by a WESM Member, the System	g) (e) During an investigation of an alleged breach, and upon the request of the ECO <u>or the PEM Board</u> , assess or audit compliance by a WESM Member, <u>Metering Services Provider/s</u> , the	To include the PEM Board in the parties who may request compliance audits To include MSPs in the parties who may be audited for compliance to the WESM Rules or Retail Rules		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		Operator or the Market Operator on systems or procedures in relation to generation scheduling, dispatch and settlement, or other systems and procedures established in the WESM Rules;	System Operator or the Market Operator on systems or procedures in relation to generation scheduling, dispatch and settlement, or other systems and procedures established in the WESM Rules <u>or Retail Rules</u> ;			
		(f) Submit written proposals of changes to the WESM Rules concerning generation scheduling, central dispatch, settlement and other matters covered in its auditing activities, if the PEM Auditor detects deficiencies as a result of an audit or	h) (#) Submit written proposals of for changes to the WESM Rules, <u>the Retail Rules and applicable manuals</u> concerning generation scheduling, central dispatch, settlement and other matters covered in its auditing activities, if the PEM Auditor <u>Audit Committee</u> detects <u>identifies</u> deficiencies as a result of an audit or review process, or other tests <u>s</u> or	Global Change on the name of the Committee Included in scope the Retail Rules and applicable manuals		

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		review process, or other test or check performed in the course of its duties;	checks performed in the course of its duties;			
		(g) Select and propose, experts or expert teams to be contracted as special external auditors for specific and specialized audits;	i) (g) Participate in the process for the <u>selection</u> of <i>Independent Auditors</i> and propose, experts or expert teams to be contracted as special external auditors for specific and specialized audits;	Consistent with current practice of engaging external auditors who will conduct independent audits		
		(h) Prepare audit reports with the main audit findings and the recommendations to be implemented, and see that the reports are published in the Market Information Website;	i) (h) Prepare audit reports <u>containing</u> with the main audit findings and the recommendations to be implemented, and see <u>ensure</u> that the reports are published in the Market Information <u>PEMC</u> Website;	For clarity		

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		(i) Maintain data, reports and other information related to the development and results of the audit processes; and,	k) (i) Maintain data, reports and other information related to the development and results of the audit processes; and,	Renumbering		
		(j) Conduct audit of market assessment system to determine if the system is producing outcomes consistent with the WESM Rules and the WESM objectives.	l) (j) Conduct an audit of the market assessment system to determine if the system is producing outcomes consistent with the WESM Rules and the WESM objectives.	Renumbering and clerical revision		
		3.2.2 In performing its audit work, the PEM Auditor may request to contract, subject to the PEM Board approval, independent persons or teams with adequate	3.2.2 In performing its audit work, the PEM Auditor Audit Committee may request to contract, subject to the PEM Board approval, independent persons or teams Independent Auditors with adequate	Global Change on the name of the Committee The approval of the PEM Board on contracting the engagement of external auditors will only be		

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		expertise to act as auditors in specific and specialized audits.	expertise to act as auditors <u>for</u> in specific and specialized audits.	necessary if the amount falls under their approving authority. Said levels of approving authorities are provided in the PEMC's Manual of approvals		
		3.3 Selection and Appointment	3.3 Selection and Appointment	The provisions in this section are already in the Guidelines for the Constitution of PEM Committees and thus were no longer included in this manual.		
		3.3.1 The PEM Board shall select and appoint a person with the qualifications and requisites established in this Manual to perform the mandate of the PEM Auditor.	3.3.1 The PEM Board shall select and appoint a person with the qualifications and requisites established in this Manual to perform the mandate of the PEM Auditor.			
		3.3.2 Selections shall be made at least one month before the expiration of the term of the PEM Auditor or within one month after a	3.3.2 Selections shall be made at least one month before the expiration of the term of the PEM Auditor or within one month after a vacancy has occurred in the position of PEM			

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		vacancy has occurred in the position of PEM Auditor. PEM Board shall publish in a newspaper of general circulation and post in the Market Information Website a notice calling for the submission of qualified nominees. Any person or entity making such nomination must submit a nomination form as prescribed by the PEM Board.	Auditor. PEM Board shall publish in a newspaper of general circulation and post in the Market Information Website a notice calling for the submission of qualified nominees. Any person or entity making such nomination must submit a nomination form as prescribed by the PEM Board.			
		3.3.3 The Selection Committee shall review the persons nominated and request from those that it considers compliant with the qualifications and requisites, the submission of an expression of interest	3.3.3 The Selection Committee shall review the persons nominated and request from those that it considers compliant with the qualifications and requisites, the submission of an expression of interest with their qualifications and experience.			

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		with their qualifications and experience.				
		3.3.4 The Selection Committee will review the submissions received and select the person best qualified and complies with the independence requisites. In determining the list of nominees, the Selection Committee shall consider foreign professionals only if 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 or her service will promote the advancement of the WESM.	3.3.4 The Selection Committee will review the submissions received and select the person best qualified and complies with the independence requisites. In determining the list of nominees, the Selection Committee shall consider foreign professionals only if 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 or her service will promote the advancement of the WESM.			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		3.3.5 Upon receipt of the list of qualified nominees from the Selection Committee, the PEM Board shall post in the Market Information Website and make available to all WESM Members the list of nominees	3.3.5 Upon receipt of the list of qualified nominees from the Selection Committee, the PEM Board shall post in the Market Information Website and make available to all WESM Members the list of nominees.			
		3.3.6 The PEM Board shall, by resolution, approve and confirm the PEM Auditor recommended by the Selection Committee from among the list of qualified nominees.	3.3.6 The PEM Board shall, by resolution, approve and confirm the PEM Auditor recommended by the Selection Committee from among the list of qualified nominees.			
		3.4 Qualifications and Disqualifications	3.4 Qualifications and Disqualifications			
		3.4.1 To be a PEM Auditor, a person must fulfill the following requisites and possess the	3.4.1 To be a PEM Auditor, a person must fulfill the following requisites and possess the following qualifications:			

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		<p>following qualifications:</p> <p>(a) Be a natural person;</p> <p>(b) Be of legal age;</p> <p>(c) Be of sound mind;</p> <p>(d) Be at least a college graduate, provided that this qualification shall not apply to those with at least ten (10) years of relevant experience in their field of expertise;</p> <p>(e) Have an understanding of the processes and types of software involved in</p>	<p>(a) Be a natural person;</p> <p>(b) Be of legal age;</p> <p>(c) Be of sound mind;</p> <p>(d) Be at least a college graduate, provided that this qualification shall not apply to those with at least ten (10) years of relevant experience in their field of expertise;</p> <p>(e) Have an understanding of the processes and types of software involved in generation scheduling and centralized economic security constrained dispatch in power systems;</p>			

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		<p>generation scheduling and centralized economic security constrained dispatch in power systems;</p> <p>(f) Have an understanding of the electricity industry in Philippines, the WESM Rules, and of the settlement requirements in the WESM, at least possessing the capacity to quickly acquire such an understanding;</p> <p>(g) Be Independent; and</p>	<p>(f) Have an understanding of the electricity industry in Philippines, the WESM Rules, and of the settlement requirements in the WESM, at least possessing the capacity to quickly acquire such an understanding;</p> <p>(g) Be Independent; and</p> <p>(h) Be objective, without any interference or undue influence from the Market Operator, System Operator or any WESM Member.</p>			

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		(h) Be objective, without any interference or undue influence from the Market Operator, System Operator or any WESM Member.				
		3.4.2 In addition to the qualification requirements in the previous paragraph, the PEM Auditor must not be and not have been: (a) Convicted by final judgment of an offense involving moral turpitude or any fraudulent act or transgression;	3.4.2 In addition to the qualification requirements in the previous paragraph, the PEM Auditor must not be and not have been: (a) Convicted by final judgment of an offense involving moral turpitude or any fraudulent act or transgression; (b) Found with finality by a court of competent jurisdiction or a quasi-judicial body to have			

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		<p>(b) Found with finality by a court of competent jurisdiction or a quasi-judicial body to have willfully violated, or aided, abetted, counseled, induced or procured the violation of any Applicable Law, Rules and Regulations;</p> <p>(c) Judicially declared to be insolvent;</p> <p>(d) 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</p>	<p>willfully violated, or aided, abetted, counseled, induced or procured the violation of any Applicable Law, Rules and Regulations;</p> <p>(c) Judicially declared to be insolvent;</p> <p>(d) 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 the foregoing paragraphs;</p> <p>(e) Convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years.</p>			

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		<p>misconduct listed in the foregoing paragraphs;</p> <p>(e) Convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years.</p>				
		<p>3.4.3 Prior to being appointed as PEM Auditor, the person must provide the PEM Board a signed declaration that the person fully complies with the independence requisites established in this Manual and has no conflict with any of the parties covered in this Manual when he assumes the position as a member of the MSC.</p>	<p>3.4.3 Prior to being appointed as PEM Auditor, the person must provide the PEM Board a signed declaration that the person fully complies with the independence requisites established in this Manual and has no conflict with any of the parties covered in this Manual when he assumes the position as a member of the MSC.</p>			
		<p>3.5. Term of Appointment</p>	<p>3.5. Term of Appointment</p>			

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		<p>3.5.1 The PEM Auditor shall be appointed for a fixed term of five (5) years and shall be eligible for re-appointment for one additional fixed term of up to five (5) years.</p> <p>3.5.2 The PEM Board may terminate the appointment of the PEM Auditor prior to the end of its term in the following cases:</p> <p>(a) The PEM Auditor ceases to meet the qualifications and requisites established in this Manual.</p> <p>(b) The PEM Auditor becomes disqualified in</p>	<p>3.5.1 The PEM Auditor shall be appointed for a fixed term of five (5) years and shall be eligible for re-appointment for one additional fixed term of up to five (5) years.</p> <p>3.5.2 The PEM Board may terminate the appointment of the PEM Auditor prior to the end of its term in the following cases:</p> <p>(a) The PEM Auditor ceases to meet the qualifications and requisites established in this Manual.</p> <p>(b) The PEM Auditor becomes disqualified in accordance to the disqualification conditions in this Manual.</p>			

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		<p>accordance to the disqualification conditions in this Manual.</p> <p>(c) The PEM Auditor fails to perform its duties and responsibilities in accordance with this Manual or he acts contrary to the principles and objectives of the WESM.</p> <p>For purposes of this provision, the PEM Board shall constitute an ad hoc committee of three (3) persons, composed of the President of PEMC, an Independent Director, and one member from other committees not</p>	<p>(c) The PEM Auditor fails to perform its duties and responsibilities in accordance with this Manual or he acts contrary to the principles and objectives of the WESM.</p> <p>For purposes of this provision, the PEM Board shall constitute an ad hoc committee of three (3) persons, composed of the President of PEMC, an Independent Director, and one member from other committees not belonging to the Audit Committee or Technical Committee. The ad hoc committee shall determine and evaluate whether there is sufficient ground to terminate the PEM Auditor's appointment. A</p>			

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		<p>belonging to the Audit Committee or Technical Committee. The ad hoc committee shall determine and evaluate whether there is sufficient ground to terminate the PEM Auditor’s appointment. A determination made by the ad hoc group finding insufficient grounds for termination shall be final. However, if the ad hoc group finds that there is sufficient ground to seek the termination of the PEM Auditor, the same shall be confirmed by a majority vote of the PEM Board constituting a quorum.</p>	<p>determination made by the ad hoc group finding insufficient grounds for termination shall be final. However, if the ad hoc group finds that there is sufficient ground to seek the termination of the PEM Auditor, the same shall be confirmed by a majority vote of the PEM Board constituting a quorum.</p>			
		<p>3.5.3 The PEM Auditor shall cease to hold office if the said person</p>	<p>3.5.3 The PEM Auditor shall cease to hold office if the said person</p>			

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		<p>(a) Resigns prior to the end of its appointment period, or no longer complying with the required qualifications and other requisites, or other personal reasons; or</p> <p>(b) Becomes incapable of performing his duties as stated in this Manual; or</p> <p>(c) Dies.</p>	<p>(a) Resigns prior to the end of its appointment period, or no longer complying with the required qualifications and other requisites, or other personal reasons; or</p> <p>(b) Becomes incapable of performing his duties as stated in this Manual; or</p> <p>(c) Dies.</p>			
		<p>3.5.4 For impending vacancy of the PEM Auditor, the PEM Board, through the Selection Committee, shall select a replacement sufficiently in advance to enable the</p>	<p>3.5.4 For impending vacancy of the PEM Auditor, the PEM Board, through the Selection Committee, shall select a replacement sufficiently in advance to enable the replacement to be available in</p>			

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		replacement to be available in time. The replacement must meet the qualifications and requisites set forth in this Manual. If the replacement has not been appointed in time, the PEM Board may appoint an officer-in-charge to discharge the functions of the PEM Auditor in a transitory capacity until a permanent and qualifying replacement has been appointed.	time. The replacement must meet the qualifications and requisites set forth in this Manual. If the replacement has not been appointed in time, the PEM Board may appoint an officer-in-charge to discharge the functions of the PEM Auditor in a transitory capacity until a permanent and qualifying replacement has been appointed.			
		3.6 Data Management and On-going Review	3.6 Data Management and On-going Review	The contents of this provision have been transferred to Section 3.1 (PEM Audit Committee)		
		3.6.1 The PEM Auditor shall implement effective data management on audit processes and shall organize, maintain and	3.6.1 The PEM Auditor shall implement effective data management on audit processes and shall organize, maintain and review audit	Transferred to 3.1.5 with revisions		

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		review audit results, findings and the implementation of audit recommendations.	results, findings and the implementation of audit recommendations.			
		3.6.2 The PEM Auditor shall ensure adequate follow up of each audit recommendation, and shall verify, in relation to problems and issues identified in an audit, whether the recommendations were implemented and, if so, whether they were successful in achieving the desired outcomes and solving the identified problems.	3.6.2 The PEM Auditor shall ensure adequate follow up of each audit recommendation, and shall verify, in relation to problems and issues identified in an audit, whether the recommendations were implemented and, if so, whether they were successful in achieving the desired outcomes and solving the identified problems.	Transferred to 3.1.6 with revisions		
		3.6.3 The PEM Auditor shall implement a formal mechanism for tracking the development of deficiencies identified by audits, and the ways in	3.6.3 The PEM Auditor shall implement a formal mechanism for tracking the development of deficiencies identified by audits, and the ways in which these deficiencies are being corrected.	Transferred to 3.1.7 with some revisions		

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		which these deficiencies are being corrected.				
		<p>3.6.4 The PEM Auditor shall implement for each audit a post-implementation review to ensure that appropriate emphasis is given to the audit findings and that the relevant parties are implementing the recommendations. In particular, the PEM Auditor shall include the following as part of the scope of work of each audit, viz.:</p> <p>(a) The review of the measures implemented and actions taken in view of the recommendations of the previous similar audit;</p>	<p>3.6.4 The PEM Auditor shall implement for each audit a post-implementation review to ensure that appropriate emphasis is given to the audit findings and that the relevant parties are implementing the recommendations. In particular, the PEM Auditor shall include the following as part of the scope of work of each audit, viz.:</p> <p>(a) The review of the measures implemented and actions taken in view of the recommendations of the previous similar audit;</p> <p>(b) Comments on the adequacy of the measures implemented and actions taken in view of the findings and</p>	Transferred to 3.1.8 with some revisions		

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		<p>(b) Comments on the adequacy of the measures implemented and actions taken in view of the findings and recommendations of the previous audit; and</p> <p>(c) Further recommendations, if a problem found in the previous audit continues to be unsolved or if the party was unable to put in place the enhancements recommended in the previous audit.</p>	<p>recommendations of the previous audit; and</p> <p>(c) Further recommendations, if a problem found in the previous audit continues to be unsolved or if the party was unable to put in place the enhancements recommended in the previous audit.</p>			
		3.7 Reports	3.3 3.7 Reports	Renumbering		
		3.7.1 The PEM Auditor shall present the results	3.3.1 3.7.1 The PEM Audit Committee Auditor shall	Allows the PEM Audit Committee a more		

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		<p>of audits, assessments and reviews in the following reports:</p> <p>(a) At the end of each audit, an Audit Report, including an executive summary summing up the outcomes of the audit, main finding and the recommendation s;</p> <p>(b) Rules Review Reports;</p> <p>(c) Software Review Reports;</p> <p>(d) After the annual assessment of metering arrangements, a</p>	<p>submit an <u>Audit Report, to the PEM Board within thirty (30) calendar days after an audit is finalized.</u> present the results of audits, assessments and reviews in the following reports:</p> <p>(a) At the end of each audit, an Audit Report, including an executive summary summing up the outcomes of the audit, main finding and the recommendations;</p> <p>(b) Rules Review Reports;</p> <p>(c) Software Review Reports;</p> <p>(d) After the annual assessment of metering arrangements, a Metering Arrangements Report; and</p>	<p>reasonable time within which to submit its Audit Report to the PEM Board.</p>		

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		<p>Metering Arrangements Report; and</p> <p>(e) Compliance Assessment Reports, on the assessment or investigation of alleged breaches.</p>	<p>(e) Compliance Assessment Reports, on the assessment or investigation of alleged breaches.</p>			
		<p>3.7.2 Within fifteen (15) days after an audit is finalized by the PEM Auditor or by a designated expert or expert team contracted to act as auditor(s), the PEM Auditor shall prepare and submit to the PEM Board an Audit Report, containing –</p> <p>(a) An executive summary that provides a concise</p>	<p>3.3.2 3.7.2 Within fifteen (15) days after an audit is finalized by the PEM Auditor or by a designated expert or expert team contracted to act as auditor(s), the PEM Auditor shall prepare and submit to the PEM Board an <u>The Audit Report to be submitted to the PEM Board shall contain the following:</u> containing –</p> <p>a) (a) An executive summary that provides a concise description of</p>	<p>Timeline as revised was moved to the earlier section.</p>		

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		<p>description of the audit process, its results and recommendations;</p> <p>(b) A description of the scope and nature of the audit, and the parties audited;</p> <p>(c) If external expert auditors were used, the name of the experts or expert team, the description of its relevant expertise and the report prepared by the expert;</p> <p>(a) The description of the audit process and outcomes; and</p>	<p>the audit process, its results and recommendations;</p> <p>b) (b) A description of the scope and nature of the audit, and the parties audited;</p> <p>c) (c) If external expert auditors were used, the name of the experts or expert team, the description of its relevant expertise and the report prepared by the expert;</p> <p>d) (d) The description of the audit process and outcomes; and</p> <p>e) (e) The main findings and recommendations.</p>			

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		<p>(b) The main findings and recommendations .</p> <p>It is hereby provided that all information or data included in the Audit Report will take into consideration the confidentiality practices established in this Manual and the WESM Rules.</p>	<p>It is hereby provided that All information or data included in the Audit Report will take into consideration the confidentiality practices established in this Manual and the WESM Rules.</p>			
		<p>3.7.3 The PEM Board shall review each Audit Report. Not later than fifteen (15) days after the next PEM Board meeting following the receipt of the report, the PEM Board shall inform the PEM Auditor if any recommendation is considered inadequate</p>	<p>3.3.3-3.7.3 <u>The PEM Audit Committee shall submit the results of the audit conducted to the PEM Board, for its information. A copy of said report shall be provided to the following:</u></p> <p>a) <u>WESM Governance Committees;</u></p>	<p>Clarifies that the PEM Board presentation on the report is only for information purposes.</p> <p>Submission of Audit Reports to the PEM Board for information ensures the independence of market audits.</p>		

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		and should not be implemented.	<p>b) <u>Department of Energy;</u> and c) <u>Energy Regulatory Commission.</u></p> <p>The PEM Board shall review each Audit Report. Not later than fifteen (15) days after the next PEM Board meeting following the receipt of the report, the PEM Board shall inform the PEM Auditor if any recommendation is considered inadequate and should not be implemented.</p>			
		3.7.4 Within five (5) business days after receiving from the PEM Board its review on the audit recommendations, the PEM Auditor shall prepare a revised Audit Report and publish it in the Market Information Website. The Audit Report shall include:	<p>3.3.4. 3.7.4 Within fifteen (15) five (5) business working days after its presentation to the PEM Board, receiving from the PEM Board its review on the audit recommendations, the PEM Audit Committee Auditor shall prepare a public version of the revised Audit Report and publish it the same in the Market Information PEMC</p>	Removes the responsibility of the PEM Board to review the audit recommendations given that the Audit Report is for information purposes only. Also clarifies that what is to be published in the PEMC Website is a public version of the report		

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		<p>(a) A description of the scope and nature of the audit, indicating parties audited and experts contracted, if any;</p> <p>(b) A summarized description of the audit process and main findings; and</p> <p>(c) The audit results and recommendations to be implemented.</p>	<p>Website. The Audit Report <u>to be published</u> shall include:</p> <p>a) (a) A description of the scope and nature of the audit, indicating parties audited and experts contracted, if any;</p> <p>b) (b) A summarized description of the audit process and main findings; and</p> <p>c) (e) The audit results and recommendations to be implemented.</p> <p><u>No information or data that qualifies as confidential shall be included in the Audit Report for publication.</u></p>			

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		3.7.5 It is hereby provided that no information or data that qualifies as confidential shall be included in the Audit Report.	3.7.5 It is hereby provided that no information or data that qualifies as confidential shall be included in the Audit Report.	Already included in the above section		
		3.7.6 Any WESM Member, the Market Operator, the DOE or the ERC may request for copies of the complete Audit Report, provided that the version provided as a copy shall not include information that qualifies as confidential in accordance with this Manual, with the exemptions to confidentiality provisions established in the WESM Rules.	3.3.5 3.7.6 Any WESM Member, the Market Operator, the DOE or the ERC may request for copies of the complete Audit Report, provided that the version provided as a copy shall not include information that qualifies as confidential in accordance with this Manual, with the exemptions to confidentiality provisions established in the WESM Rules.	Renumbering		
		3.7.7 After the end of a review of the WESM Rules requested by the PEM Board or the Rules	3.7.7 After the end of a review of the WESM Rules requested by the PEM Board or the Rules Change Committee, the PEM	This is no longer necessary as any recommendation for a rules change is already included in the		

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		<p>Change Committee, the PEM Auditor shall prepare a Rules Review Report and shall send it to:</p> <p>(a) The PEM Board; (b) The Rules Change Committee; and (c) DOE.</p>	<p>Auditor shall prepare a Rules Review Report and shall send it to:</p> <p>(a) The PEM Board; (b) The Rules Change Committee; and (c) DOE.</p>	<p>recommendations in the audit reports. Copies of the reports are likewise provided to all WESM Governance Committees including the Rules Change Committee.</p>		
		<p>3.7.8 After finalizing an assessment or audit requested by the ECO in the course of an assessment or investigation of an alleged breach, the PEM Auditor shall prepare and send to the ECO a Compliance Assessment Report.</p>	<p>3.3.6 3.7.8 After finalizing an assessment or audit requested by the ECO in the course of an assessment or investigation of an alleged breach, the PEM Audit Committee Auditor shall prepare and send to the ECO a its Compliance Assessment Report. <u>A copy of the report shall also be furnished the PEM Board for its information.</u></p>	<p>Same rationale as proposed Section 3.3.3.</p>		
		<p>3.7.9 The PEM Auditor shall prepare and</p>	<p>3.3.7 3.7.9 The PEM Audit Committee Auditor shall</p>	<p>The frequency of submission of the Audit</p>		

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		<p>submit to the PEM Board monthly Audit Assessment Reports, which shall contain:</p> <p>(a) A list of the audits in process and the stage of each audit still not finalized;</p> <p>(b) A summarized description of the scope, main finding and recommendations of the audits, assessment and reviews finalized during the month;</p> <p>(c) The developments and implementation of the audit</p>	<p>prepare and submit to the PEM Board monthly Quarterly Audit Assessment Reports, which shall contain:</p> <p>(a) A list of the audits in progress—and the stage of each audit still not finalized;</p> <p>(b) A summarized description of the scope, main finding and recommendations of the audits, assessment and reviews finalized during the month;</p> <p>(c) An update on the The developments—and implementation of the audit recommendations and committed action plans; and</p>	<p>Assessment Report is revised to allow for a more reasonable timeline for the PEM Audit Committee to the submit an assessment report as contents as inputs to the report, specifically updates on action plans committed are sourced from auditees.</p>		

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		<p>recommendations; and</p> <p>(d) Any recommendation that may arise from the experiences in audit procedures established in this Manual or otherwise observed.</p>	<p>(d) Any recommendation that may arise from the experiences in <u>the audits conducted.</u> procedures established in this Manual or otherwise observed.</p>			
		<p>NEW</p>	<p><u>3.3.8 No later than three (3) months after the end of the calendar year, the PEM Audit Committee shall submit to the PEM Board its Annual Report, which sets out the accomplishments of the Committee during the subject year and the proposed Work Plan for the coming year.</u></p>	<p>Added the submission of the Annual Report in the Manual, as currently being practised.</p>		
		<p>NEW</p>	<p><u>3.3.8 The PEM Audit Committee shall publish its</u></p>	<p>Included the publication requirement</p>		

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			<u>Annual Report in the PEMC Website.</u>			
Expert Support	4	Expert Support	4. Expert Support <u>Engagement of Independent Auditors</u>	To make it clear that the Chapter is about the engagement of an external auditors and not just expert support		
Scope		<p>4.1.1. To ensure sufficient and adequate expertise, the PEM Auditor may, subject to the PEM Board approval, engage the services of independent persons or teams or companies with special expertise, to act as:</p> <p>(a) Experts for field audits of metering equipment or processes;</p>	<p>4.1 To ensure sufficient and adequate expertise, Pursuant to WESM Rules Clause 5.2.6.4, and Clause 1.5.1 of the Retail Rules, the PEM Auditor Audit Committee may, subject to the PEM Board approval may engage the services of independent persons or teams or companies <u>an Independent Auditor,</u> special expertise, to act as in the following:</p> <p>a) (a) Experts for field audits of <u>Metering Services Providers,</u> and metering</p>	Identifies the audits in scope in the introductory portion of the chapter		

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		<p>(b) Experts for the audit and/or certification of the Market Operator software; and</p> <p>(c) Expert teams or companies for the audit of the WESM and the processes and systems in relation to generation scheduling, dispatch and settlement of the Market Operator to assess adequacy and verify compliance with the WESM Rules.</p>	<p>equipment, <u>installations</u> or <u>and</u> processes;</p> <p><u>b)</u> (b) Experts for the audit and/or certification of the Market Operator software;</p> <p><u>c)</u> (c) Expert teams or companies for the audit of the WESM and the <u>market</u> processes and systems in relation to generation scheduling, dispatch and settlement of the Market Operator to assess adequacy and verify compliance with the WESM Rules;</p> <p><u>d)</u> <u>audit of the Central Registration Body and the systems, processes and procedures and other matters relevant to the operation of the</u></p>			

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			<p><u>Central Registration Body and the performance of its functions as set forth in these Retail Rules;</u></p> <p>e) <u>Testing and checking any new items or new versions of market-related software used by the Central Registration Body or provided by the Central Registration Body for use by WESM members;</u></p> <p>f) <u>audit as may be requested in accordance with the Market Surveillance Compliance and Enforcement Manual;</u> <u>and</u></p> <p>g) <u>other audits as may be requested by the PEM Board.</u></p>			

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		4.1.2. The PEM Auditor shall endeavor to maximize the use of the Technical Committee as expert auditors in audits where they have the relevant expertise and subject to compliance with the independence provisions and qualifications established in this Manual.	4.2 The PEM <u>Audit Committee</u> Auditor shall endeavor to maximize the use of the <u>members of the Technical Committee as technical experts or resource persons auditors in relevant audit activities audits that the PEM Audit Committee oversees</u> , audits where they have the relevant expertise, and subject to compliance with the independence provisions and qualifications established in this Manual. <u>by the WESM Rules.</u>	Revision to clarify that the Technical Committee members will not be tapped as auditors but tapped for their expertise on technical matters, as may be needed, (e.g. TWG) This is being clarified for reasons of practicality and availability, because like the PEM Audit Committee, the Technical Committee members are not full time employees of PEMC,		
		4.1.3. For the purpose of providing indicative references, the PEM Auditor shall prepare before the beginning of each year an estimated budget for external auditors describing:	4.1.3. For the purpose of providing indicative references, the PEM Auditor shall prepare before the beginning of each year an estimated budget for external auditors describing: a) Specialised audits that may be required during	Deleted this provision since this is an administrative function of the Department assisting the PAC.		

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		a) Specialised audits that may be required during the year and their estimated duration; and b) Estimated cost of external auditors for the identified specialized audits.	the year and their estimated duration; and b) Estimated cost of external auditors for the identified specialized audits.			
		4.2 Pool of Experts and Audit Committee	4.2 Pool of Experts and Audit Committee	<p>This section is no longer applicable given the engagement of the external auditor.</p> <p>The PAC shall no longer create a pool of experts which will include the Technical Committee, which is not really feasible given the scope of the audits to be conducted but shall instead engage an external auditor, subject to the selection</p>		

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				process employed by PEMC with the assistance provided by the PAC Secretariat.		
		4.2.1 The PEM Auditor shall nominate and organize a pool of independent experts for audits.	4.2.1 The PEM Auditor shall nominate and organize a pool of independent experts for audits.	Deleted consistent with above		
		4.2.2 The pool of experts shall include: (a) Persons selected from the Technical Committee with specialized technical expertise; and (b) Not less than two (2) and not more than five (5) experts with adequate and proven expertise, to form an Audit Committee.	4.2.2 The pool of experts shall include: (a) Persons selected from the Technical Committee with specialized technical expertise; and (b) Not less than two (2) and not more than five (5) experts with adequate and proven expertise, to form an Audit Committee.	Deleted consistent with above		

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		<p>4.2.3 When the PEM Auditor requires expert auditors, it shall prioritize the use of members of the Technical Committee that have been pre-selected to be part of the approved pool of experts, provided that</p> <p>(a) The member of the Technical Committee has the necessary expertise relevant to the specific audit and is independent from the party or parties to be audited; and</p> <p>(b) The person can reject being designated as an auditor due to insufficient time or</p>	<p>4.2.3 When the PEM Auditor requires expert auditors, it shall prioritize the use of members of the Technical Committee that have been pre-selected to be part of the approved pool of experts, provided that</p> <p>(a) The member of the Technical Committee has the necessary expertise relevant to the specific audit and is independent from the party or parties to be audited; and</p> <p>(b) The person can reject being designated as an auditor due to insufficient time or other work obligations within the Technical Committee.</p>	Deleted consistent with above		

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		other work obligations within the Technical Committee.				
		4.2.4 In making appointments to the pool of experts and the Audit Committee, the PEM Auditor and the PEM Board shall endeavor to nominate and appoint persons with different relevant experience and knowledge to beget combined expertise adequate to cover the different types of audits specified in this Manual.	4.2.4 In making appointments to the pool of experts and the Audit Committee, the PEM Auditor and the PEM Board shall endeavor to nominate and appoint persons with different relevant experience and knowledge to beget combined expertise adequate to cover the different types of audits specified in this Manual.	Deleted consistent with above		
		4.3 Technical Committee	4.3 Technical Committee			
		4.3.1 The PEM Auditor may request the PEM Board to use persons from the Technical	4.3.1 The PEM Auditor may request the PEM Board to use persons from the Technical Committee to audit—	Deleted consistent with above		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>Committee to audit –</p> <p>(a) Technical matters relating to the operation of the spot market;</p> <p>(b) Information technology;</p> <p>(c) Metering technology and data; and</p> <p>(d) Any other matter of a technical nature in relation to the WESM and the WESM Rules.</p>	<p>(a) Technical matters relating to the operation of the spot market;</p> <p>(b) Information technology;</p> <p>(c) Metering technology and data; and</p> <p>(d) Any other matter of a technical nature in relation to the WESM and the WESM Rules.</p>			
		4.3.2 A member of the Technical Committee	4.3.2 A member of the Technical Committee may be	Deleted consistent with above		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		may be selected and included by the PEM Auditor in the pool of auditors available to be designated by the PEM Auditor as expert auditors, provided that the person shall possess relevant expertise for the audits under the responsibility of the PEM Auditor in accordance to this Manual; Provided further that the PEM Board may reject the inclusion of a member of the Technical Committee in the pool of auditors if in its opinion such person does not have adequate knowledge or sufficient expertise.	selected and included by the PEM Auditor in the pool of auditors available to be designated by the PEM Auditor as expert auditors, provided that the person shall possess relevant expertise for the audits under the responsibility of the PEM Auditor in accordance to this Manual; Provided further that the PEM Board may reject the inclusion of a member of the Technical Committee in the pool of auditors if in its opinion such person does not have adequate knowledge or sufficient expertise.			
		4.3.3 Each member of the Technical Committee included in the pool of auditors that form the	4.3.3 Each member of the Technical Committee included in the pool of auditors that form the Audit Committee shall enter	Deleted consistent with above		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		Audit Committee shall enter into a confidentiality undertaking, the terms of which shall be prescribed by the PEM Board.	into a confidentiality undertaking, the terms of which shall be prescribed by the PEM Board.			
		4.4 Selection and Appointment of the Audit Committee	4.4 Selection and Appointment of the Audit Committee	Deleted since the provisions on the selection of the members of the PEM Audit Committee are already in the Guidelines Governing the Constitution of the PEM Board Committees.		
		4.4.1 To be a member of the Audit Committee, a person must meet the same qualifications and not have or had the disqualifications as the ones established in this Manual for the PEM Auditor.	4.4.1 To be a member of the Audit Committee, a person must meet the same qualifications and not have or had the disqualifications as the ones established in this Manual for the PEM Auditor.			
		4.4.2 For the selection and appointment of the members of the Audit Committee, the PEM Auditor shall submit to	4.4.2 For the selection and appointment of the members of the Audit Committee, the PEM Auditor shall submit to the Selection Committee the			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		the Selection Committee the names, qualifications and experience of the candidates. Additionally, the Selection Committee may call for qualified persons to submit their expression of interest and their relevant experience.	names, qualifications and experience of the candidates. Additionally, the Selection Committee may call for qualified persons to submit their expression of interest and their relevant experience.			
		4.4.3 The Selection Committee shall review each expert proposed for the Audit Committee and the PEM Board, by resolution, shall select and appoint the members in accordance with the procedure established in this Manual.	4.4.3 The Selection Committee shall review each expert proposed for the Audit Committee and the PEM Board, by resolution, shall select and appoint the members in accordance with the procedure established in this Manual.			
		4.4.4 Each member shall be appointed for a period of three (3) years, and then eligible for re-appointment. The member shall cease	4.4.4 Each member shall be appointed for a period of three (3) years, and then eligible for re-appointment. The member shall cease office prior to the			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>office prior to the end of its appointment period if the person –</p> <p>(a) Dies or resigns;</p> <p>(b) Fails to discharge the obligations of his or her office or is removed for cause as determined by an ad hoc committee of three (3) persons, composed of the PEMC President, an Independent Director, and a member of another Committee not belonging to the Audit Committee, in the same manner as</p>	<p>end of its appointment period if the person –</p> <p>(a) Dies or resigns;</p> <p>(b) Fails to discharge the obligations of his or her office or is removed for cause as determined by an ad hoc committee of three (3) persons, composed of the PEMC President, an Independent Director, and a member of another Committee not belonging to the Audit Committee, in the same manner as established in Section 3.5.2 of this Manual;</p> <p>(c) No longer meets the qualification requirements established in this Manual; or</p>			

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		<p>established in Section 3.5.2 of this Manual;</p> <p>(c) No longer meets the qualification requirements established in this Manual; or</p> <p>(d) Becomes disqualified under the disqualification conditions established in this Manual.</p>	<p>(d) Becomes disqualified under the disqualification conditions established in this Manual.</p>			
		<p>4.5 Terms of Reference to Contract External Auditors</p>	<p>4.5 Terms of Reference to Contract External Auditors</p>			
		<p>4.5.1 The PEM Auditor may request to contract external experts for a specialized audit if –</p>	<p>4.5.1 The PEM Auditor may request to contract external experts for a specialized audit if –</p>			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>(a) The PEM Auditor is unable to conduct the audit itself; and</p> <p>(b) The expertise available in the Technical Committee is insufficient or inadequate; and</p> <p>(c) The expertise available in the Audit Committee is insufficient or inadequate</p>	<p>(a) The PEM Auditor is unable to conduct the audit itself; and</p> <p>(b) The expertise available in the Technical Committee is insufficient or inadequate; and</p> <p>(c) The expertise available in the Audit Committee is insufficient or inadequate</p>			
		<p>4.5.2 In each instance where the PEM Auditor requires external and independent experts for specialized audits, the PEM Auditor shall prepare terms of</p>	<p><u>4.3</u> 4.5.2 <u>The engagement of an Independent Auditor by the PEM Audit Committee shall be approved according to the established guidelines of PEMC.</u> In each instance where the PEM <u>Audit</u></p>	<p>Revised to consider the internal processes of PEMC as contracting party for the Audits to be conducted by PAC</p>		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		reference for the audit work, describing the scope of work, timeframe and deliverables. The terms of reference shall also describe the mechanism to evaluate proposals and determine the winner that will be contracted as independent external auditor.	Committee Auditor requires external and independent experts for its specialized audits, the PEM Audit Committee Auditor shall prepare the terms of reference for the audit work, describing the scope of work, timeframe and deliverables. The terms of reference shall also describe the mechanism to evaluate proposals and determine the winner that will be contracted as independent external auditor.			
		4.5.3 The PEM Board shall review the proposed terms of references and may request clarifications or additional information from the PEM Auditor. The PEM Board may propose changes to the proposed terms of reference before approving the same.	4.5.3 The PEM Board shall review the proposed terms of references and may request clarifications or additional information from the PEM Auditor. The PEM Board may propose changes to the proposed terms of reference before approving the same.	Deleted – This is an administrative task within PEMC and does not need to be approved by the PEM Board. This is also considering that the audits are those as required by the Rules		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		4.6 External Expert Short List	4.6 External Expert Short List			
		4.6.1 To contract an external expert or expert team for a specific audit work, the PEM Auditor shall short list a minimum of three (3) experts or expert teams, based on their independence, expertise and experiences in similar audits. In its short-listing, the PEM Auditor shall ensure that the experts are totally independent from the parties to be audited.	4.6.1 To contract an external expert or expert team for a specific audit work, the PEM Auditor shall short list a minimum of three (3) experts or expert teams, based on their independence, expertise and experiences in similar audits. In its short-listing, the PEM Auditor shall ensure that the experts are totally independent from the parties to be audited.	Deleted, since these are administrative process that shall be done by the PEMC with the assistance of the PAC Secretariat in consultation with the PAC		
		4.6.2 If the PEM Auditor has a pool of external auditors approved by the PEM Board, the short list shall be first selected from this pool. If the PEM Auditor does not have an approved pool of experts	4.6.2 If the PEM Auditor has a pool of external auditors approved by the PEM Board, the short list shall be first selected from this pool. If the PEM Auditor does not have an approved pool of experts or if the experts available in the pool	This is deleted since the function of the pool of external auditors is already being undertaken by the external auditor. The creation of the pool is thus no longer needed.		

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		or if the experts available in the pool are inadequate or insufficient for the required short list, the PEM Auditor may include experts that are not in the pool approved by the PEM Board.	are inadequate or insufficient for the required short list, the PEM Auditor may include experts that are not in the pool approved by the PEM Board.			
		4.7 Proposal to Contract External Auditors	4.7 Proposal to Contract External Auditors	This process is deleted as the engagement of external auditors will be subject to the approval of the appropriate approving authorities of PEMC.		
		4.7.1 The PEM Auditor shall request the PEM Board approval of the short list and audit work by external experts, submitting a report with – (a) The description of the scope of the audit work required, in particular the type	4.7.1 The PEM Auditor shall request the PEM Board approval of the short list and audit work by external experts, submitting a report with – (a) The description of the scope of the audit work required, in particular the type of audit and type of special expertise;			

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		<p>of audit and type of special expertise;</p> <p>(b) The reason(s) why external expertise is needed and the criteria for evaluation;</p> <p>(c) The proposed terms of reference including methodological approach; and</p> <p>(d) The short list of experts or expert team or company proposed, including their qualifications, relevant previous experiences and compliance with independence provisions.</p>	<p>(b) The reason(s) why external expertise is needed and the criteria for evaluation;</p> <p>(c) The proposed terms of reference including methodological approach; and</p> <p>(d) The short list of experts or expert team or company proposed, including their qualifications, relevant previous experiences and compliance with independence provisions.</p>			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>4.7.2 The PEM Board shall review the request to contract external auditors, the terms or references and the proposed short list. It may request clarifications or additional information from the PEM Auditor, or conduct a special meeting to review the terms of reference. The PEM Board may reject one or more of the short listed experts if in the PEM Board opinion the proposed expert does not have adequate expertise or does not comply with the required independence. If the PEM Board has any objection to the proposal, not later than fifteen (15) days after the next PEM Board meeting following</p>	<p>4.7.2 The PEM Board shall review the request to contract external auditors, the terms or references and the proposed short list. It may request clarifications or additional information from the PEM Auditor, or conduct a special meeting to review the terms of reference. The PEM Board may reject one or more of the short listed experts if in the PEM Board opinion the proposed expert does not have adequate expertise or does not comply with the required independence. If the PEM Board has any objection to the proposal, not later than fifteen (15) days after the next PEM Board meeting following receipt of the request from the PEM Auditor, the PEM Board shall inform the PEM Auditor—</p>			

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		<p>receipt of the request from the PEM Auditor, the PEM Board shall inform the PEM Auditor –</p> <p>(a) If any of the short listed experts has been rejected and the reason(s) for the rejection; and</p> <p>(b) Revisions proposed to the terms of reference.</p>	<p>(a) If any of the short listed experts has been rejected and the reason(s) for the rejection; and</p> <p>(b) Revisions proposed to the terms of reference.</p>			
		<p>4.7.3 If, within the timeframe specified in Section 4.7.2, the PEM Board does not send to the PEM Auditor any objections to the short list or revisions to the terms of reference, the PEM Auditor shall continue with the contracting process.</p>	<p>4.7.3 If, within the timeframe specified in Section 4.7.2, the PEM Board does not send to the PEM Auditor any objections to the short list or revisions to the terms of reference, the PEM Auditor shall continue with the contracting process.</p>	<p>Consistent with proposed changes above</p>		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		4.7.4 If, within the timeframe specified in Section 4.7.3, the PEM Board informs that one or more experts are rejected and the remaining short list is composed of less than three (3) candidates, the PEM Auditor shall submit to the PEM Board other independent experts to ensure that the short list includes at least three alternatives, unless the PEM Board approves that, due to the nature and special characteristics of the audit, it will be difficult to obtain a short list of three and authorizes a shorter list of experts.	4.7.4 If, within the timeframe specified in Section 4.7.3, the PEM Board informs that one or more experts are rejected and the remaining short list is composed of less than three (3) candidates, the PEM Auditor shall submit to the PEM Board other independent experts to ensure that the short list includes at least three alternatives, unless the PEM Board approves that, due to the nature and special characteristics of the audit, it will be difficult to obtain a short list of three and authorizes a shorter list of experts.	This is proposed to be deleted as the duty to determine the eligibility of bidders should be within the responsibilities of the PEMC unit undertaking this function, in consultation with the requesting party.		
		4.8 Selection of External Expert Auditors	4.8 Selection of External Expert Auditors	This is proposed to be deleted as the administrative process has been shifted to		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		4.8.1 Once the short list has been approved and the terms of reference revised, as necessary, the PEM Auditor shall send a request for proposals to each expert, expert team or expert company short listed. Each expert shall submit its technical proposal, which shall contain its methodological approach, and its financial proposal.	4.8.1 Once the short list has been approved and the terms of reference revised, as necessary, the PEM Auditor shall send a request for proposals to each expert, expert team or expert company short listed. Each expert shall submit its technical proposal, which shall contain its methodological approach, and its financial proposal.	the Administrative Services of PEMC in charge of the bidding/selection process		
		4.8.2 The PEM Auditor shall review the proposals received and submit a report to the PEM Board recommending the expert to be contracted. The report shall describe:	4.8.2 The PEM Auditor shall review the proposals received and submit a report to the PEM Board recommending the expert to be contracted. The report shall describe: (a) The list of experts that submitted proposals;	The approval by the PEM Board of the short listing is proposed to be deleted. This is an administrative task of PEMC and the Board is supposed to be high-level policy making body.		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>(a) The list of experts that submitted proposals;</p> <p>(b) For each expert, its qualifications and experiences presented, summary and review of the methodological approach, and requested costs and remuneration in their financial proposal; and</p> <p>(c) The outcome of the reviews, indicating the external auditor recommended to be contracted in view of the evaluation mechanism</p>	<p>(b) For each expert, its qualifications and experiences presented, summary and review of the methodological approach, and requested costs and remuneration in their financial proposal; and</p> <p>(c) The outcome of the reviews, indicating the external auditor recommended to be contracted in view of the evaluation mechanism included in the terms of reference.</p>			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		included in the terms of reference.				
		4.8.3 The PEM Board shall review the proposed selection and may request clarifications or further information from the PEM Auditor in relation to the proposals or conduct a meeting with the PEM Auditor to review the evaluation. Not later than fifteen (15) days after the next PEM Board following receipt of the review of proposals prepared by the PEM Auditor, the PEM Board shall approve the independent expert to be contracted for the special audit.	4.8.3 The PEM Board shall review the proposed selection and may request clarifications or further information from the PEM Auditor in relation to the proposals or conduct a meeting with the PEM Auditor to review the evaluation. Not later than fifteen (15) days after the next PEM Board following receipt of the review of proposals prepared by the PEM Auditor, the PEM Board shall approve the independent expert to be contracted for the special audit.	This is deleted as this function is administrative in nature and it is recognized that the PEM Board is a high-level policy making body.		
Market Audit	7	7.1. General Characteristics	<u>5.1</u> 7.1 General Characteristics <u>Guidelines for the Conduct of Audits</u>			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
General Characteristics						
Market Audit General Characteristics	7.1.1	Audits of the spot market and the Market Operator shall be conducted or supervised and coordinated by the PEM Auditor.	5.1.1 7.1.1 <u>All audits as enumerated under Section 5 of this Manual</u> and the Market Operator shall be conducted or supervised and coordinated by the PEM Auditor. Audit Committee.	Transferred from Section 7.1.1 with revisions		
Market Audit General Characteristics	7.1.2	Each spot market and Market Operator audit should include the following: (a) Terms of reference with a list of tasks, covering the processes, information and systems to be audited; (b) An audit process within a specified timeframe;	5.1.2 7.1.2 <u>Each spot market and Market Operator audit supervised and coordinated by the PEM Audit Committee</u> should should shall include the following: a) (a) Terms of reference with a list of tasks, covering the processes, information and systems to be audited; b) (b) An audit process within a specified timeframe; c) (c) An audit report, describing i) (i) The audit process;	Transferred from Section 7.1.2 with revisions		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		(c) An audit report, describing (i) The audit process; (ii) Main findings, highlighting areas where there are non-compliance with the WESM Rules; and (iii) Conclusions and recommendations.	ii (ii) Main findings, highlighting areas where there are non-compliances with the WESM Rules, <u>Retail Rules or Market Manuals</u> ; and iii (iii) Conclusions and recommendations.			
Market Audit General Characteristics	(new)	N/A	<u>5.1.3 The PEM Audit Committee, in consultation with the Auditee shall prepare the terms of reference for the audit to be conducted.</u>			

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<p>7- Market Audit</p> <p>Annual Audit of the Spot Market Operator</p>	<p>7.2.4</p>	<p>The PEM Auditor shall submit to the PEM Board for review the proposed standard terms of reference of the annual audit. Within fifteen (15) days after the next PEM Board meeting, the PEM Board shall send its comments and observations. The PEM Auditor shall take into consideration the comments and observations received and revise the terms of reference accordingly. The standard terms of reference for the annual audit shall be published in the Market Information Website.</p>	<p>7.2.4 The PEM Auditor shall submit to the PEM Board for review the proposed standard terms of reference of the annual audit. Within fifteen (15) days after the next PEM Board meeting, the PEM Board shall send its comments and observations. The PEM Auditor shall take into consideration the comments and observations received and revise the terms of reference accordingly.</p> <p><u>5.1.4 The terms of reference for all audits shall be published in the Market Information PEMC Website for comments of WESM Participants and interested parties. The PEM Audit Committee shall take into consideration the comments and observations received and revise the terms of</u></p>	<p>Lifted from Section 7.2.4 with revisions</p>		

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			<u>reference accordingly as applicable.</u>			
7- Market Audit Annual Audit of the Spot Market Operator	(NEW)	N/A	<u>5.1.5 In order to streamline the audit process and avoid unnecessary duplications, where possible, the PEM Audit Committee shall coordinate with the Auditee on the scope of the audit to be conducted.</u>	To effectively manage audit activities and avoid duplications		
Types of Audits	5.1	5.1.1 The PEM Auditor shall conduct annual audits of the spot market and of the Market Operator in accordance with the process discussed in this Manual.	5.2 5.1 Types of Audits 5.1.1 The PEM Auditor shall conduct annual audits of the spot market and of the Market Operator in accordance with the process discussed in this Manual.	.		
Annual Audit of the Spot Market and the Market Operator	7.2		<u>5.2 7.2 Audit of the Spot Market and the Market Operator</u>	Lifted from Section 7.2 of Issue 2.0		

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Annual Audit of the Spot Market and the Market Operator	7.2.1	Each year and not later than the end of October, the PEM Auditor shall conduct an audit of the spot market, including settlement of the markets administered by the Market Operator, generation scheduling, dispatch, price calculation, and any procedures and working processes used by the Market Operator in performing those functions in the WESM.	5.2.1 7.2.1 Each year and not later than the end of October, the PEM Auditor Audit Committee shall conduct an audit of the spot market, including settlement of the markets administered by the Market Operator, generation scheduling, dispatch, price calculation, and any other procedures and working processes used by the Market Operator in performing those functions in the WESM.	Lifted from Section 7.2.1 with some revisions. Considering that the length of audit sometimes extends, the end of October timeline is no longer feasible.		
Annual Audit of the Spot Market and the Market Operator	7.2.2	The general objectives of the annual audit of the spot market and the Market Operator are to: (a) Assess procedures and working processes in the Market Operator;	5.2.2 7.2.2 The general objectives of the annual periodic audit of the spot market and the Market Operator are to: a) (a) Assess the procedures and working processes of the Market Operator;	Lifted from Section 7.2.2 with some revisions.		

		<p>(b) Assess the usefulness and appropriateness of systems settlement system, data management and other procedures and working processes used by the Market Operator to administer the WESM, in order to:</p> <p>(i) Identify appropriate steps and measures to help the Market Operator effectively and efficiently perform its responsibilities in time and form in accordance with the WESM Rules;</p> <p>(ii) Review that the Market Operator practices and work processes ensure the necessary</p>	<p>b) (b) Assess the usefulness and appropriateness of systems the settlement system, data management and other procedures and working processes used by of the Market Operator to administer the WESM, in order to:</p> <p>i. (i) Identify appropriate steps and measures to help the Market Operator effectively and efficiently perform its responsibilities in time and form in accordance with the WESM Rules and its Market Manuals;</p> <p>ii. (ii) Review the Market Operator's practices and work processes to ensure the necessary transparency, independence, predictability and non-discrimination,</p>			
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		<p>transparency, independence, predictability and non-discrimination, and are in compliance with the WESM Rules and best international practices; and</p> <p>(iii) Assess if the systems, calculations, information flows and data management protect accuracy and quality of the data and results in generation scheduling, dispatch, prices and settlement, as well as if internal controls</p>	<p>and are in compliance with the WESM Rules and best international practices; and</p> <p>iii. (iii) Assess if the systems, calculations, information flows and data management protect accuracy and quality of the data and results in <u>non-discriminatory</u> generation scheduling, dispatch, prices and settlement, as well as <u>evaluate</u> if internal controls exist and are sufficient to</p>			

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		<p>exist and are sufficient to guarantee security and confidentiality where appropriate, proposing recommendations to improve the procedures to collect and process the information and the controls of quality and security of data in the WESM.</p> <p>(c) Assess the usefulness and appropriateness of the interfaces and exchange of information between the System Operator</p>	<p>guarantee security and confidentiality where appropriate. proposing recommendations to improve the procedures to collect and process the information and the controls of quality and security of data in the WESM.</p> <p><u>c)</u> (c) Assess the usefulness and appropriateness of the interfaces and exchange of information between the System Operator and the Market Operator in relation to generation scheduling,</p>			

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		<p>and the Market Operator in relation to generation scheduling, constraints and dispatch; and</p> <p>(d) Review compliance by the Market Operator with the WESM Rules.</p>	<p>constraints and dispatch; and</p> <p>d) (d) Review compliance by the Market Operator with the WESM Rules, <u>its Market Manuals, and among other things, the Market Operator's compliance with the scheduling and central dispatch procedures under the WESM Rules and applicable Market Manuals and the feasibility and adequacy of the scheduling and central dispatch procedures; and</u></p> <p>e) <u>Recommend improvements in the spot market and the operation of the</u></p>			

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			<u>Market Operator where necessary.</u>			
Annual Audit of the Spot Market and the Market Operator	7.1.3	<p>The following criteria shall be used to assess the spot market and the Market Operator:</p> <p>(a) Clear accountability for performance of Market Operator functions and responsibilities;</p> <p>(b) Adequacy - in terms of number and training of staff - to perform assigned tasks and systems used;</p> <p>(c) Efficiency of processes (e.g. time response);</p> <p>(d) Accuracy of tasks (e.g. numbers of</p>	<p>5.2.3 7.1.3 The following criteria shall be used to assess the spot market and the Market Operator:</p> <p>a) (a) Clear accountability in for the performance of Market Operator functions and responsibilities;</p> <p>b) (b) Adequacy in terms of number and training of staff of trained staff to perform the assigned tasks and use the systems;</p> <p>c) (c) Efficiency of processes (e.g. time response);</p>	Lifted from Section 7.1.3 of Issue 2.0, as revised		

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		<p>errors in settlement statements);</p> <p>(e) Compliance with the WESM Rules;</p> <p>(f) Degree to which processes are in alignment with the WESM Rules and its Market Manuals; and</p> <p>(g) Quality of the service measured in frequency and level of complaints and disputes.</p>	<p>d) (d) Accuracy of tasks (e.g. numbers of errors in settlement statements);</p> <p>e) (e) Compliance with the WESM Rules <u>and its Market Manuals</u>;</p> <p>f) (f) Degree to which processes are in alignment of processes with the WESM Rules and its Market Manuals; and</p> <p>g) (g) Quality of the service measured in terms of frequency and level of complaints and disputes.</p>			
Annual Audit of the Spot Market and the	7.1.4	In order to streamline the audit process and avoid unnecessary	5.2.4 7.1.4 In order to streamline the audit process and avoid unnecessary	Lifted from Section 7.1.4 of Issue 2.0 with revisions.		

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Market Operator		<p>duplications, where possible –</p> <p>(a) The PEM Auditor and the Market Operator shall agree an annual audit of the spot market; and</p> <p>(b) The spot market audit and the annual Market Operator audit shall be conducted together under the supervision and responsibility of the PEM Auditor.</p>	<p>duplications, where possible, -</p> <p>(a) the PEM Audit Committee Auditor and the Market Operator shall agree</p> <p>coordinate with the Market Operator on the scope an annual of the audit of the spot market.; and</p> <p>(b) The spot market audit and the annual Market Operator audit shall be conducted together under the supervision and responsibility of the PEM Auditor.</p>			
Annual Audit of the Spot Market and the Market Operator	7.2.3	The PEM Auditor, with the assistance of the Market Operator, shall prepare standard terms of reference for the annual audit of the spot market and the Market Operator covering the general scope described in the previous paragraph. The standard terms of reference shall	<p>5.2.5 7.2.3 The PEM Audit Committee Auditor with the assistance of the Market Operator, shall prepare the standard terms of reference for the annual periodic audit of the spot market and the Market Operator covering the general scope described in Section 5.2.2 the previous paragraph. The standard terms of reference shall include the following tasks:</p>	Lifted from Section 7.2.3 , with revisions		

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		<p>include the following tasks:</p> <p>(a) Verify that each and all software of the Market Operator has valid audit certificates;</p> <p>(b) Review the calculations and allocations performed to determine energy for the settlement calculations in each trading point and for each Trading Participant, and the adequacy of the metering systems;</p> <p>(c) Review the calculations and allocations performed in the</p>	<p>a) (a) <u>Verification</u> Verify that each and all software of the Market Operator, have valid audit certificates and <u>all market-related software that have been modified or newly-deployed by the Market Operator for the WESM comply with the WESM Rules and Market Manuals;</u></p> <p>b) (b) <u>Review of</u> the calculations and allocations performed to determine energy for the settlement calculations in each trading point and for each Trading Participant, and the adequacy of the metering systems;</p> <p>c) (c) <u>Review of</u> the calculations and</p>			

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		<p>settlement process, and the adequacy and usefulness of the settlement systems;</p> <p>(d) Review and assess the billing and settlement system;</p> <p>(e) Review and assess the procedures, processes and systems for generation scheduling and dispatch, including management of submission and validation of bids and offers as well as the adequacy and usefulness of the coordination arrangements and</p>	<p>allocations performed in the settlement process, and the adequacy and usefulness of the settlement systems;</p> <p>d) (d) Review and <u>assessment of</u> the billing and settlement system;</p> <p>e) (e) Review and <u>assessment of</u> the procedures, processes and systems for generation scheduling and dispatch, including management of submission and validation of bids and offers as well as the adequacy and usefulness of the coordination arrangements and systems <u>of</u> with the System Operator;</p>			

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		<p>systems with the System Operator;</p> <p>(f) Review and assess the processes for software management and data protection;</p> <p>(g) Review that, in all the above matters, the Market Operator is in compliance with the WESM Rules and propose enhancements in processes to achieve best international practices; and</p> <p>(h) Except for the first audit, review the measures and actions taken by the Market Operator in</p>	<p>f) (f)—Review and <u>assessment</u> of the processes for software management and data protection;</p> <p>g) (g)—Review <u>of the</u> that, in all the above matters, Market Operator's <u>is</u> in compliance with the WESM Rules and <u>Market Manuals and</u> propose <u>as necessary, recommendations</u> for enhancements in processes to achieve best international practices; and</p> <p>h) <u>Review of the market assessment system administered by the Market Assessment Group, and any procedures used by the Market</u></p>			

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		view of the findings and recommendations of the previous audit, and assess the adequacy and effective results of such measures and actions.	<p><u>Assessment Group in the collection, validation and processing of market monitoring data, and calculation of monitoring indices.</u></p> <p><u>and</u></p> <p>i) (h) Except for the first audit, review <u>of</u> the measures and actions taken by the Market Operator in view of the findings and recommendations of the previous audit, and <u>assessment of</u> the adequacy and effective results of such measures and actions.</p>			
Software of the Market Operator	10	Software of the Market Operator	5.3 <u>10-</u> <u>Audit</u> of the Software of the Market Operator	Lifted from Section 10 of Issue 2.0		
10.1 Objective	10.1.1	The Market Operator shall not implement a	5.3.1 <u>10.1.1</u> The Market Operator shall not implement a	Lifted from Section 10.1.1 of Issue 2.0		

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		<p>new software or associated system, or modify an existing software or its associated system for generation scheduling, dispatch or settlement or price calculation relevant to the WESM without –</p> <p>(a) Prior notice to all WESM Members and the PEM Board; and</p> <p>(b) Undergoing the ICT Change Management Process.</p> <p>All new software or modifications to existing software implemented through the ICT Change Management Process shall be subject to post</p>	<p>new software or associated system, or modify an existing software or its associated system for generation scheduling, dispatch or settlement or price calculation relevant to the WESM without –</p> <p>a) (a) Prior notice to all WESM Members, <u>PEM Audit Committee</u>, and the PEM Board, <u>the DOE and the ERC</u>; and</p> <p>b) (b) Undergoing the ICT Change Management Process <u>instituted by the Market Operator in accordance to WESM Rules Clause 5.2.6.2.</u></p> <p>All new software or modifications to existing software implemented through the ICT Change Management Process shall be subject to post audit and/or certification within</p>	<p>PAC was added as recipient of prior notice to ensure that all new or modifications to software used for market operations are monitored and tracked for future audit.</p>		

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		audit and/or certification within one year from deployment. The ICT Change Management process is instituted by the Market Operator to ensure proper and timely review, approval, and monitoring of all activities on all stages of the change management process.	one year from deployment. The ICT Change Management process is instituted by the Market Operator to ensure proper and timely review, approval, and monitoring of all activities on all stages of the change management process.			
10.1 Objective	10.1.1	The Market Operator shall not implement a new software or associated system, or modify an existing software or its associated system for generation scheduling, dispatch or settlement or price calculation relevant to the WESM without – (a) Prior notice to all WESM Members	5.3.2 10.1.1 The Market Operator shall not implement a new software or associated system, or modify an existing software or its associated system for generation scheduling, dispatch or settlement or price calculation relevant to the WESM without – (a) Prior notice to all WESM Members and the PEM Board; and	Lifted from last paragraph of Section 10.1.1 of Issue 2.0 The timing of the post audits on new or modified software shall be subject to the determination of the PAC in consideration of funds availability, market developments, and audit activities.		

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		<p>and the PEM Board; and</p> <p>(b) Undergoing the ICT Change Management Process.</p> <p>All new software or modifications to existing software implemented through the ICT Change Management Process shall be subject to post audit and/or certification within one year from deployment. The ICT Change Management process is instituted by the Market Operator to ensure proper and timely review, approval, and monitoring of all activities on all stages of the change management process.</p>	<p>Undergoing the ICT Change Management Process.</p> <p>All new software or modifications to existing software shall be implemented through the ICT Change Management Process and shall be subject to post audit and/or certification within one year from deployment. The ICT Change Management Process is instituted by the Market Operator to ensure proper and timely review, approval, and monitoring of all activities on all stages of the change management process.</p>			

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10.2 Software for the WESM	10.2.1	<p>If the Market Operator wants to implement a new software for generation scheduling, dispatch, price calculation or settlement, or modify or replace an existing one, the Market Operator shall send a report to the PEM Auditor describing –</p> <p>(a) The software to be implemented (a new software) or the software to be modified;</p> <p>(b) If an existing software is going to be modified or replaced, a description of –</p> <p>(i) The reasons that justify the change, including any problem or</p>	<p>5.3.3 10.2.4 If the Market Operator wants to implement a new software for generation scheduling, dispatch, price calculation or settlement, or modify or replace an existing one, the Market Operator shall send a report to the PEM Audit Committee Auditor describing –</p> <p>a) (a) The software to be implemented (a new software) or the software to be modified;</p> <p>b) (b) If an existing software is going to be modified or replaced, a description of –</p> <p>i. (i) The reasons that justify the change, including any problem or shortfall identified in the existing software, if any;</p> <p>ii. (ii) Expected improvements, particularly in relation to transparency, efficiency,</p>	Lifted from Section 10..2.1 of Issue 2.0		

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		<p>shortfall identified in the existing software, if any;</p> <p>(ii) Expected improvements, particularly in relation to transparency, efficiency, data processing and response time;</p> <p>(iii) The scope of the proposed modification or, if the existing software is going to be replaced, the description of the new software and main differences with the existing one;</p> <p>(c) If a new software is going to be</p>	<p>data processing and response time; and</p> <p>iii (iii) The scope of the proposed modification or, if the existing software is going to be replaced, the description of the new software and main differences with the existing one.</p> <p>c (c) If a new software is going to be implemented, a description of -</p> <p>i (i) The reasons that justify the new software, particularly the expected improvements in efficiency, data processing and response time;</p> <p>ii (ii) The description of the new software;</p> <p>iii (iii) The description of the tests performed and results that prove that the software has been</p>			

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		<p>implemented, a description of -</p> <p>(i) The reasons that justify the new software, particularly the expected improvements in efficiency, data processing and response time;</p> <p>(ii) The description of the new software;</p> <p>(iii) The description of the tests performed and results that prove that the software has been sufficiently and adequately tested in trial mode, produces accurate results</p>	<p>sufficiently and adequately tested in trial mode, produces accurate results and is ready for implementation; and</p> <p>iv. (d) Findings and details thereof, proving that the modified or new software will be in full compliance with the WESM Rules.</p>			

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		<p>and is ready for implementation;</p> <p>(d) Findings and details thereof, proving that the modified or new software will be in full compliance with the WESM Rules.</p>				
NEW	NEW	N/A	<p><u>5.3.4 As part of the software review, the following information shall be submitted to the PEM Audit Committee:</u></p> <p>a) <u>list of all software that have been implemented and modified within the covered audit period; and</u></p> <p>b) <u>documentation of all the tests performed and results that prove that the software has been sufficiently and adequately tested in trial mode, produces</u></p>	This is to ensure that all software changes are reviewed		

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			<u>accurate results and is ready _____ for implementation.</u>			
10.2 Software for the WESM	10.2.2	The PEM Auditor shall review the report of the Market Operator and may request clarifications and further information. In particular, the PEM Auditor may organize a meeting with the relevant staff of the Market Operator to discuss the characteristics, any limitation or potential problem, and other conditions of the software that may impact predictability, transparency or compliance with the WESM Rules.	5.3.5 10.2.2 The PEM Audit Committee Auditor shall review the report of the Market Operator and may request clarifications and further information. In particular, the PEM Audit Committee Auditor may organize a meeting with the relevant staff of the Market Operator to discuss the characteristics, any limitation or potential problem, and other conditions of the software that may impact predictability, transparency or compliance with the WESM Rules.	Lifted from Section 10.2.2 of Issue 2.0 with minor edits		
10.2 Software for the WESM	10.2.3	The review of the PEM Auditor shall encompass testing of the software to verify accuracy of results	5.3.6 10.2.3 The review of the software of the Market Operator the PEM Auditor shall encompass the testing of the	Lifted from Section 10.2.3 of Issue 2.0 with minor edits. The engagement of external experts through engagement		

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		and compliance with all requirement and procedures established in the WESM Rules. The PEM Auditor shall request a series of test runs of the software to verify that it works properly, even in special conditions. Alternatively, the PEM Auditor may request the contracting of an external expert to test and certify the software.	software to verify accuracy of results and compliance with all the requirements and procedures established in the WESM Rules. The PEM Audit Committee Auditor shall request a series of test runs of the software to verify that it works properly, even in special conditions. Alternatively, the PEM Audit Committee may request the contracting of an external expert to test and certify the software.	of external auditors has already been mentioned in earlier parts of this manual and thus deleted in this section.		
10.2 Software for the WESM	10.2.4	After finalizing the review and tests, as applicable, and based on the information gathered and, if an external expert was used, the report with the review and recommendations of the expert, the PEM Auditor shall prepare and submit to the Market Operator and the PEM Board a	5.3.7 10.2.4 After finalizing the review and tests, as applicable and based on the information gathered and, if an external expert was used, the report with the review and recommendations of the expert, the PEM Audit Committee Auditor shall prepare and submit to the Market Operator and the PEM Board a Software Review Report. The outcome of	Lifted from Section 10.2.4 of Issue 2.0 with revisions consistent with the above deleting the mention of external auditors.		

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		<p>Software Review Report. The outcome of the review and recommendation shall indicate –</p> <p>(a) If the software is ready for implementation and in compliance with the WESM Rules and the objectives; or</p> <p>(b) Recommendations on measures or changes prior to implementing the software, to ensure full compliance with the WESM Rules and its objectives.</p>	<p>the review and recommendation shall indicate –</p> <p>a) (a) If the software is ready for implementation and in compliance with the WESM Rules and the WESM objectives; or</p> <p>b) (b) Recommendations on measures or changes prior to implementing the software, to ensure full compliance with the WESM Rules and the WESM objectives.</p>			
10.4 Software for the WESM Members	10.4.3	Once the PEM Auditor considers that the software is accurate and ready for use, the PEM Auditor will prepare and	5.3.8 10.4.3 Once the PEM Audit Committee Auditor determines considers that the software is accurate and ready for use, the PEM Audit	Lifted from Section 10.4.3 with revisions		

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		submit to the Market Operator a Software Review Report approving the software, with copy thereof furnished to the PEM Board. The Market Operator shall publish the approval in the Market Information Website and advertise the new software or the change to the existing software when ready for use by WESM Members.	Committee Auditor will prepare and submit to the Market Operator a Software Review Report approving the software, with copy thereof furnished to the PEM Board. <u>For software ready for use by WESM Members,</u> the Market Operator shall publish the approval <u>of the new software or the change to the existing software</u> in the Market Information Website and advertise the new software or the change to the existing software when ready for <u>the information of</u> use by <u>the</u> WESM Members.			
10.3 Settlement Software	10.3.2	In any dispute in relation to settlement calculations, a certificate of such auditor that the settlement software is consistent with the WESM Rules shall be evidence that the	5.3.9 10.3.2 In any dispute in relation to settlement calculations, a certificate <u>The certification issued by the</u> of such <u>Independent</u> Auditor that the settlement software is consistent with the WESM Rules shall be <u>serve</u> as	Lifted from Section 10.3.2 of Issue 2.0		

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		charges or payments shown in a settlement statement have been calculated by a method consistent with the WESM Rules.	evidence that the charges or payments shown in a settlement statement have been calculated by a method consistent with the WESM Rules.			
11 Metering Review	11	Metering Review	<u>5.4</u> 11. Review of Metering Installations and Arrangements METERING REVIEW			
11.1 Metering Review	11.1.1	In accordance with the Grid Code, the Metering Services Providers have the responsibility to supply, install, connect, own, test, calibrate, place in service, operate, check, and maintain the metering system for settlement, ensuring the accuracy and traceability of calibration and test results. Additionally, each Metering Services Provider shall take all reasonable steps to	<u>5.4.1</u> 11.1.1 In accordance with the Philippine Grid Code <u>and the Philippine Distribution Code</u> , the Metering Services Providers, <u>both in the WESM and the Retail Market</u> , have the responsibility to supply, install, connect, own, test, calibrate, place in service, operate, check, and maintain the metering system for settlement, ensuring the accuracy and traceability of calibration and test results. Additionally, each Metering Services Provider shall take all	Lifted from Section 11.1.1 of Issue 2.0 with revisions to include the Philippine Distribution Code as basis		

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		prevent unauthorized interference with the metering equipment.	reasonable steps to prevent unauthorized interference with the metering equipment.			
11.1 Metering Review	11.1.2	As established in the Grid Code, a User shall have the right to request an audit of the settlement data related to its account and the right to choose an independent third party qualified to perform the audit. In such cases, the System Operator, Metering Services Providers and Market Operator shall cooperate in the auditing process.	5.4.2 41.1.2 As established <u>in both the Philippine and the Philippine Distribution Code</u> , a User shall have the right to request an audit of the settlement data related to its account and the right to choose an independent third party qualified to perform the audit. In such cases, the System Operator, Metering Services Providers and Market Operator shall cooperate in the auditing process.	Lifted from Section 11 of Issue 2.0 with revisions to include the Philippine Distribution Code as basis		
11.2 Scope and Objectives	11.2.1	The general objective of the PEM Auditor metering review is to assess the adequacy of the metering standards and security systems and processes in the WESM.	5.4.3 41.2.1 The general objective of the PEM Auditor metering review <u>Review of Metering Installations and Arrangements</u> is to assess the adequacy of the metering standards and security systems	The metering review is renamed Metering Arrangements Review (MAR) is renamed Review of Metering Installations and Arrangements to distinguish it from the MAR – the Market		

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			and processes in the WESM <u>and in the Retail Market.</u>	Assessment Report prepared by the MAG. The audit of metering arrangements in the Retail Market was also included in this PEM Audit Manual.		
NEW	NEW	N/A	<u>5.4.4 The PEM Audit Committee in consultation with the Market Operator and Metering Service Providers (MSP) shall review the security arrangements and requirements of metering installations periodically or as often as necessary.</u>	The frequency of audit is in accordance with WESM Rules Clause 4.5.5.4.		
11.4 Audit of Metering Arrangements and Compliance	11.4.1	When the annual metering arrangements review includes audits, as approved by the PEM Board, the PEM Auditor, supported by the Technical Committee, shall conduct an audit regarding,	<u>5.4.5</u> 11.4.1 When the annual metering arrangements review includes audits, as approved by the PEM Board, the PEM Auditor, <u>the PEM Audit Committee,</u> Auditor supported by the Technical Committee, shall conduct an audit regarding the following:	Lifted from Section 11.4.1 of Issue 2.0, with revisions		

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		<p>(a) Compliance with requirements of metering installations;</p> <p>(b) Compliance with security arrangements associated to metering systems and processes; and</p> <p>(c) Adequacy of security arrangements by the Market Operator and work procedures by Metering Services Providers.</p>	<p>a) (a) Compliance with the requirements of metering installations;</p> <p>b) (b) Compliance with the security arrangements associated to metering systems and processes; and</p> <p>c) (c) Adequacy of security arrangements by the Market Operator and work procedures by Metering Services Providers.</p>			
11.4 Audit of Metering Arrangements and Compliance	11.4.2	To audit compliance, the PEM Auditor shall select a sample of metering sites, where at least thirty percent (30%) of which shall correspond to the	5.4.6 11.4.2 To audit compliance, the PEM Audit Committee, Auditor in consultation with the Technical Committee, shall select a sample of metering	Lifted from Section 11.4.2 with revisions to include the consultation of the PAC with the TC		

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		metering points with largest volume within the WESM, where metering errors or inadequacy can create the biggest impact and volume error in the WESM.	sites where at least thirty percent (30%) of which shall correspond to the metering points with largest volume within the WESM, where metering errors or inadequacy can create the biggest impact and volume error in the WESM.			
(NEW)	(NEW)	N/A	<u>5.5 Audit of the Central Registration Body</u>			
(NEW)	(NEW)	N/A	<u>5.5.1 Each year, the PEM Audit Committee shall conduct an audit of the Central Registration Body (CRB) and its systems, processes and procedures and other matters relevant to the operation of the Central Registration Body.</u>	Pursuant to WESM Rules Clause 1.4.3.1		
			<u>5.5.2 The general objectives of the periodic audit of the Central Registration Body are to:</u>	Patterned after Section 5.2.2 above applied to the audit of the Market Operator		

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			<p><u>a) Assess the procedures and working processes of the Central Registration Body;</u></p> <p><u>b) Assess the usefulness and appropriateness of the systems, data management and other procedures and working processes of the Central Registration Body to administer the Retail Market in order to:</u></p> <p><u>i Identify appropriate steps and measures to help the Central Registration Body effectively and efficiently perform its responsibilities in time and form in accordance with the Retail Rules and its Market Manuals;</u></p>			

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			<p><u>ii. Review that the Central Registration Body's practices and work processes to ensure the necessary transparency, independence, predictability and non-discrimination, and compliance with the Retail Rules and best international practices; and</u></p> <p><u>iii. Assess if the systems, calculations, information flows and data management protect accuracy and quality of the data and results are non-discriminatory as</u></p>			

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			<p><u>well as evaluate if internal controls exist and are sufficient to guarantee security and confidentiality where appropriate.</u></p> <p><u>c) Review compliance by the Central Registration Body with the Retail Rules and its Market Manuals; and</u></p> <p><u>d) Recommend improvements in the retail market and the operation of the Central Registration Body, where necessary.</u></p>			
(NEW)	(NEW)		<p><u>5.5.3 The following criteria shall be used to assess the Central Registration Body:</u></p> <p><u>a) Clear accountability in the performance of the Central</u></p>	The provision is similar to Section 5.2.3 above		

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			<p><u>Registration Body's functions and responsibilities;</u></p> <p>b) <u>Adequacy of trained staff to perform the assigned tasks and use the systems;</u></p> <p>c) <u>Efficiency of processes (e.g. time response);</u></p> <p>d) <u>Accuracy of tasks (e.g. numbers of errors in settlement statements);</u></p> <p>e) <u>Compliance with the Retail Rules and its Market Manuals;</u></p> <p>f) <u>Alignment of processes with the Retail Rules and its Market Manuals; and</u></p> <p>g) <u>Quality of the service measured in terms of frequency and level of complaints.</u></p>			

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(NEW)	(NEW)		<u>5.5.4 In order to streamline the audit process and avoid unnecessary duplications, where possible, the PEM Audit Committee shall coordinate with the Central Registration Body on the scope of the audit of the market.</u>	The provision is patterned after Section 5.2.4 above		
(NEW)	(NEW)		<u>5.5.5 The PEM Audit Committee with the assistance of the Central Registration Body, shall prepare the standard terms of reference for the periodic audit of the Central Registration Body covering the general scope described in the previous paragraph. The standard terms of reference shall include the following tasks:</u> <u>a) Review of the systems, processes and procedures of the Central Registration Body and</u>	The provision is patterned after Section 5.2.5 above		

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			<p><u>other matters relevant to the operation of the Central Registration Body and the performance of its functions as set out in the Retail Rules.</u></p> <p>b) <u>Test and check any new items or new versions of market-related software used by the Central Registration Body or provided by the Central Registration Body for use by WESM Members.</u></p> <p>c) <u>Review of the calculations and allocations performed to determine energy for the settlement calculations in each trading point and for each Trading Participant;</u></p> <p>d) <u>Review and assessment of the processes for</u></p>			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
			<u>software management and data protection; and</u> <u>e) Review of the Central Registration Body's compliance with the WESM Rules, Retail Rules and relevant Market Manuals and as necessary, recommendations for enhancements in processes to achieve best international practices.</u>			
(NEW)	(NEW)		<u>5.6 Audit as Requested by the Enforcement and Compliance Office</u>			
12 Compliance With WESM Rules	12.1.2	In performing the ECO's functions in assessing or investigating an alleged breach pursuant to the Compliance and Enforcement Market Manual, the ECO may request the PEM Auditor to assess or audit a	<u>5.6.1</u> 12.1.2 In performing the ECO's functions in assessing or investigating an alleged breach pursuant to the Compliance and Enforcement Market Manual, <u>If requested by the ECO or the Market Surveillance Committee</u> may request the PEM <u>Audit Committee</u> Auditor	Lifted from Sections 5.1.2 and 12.1.2 of Issue 2.0 with revisions		

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		WESM Member, the System Operator or the Market Operator in relation to compliance with specific rules or standards or procedures in relation to generation scheduling, dispatch, bidding, prices and settlement, as established by the WESM Rules. The ECO shall inform the party or parties in alleged breach the matters that have been derived to the PEM Auditor for assessment or audit.	may to assess or audit a WESM Member, a Metering Services Provider, the System Operator or the Market Operator in relation to compliance with specific rules or standards or procedures in relation to generation scheduling, dispatch, bidding, prices and settlement, as established by the WESM Rules. The ECO shall inform the party or parties <u>to be audited in alleged breach on the conduct of an audit and the specific type of audit to be conducted, the facilities, processes, systems or information to be audited.</u> the matters that have been derived to the PEM Auditor for assessment or audit.			
5.1 Types of Audit	5.1.2	If requested by the ECO in the course of an assessment or investigation of an alleged breach, the PEM	<u>5.6.2</u> 5.1.2 If requested by the ECO in the course of an assessment or investigation of an alleged breach, the PEM	Section 5.1.2 of Issue 2.0 with revisions was transferred this section , with revisions.		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>Auditor may conduct specific audits of:</p> <p>(a) WESM Members' facilities, processes and/or information provided to the Market Operator; or</p> <p>(b) Specific systems and processes in the System Operator; or</p> <p>(c) Specific systems and processes in the Market Operator in relation to generation scheduling, constraints, bids and offers, dispatch, price calculation and settlement.</p>	<p>Auditor Audit Committee may conduct specific audits of:</p> <p>a)(a) WESM Members' facilities, processes and/or information provided to the Market Operator/Central Registration Body; or</p> <p>b) (b) Specific systems and processes of in the System Operator/Central Registration Body; or</p> <p>c) (c) Specific systems and processes of in the Market Operator/Central Registration Body in relation to generation scheduling, constraints, bids and offers, dispatch, price calculation and settlement.</p>			

ANNEX C

Proposed Amendments to the PEM Audit Manual

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		The ECO will inform the party to be audited via email that the PEM Auditor will be conducting an audit and the specific type of audit, facilities, processes, systems or information to be audited.				
12 Compliance With WESM Rules	12.1.3	When the investigation of an alleged breach has been referred to the MSC, the MSC may recommend an audit by the PEM Auditor. In such case, the ECO shall request and coordinate with the PEM Auditor the required audit, as established in the previous paragraph.	5.6.3 12.1.3 When the investigation of an alleged breach has been referred to the MSC, the MSC may recommend an audit by the PEM Auditor. In such case, the ECO shall request and coordinate with the PEM Audit Committee Auditor on the required audit, as established in the previous paragraph.	Lifted from Section 12.1.3 of Issue 2.0 with revisions		
12 Compliance With WESM Rules	12.1.4	Under confidentiality obligation, the ECO shall provide the PEM Auditor all the required information and data to assess the alleged	5.6.4 12.1.4 Under confidentiality obligation, the ECO shall provide the PEM Audit Committee Auditor all the required information and data to assess the alleged	Lifted from Section 12.1.4 of Issue 2.0 with minor revisions		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		breach or to identify the details to be audited.	breach or to identify the details to be audited.			
12 Compliance With WESM Rules	12.1.5	The party in alleged breach has the obligation to cooperate with the PEM Auditor in the assessment or audit process, providing all the relevant data and other information requested by the PEM Auditor and allowing the necessary tests and audits.	5.6.5 12.1.5 The party in alleged breach has the obligation to cooperate with the PEM Audit Committee Auditor in the assessment or audit process, providing all the relevant data and other information requested by the PEM Audit Committee Auditor and allowing the necessary tests and audits.	Lifted from Section 12.1.5 of Issue 2.0 with minor revisions		
12 Compliance With WESM Rules	12.1.3	In case the party objects to submitting the data or information requested by the PEM Auditor, the PEM Auditor shall request the MSC to request such data and information, and the MSC then shall provide it to the PEM Auditor within the established confidentiality provisions.	5.6.6 12.1.6 In case the party being audited objects to submitting the data or information requested by the PEM Audit Committee Auditor, the PEM Audit Committee Auditor shall ask request the MSC to request such data and information, and the MSC then shall then provide it to the PEM Audit Committee Auditor within the established	Lifted from Section 12.1.6 of Issue 2.0 with minor revisions		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		If the party does not provide the data and information requested to the MSC, it shall be considered a breach to the WESM Rules.	confidentiality provisions. If the party does not provide the data and information requested by to the MSC, it shall be considered a breach of to the WESM Rules.			
12 Compliance With WESM Rules	12.1.3	In all cases, the party is obliged to allow and facilitate the tests and audits requested by the PEM Auditor, provided that the PEM Auditor shall give an advance notice of not less than five (5) business days for any test or audit required, including a description of the scope and details of the test and audit. Not allowing the test or audits requested by the PEM Auditor shall be considered a breach.	5.6.7 42.1.7 In all cases, the party is obliged to allow and facilitate the tests and audits requested by the PEM <u>Audit Committee</u> Auditor, provided that the PEM <u>Audit Committee</u> Auditor shall give an advance notice of not less than <u>fifteen (15)</u> five (5) business days for any test or audit required, including a description of the scope and details of the test and audit. Not allowing the test or audits requested by the PEM <u>Audit Committee</u> Auditor shall be considered a breach.	Lifted from Section 12.1.7 of Issue 2.0 with minor revisions		
		5.1.2 If requested by the ECO in the course of an assessment or	5.1.2 If requested by the ECO in the course of an assessment or investigation of an alleged	Deleted. This provision was included under Section 5.6.2		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>investigation of an alleged breach, the PEM Auditor may conduct specific audits of:</p> <p>(a) WESM Members' facilities, processes and/or information provided to the Market Operator; or</p> <p>(b) Specific systems and processes in the System Operator; or</p> <p>(c) Specific systems and processes in the Market Operator in relation to generation scheduling, constraints, bids and offers, dispatch, price</p>	<p>breach, the PEM Auditor may conduct specific audits of:</p> <p>(a) WESM Members' facilities, processes and/or information provided to the Market Operator; or</p> <p>(b) Specific systems and processes in the System Operator; or</p> <p>(c) Specific systems and processes in the Market Operator in relation to generation scheduling, constraints, bids and offers, dispatch, price calculation and settlement.</p> <p>The ECO will inform the party to be audited via email that the PEM Auditor will be conducting an audit and the specific type of audit, facilities, processes, systems or information to be audited.</p>			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>calculation and settlement. The ECO will inform the party to be audited via email that the PEM Auditor will be conducting an audit and the specific type of audit, facilities, processes, systems or information to be audited.</p>				
		<p>5.1.3 On technical matters related to the WESM Rules, the PEM Auditor shall use, whenever possible and adequate, members of the Technical Committee as auditors.</p>	<p>5.1.3 On technical matters related to the WESM Rules, the PEM Auditor shall use, whenever possible and adequate, members of the Technical Committee as auditors.</p>	<p>Deleted, This provision was already included under Section 4.1.2</p>		
		<p>5.2 Audit Process 5.2.1 The PEM Auditor shall comply with the following steps when commencing and conducting an audit:</p>	<p>5.8 5.2 Audit Process 5.8.1 5.2.1 The PEM Auditor Audit Committee shall comply with the following steps when commencing and conducting an audit: (a) The PEM Auditor shall will inform the party</p>	<p>Lifted from Section 5.2.1 with revisions</p>		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>(a) The PEM Auditor will inform the party to be audited at least five (5) business days ahead of the proposed date to initiate the audit. In this notification, the PEM Auditor will describe;</p> <p>(i) The criteria, standard, rules or requirements the PEM Auditor will assess during the audit;</p> <p>(ii) The length of time that the PEM Auditor reasonably believes will be required for the audit;</p> <p>(iii) The information and data required, together with the</p>	<p>to be audited at least fifteen (15) five (5) business days ahead of the proposed date of the audit. to initiate the audit. In this notification, the PEM Auditor will describe the following information will also be included:</p> <p>a). (i) The criteria, standards, rules or requirements that the PEM Auditor will be assessed during the audit;</p> <p>b) (ii) The length of time that the PEM Audit Committee Auditor reasonably believes will be required for the audit;</p> <p>c) (iii) The information and data required, together with the format and deadlines for its</p>			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>format and deadlines for providing it to the PEM Auditor.</p> <p>(b) As necessary, the PEM Auditor may designate a field auditor, from the Technical Committee or an external expert auditor(s) in accordance with this Manual. In such case, the PEM Auditor will inform the name of the designated auditor(s) to the party to be audited.</p>	<p><u>submission; and</u> providing it to the PEM Auditor</p> <p>(b) iv <u>The names of the auditors who shall be conducting the audit</u> .-As necessary, the PEM Auditor may designate a field auditor, from the Technical Committee or an external expert auditor(s) in accordance with this Manual. In such case, the PEM Auditor will inform the name of the designated auditor(s) to the party to be audited.</p>			
		5.3 Audit Results	5.3 Audit Results			
		5.3.1 The PEM Auditor or the designated	5.8.2 5.3.4 <u>The PEM Audit Committee</u> Auditor through or	Lifted from Section 5.3.1 Issue 2, with revisions		

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		auditor(s), as applicable, shall carry out the tests, collection of data and other information, review of documents, processes and other adequate arrangements to assess and verify the standards, requirements and compliance with the WESM Rules, as applicable.	the its designated <u>Independent Auditor(s)</u> shall carry out the tests, collection of data and other information, review of documents, processes and other adequate arrangements to assess and verify the standards, requirements and compliance with the WESM Rules, <u>Retail Rules and its Market Manuals</u> as applicable.			
6.1 Field Auditors	6.1.1	The PEM Auditor may assign staff from the Technical Committee or independent experts, with extensive background on the matters to be audited, for field audits of facilities or systems. In addition to technical tests and verifications, the field audit may include review of working processes and	<u>5.8.3</u> 6.1.1 The PEM Auditor may assign staff from the Technical Committee or independent experts, with extensive background on matters to be audited for <u>As necessary, field audits of facilities or systems shall be undertaken, which may include</u> In addition to <u>technical tests and verifications and review of working processes and</u>	Lifted from Section 6.1.1 of Issue 2 as revised		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		compliance of such processes by the relevant staff.	<u>compliance of such processes by relevant staff.</u>			
6.2 Field Audit Methodology	6.2.1	<p>The field audit process shall comply with the following steps:</p> <p>(a) The field auditor shall be advised by the PEM Auditor of the sites and facilities to be audited, the scope of the audit, details of the tests and results to be obtained.</p> <p>(b) The party to be audited (the one who is responsible for the facilities to be audited) shall be informed of the audit and the name of the field auditor</p>	<p>5.8.4 6.2.4 The field audit shall comply with the following steps:</p> <p>a) (a) The field auditor shall be advised by the PEM Audit Committee <u>shall advise the auditor</u> of the facilities to be audited, the scope of the audit, the details of the tests <u>to be conducted</u> and results to be obtained;</p> <p>b) (b) The PEM Audit Committee shall inform the party to be audited <u>(the one who is responsible for the facilities to be audited)</u> shall be informed of the audit and the name of the field auditor by the PEM Auditor at least fifteen (15) five (5) days prior to the <u>schedule</u> initiation of the audit;</p> <p>c) (c) The field auditor shall contact the party to be</p>	Lifted from Section 6.2.1 of Issue 2 as revised		

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		<p>by the PEM Auditor at least five (5) business days prior to the initiation of the audit.</p> <p>(c) The field auditor shall contact the party to be audited and inform both the party to be audited and the PEM Auditor of the proposed timetable and work plan. The party to be audited may request changes to the timetable for valid reasons, but in no case cause a delay greater than five (5) business days to the audit.</p>	<p>audited and inform both the party to be audited and the PEM Audit Committee Auditor—of the proposed timetable and work plan. The party to be audited may request changes to the timetable for valid reasons, but in no case cause a delay greater than five (5) business days to the audit.;</p> <p>(d) The field auditor and the party to be audited shall meet in an office to review drawing, data sheets and any security or safety issues.</p> <p>d) (e) The field auditor shall visit the site and perform the planned tests on facilities and or collect the required data. Staff of the party may be audited;</p> <p>e) (f) The field auditor may ask the PEM Audit Committee Auditor to request data and other information from the</p>			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>(d) The field auditor and the party to be audited shall meet in an office to review drawings, data sheets and any security or safety issues.</p> <p>(e) The field auditor shall visit the site and perform the planned tests on facilities and/or collect the required data. Staff of the party audited may be present.</p> <p>(f) The field auditor may ask for the PEM Auditor to request data and other information from the System Operator and the</p>	<p>System Operator and the Market Operator as applicable, to compare the data obtained in the tests or audits from the data submitted to the System Operator or the Market Operator by the party audited;</p> <p>f) (g) The field auditor shall conduct and end of audit meeting with the party audited to explain the first preliminary findings; and</p> <p>g) (h) The field auditor shall submit is report to the PEM <u>Audit Committee</u> Auditor.</p>			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>Market Operator, as applicable, to compare the data obtained in the tests or audits from the data submitted to the System Operator or the Market Operator by the party audited.</p> <p>(g) The field auditor shall conduct an end of audit meeting with the party audited, to explain the first preliminary audit findings.</p> <p>(h) The field auditor shall submit its report to the PEM Auditor.</p>				

ANNEX C

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(NEW)	(NEW)		<u>5.8.5</u> <u>The PEM Audit Committee shall review the report and recommendations submitted by the <i>Independent Auditor</i>, and send the same to the Auditees for comment.</u>			
(NEW)	(NEW)		<u>5.8.6</u> <u>The Auditees shall review the draft final report, and provide comments or request clarifications, as necessary. The PEM Audit Committee shall review the comments and observations received from the Auditees and facilitate revisions on the draft final report, as applicable.</u>			
5.3 Audit Results	5.3	Audit Results	<u>5.9</u> 5.3 Audit Results			
5.3 Audit Results	5.3.2	5.3.2 The PEM Auditor or the designated auditor(s), as applicable, shall prepare an Audit Report with the audit	<u>5.9.1-5.3.2</u> The PEM Auditor <u>Audit Committee</u> or the <u>its</u> designated <u>Independent</u> Auditor(s), as applicable, shall prepare an Audit Report with the			

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		<p>results, identifying and describing the following:</p> <ul style="list-style-type: none"> (a) Main findings; (b) Conditions that correspond to non compliance: For each condition in non compliance, it shall differentiate the level of non-compliance as follows: <ul style="list-style-type: none"> (i) Critical non-compliance: A non-compliance which results in failure to provide services or results in time, or to calculate information in accordance to the WESM Rules, or to provide data in the format and/or 	<p>audit results, identifying and describing the following:</p> <ul style="list-style-type: none"> a) (a) Main findings; b) (b) Conditions that correspond to non-compliance. For each condition in non compliance, it shall differentiate the level of non-compliance as follows: <ul style="list-style-type: none"> (i) Critical non-compliance: A non-compliance which results in failure to provide services or results in time, or to calculate information in accordance to the WESM Rules, or to provide data in the format and/or to the accuracy required, and which results in a breach. 			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>to the accuracy required, and which results in a breach.</p> <p>(ii) Major non-compliance: An occurrence, practice or deficiency in a system or process, which has the potential to escalate to a level at which it would become a critical non-compliance.</p> <p>(iii) Incidental non-compliance: A condition or situation that does not qualify as critical or major, and which typically is associated with</p>	<p>(ii) Major non-compliance: An occurrence, practice or deficiency in a system or process, which has the potential to escalate to a level at which it would become a critical non-compliance.</p> <p>(iii) Incidental non-compliance: A condition or situation that does not qualify as critical or major, and which typically is associated with a lack of attention to detail, or lack of adequate staff training that leads to unnecessary mistakes.</p> <p>c) (e) Practices or processes or systems that should be enhanced,</p>			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>a lack of attention to detail, or lack of adequate staff training that leads to unnecessary mistakes.</p> <p>(c) Practices or processes or systems that should be enhanced, describing the recommended enhancements; and</p> <p>(d) Other recommendations to solve or address problems or non-compliance, or other issues such as quality control, best practices and staff adequacy.</p>	<p>describing the recommended enhancements; and</p> <p>d) <u>Recommendations for rules change if necessary; and</u></p> <p>e) (d) Other recommendations to solve or address problems or non-compliance, or other issues such as quality control, best practices and staff adequacy.</p>			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
5.3 Audit Results	5.3.3	5.3.3 At the end of an audit, any designated auditor shall send its Audit Report to the PEM Auditor. If the audit involves more than one auditor, the PEM Auditor shall prepare a consolidated Audit Report summarizing the combined findings and recommendations of the auditors together with its own views and recommendations, when applicable.	5.9.2 5.3.3 <u>The Independent Auditor shall submit all deliverables and</u> At the end of an audit, any designated auditor shall send its Audit Report to the PEM Auditor <u>Audit Committee for review and acceptance.</u> If the audit involves more than one auditor, the PEM Auditor shall prepare a consolidated Audit Report summarizing the combined findings and recommendations of the auditors together with its own views and recommendations, when applicable.			
		5.3.4 At the end of the audit, the PEM Auditor shall send to the entity that requested the audit the Audit Report with the audit findings, recommendation and proposed actions including the period	5.9.3 5.3.4 At the end of the audit, <u>as applicable,</u> the PEM Auditor shall send to the entity that requested the audit the Audit Report, with the audit findings, recommendations and proposed actions. including the period within which the entity			

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		within which the entity will comply with the Audit Report. The PEM Auditor shall also send copy of the report to the party audited.	will comply with the Audit Report. The PEM Audit Committee Auditor shall also send copy of the report to the party audited.			
5.4 Audit Cost	5.4.1	5.4 Audit Cost 5.4.1 The Market Operator shall pay the cost of the periodic market audits and software audits of the Market Operator.	5.10 5.4 Audit Cost 5.10.1 5.4.1 PEMC shall shoulder the The Market Operator shall pay the cost of the periodic audits conducted by the PEM Audit Committee. and software audits of the Market Operator.			
5.4 Audit Cost	5.4.2	5.4.2 The cost of a special audit shall be paid by the party that requested the audit, unless the audit was requested to verify non-compliance and the audit findings show non-compliance, in which case the party or parties in non-compliance shall pay the cost of the audit.	5.10.2 5.4.2 The cost of a special audit shall be paid by the party that requested the audit, unless the audit was requested to verify compliance and the audit findings show non-compliance, in which case the party or parties in non-compliance shall pay the cost of the audit.			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
Field Audits	6	6.1 Field Auditors	6.1 Field Auditors	Proposed to be deleted – field audits have been included in the Section on Audit Process		
Field Audits	6.1.1	6.1.1 The PEM Auditor may assign staff from the Technical Committee or independent experts, with extensive background on the matters to be audited, for field audits of facilities or systems. In addition to technical tests and verifications, the field audit may include review of working processes and compliance of such processes by the relevant staff.	6.1.1 The PEM Auditor may assign staff from the Technical Committee or independent experts, with extensive background on the matters to be audited, for field audits of facilities or systems. In addition to technical tests and verifications, the field audit may include review of working processes and compliance of such processes by the relevant staff.	Proposed to be deleted – field audits have been included under 5.8.3		
Field Audits	6.1.2	6.1.2 Each designated field auditor shall prepare and send to the PEM Auditor a formal audit report.	6.1.2 Each designated field auditor shall prepare and send to the PEM Auditor a formal audit report.	Proposed to be deleted – field audits are covered in the portion on Audit Process		
Field Audits	6.1.3	6.1.3 To help facilitate a consistent approach to	6.1.3 To help facilitate a consistent approach to reporting	Proposed to be deleted		

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		reporting by different field auditors and between different audit cycles, the PEM Auditor shall prepare a standard format for reporting by field auditors on specific audits.	by different field auditors and between different audit cycles, the PEM Auditor shall prepare a standard format for reporting by field auditors on specific audits.			
Field Audits	6.1.4	6.1.4 The PEM Auditor shall prepare a consolidated Field Audit Report and submit it to the PEM Board, with an Executive Summary summarizing the main outcomes and findings of the different field audits, the level and statistics of non-compliance, and the recommendations.	6.1.4 The PEM Auditor shall prepare a consolidated Field Audit Report and submit it to the PEM Board, with an Executive Summary summarizing the main outcomes and findings of the different field audits, the level and statistics of non-compliance, and the recommendations.	Proposed to be deleted – already included under Section 5.8.4		
		6.2 Field Audit Methodology	6.2 Field Audit Methodology	Proposed to be deleted – field audits are part of section on Audit process , Section 5.8		
		6.2.1 The field audit process shall comply with the following steps:	6.2.1 The field audit process shall comply with the following steps:	Proposed to be deleted – field audits are covered the		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>(a) The field auditor shall be advised by the PEM Auditor of the sites and facilities to be audited, the scope of the audit, details of the tests and results to be obtained.</p> <p>(b) The party to be audited (the one who is responsible for the facilities to be audited) shall be informed of the audit and the name of the field auditor by the PEM Auditor at least five (5) business days prior to the initiation of the audit.</p> <p>(c) The field auditor shall contact the party to be audited</p>	<p>(a) The field auditor shall be advised by the PEM Auditor of the sites and facilities to be audited, the scope of the audit, details of the tests and results to be obtained.</p> <p>(b) The party to be audited (the one who is responsible for the facilities to be audited) shall be informed of the audit and the name of the field auditor by the PEM Auditor at least five (5) business days prior to the initiation of the audit.</p> <p>(c) The field auditor shall contact the party to be audited and inform both the party to be audited and the PEM Auditor of the proposed timetable and work plan. The party to be audited may request changes to the timetable for valid reasons, but in no case cause a delay greater</p>	<p>Section on Audit Process – Section 5.8.4</p>		

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		<p>and inform both the party to be audited and the PEM Auditor of the proposed timetable and work plan. The party to be audited may request changes to the timetable for valid reasons, but in no case cause a delay greater than five (5) business days to the audit.</p> <p>(d) The field auditor and the party to be audited shall meet in an office to review drawings, data sheets and any security or safety issues.</p> <p>(e) The field auditor shall visit the site</p>	<p>than five (5) business days to the audit.</p> <p>(d) The field auditor and the party to be audited shall meet in an office to review drawings, data sheets and any security or safety issues.</p> <p>(e) The field auditor shall visit the site and perform the planned tests on facilities and/or collect the required data. Staff of the party audited may be present.</p> <p>(f) The field auditor may ask for the PEM Auditor to request data and other information from the System Operator and the Market Operator, as applicable, to compare the data obtained in the tests or audits from the data submitted to the System</p>			

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		<p>and perform the planned tests on facilities and/or collect the required data. Staff of the party audited may be present.</p> <p>(f) The field auditor may ask for the PEM Auditor to request data and other information from the System Operator and the Market Operator, as applicable, to compare the data obtained in the tests or audits from the data submitted to the System Operator or the Market Operator by the party audited.</p>	<p>Operator or the Market Operator by the party audited.</p> <p>(g) The field auditor shall conduct an end of audit meeting with the party audited, to explain the first preliminary audit findings.</p> <p>(h) The field auditor shall submit its report to the PEM Auditor.</p>			

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		<p>(g) The field auditor shall conduct an end of audit meeting with the party audited, to explain the first preliminary audit findings.</p> <p>(h) The field auditor shall submit its report to the PEM Auditor.</p>				
Market Audit	7	Market Audit	Market Audit			
		7.1 General Characteristics	7.1 General Characteristics			
		7.1.1 Audits of the spot market and the Market Operator shall be conducted or supervised and coordinated by the PEM Auditor.	7.1.1 Audits of the spot market and the Market Operator shall be conducted or supervised and coordinated by the PEM Auditor.	The responsibility of the PEM Audit Committee to supervise the audits was already included in Section 5.1.1		
		7.1.2 Each spot market and Market Operator audit should include the following:	7.1.2 Each spot market and Market Operator audit should include the following:	Transferred to 5.1.2		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>(a) Terms of reference with a list of tasks, covering the processes, information and systems to be audited;</p> <p>(b) An audit process within a specified timeframe;</p> <p>(c) An audit report, describing</p> <p>(i) The audit process;</p> <p>(ii) Main findings, highlighting areas where there are non-compliance with the WESM Rules; and</p> <p>(iii) Conclusions and recommendations.</p>	<p>(a) Terms of reference with a list of tasks, covering the processes, information and systems to be audited;</p> <p>(b) An audit process within a specified timeframe;</p> <p>(c) An audit report, describing</p> <p>(i) The audit process;</p> <p>(ii) Main findings, highlighting areas where there are non-compliance with the WESM Rules; and</p> <p>(iii) Conclusions and recommendations.</p>			
		7.1.3 The following criteria shall be used to assess the spot market and the Market Operator:	7.1.3 The following criteria shall be used to assess the spot market and the Market Operator:	Transferred to Section 5.2.3 with revisions		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>(a) Clear accountability for performance of Market Operator functions and responsibilities;</p> <p>(b) Adequacy - in terms of number and training of staff - to perform assigned tasks and systems used;</p> <p>(c) Efficiency of processes (e.g. time response);</p> <p>(d) Accuracy of tasks (e.g. numbers of errors in settlement statements);</p> <p>(e) Compliance with the WESM Rules;</p> <p>(f) Degree to which processes are in alignment with the WESM Rules and its Market Manuals; and</p>	<p>(a) Clear accountability for performance of Market Operator functions and responsibilities;</p> <p>(b) Adequacy - in terms of number and training of staff - to perform assigned tasks and systems used;</p> <p>(c) Efficiency of processes (e.g. time response);</p> <p>(d) Accuracy of tasks (e.g. numbers of errors in settlement statements);</p> <p>(e) Compliance with the WESM Rules;</p> <p>(f) Degree to which processes are in alignment with the WESM Rules and its Market Manuals; and</p> <p>(g) Quality of the service measured in frequency and level of complaints and disputes.</p>			

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		(g) Quality of the service measured in frequency and level of complaints and disputes.				
		<p>7.1.4 In order to streamline the audit process and avoid unnecessary duplications, where possible –</p> <p>(a) The PEM Auditor and the Market Operator shall agree an annual audit of the spot market; and</p> <p>(b) The spot market audit and the annual Market Operator audit shall be conducted together under the supervision and responsibility of the PEM Auditor.</p>	<p>7.1.4 In order to streamline the audit process and avoid unnecessary duplications, where possible –</p> <p>(a) The PEM Auditor and the Market Operator shall agree an annual audit of the spot market; and</p> <p>(b) The spot market audit and the annual Market Operator audit shall be conducted together under the supervision and responsibility of the PEM Auditor.</p>	Transferred to Section 5.2.4 with revisions		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		7.2 Annual Audit of the Spot Market and the Market Operator	7.2 Annual Audit of the Spot Market and the Market Operator	Transferred to Section 5.2.2		
		7.2.1 Each year and not later than the end of October, the PEM Auditor shall conduct an audit of the spot market, including settlement of the markets administered by the Market Operator, generation scheduling, dispatch, price calculation, and any procedures and working processes used by the Market Operator in performing those functions in the WESM.	7.2.1 Each year and not later than the end of October, the PEM Auditor shall conduct an audit of the spot market, including settlement of the markets administered by the Market Operator, generation scheduling, dispatch, price calculation, and any procedures and working processes used by the Market Operator in performing those functions in the WESM.	Transferred to Section 5.2.1 with revisions		
		7.2.2 The general objectives of the annual audit of the spot market and the Market Operator are to:	7.2.2 The general objectives of the annual audit of the spot market and the Market Operator are to:	Transferred to Section 5.2.2 with revisions		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>(a) Assess procedures and working processes in the Market Operator;</p> <p>(b) Assess the usefulness and appropriateness of systems settlement system, data management and other procedures and working processes used by the Market Operator to administer the WESM, in order to:</p> <p>(i) Identify appropriate steps and measures to help the Market Operator effectively and efficiently perform its</p>	<p>(a) Assess procedures and working processes in the Market Operator;</p> <p>(b) Assess the usefulness and appropriateness of systems settlement system, data management and other procedures and working processes used by the Market Operator to administer the WESM, in order to:</p> <p>(i) Identify appropriate steps and measures to help the Market Operator effectively and efficiently perform its responsibilities in time and form in accordance with the WESM Rules;</p> <p>(ii) Review that the Market Operator practices and work processes ensure the necessary transparency, independence,</p>			

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		<p>responsibilities in time and form in accordance with the WESM Rules;</p> <p>(ii) Review that the Market Operator practices and work processes ensure the necessary transparency, independence, predictability and non-discrimination, and are in compliance with the WESM Rules and best international practices; and</p> <p>(iii) Assess if the systems, calculations, information flows</p>	<p>predictability and non-discrimination, and are in compliance with the WESM Rules and best international practices;</p> <p>and</p> <p>(iii) Assess if the systems, calculations, information flows and data management protect accuracy and quality of the data and results in generation scheduling, dispatch, prices and settlement, as well as if internal controls exist and are sufficient to guarantee security and confidentiality where appropriate, proposing recommendations to improve the procedures to collect and process the information and the controls of quality and</p>			

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		<p>and data management protect accuracy and quality of the data and results in generation scheduling, dispatch, prices and settlement, as well as if internal controls exist and are sufficient to guarantee security and confidentiality where appropriate, proposing recommendations to improve the procedures to collect and process the information and the controls of quality and security of data in the WESM.</p>	<p>security of data in the WESM. (c) Assess the usefulness and appropriateness of the interfaces and exchange of information between the System Operator and the Market Operator in relation to generation scheduling, constraints and dispatch; and (d) Review compliance by the Market Operator with the WESM Rules.</p>			

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		<p>(c) Assess the usefulness and appropriateness of the interfaces and exchange of information between the System Operator and the Market Operator in relation to generation scheduling, constraints and dispatch; and</p> <p>(d) Review compliance by the Market Operator with the WESM Rules.</p>				
		7.2.3 The PEM Auditor, with the assistance of the Market Operator, shall prepare standard terms of reference for the annual audit of the spot market and the Market Operator covering the general scope described in the previous	7.2.3 The PEM Auditor, with the assistance of the Market Operator, shall prepare standard terms of reference for the annual audit of the spot market and the Market Operator covering the general scope described in the previous paragraph. The standard terms	Transferred to Section 5.2.5 with revisions		

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		<p>paragraph. The standard terms of reference shall include the following tasks:</p> <p>(a) Verify that each and all software of the Market Operator has valid audit certificates;</p> <p>(b) Review the calculations and allocations performed to determine energy for the settlement calculations in each trading point and for each Trading Participant, and the adequacy of the metering systems;</p> <p>(c) Review the calculations and allocations performed in the settlement process,</p>	<p>of reference shall include the following tasks:</p> <p>(a) Verify that each and all software of the Market Operator has valid audit certificates;</p> <p>(b) Review the calculations and allocations performed to determine energy for the settlement calculations in each trading point and for each Trading Participant, and the adequacy of the metering systems;</p> <p>(c) Review the calculations and allocations performed in the settlement process, and the adequacy and usefulness of the settlement systems;</p> <p>(d) Review and assess the billing and settlement system;</p> <p>(e) Review and assess the procedures, processes</p>			

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		<p>and the adequacy and usefulness of the settlement systems;</p> <p>(d) Review and assess the billing and settlement system;</p> <p>(e) Review and assess the procedures, processes and systems for generation scheduling and dispatch, including management of submission and validation of bids and offers as well as the adequacy and usefulness of the coordination arrangements and systems with the System Operator;</p> <p>(f) Review and assess the processes for</p>	<p>and systems for generation scheduling and dispatch, including management of submission and validation of bids and offers as well as the adequacy and usefulness of the coordination arrangements and systems with the System Operator;</p> <p>(f) Review and assess the processes for software management and data protection;</p> <p>(g) Review that, in all the above matters, the Market Operator is in compliance with the WESM Rules and propose enhancements in processes to achieve best international practices; and</p> <p>(h) Except for the first audit, review the measures and</p>			

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		<p>software management and data protection;</p> <p>(g) Review that, in all the above matters, the Market Operator is in compliance with the WESM Rules and propose enhancements in processes to achieve best international practices; and</p> <p>(h) Except for the first audit, review the measures and actions taken by the Market Operator in view of the findings and recommendations of the previous audit, and assess the adequacy and effective results of such measures and actions.</p>	<p>actions taken by the Market Operator in view of the findings and recommendations of the previous audit, and assess the adequacy and effective results of such measures and actions.</p>			

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		7.2.4 The PEM Auditor shall submit to the PEM Board for review the proposed standard terms of reference of the annual audit. Within fifteen (15) days after the next PEM Board meeting, the PEM Board shall send its comments and observations. The PEM Auditor shall take into consideration the comments and observations received and revise the terms of reference accordingly. The standard terms of reference for the annual audit shall be published in the Market Information Website.	7.2.4 The PEM Auditor shall submit to the PEM Board for review the proposed standard terms of reference of the annual audit. Within fifteen (15) days after the next PEM Board meeting, the PEM Board shall send its comments and observations. The PEM Auditor shall take into consideration the comments and observations received and revise the terms of reference accordingly. The standard terms of reference for the annual audit shall be published in the Market Information Website.	Transferred to Section 5.1.3 as revised		
		7.2.5 In view of the experience of the PEM Auditor in conducting audits and problems or	7.2.5 In view of the experience of the PEM Auditor in conducting audits and problems or other issues that	Proposed to be deleted, the terms of reference are not always standard and may vary according to the items		

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		other issues that may require auditing of the Market Operator, the PEM Auditor from time to time may revise the standard terms of reference of the Market Operator annual audit.	may require auditing of the Market Operator, the PEM Auditor from time to time may revise the standard terms of reference of the Market Operator annual audit.	proposed to be audited which may be different from previous audits conducted		
		7.2.6 When necessary at the discretion and opinion of the PEM Auditor, the PEM Auditor shall request to contract an independent and qualified team to carry out all or part of the audit.	7.2.6 When necessary at the discretion and opinion of the PEM Auditor, the PEM Auditor shall request to contract an independent and qualified team to carry out all or part of the audit.	Proposed to be deleted – already covered in earlier sections of the manual on the authority to engage external auditors		
		7.2.7 During the audit process, the PEM Auditor will be the coordinator with the contracted expert team and will be entitled to receive a copy of all reports and findings. Once the audit has finished and the experts submitted their final	7.2.7 During the audit process, the PEM Auditor will be the coordinator with the contracted expert team and will be entitled to receive a copy of all reports and findings. Once the audit has finished and the experts submitted their final reports and recommendations, the PEM Auditor shall review the report	Deleted as this has been sufficiently covered in the earlier provisions of the manual		

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		<p>reports and recommendations, the PEM Auditor shall review the report and recommendations, to prepare and send to the Market Operator a preliminary Annual Audit Report, which shall include:</p> <p>(a) A summarized description of the audit process conducted by the auditor(s);</p> <p>(b) For each task or matter audited, general review and findings by the auditor(s);</p> <p>(c) Recommendations of the PEM Auditor in view of assessment and recommendations by the expert audit</p>	<p>and recommendations, to prepare and send to the Market Operator a preliminary Annual Audit Report, which shall include:</p> <p>(a) A summarized description of the audit process conducted by the auditor(s);</p> <p>(b) For each task or matter audited, general review and findings by the auditor(s);</p> <p>(c) Recommendations of the PEM Auditor in view of assessment and recommendations by the expert audit team, identifying any recommendation by such auditor(s) that the PEM Auditor has rejected and the reason(s) for the rejection; and</p> <p>(d) As an Annex, the final report of the expert auditors.</p>			

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		<p>team, identifying any recommendation by such auditor(s) that the PEM Auditor has rejected and the reason(s) for the rejection; and</p> <p>(d) As an Annex, the final report of the expert auditors.</p>				
		<p>7.2.8 The Market Operator shall review the preliminary report, and may make observations or request clarifications or corrections. The PEM Auditor shall review the comments and observations received from the Market Operator, revise the preliminary report as necessary and prepare the final Annual Audit Report and send it to:</p>	<p>7.2.8 The Market Operator shall review the preliminary report, and may make observations or request clarifications or corrections. The PEM Auditor shall review the comments and observations received from the Market Operator, revise the preliminary report as necessary and prepare the final Annual Audit Report and send it to:</p> <p>(a) The Market Operator; (b) The PEM Board; (c) DOE; and</p>	<p>Deleted as this has been sufficiently covered in the earlier provisions of the manual</p>		

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		(a) The Market Operator; (b) The PEM Board; (c) DOE; and (d) The ERC.	(d) The ERC.			
		7.2.9 The final Annual Audit Report shall be published in the Market Information Website to be made available to WESM Members and the System Operator.	7.2.9 The final Annual Audit Report shall be published in the Market Information Website to be made available to WESM Members and the System Operator.	Deleted as this has been sufficiently covered in the earlier provisions of the manual		
Audit of the Market Assessment System	8	8.1. Each year or at such other regular period as may be determined by the PEM Board, the PEM Auditor shall conduct an audit of the market assessment system administered by the Market Assessment Group, and any procedures and working processes used by the Market Assessment Group in the collection,	8.1. Each year or at such other regular period as may be determined by the PEM Board, the PEM Auditor shall conduct an audit of the market assessment system administered by the Market Assessment Group, and any procedures and working processes used by the Market Assessment Group in the collection,	Deleted as this has been included under Section 5.2.2.6		

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		validation and processing of market monitoring data, and calculation of monitoring indices.	data, and calculation of monitoring indices			
		8.1.1 The Market Assessment Group shall provide assistance to the PEM Auditor in the formulation of the standard terms of reference in the selection of expert team to audit the Market Assessment System including the processes and procedures of the Market Assessment Group.	8.1.1 The Market Assessment Group shall provide assistance to the PEM Auditor in the formulation of the standard terms of reference in the selection of expert team to audit the Market Assessment System including the processes and procedures of the Market Assessment Group.	This is an inherent in the PAC's processes to solicit the assistance of the MAG which assists the PAC and concerned auditees in the terms of reference to determine what is in the scope of the audit.		
Review of WESM Rules	9	9.1 Technical Matters	9.1. Technical Matters	Suggest that this Section be deleted. The provisions in this section relate more to the review of the current rules relating to technical matters with a view to recommending changes to address unintended effects of distortion in the operation of		

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				the WESM caused by current technical provisions. This function is now a function of the Rules Review unit of the MAG.		
		9.1.1 At the same time as the annual audit, the PEM Auditor shall request the Technical Committee a review of technical matters covered in the WESM Rules and their adequacy to achieve the WESM Objectives.	9.1.1 At the same time as part of the annual audit, the PEM Auditor shall request the Technical Committee a review of technical matters covered in the WESM Rules and their adequacy to achieve the WESM Objectives.	Deleted consistent with the above		
		9.1.2 Within fifteen (15) days from the receipt of the request, the Technical Committee shall prepare and submit to the PEM Auditor, with copy furnished to the PEM Board and the Rules Change Committee, a Technical Review Report with its	9.1. Within fifteen (15) days from the receipt of the request, the Technical Committee shall prepare and submit to the PEM Auditor with copy furnished to the PEM Board and the Rules Change Committee, a Technical Review Report, observations and recommendations on technical matters in the WESM Rules, and any proposed	Deleted consistent with the above		

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		<p>review, observations and recommendations on technical matters in the WESM Rules, and any proposed amendments, if any, are required in view of:</p> <p>(a) Unintended effects or distortions in the operation of the WESM caused by the current technical provisions;</p> <p>(b) New technologies and improving the efficiency and the effectiveness of the operation of the spot market or metering arrangements; and</p> <p>(c) Improving or enhancing the prospects for the achievement of the WESM Objectives.</p>	<p>amendments, if any, are required in view of:</p> <p>(a) Unintended effects or distortions in the operation of the WESM caused by the current technical provisions;</p> <p>(b) New technologies and improving the efficiency and the effectiveness of the operation of the spot market or metering arrangements; and</p> <p>(c) Improving or enhancing the prospects for the achievement of the WESM Objectives.</p>			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		9.1.3 Any proposal for amendment to the WESM Rules shall be sent to the PEM Board using the standard form and including the content prescribed in the Rules Change Manual.	9.1.3 Any proposal for amendment to the WESM Rules shall be sent to the PEM Board using the standard form and including the content prescribed in the Rules Change Manual.	Proposed to be deleted since this process is part of the Rules Change Manual.		
		9.2 Annual Audit of Generation Scheduling and Dispatch Rules	9.2 Annual Audit of Generation Scheduling and Dispatch Rules	Proposed to be deleted, this is already part of the audit of the spot market and the Market Operator		
		9.2.1 As part of the annual audit, the PEM Auditor shall review – (a) The Market Operator's compliance with the scheduling and central dispatch procedures under the WESM Rules, in view of the processes, practices and staff of the	9.2.1 As part of the annual audit, the PEM Auditor shall review – (a) The Market Operator's compliance with the scheduling and central dispatch procedures under the WESM Rules, in view of the processes, practices and staff of the Market Operator; and (b) The feasibility and adequacy of the scheduling	Proposed to be relocated to Section 5.2.2.5 under the portion on the review of the spot market and the Market Operator. Deleted - the task of reviewing the feasibility and adequacy of the scheduling and central dispatch procedures, software and		

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		<p>Market Operator; and</p> <p>(b) The feasibility and adequacy of the scheduling and central dispatch procedures, software and systems prescribed or under the WESM Rules in light of the current conditions in the Philippines electricity industry and new development in technologies, dispatch methodologies and software.</p>	<p>and central dispatch procedures, software and systems prescribed or under the WESM Rules in light of the current conditions in the Philippines electricity industry and new development in technologies, dispatch methodologies and software.</p>	<p>systems prescribed under the WESM Rules is more a function for Rules Change Process. Such review will result to a change in the Rules.</p>		
		<p>9.2.2 Subject to PEM Board approval in accordance with the procedures established in this Manual, the PEM Auditor may contract a team of qualified experts to review and give their opinion on the adequacy</p>	<p>9.2.2 Subject to PEM Board approval in accordance with the procedures established in this Manual, the PEM Auditor may contract a team of qualified experts to review and give their opinion on the adequacy of the procedures and criteria established in the WESM Rules</p>	<p>Proposed to be deleted – the engagement of the external auditor has been covered in earlier sections of the PEM Audit Manual.</p>		

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		of the procedures and criteria established in the WESM Rules in relation to generation scheduling and central dispatch.	in relation to generation scheduling and central dispatch.			
		9.2.3 As a result of the annual audit of the spot market and the Market Operator, the PEM Auditor shall indicate in the corresponding Annual Audit Report its opinion (or the opinion of external experts contracted for the audit) on the adequacy of the WESM Rules in relation to generation scheduling and centralized dispatch, and when necessary recommend amendments to the WESM Rules.	9.2.3 As a result of the annual audit of the spot market and the Market Operator, the PEM Auditor shall indicate in the corresponding Annual Audit Report its opinion (or the opinion of external experts contracted for the audit) on the adequacy of the WESM Rules in relation to generation scheduling and centralized dispatch, and when necessary recommend amendments to the WESM Rules.	This is the output of Rules Review.		
		9.2.4 At least once every two years or in case of any material	9.2.4. At least once every two years or in case of any material problem or disputes in relation	Deleted consistent with the above		

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		<p>problem or disputes in relation to the dispatch and generation scheduling in the WESM, the PEM Auditor shall appoint a team or company of external auditors expert in dispatch and generation scheduling software, rules and procedures in competitive wholesale electricity markets and centralized economic security constrained dispatch, to audit the Market Operator software, procedures and processes and to recommend enhancements both in the processes and systems used by the Market Operator and in the related WESM Rules, as necessary. The</p>	<p>to the dispatch and generation scheduling in the WESM, the PEM Auditor shall appoint a team or company of external auditors expert in dispatch and generation scheduling software, rules and procedures in competitive wholesale electricity markets and centralized economic security constrained dispatch, to audit the Market Operator software, procedures and processes and to recommend enhancements both in the processes and systems used by the Market Operator and in the related WESM Rules, as necessary. The results and recommendations of this special audit shall be included in the Annual Audit Report.</p>			

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		results and recommendations of this special audit shall be included in the Annual Audit Report.				
		9.2.5 Any change recommended or observation to the WESM Rules presented in the Annual Audit Report shall be submitted by the PEM Auditor to (a) The PEM Board; (b) DOE; and (c) The Rules Change Committee.	9.2.5 Any change recommended or observation to the WESM Rules presented in the Annual Audit Report shall be submitted by the PEM Auditor to (a) The PEM Board; (b) DOE; and (c) The Rules Change Committee.	Deleted consistent with the above		
		9.3 Special Review of Generation Scheduling and Dispatch Rules 9.3.1 The PEM Board may, from time to time, request the PEM Auditor to review and assess specific WESM Rules	9.3 Special Review of Generation Scheduling and Dispatch Rules 9.3.1 The PEM Board may, from time to time, request the PEM Auditor to review and assess specific WESM Rules and	Deleted consistent with the above		

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		<p>and procedures in relation to generation scheduling, dispatch, price calculation methodology and settlement, within a specified deadline but never shorter than fifteen (15) days. The PEM Auditor may request an extension if it considers that the assessment requires a longer review period.</p>	<p>procedures in relation to generation scheduling, dispatch, price calculation methodology and settlement, within a specified deadline but never shorter than fifteen (15) days. The PEM may request an extension if it considers that the assessment requires a longer review period</p>			
		<p>9.3.2 Within the period specified or the extension approved, as applicable, the PEM Auditor shall submit to the PEM Board a Rules Review Report with its review, opinion and recommendations, including any recommended amendments to the corresponding WESM</p>	<p>9.3.2 Within the period specified or the extension approved, as applicable, the PEM Auditor shall submit to the PEM Board a Rules Review Report with its review, opinion and recommendations, including any recommended amendments to the corresponding WESM Rules. Any proposal to amend the WESM Rules shall be sent by</p>	<p>Deleted consistent with the above</p>		

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		Rules. Any proposal to amend the WESM Rules shall be sent by the PEM Auditor to the PEM Board using the standard form and including the content prescribed in the Rules Change Manual.	the PEM Auditor to the PEM Board using the standard form and including the content prescribed in the Rules Change Manual.			
		9.3.3 If, in the opinion of the PEM Auditor, a more in depth review would be necessary, it may recommend to the PEM Board in its report: (a) The contracting external independent experts; or (b) The review by the Technical Committee; or (c) A special audit by the PEM Auditor on the implementation and procedures of the Market Operator in relation to the	9.3.3 If, in the opinion of the PEM Auditor a more in depth review would be necessary, it may recommend to the PEM Board in its report: (a) The contracting external independent experts; or (b) The review by the Technical Committee; or (c) A special audit by the PEM Auditor on the implementation and procedures of the Market Operator in relation to the specific WESM Rules reviewed	Deleted consistent with the above		

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		specific WESM Rules reviewed.				
Software of the Market Operator	10	10.1 Objective	10.1 Objective			
		<p>10.1.1 The Market Operator shall not implement a new software or associated system, or modify an existing software or its associated system for generation scheduling, dispatch or settlement or price calculation relevant to the WESM without –</p> <p>(a) Prior notice to all WESM Members and the PEM Board; and</p> <p>(b) Undergoing the ICT Change Management Process.</p> <p>All new software or modifications to existing</p>	<p>10.1.1 The Market Operator shall not implement a new software or associated system, or modify an existing software or its associated system for generation scheduling, dispatch or settlement or price calculation relevant to the WESM without –</p> <p>(a) Prior notice to all WESM Members and the PEM Board; and</p> <p>(b) Undergoing the ICT Change Management Process.</p> <p>All new software or modifications to existing software implemented through the ICT Change Management Process shall be subject to post audit and/or certification within</p>	<p>Transferred to Section 5.3.1 with revisions</p>		

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		software implemented through the ICT Change Management Process shall be subject to post audit and/or certification within one year from deployment. The ICT Change Management process is instituted by the Market Operator to ensure proper and timely review, approval, and monitoring of all activities on all stages of the change management process.	one year from deployment. The ICT Change Management process is instituted by the Market Operator to ensure proper and timely review, approval, and monitoring of all activities on all stages of the change management process.			
		10.2 Software for the WESM	10.2 Software for the WESM	Transferred to Section 10.27 with revisions		
		10.2.1 If the Market Operator wants to implement a new software for generation scheduling, dispatch, price calculation or settlement, or modify or	10.2.1 If the Market Operator wants to implement a new software for generation scheduling, dispatch, price calculation or settlement, or modify or replace an existing one, the Market Operator shall	Transferred to Section 5.7.3		

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		<p>replace an existing one, the Market Operator shall send a report to the PEM Auditor describing –</p> <p>(a) The software to be implemented (a new software) or the software to be modified;</p> <p>(b) If an existing software is going to be modified or replaced, a description of –</p> <p>(i) The reasons that justify the change, including any problem or shortfall identified in the existing software, if any;</p> <p>(ii) Expected improvements, particularly in relation to</p>	<p>send a report to the PEM Auditor describing –</p> <p>(a) The software to be implemented (a new software) or the software to be modified;</p> <p>(b) If an existing software is going to be modified or replaced, a description of –</p> <p>(i) The reasons that justify the change, including any problem or shortfall identified in the existing software, if any;</p> <p>(ii) Expected improvements, particularly in relation to transparency, efficiency, data processing and response time;</p> <p>(iii) The scope of the proposed modification or, if the existing software is going to be replaced, the description of the new software and</p>			

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		<p>transparency, efficiency, data processing and response time;</p> <p>(iii) The scope of the proposed modification or, if the existing software is going to be replaced, the description of the new software and main differences with the existing one;</p> <p>(c) If a new software is going to be implemented, a description of -</p> <p>(i) The reasons that justify the new software, particularly the expected improvements in</p>	<p>main differences with the existing one;</p> <p>(c) If a new software is going to be implemented, a description of -</p> <p>(i) The reasons that justify the new software, particularly the expected improvements in efficiency, data processing and response time;</p> <p>(ii) The description of the new software;</p> <p>(iii) The description of the tests performed and results that prove that the software has been sufficiently and adequately tested in trial mode, produces accurate results and is ready for implementation;</p> <p>(d) Findings and details thereof, proving that the</p>			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>efficiency, data processing and response time;</p> <p>(ii) The description of the new software;</p> <p>(iii) The description of the tests performed and results that prove that the software has been sufficiently and adequately tested in trial mode, produces accurate results and is ready for implementation;</p> <p>(d) Findings and details thereof, proving that the modified or new software will be in full compliance with the WESM Rules.</p>	<p>modified or new software will be in full compliance with the WESM Rules.</p>			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		10.2.2 The PEM Auditor shall review the report of the Market Operator and may request clarifications and further information. In particular, the PEM Auditor may organize a meeting with the relevant staff of the Market Operator to discuss the characteristics, any limitation or potential problem, and other conditions of the software that may impact predictability, transparency or compliance with the WESM Rules.	10.2.2 The PEM Auditor shall review the report of the Market Operator and may request clarifications and further information. In particular, the PEM Auditor may organize a meeting with the relevant staff of the Market Operator to discuss the characteristics, any limitation or potential problem, and other conditions of the software that may impact predictability, transparency or compliance with the WESM Rules.	Transferred to Section 5.7.5		
		10.2.3 The review of the PEM Auditor shall encompass testing of the software to verify accuracy of results and compliance with all requirement and	10.2.3 The review of the PEM Auditor shall encompass testing of the software to verify accuracy of results and compliance with all requirement and procedures established in the WESM Rules. The PEM	Transferred to Section 5.7.6		

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		procedures established in the WESM Rules. The PEM Auditor shall request a series of test runs of the software to verify that it works properly, even in special conditions. Alternatively, the PEM Auditor may request the contracting of an external expert to test and certify the software.	Auditor shall request a series of test runs of the software to verify that it works properly, even in special conditions. Alternatively, the PEM Auditor may request the contracting of an external expert to test and certify the software.			
		10.2.4 After finalizing the review and tests, as applicable and based on the information gathered and, if an external expert was used, the report with the review and recommendations of the expert, the PEM Auditor shall prepare and submit to the Market Operator and the PEM Board a Software Review Report. The outcome of the	10.2.4 After finalizing the review and tests, as applicable and based on the information gathered and, if an external expert was used, the report with the review and recommendations of the expert, the PEM Auditor shall prepare and submit to the Market Operator and the PEM Board a Software Review Report. The outcome of the review and recommendation shall indicate –	Transferred to Section 5.7.7		

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		<p>review and recommendation shall indicate –</p> <p>(a) If the software is ready for implementation and in compliance with the WESM Rules and the objectives;</p> <p>or</p> <p>(b) Recommendation s on measures or changes prior to implementing the software, to ensure full compliance with the WESM Rules and its objectives.</p>	<p>(a) If the software is ready for implementation and in compliance with the WESM Rules and the objectives; or</p> <p>(b) Recommendations on measures or changes prior to implementing the software, to ensure full compliance with the WESM Rules and its objectives.</p>			
		<p>10.3 Settlement Software</p> <p>10.3.1 Each year during the month of June or prior to implementation of any modification to the existing settlement</p>	<p>10.3 Settlement Software</p> <p>10.3.1 Each year during the month of June or prior to implementation of any modification to the existing settlement software, an independent auditor competent</p>			

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		software, an independent auditor competent to carry out such type of audit, shall audit the settlement software to determine its consistency with the WESM Rules.	to carry out such type of audit, shall audit the settlement software to determine its consistency with the WESM Rules.			
		10.3.2 In any dispute in relation to settlement calculations, a certificate of such auditor that the settlement software is consistent with the WESM Rules shall be evidence that the charges or payments shown in a settlement statement have been calculated by a method consistent with the WESM Rules.	10.3.2 In any dispute in relation to settlement calculations, a certificate of such auditor that the settlement software is consistent with the WESM Rules shall be evidence that the charges or payments shown in a settlement statement have been calculated by a method consistent with the WESM Rules.	Transferred to Section 5.7.9 with revisions		
		10.4 Software for WESM Members	10.4 Software for WESM Members	Deleted as this is covered in general under software for the spot market and the Market Operator		

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		<p>10.4.1 Prior to implementing a new software to be used by WESM Members, or modifying or replacing an existing one, the Market Operator shall send a report to the PEM Auditor describing –</p> <p>(a) The software to be implemented (a new software) or the software to be modified, and the expected usage by WESM Members;</p> <p>(b) Expected improvements for WESM Members, particularly in relation to accuracy, efficiency and consistency;</p>	<p>10.4.1 Prior to implementing a new software to be used by WESM Members, or modifying or replacing an existing one, the Market Operator shall send a report to the PEM Auditor describing –</p> <p>(a) The software to be implemented (a new software) or the software to be modified, and the expected usage by WESM Members;</p> <p>(b) Expected improvements for WESM Members, particularly in relation to accuracy, efficiency and consistency;</p> <p>(c) The description of the tests performed and results proving that the software has been sufficiently and adequately tested and is</p>	<p>Deleted as this is redundant-already mentioned under Section 5.7.3</p>		

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		<p>(c) The description of the tests performed and results proving that the software has been sufficiently and adequately tested and is ready to be used by WESM Members; and</p> <p>(d) A description and details showing that the software calculations are accurate and in full compliance with the WESM Rules.</p>	<p>ready to be used by WESM Members; and</p> <p>(d) A description and details showing that the software calculations are accurate and in full compliance with the WESM Rules.</p>			
		<p>10.4.2 The PEM Auditor will review the report of the Market Operator and may request clarifications and further information. The PEM Auditor shall request a series of test runs to verify accuracy of results and that it works properly even in special</p>	<p>10.4.2 The PEM Auditor will review the report of the Market Operator and may request clarifications and further information. The PEM Auditor shall request a series of test runs to verify accuracy of results and that it works properly even in special conditions. With the results of these tests, the</p>			

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		conditions. With the results of these tests, the Market Operator shall correct the software, if necessary.	Market Operator shall correct the software, if necessary.			
		10.4.3 Once the PEM Auditor considers that the software is accurate and ready for use, the PEM Auditor will prepare and submit to the Market Operator a Software Review Report approving the software, with copy thereof furnished to the PEM Board. The Market Operator shall publish the approval in the Market Information Website and advertise the new software or the change to the existing software when ready for use by WESM Members.	10.4.3 Once the PEM Auditor considers that the software is accurate and ready for use, the PEM Auditor will prepare and submit to the Market Operator a Software Review Report approving the software, with copy thereof furnished to the PEM Board. The Market Operator shall publish the approval in the Market Information Website and advertise the new software or the change to the existing software when ready for use by WESM Members.			
Metering Review	11	11.1 Background	11.1 Background			

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		11.1.1 In accordance with the Grid Code, the Metering Services Providers have the responsibility to supply, install, connect, own, test, calibrate, place in service, operate, check, and maintain the metering system for settlement, ensuring the accuracy and traceability of calibration and test results. Additionally, each Metering Services Provider shall take all reasonable steps to prevent unauthorized interference with the metering equipment.	11.1.1 In accordance with the Grid Code, the Metering Services Providers have the responsibility to supply, install, connect, own, test, calibrate, place in service, operate, check, and maintain the metering system for settlement, ensuring the accuracy and traceability of calibration and test results. Additionally, each Metering Services Provider shall take all reasonable steps to prevent unauthorized interference with the metering equipment.			
		11.1.2 As established in the Grid Code, a User shall have the right to request an audit of the settlement data related to its account and the right	11.1.2 As established in the Grid Code, a User shall have the right to request an audit of the settlement data related to its account and the right to choose an independent third party			

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		to choose an independent third party qualified to perform the audit. In such cases, the System Operator, Metering Services Providers and Market Operator shall cooperate in the auditing process.	qualified to perform the audit. In such cases, the System Operator, Metering Services Providers and Market Operator shall cooperate in the auditing process.			
		11.2 Scope and Objectives	11.2 Scope and Objectives			
		11.2.1 The general objective of the PEM Auditor metering review is to assess the adequacy of the metering standards and security systems and processes in the WESM.	11.2.1 The general objective of the PEM Auditor metering review is to assess the adequacy of the metering standards and security systems and processes in the WESM.			
		11.2.2 Every year, the PEM Auditor shall review the security arrangements and requirement of metering installations. If considered necessary	11.2.2 Every year, the PEM Auditor shall review the security arrangements and requirement of metering installations. If considered necessary and convenient, the PEM Auditor may request the PEM Board			

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		and convenient, the PEM Auditor may request the PEM Board approval of metering audits as part of the review process.	approval of metering audits as part of the review process.			
		11.3 Consultation on Metering Arrangements	11.3 Consultation on Metering Arrangements			
		11.3.1 Each year before the month of November, the PEM Auditor shall organize a consultation process with the Market Operator, Trading Participants, the Technical Committee and all Metering Services Providers in relation to metering arrangements in the WESM. The PEM Auditor shall publish in the Market Information Website a request for the Market Operator, Trading Participants and Metering Services Providers to submit to	11.3.1 Each year before the month of November, the PEM Auditor shall organize a consultation process with the Market Operator, Trading Participants, the Technical Committee and all Metering Services Providers in relation to metering arrangements in the WESM. The PEM Auditor shall publish in the Market Information Website a request for the Market Operator, Trading Participants and Metering Services Providers to submit to	Transferred to Section 5.7.9 with revisions		

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		<p>the PEM Auditor during the next fifteen (15) days their comments and recommendations regarding –</p> <p>(a) Standards and requirements of metering installations;</p> <p>(b) Adequacy of work procedures of Metering Services Providers; and</p> <p>(c) Security arrangements associated to metering systems and processes.</p>	<p>(a) Standards and requirements of metering installations;</p> <p>(b) Adequacy of work procedures of Metering Services Providers; and</p> <p>(c) Security arrangements associated to metering systems and processes.</p>			
		11.4 Audit of Metering Arrangements and Compliance	11.4 Audit of Metering Arrangements and Compliance			
		11.4.1 When the annual metering arrangements review includes audits, as approved by the PEM Board, the PEM Auditor, supported by the	11.4.1 When the annual metering arrangements review includes audits, as approved by the PEM Board, the PEM Auditor, supported by the			

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		<p>Technical Committee, shall conduct an audit regarding,</p> <p>(a) Compliance with requirements of metering installations;</p> <p>(b) Compliance with security arrangements associated to metering systems and processes; and</p> <p>(c) Adequacy of security arrangements by the Market Operator and work procedures by Metering Services Providers.</p>	<p>Technical Committee, shall conduct an audit regarding,</p> <p>(a) Compliance with requirements of metering installations;</p> <p>(b) Compliance with security arrangements associated to metering systems and processes; and</p> <p>(c) Adequacy of security arrangements by the Market Operator and work procedures by Metering Services Providers.</p>			
		<p>11.4.2 To audit compliance, the PEM Auditor shall select a sample of metering sites, where at least thirty percent (30%) of which</p>	<p>11.4.2 To audit compliance, the PEM Auditor shall select a sample of metering sites, where at least thirty percent (30%) of which shall correspond to the metering points with largest</p>			

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		shall correspond to the metering points with largest volume within the WESM, where metering errors or inadequacy can create the biggest impact and volume error in the WESM.	volume within the WESM, where metering errors or inadequacy can create the biggest impact and volume error in the WESM.			
		11.4.3 The PEM Auditor shall designate staff of the Technical Committee as field auditors to perform compliance tests on the security processes and metering installations standards.	11.4.3 The PEM Auditor shall designate staff of the Technical Committee as field auditors to perform compliance tests on the security processes and metering installations standards.			
		11.5 Review of Metering Arrangements	11.5 Review of Metering Arrangements			
		11.5.1 The PEM Auditor shall review the adequacy and quality of the security arrangements taking into consideration –	11.5.1 The PEM Auditor shall review the adequacy and quality of the security arrangements taking into consideration –			

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Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		(a) Best practices in other competitive electricity markets; (b) Available technology; and (c) Comments and recommendations received during the consultation process.	(a) Best practices in other competitive electricity markets; (b) Available technology; and (c) Comments and recommendations received during the consultation process.			
		11.5.2 The PEM Auditor shall review the adequacy and compliance with the requirements of metering installations taking into consideration – (a) Available metering technology and its costs; (b) Practices in other competitive electricity markets to have adequate metering installations that are not	11.5.2 The PEM Auditor shall review the adequacy and compliance with the requirements of metering installations taking into consideration – (a) Available metering technology and its costs; (b) Practices in other competitive electricity markets to have adequate metering installations that are not unnecessarily costly; and (c) Comments and recommendations received during the consultation process.			

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		unnecessarily costly; and (c) Comments and recommendations received during the consultation process.				
		11.5.3 If the review process includes audits of metering systems and arrangements, the PEM Auditor shall also take into consideration findings and results of the field auditors.	11.5.3 If the review process includes audits of metering systems and arrangements, the PEM Auditor shall also take into consideration findings and results of the field auditors.			
		11.5.4 Before the end of November, the PEM Auditor shall prepare a Metering Arrangements Report with its review and recommendations. The report shall include, as Annexes, the following: (a) The PEM Auditor recommendations; (b) If the review process included audits of	11.5.4 Before the end of November, the PEM Auditor shall prepare a Metering Arrangements Report with its review and recommendations. The report shall include, as Annexes, the following: (a) The PEM Auditor recommendations;			

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		<p>metering systems and arrangements, the main finding and recommendations of the field auditors; and</p> <p>(c) The summary of the comments and recommendations received during the consultation process, identifying the party or parties that sent each type of comment or recommendation and, in case the observation or recommendation was rejected by the PEM Auditor, the reason for the rejection.</p>	<p>(b) If the review process included audits of metering systems and arrangements, the main finding and recommendations of the field auditors; and</p> <p>(c) The summary of the comments and recommendations received during the consultation process, identifying the party or parties that sent each type of comment or recommendation and, in case the observation or recommendation was rejected by the PEM Auditor, the reason for the rejection.</p>			
		11.5.5 The PEM Auditor shall send the Metering Arrangements Report to the PEM Board and the Market Operator, for	11.5.5 The PEM Auditor shall send the Metering Arrangements Report to the PEM Board and the Market			

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		publication in the Market Information Website.	Operator, for publication in the Market Information Website.			
Compliance With WESM Rules	12	12.1.1 As established in the Compliance and Enforcement Market Manual, assessment of alleged breaches shall be a responsibility of the ECO, and Investigations of an alleged breach shall be conducted either by the ECO or the MSC. The PEM Auditor shall not be assigned the responsibility of carrying out an Investigation. However, if requested by the ECO, the PEM Auditor may support the Investigation of an alleged breach by providing opinion or conducting audits, including findings and recommendations.	12.1.1 As established in the Compliance and Enforcement Market Manual, assessment of alleged breaches shall be a responsibility of the ECO, and Investigations of an alleged breach shall be conducted either by the ECO or the MSC. The PEM Auditor shall not be assigned the responsibility of carrying out an Investigation. However, if requested by the ECO, the PEM Auditor may support the Investigation of an alleged breach by providing opinion or conducting audits, including findings and recommendations.			

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		12.1.2 In performing the ECO's functions in assessing or investigating an alleged breach pursuant to the Compliance and Enforcement Market Manual, the ECO may request the PEM Auditor to assess or audit a WESM Member, the System Operator or the Market Operator in relation to compliance with specific rules or standards or procedures in relation to generation scheduling, dispatch, bidding, prices and settlement, as established by the WESM Rules. The ECO shall inform the party or parties in alleged breach the matters that have been derived to the PEM	12.1.2 In performing the ECO's functions in assessing or investigating an alleged breach pursuant to the Compliance and Enforcement Market Manual, the ECO may request the PEM Auditor to assess or audit a WESM Member, the System Operator or the Market Operator in relation to compliance with specific rules or standards or procedures in relation to generation scheduling, dispatch, bidding, prices and settlement, as established by the WESM Rules. The ECO shall inform the party or parties in alleged breach the matters that have been derived to the PEM Auditor for assessment or audit.			

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		Auditor for assessment or audit.				
		12.1.3 When the investigation of an alleged breach has been referred to the MSC, the MSC may recommend an audit by the PEM Auditor. In such case, the ECO shall request and coordinate with the PEM Auditor the required audit, as established in the previous paragraph.	12.1.3 When the investigation of an alleged breach has been referred to the MSC, the MSC may recommend an audit by the PEM Auditor. In such case, the ECO shall request and coordinate with the PEM Auditor the required audit, as established in the previous paragraph.			
		12.1.4 Under confidentiality obligation, the ECO shall provide the PEM Auditor all the required information and data to assess the alleged breach or to identify the details to be audited.	12.1.4 Under confidentiality obligation, the ECO shall provide the PEM Auditor all the required information and data to assess the alleged breach or to identify the details to be audited.			
		12.1.5 The party in alleged breach has the obligation to cooperate	12.1.5 The party in alleged breach has the obligation to cooperate with the PEM Auditor			

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		with the PEM Auditor in the assessment or audit process, providing all the relevant data and other information requested by the PEM Auditor and allowing the necessary tests and audits.	in the assessment or audit process, providing all the relevant data and other information requested by the PEM Auditor and allowing the necessary tests and audits.			
		12.1.6 In case the party objects to submitting the data or information requested by the PEM Auditor, the PEM Auditor shall request the MSC to request such data and information, and the MSC then shall provide it to the PEM Auditor within the established confidentiality provisions. If the party does not provide the data and information requested to the MSC, it shall be considered a breach to the WESM Rules.	12.1.6 In case the party objects to submitting the data or information requested by the PEM Auditor, the PEM Auditor shall request the MSC to request such data and information, and the MSC then shall provide it to the PEM Auditor within the established confidentiality provisions. If the party does not provide the data and information requested to the MSC, it shall be considered a breach to the WESM Rules.			

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		12.1.7 In all cases, the party is obliged to allow and facilitate the tests and audits requested by the PEM Auditor, provided that the PEM Auditor shall give an advance notice of not less than five (5) business days for any test or audit required, including a description of the scope and details of the test and audit. Not allowing the test or audits requested by the PEM Auditor shall be considered a breach.	12.1.7 In all cases, the party is obliged to allow and facilitate the tests and audits requested by the PEM Auditor, provided that the PEM Auditor shall give an advance notice of not less than five (5) business days for any test or audit required, including a description of the scope and details of the test and audit. Not allowing the test or audits requested by the PEM Auditor shall be considered a breach.			
Data and Information	13	13.1 The System Operator 13.1.1 The System Operator shall ensure an audit trail of documentation that is fully adequate to substantiate and	13. 6 Data and Information 13.1 The System Operator 6.1 13.1.1 The System Operator shall ensure an audit trail of documentation that is fully adequate to substantiate and reconstruct all relevant actions			

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		reconstruct all relevant actions performed. For data and documents related to the WESM Rules and this Manual, such audit trail shall be maintained for a period of at least seven (7) years, unless specified otherwise in the WESM Rules or other Applicable Law, Rules and Regulations.	performed. For data and documents related to the WESM Rules and this Manual, such audit trail shall be maintained for a period of at least seven (7) years, unless specified otherwise in the WESM Rules or other Applicable Law, Rules and Regulations.			
		13.1.2 The System Operator shall provide the PEM Auditor or auditors designated by the PEM Auditor, all the information required for auditing purposes, within the timeframe and format as may be required by the PEM Auditor or designated auditors.	6.2 —13.1.2 The System Operator shall provide the PEM Auditor Audit Committee or auditors designated by the PEM Auditor Audit Committee , all the information required for auditing purposes, within the timeframe and format as may be required by the PEM Auditor or designated auditors.			

Proposed Amendments to the PEM Audit Manual

PEM Audit Manual

Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		13.1.3 The System Operator shall retain the information provided by WESM Members and the Market Operator, and the data calculated and reports prepared in the planning and operation of the system, for the period and in accordance to the conditions established in the WESM Rules and the Grid Code. The storing of such information shall be appropriate for reasonable access as may be required for auditing purposes.	6.3 13.1.3 The System Operator shall retain the information provided by WESM Members and the Market Operator, and the data calculated and reports prepared in the planning and operation of the system, for the period and in accordance to the conditions established in the WESM Rules and the Grid Code. The storing of such information shall be appropriate for reasonable access as may be required for auditing purposes.			
		13.2 The Market Operator 13.2.1 The Market Operator shall ensure an adequate audit trail of documentation to substantiate and reconstruct all relevant	13.2 The Market Operator 6.4 13.2.1 The Market Operator shall ensure an adequate audit trail of documentation to substantiate and reconstruct all relevant actions performed. For			

Proposed Amendments to the PEM Audit Manual

PEM Audit Manual

Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		actions performed. For data and documents related to the WESM Rules and this Manual, such audit trail shall be maintained for a period of at least seven (7) years, unless specified otherwise in the WESM Rules or other Applicable Law, Rules and Regulations.	data and documents related to the WESM Rules and this Manual, such audit trail shall be maintained for a period of at least seven (7) years, unless specified otherwise in the WESM Rules or other Applicable Law, Rules and Regulations.			
		13.2.2 The Market Operator shall provide the PEM Auditor or auditors designated by the PEM Auditor all the information required for auditing purposes, within the timeframe and format as the PEM Auditor or designated auditors may require.	6.5 13.2.2 The Market Operator shall provide the PEM Auditor <u>Audit Committee</u> or auditors designated by the PEM Auditor <u>Audit Committee</u> , all the information required for auditing purposes, within the timeframe and format <u>required</u> as the PEM Auditor or designated auditors may require.			
		13.2.3 The Market Operator shall retain information provided by	6.6 13.2.3 The Market Operator shall retain information provided by the System Operator, and			

Proposed Amendments to the PEM Audit Manual

PEM Audit Manual

Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		the System Operator, and other WESM Members, and the data calculated and reports prepared in generation scheduling, dispatch and administration of the WESM and its settlement system, in accordance with the WESM Rules. The storing of such information shall be appropriate for reasonable access as may be required for auditing purposes of the WESM and the Market Operator.	other WESM Members, and the data calculated and reports prepared in generation scheduling, dispatch and administration of the WESM and its settlement system, in accordance with the WESM Rules. The storing of such information shall be appropriate for reasonable access as may be required for auditing purposes of the WESM and the Market Operator.			
		13.3 Obligations of a Party Audited 13.3.1 A party audited shall submit in a timely manner the complete data, documents and other information	13.3 Obligations of a Party Audited 6.7 13.3.1 A party audited shall submit in a timely manner the complete data, documents and other information requested by the PEM Auditor Audit			

Proposed Amendments to the PEM Audit Manual

PEM Audit Manual

Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		requested by the PEM Auditor or an auditor (field auditor or expert auditor) designated by the PEM Auditor in accordance with this Manual.	Committee or an auditor (field auditor or expert auditor) designated by the PEM Auditor <u>its designated auditor.</u> in accordance with this Manual.			
		13.3.2 When a party is notified that an audit will be conducted, the party shall cooperate with the audit and shall provide the PEMC staff or other experts designated as auditors, access to the facilities, systems and information to be audited.	6.8-13.3 When a party is notified that an audit will be conducted, the party shall cooperate with the audit and shall provide the PEMC staff or other experts designated as auditors, access to the facilities, systems and information to be audited.			
		13.4 The PEM Auditor 13.4.1 The PEM Auditor shall not disclose any information obtained in carrying out its functions and responsibilities, or any finding and recommendations	13.4 The PEM Auditor 6.9-13.4.1 The PEM Auditor <u>Audit Committee</u> shall not disclose any information obtained in carrying out its functions and responsibilities, or any finding and recommendations resulting			

Proposed Amendments to the PEM Audit Manual

PEM Audit Manual

Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		resulting from an audit process, except as provided in this Manual and the WESM Rules.	from an audit process, except as provided in this Manual and <u>in</u> the WESM Rules <u>and the Retail Rules.</u>			
		13.4.2 The PEM Auditor shall not use any information, be it confidential or not, obtained in carrying out its functions and responsibilities for other purposes that those established in this Manual and the WESM Rules.	<u>6.10</u> –13.4.2 The PEM Auditor <u>Audit Committee</u> shall not use any information, be it confidential or not, obtained in carrying out its functions and responsibilities for other purposes <u>than</u> those established in this Manual and <u>in</u> the WESM Rules <u>and in the Retail Rules.</u>			
		13.5 Confidentiality 13.5.1 When applicable in accordance to the confidentiality provision in the WESM Rules and this Manual, information submitted to the PEM Auditor will be designated and marked as "Confidential" and will	13.5 Confidentiality <u>6.11</u> –13.5.1 When applicable in accordance <u>with</u> to the confidentiality provisions in the WESM Rules, <u>the Retail Rules</u> and this Manual, information submitted to the PEM Auditor <u>Audit Committee</u> will be designated and marked as "Confidential" and will be			

Proposed Amendments to the PEM Audit Manual

PEM Audit Manual

Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		be administered with measures considered by the PEM Auditor as necessary and reasonable to protect the confidentiality.	administered with measures considered by the PEM Auditor Audit Committee as necessary and reasonable to protect the confidentiality			
		13.5.2 A party providing any document or other information in the course of an audit may request that the document or information be designated as confidential, if such document or information qualifies as confidential according to the confidentiality provisions in the WESM Rules. The PEM Auditor shall assess the confidentiality claim and, at its own discretion, determine the validity of the request. If the PEM Auditor agrees that the document or information	6.12 13.5.2 A party providing any document or other information in the course of an audit may request that the document or information be designated as confidential, if such document or information qualifies as confidential according to the confidentiality provisions in the WESM Rules. The PEM Auditor Audit Committee shall assess the confidentiality claim and, at its own discretion, determine the validity of the request. If the PEM Auditor Audit Committee agrees that the document or information qualifies as confidential, the document or			

Proposed Amendments to the PEM Audit Manual

PEM Audit Manual

Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		qualifies as confidential, the document or information will be designated and marked as “Confidential”.	information will be designated and marked as “Confidential”.			
		13.5.3 The PEM Auditor and each member of the Audit Committee, Technical Committee and other external auditors shall enter into a confidentiality agreement with the entity providing the information, the terms of which shall be prescribed by the PEM Board. 6.1.13	6.13 13.5.3 The PEM Auditor and each member of the Audit Committee , the Technical Committee and other <u>Independent</u> external <u>Auditors, as applicable</u> , shall enter into a confidentiality agreement with the entity providing the information, as necessary . the terms of which shall be prescribed by the PEM Board.			
Limitation of Liability and Indemnification	14	14. LIMITATION OF LIABILITY AND INDEMNIFICATION	14. 7. LIMITATION OF LIABILITY AND INDEMNIFICATION			
		14.1.1 In performing its audit and review functions and responsibilities as contained in this Manual,	7.1 14.1.1 In performing its audit and review functions and responsibilities as contained in this Manual, the members of the PEM Auditor Audit	With minor edits on the name of the Committee and inclusion of the audit of MSPs		

Proposed Amendments to the PEM Audit Manual

PEM Audit Manual

Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>the PEM Auditor and any member of the Audit Committee or the Technical Committee shall not be personally liable for any loss or damage suffered or incurred by a WESM Member, the System Operator, the Market Operator or any other person as a consequence of any act or omission of those persons in the performance of their functions unless the PEM Auditor or the member of the Audit Committee or the Technical Committee, as the case may be, acted with malice, manifest partiality, bad faith, gross incompetence or gross negligence.</p>	<p>Committee and any member of the Audit Committee or the Technical Committee shall not be personally liable for any loss or damage suffered or incurred by a WESM Member, the System Operator, the Metering Services Providers, Market Operator or any other person as a consequence of any act or omission of those persons in the performance of their functions unless the member of the PEM Auditor or the member of the Audit Committee or the Technical Committee member, as the case may be, acted with malice, manifest partiality, bad faith, gross incompetence or gross negligence.</p>			

Proposed Amendments to the PEM Audit Manual

PEM Audit Manual

Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		<p>14.1.2 Except for liability arising out of conduct involving malice, manifest partiality, bad faith, gross incompetence or gross negligence, if the PEM Auditor or a member of the Audit Committee or the Technical Committee 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, the PEMC shall indemnify said persons through an indemnification process to be developed by the PEM Board. Said indemnification shall cover:</p>	<p>7.2–14.1.2 Except for liability arising out of conduct involving malice, manifest partiality, bad faith, gross incompetence or gross negligence, if any member of the PEM Auditor or a member of the Audit Committee or the Technical Committee 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, the PEMC shall indemnify said persons through an indemnification process to be developed by the PEM Board. Said indemnification shall cover:</p> <p>a) (a) The full amount adjudged; and</p> <p>b) (b) The costs and expenses incurred by the PEM Auditor and the member of the Audit Committee or the Technical</p>			

Proposed Amendments to the PEM Audit Manual

PEM Audit Manual

Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
		(a) The full amount adjudged; and (b) The costs and expenses incurred by the PEM Auditor and the member of the Audit Committee or the Technical Committee, as applicable, in defending itself in the related proceeding(s).	Committee, as applicable, in defending itself in the related proceeding(s).			
	NEW		<u>8 Amendment and Effectivity of the Manual</u> <u>8.1 Any amendment to this Manual shall be approved by the DOE, following the procedures for changes to Market Manuals set out in the WESM Rules and in the relevant Market Manual.</u>	Included the provision normally part of any Manual		
	NEW		<u>8.2 This Market Manual, as it may be amended from time to time, shall be published in the PEMC website.</u>			

Proposed Amendments to the PEM Audit Manual

PEM Audit Manual

Title	Section	Original Provision	Proposed Amendment	Rationale	Stakeholder Comments	Stakeholder Rationale
			<p><u>This Market Manual or any amendment thereto shall become effective upon approval of the DOE in accordance with WESM Rules 8.6.4. The date of the effectivity shall be indicated in this document.</u></p>			

Proposed Amendments to Provisions Related to Audit and Performance Monitoring Under the Retail Rules

Retail Rules						
Title	Section	Provision	Proposed Amendment	Rationale	Stakeholder Comment/Revision	Stakeholder Rationale
Audit	1.4.3.1	<p>The PEM Auditor shall:</p> <p>a) Conduct the audit of the Central Registration Body and the systems, processes and procedures and other matters relevant to the operations of the Central Registration Body and the performance of its functions as set forth in these Retail Rules; and</p> <p>b) Test and check any new items or new versions of market-related software used by the Central Registration Body or provided by the Central Registration Body for use by WESM members.</p>	<p>The PEM Auditor Audit Committee shall:</p> <p>a) Oversee the C<u>o</u>nduct <u>of</u> the audit of the Central Registration Body and the systems, processes and procedures and other matters relevant to the operations of the Central Registration Body and the performance of its functions as set forth in these Retail Rules; and</p> <p>b) Test and check any new items or new versions of market-related software used by the Central Registration Body or provided by the Central Registration Body for use by WESM m<u>M</u>embers.</p>	<p>Global change adopting PEM Audit Committee</p> <p>The Guidelines Governing the Constitution of the PEM Board Committees, already refer to PEM Audit Committee (PAC) – one of the PEM Committees headed by the PEM Auditor to perform duties in accordance with the WESM Rules composed of three (3) members, headed by the PEM Auditor.</p> <p>Currently, the committee in charge of audits is already referred to as the PEM Audit Committee headed by a Chairperson. Although in the said Guidelines, reference is made to a PEM Auditor as the head of the PAC, the term is no longer being used to refer to the Chair of the PAC.</p> <p>It is intended that this change be reflected in the WESM Rules, in the Retail Rules as well as in the Guidelines above</p>		

ANNEX D

Proposed Amendments to Provisions Related to Audit and Performance Monitoring Under the Retail Rules

Retail Rules						
Title	Section	Provision	Proposed Amendment	Rationale	Stakeholder Comment/Revision	Stakeholder Rationale
				mentioned and the PEM Audit Manual for clarity.		
Audit	1.4.3.2	The PEM Auditor shall perform the functions stated in clause 1.4.3.1 in accordance with Chapter 1 of the WESM Rules and relevant Market manuals.	The PEM Auditor Audit Committee shall perform the functions stated in e Clause 1.4.3.1 in accordance with Chapter 1 of the WESM Rules and relevant Market m Manuals.	Global change adopting PEM Audit Committee		
Rights of Access to Metering Data	4.5.3.0	The only entities entitled to have either direct or remote access to metering data on a read only basis from the metering database or the metering register in relation to a metering point are: 4.5.3.1 xxx ... 4.5.3.10 The PEM Auditor; ...	The only entities entitled to have either direct or remote access to metering data on a read only basis from the metering database or the metering register in relation to a metering point are: 4.5.3.1 xxx ... 4.5.3.10 The PEM Auditor Audit Committee ; ...	Global change adopting PEM Audit Committee		
Audit of Metering Arrangements	4.8.1	The PEM Auditor shall conduct review and audit of the metering arrangements and compliance of the Retail Metering Services Providers	The PEM Auditor Audit Committee shall oversee the conduct of the review and audit of the metering arrangements and compliance of Retail Metering	Global change adopting PEM Audit Committee The proposed change is consistent with the proposed		

Proposed Amendments to Provisions Related to Audit and Performance Monitoring Under the Retail Rules

Retail Rules						
Title	Section	Provision	Proposed Amendment	Rationale	Stakeholder Comment/Revision	Stakeholder Rationale
		and the <i>Central Registration Body</i> annually or for such other period as determined by the PEM Board	Services Providers and the Central Registration Body <u>to the requirements of the Retail Rules, its applicable Manuals and other relevant laws and issuances. The said review shall be conducted</u> annually <u>periodically</u> or for such other period as determined by the PEM Audit Committee.	change in the WESM Rules Clause 4.5.5.4 (proposed). Market audits are conducted in consideration to the Manual of Approvals of PEMC. However, all market audit activities are determined and planned by the PEM Audit Committee.		