



**RESOLUTION NO. 04, Series of 2017**

**A RESOLUTION ADOPTING AMENDMENTS TO THE  
PRE-EMPTIVE MITIGATING MEASURE IN THE  
WHOLESALE ELECTRICITY SPOT MARKET (WESM)**

**WHEREAS**, Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), declares it as a policy of the state to ensure the quality, reliability, security and affordability of the supply of electric power, as well transparent and reasonable prices of electricity in a regime of free and fair competition;

**WHEREAS**, under the EPIRA<sup>1</sup>, the Energy Regulatory Commission (ERC) has been specifically tasked to promote competition, encourage market development, ensure customer choice and discourage/penalize abuse of market power in the restructured electric industry;

**WHEREAS**, on May 5, 2014, the ERC issued Resolution No. 8, Series of 2014 setting an interim pre-emptive mitigating measure in the WESM, establishing a price threshold applied over a seventy-two (72) hour period, which is determined through rolling average Generator Weighted Average Price (GWAP) and secondary cap amounting to Php6,245/MWh imposed upon a breach of the above defined threshold;

**WHEREAS**, the ERC issued Resolution No. 13, Series of 2014 and Resolution No. 14, Series of 2014 dated June 16, 2014 and August 5, 2014, extending the effectivity of the pre-emptive mitigating measure for a specified period or until the establishment of a permanent pre-emptive mitigating measure in the WESM, whichever comes earlier;

**WHEREAS**, mindful of the need to establish a pre-emptive mitigating measure to limit the impact of extreme price volatilities and excessive levels of prices in the WESM, the ERC on 15 December 2014, promulgated Resolution No. 20, Series of 2014 which adopted and made permanent the pre-emptive mitigating measure in the WESM;

**WHEREAS**, the promulgation of Joint Resolution No. 2, Series of 2013 entitled "Adjustment to the Wholesale Electricity Spot Market Offer Price Cap" by the WESM Tri-partite Committee on 27 December 2013 which effectively reduced the offer price cap level from Php62,000/MWh to Php32,000/MWh, as well as the entry of considerable renewable energy resources in the market have rendered a significant impact in the resulting market prices in the WESM;

<sup>1</sup> Section 43, EPIRA

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**WHEREAS**, the above-cited recent development in the electricity market impelled the ERC to recalculate the existing threshold levels of the secondary price cap scheme;

**WHEREAS**, in order for the mitigation measure to remain effective in curbing high market prices triggered by extreme conditions and for it to be relevant with the current market conditions, the ERC deems it necessary to introduce some refinements to the secondary cap scheme;

**NOW THEREFORE**, after thorough and due deliberation, the ERC consistent with its mandate under the EPIRA, hereby **RESOLVES**, as it is hereby **RESOLVED**, to **APPROVE** and **ADOPT**, a recalculated Cumulative Price Threshold (CPT) level at PhP1,080,000.00 equivalent to the Generator Weighted Average Prices (GWAP) over a rolling 5-day period or one hundred twenty (120)-hour trading interval, is hereby set in the WESM. This is equivalent to an average spot price of PhP9,000/MWh over the period.

Table 1. Formulation of the recalculated rolling average price threshold

<b>Period</b>	<b>No. of Hours in a day</b>	<b>Average LWAP (PhP/MWh)</b>	<b>Price Threshold PhP/MWh</b>
1 <sup>st</sup> Off-peak	8	2,756	22,048
Peak	10	8,166	81,660
Price Spike	3	32,000	96,000
2 <sup>nd</sup> Off-peak	3	5,432	16,296
<b>Total</b>	<b>24</b>		<b>216,004</b>
<b>5-day Cumulative Price Threshold</b>			<b>1,080,000</b>
<b>Average CPT Per Hour</b>			<b>9,000</b>

**RESOLVED FURTHER**, that except for the PhP1,080,000.00 recalculated Cumulative Price Threshold (CPT) level and the shorter 5-day rolling average period, all other features of the scheme shall remain to be in effect.

The ERC, shall continue to review and evaluate the market conditions. If market developments and circumstances so warrant, it may initiate further amendments to the mitigation measure.

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This Resolution shall take effect fifteen (15) days after its publication in a newspaper of general circulation in the country.

Let copies of this resolution be furnished the University of the Philippines Law Center-Office of the National Administrative Register.

Pasig City, 09 May 2017.

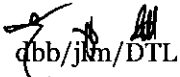
**JOSE VICENTE B. SALAZAR\***  
Chairman and CEO

  
**GLORIA VICTORIA C. YAP-TARUC**  
Commissioner

  
**ALFREDO J. NON**  
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**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
Commissioner

(On Leave)  
**GERONIMO D. STA. ANA**  
Commissioner

  
dbb/jm/DTL

Copy furnished:

**Philippine Electricity Market Corporation,**  
To furnish all Members of the WESM

\*Under Preventive Suspension as per Order dated 02 May 2017 of the Office of the President on OP-DC Case No. 17-D-094 which was received on 04 May 2017.