

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

RESOLUTION NO. 26, Series of 2025

A RESOLUTION AMENDING RESOLUTION NO. 07, SERIES OF 2021, ENTITLED “A RESOLUTION ADOPTING AMENDMENTS TO RESOLUTION NO. 04, SERIES OF 2017 ENTITLED "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 a policy of the state to ensure the quality, reliability, security, and affordability of the supply of electric power, as well as transparent and reasonable prices of electricity in a regime of free and fair competition;

WHEREAS, the Energy Regulatory Commission (ERC), under Section 43 of the EPIRA, is tasked to promote competition, encourage market development, ensure consumer choice, and penalize abuse of market power in a restructured electric industry;

WHEREAS, the EPIRA likewise mandates the ERC to ensure adequate promotion of consumer interest,¹ and monitor and take measures to penalize abuse of market power, cartelization, and anti-competitive or discriminatory behavior by any electric power industry participant;²

WHEREAS, the ERC, on 05 May 2014, issued Resolution No. 08, Series of 2014,³ which initially sets a Secondary Price Cap (SPC) in the WESM amounting to PhP6,245/MWh, with a Cumulative Price Threshold (CPT) of PhP8,186/MWh over a rolling three (3)-day period or seventy-two (72) hour trading interval in the WESM;

WHEREAS, the ERC issued Resolution Nos. 13 and 14, Series of 2014, dated 16 June 2014 and 05 August 2014, respectively, extending the implementation 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;

¹ Section 41, EPIRA.

² Section 43(k), EPIRA.

³ Entitled, “An Urgent Resolution Setting an Interim Mitigating Measure in the Wholesale Electricity Spot Market”.

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, on 09 May 2017, the ERC issued Resolution No. 04, Series of 2017, recalculating the CPT of PhP9,000/MWh over a rolling five (5)-day period or one hundred twenty (120) hours trading interval in the WESM;

WHEREAS, on 23 June 2021, the ERC issued Resolution No. 07, Series of 2021, which updated the SPC mechanism by reducing the rolling period to three (3) days and establishing an island-specific application during grid interconnection outages;

WHEREAS, on 18 July 2022, in view of the adverse global fuel price impacts brought about by the Russia-Ukraine war, the ERC extended the eligibility for additional compensation during SPC imposition to include natural gas, coal, and geothermal plants;

WHEREAS, on 17 October 2023, Philippine Independent Power Producers Association, Inc. (PIPPA) filed a petition under ERC Case No. 2023-008 RM entitled "*In the Matter of the Petition to Initiate Rulemaking for the Suspension of ERC Resolution No. 07, series of 2021 and the Adoption of the Proposed Rules on the Imposition of Secondary Price Cap*";

WHEREAS, PIPPA in its petition prays for: (1) the rescission of ERC Resolution No. 07, Series of 2021 and all related issuances; (2) the adoption of the proposed rules on the SPC; (3) the suspension of said Resolution; and (4) immediate recognition of Variable Operations and Maintenance (VOM), Fixed Operations and Maintenance (FOM) cost, and fuel components as recoverable additional compensation costs;

WHEREAS, on 12 December 2023, the ERC issued and posted on its official website (www.erc.gov.ph) a *Notice of Proposed Rule-Making* (NOPR) for ERC Case No. 2023-008 RM, for solicitation of comments from the electric power industry stakeholders;

WHEREAS, in accordance with the ERC Revised Rules of Practice and Procedures (ERC RRPP), the proposed amendments were subjected to expository hearings and public consultations for Luzon, Visayas, and

Mindanao via Microsoft Teams on 19 & 26 January 2024, and 02 & 16 February 2024;

WHEREAS, on various dates, the ERC received comments from the following:

- (1) Aboitiz Power Corporation (APC);
- (2) ACEN Corporation (ACEN);
- (3) Association of Philippine Diesel Power Plants, Inc. (APDPPI);
- (4) Cebu Energy Development Corporation (CEDC);
- (5) Center for Energy, Ecology, and Development (CEED);
- (6) Independent Electricity Market Operator of the Philippines (IEMOP);
- (7) Kratos RES, Inc. (KRI);
- (8) Manila Electric Company (MERALCO);
- (9) Mindanao Energy Systems, Inc. (MESI);
- (10) Meralco Power Generation (MGEN);
- (11) Panasia Energy, Inc. (PEI);
- (12) Panay Energy Development Corporation (PEDC);
- (13) Panay Power Corporation (PPC);
- (14) Philippine Electricity Market Corporation (PEMC);
- (15) Ph Renewables, Inc. (PHRI);
- (16) SN Aboitiz Power (SNAP); and
- (17) Toledo Power Co. (TPC)

WHEREAS, PIPPA alleged that the SPC was intended solely as an interim measure and that prior SPC issuances did not undergo formal rule-making; however, the Commission clarified that the SPC was formally adopted as a permanent measure under Resolution No. 20, Series of 2014, and that all relevant issuances were duly subjected to the ERC's rule-making process, including publication and solicitation of stakeholder comments;

WHEREAS, the Commission acknowledges that the parameters under the existing SPC framework were derived from market data dating back to 2013 and 2014, and that updating these parameters is necessary to ensure the continued relevance, accuracy, and responsiveness of the SPC to prevailing market conditions;

WHEREAS, the Commission evaluated PIPPA's proposed parameters, together with the studies submitted by the PEMC - Market Surveillance Committee (PEMC-MSC), academic research conducted by the University of the Philippines – Diliman, and the comments received from stakeholders, and thereafter formulated updated SPC parameters reflective of current price behavior and market dynamics;

WHEREAS, the Commission examined historical average prices during peak and spike hours from April to June of 2023 to 2025, when peaking plants typically set the prices. The same methodology used in the previous resolution was applied, but with updated data. Based on the Commission’s computation, the recalculated SPC is higher by nineteen percent (19%), as shown in the table below:

Table 1. Current vs. Recommended SPC Value

	Current	Computed
SPC Value (PhP/MWh)	6,245	7,423

WHEREAS, the re-calculated average price threshold was derived based on the daily and weekly peaking intervals, the Load-Weighted Average Price (LWAP), and the average CPT per hour, as presented in Table 2;

Table 2. Formulation of the Cumulative Price Threshold

Interval Classification	Interval	No. of Interval	Average LWAP (PhP/MWh)	Price Threshold (PhP/MWh)
FIRST OFF PEAK	0200H-0700H	6	3,989	23,932
PEAK	1000H,1700H-2100H	6	7,723	46,339
PRICE SPIKE	1100H-1600H	6	32,000	192,000
SECOND OFF PEAK	0100H,0800H-0900H,2200H-2400H	6	5,938	35,630
Total		24		297,902
CPT Per Hour				12,413

WHEREAS, the CPT of PhP12,413/MWh already accounts for the average Marginal Cost of the more expensive plants such as Liquefied Natural Gas (LNG) and oil-based plants that are expected to clear during peak periods.

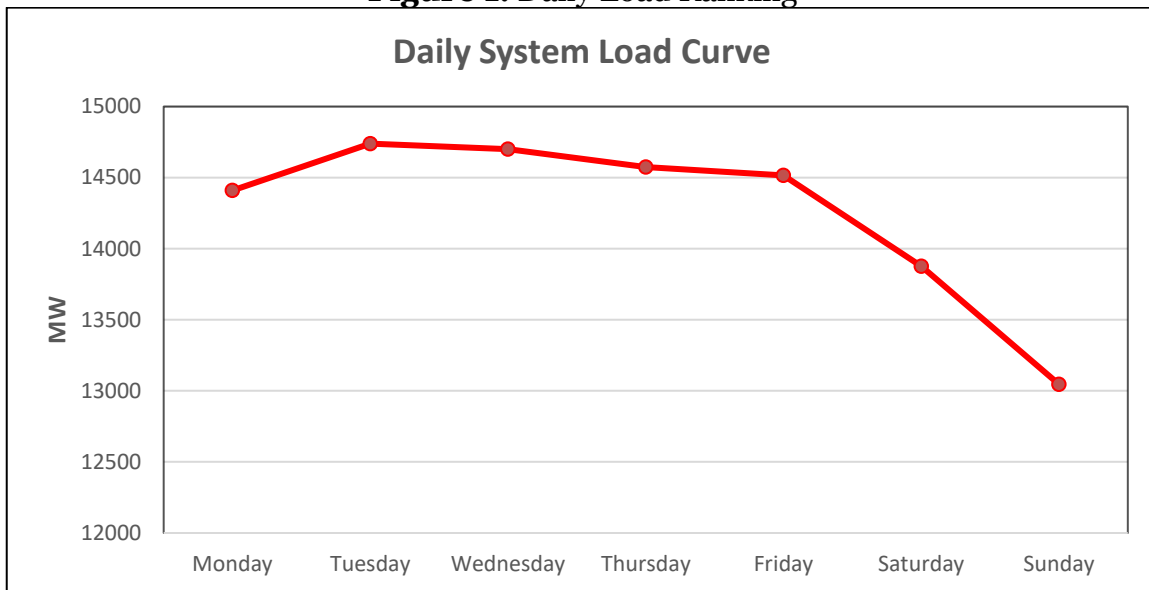
WHEREAS, PIPPA proposed the extension of the rolling average period for SPC imposition from three (3) days to seven (7) days, to allow a longer monitoring window before triggering the mitigating measure;

WHEREAS, in determining the proposed rolling average period, the daily system demand profile was plotted using the average daily demand as shown in Table 3 and Figure 1 below:

Table 3. Formulation of Rolling Average Period

Classification	Day	Load
Spike	Tuesday	14,739.03
	Wednesday	14,699.85
Peak	Thursday	14,575.24
2nd Off-Peak	Friday	14,514.75
	Monday	14,410.05
1st Off-Peak	Saturday	13,876.58
	Sunday	13,046.31

Figure 1. Daily Load Ranking



WHEREAS, the ranking implies that demand is expected to be high during Thursdays and extremely high during Tuesday and Wednesdays. Consequently, it is during these three (3) days that peaking plants are expected to be dispatched and market prices are anticipated to rise;

WHEREAS, upon evaluation, the Commission finds that the existing three (3)-day rolling average remains the most effective means of capturing abrupt and sustained price spikes, thereby ensuring the prompt imposition of the SPC and preventing prolonged consumer exposure to elevated market prices; accordingly, the ERC resolves to retain the existing three (3)-day rolling average period;

WHEREAS, PIPPA further proposed the introduction of a supply margin threshold as a primary trigger for initiating the rolling average period; however, PIPPA admitted that the proposed fifteen percent (15%) threshold lacks empirical basis, and both PEMC and IEMOP likewise found that the proposed supply margin threshold lacks basis,

could result in double counting of reserve margins, and may unduly restrict SPC activation even under sustained high price conditions;

WHEREAS, the Commission finds that the proposed supply margin trigger is inconsistent with the fundamental objective of the SPC mechanism, which is to protect consumers from prolonged high prices attributable not only to supply constraints but also to potential anti-competitive behavior;

WHEREAS, PIPPA likewise sought the rescission of ERC Resolution No. 07, Series of 2021 and all related issuances; however, the Commission finds such request untenable, as these amendments are intended to operate prospectively, and not retroactively or in a manner that would invalidate or disturb the validity of duly promulgated and fully implemented issuances;

WHEREAS, rescinding ERC Resolution No. 07, Series of 2021 would result in regulatory discontinuity and undermine the orderly operation of the SPC framework; therefore, the appropriate regulatory approach is to supersede the existing parameters through the adoption of updated rules with prospective application;

WHEREAS, PIPPA proposed a quarterly review of SPC parameters; however, based on international regulatory practice, stakeholder input, and the necessity of ensuring regulatory stability, the Commission finds that a five (5)-year review cycle, or earlier if warranted by significant market developments, is more appropriate and avoids unnecessary administrative burden from frequent recalibrations;

WHEREAS, the Commission evaluated the matter of additional compensation and finds it proper to limit eligibility to oil-based and LNG plants whose verified short-run marginal cost exceed the updated SPC value, as other generation technologies demonstrate marginal costs substantially below the proposed cap;

WHEREAS, PIPPA's request to include VOM, FOM, and fuel components as recoverable items under the Additional Compensation mechanism falls outside the scope of ERC Case No. 2023-008 RM, which is confined solely to the updating of SPC parameters, and must therefore be addressed in a separate proceeding;

WHEREAS, after a thorough review of all information gathered, including comments from stakeholders, and after due deliberation by

the Commission on 26 November 2025, the ERC adopts the Resolution Amending Resolution No. 07, Series of 2021.⁴

NOW, THEREFORE, upon thorough deliberation, the ERC **RESOLVES**, as it is hereby **RESOLVED**, to **APPROVE** and **ADOPT** the following:

1. An SPC value amounting to **PhP7,423/MWh** is hereby imposed in the Wholesale Electricity Spot Market (WESM) energy market upon breach of the CPT amounting to **PhP12,413/MWh** based on the Generator Weighted Average Price (GWAP) over a rolling period of **seventy-two (72) hours**;

A copy of the "*Rules on the Imposition of Secondary Price Cap (SPC) in the Philippine Wholesale Electricity Spot Market (WESM)*" is hereto attached as **Annex "A"** and made an integral part of this Resolution.

2. During any period in which the SPC is in effect, only oil-based and LNG power plants shall be entitled to recover Additional Compensation equivalent to the unrecovered portion of their verified fuel and VOM costs, upon submission of sufficient proof that the SPC is insufficient to cover such costs, as evaluated and verified by the Market Operator (MO);

Other technologies shall not be eligible for Additional Compensation under this Resolution.

RESOLVED FURTHER, that the regional/island SPC mechanism established under ERC Resolution No. 07, Series of 2021 shall be retained, subject to the updated SPC parameters herein approved. The regional/island SPC shall be applied only when the grid interconnection is on outage and shall use the same SPC value, CPT, and rolling average period applicable to the system-wide SPC, and shall be imposed under any of the following conditions:

Scenario 1: The CPT is breached on the system-wide rolling average on the seventy-second (72nd) hour, and a High Voltage Direct Current (HVDC) link or island interconnection subsequently goes on outage within the next trading interval;

⁴ "A Resolution Adopting the Amendments to the Resolution No. 04, Series of 2017, entitled, "Amendments to the Pre-Emptive Mitigating Measure in the Wholesale Electricity Spot Market".

Scenario 2: The system-wide SPC is already in effect when an HVDC link or island interconnection goes on outage.

Lifting of the regional/island SPC shall take effect once the rolling average of the GWAP in the affected island/region falls below the CPT.

All previous issuances of the Commission inconsistent with the instant Resolution are deemed superseded.

This Resolution shall take effect fifteen (15) calendar days following its publication in a newspaper of general circulation in the Philippines, or in the Official Gazette.

Let copies of this Resolution be furnished to the University of the Philippines Law Center-Office of the National Administrative Register (UPLC-ONAR) and all industry stakeholders, as well as published on the ERC website and such other online platforms available to the Commission.

Pasig City.


(On Official Business)
FRANCIS SATURNINO C. JUAN
Chairperson and CEO


FLORESINDA G. BALDO-DIGAL
Commissioner


MARKO ROMEO L. FUENTES
Commissioner


AMANTE A. LIBERATO
Commissioner


PARIS G. REAL
Commissioner


mjrm/sme/mkzp/amb/SOM

**Deliberated and approved during the 26 November 2025 Commission Meeting.*

**RULES ON THE IMPOSITION OF SECONDARY PRICE
CAP (SPC) IN THE PHILIPPINE WHOLESALE ELECTRICITY
SPOT MARKET (WESM)**

The Wholesale Electricity Spot Market (WESM) operates under market-based principles where prices are determined by supply and demand. To safeguard consumers from excessive or sustained high prices, the Energy Regulatory Commission (ERC), pursuant to its mandate under the Electric Power Industry Reform Act of 2001 (EPIRA), imposes market safeguards in the form of Offer Price Cap and Secondary Price Cap (SPC).

While the Offer Cap has been adopted to limit or reduce possible instances of excessive increases or high prices in the WESM, it does not fully mitigate the risk of prolonged high clearing prices. The SPC therefore functions as a pre-emptive and corrective mechanism designed to moderate sustained high prices in the WESM while maintaining fair compensation for generators.

**ARTICLE I
GENERAL PROVISIONS**

Section 1. General Objectives.

These Rules aim to set the implementation of the SPC in the WESM as a consumer protection mechanism, while balancing the need for efficient generator marginal cost recovery which to help maintain operational and market efficiency in generation capacity. Specifically, these Rules seek to:

- (a) Provide a transparent mechanism for the imposition of the SPC, including clear parameters and trigger conditions;
- (b) Establish a process for periodic review and updating of SPC parameters to reflect evolving cost structures and market dynamics;
- (c) Protect consumers from sustained, excessive price spikes while preserving efficient price signals in the WESM to the extent practicable, recognizing the need for temporary intervention during extreme events; and

- (d) Ensure that such consumer safeguards against sustained high market prices are implemented in a manner that does not deter the entry of or continued participation of generation investments.

Section 2. Definition of Terms. – For purposes of this Rules, the following terms shall be defined as follows:

- (a) **“Additional Compensation”** refers to the costs recoverable by Trading Participants when the costs incurred in complying with dispatch instructions are not sufficiently covered by the trading amounts related to settlement intervals with dispatch intervals under specific market conditions identified in the relevant WESM market manuals, such as but not limited to Secondary Price Cap impositions.
- (b) **“Cumulative Price Threshold”** refers to the pre-determined maximum price for a rolling average of a set of periods of time frame that will trigger the Secondary Price Cap.
- (c) **“Fuel cost”** refers to the cost of primary fuel attributable to electricity generation.
- (d) **“Generator Weighted Average Price”** refers to the average price produced by multiplying each Market Clearing Price (MCP) by the actual energy quantity generated in each trading interval, summing the results, and then dividing by the total energy generated by the facility or by all generating facilities in the market.
- (e) **“Load Weighted Average Price”** refers to the average price produced by multiplying each nodal energy dispatch price by the load at that node, summing the results, and then dividing by the sum of the loads involved.
- (f) **“Market Operator”** refers to the entity responsible for carrying out the market procedures according to the designed Market Mechanism.
- (g) **“Rolling Average Period”** refers to the prescribed period over which the GWAP is averaged for the purpose of assessing compliance with the Cumulative Price Threshold (CPT).
- (h) **“Secondary Price Cap”** refers to the pre-emptive mitigating measure imposed in the WESM to prevent sustained high prices.

- (i) **“Short Run Marginal Cost”** refers to the cost of producing one more unit of output using the cheapest available generator.
- (j) **“System Operator”** refers to the party responsible for generation dispatch, the provision of Ancillary Services, and the operation and control to ensure safety, power quality, stability, reliability, and security of the Grid.
- (k) **“Variable Operating and Maintenance”** refers to the ERC-approved VOM or the Actual Operations and Maintenance costs involved in operating the plant attributable to its energy generation.

Section 3. Governing Principles.

- (a) **Pre-emptive Mitigation in the Dynamic Market.** In the recognition of the highly volatile nature of the spot market, the ERC establishes a pre-emptive mitigating measure through the Secondary Price Cap mechanism to safeguard consumer interests.
- (b) **Provision of mechanism for updating Secondary Price Cap.** Regular updates to the mechanism are essential to account for influencing factors. The WESM Trading Participants, Generators, and the Distribution Utilities (DUs) must comply with the caps established through the mechanisms provided under these Rules.
- (c) **Balancing Consumer Protection and Market Viability.** This principle involves maintaining the balance between protecting consumers from extreme price fluctuations within the WESM while ensuring that these mitigating measures will not distort the market to the extent that Generation Companies are no longer sufficiently compensated and will make their operations economically unviable.
- (d) **Adaption to Evolving Market Dynamics.** As the energy market evolves, the ERC shall conduct a periodic review of the SPC parameters.

Section 4. Scope and Application. These Rules for the imposition of SPC shall apply to all Trading Participants of the WESM. For avoidance of doubt, the SPC shall not extend to the reserve market. However, the Commission reserves the authority to review, and when appropriate, extend the application of SPC to the reserve market or others, as may be warranted by future market developments.

ARTICLE II DATA AND METHODOLOGY

Section 1. Secondary Price Cap (SPC)

1.1. Data and Computation. The SPC shall be computed using a three-year historical average of market prices during peak and spike hours for the summer months of April, May, and June.

For the initial implementation of these Rules, data from the summer months of April, May, and June shall be used, as these months typically exhibit the highest demand and corresponding market prices. In succeeding evaluations, the Market Operator may identify months that reflect peak consumption conditions, consistent with prevailing market and demand patterns, to ensure that the SPC continues to represent prices during periods of highest system stress.

Section 2. Cumulative Price Threshold (CPT)

The CPT is set such that (i) the market allows clearing of typical spot market prices during normal periods; (ii) market allows clearing of high market prices during tight supply events, preserving important economic signals; and (iii) SPC would likely set in during extreme events.

2.1. Reference Period. In setting the CPT, a three-year historical Load Weighted Average Price (LWAP) for the summer months of April, May, and June shall be used as they best represent conditions with high demand in the Energy Market.

Interval Classification. The system load curves for the reference period shall be plotted to determine demand characteristics. Each trading hour of the day will then be categorized using interquartile range analysis to determine

demand patterns. The hours are classified into:

- (i) *First Off-Peak* – hours in the first half of the day with relatively low demand;
- (ii) *Peak* – hours with higher demand compared to off-peak levels;
- (iii) *Price Spike* – hours with the highest demand, where peaking plants or most expensive generating units are dispatched; and
- (iv) *Second Off-Peak* – hours with low demand slightly higher than the first off-peak of the day.

2.2. Data and Computation. For each interval classification, the corresponding historical LWAP shall be computed. To account for extreme demand conditions, the prevailing Energy Market Offer Cap (PhP32,000/MWh) shall be applied to six (6) intervals per day, consistent with the usual number of price spike hours.

The computed LWAP is then multiplied by the number of hours within each interval to obtain total price threshold for that interval classification. The sum of all price thresholds for twenty-four (24) trading hours is then divided by twenty-four (24). The resulting value will be the CPT.

Section 3. Rolling Average Period

3.1. Data and Computation. The rolling average period shall be determined using the three-year historical daily demand data for the summer months of April, May, and June, with the daily demand profile ranked through interquartile range analysis, wherein the third and fourth quartiles are taken to represent the highest demand days.

ARTICLE III TRIGGER MECHANISM

Section 1. Trigger Mechanism. The SPC shall be imposed once the rolling Generator Weighted Average Price (GWAP) exceeds the CPT over the prescribed rolling average period.

For clarity, the imposition of the SPC shall be on the interval immediately following the breach of CPT.

Section 2. Duration of the Imposition. The SPC shall remain in force until such time that the rolling GWAP, measured over the prescribed period, falls below the CPT.

ARTICLE IV ADDITIONAL COMPENSATION

Section 1. Eligibility. Generation technologies whose Short-Run Marginal Costs (SRMC) and operating profiles exceed SPC shall be eligible to apply for additional compensation relative to the SPC.

Section 2. Recoverable Value. The recoverable amount shall be defined as the remainder of the total fuel cost and VOM cost not recovered under the capped market settlement price. For the purposes of these Rules, VOM costs shall be limited to those recognized under prevailing ERC issuances and/or as identified in applicable WESM Rules and Market Manuals. Eligible generators must submit verifiable proof of these costs to the Market Operator for validation.

Section 3. Verification and Compliance. All claims for additional compensation shall be subject to review and verification by the MO, pursuant to the WESM Price Determination Methodology (PDM) and Billing and Settlement (BS) Manuals and other relevant Market Manuals on additional compensation and cost recovery. Only costs duly validated and certified by the MO shall be recoverable.

Section 4. Timeline of Recovery. The Generation Company and the MO shall follow the timeline in the submission and processing of additional compensation claims as identified in the WESM PDM and BS Manuals and other pertinent Market Manuals.

Section 5. Regulatory Oversight. The ERC reserves the right to amend the list of eligible technologies in subsequent review periods, or as circumstances warrant, subject to updated cost computations and prevailing market conditions.

**ARTICLE V
PERIODIC UPDATING OF SPC PARAMETERS**

Section 1. Periodic Updating. The values of SPC, CPT, and Rolling Average Period shall be subject to review every five (5) years from the last review, or when otherwise deemed necessary by the ERC.

Such periodic review shall ensure that the SPC parameters continue to capture economic changes and prevailing market conditions.

**ARTICLE VI
OBLIGATIONS OF THE MARKET OPERATOR**

Section 1. Reportorial Requirements. The MO shall comply with the following reportorial requirements:

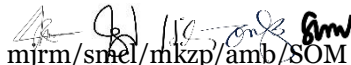
- 1.1.** Submission of regular monthly summary reports on the number of SPC intervals and its corresponding average price with and without SPC per region. A verified copy of the report shall be submitted to the ERC which shall be submitted no later than fifteen (15) days from the last day of the billing month covered by the monthly summary report;
- 1.2.** Submission of pertinent data covered by the monthly summary reports in the preceding subsection in Microsoft Excel format; and
- 1.3.** For the purposes of periodic evaluation of the SPC parameters, the MO shall include in their Annual Market Outcome report the data representing peak and price-spike hours during months characterized by highest system demand. The MO shall regularly assess prevailing market and demand conditions and include discussion on months that more accurately capture periods of highest system stress to ensure the continued relevance and accuracy of the SPC computation. The MO shall submit the Annual Market Report to the ERC within the first quarter of the succeeding calendar year.

**ARTICLE VII
FINAL PROVISIONS**

Section 1. Repealing Clause. All rules and regulations, or any portion thereof, that are inconsistent with these Rules are hereby repealed or modified accordingly.

Section 2. Separability Clause. If, for any reason, any section of these Rules is declared unconstitutional or invalid, such parts not affected shall remain in full force and effect.

Section 3. Effectivity. These Rules shall take effect fifteen (15) calendar days following its publication in a newspaper of general circulation in the Philippines, or in the Official Gazette.


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