



JOINT RESOLUTION NO. 2

*ADJUSTMENTS TO THE WHOLESALE
ELECTRICITY SPOT MARKET OFFER PRICE CAP*

WHEREAS, on 02 June 2006, the Department of Energy (DOE), the Energy Regulatory Commission (ERC) and the Philippine Electricity Market Corporation (PEMC) issued Joint Resolution No. 1 "Creating the WESM Tripartite Committee," composed of these agencies/entity as a body for coordination of efforts, monitoring of price volatilities and setting of market mitigation or pre-emptive measures to be implemented in the Philippine Wholesale Electricity Spot Market (WESM);

WHEREAS, the WESM Tripartite Committee is authorized, among other things, to set and establish the initial levels of price or formula at or by which market prices shall be capped as a mitigating measure to be applied in the WESM;

WHEREAS, on 09 June 2006, the WESM Tripartite Committee issued Joint Resolution No. 2 "Setting the Initial Pre-Emptive, Market Mitigating Measures for the Commercial Operation of the Philippine WESM;"

WHEREAS, the WESM Tripartite Committee through its Joint Resolution No. 2, adopted the implementation of a bid cap, or otherwise referred to as an offer price ceiling of PhP62,000 per megawatt-hour (MWh), equivalent to PhP62.00 per kilowatt-hour, or kWh;

WHEREAS, the scheduled thirty-(30) day Malampaya Turnaround occurred from 11 November to 10 December 2013, required the use of more expensive alternate fuels for the continuous operations of the natural gas-fired power plants, which are not scheduled for maintenance;

WHEREAS, during the Malampaya Turnaround, the observed Market Clearing Prices were reaching the maximum offer price cap of PhP62,000 per MWh more often than usual and even during off-peak hours when demand for electricity is low;

WHEREAS, the resulting high market prices may translate to considerable increases in the Distribution Utilities' generation charges that will be passed on to the electricity consumers, depending on the level of bilateral contracts and/or exposure in the WESM;

WHEREAS, on 13 December 2013, the WESM Tripartite Committee convened to discuss possible adjustments to the offer price ceiling;

WHEREAS, WESM Tripartite Joint Resolution No. 1, series of 2006 provides that the Tripartite Committee shall, among others, identify price-related issues as these arise during the WESM commercial operations and make recommendations, as necessary, to the applicable agency or entity these issues;

WHEREAS, the DOE and ERC are cognizant of the on-going WESM Design Study, commissioned by PEMC, to address several market design and implementation issues that undermines the efficiency of the WESM; and

WHEREAS, as a result of the foregoing meeting, last 20 December 2013, the WESM Tripartite Committee met and with due recognition on the need to constantly put in place procedures and measures to address extreme price spikes or prolonged price volatility, agreed to adopt measures to adjust these contingencies.

NOW, THEREFORE, premises considered, the DOE, the ERC and the PEMC hereby adopts the following:

Section 1. Interim Level of the Cap. The Offer Price Ceiling of PhP62,000 per MWh as set in the WESM Tripartite Committee Joint Resolution No. 2, is hereby reduced to a new level in the amount of PhP32,000 per MWh. This new level is based on the recently promulgated Offer Cap set by the WESM Tripartite Committee for the commercial operation of the Interim Mindanao Electricity Market (IMEM), *see Appendix A for details.*

It is understood that this new Offer Price Cap is interim in nature, while the WESM Design Study is on-going. The new and revised Offer Price Cap will be subjected to a public consultation and will be subject to the regular review and adjustments by the WESM Tripartite Committee.

Section 2. Effectivity of the Cap. The ceiling set shall be in effect until the issuance of a new Offer Price Cap not later than ninety (90) days from the issuance of this Joint Resolution. For this purpose, PEMC is directed to submit a study on the appropriate Offer Price Cap within thirty (30) days from the issuance of this Joint Resolution.

Section 3. Separability Clause. If for any reason, any section or provision of this Joint Resolution is declared unconstitutional or invalid, such parts not affected shall remain in full force and effect.

Section 4. Effectivity. This Joint Resolution shall take into effect immediately following its publication in at least two (2) newspapers of general circulation and shall remain in effect until otherwise revoked.

Signed this DEC 27 2013 at Metro Manila, Philippines.


CARLOS JERICHO L. PETILLA
Secretary
Department of Energy

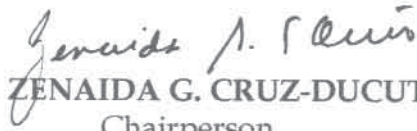


Republic of the Philippines
DEPARTMENT OF ENERGY

IN REPLYING PLS CITE:

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