



JOINT RESOLUTION NO. 2

SETTING THE INITIAL PRE-EMPTIVE MARKET MITIGATING MEASURES FOR THE COMMERCIAL OPERATION OF THE PHILIPPINE WESM

WHEREAS, on 2 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 an interim 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 others things, to set and establish the initial levels of price or formula at or by which market prices shall be capped as a preliminary mitigating measure to be applied during the early operational stages of WESM;

WHEREAS, with due recognition of the need to put in place certain procedures and measures to address possible extreme price spikes or prolonged price volatility, the Committee has deliberated on certain procedures and agreed to adopt measures to address these contingencies;

NOW, THEREFORE, premises considered, the DOE, ERC and PEMC hereby jointly adopt the following mechanics and set certain pre-emptive measures as provided in this Joint Resolution.

Section 1. Adoption of a Bid Cap or Offer Price Ceiling. In order to limit or reduce possible instances of excessive increases or high market prices, the Committee hereby adopts the implementation of a bid cap, or otherwise referred to as an offer price ceiling.

Section 1.1. Level of the cap. The initial level of the offer price ceiling is set at the amount of PhP62,000/MWh. The level will be subject to review and adjustments in accordance with Section 2.1 below.

Section 1.2. Effectivity of the cap. The ceiling set in this Section shall be in effect for one year from the launch of the WESM in Luzon, unless otherwise modified or terminated by the Committee in accordance with Section 2 below.

Section 1.2 Additional measure. The imposition of the bid cap or offer price ceiling is an additional and interim measure adopted to protect consumers against unjustifiable prices in the market. As such, the adoption of the cap shall be without prejudice to the operationalization of other market mitigation measures or penalty provisions already provided for in Republic Act No. 9136, the Competition Rules, the WESM Rules or in the WESM manuals.

Section 2. Regular Monitoring and Periodic Review. The Committee, with the assistance of the Technical Working Group (TWG) created pursuant to Joint Resolution No. 1, shall

regularly monitor the offer and clearing prices as well as other indicators of participant behavior in the WESM.

Section 2.1 Review and adjustment of cap. On the basis of the monitoring results, the bid cap or offer price ceiling set in Section 1 hereof shall be reviewed on a quarterly basis or on such other time as may be deemed necessary by the Committee, to determine if any adjustment is required and/or if additional information may be required from or any action be taken against any participant. Any amendment, revision or adjustment of the bid cap shall be posted at the respective websites of the DOE, ERC and PEMC and published in a newspaper of general circulation for the information of the public.

Section 2.2 Additional information and action. Any request for information from, order or instruction on any participant shall be undertaken or coursed through the DOE, ERC or PEMC, as the case may be, in accordance with the mandate and procedures of the respective agencies or, in the case of PEMC, any of its committees.

Section 3. Publication. The Committee shall publish this Joint Resolution in two (2) newspapers of general circulation in Luzon and at their respective websites. Interested parties are invited to submit their written comments on the initial level of the bid cap as provided for in Section 1.1 of this Resolution on or before 19 June 2006. Written comments may be submitted to the Committee Secretariat through the DOE Electric Power Industry Management Bureau, Merritt Road, Fort Bonifacio, Taguig City Metro Manila or by electronic mail at tripartite@wesm.ph.

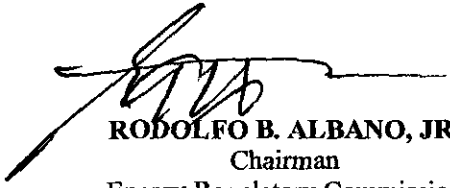
Section 4. No amendment or repeal of existing laws. Nothing in this Joint Resolution shall be construed as to amend, supplant, or repeal any of the mechanisms or institutions already existing or responsibilities already allocated and provided for under any existing law, rule or contract.

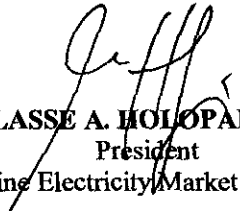
Section 5. Effectivity. Each agency and entity herein undertakes to comply with Section 3 hereof to ensure that this Joint Resolution shall take effect immediately.

This Joint Resolution shall remain in effect until otherwise revoked.

9 June 2006, Manila, Philippines.


RAPHAEL P. M. LOTILLA
Secretary
Department of Energy


RODOLFO B. ALBANO, JR.
Chairman
Energy Regulatory Commission


LASSE A. HOLOPAINEN
President
Philippine Electricity Market Corporation