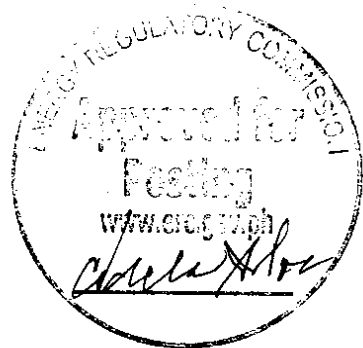


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



Resolution No. 12, Series of 2008.

**A RESOLUTION SUSPENDING THE IMPLEMENTATION OF SECTION 3.5,
ARTICLE 3 OF THE RULES FOR THE DEFAULT WHOLESALE SUPPLY
ARRANGEMENTS IN THE WHOLESALE ELECTRICITY SPOT MARKET
(WESM) IN THE LUZON GRID, AS AMENDED**

WHEREAS, Section 30 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), provides for the establishment by the Department of Energy (DOE) of the Wholesale Electricity Spot Market (WESM);

WHEREAS, on August 23, 2006, the Energy Regulatory Commission (ERC) issued Resolution No. 44, Series of 2006, adopting the Rules for the Default Wholesale Supply Arrangements for the WESM;

WHEREAS, Article V of the aforementioned Rules limits the effectivity of the Default Wholesale Supply Arrangements for a period not longer than one (1) year from the start of both the WESM commercial operations in Luzon and in Visayas;

WHEREAS, on June 20, 2007, the ERC issued Resolution No. 18, Series of 2007, which extended the effectivity of the Default Wholesale Supply Arrangements for Luzon until June 25, 2008;

WHEREAS, on June 25, 2008, the ERC issued Resolution No. 11, Series of 2008, adopting the Rules for the Default Wholesale Supply Arrangements for the WESM in the Luzon Grid, as Amended ;

WHEREAS, Section 3.5, Article 3 of the Rules for the Default Wholesale Supply Arrangements, As Amended in the Luzon Grid allows a direct WESM member to get from National Power Corporation only up to 100% of its contracted requirements; any consumption beyond 100% shall be deemed taken from the WESM;

WHEREAS, smooth and successful dispatch operation of electricity from generation to loads depends on the availability, reliability and dependability of major plants, transmission line and equipment;

WHEREAS, from June to July 2008, several power plants were on outage, both scheduled and unscheduled, which brought about a tight supply condition in the Luzon grid resulting in insufficiency of energy offers in the WESM to meet the demand requirements especially during peak hours;

WHEREAS, on June 22, 2008 (1315H) to July 18, 2008 (1440H), the San Jose – Tayabas EHV Line 2 was on outage and starting July 11, 2008, the San Jose Transformer 2 has been on outage and the outage of these two (2) major elements in the transmission network has caused significant price separations in the Luzon Grid;

WHEREAS, the contingency measures being executed by the National Transmission Corporation (TransCo) including the transfer of one (1) 600 MVA transformer from Kadampat to San Jose Substation, is targeted to be completed in September of 2008;

WHEREAS, this scenario has led to the frequent occurrences of abnormally high prices in the WESM;

WHEREAS, the ERC deems it necessary to suspend the implementation of Section 3.5, Article 3 of the Rules for Default Wholesale Supply Arrangements, As Amended to impose measures to reduce the exposure of the Distribution Utilities to said prices in the WESM;

WHEREAS, any Distribution Utility who is currently a Direct WESM Member shall now be entitled to source from the National Power Corporation up to 120% of its contracted requirements effective June 25, 2008 or on the effectivity date of the Rules for Default Wholesale Supply Arrangements, As Amended;


NOW THEREFORE, after careful deliberation on the issues relative thereto, the **ERC RESOLVED**, as it hereby **RESOLVES**, to **SUSPEND** the operation of Article 3, Section 3.5 of the Rules for Default Wholesale Supply Arrangements, As Amended effective June 25, 2008 or on the effectivity date of the said Rules until such time that the ERC lifts its suspension.

All previous Decisions, Issuances and Directives by the ERC contrary to the instant Resolution are deemed superseded.

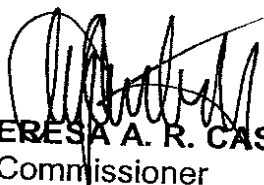
This Resolution shall take effect immediately.

Let copies of this Resolution be furnished the University of the Philippines Law Center-Office of the National Administrative Register (UPLC-ONAR) and all entities engaged in the generation, transmission and distribution of electricity.

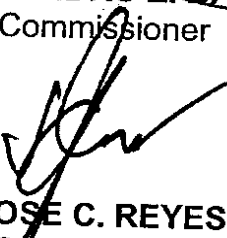
Pasig City, 11 August 2008.


ZENAIDA G. CRUZ-DUCUT
Chairperson


RAUF A. TAN
Commissioner


MARIA TERESA A. R. CASTAÑEDA
Commissioner


ALEJANDRO Z. BARIN
Commissioner


JOSE C. REYES
Commissioner