

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

**IN THE MATTER OF THE
REGIONAL
IMPLEMENTATION OF THE
SECONDARY PRICE CAP
FOR THE VISAYAS AND
MINDANAO GRIDS,
RETROACTIVE TO THE
AUGUST 2026 BILLING
PERIOD, PURSUANT TO
THE COMMISSION'S
REGULATORY
AUTHORITY, MARKET
OVERSIGHT, AND
CONSUMER PROTECTION
MANDATE UNDER THE
ELECTRIC POWER
INDUSTRY REFORM ACT
OF 2001 (REPUBLIC ACT
NO. 9136), THE RULES AND
REGULATIONS
GOVERNING THE
WHOLESALE ELECTRICITY
SPOT MARKET (WESM
RULES), AND EXECUTIVE
ORDER NO. 110, SERIES OF
2026, DECLARING A STATE
OF NATIONAL ENERGY
EMERGENCY**

Promulgated:
September 10, 2026

ERC CASE NO. 2026-048 MC

X-----X

ORDER

Republic Act No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001” (EPIRA), mandates the Energy Regulatory Commission (ERC) to promote competition, ensure customer choice, and protect consumers against abuse of market power in the restructured electricity industry.

Consistent with the foregoing, Section 2 of the EPIRA declares it the policy of the State, among others, “[t]o ensure the transparent and reasonable prices of electricity in a regime of free and fair competition and full public accountability” and “[t]o protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power.”

In furtherance of this policy, Section 43 of the EPIRA vests the Commission with, among others, the following functions: to “[e]nforce the rules and regulations governing the operations of the electricity spot market and the activities of the [WESM] operator”; to “[m]onitor and take measures in accordance with [the EPIRA] to penalize abuse of market power, cartelization, and anti-competitive or discriminatory behavior by any electric power industry participant”; to monitor the activities in the generation and supply sectors of the electric power industry; and, in the exercise of its investigative and quasi-judicial powers, to act against any participant in the energy sector for violations of the EPIRA, its Implementing Rules and Regulations, and the rules the Commission promulgates or administers, including the rules on cross ownership, market power abuse, and anti-competitive behavior under Section 45 of the EPIRA.

It is upon this market oversight, surveillance, and consumer-protection mandate, taken together with the Commission’s authority to enforce the WESM Rules, that the Commission issues this Order.

On 24 March 2026, the President of the Republic of the Philippines issued Executive Order No. 110, Series of 2026 (EO 110), declaring a state of national energy emergency due to disruption in global energy supply, volatility in fuel prices, and risk to the adequacy and stability of the country’s energy supply. Section 5 of EO 110 authorizes and directs the Department of Energy (DOE), in coordination with the ERC and other concerned agencies, to implement appropriate measures to safeguard the stability and adequacy of the country’s energy supply, including regulatory interventions affecting the operation of the WESM.

Section 5 (g) of EO 110 provides the directive to the DOE, in part:

Adopt and implement a resource conservation and prioritization mechanism, and may recommend to the Energy Regulatory Commission (ERC) when warranted by extraordinary price volatility or risks to electricity supply reliability, the adoption of appropriate regulatory measures in the operation of the Wholesale Electricity Spot Market (WESM), including the possible suspension of market operations or the declaration of a temporary market failure, in

accordance with existing laws, market rules, and regulatory procedures. The resource conservation and prioritization mechanism, as determined by the DOE, shall consider the optimal dispatch of power plants, taking into consideration grid reliability, priorities in the use of cheaper technologies, and the conservation of fuel that will mitigate price impact and prolong supply. The DOE and ERC are authorized to issue the necessary implementing guidelines, rules, and regulations.

EO 110 remains in effect. As detailed below, the continuing — and, in fact, intensifying — occurrence of Yellow and Red Alert conditions in the Visayas and Mindanao grids through the third quarter of 2026 confirms the persistence of the conditions that gave rise to the declaration of a state of national energy emergency under EO 110, and underscores the continuing necessity for the Commission to exercise the regulatory measures herein adopted, in coordination with the DOE pursuant to EO 110, and in the exercise of the Commission’s own oversight and consumer-protection mandate under the EPIRA and the WESM Rules discussed above.

The recurring Yellow and Red Alert conditions experienced by the Philippine Grid since April 2026, particularly in the Visayas Grid and, more recently, in the Mindanao Grid, demonstrate continuing and material constraints on generation supply adequacy.

The data presented below show that supply shortages commenced in April 2026 and materially worsened in the succeeding months, thereby indicating continuing constraints in the adequacy and availability of generation supply in the affected grids.

Table 1. Red and Yellow Alert Issuances

Billing Month	Luzon		Visayas		Mindanao	
	Red	Yellow	Red	Yellow	Red	Yellow
January	0:00	0:00	0:00	2:44	0:00	0:00
February	0:00	0:00	0:00	0:00	0:00	0:00
March	0:00	0:00	0:00	0:00	0:00	0:00
April	0:00	3:32	0:00	6:36	0:00	0:00
May	27:46	5:41	22:24	56:38	0:00	0:00
June	0:00	0:00	6:58	137:27	0:00	3:49
July	0:00	0:00	5:02	45:43	0:00	0:00
August	0:00	0:00	100:55	159:24	2:58	32:42
September	0:00	0:00	66:30	41:53	19:55	29:53
Total	27:46	9:13	201:49	450:25	22:53	66:24

These supply conditions consequently resulted in elevated and, at certain periods, exceptionally high Wholesale Electricity Spot Market (WESM) clearing prices, as reflected in the table below:

Table 2. Resulting Market Prices

Billing Month	Load Weighted Average Price, PhP/MWh		
	Luzon	Visayas	Mindanao
January	3,520 (Correct 3,250)	4,244	4,265
February	2,691	5,373	5,253
March	4,103	5,085	4,430
April	5,626	5,627	5,628
May	7,019	10,205	9,276
June	7,949	14,403 (Correct 14,318)	12,758 (Correct 12,753)
July	7,297	11,292	10,395
August	4,800 (Correct 4,805)	18,590 (correct 18,593)	19,560 (Correct 19,599)

Table 2 shows that the Load Weighted Average Price (LWAP) generally increased across all grids during the period, with the most significant increases observed in Visayas and Mindanao toward August. In Luzon, LWAP increased by 126% from PhP3,520/MWh in January to PhP7,949/MWh in June before declining to PhP4,800/MWh in August. Meanwhile, Visayas LWAP increased by 338% from PhP4,244/MWh in January to PhP18,590/MWh in August, while Mindanao increased by 359% from PhP4,265/MWh to PhP19,560/MWh. Notably, from July to August, LWAP increased by 65% in Visayas and 88% in Mindanao, resulting in the highest monthly average prices recorded for both grids during the period.

The sustained occurrence of high clearing prices has materially increased the electricity procurement costs of Distribution Utilities (DUs), particularly those with substantial exposure to WESM purchases, thereby creating significant increase in rates to be passed on to their respective member-consumer-owners and consumers.

In view of the foregoing, several DUs in the Visayas grid have formally conveyed to the Commission their concerns regarding the unusually high WESM clearing prices and the resulting substantial increase in their electricity procurement costs. The affected DUs have raised concerns regarding the magnitude and volatility of their WESM charges, particularly where such charges have resulted in substantial increases in their billing obligations over relatively short periods.

The concerned DUs have likewise emphasized the potential impact of these extraordinary WESM charges on their financial position, cash flows, and ability to maintain stable and affordable electricity rates for their member-consumer-owners and consumers. In particular, the sudden and significant increase in WESM-related charges may give rise to material rate shocks and liquidity constraints, notwithstanding that the underlying market outcomes may have been driven by prevailing system conditions, generation availability, transmission constraints, and other factors affecting market clearing.

The foregoing circumstances warrant the Commission’s immediate assessment of the factors contributing to the observed high WESM prices and their corresponding financial impact on affected DUs and consumers. While WESM prices are determined in accordance with the applicable market rules and prevailing supply and demand conditions, the Commission recognizes the need to ensure that resulting market outcomes are fair, reasonable, transparent, and consistent with the protection of the consuming public, particularly where extraordinary and sustained price movements may have significant consequences.

In addressing the potential adverse effects of excessive and sustained WESM clearing prices, the Commission has instituted regulatory measures designed to safeguard consumers and maintain the stability and integrity of the WESM. Among such measures is adoption of the Secondary price Cap (SPC) pursuant to ERC Resolution No. 26, Series of 2025, which serves as a mitigating mechanism against sustained periods of exceptionally high market clearing prices.

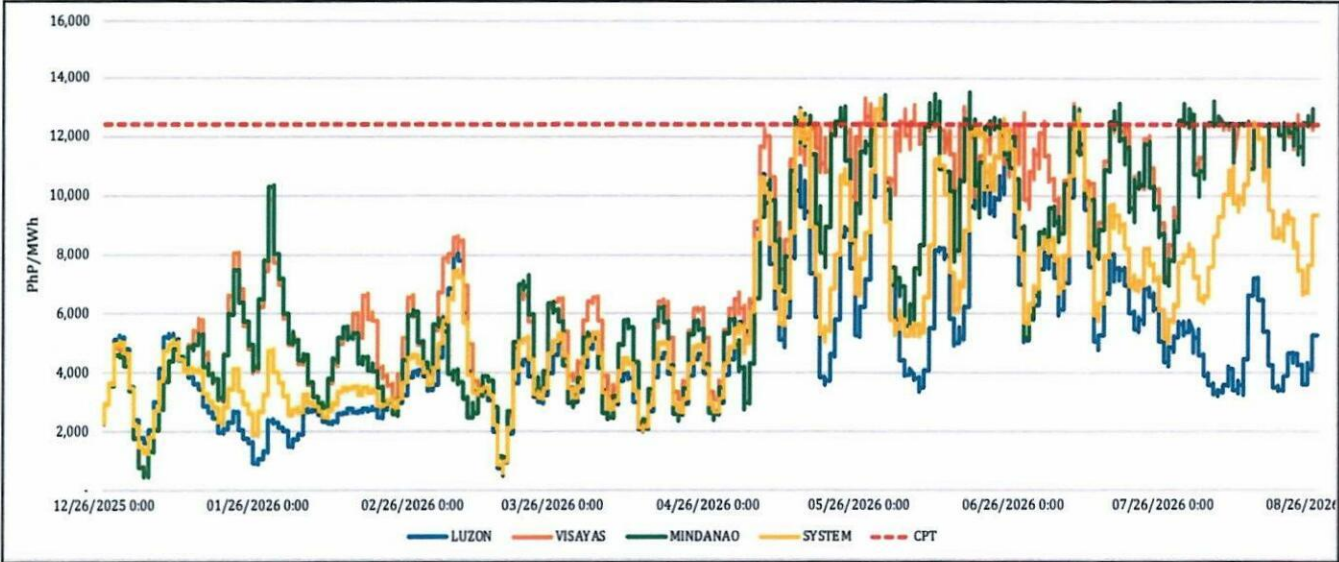
Following the implementation of the foregoing issuance, the SPC was triggered on numerous occasions during the period from January to August 2026, covering a total of 1,753 dispatch intervals in the Luzon grid, 2,323 dispatch intervals for Visayas grid, and 2,501 dispatch intervals in the Mindanao grid, as reflected in the table below:

Table 3. No. of SPC Impositions Per Region for January to August 2026

Billing Month	Luzon	Visayas	Mindanao
January	-	-	-
February	-	-	-
March	1(No SEC- 0)	1(No SEC- 0)	1(No SEC- 0)
April	-	-	-
May	336	372	407
June	991	1,317	1,388
July	245	236	251
August	180	397	454
Total	1,753	2,323	2,501

During the period under review, it was observed that electricity prices, particularly in the Visayas grid, remained relatively high. Notwithstanding the elevated price levels in the Visayas Grid, the SPC was not triggered with the same frequency as may have been warranted by the prevailing price conditions in the region. This may be attributed, in part, to the existing methodology for determining the SPC, wherein the rolling average price is computed on a system-wide basis. As a result, the relatively lower electricity prices prevailing in the Luzon Grid pulled down the system rolling average price, thereby reducing the likelihood of the SPC being triggered despite the persistence of elevated prices in the Visayas grid. Thus, the existing SPC mechanism, which is based on the system-wide rolling average price, may not fully capture or respond to sustained periods of elevated prices occurring within a particular grid or pricing region, when one grid or region is experiencing low prices.

Figure 1: Rolling Average per Region for January to August 2026



The Commission observed that, based on the foregoing figure, the continuous instances of rolling average prices exceeding the applicable Cumulative Price Threshold (CPT) in the Visayas and Mindanao grids indicate the persistence of elevated electricity prices in these regions. As the system level, the rolling average price exceeded the PhP12,413/MWh threshold in only 1,228 intervals. On a regional basis, however, the number of intervals during which the rolling average price exceeded the applicable CPT was significantly higher, with 10,486 intervals in the Visayas grid and 8,711 intervals in the Mindanao grid, compared with only 470 intervals in the Luzon grid.

Table 4. No. of SPC Imposition Per Region if Per Regional Basis for January to August 2026

Billing Month	Luzon	Visayas	Mindanao
January	-	-	-
February	-	-	-
March	-	-	-
April	-	-	-
May	-	1,154	1,085
June	470	3,303	2,171
July	-	1,196	833
August	-	4,833	4,622
Total	470	10,486	8,711

Considering the foregoing observations, the Commission notes that, had the SPC been imposed on a per-region basis, using the respective regional rolling average prices as the basis for its SPC imposition, the SPC could have been triggered more frequently during periods of sustained elevated prices in the Visayas and Mindanao grids. Such an approach could have resulted in more timely and targeted price mitigation in the affected regions, thereby providing greater protection to consumers against the adverse effects of sustained and excessively high WESM prices.

Table 5: Monthly Price Comparisons Per Region for August 2026

Region	Original LWAP ¹ , PhP/MWh	LWAP based on System Imposition, PhP/MWh	LWAP based on Regional Imposition, PhP/MWh
Luzon	4,900	4,800	4,900
Visayas	19,720	18,590	8,470
Mindanao	20,280	19,560	8,690
System	9,660	9,290	6,040

The resulting impact on regional prices is presented in the table above, which compares the regional price outcomes under the existing system-wide SPC mechanism with the corresponding outcomes that would have resulted from the application of the SPC on a per region-basis. The comparison illustrates the potential price-mitigating effect of applying the SPC based on the respective regional rolling average prices.

If the SPC had instead been imposed on a per-region basis, using the respective regional rolling average prices as the basis for determining whether the SPC threshold was exceeded, the resulting average price in the Visayas region for **August 2026** would have been PhP8,470/MWh, representing a 54% reduction from the

¹ Without SPC imposition

corresponding price under the system-wide SPC mechanism. Similarly, the resulting average price in the Mindanao grid would have been PhP8,690/MWh, or 56% reduction from the corresponding price under the system-wide SPC mechanism. These results indicate that the application of the SPC on a regional basis would have resulted in more frequent and targeted price mitigation in regions experiencing sustained elevated prices, particularly in the Visayas and Mindanao grids, thereby potentially reducing the impact of high WESM prices on consumers.

The Commission further notes that market data for the August 2026 billing period show that the marginal, or price-setting, plants in the Visayas and Mindanao grids shifted markedly toward the more costly oil-based generating units, which accounted for approximately 78% and 83% of marginal dispatch in the Visayas and Mindanao grids, respectively, compared to a predominantly coal- and natural gas-based marginal mix in the immediately preceding months. While this shift is consistent with the tightening of available capacity and reserve margins in the affected grids as reflected in the tables above, the Commission deems it necessary and appropriate, in the exercise of its market monitoring, surveillance, and investigative mandate under Section 43(k), (o), (r), and (s), in relation to Section 45, of the EPIRA, to direct a focused inquiry into the bidding and dispatch behavior of generation companies during the relevant periods, without prejudice to the Commission's preliminary finding herein that the price outcomes were substantially attributable to genuine supply and reserve constraints.

In view of the foregoing, the Commission hereby adopts, for the August 2026 billing months and thereafter until otherwise lifted, the computation and imposition of the SPC on a regional basis, using the respective regional rolling average prices as the basis for determining whether the applicable SPC thresholds has been exceeded. For avoidance of doubt, the regions shall be understood to refer to Luzon, Visayas and Mindanao.

Under the proposed approach, the existing SPC parameters, including the SPC value, CPT, and rolling average period, shall be retained. However, the rolling average used to determine whether the CPT has been breached shall be computed separately for each region, rather than on a system-wide basis. Consequently, the SPC shall likewise be imposed on a regional basis upon the breach of the prescribed CPT in the corresponding region.

Accordingly, the existing requirement that the regional/island SPC may only be applied when the grid interconnection is on outage, as well as the conditions under Scenarios 1 and 2 of ERC Resolution No. 26, Series of 2025 that require reliance on the system-wide rolling average and the subsequent outage of an High-Voltage Direct Current (HVDC) link or island interconnection, shall not apply for the August 2026 billing month and thereafter, until lifted by the Commission. This approach will enable the SPC to operate as a targeted price mitigation measure for sustained high prices within a particular region, regardless of the operating status of the interconnection, while retaining the existing SPC parameters approved by the Commission.

WHEREFORE, premises considered, the Commission hereby:

- (1) **ADOPTS** the proposed approach for the implementation of the SPC retroactively for the August 2026 billing month and henceforth until lifted, whereby the existing SPC parameters, including the approved SPC value, CPT, and rolling average period, shall be retained, **PROVIDED, THAT** the rolling average for determining whether the CPT has been breached shall be computed separately for each region, and the SPC shall be imposed on a regional basis upon the breach of the prescribed CPT in the corresponding region, with the regional application of the SPC subject to weekly monitoring and to remain in effect until such time as the Commission orders the restoration of the system-wide application of the SPC;
- (2) **RESOLVES**, in order to facilitate the proper implementation of the foregoing solution, to **DIRECT** the **IEMOP** to:
 - a) **IMPLEMENT** the foregoing regional application of the SPC retroactively for the August billing month and henceforth, without requiring the outage of the corresponding grid interconnection (HVDC interconnection) and without applying the conditions under Scenarios 1 and 2 of ERC Resolution No. 26, Series of 2025;
 - b) **UNDERTAKE** the necessary adjustments to the applicable settlement calculations and **RECALCULATE** the Settlement for the August 2026 billing period to reflect the regional application of the SPC in accordance with the methodology adopted herein;

- c) **ISSUE** the Final Statement Bill for the August 2026 billing period on or before 20 September 2026. Notwithstanding the foregoing adjustment to the billing schedule, the due date for payment by Customers shall be 28 September 2026, to facilitate the settlement of amounts due to Generation Companies within September 2026;
 - d) **MONITOR** the implementation of the regional SPC on a weekly basis and **SUBMIT** to the Commission a weekly report thereon, including, at a minimum, the regional rolling average prices, instances of CPT breach, application of the SPC in each region, and the resulting impacts;
- (3) **DIRECTS** the **Philippine Electricity Market Corporation (PEMC)** to **UNDERTAKE** a comprehensive assessment of the existing WESM rules, mechanisms, and procedures relevant to the occurrence of sustained high market prices, and **SUBMIT** to the Commission, within thirty (30) calendar days from receipt of this Order, its findings and recommendations on any necessary amendments or enhancements to prevent or mitigate the recurrence of similar occurrences;
- (4) **DIRECTS** the Philippine Electricity Market Corporation (PEMC), through its **Market Surveillance Committee**, in coordination with the appropriate offices of the Commission, to **CONDUCT** a focused investigation into the bidding, offer, and dispatch behavior of generation companies operating in the Visayas and Mindanao grids during the periods when the CPT was breached for the August 2026 billing month and onward, for the purpose of determining compliance with the EPIRA, its Implementing Rules and Regulations, the WESM Rules, and ERC Resolution No. 26, Series of 2025, including the existence of any economic withholding, cartelization, collusion, or other form of market power abuse or anti-competitive behavior under Section 45 of the EPIRA, and to **SUBMIT** to the Commission, within sixty (60) calendar days from receipt of this Order, a report of its findings and recommendations, including the appropriate administrative or enforcement action, if any, that may be undertaken, without prejudice to the Commission's own exercise of its investigative and quasi-judicial powers under Section 43 of the EPIRA;

- (5) **RESOLVES, FURTHER, to DIRECT the National Grid Corporation of the Philippines (NGCP)** to undertake an assessment of the optimal utilization of the existing grid interconnections, taking into consideration the prevailing system conditions, available transfer capability, and applicable grid security and reliability requirements, without compromising the security, reliability, and stability of the Philippine Grid, and to **SUBMIT** to the Commission, within thirty (30) calendar days from receipt of this *Order*, its assessment and recommendations, including the measures that may be undertaken to maximize the utilization of the interconnections consistent with the foregoing requirements; and
- (6) **ENJOINS** all affected distribution utilities in the Visayas and Mindanao grids to promptly and accurately **REFLECT** the recalculated charges resulting from the regional application of the SPC in their billing to end-consumers, consistent with the Commission's mandate to protect the public interest as affected by the rates and services of electric utilities under Section 2(f) of the EPIRA. and to **SUBMIT** proof of compliance to the Commission.

SO ORDERED.

Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


FRANCIS SATURNINO C. JUAN
Chairperson and CEO

Copy Furnished:

1. Independent Electricity Market Operator of the Philippines (IEMOP)
9th Floor, Robinsons Equitable Tower, ADB Avenue corner
Poveda Street, Ortigas Center, Pasig City
2. Department of Energy
Energy Center, Rizal Drive cor 34th Street
Bonifacio Global City, Taguig City 1632
3. National Grid Corporation of the Philippines (NGCP)
NGCP Building, Quezon Avenue corner BIR Road,
Diliman, Quezon City
corpcomm@ngcp.com
4. Philippine Electricity Market Corporation (PEMC)
18th Floor Robinsons-Equitable Tower,
ADB Avenue corner Poveda Street,
Ortigas Center, Pasig City
5. All Affected Distribution Utilities in Visayas and Mindanao Grids