



Policy Note

From Reactionary to Ready: A Review of the 2026 WESM Market Suspension

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I. Introduction

Like many other developing countries, the Philippines continues to struggle dealing with an ongoing energy crisis. In late-February 2026, the US and Israel launched a military operation against Iran.² The effect on energy markets was swift and immediate as the Strait of Hormuz, a narrow passage between the Persian Gulf and the Gulf of Oman ferrying 20% of the global oil supply, was effectively shut down and container traffic halting to a standstill.³ With the Strait blocked, countries primarily sourcing its oil and liquefied natural gas (LNG) from the Middle East are choked for supply.

The Philippines, which sources 98% of its oil supply from this region, is one of the heavily affected countries.⁴ On March 24, 2026, President Marcos declared a State of National Energy Emergency through Executive Order No. 110 (E.O. No. 110)⁵ making the Philippines the first country in the world to formally acknowledge the systemic shocks born out of the US-Iran War. On the basis of E.O. No. 110, the Department of Energy (DOE) issued the Advisory on Conservation and Prioritization of Fuel in the Power Sector to Mitigate Rising Global Fuel Prices and Supply Disruption (25 March 2026). The Advisory included the Special Operating Guidelines (DOE SOG) that was meant to be observed to cope with the national energy crisis.⁶

Pursuant to authority granted under Section 30 of Republic Act No. 9136 or the Electric Power Industry Reform Act of 2001 (EPIRA), the Energy Regulatory Commission (ERC) can suspend the operations of the Wholesale Electricity Spot Market (WESM) during times

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² How the US-Israel war on Iran unfolded in its first four weeks, AL JAZEERA, Mar. 28, 2026, at <https://www.aljazeera.com/news/2026/3/28/how-the-us-israel-war-on-iran-unfolded-in-its-first-four-weeks>.

³ Id.

⁴ Marcos declares state of national energy emergency, PHIL. NEWS AGENCY, Mar. 24, 2026, at <https://www.pna.gov.ph/articles/1270229>.

⁵ Id.

⁶ DOE WEBSITE, Advisory on Conservation and Prioritization of Fuel in the Power Sector to Mitigate Rising Global Fuel Prices and Supply Disruption (Mar. 25, 2026), at <https://doe.gov.ph/articles/3378272--advisory-on-conservation-and-prioritization-of-fuel-in-the-power-sector-to-mitigate-rising-global-fuel-prices-and-supply-disruption?title=Advisory%20on%20Conservation%20and%20Prioritization%20of%20Fuel%20in%20the%20Power%20Sector%20to%20Mitigate%20Rising%20Global%20Fuel%20Prices%20and%20Supply%20Disruption>.

of national emergencies.⁷ The DOE SOG mandated⁸ all the concerned stakeholders listed, including the ERC, to prioritize coal dispatch to help conserve oil and LNG supply,⁹ and for ERC to suspend the WESM¹⁰ and apply an administered price for all generators.¹¹

In an Order (ERC Case No. 2026-018MC), promulgated also on 25 March 2026, the ERC directed: (a) the suspension of the operation of the WESM starting at 0005H on 26 March 2026, (b) the implementation of the Modified Administered Pricing (MAP) mechanism during the period of market suspension, the details of which were under consultation in ERC Case No. 2026-006RM, (c) the implementation of market operations and system operations in accordance with the SOG, and (d) compliance by all stakeholders with the provisions of the SOG.¹²

As of the time of this writing, the SOG was in effect for one (1) month. The Independent Electricity Market Operator of the Philippines (IEMOP) has reported that supply from coal-powered generation has increased by 18% (from 1,334 GWh in Week 9 of 2026¹³ to 1,574 GWh in Week 17 of 2026¹⁴, the latest available prior to WESM trading resumption). It also shows that supply from oil and LNG-powered plants hovered at 16% of total generation from Week 9, 12, and 17.¹⁵ Maintaining at 16% of generation capacity actually translates to a 20% increase from 369 GWh in Week 9¹⁶ to 442 GWh in Week 17¹⁷. These results are far from the intended goal of the SOG to preserve oil and LNG supply by dispatching more coal.

On May 1, 2026, the ERC released an Order lifting the market suspension effective 0005H of the same day. According to the ERC, “[a]fter a thorough review, [it] has concluded that resuming normal WESM operations is the most suitable course of action at this

⁷ Rep. Act. No. 9316 (2001), §30, EPIRA.

“In cases of national and international security emergencies or natural calamities, the ERC is hereby empowered to suspend the operation of the wholesale electricity spot market or declare a temporary wholesale electricity spot market failure.”

⁸ Id. at 6.

“In this regard, the DOE hereby issues this advisory to guide, and encourage support and compliance of all concerned stakeholders in the conservation and prioritization of fuels in the power sector. This Advisory **mandates** the following...”

⁹ Id. at 6. ANNEX A, 5.

“During the period of market suspension, coal generating facilities shall offer their maximum available capacity with offer prices in a manner that will ensure their dispatch for each trading interval but not more than PhP6,000/MWh.”

¹⁰ Id. at 6. Number 2.

“In order to conserve and mitigate the impact of more expensive fuel on the prices of electricity, the DOE hereby issues the Special Operating Guidelines (SOG) for System Dispatch during the suspension of the WESM arising from global fuel supply disruption, attached hereto as Annex “A”.”

¹¹ Id. at 6. ANNEX A, 4(a).

“Administered Pricing shall apply in accordance with the WESM Price Determination Methodology or a methodology as may be prescribed by the ERC. Provided, however, intervals negative pricing shall not be used for settlement but shall be replaced with a price of zero.”

¹² ERC WEBSITE, *ERC Declares Market Suspension, Rolls Out Modified Pricing Mechanism Amid Energy Crisis*, at <https://www.erc.gov.ph/Press-Singular/84778>

¹³ IEMOP, WESM Market Weekly (February 23 – March 1, 2026)

¹⁴ IEMOP, WESM Market Weekly (April 20–26, 2026)

¹⁵ Id.

¹⁶ Id. at 13

¹⁷ Id. at 14

uncture...We observed that although the temporary pricing mechanism was effective in addressing the emergency, prolonging its use could lead to unintended charges in market settlements.”¹⁸

II. The Gap: Ad Hoc and Reactionary Measures

After the conduct of public consultation on the MAP mechanism,¹⁹ the ERC adopted the MAP features that were to increase coal dispatch and manage price volatility:

- A fixed rate of PHP6.00 per kWh for Coal generators
- Preferential Dispatch for renewables (Must Dispatch: Solar, Wind, Run-of-River and Priority Dispatch: Biomass, Geothermal, Impounding hydro) while eliminating negative prices capping them at PHP 0 per kWh
- Similar methodology with renewables for oil-based, natural gas, battery energy storage system, and pumped storage hydro facilities with the explicit provision for additional compensation

The regulations issued in line with E.O. No. 110 (i.e. DOE SOG, ERC MAP) all pronounced the objective of preserving the country’s oil and LNG inventory while the national energy emergency was in place.

However, it appears that the means to achieve the objective have come with some critical deviations and gaps.

Deviation from Set Rules and Precedent

Prior to the current market suspension, there were already rules in place that would trigger the suspension of the WESM.²⁰ However, the path taken by this recent market suspension was more ad hoc in nature as it is rooted on E.O. No. 110 and the DOE Advisory instead of the established rules in terms of grounds as well as pricing methodology. Deviation is also evident from the process taken in implementing the suspension: the ERC suspended the WESM before promulgating the MAP methodology applicable for the period of suspension.

Uncertainty on Market Resumption

There were no conditions set by the government that would allow for the resumption of trading in the WESM. The DOE SOG, the Order imposing the suspension, merely refers to DOE’s determination of conditions that would merit the lifting of the suspension. This lack of clarity leaves market participants speculating on conditions to be considered to enable resumption of market operations and leaves the matter to the discretion of the DOE.

¹⁸ ERC WEBSITE, *ERC Orders Resumption of WESM Operations*, at <https://www.erc.gov.ph/Press-Singular/84902>

¹⁹ ERC Case No. 2026-018 (Mar. 26, 2026)

²⁰ Chapter 6, WESM MANUAL ON MARKET OPERATION, Issue 1.0 (Oct. 23, 2021).

On May 1, 2026, the ERC lifted the market suspension and WESM trading resumed.²¹ The ERC reasoned that the continued implementation of administered prices could lead to unintended charges in market settlement.²² Essentially, continued market suspension would be detrimental to consumers due to the price spikes caused by unintended charges. Ultimately, the reason cited in the market resumption order (i.e. significantly negative price shocks due to second-order effects) is not one of the main reasons why the market was suspended in the first place (i.e. conservation of fuel).

Political Override Risk

The EPIRA has clearly empowered the ERC to suspend WESM operations.²³ However, in this instance, it was the DOE SOG that effectively directed the suspension of WESM operations. The actual order of the ERC suspending the market clearly refers back to the DOE SOG:

“Pursuant to the recommendation of the DOE to suspend the operations of the Wholesale Electricity Spot Market (WESM) in a letter dated 25 March 2026, and by virtue of the authority vested under Section 5 of the Executive Order No. 110, Series of 2026 dated 24 March 2026, for the purpose of compliance and implementing mitigating measures to address the potential impacts of ongoing fuel supply constraints and price volatility arising from escalating tensions and armed conflict in the Middle East, the Commission finds that immediate regulatory intervention is necessary to address the potential impacts of fuel supply constraints and price volatility.”²⁴

However, it is worthy to note that the language of EO No. 110 leans more towards mitigating the actual impact of the Middle East crisis and not a perceived or potential one.²⁵ This would have required the ERC to conduct a proper analysis on what the impacts from the Middle East crisis would have been had the market been allowed to operate normally first before independently recommending the proper measures to mitigate these impacts.

Since the ERC referred back to the DOE SOG for both the actual WESM suspension and the terms and conditions for the suspension, it is implied that this was an implementation of the DOE’s will rather than the ERC’s independent determination on the existence of the

²¹ Id. at 18

²² Id.

²³ Id. at 7

²⁴ ERC Case No. 2026-018 MC (Mar. 25, 2026)

²⁵ Exec. Order No. 110 (2026). DECLARING A STATE OF NATIONAL ENERGY EMERGENCY AND AUTHORIZING THE UNIFIED PACKAGE FOR LIVELIHOODS, INDUSTRY, FOOD, AND TRANSPORT

“Section 2. ... and to mitigate the impact of the conflict in the Middle East...”

grounds for WESM suspension as provided either under existing regulations or even under item (g) of Section 5, E.O. 110.²⁶

Synthetic Line Rental Hikes for Bilateral Contracts

One observed yet perhaps unintended consequence of the suspension and imposition of the MAP was the exacerbation of the difference between nodal prices which inflate line rental costs borne by distribution utilities (DUs) that they eventually pass on to consumers. The issue of price separation has existed prior to the current energy crisis. The most illustrative examples are Iloilo and Negros in 2021²⁷ and 2024.²⁸ This result does appear contrary to the intention behind the WESM suspension, the SOG and the MAP. Although not expressly identified by the ERC, it appears that there was an unintended increase in electricity costs for certain areas despite the cost of generation being adjusted or fixed given the effect of synthetic hike in line rentals costs. This contributed to more onerous billing statements affecting consumers and prompting ERC to lift the market suspension.

III. Looking Beyond: Comparison of Market Suspension Rules in Other Jurisdictions

To provide some alternative perspective, we take a look at how other jurisdictions manage market suspensions and emergencies. The electricity market structures of Singapore, Australia, and Ontario, Canada were chosen due to the similarity in their operational framework with the Philippine WESM.

Singapore

The Energy Market Authority of Singapore (EMA) has the authority to suspend the operation of the local electricity market. This authority, along with the grounds when the EMA may exercise it and the pricing mechanism implemented during such suspension are provided for under their rules,²⁹ similar to the ERC's authority over the Philippine WESM.

One significant difference, however, is the clause on resumption of trading in the market. Singapore rules state that the EMA is obligated to:

²⁶ Id.

“ (g) 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.”

²⁷ Erwin Nicavera, *NegOcc electric coops welcome ERC move vs. high power rates*, PHIL. NEWS AGENCY, Sept. 23, 2021, at <https://www.pna.gov.ph/articles/1154422>.

²⁸ Panay News, *Shocked consumers reeling from spike in electric bills demand explanation*, PANAY NEWS, Sept. 24, 2024, at <https://www.panaynews.net/shocked-consumers-reeling-from-spike-in-electric-bills-demand-explanation/>.

²⁹ Chapter 6, Singapore Electricity Market Rules, EMA

“..in conjunction with the EMC, take such measures or direct that such measures be taken as may mitigate the events or circumstances which gave rise to the suspension or mitigate the effects of such events or circumstances on the operation of the real-time markets and the procurement markets for the purpose and with the intent of permitting the resumption of the operation of the real-time markets and the procurement markets at the earliest opportunity;

and make every endeavour to restore or to have restored the operation of the real-time markets and the procurement markets as soon as possible after the events or circumstances which gave rise to the suspension have abated sufficiently or may be expected to cease to have a materially detrimental effect on the operation of the real-time markets and the procurement Markets.”³⁰

In addition, recent policy changes in Singapore have also allowed for a physical hedge during market disruptions or times of high and extended volatility. The Energy (Resilience Measures and Miscellaneous Amendments) Act 2021,³¹ passed in November 2021, allows EMA to construct, acquire, and operate critical infrastructure for electricity generation, import, and export to ensure continuity. To this end, the EMA has established a Standby LNG facility (SLF) which power generation companies may draw from when there are supply disruptions.

Australia

The Australian Energy Market Operator (AEMO) promulgated the National Electricity Rules (NER) of Australia. The Philippine WESM rules and the NER are quite similar since the WESM was modeled significantly after its Australian counterpart. As such, the authority and grounds for market suspension are similar as well.³²

Suspension also entails administered prices based on a 28-day rolling average, as provided in the NER.³³ Unlike the MAP, however, the pricing methodology in Australia is one that is based on the set rules already provided rather than on an ad hoc or a case-by-case basis.

Ontario, Canada

The most notable feature of the administered pricing mechanism in this jurisdiction is the implementation of the “Last Good Price” model wherein the price set for a given time will be based on the most recent available market outcome.³⁴ This increases the chance that the

³⁰ Id., Section 1.2.4.3-1.2.4.4, Chapter 6

³¹ ENERGY (RESILIENCE MEASURES AND MISCELLANEOUS AMENDMENTS) ACT 2021 (Sing.).

³² Rule 3.14, NATIONAL ELECTRICITY RULES (Austl.).

³³ Id.

³⁴ Section 8.4A.5, Chapter 7, ONTARIO ELECTRICITY MARKET RULES (Can.).

prices during a suspended market closely represent market realities that approximate the time of intervention.

IV. The Solution: Integrated and Rules Based Interventions

While the Philippine government must be commended for acting swiftly and with the good intention of preempting the adverse effects (i.e. price shocks and depletion of oil supply) of the energy crisis, the recent experience with the WESM suspension compels regulators and policy makers to incorporate strategies that can holistically improve its crisis response. The following may be considered:

Adopting Market Reflective Pricing Mechanisms during Market Suspensions

Firm adoption of only one set of alternative pricing methodology (e.g. four (4)-week moving average, 28-day rolling average, or Last Good Price) to ensure clarity and predictability of pricing mechanisms that would govern any instance of WESM suspension.

To this end, it is recommended that the Last Good Price formula of the Ontario market should be seriously considered since this will allow the regulator to provide a latest market-driven benchmark that preserves the integrity of nodal price relationships, thereby eliminating the exacerbation of line rental hikes caused by the introduction of price caps and price floors.

Providing Objective Guardrails and Benchmarks for Market Resumption

Given the likelihood of disruptive conditions that may arise in the future, it may be time for the Philippines to consider codifying under the WESM Rules or other regulations the basic conditions upon which conditions may be determined for the imposition and lifting of market suspension. This approach would be similar to that of Singapore. Notwithstanding the existing ERC regulations to this effect, the recent suspension illustrates that these regulations may not be sufficient and perhaps a more comprehensive set of parameters need to be drawn before the next disruption arises.

Conditions on resumption of normal operations should also be identified at the earliest opportunity based on the stated objectives that the market suspension aims to achieve or what danger the government wants to prevent in the first place.

Lastly, mitigation of political override risk may be implemented through clearer delineation of responsibilities and accountabilities between each department or administrative agency. Respect for the independent determination and technical scope and knowledge of each department or administrative agency must be observed.

Development and Implementation of a Physical Hedge

It may also be time to reconsider the possibility of amending current laws and regulations (e.g., EPIRA) to allow the State to acquire, develop and/or own generation assets that will act as a physical supply buffer that can be utilized during emergencies similar to the SLF of Singapore. This also tracks the principle behind the proposal to have state-owned strategic reserves for fuel.

V. Conclusion and Recommendation

The ongoing US/Israel-Iran war has revealed the weaknesses of the global oil supply chain. It has also undeniably exposed the structural fragility of the Philippines' dependency on imported oil and LNG. While the government's response was swift and decisive, reliance on discretionary and ad hoc interventions produced counterintuitive results: utilization of LNG and oil-fired generation plants stayed the same despite the SOG and WESM suspension. Electricity prices also increased due to higher fuel passed-on charges and the exacerbation of line rental pricing from the implementation of a price cap and floor.

To move beyond reactive measures, the Philippines must transition towards a more integrated response requiring:

- Implementation of a Last Good Price logic for pricing mechanisms during market suspensions thereby eliminating the need to arbitrarily set price caps and price floors
- Issuance of a pre-determined set of guardrails for market resumption responsive to the stated objectives which will give the market more clarity what to expect
- Clearer delineation between the responsibilities and accountabilities of each department or administrative agency
- Further legislation to provide for alternative, physical market stabilization mechanisms such as state-owned fuel reserves or standby generation which will provide a more proactive hedge against supply shocks
- Integrating crisis responses with existing and proposed Just Transition policies to ensure a more sustainable and independent energy response

By incorporating these recommendations as permanent measures, the Philippines will have a better chance at bridging the current gaps in policy to secure a more resilient energy system that protects both consumers and producers and ensures market integrity during future crises.