

DEPARTMENT CIRCULAR NO. DC2023-\_\_\_\_\_

DECLARATION OF THE FULL COMMERCIAL OPERATIONS  
OF THE RENEWABLE ENERGY MARKET

**WHEREAS**, Section 8 of Republic Act (RA) No. 9513, or the “*Renewable Energy Act of 2008*” (*RE Act*) and Section 10 of its Implementing Rules and Regulations (IRR) state that the DOE shall establish the Renewable Energy Market (REM) as a platform for the trading of RE Certificates (REC) in compliance with the Renewable Portfolio Standards (RPS) Rules;

**WHEREAS**, Section 8 of the RE Act and Section 11 of its IRR state that the Philippine Electricity Market Corporation (PEMC) shall, under the supervision of the DOE, establish and operate the Renewable Energy Registrar (RER) and shall issue, keep, and verify RECs corresponding to energy generated from RE facilities eligible for RPS compliance, which shall be used by Mandated Participants for compliance under the RPS Rules;

**WHEREAS**, the DOE issued Department Circulars (DC) Nos. DC2017-12-0015 and DC No. DC2018-08-0024, promulgating the rules and guidelines governing the establishment of the “*RPS Rules for On-Grid Areas*” or the “*RPS On-Grid Rules*” and the “*RPS Rules for Off-Grid Areas*” or the “*RPS Off-Grid Rules*”, respectively;

**WHEREAS**, the DOE issued DC No. DC2019-12-0016 titled, “Promulgating The Renewable Energy Market Rules”, (REM Rules) to establish the rules, requirements and procedures that govern the operation of the REM for all electric power industry participants in Luzon, Visayas, and Mindanao, both in the on-grid and off-grid areas;

**WHEREAS**, Section 2 of the REM Rules prescribes that the PEMC for the establishment of the REM and the development of the Philippine Renewable Energy Market System (PREMS) shall perform the RER functions: *Provided*, That no later than one (1) year from the start of commercial operations of the REM, the functions, assets and liabilities of PEMC in performing the RER functions shall be transferred to the entity performing market operations;

**WHEREAS**, Section 5(a) of the REM Rules directs PEMC to submit for approval of the DOE, the following: proposed Readiness Criteria consisting of the activities and scenarios necessary to enable the effective implementation of the REM; and a Certification on the level of compliance of all REM Participants and Mandated Participants in the Readiness Criteria for the commencement/operationalization of the REM, including a recommendation as to whether or not the Readiness Criteria have been met;

**WHEREAS**, Section 5(a) of the REM Rules further provides that REM shall start its commercial operations upon the Department’s validation and verification of PEMC’s certification and recommendation as to whether or not the activities identified in the Readiness Criteria have been completed;

**WHEREAS**, pursuant to Section 5 of the REM Rules, the DOE approved PEMC’s proposed REM Readiness Criteria—which include, among others, the arrangements for the transfer and use of the PREMS assets, establishment of the REC price cap, and determination of REM transaction fees—to ensure that the RER, REM Participants, and concerned government agencies, offices and other entities are duly guided in fulfilling their respective responsibilities as indicated in the REM Readiness Criteria which are prerequisites to the full commercial operations of the REM;

**WHEREAS**, the DOE issued DC No. DC2022-06-0019, declaring the interim commercial operations of the REM, in consideration of the significant milestones reached in the attainment of the Readiness Criteria, and while awaiting the determination of the REC price cap and its methodology, rules on the recovery mechanism for the cost of RPS compliance by regulated entities, and structure and level of REM transaction fees.

**WHEREAS**, the DOE issued DC No. DC2023-05-0015 on the amendments to the RPS On-Grid Rules and DC No. DC2023-05-0014 on the revised RPS Off-Grid Rules, which prescribe for the Energy Regulatory Commission (ERC) to establish a Regulatory Framework for the operationalization of the RPS On-Grid Rules and RPS Off-Grid Rules, respectively, in consideration of the following: impacts of a Mandated Participant’s compliance with its RPS obligations; attendant costs arising from a Mandated Participant’s RPS compliance; and applicable cost recovery mechanisms, among others;

**WHEREAS**, the use of the PREMS assets, composed of a Main Server and a Disaster Recovery Server, was transferred from the PEMC to the Independent Electricity Market Operator of the Philippines, Inc. (IEMOP) through an Agreement entered into by the DOE, PEMC, and IEMOP and duly executed on 21 June 2023;

**WHEREAS**, the ERC through its Resolution No. \_\_\_\_\_ dated \_\_\_\_\_, sets out the rules and regulations for the establishment of the Regulatory Framework for the operationalization of the RPS On-Grid Rules and RPS Off-Grid Rules which includes, among others: REC price cap and methodology; recovery mechanism for the cost of RPS compliance by regulated entities; and level of REM transaction fees;

**WHEREAS**, PEMC through its letter dated \_\_\_\_\_ certified that all critical activities under the Readiness Criteria have been completed and recommended for the commencement of the full commercial operations of the REM, considering that the transfer and use of the PREMS have been carried out and the following regulatory matters have been established: REC price cap and methodology; recovery mechanism for the cost of RPS compliance by regulated entities; and level of REM transaction fees;

**WHEREAS**, the RPS Composite Team (RPSCT) through its Resolution No. RPSCT2023-\_\_\_\_\_, upon validation and verification that all critical activities

under the Readiness Criteria for the commencement of the full commercial operations of the REM have been completed, recommended proceeding with the declaration of the full commercial operations of the REM wherein all RER functions can be operationalized, including financial transactions between the REM participants.

**NOW, THEREFORE**, premises considered, the DOE adopts the recommendation of the RPSCT and hereby declares as follows:

**Section 1. Title.** This Circular shall be known as the ***“Declaration of the Full Commercial Operations of the Renewable Energy Market”***.

The Full Commercial Operations (COP) of the REM, its activities and governing rules hereinafter provided shall be referred to as ***“REM-COP”***.

**Section 2. Coverage.** The REM-COP shall govern the mandatory and voluntary entities consistent with Chapter 2 of the REM Rules:

- (a) Mandatory REM Trading Participants, including the Mandated Participants under the RPS On-grid Rules and RPS Off-grid Rules;
- (b) Mandatory REM Generators; and
- (c) Voluntary REM Generators, including the Net-metering facilities, RE facilities under Green Energy Option Program and for Own-use.

**Section 3. Commencement of the REM-COP.** Taking into consideration the milestones and critical activities completed under the REM Readiness Criteria, which includes the transfer and use of the PREMS and establishment of regulatory framework covering the REC price and its methodology, applicable recovery mechanism for the cost of RPS compliance, and level of REM transaction fees, the Department hereby declares the commencement of the full commercial operations of the RE Market.

**Section 4. Responsibilities of the RPSCT.** To ensure that the objectives of the RE Act are achieved in meeting the target of RE share in the country’s generation mix expressed in Megawatt-Hour (MWh) of at least 35% and 50% by 2030 and 2050, respectively, the RPSCT shall:

- (a) Enjoin all REM Participants to comply with their obligations pursuant to Chapter 2.5, titled “Responsibilities of REM Members” of the REM Rules;
- (b) Assess for possible approval of any proposed changes to the REM Rules in establishing a competitive, efficient, and transparent REM while ensuring a level playing field for all REM Participants;
- (c) Ensure that policies are in place for the availability of generation from eligible RE plants for RPS compliance of REM Participants;
- (d) Prescribe the minimum annual incremental RE share ( $K_m$ ) as a parameter in determining the required volume of RECs from a Mandated Participant in a given compliance year;
- (e) Prepare and submit a Compliance Report of Mandated Participants to the DOE Secretary, ERC, and the National Renewable Energy Board (NREB);

- (f) Establish the procedure and criteria for evaluating compliance by Mandated Participants including requests for carry-over of RPS compliance and violations under the Department Circular DC No. \_\_\_\_\_, “The Rules and Regulations on Administrative Actions for Violations of the RPS Rules.”

**Section 5. Responsibilities of the RER.** The RER, under the supervision of the DOE, shall perform the following functions, among others, pursuant to the REM Rules:

- (a) Maintain and publish an updated list of registered REM Members, indicating the categories in which they are registered and their membership status as well as the status of pending applications;
- (b) Conduct REM awareness activities including but not limited to: (i) facilitate REM and PREMS trainings and lectures for the benefit of REM Participants, electricity end-users and/or other stakeholders; and (ii) publish online materials for REM and PREMS on the Market Information Website for the REM;
- (c) Calculate, issue, and monitor the volume of RECs corresponding to actual metered generation of RE plants eligible for RPS compliance;
- (d) Determine the REC Shortfall level for a given compliance period as the difference between the total RECs surrendered by a Mandated Participant vis-à-vis the annual RPS obligation;
- (e) Prepare and submit an Annual REC Report every March of each year starting the commencement of the REM-COP and every year thereafter, containing but not limited to the following information: compliance level of each Mandated Participant; total volume of RECs generated; and total REC shortfall or excess, if any; and
- (f) Propose, through the REM Governance Committee (RGC), any changes to the REM Rules to ensure a competitive, efficient, and transparent market for the trading of RECs.

**Section 6. Transition Period.** PEMC shall remain responsible for the issuance, monitoring, and verification of RECs corresponding to actual energy generation of RE plants eligible for RPS compliance, for the operationalization of the REM, until the transfer of the RER functions from PEMC to IEMOP is completed. For the sake of clarity, PEMC shall continue performing its RER functions under Section 5 of this Circular and the REM Rules until the Department has designated and declared IEMOP as the RE Registrar.

**Section 7. Information, Education and Communication (IEC) Activities.** Pursuant to Section 31 of the IRR of the RE Act, the DOE-REMB shall develop a comprehensive IEC campaign that is designed to increase the public awareness and appreciation of the Revised RPS Off-Grid Rules and the RE industry, in general.

**Section 8. Non-Diminution of Vested Rights.** No provision of this Circular shall be construed as diminishing or impairing any right vested by virtue of existing laws, contracts, or agreements.

**Section 9. Separability Clause.** If any provision of this Circular is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

**Section 10. Effectivity.** This Circular shall take effect fifteen (15) days after its filing with the University of the Philippines Law Center – Office of the National Administrative Register and publication in at least two (2) newspapers of general circulation.

**RAPHAEL P.M. LOTILLA**  
Secretary

Issued on \_\_\_\_\_, at the Department of Energy, Energy Center, Rizal Drive, Bonifacio Global City, Taguig City.