

RESA Comments to the Renewable Portfolio Standards as per 16 June 2016 Public Consultation

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	<p>General Comments:</p> <p>We would like to take this opportunity to inform DOE that we, as RESA, and our individual members were not invited to the Public Consultation held on 16 June 2016. The Public Consultation was also not posted in the DOE or any other website. We would like to emphasize that the Retail Electricity Suppliers, as part of the mandated entities, should be made aware and have the opportunity to comment on such a significant policy that the DOE is planning to promulgate.</p> <p>We further note that the DOE conducted public consultations from 2011 to 2013. However, the Retail Competition and Open Access (RCOA) only started in 2013 and it was only since then that RESs started to exist. We are therefore requesting that proper public consultations be made by the DOE regarding the RPS and that sufficient time should be given for the RES entities to comment.</p> <p>We would like to further note that in the 16 June 2016 Public Consultation, some stakeholders asked about the link of RPS to the Fuel Mix Policy and the FIT. We believe that the DOE should have an integrated policy for all these RE related concerns. The consumers cannot pay FIT-All and at the same time be burdened further by the costs of implementation of RPS. The cost impact study should not only be made for RPS, but should be holistic to include all the costs of RE related policies.</p> <p>In the current implementation of RCOA, the contestable customers may contract a RES or remain with the DU. The contestable customers are also not prevented from switching from one RES to another. The contestable customers may even, in fact, purchase from WESM directly. Therefore, the following issues should be addressed by DOE:</p> <ol style="list-style-type: none"> 1. Total customers and demand are always changing (increase or decrease) for every RES. Thus, there is a chance that the magnitude of the 2.15% increase will be unattainable as a result of the frequent and unforeseeable switching of customers. How will this be remedied? 2. Who will be the mandated entities for contestable customers buying from the WESM? 3. Is the RES free to allocate the RE resources to any of its customers as long as it is complying with the mandated RE share? Or this should be allocated equally to all the RES Contestable Customers? If so, we recommend that this should be indicated in the rule, similar to FIT. 4. What if the RES is 100% RE already? What if that same company decreases its customers? 5. What if a RES has excess generation supply? How will RE share be computed? <p>Generally, we find the 2.15% increase to be very high. Please further refer to our comments below.</p>
WHEREAS, on 26 June 2015, the DOE issued	We take note of this WHEREAS, that there should

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<p>Department Circular No. DC2015-07-0014 or the “Guidelines for the Policy of Maintaining the Share of RE in the Country,” a policy adopting at least thirty percent (30%) share of RE in the country’s total power generation capacity through the holistic implementation of the Feed-in Tarrif (FIT) System and other pertinent provisions under the RE Act and its implementing rules and regulations;</p>	<p>be a holistic implementation of all pertinent provisions under the RE Law. The RPS, FIT and Fuel Mix Policy should be integrated. There should be a study on how to integrate all of these to establish targets which are economically and technically feasible.</p> <p>Moreover, we note that DC2015-07-0014 adopted an RE mix of 30% of power generation capacity. Why are we then deviating from this and going to a 35% RE energy share? Capacity target is very different from energy share. We must be aware of the low capacity factor that the intermittent RE plants are only capable of.</p>
<p>WHEREAS, on 16 June 2016, the DOE conducted a final public consultation on the revised RPS Rules reflecting these developments.</p>	<p>We do not agree that the 16 June 2016 public consultation is the last on on the RPS Rules since RESA and its members were not invited. We request that another public consultation be conducted after all comments from all sectors are submitted, consolidated and distributed to all the stakeholders.</p>
<p>Section 6. Implementation of the RPS Rules. Upon the effectivity of this Circular, the RPS Rules shall be implemented in Luzon, Visayas and Mindanao grids; Provided, That the DOE will issue separate rules for the operationalization of a Wholesale Electricity Spot Market (WESM) in Mindanao; Provided further, That public consultation with Mindanao stakeholders and electric power industry participants no later than one (1) year for the effectivity of this Circular will be required.</p> <p>For purposes of this Section, Luzon, Visayas and Mindanao shall be treated as separate and distinct grids; Provided, That the DOE may reclassify the grids.</p>	<ul style="list-style-type: none"> • How can DOE reclassify the grids later on? What is the purpose of “reclassifying” the grids? • We note that the minimum annual target is calculated per grid. If DOE will reclassify grids, then it will impact the minimum annual targets. There should be a clear process on how reclassifying should be done. • What is the purpose for a pubcon only 1 year after the effectivity of the Circular? The pubcon should be done before the promulgation of the Circular and not after. A belated pubcon does not correct the absence of one prior to the promulgation of the rules.
<p>Section 7. Minimum Annual RPS Requirement. To maintain the RE share in the national energy mix to at least thirty five percent (35%) by 2030, the minimum annual target per grid shall be equal to the sum of the minimum target of all Mandated Participants in the grid. The minimum annual RPS requirement per Mandated Participant shall be computed by the Composite Team in coordination</p>	<ul style="list-style-type: none"> • The minimum target of each participant is not clearly defined by this statement. It only defined the minimum target per grid but not per participant. • Why is the target 2030? Why not 2040 or 2050? If the annual increase needed is very significant for the 2030 target, then why are

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with NREB.	we forcing it at 2030?
<p>Provided, That the annual RPS requirement shall be calculated in accordance with the following formula, all expressed in MWh:</p> $\begin{aligned} \text{RPS}(n) &= \text{RPS}(n-1) + \text{AMI}(n) \\ &= \text{RPS}_0 + \sum \text{AMI}(n) \\ &= \text{RPS}_0 + K \sum \text{AMI}(n-1) \end{aligned}$	<ul style="list-style-type: none"> • Is RPS the RE Share in terms of customer demand? Or is it the RE share in terms of generation supply? • What is RPS₀? Why is there no formula for RPS₀? What if the RES is already supplied by RE plant, then RPS₀ = 100% x ES? Then where will you get the AMI (n) or the additional 2.15% x ES without additional demand?
<p>Section 8. Minimum Annual Incremental RE Percentage. The minimum annual increment in the RPS level shall be initially set at 2.15 percent (2.15%) to be applied to the actual supply portfolio of the Mandated Participant in each grid for the previous year. This is to determine the current year's requirement for the RECs of the Mandated Participant: Provided, That the minimum annual percentage may be adjusted by the NREB when:</p> <ol style="list-style-type: none"> a. There are substantial changes in relevant to the market in the grid; or b. The set percentage is deemed insufficient to attain the target set by the DOE. 	<p>We would like to note that the RE Law IRR states that the minimum incremental percentage sold by each mandated participant shall be no less than 1% per annum as per below:</p> <p><i>"SECTION 4. Renewable Portfolio Standards. —</i></p> <p><i>Xxx</i></p> <p><i>Upon the recommendation of the NREB, the DOE shall, within six (6) months from the effectivity of this IRR, formulate and promulgate the RPS Rules which shall include, but not be limited to, the following:</i></p> <ol style="list-style-type: none"> <i>(1) Types of RE Resources, and identification and certification of generating facilities using said resources that shall be required to comply with the RPS obligations;</i> <i>(2) Yearly minimum RPS requirements upon the establishment of the RPS Rules;</i> <i>(3) Annual minimum incremental percentage of electricity sold by each RPS-mandated electricity industry participant which is required to be sourced from eligible RE Resources and which shall, in no case, be less than one percent (1%) of its annual energy demand over the next ten (10) years;</i> <i>(4) Technical feasibility and stability of the transmission and/or distribution grid systems; and</i> <i>(5) Means of compliance by RPS-mandated electricity industry participant of the minimum percentage set by the government to meet the RPS requirements including direct generation from eligible RE Resources, contracting the energy sourced from eligible RE Resources, or trading in the REM."</i> <p>The 2.15% increase is a very ambitious figure that will equate to an increase of 1,362MW in 2015 alone. Every year it will increase up to 2030 for a</p>

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	<p>total additional installed capacity of 32,224MW of RE capacity.</p> <p>The very high required increase in RE capacity is because of the low capacity factor of the RE plants. Since the mandated RPS is on an energy basis, then significant capacity of RE plants are needed to supply the 35% energy required.</p> <p>This 32,224MW of RE that will generate the required additional energy for 35% energy share will equate to a very high increase in generation charge for the customers. Our customers are mostly industrial, which requires a stable generation with very low prices so that they can sustain their operations. At very high prices, there is a risk that these contestable customers will go to other countries with lower generation tariffs. This effect should be further studied by DOE before imposing the RPS.</p>
<p>Section 9. Eligible Renewable Energy Technologies. – For purposes of compliance with the RPS rules, the following RE resources shall be eligible:</p> <ul style="list-style-type: none"> a. Biomass; b. Waste to energy technology; c. Wind energy; d. Solar energy; e. Run of river hydropower sources; f. Ocean energy; g. Hybrid systems as defined in the RE Law; h. Impounding hydropower sources that meet internationally accepted standards; i. Geothermal energy; and j. Other renewable energy technologies that may be later identified by the DOE, through a separate issuance, upon the recommendation of the NREB. 	
<p>Section 10. Renewable Energy Facilities Eligible for RPS Compliance. - The generation from the following RE facilities using the RE resources enumerated in the immediately preceding Section are deemed eligible for compliance with the RPS:</p> <ul style="list-style-type: none"> a. New installations targeted under the 	<p>Is it the intent that even RE plants built before the RE Law was promulgated will be included? What is the rationale for this? (Comment: Should they not be included to arrive at the 35% share? There will then be more RE sources for RPS compliance.)</p>

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<p>National Renewable Energy Program (NREP);</p> <ul style="list-style-type: none"> b. Embedded RE power generating facilities; c. Existing RE power generating facilities covered in the baseline RPS calculation; d. Incremental capacity resulting from expansion of an existing RE power generating facility; e. Incremental capacity resulting from the upgrading of an existing RE power generation facility that includes retrofitting, refurbishing or re-powering; f. New capacities resulting from a change in the technology i.e., from a non-RE to RE power generation facility e.g., a coal plant that is modified to use agricultural wastes as fuel; g. RE facilities installed in end-user's premises participating under the Net-Metering program; h. Mothballed RE facilities that are restored into operation; and i. Other RE technologies as may be later identified by the DOE, through a separate issuance, upon the recommendation of the NREB. 	<p>What are the parameters for identifying the existing RE power generating facilities that will be covered in the baseline RPS calculation? Why not just include all existing RE facilities that are registered?</p>
<p>Section 11. RPS Mandated Participant. - The following entities are mandated to comply with the RPS:</p> <ul style="list-style-type: none"> a. All DUs for all its existing customers and subsequently, upon commencement of the Retail Competition and Open Access (RCOA), for its captive customers; b. All licensed RES for the Contestable Market upon commencement of RCOA; c. All local RES upon commencement of RCOA; d. Any SOLR as may be identified upon commencement of RCOA; e. Generating companies only to the extent of their actual supply to their DCCs; f. Entities duly authorized to operate as distributors within the economic zones; and g. Other entities as may be recommended by NREB and approved by the DOE. 	<ul style="list-style-type: none"> a. Upon commencement of RCOA, the DCCs will already be contestable customers contracted under RES. b. DU RE requirements should also be subjected to CSP? c. Instead of the RES, make the contestable customers mandated participants through RES. d. Include also Self-generation supply of customers e. SOLR have no permanent / predictable customers. Its supply requirement will either be all WESM or coming from their DU which is already a mandated participants. Recommend to exclude from mandated participant list.

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<p>Section 14. Compliance Mechanisms. - The Mandated Participant shall use any one, a combination, or all of the following in complying with this Circular:</p> <ol style="list-style-type: none"> a. Allocation from the System Operator, currently the NGCP, pursuant to the FIT Rules or the relevant rules issued by the ERC therefor. RE Generation allocated by the System Operator pursuant to FIT Rules shall be used for compliance purposes and cannot be traded; b. Generation from Embedded RE power generating facilities, duly certified by the DOE and issued a Certificate of Compliance (COC) by the ERC; c. Generation from an eligible RE power generating facility with a Power Supply Agreement (PSA) duly approved by the ERC; d. A REC acquired from the Renewable Energy Market (REM) where the ownership and value per unit shall be defined by the DOE in a separate circular; and e. Any generation from Net Metering arrangements. 	<ul style="list-style-type: none"> • Why is FIT allocated by SO or NGCP? Shouldn't it be Transco or the MO since all dispatch of these REs are recorded in WESM anyway? • How are ancillary from RE sources allocated to the customers? • Will the RE generation be all converted to REC? Then the REC will be allocated to the mandated participants? • What about WESM sales from non-FIT RE generation? Will these be included in the allocation for the purpose of RPS compliance? • How would the treatment be if these customers with RE Net Metering becomes CCs?
<p>Section 15. General Principles on the Establishment of the REM and the RE Registrar. Xxx</p> <ol style="list-style-type: none"> a. The RE Registrar will issue one certificate per MWh of generation produced from a registered generating unit. b. The registration shall be designed so a REC can be claimed only once. c. All Mandated Participants shall have registered with the RER their individual RPS Compliance Accounts. d. Excess RECs of the Mandated Participant can be traded pursuant to Section 14 (b) Rule 4; e. A REC shall be valid for three (3) years and can be banked only during its validity. 	<ul style="list-style-type: none"> • How will the RE Certificates go from the registered generating units to the mandated participants? The BCQ declarations should be enough to map the energy from the generator to the customer. • Is the compliance assessment year-end? If not, when is the assessment be done?

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<p>f. The Mandated Participant may be assessed periodically with corresponding penalties for non-compliance with the RPS requirement consistent with the REC validity.</p> <p>g. A Mandated Participant will prove compliance with the RPS by having the proper quantity of RECs in their RPS Compliance Account in the RE Registrar, consistent with Section 8, Rule 2 of this Circular.</p> <p>h. During the first three years of the RPS program, the DOE shall review the REM Rules for possible revisions based on the rate of compliance of the Mandated Participant, REC market activity and general success in meeting RPS goals; and</p> <p>i. A transaction fee may be imposed by PEMC for transactions undertaken in the REM and RE Registrar subject to the setting of operational charges to be approved by the ERC; Provided, that a separate issuance will be issued to serve as guidelines for the same.</p>	
<p>Section 16. Creation of a Composite Team. For the purpose of implementing the provisions of this Circular, a Composite Team is hereby created to be composed of representatives from the following:</p> <p>a. Designated representative of the NREB Chair;</p> <p>b. Electric Power Industry Management Bureau (EPIMB);</p> <p>c. Renewable Energy Management Bureau (REMB);</p> <p>d. Legal Services (LS); and</p> <p>e. Energy Policy and Planning Bureau (EPPB).</p> <p>Provided, That the NREB representative shall serve as Chair of the Composite Team.</p>	<ul style="list-style-type: none"> • Is the intent that the composite team will only be from DOE? • Who is the designated representative of the NREB Chair and why is he the Chair of the Composite Team? • Are there qualifications needed to be the designated representative of the NREB Chair? • How will the NREB Chair designate a representative? • The designated representative of the NREB Chair should be qualified and a process of qualification and designation should be defined. This is clearly a very important position since this person will head the team that will calculate the minimum annual requirement and report the compliance of mandated participants.
<p>Section 17. Responsibilities of the Composite Team. The Composite Team shall discharge the following fundtions under this Circular:</p>	<p>We note that one of the responsibilities of the composite team is to <i>“initiate a study on the cost implication of minimum annual RPS requirement</i></p>

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<p>a. Compute the minimum annual RPS requirement per Mandated Participant, in consultation with NREB as provided under Section 8, Rule 2;</p> <p>b. Submit a Compliance Report of Mandated Participants for the RE Registrar as provided in Section 18, Rule 6 after its review and validation for submission to the DOE Secretary copyfurnished the ERC and NREB;</p> <p>c. Recommend the suspension of compliance or the carryover of compliance to the RPS of any Mandated Participant as provided in Section 22, Rule 8;</p> <p>d. Initiate a study on the cost implication of minimum annual RPS requirement before and after the initial implementation of RPS; and</p> <p>e. Such other responsibilities and roles as directed by the DOE. Through a separate issuance.</p>	<p><i>before and after the initial implementation of RPS". We further note that in the pubcon, one of the main issues is the price impact of the RPS to customers. Our customers are already paying a 12 centavo FIT rate and the RPS will be an additional payment from these customers.</i></p> <p>We would also like to comment on the merit order effect that DOE and NREB is referring to. We would like to clarify that the merit order effect is not exclusive to RE plants. In fact the same decrease in price can be felt with a lesser capacity from a conventional generator.</p> <p>Currently, with the FIT-All, the capacity fee for the RE plants are collected from all customers (from Luzon to Mindanao). The effect then is lesser WESM price for spot purchases in Luzon and Visayas grid due to subsidy from Mindanao (since Mindanao has no WESM and no WESM purchases).</p> <p>We would like to propose that before the RPS is promulgated, an in depth study on the cost implications should first be provided.</p>
<p>Section 23. Transition Period. A Transition Period of one (1) year from the commencement of operation of the REM is hereby provided to ensure an orderly, efficient and effective imposition of the RPS Rules. The period will allow the participants to prepare all information and data required in the establishment of the baseline to be determined by the DOE, prepare their respective compliance mechanisms as well as prepare the consumers for the impact of the RPS Rules. Upon the lapse of the Transition Period, mandatory compliance with the RPS shall commence.</p>	<ul style="list-style-type: none"> • When will DOE determine the baseline? The parameters for determining the baseline should be set out in the RPS Rules. • Why is it that the responsibility of preparing the consumers to the impact of the RPS Rules is with the participant?
<p>Section 24. Reportorial Requirements. Xxxx</p> <p>d. Each Mandated Participant shall submit an Impementation/Compliance Plan to the DOE which shall contain the following:</p> <p>i. Existing bilateral contracts, if any, that will be used as mechanism to</p>	<p>The BCQ declaration of RE generation to any customer is enough data for the conversion of RE dispatch to RE Certificates. The needed data are not in the contracts but are in the actual dispatch of the RE generation facilities as declared to mandated participants. Moreover, for retail supply contracts between RESs and its customers, note</p>

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<p>secure compliance with the RPS Rules;</p> <ul style="list-style-type: none"> ii. Any existing Transition Supply Contracts (TSCs) that can be used as mechanism to secure compliance with the RPS Rules; iii. Forecast of DU's compliance with the RPS in kWh and corollary kW, which may include, among others, Embedded Generation, bilateral contracts, purchases from the REM and other mechanisms identified as means of compliance herein; iv. Distribution network expansion/upgrade plans for RE Embedded Generation facilities. <p>e. Such other reports from any person or entity as may be required by the DOE.</p>	<p>that the generation facility providing the supply is not specified.</p>
<p>Section 25. Information, Education and Communication Activities to Stakeholders. Pursuant to Section 31, Rule 10 of the IRR of the RE Act, the DOE, through REMB in coordination with EPIMB, shall develop and implement an intensive and massive information, education and communication (IEC) activities that are designed to increase the public awareness and appreciation of the RPS Rules and the RE industry as a whole.</p>	