| **Section** | **Comments/Recommendation** | **Proposed/Suggested Revision** |
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| **DEPARTMENT CIRCULAR NO. DC2023-\_\_\_\_\_\_\_\_\_\_****PROVIDING SPECIFIC AUCTION POLICY AND GUIDELINES FOR NON-FIT ELIGIBLE RENEWABLE ENERGY TECHNOLOGIES IN****THE GREEN ENERGY AUCTION PROGRAM****WHEREAS**,Republic Act (RA) No. 7638, or the “Department of Energy (DOE) Act of 1992,” declares as a policy of the State, among others, to ensure a continuous, adequate, and economic supply of energy through the integrated and intensive exploration, production, management, and development of the country’s indigenous energy resources; |  |  |
| **WHEREAS**, RA No. 9136, or the “Electric Power Industry Reform Act of 2001,” declares the policy of the State to ensure the quality, reliability, security and affordability of the supply of electric power; |  |  |
| **WHEREAS**, RA No. 9513, otherwise known as the “Renewable Energy Act of 2008” or the “RE Act,” declares as a policy of the State to increase the utilization of renewable energy (RE) by institutionalizing the development of national and local capabilities in the use of RE systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives; |  |  |
| **WHEREAS**, Section 5 of the RE Act designates the DOE as the lead agency mandated to implement the provisions thereof; |  |  |
| **WHEREAS**, the DOE has determined that the competitive bidding process is the most attractive way to accelerate the development of RE systems and the promotion and commercialization of its applications, encourage free and active private sector participation and investment in all energy activities, and provide adequate capacity to meet demand, including reserve requirements; |  |  |
| **WHEREAS**, on 03 November 2021, the DOE issued Department Circular (DC) No. DC2021-11-0036 entitled, “*Providing the Revised Guidelines For the Green Energy Auction Program in the Philippines*” or the “*GEAP Guidelines*” for the implementation of the Green Energy Auction (GEA) Program; |  |  |
| **WHEREAS**, Section 6.1.3 of DC No. DC2021-11-0036 mandates that the DOE, upon the recommendation of the Green Energy Auction Committee (GEAC), shall develop a specific auction policy and guidelines or a separate remuneration package under the GEA for geothermal and impounding hydropower facilities; |  |  |
| **WHEREAS,** on 05 October 2022, the DOE issued DC No. DC2022-10-0031 entitled, *“Declaring All Renewable Energy Resources as Preferential Dispatch Generating Units in the Wholesale Electricity Spot Market Amending for this Purpose Department Circular No. DC2015-03-0001”.* Under this DC, all qualified and registered generating units utilizing RE sources were granted preferential dispatch in the Wholesale Electricity Spot Market (WESM); |  |  |
| **WHEREAS**, the Government has set the target of achieving at least 35% RE share in the power generation mix by 2030 and 50% by 2040;  |  |  |
| **WHEREAS**, the DC2023-04-0008 entitled, “*Prescribing the Policy for Energy Storage System in the Electric Power Industry*” was issued on 20 April 2023 and published in newspapers of general circulation on 26 April 2023 to support the influx of variable RE technologies and sustain RE integration and grid stability; |  |  |
| **NOW**, **THEREFORE**, in consideration of the foregoing, the DOE hereby issues and promulgates the following guidelines for the participation of Non-Feed-In-Tariff (FIT) Eligible RE technologies in the GEAP.1. **Title.** This Circular shall be known as the “**Non-FIT Eligible RE Technologies in the GEAP**.”
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| 1. **Scope.** This Circular shall apply to the following:

2.1 RE Developers/Generators of Non-FIT Eligible RE technologies;2.2 Renewable Portfolio Standards (RPS) Mandated Participants;2.3 National Transmission Corporation;2.4 System Operator;2.5 Market Operator;2.6 RE Registrar; and 2.7 Electricity End-Users. |  |  |
| 1. **Purpose.**  This Circular prescribes the specific auction policy and guidelines for Non-FIT Eligible RE technologies in consideration of the potential contribution and capacity of these RE technologies to meet the Government’s targets RE share in the power generation mix; Provided, That the DOE shall, upon the recommendation of the GEAC, announce the inclusion of a Non-FIT Eligible RE technology in an auction prior to the drafting of the Terms of Reference therefor.
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| 1. **Price Offer.** The Winning Bidders for each Auction Round for Non-FIT Eligible RE technology, shall be based on the Offer Price submitted by the Qualified Bidders, to be evaluated by the ERC based on a set of parameters and criteria, which shall be disclosed together with the Notice of Auction (NOA).
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| 1. **Auction Process.** The DOE shall undertake a different auction process and design for a specific Non-FIT RE technology including alternate compensation package, as it may deemed fit in order to meet the objectives of the RE Act and the Energy Transition Program of the Government.

 Consistent with the policies adopted under the GEAP Guidelines, the Winning Bids shall have no legal impediments to deliver its committed capacity and must offer the entire capacity of the facility. |  |  |
| 1. **Dispatch of Energy Generated by the Winning Bidders.** The energy generated by the Winning Bidders for Non-FIT Eligible RE technologies shall be dispatched through the WESM and enjoy Preferential Dispatch.
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| 1. **Settlement of Energy Generated by the Winning Bidders.** The payment and settlement for the Green Energy Tariff (GET) to the Non-FIT Eligible RE Facilities Winning Bidders shall be collected and administered through the WESM by the Market Operator.As such, the Non-FIT Eligible RE Facilities Winning Bidders are required to register in the WESM in accordance with the WESM Rules and Market Manuals and relevant rules and regulations.

In all cases, the Non-FIT Eligible RE Facilities Winning Bidders shall be paid with the Total GEA Amount, without regard to the Energy Trading Amount in the WESM following the formula below:**Total GEA Amount (PhP)** = (Energy Delivered in kWh) (GET in PhP/kWh) Where:**“Energy Delivered”** refers to the actual delivered energy in kWh of the non-FIT Eligible RE Facilities Winning Bidder in the grid.​**“GET”** refers to the price, in PhP/kWh, resulting from the conduct of each GEA corresponding to each Winning Bidder on a pay-as-bid basis as defined under Section 4.6 of Department Circular No. DC2021-11-0036.​**“Energy Trading Amount“ or “ETA”** refers to the amount in Philippine Peso (PhP) to be paid by or paid to a trading participant calculated in accordance with Section 8.2.1 of the Price Determination Methodology (PDM) Manual, and subsequent amendments thereto.​**“GEA Amount” or “GEAA”** refers to the amount in Philippine Peso (PhP) that a Non-FIT Eligible RE Facilities Winning Bidder is entitled for. |  |  |
| **Section 7.1 Collection and Flowback of Difference between Energy Trading Amount and GEA Amount.** The Market Operator shall calculate the difference between the Energy Trading Amount in the WESM and the computed GEA Amount for the billing month of the Non-FIT Eligible RE Facilities Winning Bidders during the preliminary and final settlement process under the WESM Rules. |  |  |
| **Section 7.2** In case the Energy Trading Amount in the WESM of a Non-FIT Eligible RE Facility GEA Winning Bidder is lower than its computed GEA Amount for a relevant billing month, the Market Operator shall reflect in the settlement statement of the customers the difference in amount and collect the same from the customers through the WESM using the following formula:**Energy Trading Amount < GEA Amount****Collection Allocation per customer (PhP)** = GEA Shortfall Amount [ETAg – GEAAg] in PhP (GESQc in MWh/GESQctotal in MWh)   Where: **Collection Allocation per customer** is the trading participants’ share in the GEA Shortfall Amount in Philippine Peso (PhP) for the billing period.**GEA Shortfall Amount** is the difference between Energy Trading Amount (ETAg) of generator g and GEA Amount (GEAAg) of generator g where ETAg is lower than GEAAg in Philippine Peso (PhP).**GESQ** is the gross energy settlement quantity of electricity sold or purchase as determined in WESM Rules 3.13.6 in MWh.**GESQc** is the GESQ for customer c (buyer in the WESM) for the billing month in MWh.**GESQctotal** is the total customer GESQ (buyers in the WESM) for the billing month in MWh. |  |  |
| **Section 7.3** In case the Energy Trading Amount in the WESM of a Non-FIT Eligible RE Facility GEA Winning Bidder is higher than the computed GEA Amount for a relevant billing month, the Market Operator shall reflect in the settlement statements of the customers and collect only the amount due that will satisfy the computed GEA Amount and flowback the difference following the formula for flowback to each customer as follows:**Energy Trading Amount > GEA Amount**Flowback Allocation per customer (PhP) = GEA flowback amount [ETAg – GEAAg] in PhP (GESQc in MWh/GESQctotal in MWh)   Where: **Flowback Allocation per customer** is the trading participants’ share of the flowback amount in Philippine Peso (PhP) for the billing period.**GEA flowback amount** is the difference between Energy Trading Amount (ETAg) of generator g and GEA Amount (GEAAg) of generator g where ETAg is higher than GEAAg in Philippine Peso (PhP).**GESQ** is the gross energy settlement quantity of electricity sold or purchase as determined in WESM Rules 3.13.6 in MWh.**GESQc** is the GESQ for customer c (buyer in the WESM) for the billing month in MWh. **GESQctotal** is the total customer GESQ (buyers in the WESM) for the billing month in MWh. |  |  |
| 1. **Responsibilities of the Market Operator and ERC.**

The Market Operator shall, within thirty (30) days from the effectivity of this Circular, apply for the Energy Regulatory Commission’s approval on the Settlement Mechanism provided under Section 7 for Non-FIT Eligible RE Facilities GEA Winning Bidders.ERC shall act on the Settlement Mechanism within 60 days from receipt of the application.Within thirty (30) days from the ERC’s approval of the Settlement Mechanism, the Market Operator shall file an urgent amendments to the relevant provisions of the WESM Rules and Market Manuals to reflect the approved Settlement Mechanism. |  |  |
| 1. **Responsibilities of the Market Operator.** To implement this Circular, the Market Operator shall:
2. propose amendments to the Market Rules and Manuals within ninety (90) working days from the effectivity of this Circular, if necessary;
3. implement necessary enhancements on the market systems;
4. ensure availability of adequate manpower that will facilitate implementation of this Circular; and
5. seek approval of the Energy Regulatory Commission on the recovery of costs for the implementation of this Circular, including the settlement mechanism referred to in Section 7 and 10 of this Circular.
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| 1. **Responsibilities of the Governance Arm.** To implement this Circular, the Governance Arm thru its concerned committee shall:
2. facilitate the rules change process if the Market Operator proposes amendments to the Market Rules and Manuals; and
3. conduct audit of market systems in accordance with the Market Rules and Manuals.
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| 1. **Compliance with Competitive Selection Process (CSP).** The Green Energy Auction including the Opt-in Mechanism shall serve as compliance with the CSP requirements for Distribution Utilities.
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| 1. **Separability Clause**. If any provision of this Circular is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.
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| 1. **Repealing Clause**. All previous issuances, rules, and regulations inconsistent with this Circular are hereby repealed, amended, or modified accordingly.
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| 1. **Effectivity**. This Circular shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation. A copy of this Circular shall be filed with the University of the Philippines Law Center – Office of the National Administrative Register.
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| 1. **Transitory Provisions.** The DOE may issue NOA for Non-FIT Eligible RE Facilities upon the effectivity of the Circular. Provided however, that the settlement mechanism under Section 7 of this Circular for the same shall only be effective upon the (1) approval of the Settlement Mechanism by the ERC; and (2) issuance by the PEM Audit Committee of audit certification that the settlement systems are compliant with the Settlement Mechanism approved by the ERC.
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