**Comments on the Proposed Department Circular on**

**"Providing the Revised Guidelines for the Green Energy Auction Program in the Philippines”**

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| **Section** | **Name/Company/Agency** | **Comments/ Recommendations** | **Proposed/ Suggested Revisions** |
| **Section 1. Title.** This Circular shall be known as the "Providing the Revised Guidelines for the Green Energy Auction Program in the Philippines”. |  |  |  |
| **Section 2. Purposes and Objectives.**  **2.1 Purposes. The GEA Policy is hereby promulgated to:**  2.1.1 Provide immediate and timely investments in new or additional RE capacities to ensure provision of adequate supply and competitive rates of electricity in the country; |  |  |  |
| 2.1.2 Support the development of, and increase access to financing for, new RE projects under a competitive process, together with long-term contracts; and |  |  |  |
| 2.1.3 Implement the mandate of giving preference to RE sources of energy for a cleaner and sustainable environment. |  |  |  |
| **2.2 Objectives.** This GEA Policy seeks to attain the following objectives:  2.2.1 Implement the RE Act mandate to prioritize the connection and building of RE capacity; |  |  |  |
| 2.2.2 Ensure transparent and competitive selection of RE plants to achieve reasonable rates and encourage, as far as practicable, the best new RE entrants in the system; |  |  |  |
| 2.2.3 Support energy security by adding new capacity to the grid thereby ensuring adequate and sustainable capacity, especially in the short- to medium-term; |  |  |  |
| 2.2.4 Address price volatility related to the procurement and pricing of Renewable Energy Certificates (RECs) by increasing the available RECs in the market; |  |  |  |
| 2.2.5 Enhance the RE programs, in general, by promoting a competitive setting of rates for RE supply in the country; and |  |  |  |
| 2.2.6 Assist the Mandated Participants in the Renewable Portfolio Standards (RPS) Program by increasing the allocation of RECs from FIT. |  |  |  |
| **Section 3. Scope and Components**  **3.1 Scope.** This Circular shall apply to the following:  3.1.1 Qualified Suppliers; 3.1.2 RPS Mandated Participants; 3.1.3 ERC; 3.1.4 National Transmission Corporation (TransCo); 3.1.5 National Grid Corporation of the Philippines (NGCP); 3.1.6 Market Operator; 3.1.7 RE Registrar; and 3.1.8 Electricity end-users. |  |  |  |
| **3.2 Components.**  3.2.1 Green Energy Tariff, to provide price signals on the commercial value of electricity generated from RE facilities resulting from a competitive process and setting of the tariff; and |  |  |  |
| 3.2.2 Green Energy Auction, to facilitate the determination of RE facilities that are eligible for FIT. To this end, the Green Energy Auction shall be administered by the DOE through the Green Energy Auction Committee (GEAC). |  |  |  |
| **Section 4. Definition of Terms.** This Circular hereby adopts, by reference, the terms defined in the EPIRA, RE Act, their respective implementing rules and regulations, RPS On-Grid Rules , the Omnibus Guidelines , the WESM Rules, FIT Rules as well as the relevant DOE Department Circulars.  Furthermore, the terms, as used in this Circular, shall be defined as follows**:**  4.*1 “Auction Round Procedures” or “ARP”* refers to the procedures applicable for each round of Green Energy Auction conducted under this Circular;  4.2 “Certificate of Nomination” refers to the binding document which shall be provided by the DOE to the Winning Bidders, by virtue of which the DOE shall be bound to issue the Certificate of Endorsement for FIT taking into account the commercial operations date and the delivery date;  4.3 *“Green Energy Auction,*” “Auction,” or “GEA” refers to the competitive process of procuring RE supply undertaken pursuant to this Circular as set out in Rule 3 hereof;  4.4 *“Green Energy Auction Committee”* or “GEAC” refers to the RPS Composite Team as defined under Section 19, Rule 5 of DC No. DC2017-12-0015.  4.5. *“Green Energy Tariff”* refers to the price, in PhP/kWh, resulting from the conduct of each Green Energy Auction corresponding to each Winning Bidder on a pay-as-bid basis;  *4.6 "Green Energy Auction Reserve Price" or "GEAR Price"* shall refer to the maximum price offers in PhP/kWh set by the ERC pursuant to applicable law and this Circular that shall operate as the cap(s) for Green Energy Auction conducted for the period during which such tariffs are in effect;  4.7. *“Mandated Participants”* refers to the electric power industry participants mandated to comply with the RPS annual requirements set by the DOE upon recommendation of the RPS Composite Team;  4.8 *“Market Operator”* refers to the Autonomous Group Market Operator or the Independent Market Operator, as defined in the implementing rules of EPIRA, whichever is applicable;  4.9. *“Notice of Auction”* shall refer to the written notice issued by the DOE referred to in Section 8.1 herein;  4.10. “Qualified Suppliers” refers to RE Developers registered with the DOE pursuant to the Omnibus Guidelines, eligible to participate in the GEA as determined by the GEAC under Section 7 of this Circular;  4.11. “Qualified Bidders” refers to Qualified Suppliers who have been notified of their qualification and furnished user-specific electronic IDs to be used for the auction in accordance with Section 8.3.4 of this Circular;  4.12 *“REC”* refers to a certificate issued by the RE Registrar representing all renewable and environmental attributes from the MWh of electricity generation sourced from an eligible RE Generation Facility; and  4.13. *“Winning Bidder”* refers to the Qualified Suppliers that are determined to have the most competitive bid or offer in a particular auction bid round. |  |  |  |
| **Section 5. Pricing Principles.**  **5.1. General Principle.** The Green Energy Tariff shall reflect the value of electricity, resulting from a competitive process that Qualified Suppliers are capable of supplying based on the relevant delivery periods. The Winning Bidders shall have the most competitive or cheapest rates for the auction capacity to be determined by the GEAC. |  |  |  |
| **5.2. Pricing Unit.** The Green Energy Tariff shall be set on a PhP/kWh-basis to reflect the value of actual energy generated by the Winning Bidder and to be consistent with the compliance requirements of the RPS On-Grid Rules and the relevant provisions of the FIT Rules. |  |  |  |
| **5.3. Price Determination.** The price offers of the Winning Bidders shall be the Green Energy Tariffs. The competitive discovery of prices or the Green Energy Tariff through the Green Energy Auction shall be the basis of ERC in approving the respective Green Energy Tariff of each Winning Bidder. The Green Energy Tariff shall follow the FIT determination process as provided under the FIT Rules.”  The ERC shall determine the GEAR price/s for each auction round. |  |  |  |
| **Section 6. Framework for the Auction.**  **6.1 Offer.** An RE Developer shall be considered a Qualified Supplier under the GEA if the RE facility being offered has no legal impediment, such as the existence of a power purchase agreement/power supply agreement with any Distribution Utility (DU) or end-user. |  |  |  |
| **6.2 Auction Capacity Requirement.** The Auction Capacity Requirement shall be determined by the GEAC based on the following:  6.2.1 Capacity needed by the grid for sufficient supply;  6.2.2 Levels of RE to maintain the RE generation mix target set by the DOE; and  6.2.3 Volume of RECs in the market, to assist in the compliance with RPS requirements of Mandated Participants. |  |  |  |
| **Section 7. GEA Guiding Principles**  7.1 The auction shall be conducted for New and Existing RE Capacities duly registered with the DOE with no existing power purchase agreement/power supply agreement with any DU or end-user. |  |  |  |
| **Section 8. Auction Mechanics**  **8.1 Publication of the Notice of Auction.** The DOE shall publish the Notice of Auction on its website and in at least one (1) newspaper of general circulation not later than the 30th of August of every year. A copy of the Notice of Auction shall also be sent by electronic mail to the ERC, TransCo, and the Market Operator. |  |  |  |
| **8.2 Contents of Notice.** Prior to each auction round and after public consultation, the DOE shall issue and publish the Notice of Auction indicating (a) the schedule for the auction or auctions, as the case may be, for Luzon, Visayas and Mindanao, whether per grid or as a whole, as well as the capacity and equivalent energy generation, with due consideration to interconnection limits and security of the grids; and (b) the dates of issuance of the specific Terms of Reference and ARPs for each auction round |  |  |  |
| **8.3 Auction Process.**  8.3.1 The ARP shall include following information:  8.3.1.1 Auction timeline and milestones, including the dates for the qualifying and the final auctions;  8.3.1.2 Total supply capacity per delivery period subject to the auction;  8.3.1.3 Type of supply (variable or non-variable RE) required, as applicable; and  8.3.1.4 Delivery period and contract term, which shall not be less than twelve (12) years consistent with FIT. |  |  |  |
| **8.3.2 All Qualified Suppliers** under Section 7.3 may register their intention to participate in the Green Energy Auction. The registration shall be made with the GEAC, providing the information that shall be required for the specific auction round |  |  |  |
| 8.3.3 The auction shall be conducted via an electronic bidding platform operated by the DOE. |  |  |  |
| 8.3.4 All such Qualified Suppliers shall be notified by the GEAC through electronic mail of their qualification and shall be furnished user-specific electronic IDs to be used for the auction |  |  |  |
| 8.3.5 On the date and time set for the auction, all Qualified Bidders, upon fulfillment of all requirements for participation, including posting of bond, shall place their bids (MW) offer and (PhP/kWh price) by electronic submission using the user-specific IDs provided by the GEAC |  |  |  |
| 8.3.6 The GEAC shall rank the offers from lowest to highest price. The DOE and the GEAC shall thereafter declare the Winning Bidders, which shall be the Qualified Bidders having the lowest bids to cover the total auctioned MW capacity. Thereafter, the DOE shall sign and issue a Certificate of Nomination to the Winning Bidders as eligible RE facilities for FIT. |  |  |  |
| The DOE may procure and maintain the necessary technology or electronic platform to implement a transparent, fair, and efficient auction, including enabling remote conduct of, and participation in, the auction. The development of such auction platform shall take into consideration the above general mechanics and shall contain features which operationalize and enhance their performance. |  |  |  |
| **Section 9. Policy Implementation.** The DOE, through the GEAC, shall conduct the Green Energy Auction on an annual basis pursuant to Section 6.2 of this Circular. |  |  |  |
| **Section 10. Compliance with CSP Policy.** The Green Energy Auction shall serve as compliance with the Competitive Selection Process (CSP) requirements. |  |  |  |
| **Section 11. Compliance with RPS.** The volume of RE and RECs supplied pursuant to this Circular shall be counted for purposes of compliance by the Mandated Participants with the RPS, as provided in DOE Department Circular No. DC2017-12-0015. The RECs shall be distributed, pro rata, to Mandated Participants paying the FIT-All. |  |  |  |
| **Section 12. Adoption of Certain Provisions in the FIT Rules.** The Green Energy Auction adopts the Regulatory Framework (except the provisions on Coverage, Adjustments, and Degression) and Administration of FITs provided under Resolution No. 10, Series of 2010 issued by the ERC. As such, other entities involved in the implementation of FIT shall continue to discharge their responsibilities as set forth in the FIT Rules with respect to each auctionround and subsequent incidents.  12.1 DOE’s Responsibilities. The DOE shall issue the Certificate of Nomination to each Winning Bidder within \_\_\_\_\_\_\_\_\_\_ days after the conclusion of the Green Energy Auction. The Certificate of Nomination shall be the basis for the eligibility of the Winning Bidder to receive Certificate of Endorsement for FIT. The DOE shall submit the Green Energy Tariff set after each auction to ERC. |  |  |  |
| 12.2 TransCo’s Responsibilities. In addition to its responsibilities under the FIT Rules, TransCo shall enter into a RE Payment Agreement (REPA) with the Winning Bidders under the GEA. The TransCo shall also include payments to the Winning Bidders in the FIT All. |  |  |  |
| 12.3 ERC’s Responsibilities. The ERC shall consider that the Green Energy Tariffs are determined under a competitive environment. |  |  |  |
| **Section 13. 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 14. 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 15. Repealing Clause**. This Circular repeals Department Circular No. DC2020-07-0017. Moreover, all previous issuances, rules and regulations inconsistent with this Circular are hereby repealed, amended or modified accordingly. |  |  |  |
| **Section 16. 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. |  |  |  |
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