



**DEPARTMENT CIRCULAR NO. DC 2021- \_\_\_\_\_**

**PROVIDING THE REVISED GUIDELINES FOR THE GREEN ENERGY AUCTION PROGRAM IN THE PHILIPPINES**

**WHEREAS**, Republic Act No. 7638, otherwise known as the “Department of Energy (DOE) Act of 1992” or the “DOE Charter,” declares it as a policy of the State to, among others, 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**, Section 5(b) of the DOE Charter mandates the DOE to “develop and update the existing Philippine energy program which shall provide for an integrated and comprehensive exploration, development, utilization, distribution and conservation of energy resources, with preferential bias for environment-friendly, indigenous, and low-cost sources of energy. The program shall include a policy direction towards the privatization of government agencies related to energy, deregulation of the power and energy industry, and reduction of dependency on oil- fired plants”;

**WHEREAS**, Section 2 of Republic Act No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001” or “EPIRA,” declares the policy of the State to, among others: (a) to ensure the quality, reliability, security and affordability of the supply of electric power; (b) ensure fair and non-discriminatory treatment of public and private sector entities in the process of restructuring the electric power industry; (c) assure socially and environmentally compatible energy sources and infrastructure; and (d) promote the utilization of indigenous and new and renewable energy (RE) resources in power generation in order to reduce dependence on imported energy;

**WHEREAS**, Chapter III, Section 37(e)(i) of the EPIRA mandates the DOE to encourage private sector investments in the electricity sector and promote the development of indigenous and RE sources;

**WHEREAS**, Republic Act No. 9513, otherwise known as the “Renewable Energy Act of 2008” or the “RE Act,” declares the policy of the State to increase the utilization of 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**, the DOE determined that the country needs additional capacity now to adequately serve the increasing energy demand requirements;

**WHEREAS**, Section 4 of Department Circular (DC) No. DC2015-07-0014 entitled “Prescribing the Policy for Maintaining the Share of Renewable Energy (RE) Resources in the Country’s Installed Capacity Through the Holistic Implementation of the Pertinent Provisions of Republic Act No. 9513 or the RE Act on Feed-In Tariff (FIT) System, Priority and Must Dispatch, Among Others” stated that succeeding FIT installations shall be through an auction system:

*“Section 4. FIT Auction. To ensure the attainment of Section 2 of this Circular, the DOE will use the FIT installation targets. Upon the full subscription of the existing FIT installation targets, the succeeding rounds for the installation targets for FIT-eligible resources shall be made through an auction system to be adopted by the DOE x x x.”*

**WHEREAS**, the Energy Regulatory Commission (ERC) issued the following rules on FIT: (1) Resolution No. 16, Series of 2010 or the “Resolution Adopting the Feed-In Tariff Rules” (hereinafter, referred to as the FIT Rules); and (2) Resolution No. 18, Series of 2014 or “A Resolution Approving the Templates for the Renewable Energy Payment Agreement (REPA) and Renewable Energy Supply Agreement (RESA)”;

**WHEREAS**, since the implementation of the RE Act and its policy development support mechanisms, the cost of RE has declined resulting to lower contracted generation rates;

**NOW, THEREFORE**, in consideration of the foregoing, the DOE hereby issues and promulgates the following revised guidelines for the implementation of the Green Energy Auction (GEA) Program.

## **RULE 1 GENERAL PROVISIONS**

**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<sup>1</sup>, the Omnibus Guidelines<sup>2</sup>, 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;

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<sup>1</sup> Department Circular No. DC2017-12-0015 entitled “Promulgating the Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards for On-Grid Areas”.

<sup>2</sup> Department Circular No. DC2019-010-0013 entitled “Omnibus Guidelines Governing the Award and Administration of Renewable Energy Contracts and the Registration of Renewable Energy Developers”.

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.

## **RULE 2 GREEN ENERGY TARIFF**

**Section 5. Pricing Principles.** The following principles shall be observed in the development of the Green Energy Tariff:

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.

### **RULE 3 GREEN ENERGY AUCTION**

**Section 6. Framework for the Auction.** The Green Energy Auction is hereby established as a mechanism to facilitate the selection of eligible RE plants through a competitive process or 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.** The following principles shall be observed in the conduct of a Green Energy Auction and the development of specific Terms of Reference for each auction round:

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.** The following general mechanics shall be observed, with details for each auction round to be provided in the specific ARP to be issued prior to each auction:

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 30<sup>th</sup> 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.

#### **RULE 4 OTHER PROVISIONS**

**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 auction round and subsequent incidents.



The following entities shall likewise have the respective responsibilities enumerated below:

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.

## **RULE 5 FINAL PROVISIONS**

**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.

**ALFONSO G. CUSI**  
*Secretary*

Issued on \_\_\_\_\_ at the Department of Energy, Energy Center, Merritt Road, Fort Bonifacio, Taguig City, Metro Manila.