



Republic of the Philippines
DEPARTMENT OF ENERGY
(Kagawaran ng Enerhiya)

ADVISORY

TO : ALL RENEWABLE ENERGY MARKET PARTICIPANTS

SUBJECT : RECALIBRATION OF THE COMMERCIAL OPERATIONS OF THE RENEWABLE ENERGY MARKET (REM)

DATE : 18 AUGUST 2020

We wish to inform you that the recommendation of the RPS Composite Team (RPSCT) to recalibrate the commercial operations of the REM from June 2020 to June 2021 due to the impact of COVID-19 Pandemic is hereby adopted.

In view of the foregoing, please be guided by the following:

For Mandated Participants in On-Grid Areas:

1. Compliance Year 1 of the RPS On-Grid Rules shall remain Year 2020;
2. Deadline of compliance with RPS Requirements for Year 1 shall remain on 25 December 2021; and
3. RE Certificates (RECs) shall be issued by the RE Registrar for the generation of RPS-eligible Power Plants starting 2018 and onwards.

For Mandated Participants in Off-Grid Areas:

1. Compliance Year 1 of the RPS Off-Grid Rules is suspended until further notice; and
2. Virtual training activities for the Mandated Participants is scheduled in the last Quarter of 2020.

For details, all RE Market Participants are advised to see the attached Guidelines.

Meanwhile, we encourage everyone to actively participate in the ongoing and upcoming activities leading to REM commercial operations in June 2021, including the REM Membership registration, trainings and IECs, as well as the Trial Operations Program to be facilitated by Philippine Electricity Market Corporation (PEMC).

Rest assured that we will keep you informed of further developments on this matter. We thank you for your continued support and wish for your safety and well-being in this time of pandemic and economic downturn. Together, we shall all heal as one!

For everyone's guidance. Thank you.


ALFONSO G. CUSI
Secretary



RECALIBRATION OF THE COMMERCIAL OPERATIONS OF THE RENEWABLE ENERGY MARKET (REM)

Dear RE Market Participants:

In view of the recalibrated commercial operations of the REM from June 2020 to June 2021, please be guided by the following:

For Mandated Participants in On-Grid Areas:

1. Compliance Year 1 of the RPS On-Grid Rules shall remain 2020 in consideration of the following provisions:

- (a) **Transition Period.** The RPS On-Grid Rules provide for a Transition Period of year (1) from the start of commercial operations of the RE Market or the effectivity of the RPS On-Grid Rules, whichever is earlier (Section 26). With the effectivity of the RPS On-Grid Rules occurring in January 2018, the Transition Period was thereafter set at 2019, and Compliance Year 1 accordingly is 2020.

Further, the Transition Period allowed the Mandated Participants to plan for complying to their RPS compliance requirements. Mandatory compliance with the RPS shall commence immediately after the Transition Period.

In view of the foregoing, the RPS Composite Team (RPSCT), during its Kick-off Meeting held on 29 March 2019, agreed to adopt Year 2018 as the base year or the "Year 0" both for On-Grid and Off-Grid RPS Compliance Year. This is prescribed in Section 9.1.1 of the REM Rules which states, "Year 0 referred to in Section 7 of the RPS Rules shall be year 2018, the RPS Compliance Year 1 shall be year 2020 and the intervening period shall be the Transition Period."

- (b) **RE Market.** The RE Market (REM) is the market or platform for the trading – buying and selling – of RE Certificates (RECs) that can be used for compliance to RPS Requirements of Mandated Participants. Purchasing of RECs from the RE Market is only one of the mechanisms to comply with the RPS Rules. RECs can also be attributed from the generation of all or any of the following: (1) eligible RE Plants under power supply agreement; (2) Net-metering Facilities; (3) RE Power Plants under the Green Energy Option Program (GEOP); and (4) RE Plants under the Feed-in-Tariff System following the pro-rating allocation provided under the RPS Rules and the REM Rules.

REM commercial operations is contingent on the completion of the preparatory activities identified in the REM Readiness Criteria, which includes the readiness of the RE Market System (also known as the Philippine Renewable Energy

Market Systems or PREMS), the RE Registrar, and the Market Participant, among others. It also requires the approvals of complementing policy and the regulatory guidelines to be issued by the DOE and the ERC, respectively.

Due to the effects of COVID-19 pandemic, full commercial operation of the REM is recalibrated from June 2020 to June 2021. However, this shall not cause any delays to the implementation of the RPS On-Grid Rules since all Mandated Participants are still compliant with their RPS Requirements for the period 2020-2022 (Years 1 to 3) based on their 2019 RPS Submissions.

- (c) **Suspension of Compliance.** The DOE has the authority to suspend compliance of Mandated Participants when there is an occurrence or existence of *Force Majeure* affecting or preventing compliance with their respective RPS requirements (Section 25[d]). Since all Mandated Participants are still compliant in Year 1 based on the simulation results of 2019 RPS Submissions, the circumstances do not warrant the suspension of implementation of RPS On-Grid Rules.
2. Compliance of Mandated Participants with their respective RPS Requirements for Year 1 shall be from 26 December 2020 to 25 December 2021 as stipulated in Section 17(m) of the RPS On-Grid Rules.
 3. RECs shall be issued by the RE Registrar corresponding to generation of eligible RE Facilities for the period starting 2018 and onwards.

As defined in the RPS On-Grid Rules, the RE Registrar, and not the RE Market, is responsible for the issuance of RECs. Pursuant to Section 17(g) of the RPS On-Grid Rules, the issuance of RECs “shall commence at Year 0 and correspond to the dispatch of Eligible RE Facilities at Year 0. The issuance of RECs shall continue thereafter”.

RECs issued shall be valid for three (3) years based on its certificate identification number (Section 17[f]). However, the RE Registrar will issue RECs only upon the commercial operations of the REM which is targeted in June 2021. Hence, once this target date occurs, RECs corresponding to the 2018 generation of RPS-eligible Power Plants shall still be valid until June 2024.

Pending the commercial operations of the REM and the operationalization of the PREMS, the RPSCT shall determine the compliance level per Mandated Participant based on submitted RPS Forms with corresponding Notarized Affidavit attesting to the veracity of data and information indicated therein. In the meantime, both the DOE and PEMC shall have their respective monitoring of compliance levels of Mandated Participants (Section 20[b]).

For Mandated Participants in Off-Grid Areas:

1. Compliance Year 1 of the RPS Off-Grid Rules is hereby suspended until the following issues are resolved:
 - (a) Identification of the entities referred to as the “successors-in-interest” of NPC-SPUG;
 - (b) Determination of RPS Requirements per Mandated Participant using internationally accepted optimization software;
 - (c) Establishment of guidelines and parameters for setting the Optimal Supply Mix in Off-Grid and Missionary Areas as defined in the Missionary Electrification Development Plan (MEDP); and
 - (d) Competitive Selection Process (CSP) Guidelines when a Mandated Participant plans to displace entire or portion of its contracted energy supply with the Distribution Utility (DU) from conventional to RE Sources by opting to construct its own RE Facility or enter into power supply agreement/s for its compliance with the RPS Off-Grid Rules.

2. The Department is in the process of constituting a Technical Working Group to discuss and firm up matters to resolve the above-mentioned issues including but not limited to the following:
 - (a) Identification of technical constraints in RE integration to DUs’ system;
 - (b) Establishment of guiding principles in dealing with the possible stranded contracts of DUs and stranded assets of the mandated generators that may result thereto;
 - (c) Review and operationalization of the compliance mechanisms; and
 - (d) Development of regulatory framework by the Energy Regulatory Commission to ensure objectives of the RE Act is achieved.

3. The Department’s schedule of virtual training activities for the determination of RPS Requirement per Mandated Participant using Simplified Planning Tool (SPT) pursuant to Section 8(c) of the RPS Off-Grid Rules is set for the last quarter of 2020.

For further clarifications and queries, you may contact Director Mylene C. Capongcol of the Renewable Energy Management Bureau at 8840-2268, 8479-2900 local 207 and/or remb9513@gmail.com.

For everyone’s guidance. Thank you.

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